



The GBS Payoff

Leaders drive the metrics that matter



Enterprises employ Global Business Services (GBS)—a next-generation operational and organizational model to deliver business processes—for multiple reasons, including cost reduction, agility, process excellence, business insights, and operational risk mitigation. Those with more mature GBS organizations have demonstratively driven greater financial performance—to the tune of tens of millions of dollars—by properly activating the right levers.

KPMG International has been conducting detailed research with GBS organizations worldwide for the last 18 months to understand levels of maturity, the impact of specific activities on driving maturity, and the relationship between maturity and other operating characteristics on overall financial performance.

To understand the correlation between GBS maturity and the levers that enable enhanced financial outcomes, KPMG began by surveying and analyzing more than 200 GBS organizations worldwide using a proprietary tool that examines 70 characteristics across 10 competencies of GBS excellence (see Figure 1.)



Figure 1

The categories, from Beginners to Masters

KPMG then segmented the analyzed GBS organizations into four distinct categories by plotting their overall GBS maturity on one axis, and their functional and geographic footprints – the two best predictors of overall financial performance and GBS-driven business outcomes – on the other (see Figure 2.)

Following are brief descriptions of the categories.

Beginners

Beginners are just starting out on the shared services/GBS journey, have immature processes, and lack functional scale. Services are provided mainly in the retained organizations, such as supply chain and financial management.

Conservatives

Conservatives expand geographically and functionally before having a strong process, technology, or governance framework. This may be due to strong management-oriented functional biases and functionally siloed shared services delivery.

GBS maturity significantly impacts financial performance

Once the category segmentation was complete, KPMG compared how two key financial performance indicators vary between the segments: Sales, General, and Administrative (SG&A) growth as a percentage of

Focused

While GBS organizations in this segment have put in place many of the levers and infrastructure to drive higher performance, they often run the risk of devolving because they haven't optimized economies of scale and efficiency. They have generally focused on building out one or two functional areas and the end-to-end processes within them, but subsequently run out of incremental cost savings opportunities.

Masters

Masters have optimized most, if not all, elements of their strategy that align with their enterprises' overall goals for GBS delivery, as well as across all 10 dimensions that characterize GBS maturity. They provide a significant array of end-to-end services that span multiple (often more than five) functions, and do so from a global delivery platform.

revenue, and the Cash Conversion Cycle (CCC) changes between the year of each GBS organization's establishment and the end of 2015. (CCC is a liquidity metric that quantifies the days it takes to convert working capital resources – inventory, receivables, payables – into cash flow.)

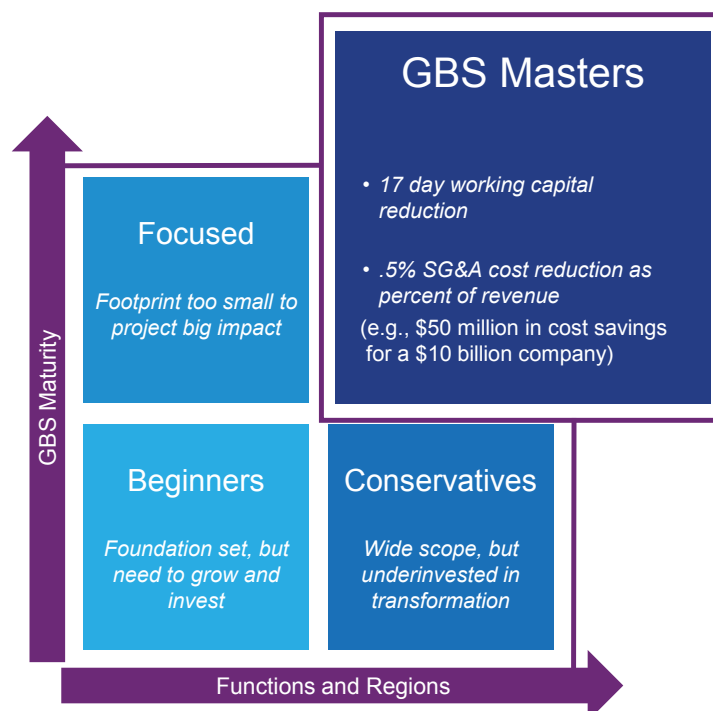


Figure 2

Figure 2 shows how working capital (as represented by CCC) and SG&A expense as a percentage of revenue are impacted as GBS organizations become more mature. From an expense reduction perspective, Masters have averaged .5 percent of sales reduction in SG&A costs since adopting GBS (e.g., \$50 million in cost savings for a \$10 billion company). For these same companies, cash recovery from working capital is accelerated by 17 days. As a point of comparison to Masters, the focused segment, which has suboptimal geographic and functional scope, has a .6 percent increase in SG&A, and only a 1.6 reduction in cash conversion cycle. GBS leaders and advisors have long espoused the benefits of leveraging scale and expertise across the back office, but have typically cited hypotheses or narrow anecdotal evidence in support of a GBS value proposition. However, through this study, KPMG was able to test those hypotheses with years of empirical data for a large population of GBS organizations across key metrics relevant to the GBS vision.

GBS levers to pull to enhance financial performance

Following are KPMG's recommendations on actions GBS organizations in each of the four categories can take to achieve increasingly stronger financial outcomes for the enterprises they support.

Beginners

The focus for Beginners is to provide a solid foundation from which to build:

- Establishing the right service portfolio mix, priorities, and two-year roadmap; building delivery capability in leveraged centers (captive and/or outsourced); and aggregating and standardizing services
- Strengthening the enabling technology platforms.

While it's true that these are often difficult and costly activities, they are fundamental to executing a long-term strategy that generates positive and sustainable return on investment (ROI).

Conservatives

Although it's difficult for the few organizations in this category to drive a common, foundational technology and process platform, factors they can consider optimizing to help reap financial advantages, while keeping investments to a minimum include:

- Change management in order to identify and implement a process excellence program
- Overall governance to coordinate and/or simplify the geographically and functionally-siloed delivery network
- Process focus around one or two key functions in order to incrementally improve maturity.

Focused

The three levers these GBS organizations can pull to contribute to financial performance are:

- Focus on a commercial orientation, a relatively inexpensive and powerful way to build consensus and GBS brand across more parts of the organization.
- Build process excellence to enable cross-functional process delivery and automation for new competencies brought into the GBS organization. This will accelerate the speed of integration of new services and functions
- Utilize end-to-end process ownership to drive operational accountability and improvement, particularly when multiple delivery channels (shared services, outsourcing, centers of expertise, corporate and business-embedded resources) are in place to eliminate territorial barriers and enable change that may be required to meet higher level business objectives.

Masters

There are three ways in which GBS Masters can contribute to their organization's financial impact:

- Emphasize data and analytics as a service to provide a leverageable capability the organization can tap for value added-analysis in marketing and sales, financial performance, talent and workforce management, research & development, and operations.
- Place unrelenting focus on talent management to deliver higher value activities and a wider scope of services, and to be a source of talent for the broader organization.
- Consider disruptive technologies. Masters have likely invested in developing and implementing common, or at least harmonized, technology platforms. But for most, newer disruptive technologies such as robotic process automation (RPA) and cognitive computing, while nascent or largely unexplored, offer breakthrough opportunities in process performance and efficiency. KPMG estimates that widespread use of RPA and cognitive computing can more than double the financial benefit highly mature GBS organizations realize, from 2 percent to over 5 percent reduction in SG&A expense.

Critical considerations for driving GBS maturity and financial performance

GBS isn't a one-size fits all model. The impact of actions taken vary significantly by segment. Carefully prioritize the actions with the greatest impact based on your company's current levels 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 like SG&A reduction, working capital improvement, leveraged expertise, and other business outcomes. Be comprehensive in identifying and communicating a broad value proposition to executive management.

Scale and geographic scope within a GBS organization is critical to overall financial performance. Stunted scale means reduced benefits. Building an overall governance and process delivery infrastructure to support scale is a first order priority.

Four maturity-driving factors deliver the greatest long term benefits: delivery and sourcing strategy, process excellence, talent management, and the use of data and analytics.

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's capabilities in risk, transactions, tax, and compliance, help clients transform

their business services to deliver improved value, increased agility, and sustainable business performance.

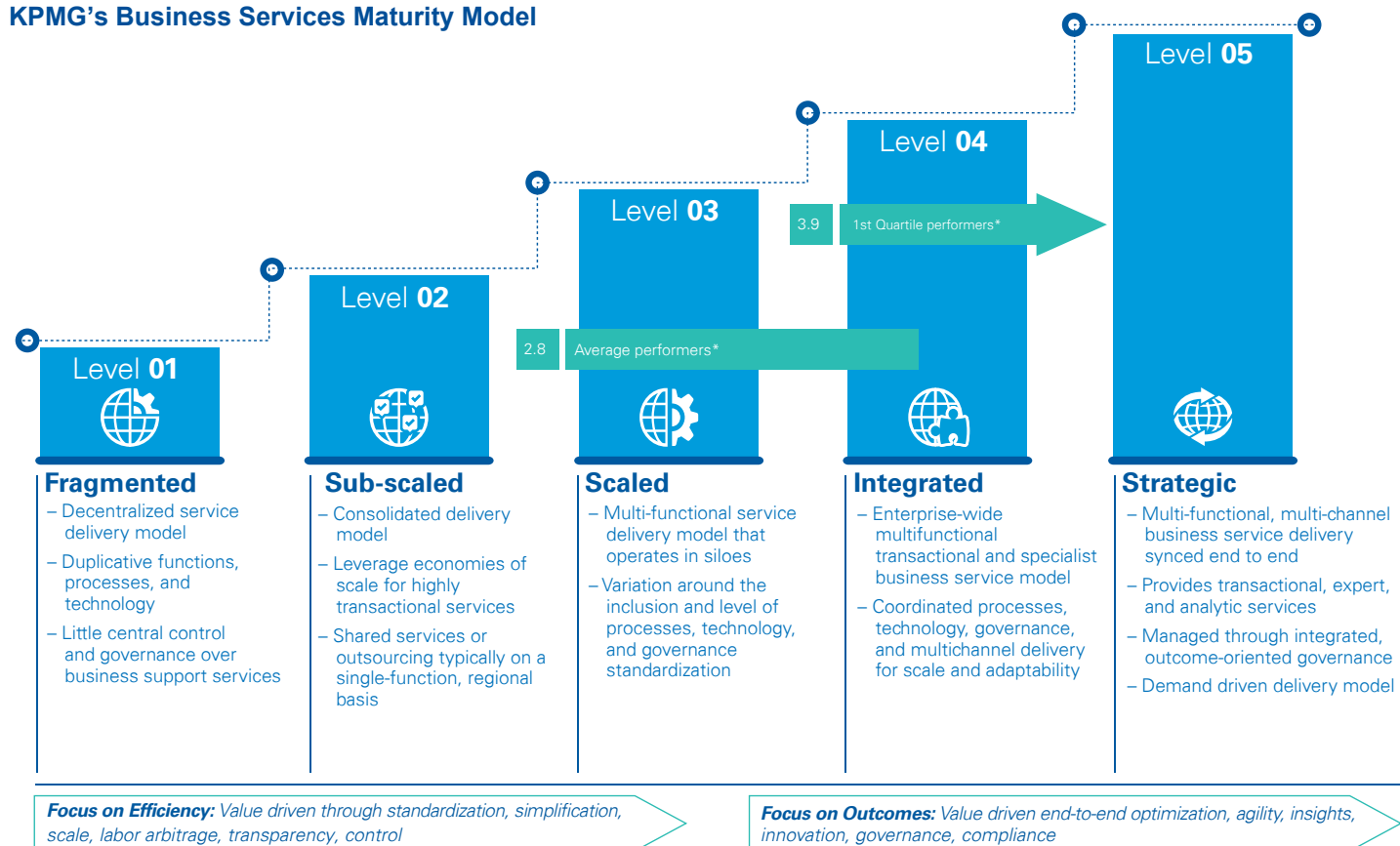
If your organization is seeking innovative ways to achieve genuine business services transformation, KPMG SSOA can help. For more information, there's no better place to start than by accessing our research and thought leadership on the [KPMG Shared Services and Outsourcing Institute](#).

KPMG's GBS Maturity Assessment Program

Since 2011, KPMG's Shared Services and Outsourcing Advisory (SSOA) practice has been conducting an ongoing, survey-based research study into the maturity of Global 500 and Fortune 1000 companies' GBS efforts. To date, more than 200 organizations have participated in the survey.

The survey evaluates each participating organization against 10 different dimensions to determine in which of the five KPMG-defined levels of maturity it currently resides.

KPMG's Business Services Maturity Model



* KPMG Survey of 160 SSC/GBS organizations

After KPMG's analysis of the survey results, each participant receives not only a research report that discusses the aggregate results of all organizations surveyed, but also a customized GBS maturity benchmark analysis based on over 60 metrics, and targeted recommendations on how to push the levers to drive their GBS maturity aspirations within their own company.

To learn more about KPMG's GBS maturity model and GBS maturity assessment research program, please go [here](#).



For more information on this paper, or related GBS maturity topics, please contact:



Rick Bertheaud
**Principal, Advisory, Shared
Services and Outsourcing**
KPMG LLP
T: 413-427-9952
E: rbertheaud@kpmg.com



Don Ryan
**Director, Advisory, Shared
Services and Outsourcing**
KPMG LLP
T: 774-269-1160
E: donaldryan@kpmg.com

kpmg.com/socialmedia

