The new normal for global business services: digital disruptors drive an "as-a-service" capability

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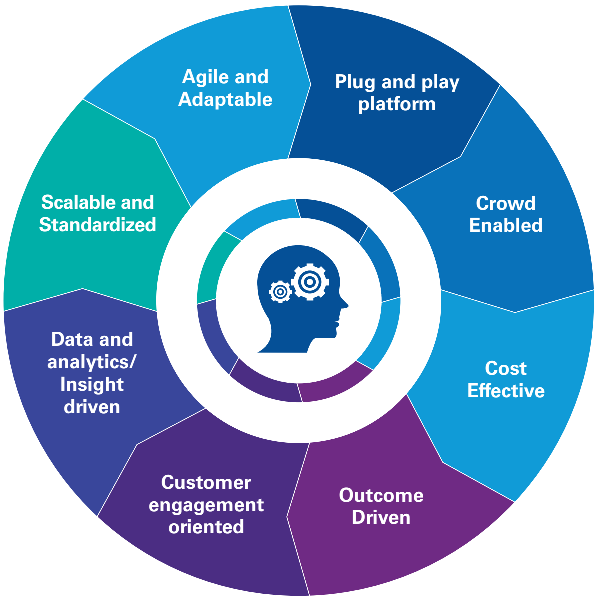
Today's enterprises are moving to a higher level of value and performance for the delivery of their business services. They are still looking for traditional shared services and outsourcing objectives of reducing costs and maintaining service quality and control, but now they need to get more out of their business services organizations by focusing on more comprehensive business value rather than just efficiency.

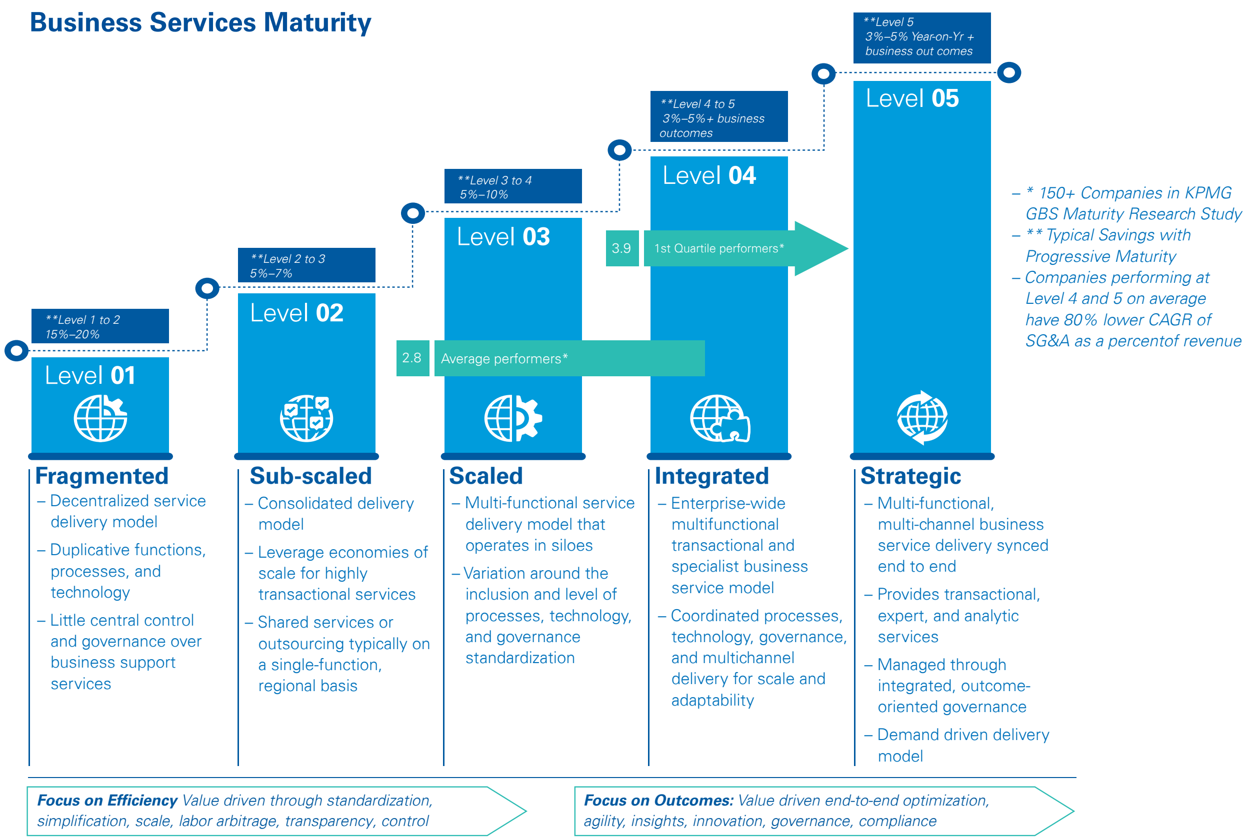
Forward-thinking business services organizations are responding to the demands of their customers by taking on the attributes of an "as-a-service" economy they have grown accustomed to in their everyday lives.



The more advanced enterprises are using global business services (GBS) delivery models with "as-a-service" attributes. Most mature GBS organizations deploy a combination of outsourced and internal captive capabilities to deliver end-to-end transactional and expertise-based services. KPMG research across over 150 companies has shown that increased GBS maturity has a 75 percent correlation to increased ROE by 2 percent to 3 percent and higher EBITDA margins by 1 percent to 2 percent. More directly, more mature GBS organizations tend to shrink sales, general, and administrative (SG&A) expenses as a percent of sales by almost two percent a year relative to their less mature counterparts and have improved working capital performance.

Beyond pure financial gains, properly designed and implemented GBS environments can help enterprises proactively deliver new insights about the business; connect players in one global network for knowledge sharing and collaboration; improve the customer experience; and allow for "plug and play" adaptability to changing business conditions.

Business Services Maturity



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Robotics
Disrupts traditional offshore model

– Autonomics
– Cognitive Computing
– Artificial Intelligence

Cloud
Disrupts traditional ERP model

– Software as a Service
– Internet of Things

Social and Mobile
Disrupts traditional buy-sell relationship

– Mobility Solutions
– Social Media/Collaborative Technologies

Data and Analytics
Disrupts traditional transactional shared services model

– Business Intelligence
– Analytic Tools
– Advanced Competencies in Data Science

Key Digital Disruptors

Four digital disruptors are driving how organizations are transitioning to an "as-a-service" model. The impact of these disruptors is just beginning to be felt and will continue to drive significant change in service delivery over the next five years.

Robotics/Automation include advanced automation, digitized knowledge labor, and other areas known as Robotic Process Automation (RPA). This technology is disrupting traditional offshore outsource and captive models by displacing cheap labor by even cheaper software that can also improve service quality. There are currently 240 million knowledge workers who create a $9 trillion segment in the global workforce. Digital change and automation is expected to impact more than half of these jobs with projected labor cost reduction estimates ranging between 40 percent and 75 percent.

Enterprises are already deploying and leveraging this technology at call centers and to support low-level business processes. A major telecom provider has replaced more than 1,000 full-time employees (FTEs) with RPA software "robots" over a six-month trial period. Initial projections suggest that each robot can perform activities equivalent to three FTEs.

Cloud/Integration technology is disrupting traditional, highly integrated ERP systems, breaking apart the enterprise software stack and augmenting existing systems of record with cloud-based systems of engagement. Adoption of cloud technologies along with other integration technologies is helping to solve the age old problem of how to operate effectively in a business services environment across multiple ERP instances.

Cloud deployments can dramatically reduce the time to install, upgrade, and customize processes and software, reducing overall operating expenses and enabling cost savings to be reinvested to support growth. Cloud also offers scalability, speed to market, and centralization to coordinate and manage applications across various devices.

Leading companies are adopting cloud models not only to reduce costs but also to leverage the cloud's agile delivery model to transform their business. A leading motor club in North America has implemented multiple cloud-based applications for membership subscription and subledger tasks. The motor club has significantly reduced finance and accounting costs by leveraging offshore resources with cloud-based tools to minimize asset and human capital investments. Furthermore, reliance on legacy platforms has been reduced through solutions that are more easily configurable, support greater consistency in business processes, and ensure faster implementation time frames.

Data and Analytics is disrupting the traditional shared services model limited to only providing transactional-based services. Companies are now building Centers of Expertise with data and analytics capabilities to offer not only enhanced services but also improved insights, outcomes, and solutions. Data and analytics can also be used with business intelligence technology to develop virtual data warehouses, advanced visualizations, and other capabilities to meet increased competition and growing customer demands.

Facing a torrent of data, many organizations are turning that data into insights that can drive measurable business outcomes. A global financial services institution requires a quarter of its IT resources to focus on data issues, including running up to 30,000 experiments a year to test the success of new products and programs. This has resulted in an 87 percent reduction in customer retention costs and an 83 percent reduction in the cost of acquiring new customers.

Social and Mobile technology has disrupted the traditional "buy-sell" customer to provider model and replaced it with an approach focused on customer engagement management—defined as all the processes a company might use to identify, monitor, organize, and enhance every interaction between a customer and the organization throughout the customer lifecycle. Changes can include the creation of a more integrated enterprise model for service management through a digital storefront; leveraging mobile devices and the Internet of Things; and gathering more data to be interpreted through analysis and related mechanisms such as cognitive computing.

A computer storage and data management company has leveraged mobile applications and social media to completely revamp the employee onboarding process and create an improved mobile digital experience. This brings a personalized touch to hiring that is not limited to processing paperwork. This customizable solution has not only removed silos between different functions such as IT and HR but also improved communication and services for new hires.

As a final note, the impact of these disruptors will continue to grow as each one is integrated and used in conjunction with the others, adding value and enhancing business services and service delivery. Buyers of services are progressively waking up to the benefits. Providers who fail to keep pace, clinging to antiquated labor based offshore and legacy technology models, will quickly become irrelevant.

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