# KPMG

# KPMG global insights pulse: the need for GBS maturity

Global organizations in every sector are actively pursuing strategies to increase the maturity of their global business services (GBS) operations, and deliver tangible improvements in performance and competitiveness above and beyond the historical benchmark of merely reducing operating costs.
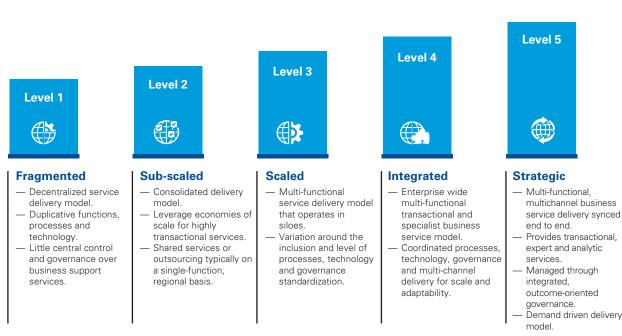
Among the array of potential improvement options, a focus has intensified on three areas — leadership, governance and technology — as critical levers in the drive toward greater GBS maturity.

Key findings from KPMG's 2016 global insights pulse survey on the trends and technologies driving GBS maturity indicate that the roadmap to success requires strategic initiatives designed to:

— Establish and define the role of a CXO level GBS executive leader.

— Improve organizational capabilities for optimal GBS governance.

— Adopt and exploit opportunities that robotics process automation (RPA) and advanced cognitive technologies offer to enhance GBS maturity.

## Five levels of GBS maturity

Organizations evolve toward GBS maturity at much different rates, creating a diverse picture that can be broken down to reflect five levels of maturity, each possessing key characteristics:

## Driving GBS Maturity

**Level 1**

**Level 2**

**Level 3**

**Level 4**

**Level 5**

**Fragmented**
— Decentralized service delivery model.
— Duplicative functions, processes and technology.
— Little central control and governance over business support services.

**Sub-scaled**
— Consolidated delivery model.
— Leverage economies of scale for highly transactional services.
— Shared services or outsourcing typically on a single-function, regional basis.

**Scaled**
— Multi-functional service delivery model that operates in siloes.
— Variation around the inclusion and level of processes, technology and governance standardization.

**Integrated**
— Enterprise wide multi-functional transactional and specialist business service model.
— Coordinated processes, technology, governance and multi-channel delivery for scale and adaptability.

**Strategic**
— Multi-functional, multichannel business service delivery synced end to end.
— Provides transactional, expert and analytic services.
— Managed through integrated, outcome-oriented governance.
— Demand driven delivery model.

KPMG maturity assessments and financial analysis of over 200 organizations' GBS operations show that companies performing at Levels 4 or 5 typically achieve 2-to-4-percent higher return on equity (ROE); about 2-percent-higher EBITDA and 15-to-25-percent lower SG&A/revenue[1].

## GBS executives are facing significant challenges that demand solutions

A well-managed GBS organization can potentially drive measurable improvement and generate business value that transcends cost reductions and savings by:

— Increasing the effectiveness of services offered.

— Providing a better customer experience.

— Expanding and synthesizing data analysis for faster. better decision-making.

— Improving supply and service chain efficiency and reinforcing overall regulatory compliance.

While more GBS executives today are recognizing these potential benefits, most are struggling to solve complex and pressing challenges on the road to maturity. The six biggest challenges were identified as:

## The six biggest challenges facing GBS executives



| Challenge | 1Q16 | 3Q14 |
|---|---|---|
| Enabling end-to-end process ownership | 52% | 61% |
| Securing executive level support to adopt and/or expand GBS | 45% | 35% |
| Performing governance globally across all GBS processes | 44% | 43% |
| Enabling an integrated IT model, systems and applications to support GBS | 43% | 49% |
| Evolving GBS focus from cost savings to strategic business value | 42% | 52% |
| Expanding and integrating GBS operations across processes and functions | 41% | 43% |

■ 1Q16  ■ 3Q14

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[1] Source: KPMG, *GBS Maturity Research Study*, 2014–2016

These challenges continue to create barriers to driving higher levels of GBS maturity. They are also placing new importance on the need to establish a strong, well-defined GBS executive leadership role.

Most GBS groups remain organized and managed by function or geography. In fact, functional or geographic GBS leadership reports to a single global GBS executive role in fewer than 10 percent of organizations[2]. While this is a common legacy model and adequate to gain lower levels of GBS maturity, it limits the ability to take GBS maturity to the highest levels.

## Governance best practices for GBS maturity

Good governance (i.e. managing collective retained, shared services and outsourcing efforts to ensure key business goals are met) that's combined with intelligent change and program management is deemed critical to success for GBS organizations pursuing meaningful and measureable business outcomes that transcend mere cost savings.

Two leading considerations cited today to drive GBS maturity are defining clear governance roles and responsibilities, and establishing end-to-end global process ownership and accountability.
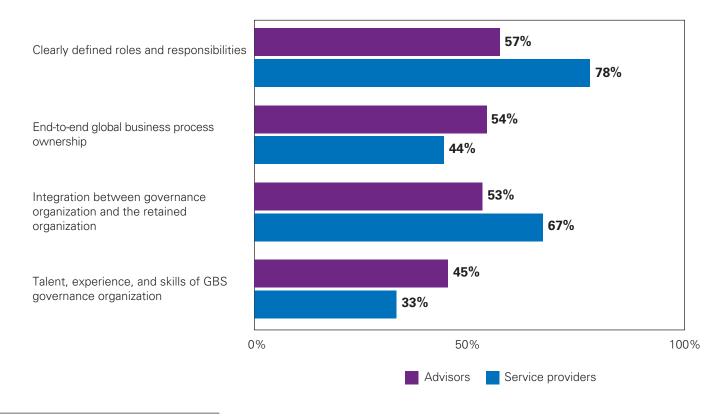
> Bringing GBS services into one organization that operates under one accountable executive leader is crucial in maximizing efficiency and effectiveness and driving greater business value.

**David Brown**, Global Head
Shared Services & Outsourcing Advisory (SSOA)

> In an integrated environment, the need to have clearly defined roles, responsibilities and hand-offs in your governance environment are extremely significant for success.

**Liz Evans**, Managing Director, Shared Services and Outsourcing Advisory, KPMG in the US

## Top considerations for a successful GBS governance organization

| Consideration | Advisors | Service providers |
|---|---|---|
| Clearly defined roles and responsibilities | 57% | 78% |
| End-to-end global business process ownership | 54% | 44% |
| Integration between governance organization and the retained organization | 53% | 67% |
| Talent, experience, and skills of GBS governance organization | 45% | 33% |

■ Advisors   ■ Service providers

[2] Source: KPMG, *GBS Maturity Research Study*, 2014–2016

Unfortunately, governance is a perennial challenge to the success of shared services and outsourcing efforts. To complicate matters, the bar of what constitutes 'best in class' GBS governance is constantly rising. Even as organizations improve, they often remain unable to keep up with more advanced GBS efforts designed to capitalize on advanced and emerging technologies.

Another key challenge cited about GBS governance efforts is a fundamental lack of governance maturity and capabilities at a level required to support existing GBS efforts.

> There's misalignment between, for example, rising business customer expectations — things like technology deployment, easy access to information, understanding performance and being treated like a customer — and the experience and ability of GBS organizations to manage and deliver all of that. It's a huge challenge because you need a solid strategy, not only for your operations environment and how you govern that, but also how to govern your business relationships.

**Liz Evans**, Managing Director, Shared Services and Outsourcing Advisory, KPMG in the US

## Technology's rapid advance is creating unique new challenges

Many of the basic forms of process automation in use today — from optical character recognition and business process management to screen scraping and beyond — are not new. But the pace of technology's advancement has been rapid — and continues to accelerate dramatically.

"Technology is evolving quickly and only intensifying the need to pursue change with a much greater sense of urgency," said David Brown. "Not only have we broken traditional outsourcing arrangements into smaller players and niche players, creating new demands and issues, but now we're adding the complexity of digital labor automation, where advancements can leave firms confused in terms of responding quickly and strategically."

Timelines might vary, but there's no disputing the need to develop and activate smart initiatives now or risk falling behind. Organizations that are struggling to move ahead cite automation challenges that include:

— Determining where to deploy RPA technologies and where to start.

— Inconsistent, non-standard business processes that make broad automation impractical or costly.

— The inability to build a compelling business case.

— A lack of budget or skills to proceed with initiatives.

"This is an area that's going to hit companies a lot faster than people realize," Brown noted. "It is coming very fast and organizations need to be prepared. But they also need to recognize exactly where and how they are already doing things in the area of RPA, and how to coordinate modernization efforts to avoid creating a bunch of technology siloes." It will be important to look at common platforms and systems, and to approach things strategically rather than reactively.

Firms maintaining an improvised or reactive approach that lacks an integrated long-term view are putting themselves on a risky trajectory that could prove very costly.

Early adopters of emerging RPA and cognitive technology will certainly position themselves to be 'better, faster and cheaper' in the race to market. And as they gain market share, they become better-positioned to invest in the next generation of process automation and cognitive solutions, and maintain or improve competitive advantages.

The good news for firms today is that the cost of acquiring and implementing enabling technologies like RPA is easier to manage than, for example, the massive shift to enterprise resource planning (ERP) systems that for some large firms had a price tag worth hundreds of millions of dollars.

> We are seeing that now, firms are putting one technology piece or solution in place that's not connected as it should be to others. Things can unravel quickly when you do that, when you ignore all of the interfaces required and the need to maintain workflow and operations. You need to do the homework now to understand and respond in ways that will provide smart solutions that benefit the whole enterprise.
>
> **David Brown**, Global Head
> Shared Services & Outsourcing Advisory (SSOA)

## Driving GBS maturity today demands strategy and vision

The bottom line is that organizations possess a variety of levers to help drive GBS maturity and deliver meaningful business benefits that transcend mere cost savings, including:

— Moving toward global, CXO-level leadership for GBS.

— Driving end-to-end process ownership tied to global GBS governance efforts.

— Leveraging key technologies such as RPA, data and analytics.

— Prioritizing investments into GBS governance — people, processes and technologies — to get ahead of the curve rather than constantly catching up.

— Ensuring GBS governance value is measured in terms of business outcomes, not just savings.

— Driving process automation maturity by defining a roadmap and prioritizing investment in efforts and technologies that can maximize business value.

— Recognizing white-collar job loss as inevitable as automation increases, and taking proactive steps to address it constructively.

"Driving measurable business value that goes above and beyond cost savings should be a prime goal of efforts to improve GBS maturity," said Brown. "A centralized approach is the only practical and intelligent structure for GBS organizations hoping to overcome challenges and impediments and sustain success."

To learn more about enhancing your GBS maturity and the potential strategies to implement throughout your organization, please contact:

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