

Governance in global business services

Delivering business value seamlessly

According to KPMG research¹, Global Business Services (GBS) organizations rate their governance aspirations at 3.62 on a five-point scale, but their actual performance at only 2.52. While it's clear they need to improve their governance capabilities, governing individual GBS components – outsourcing efforts, internal shared services, and integration with the retained organization – is challenging in itself, and driving governance across all these elements in an integrated manner is even more challenging. But the benefits of doing so are significant, and a necessity for driving GBS maturity.

Governance has always been critical to realizing the benefits of alternative service delivery models, such as shared services and outsourcing, and it's even more important today in an integrated GBS model.

The value of GBS is the integration between and across different channels, functions and processes. That's why GBS requires a different level of governance and a different governance operating model to ensure that business value is delivered seamlessly.

GBS governance necessitates a new understanding of the links and handoffs between outsourced functions and internal shared services functions, and between centers of excellence and policymaking groups as part of the end-to-end process. Deciding how to govern in this environment requires an understanding of the end-to-end process or service being delivered, the handoffs, the control points, the costs, and the performance.

Enterprise service governance defined

Enterprise service governance is an integrated way of working that engages stakeholders and delivery channels to effectively manage risk and drive the intended business value of GBS. Enterprise service governance focuses on how decisions are made and enforced in a dynamic business environment. As organizations move up the GBS maturity curve, governance becomes a critical component of success when managing across delivery channels in an integrated manner.

What is GBS?

Global Business Services 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.

¹ KPMG, GBS Maturity Research Study, 2014-2016

As there are different nuances and synergies in every GBS environment, governance cannot be a one-size-fits-all proposition. It needs an appropriate, scalable level of discipline. The premise should be to avoid bureaucracy while leveraging the discipline that supports collaboration, mitigates risk, and accelerates an organization's GBS maturity.

Delivering business value

Getting governance right can improve business outcomes and deliver quantifiable business benefits, including the ability to:

- **Elevate GBS as a commercially savvy business entity.** Governance is the lever that establishes formalized and consistent business relationships, and provides insights and opportunities through access to and visibility of data.
- **Stop value leakage.** Delays in handoffs and issue resolution cause value leakage in a GBS model. Effective governance helps the organization understand how to work together smoothly, how to continuously improve, how to better manage end-to-end processes, and how to measure the right things so that GBS efforts can reach their full potential.

Case in point: Employee onboarding involves human resources, finance, and information technology functions working together to help new employees become productive quickly. Good governance makes the process more efficient by helping ensure that all functions speak the same language and have a clear understanding of their roles. For example, each function knows the metrics against which it will be measured, because the metrics were developed in concert with other functions. Each function has the information visibility it needs to act, and understands its decision rights, escalation process, and accountability. Importantly, each function views new employees as end customers receiving measurable services that produce quantifiable business value.

- **Drive better alignment.** Governance is a hub of information that GBS leaders can leverage to maintain alignment between business needs and the services being provided. In this way, an effective governance process can drive better alignment among business expectations, services, and services performance.

– **Create successful new GBS services.** Governance is integral to helping ensure the success of new service offerings. For example, when a GBS organization decides to offer employee onboarding as an end-to-end service, it's governance that defines what it means, how it's done, how it's monitored, and how it's reported.

What good looks like

KPMG's analysis of interviews with 200+ global firms,² running mature GBS organizations demonstrated the following factors are required for successful enterprise service governance:

- **Alignment of governance and business strategy.** Leading GBS organizations first ask how their global services portfolio can drive the business strategy, then build the right governance organization to make it happen. This means they develop a team with the right skills, reporting relationships, communications, and escalation paths.
- **Executive process ownership.** Having senior executive management as overall process owners is one of the most critical factors in driving end-to-end value and consistency.
- **Alignment of GBS performance with compensation.** Tying senior management compensation to GBS performance can help drive a common set of business and GBS objectives.
- **Technology enablement.** Mature GBS organizations have tools for management reporting, business alignment, performance management, benchmarking, and notifications across geographies.
- **Operational and cultural integration.** Mature GBS organizations ensure that all parties – including internal and external resources throughout the world – are integrated operationally and culturally.
- **Vendor management organization (VMO) operating model.** Effective vendor management has the potential to drive significant cost savings, value capture, and risk management for an enterprise. Leading organizations have implemented VMOs charged with executing to a set of enterprise objectives. Figure 1 shows the six key areas in which effective VMOs define and establish capabilities.

²KPMG, GBS Maturity Research Study, 2014-2016

Figure 1 – the foundational components required to execute an effective and efficient VMO operating model



KPMG's GBS framework is optimized and enabled by 10 dimensions



Critical questions to consider about governance:

- How are you going to reorient your organization from the current focus on functions to a focus on services and processes that can deliver more robust and scalable services to your business customers?
- What is the mechanism that will allow you to do that?
- Where do you start? Can you leverage existing pockets of good practice, such as successful third-party outsourcing relationships?
- What is the right governance model? What are the core elements and roles of this model?
- How does GBS governance relate to corporate governance? Is it a peer or a subset?
- How do you integrate the governance of your existing third parties and internal shared service functions to enterprise service governance in a GBS environment?

How KPMG can help

KPMG recognizes that today's enterprise business services leaders face increasingly complex demands and challenges.

Globally integrated teams from our Shared Services and Outsourcing Advisory (SSOA) practice, in seamless partnership with professionals from KPMG International's broader set of member firm capabilities in risk, transactions, tax, and compliance, help our clients transform their business services to deliver improved value, increased agility, and sustainable business performance.

If your organization is seeking innovative ways to achieve genuine business services transformation, KPMG SSOA can help. For more information, there's no better place to start than by accessing our research and thought leadership on the [KPMG Shared Services and Outsourcing Institute](#).

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