



GBS growth beyond the back office

**KPMG Global Insights Pulse
Q3 2016**

KPMG International

kpmg.com



Across the globe, companies are moving toward a Global Business Services (GBS) model to deliver core business processes such as Finance and Accounting (F&A), Human Resources (HR), Information Technology, Sourcing & Procurement and internal customer care.

Uptake in GBS continues to accelerate as organizations focus more on internal process improvements and use of automation technologies over traditional outsourcing. While many organizations originally looked to GBS as a method to drive process efficiencies and reduce costs, a mature GBS organization can deliver far deeper benefits with effects felt across the business.

KPMG's 3Q 2016 Global Insights Pulse Survey, a quarterly investigation of trends and observations from the front lines of the global business services market, looked at trends in GBS uptake and maturity. While savings and process efficiency remain key factors, findings show that leading GBS organizations share commonalities such as:

- Functional integration of GBS across back office functions
- Using data and analytics to advance the GBS organization beyond purely transactional activities
- Focusing on cross-functional process improvements that make the businesses more relevant, fast-acting, and forward-thinking.

State of GBS shows continued growth and maturation

Uptake of the GBS model continues to grow, especially for larger organizations in North America and Europe, as companies continue to see synergies from bringing together functional areas. The presence of data and analytics services within GBS organizations have also grown substantially since the last survey, especially within the Asia Pacific region, and are increasingly brought in to help maximize the data to grow the top line.

As seen in prior surveys, most GBS groups remain organized by function or geography. *"We still see a lot of organizations that are taking a more measured approach to GBS,"* noted David Brown, Partner KPMG in the US. *"This may include looking at pieces, such as certain regions or integrated business functions; but many are not yet ready to move into a multi-functional GBS organization for a few years."*

Given that process ownership models evolve with GBS maturity, the growth in representation of organizations following the end-to-end process or global GBS management models will continue to accelerate. Improving utilization and leverage of information technology, such as data and analytics and process automation, is also encouraging more aggressive growth in mature organizations than originally predicted.

“ We still see a lot of organizations that are taking a more measured approach to GBS. ”

Finance and Human Resources leading GBS usage

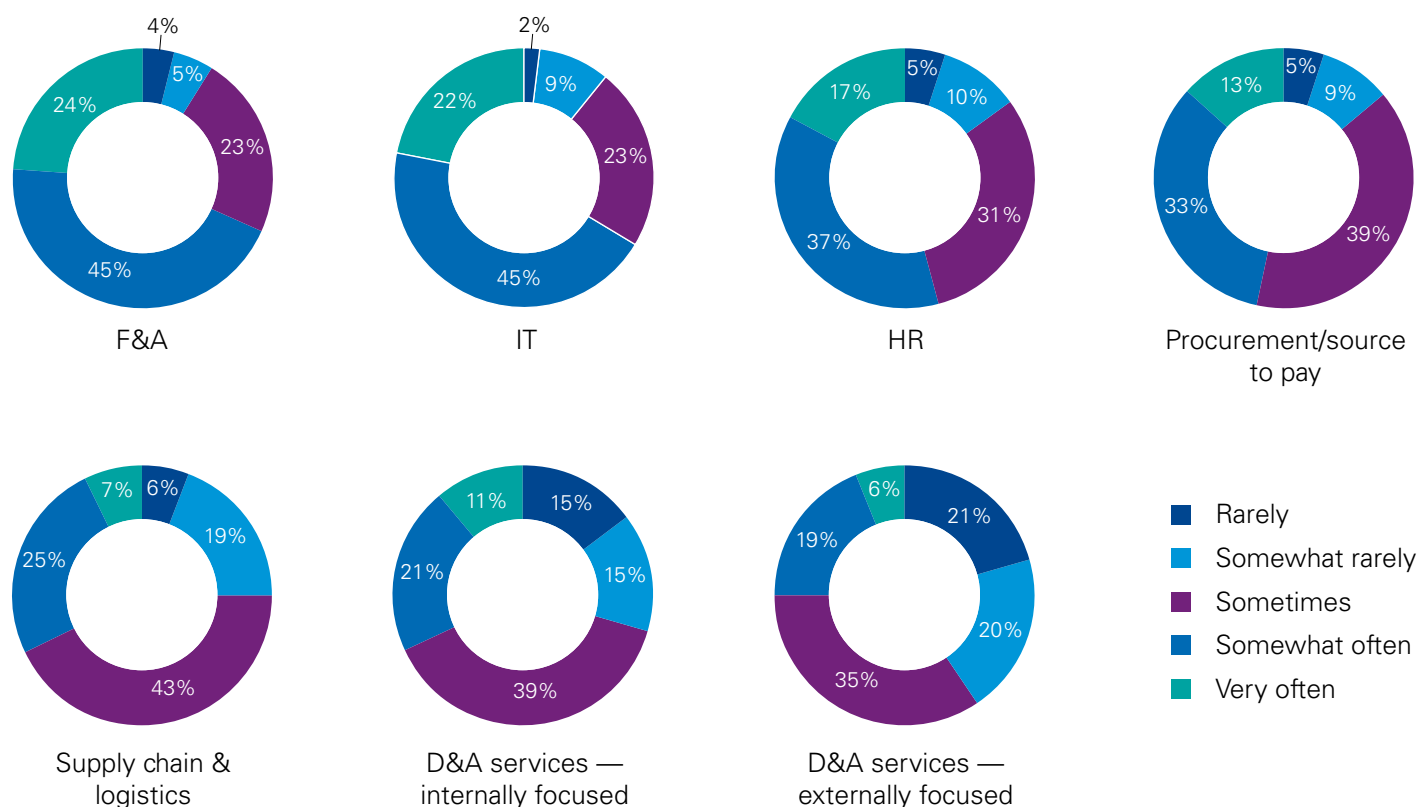
By function, finance and accounting continues to lead GBS usage rates. *“Historically, the use of shared services and outsourcing has been driven by CFOs who see such strategies as a good way to reduce cost base, driving finance’s leading role,”* said Asif Akhtar, Director, KPMG in the UK. *F&A like other areas that move into a GBS function, generally trends to be industry agnostic and not have a direct impact on frontline operations while the CFO sees the benefits of GBS and is willing to take the lead.”*

Human Resources’ inclusion in GBS operations also continues to grow, driven in large part by the powerful effect of workforce analytics. Through a GBS organization, company-wide workforce data surrounding areas such as employee productivity, training, and retention can be effectively connected to company performance and alignment to objectives through use of robust internal analytics.

At the same time, conflict with other HR objectives can slow integration with the GBS model in certain situations. *“Organizations have shown increasing interest in employee experience and how that manifests digitally,”* said Robert Bolton, Partner KPMG in the UK. *“In organizations where they seek to project customer-centric brand values internally, there is concern that a GBS model may limit the HR function’s ability to create and differentiate an experience for employees.”* This concern may lead to some resistance to change.

Though the IT function is not as often seen as a driving force in GBS adoption, IT and related technologies are nonetheless critical components of a successful GBS organization. Process and cognitive automation, digital labor, and machine intelligence are becoming necessary elements that are helping to push GBS maturity beyond administrative processing.

GBS usage by function



Source: KPMG Global Insights Pulse survey, 3Q 2016

Executive support remains critical for GBS governance

While good governance is critical to the success of a GBS organization, many organizations continue to experience challenges successfully enabling it.

Two of the most oft-cited challenges — lack of strategic alignment between GBS and business strategy, and lack of enterprise-wide support for a GBS model — tie directly to executive support and buy-in. *“Organizations need to maintain executive support to continue to drive improvements, whether that is changing how you operate the governance organization, acquiring better tools, or gaining access to more zones of control,”* said Stan Lepeak, Director, KPMG in the US. Complacency was also cited as a too common barrier to further advancement.

Continued challenges are also reflective of maturation within a GBS organization, as what constitutes a best practice is a continually elevated bar. As an organization improves, gains

new tools, and develops greater support from the enterprise, the complexity of both responsibilities and outputs increases correspondingly.

Clearly defined roles and responsibilities for the new governance and operating organization was cited as a top consideration for GBS governance, continuing the trend seen in 1Q16.

Roles within the organization need to be clearly defined not only for internal clarity, but also for communication to those outside the GBS organization to explain the function and its value. As the nature and scope of what the GBS organization manages continues to evolve, so too must the governance roles and their definitions change to reflect the broader scope of activities and value delivered.

Process automation helping push GBS maturity

While process automation is not new, development of enabling technologies — from automation of transactional activities through to artificial intelligence — continues to accelerate.

Although cost reduction remains a core concern for many GBS organizations, others are increasingly citing other benefits of automation, including:

- Ability to free up resources for more strategic activities
- Improved performance/accuracy of activities performed
- Ability to capitalize on “big data” opportunities
- Improved competitiveness.

On the other end of the scale, inconsistent business practices, lack of appetite or budget for process

standardization, and the challenges of unifying disparate IT systems remain top challenges to automation.

Though many GBS organizations currently focus on basic process automation, results show a growing appetite for enhanced automation as companies experiment, run pilot programs, and increasingly deploy these technologies into live implementations. While cost remains prohibitive for the most advanced cognitive automation options, more mature organizations are beginning to turn their attention in this direction.

“I think that we will see significant use of robotic process automation and cognitive enhancement in GBS in future years, to the extent that the initial level for all front-line GBS responses will be through an artificial intelligence.”

— Robert Bolton.

Talent attraction and retention continued pain points for GBS organizations

Attrition in many GBS organizations remains high, with the majority reporting rates between eleven and twenty percent. Though these rates are consistently lower than those in many

shared services organizations or outsourced firms, talent attraction, retention, training and defining career paths for employees remain key points within the GBS organization.

Biggest GBS talent management challenges

Attracting qualified talent



Cultural and language skills challenges when dealing with the retained organization



Defining career paths



Providing adequate and relevant training



Gaining credibility for GBS resources within retained organization



Wage inflation



Attrition



Onboarding



Source: KPMG Global Insights Pulse survey, 3Q 2016

These talent challenges are to be expected, noted Bolton, especially within early-stage GBS organizations focused on administrative processing. As GBS organizations mature and extend into higher-value activities, such as more advanced analytics and casework, some of these challenges may naturally ease. Automation and even cognitive technologies also promise to help by handling many routine processes and early-stage queries, elevating the role of the employee to more advanced tasks.

As GBS organizations continue to mature, so too will their need for more complex skill-sets and higher-order talent. There are concerns that if talent attraction is not addressed now, GBS organizations may face an uphill battle to recruit and retain the right people in years to come. *"The whole nature of*

talent and talent management in GBS is going to change quite dramatically in the next few years," said Lepeak. *"You could have the best practice for yesterday's problem, but not today's."*

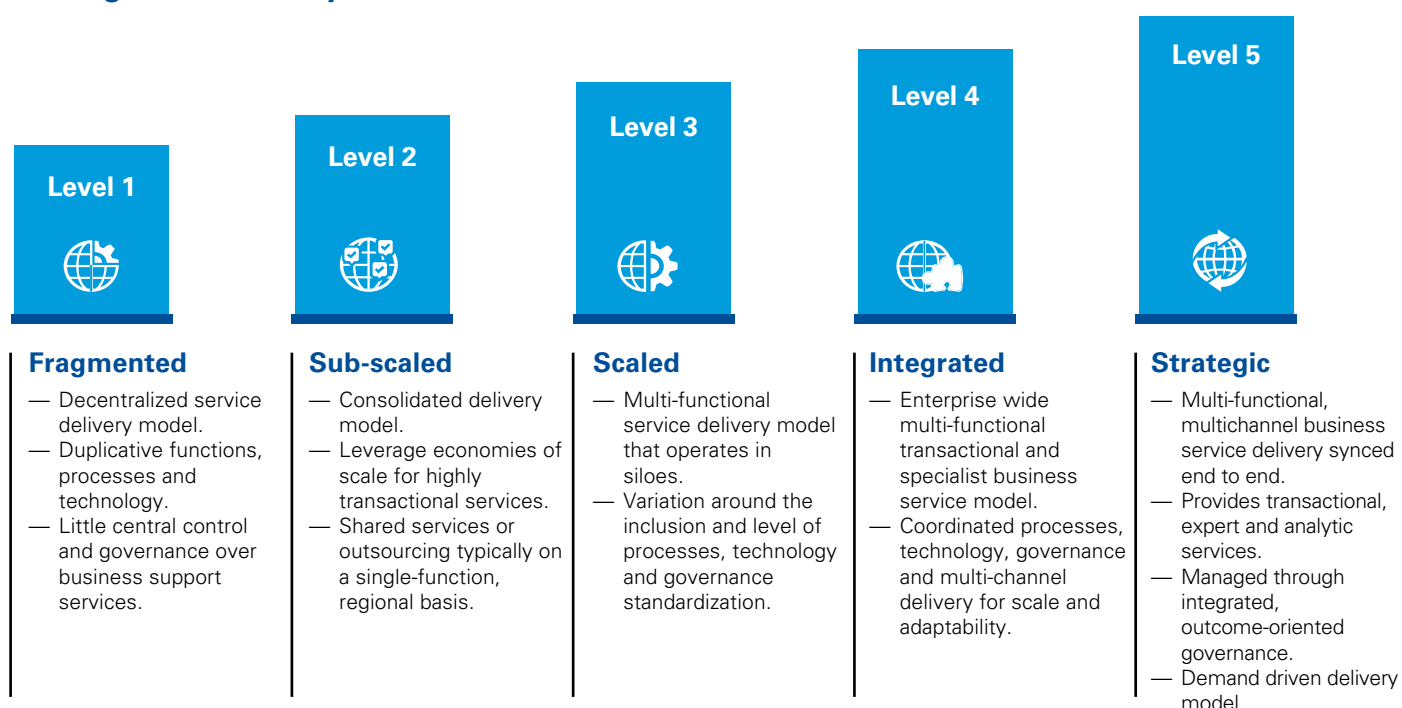
Career advancement is also key point of employee concern. While the structure of the GBS organization takes many early-stage careers in HR, F&A, and more, and relocates them outside their traditional function, GBS also presents unique career opportunities, including the opportunity to work with exciting leading-edge technologies. *"To attract talent and lower attrition numbers, GBS organizations have to provide not just succession planning across functional areas, but into new service offerings like automation or cognitive learning. That means they need to change their way of operating, their brand, and their culture."* — David Brown.

Conclusion

There is a considerable range in maturity across GBS organizations, from those in the earliest investigative stages to those that have progressed to higher-level data analytics and technology integrations, with strategies to grow talent over the long term. As organizations at the front end of the maturity curve create value from back and front office integration and improve competitive advantage, it becomes clear that GBS will continue to be the service delivery model of choice in years to come.

“If you are only looking to reduce cost levels, you are underselling the potential of your GBS initiative and investment,” said Lepeak. “If you are not focused on getting better quality or becoming more competitive in these activities, it is going to be problematic in the long term. Other organizations are already taking their capabilities to the next level.”

Driving GBS Maturity



“If you are not focused on getting better quality or becoming more competitive in these activities, it is going to be problematic in the long term. Other organizations are already taking their capabilities to the next level.”

Contact us

David Brown

Global Lead, Shared Services & Outsourcing

Advisory, KPMG International and Partner

KPMG in the US

T: +1 314 803 5369

E: djbrown@kpmg.com

Robert Bolton

EMA Head of Global HR Center of Excellence

Partner

KPMG LLP (UK)

T: +44 (0) 7785 767430

E: robert.bolton@kpmg.co.uk

Asif Akhtar

Director, Global Business Services

Management Consulting

KPMG LLP (UK)

T: +44 (0) 7881 514720

E: asif.akhtar@kpmg.co.uk

Stan Lepeak

Director Management Consulting Research

KPMG International

T: +1 203 444 1268

E: slepeak@kpmg.com

kpmg.com/socialmedia



kpmg.com/app



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2016 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Publication name: GBS growth beyond the back office

Publication number: 133877-G

Publication date: October 2016