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**Global business services**

Travel in style – your own style

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## Establishing global business services is like travelling – we all have our own preferred style

There are individual definitions and perceptions of travelling. Some prefer relaxation, others prefer adventure. Some prefer big cities, others the countryside. Travelling comes in all shapes and sizes, and there is a travelling style for everyone. The pursuit of global business services is similar – it is a matter of preference, and no single model fits all companies.

Since the early 1990s, Danish companies have remodelled their service delivery to encompass both shared services and outsourcing within different parts of the organisation. This has often evolved into different and independent set-ups across functions. Now, however, companies are taking the next step by consolidating across functions with integrated models of governance and business practice. This is also known as global business services (GBS).

Historically, the motivation behind supplementing the service delivery model with shared services and outsourcing has been to cut SG&A costs. This is often done by harvesting the benefits of labour arbitrage between Denmark and low-cost locations. The driver has been to maintain the competitiveness of Danish companies against companies based in lower-cost regions where the ratio between SG&A costs and revenue remains well below that of Danish companies.

Such service delivery model alterations have proven successful in lowering SG&A costs. However, there is more to it than this. Companies moving towards global business services are now recognising the potential benefits beyond labour arbitrage. This change of benefit focus requires strong emphasis on the initial design of operating model, governance structure and continuous improvement.

In designing and building their global business services organisation, each Danish company faces unique benefit potential. Moreover, the companies have individual decisions to make regarding functional and process scope, suitable locations as well as their appetite for pushing the boundaries of what is possible. Global business services, thus, is not a single predefined model fitting everyone, just as journeys are different depending on individual taste. Designing and building a GBS set-up is comparable to the process of planning a journey that suits exactly your interests, desires and needs. That is the overall theme here. Let it be your guide to carefully consider your options before designing and building the GBS model that fits your company.

In this article, the term global business services (GBS) refers to a shared services centre with more than one function while shared services centre (SSC) refers to a single-function centre. Results from the Deloitte 2015 Global Shared Services Survey are included to supplement the insights provided in this article.

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# Why take a journey?

No single GBS model fits all companies. Each company can, and should, tailor its future GBS set-up to facilitate their strategic focus, e.g.:

- To facilitate new market entry
- As part of cost-cutting initiatives
- A scalable platform facilitating integration of new companies as part of an expansive M&A strategy
- As a lever in performing excellent customer service

Regardless of purpose, the future GBS set-up can be developed to support the strategic focus of most Danish companies.

Approach the task at hand as you would with travelling: Be thorough in defining the purpose and be active in planning and tailoring it accordingly to ensure fulfilment of exactly that purpose.





# What is the purpose of your journey?

**The reasons for travelling are as individual as the bar codes in passports. Some wish to explore the world, others prefer tanning by the pool. Some journey for a family get-together, others to pursue personal development and goals.**

Why are global business services interesting for your company? What do you wish to achieve by consolidating functions in fewer or even just one location?

The reasons for establishing a GBS set-up are many, and the purpose depends on the current situation of the company. Below is a list of examples of achievements obtained through a GBS set-up. The list is divided into three journey purposes: the family get-together, the personal development journey and increasing the ability to do other journeys.



## Family get-together

Family get-togethers often evolve under the saying ‘the more, the merrier’ – the same phrase goes for global business services. Companies find it advantageous to include more than one function in the set-up and thereby achieve the critical mass for it to be financially feasible to consolidate in a new location. Many Danish companies do not have the size in terms of FTEs to establish single-function shared services centres. A solution is to invite more to join the party by including additional functions in the global business services set-up. This serves the purpose of gaining cost savings large enough to pay back the initial investments in implementation, building fit-out as well as ongoing operating costs of support staff and buildings. Furthermore, including more functions can provide a career path for employees that does not exist in small, single-function centres.



## Personal development

Personal development journeys involve setting new standards for yourself and pushing boundaries. GBS set-ups are established for the same reasons, just differently worded. In a GBS context, the personal development comes in the shape of end-to-end process optimisation across functions, global process standardisation and harmonisation – all aiming at achieving efficiency gains, increased compliance, higher quality of services and/or improved customer service for both internal and external customers.



## Increasing the ability to do other journeys

A GBS set-up can be designed and implemented as an enabler for strategic initiatives such as entering new markets or acquiring new companies by supplying the needed structure to support these initiatives. Developing a scalable GBS set-up entails rapid upscaling of capacity to form the support structure servicing a new market – instead of establishing back-office functions locally each time a new geographic market is entered. This increases the speed at which the business can establish in new markets. In addition, it allows the business to adopt the sole focus of developing the new market rather than creating support structures. Likewise, a GBS setup can serve as a catalyst for integrating new companies by merging the support functions of the acquired companies into the GBS. If mergers and acquisitions happen frequently, a standard postmerger integration model can be developed to ease the transition. As such, designing and building a scalable GBS set-up can serve as a valuable platform for future growth.



of companies highlight “the ability to accommodate growth” as the primary reason for establishing a new SSC or relocating a SSC.

“In the long history of humankind, those who learned to collaborate and improvise most effectively have prevailed.”

Charles Darwin

# Where does the journey begin?

**Some people might be taking their first journey, some have several stamps in their passports while others have been around the world twice. In spite of their different experiences, the world is still at their feet.**

Global business services can be pursued regardless of how experienced your company is with shared services and/or outsourcing. Whether you already have an established shared services/outsourcing set-up, or if you have not done any consolidation at all, global business services is well worth considering. Below are three examples of typical stages of consolidation on which companies have chosen to build their GBS set-up.

## Current state

## GBS implications

### Company A

Starting from scratch



Company A has not yet started any consolidation of functions. The company is characterised by a dispersed organisation with corporate functions located in Denmark with local finance, HR, IT and procurement functions in each country delivering the full palette of services to the local organisations.

Company A has every opportunity to start the GBS journey, doing it rapidly and shaping it as it wishes. Starting from scratch means that the company must assess, which functions and processes are suitable for transferring to a GBS set-up, which location is most suitable and how to shape governance structures.

### Company B

Single-function services centre



Company B has already established either a fully operational services centre or an outsourcing set-up delivering services for a single function such as a finance services centre or an IT outsourcing set-up. The concept of shared services has proven successful within the company, which is why an appetite for more has evolved. The company is experiencing duplication of activities across countries in the other typical back-office functions such as HR and procurement.

If company B's SSC is located in a long-term suitable location, there is a good opportunity to build onto it, thus avoiding a new location search. Presumably, there is a foundation of supporting technology, support staff and a general feeling of comfort with the location, which can enable a smooth expansion into a GBS set-up. The company must assess which additional functions can be transferred to a GBS setup as well as whether further processes can be added to the functional scope already established in the SSC.

### Company C

More than one functional services centre



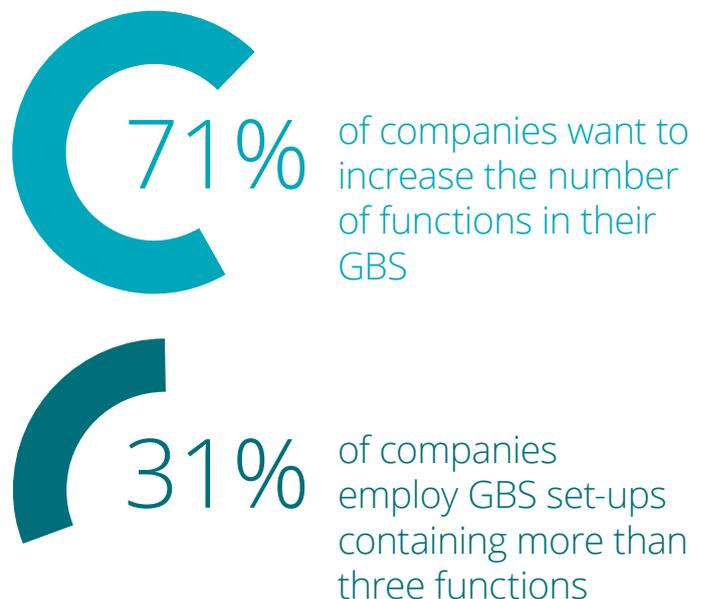
Company C is experienced in shared services and/or outsourcing. The company either has more services centres servicing single, but different, functions or has already consolidated more functions in the same location. This is perhaps even supplemented by outsourcing agreements on selected processes. The company is now looking either to include more functions in the GBS or to bring more processes such as more complex processes to the GBS/outsourcing set-up within the functions already included.

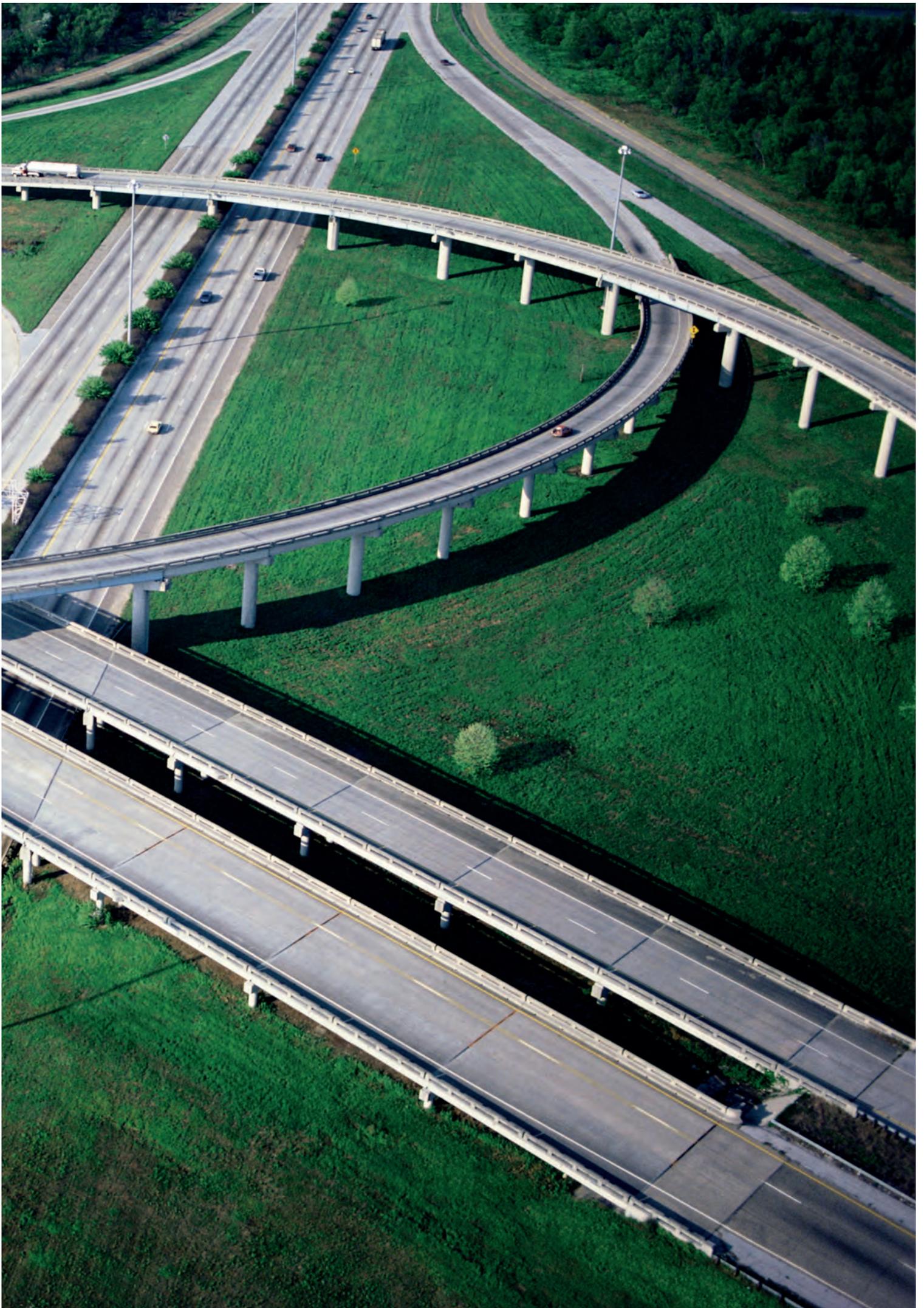
Company C has a well-established GBS platform to build onto, which means that it should focus on including more functions in the established set-up, but also assess current GBS functions to try to be ambitious about including processes beyond the classic transactional processes. The company might also look at a new location strategy by consolidating into less or even more locations depending on the associated risk.

# Choose the journey that fits your interests – who to invite along?

**You might prefer the romantic journey with your spouse only. Others enjoy going in larger groups by bringing friends and relatives, or even travelling with a group of strangers. The question is: How do you identify good travel buddies?**

Which of your company's functions are suitable for bringing into a GBS set-up? This depends on what type of activities are performed within the functions, their maturity level and finally the ambition level you have for your GBS set-up. Functions need not be interrelated or involved in the same processes for a joint venture or to achieve efficiency gains. Each function represents its own potential, although some functions do suggest additional benefit potential if moved to the same location.





# Choose the journey that fits your interests – who to invite along?

## Examples of activities suitable for global business services

### Typical

Transactional finance tasks such as accounts payable, accounts receivable, general ledger and fixed assets

HR administration, e.g. recruitment, on-boarding planning, master data and contracts, training planning, performance management and terminations and exits processing

Procurement administration, contract management, catalogues management, master data

Application development and maintenance

Out-of-hours customer contact

### Rising

Rule-based controlling, reporting, analytics, planning preparation and consolidation

Data analytics, screening and selection, course development, salary reviews, global process ownership for operational HR processes, ad hoc reporting

IT system ownership and infrastructure processes

Multilingual consumer services and marketing management

**While some have the urge for adventure and to push their boundaries, others prefer comfort and relaxation on their journeys. The question is what type of activities you are comfortable with engaging in on your journey.**

The same question arises when assessing your company's potential for global business services. What processes and activities can you bring along? It depends on elements such as the character of your business, the maturity of your processes and the level of system support. In the end, though, it also depends on your gut feeling: How ambitious are you? Do you want to be a pioneer and dare where others don't or do you want to achieve success based on the basics before moving processes that are less proven in a GBS context?

Only you and your company can decide on this risk-reward trade-off. To the left, we have composed an overview of the types of functional activities that can be transferred to a GBS depending on whether you wish the safe journey to minimise risk or you are in for pioneering in search of additional benefits.

Most functions perform activities that are suitable for including in a GBS set-up. Traditionally, companies have adopted an approach where processes meeting a set of criteria are deemed suitable for moving into a shared set-up. Another approach, however, can be to define the activities that should be performed locally and at corporate level from a value maximisation and core business perspective. The absolute core business activities and the direct value-adding support of this such as business partnering should be kept locally while the remaining activities should

be considered as part of scope for GBS. Governance and enablers of making this possible should then be developed.

The mindset when assessing which processes to include in the GBS should be: All processes are potentially suitable for GBS. However, a few challenges do exist, but they can often be overcome through design and enabling tools. Below are four examples of such challenges very similar to some of the same challenges you would wish to overcome when selecting a good travel buddy:

### **Physical presence – A good travel buddy is by your side.**

Activities requiring physical presence are difficult to transfer to another location as they cannot be performed from a distance.

### **Proximity to the business – A good travel buddy does not need to call home every 5 minutes.**

Activities requiring close and proactive interaction with the business are difficult to bring to a GBS without incurring a value loss.

### **Regulatory – A good travel buddy is allowed to travel by the authorities.**

Regulatory requirements are difficult to work around in order to include activities in the GBS.

### **Language – A good travel buddy sees language difficulties as a challenge, not an obstacle.**

Activities that can be performed using English language skills are the least complicated for Danish companies to move into a GBS set-up.

# Choose the journey that fits your interests – where to go?

**Where do people choose to travel? Trendy shopping in Milan or historic sightseeing in Prague? Typically, it is important that you not only feel comfortable in a location, but that the location should also suit your financial situation.**

For Danish companies, the question is often whether to go nearshore, typically somewhere in Eastern Europe, or go offshore, often Asian locations such as India, the Philippines or Malaysia. The future GBS location depends for some primarily on the potential cost savings, for others purely on business fit. However, companies looking primarily for cost savings should not neglect the fact that true business fit is imperative in making your GBS a success.

Below is a selection of the parameters to take into account when deciding on the optimal location for your company. The overview will provide you with an idea of what to consider when you have to decide where to establish your GBS. Each location represents a trade-off between the parameters. Therefore, you should assess and decide on which of the parameters are most important for your company.

COST SAVINGS  
AVAILABILITY OF NORDIC LANGUAGE  
SKILLS  
CULTURAL PROXIMITY TO DENMARK  
POLITICAL RISK  
WAR FOR TALENT  
RISK OF NATURAL DISASTERS  
INFRASTRUCTURE



**42%** of companies indicate close proximity to current operations as the most important factor in selecting a future SSC location, while 24% focus on labour cost.

# Choose the journey that fits your interests – stay in one destination or visit more?

**Would you rather stay in the same place to have the maximum amount of time to explore or would you rather go to multiple places and experience various cultures?**

Should you consolidate in one global location or does your business model require regional presence? When deciding on the location strategy of your GBS model, you must consider the characteristics of your business, the risks associated with, e.g., being in only one global location and finally the potential benefits you might not be able to harvest if you do not consolidate adequately. In general, there are three archetypes of location strategies with associated benefits and risks that can be tailored geographically to business requirements. On these pages, we have outlined the three types.

## 1. REGIONAL SERVICE DELIVERY

### Benefits

- A good option if there is a need to service each region with local languages, and there is a need for proximity to the business.

### Considerations

- This model should be chosen from a business model/business fit perspective as the business case offers lower savings than if all activities are moved to a low-cost location.

## 2. HUB AND SPOKE

### Benefits

- Labour arbitrage harvested through e.g. a large hub in Asia while language and business proximity needs are fulfilled by spokes in e.g. Eastern Europe and Latin America
- Increased access to specific competences that are not found in one single location

### Considerations

- Additional effort in attracting and retaining talent as career opportunities remain less comprehensive in smaller centres

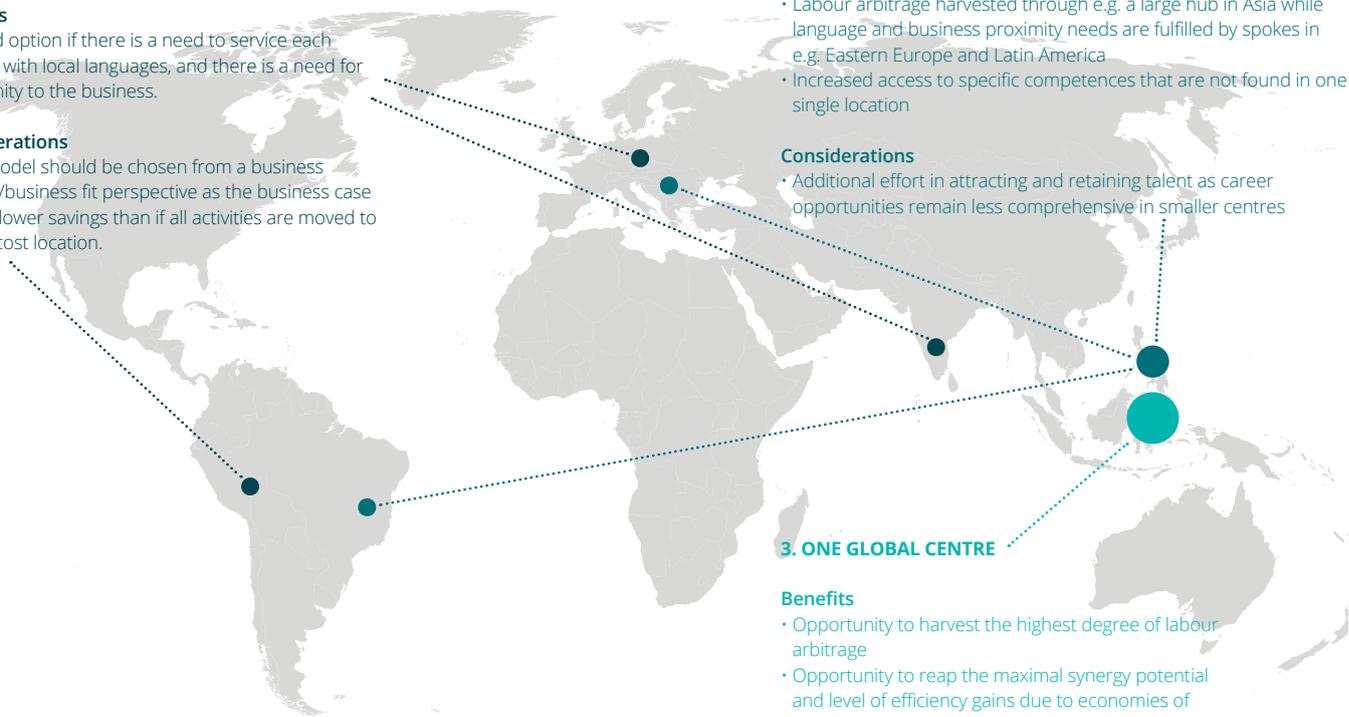
## 3. ONE GLOBAL CENTRE

### Benefits

- Opportunity to harvest the highest degree of labour arbitrage
- Opportunity to reap the maximal synergy potential and level of efficiency gains due to economies of scale

### Considerations

- Business continuity risk, however, this can be mitigated by diligent contingency planning



# How do others travel towards GBS?

**Ways of travelling include flying, driving, sailing, going by train, biking or even walking. The chosen method often depends on distance: How far away is the destination?**

A number of Danish companies have already started their journeys towards the destination GBS. Why and how are questions you will find the answers to below, where you can draw inspiration and experience from two typical cases.

## CASE 1

### Building the GBS from scratch

#### Background and objectives

This company was facing declining revenues ahead. Therefore, the company planned on heavy investment in new product launches, partly financed by trimming the back- and middle-office functions. As part of this trimming, the company wished to explore the opportunity of establishing a GBS set-up. The company had no shared services established.

#### Scope and approach

Scope covered sourcing/procurement, IT, finance and HR. Initially, the company launched a set of workshops with executive management with the aim of setting the strategic direction. The outcome was a strategy for the future GBS, including a set of principles guiding the design of the set-up. Employees were heavily involved in determining which processes to include in the GBS set-up as well as designing the future model.

#### Results

The result was the establishment of a GBS set-up in Eastern Europe with significant FTE potential within each of the four back-office functions. In total, processes corresponding to 30% of the total FTEs in the four functions were assessed as suitable for including in the future GBS set-up.

## CASE 2

### Developing the GBS strategy onto the existing finance SSC

#### Background and objectives

This manufacturing company was in the process of establishing its finance SSC in Asia. It wished to expand the SSC by including other functions to establish an offshore GBS set-up with two objectives: 1) creating a scalable back-office organisation to adapt to a changing business environment and 2) cost-cutting. Deloitte assisted the company in the assessment of the potential and creation of the strategy for the expansion.

#### Scope and approach

The scope of the project included additional finance processes, HR, a number of IT functions, sourcing, procurement and a part of operations. An overall GBS strategy was formulated while each function had a degree of freedom to express its own sub-strategies on how to contribute to the GBS set-up. Within each function, the client's functional experts and Deloitte specialists collaborated to define the GBS potential and future delivery models. Cross-functional work streams assessed and developed future governance models and assessed location considerations.

#### Results

The outcome of the project was a recommendation for a combined GBS and outsourcing set-up – the latter primarily consisting of the IT functions. GBS potential was found within all functions to be consolidated in two centres: an offshore centre in Asia and a language capability-driven in Eastern Europe.

# Are you fit and ready for the journey? Preparation and a few accessories can smoothen the ride.

**Research, a guidebook, a map and a phrasebook are relevant tools when going on a journey. Common for these accessories is that you might try to go without them and perhaps make it through. However, they will definitely smoothen the ride.**

The optimal transition strategy depends on the maturity of your processes and your desired speed of implementation. In some cases, it might be beneficial to start improving processes before transferring them to a GBS. In addition, a number of enablers will definitely make your transition easier. However, except for change management, they are not a prerequisite to have in place before the transition in order to succeed.

## **Transition strategy**

The fastest transition approach is lift-and-shift where processes are moved as-they-are and then improved and standardised once operational in the GBS. Conversely, process improvements can be done shift-and-lift, i.e. before transferring to the GBS, thus reaping efficiency benefits locally while preparing for the migration. Finally, a mix of the two can be deployed, often by achieving a number of smaller quick-wins before transferring processes to the GBS.

## **Technology**

A common ERP platform is a great enabler, but not a prerequisite. However, a dispersed ERP platform can delay harvesting some of the potential benefits. In addition, the enabling systems in the GBS such as case management ticketing system and HR self-service portal are often established as part of the implementation of the GBS.

## **Language**

Having English as the spoken and written company language typically increases the potential scope of processes suitable for the GBS. Furthermore, it smoothen future collaboration between the GBS and the local organisation. However, if your company is dependent on local languages, there are a number of applicable enablers to accommodate language requirements in the GBS.

## **Change management**

Careful change management is the most important part of your GBS journey, and it should never be underestimated. Remember that the employees you are letting go or are re-deploying in other jobs possess the knowledge that you need transferred to the new GBS employees. Thorough and well-timed communication, transparency in the rationale behind the GBS initiative, proper onboarding of the new employees and branding of the GBS are all components that are highly rewarded when paid proper attention to.

More than **40%** of companies operate their SSC/GBS with multiple ERP systems. **52%** of companies look back and answer “better change management” when asked what they would change on their GBS journey in the light of hindsight.

# What souvenirs can you bring back?

Searching for and collecting souvenirs can sometimes be one of the main purposes of the journey. But souvenirs can also be discovered and collected merely by chance. The same goes for benefits realisation from establishing a GBS. Some benefits are aimed at, while others evolve during the transition and post-implementation. Below is a list of the potential benefit types to be harvested.

## New capability to the company

Building new capabilities in the GBS that have not existed historically and do not require transition of resources from another company location.

## Increase in scope breadth or depth

New capabilities originally not part of GBS scope are developed as GBS employees become more experienced and are ambitious regarding their own career development. The GBS thus takes on more responsibilities as well as more complex tasks within the already existing scope.

## Original work transitions

Labour arbitrage through the initial transfer of activities to the GBS.

### Savings through continuous improvement

Savings generated by the existence of the GBS, however, not showing on the GBS P&L but rather as a general benefit to the business, e.g. tax savings realised through regional tax strategy. Freeing up floor space in business unit locations to avoid office space expansions or increase quality due to master data improvements

### Indirect or derived savings

Savings derived from organisational, policy and process improvements on historically non-optimised processes. Done through Lean, Six-Sigma, and other similar methods

**100%** of companies with an existing GBS highlight “shared methods and tools” and “common approach to continuous improvement” as primary benefits of establishing a GBS set-up.

## Value adding capabilities in the GBS

### Analytics

A GBS can improve global insight through the use of consistent data structures and delivery of enterprise-wide data analytics to support business decision making. Further, this frees up time locally for an increased commercial focus ensuring market-driven action taking upon analytics insights

### End-to-end process ownership

Generating business value both in terms of higher quality and optimisation leading to lower process costs across a widened scope of end-to-end processes such as the procure-to-pay and order-to-cash processes

### Talent attraction

Global business services can boost talent attraction as the organisations become an increasingly rewarding career and training ground. Further, access to a wider and global pool of skills and capabilities can be opened that are perhaps not found locally

# What happens when the journey ends? It doesn't.

All good things come to an end, they say. The same goes for journeys. But building a GBS set-up does not end when fully implemented – it has only just begun. Below you will find a summary of the key initiatives to be deployed in an implemented GBS.

## The need for continuous improvement (CI)

As stated in the introduction, there is much more to global business services than labour arbitrage. Once established and operational, you can start hunting and harvesting the synergies and benefits from standardisation, optimisation and scale.

Continuous improvement can take many shapes. Some companies establish dedicated cross-functional CI teams dedicated only to pursuing and realising potential benefits, efficiencies and savings. Other companies consider continuous improvement a mindset that should be present throughout the entire GBS set-up. An example of achieving this is by training your GBS team to become Six Sigma Black Belts while making all team members Six Sigma Green Belts.

Other companies again nurture the continuous improvement culture by inspiring GBS employees through annual innovation competitions where they present ideas such as how to increase efficiency. The winners receive funding and the mandate to drive the implementation of the idea or receive other prizes or benefits.

Common for all companies is that they should definitely establish and monitor annual continuous improvement targets. Typically, companies will experience more than 10% efficiency gains year on year.

On average, companies have achieved **8%** annual productivity increase in their SSC/GBS setup



## End-to-end process standardisation and optimisation

Once the GBS is operational, the work on standardising processes, reengineering end-to-end processes and harvesting the potential from economies of scale begins. Some of the potential will reveal itself by the GBS employees becoming more experienced and efficient, the remaining potential must be pursued more keenly with the continuous improvement goal in mind. These first efficiency gains, if targeted, will often result in FTE savings.



## Scale up and add value

When the service level of the GBS set-up has reached the desired level, you should motivate your GBS employees and inspire to take on additional and more complex tasks from the local organisations. This upscaling of complex tasks leads to GBS set-ups in time developing into centre-of-excellence type units, and some even developing into internal consultancies supporting the business with high-value-add development projects.



## The force of robotics

One of the latest trends within shared services and global business services is the use of robotics to automate processes. Technology is increasingly making it possible for robots to perform typically labour-intensive, rule-based, on-screen tasks. Employing robotics provides you with a fully scalable workforce, you realise the following FTE reductions without the quality dip usually implied, you obtain stable operations, and finally robots cost significantly less to keep operational than a human FTE.

# Meet the team



**Dorthe Keilberg**

dokeilberg@deloitte.dk

+45 30 93 54 93



**Tore Jensen**

torejensen@deloitte.dk

+45 22 20 28 30



**Thomas Andersen**

thoandersen@deloitte.dk

+45 22 20 27 52



**Kristian Skotte**

kskotte@deloitte.dk

+45 30 93 58 51



**Morten Bramsen**

mbramsen@deloitte.dk

+45 30 16 21 22



**Nicolai Lachmann**

nlachmann@deloitte.dk

+45 30 93 54 32

# Deloitte.

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