

Global Business Services
Better together



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What is Global Business Services – and why should you care?

For more than two decades, organisations around the world have been using shared services and outsourcing to improve service delivery and reduce costs within defined parts of their businesses. Now, leading organisations are taking the next step. Instead of operating numerous shared services centres and managing outsourcing vendors independently, they are implementing Global Business Services, providing integration of governance, locations, and business practices to all shared services and outsourcing activities across the enterprise.

A move to Global Business Services requires much more than simply asking shared services centres to cooperate. It represents a fundamental shift in how businesses think about and manage shared services and outsourcing. Those that get it right can achieve enormous improvements in performance.



What is driving the Global Business Services trend?

Mature users of shared services and outsourcing often report that different functions, business units, and regions have implemented their solutions in different ways, resulting in a confusing array of contracts, agreements, arrangements, practices, and processes. It's not unusual to find situations in large organisations where HR has its own dedicated shared services centres, while finance has shared services centres in some regions and outsourcing arrangements in others. Equally, we have seen organisations where IT has its own collection of disparate outsourcing arrangements, including several helpdesks, while marketing, sales and customer service use entirely different suppliers and systems. In some cases, different departments in a single company are using the same providers – but with different contract terms – with little or no coordination across organisational silos. Leaders of these organisations want to bring order to this chaos. They want to know where they'll find the next tranche of incremental value. They are concerned about managing their exposure to global locations and providers. They want to improve controls.

Less experienced organisations may have implemented shared services or outsourcing for only one or two business units or functions. And while the journey might not have been easy, the results are likely proving to be worth the effort. These organisations are eager to leverage their current successes to drive value in other parts of the business. They want to ensure that lessons learnt are used to reduce risk as they strive for even more efficiencies. They want to share infrastructure to drive faster speed-to-value and avoid reinventing the wheel.

Even organisations that haven't used shared services or outsourcing in the past are now actively considering Global Business Services as a way to benefit from the experiences of others and leapfrog the learning curve.



Getting granular: The ins and outs of Global Business Services

The term “Global Business Services” has been applied to a wide variety of models that attempt to coordinate service delivery across multiple functions, such as finance and HR. Some organisations view Global Business Services simply as having cooperation among all their functional shared services centres, perhaps with some common forums to share learning. In these situations, the only thing binding the centres together is a loose global leadership structure that may not even have direct support from corporate executive leadership. Other organisations – those practicing true Global Business Services – view the opportunity as a fundamentally different way of thinking about all support services throughout the organisation, with a common leadership and governance structure tied to overall organisational objectives.

While there are many flavours of Global Business Services in the market, we have identified five essential characteristics and behaviours that are necessary to drive the sustainable performance improvements most organisations seek.

Essential characteristics: the five *multi*'s

Multi-function. An organisation may have started its journey with a single function or business process, but true Global Business Services organisations are multi-function in scope –and have significant integration across those functions. Common functions include finance, HR, IT, customer service, procurement, and operations (e.g., logistics, supply chain) – as well as those that are specific to an industry, such as claims processing in insurance.

Multi-region. Similarly, a shared services or outsourcing program may have begun supporting one region but true Global Business Services organisations support all regions within an organisation, typically providing services in the Americas, Europe, and Asia-Pacific.

Multi-location. Shared services often start with multiple centres in each region for each function. Global Business Services organisations take performance to the next level by consolidating that footprint to fewer locations. Some organisations continue to rely on a regional delivery model, while others choose a hub-and-spoke approach, with the bulk of work typically performed in an Asian hub.

Multi-sourced. Global Business Services organisations are increasingly agnostic when it comes to sourcing. Although some continue to rely exclusively on shared services or outsourcing, others are combining the two in whatever ways make sense for the business. Typically, transactional activities are being outsourced, with higher value advisory activities delivered through captive centres. The most mature organisations are holding Global Business Services accountable for service levels, while letting Global Business Services decide exactly how those services will be delivered.

Multi-business. Many large organisations have seen their shared services and outsourcing initiatives evolve out of a single business unit, often the largest one. In some cases, the internal political environment may create barriers to adoption by other business units, forcing them to go it alone. Global Business Services organisations typically serve more than one business unit, applying the best, and most sophisticated practices to the entire organisation.

Essential behaviours: The five *common*'s

Common approach to governance. The most sophisticated Global Business Services organisations incorporate a standardised approach to governance, most often structured by business process. By having a single global owner for each process, they are able to improve efficiency and control.

Common leadership structure. Many shared services and outsourcing organisations end up with leadership structures aligned to the function, business unit or region they serve. However, the most sophisticated Global Business Services organisations have a common leadership structure that balances the need for commonality with business intimacy. Even more important, effective Global Business Services leadership is often part of the C-suite, and is thus empowered to make decisions for the entire organisation.

Common approach to service management. Effective Global Business Services organisations set up a common approach to service management, overcoming the mish-mash of service level agreements and reporting structures that many organisations end up with. A consistent approach across functions and regions improves customer satisfaction and reduces the effort required for reporting.

Common approach to continuous improvement. Individual shared services centres often achieve some level of continuous improvement, and most outsourcing contracts typically include basic productivity commitments. But with high-performing Global Business Services, organisations bring a business-wide approach to continuous improvement, which delivers greater benefits from less investment and effort. They achieve this by building an organisational culture that values continuous improvement, and by using common methodologies, tools, and resources across all functions and departments.

Common talent development model. Effective Global Business Services organisations attract the highest quality talent by building a strong brand both inside and outside of the organisation. A standardised approach to talent development (competency model, training, etc.) enables the development of a unit recognised as high-performing throughout the organisation.

“Our model over time has evolved and expanded as we focus more on generating value for our business by leveraging our ability to transform end-to-end processes – while optimising our delivery capability and footprint. Our GBS strategy, which is based on a hybrid platform, has created the potential to achieve the next level of value beyond unit cost efficiency.”

Philip Whelan, Global Strategy and Process Management Director, BP Global Business Services



What's in it for you?

“Our Global Business Services model has delivered nearly \$800MM in cost savings, resulting in the cost of sales ratio being reduced by 30 per cent over the past seven years¹.”

Procter & Gamble

Many organisations have implemented standalone shared services and outsourcing, and the benefits are well understood and proven. They typically include cost reduction, enhanced efficiency, improved control, better quality and service levels, and a greater focus on the core business. So what additional benefits — over and above standalone shared services and outsourcing — can Global Business Services really offer?

Sceptics challenge the wisdom of placing separate functions under a common umbrella. They ask: Is there any genuine synergy between finance and HR? Can one centre manage my customer back office and my IT service management? Can Global Business Services really drive lower costs and improved services – or is it simply saving a small number of management heads?

These are fair and important questions. And the answers lie in approaching Global Business Services as much more than a loose collection of shared services and outsourcing agreements. The potential benefits of a successful Global Business Services implementation are real and compelling.

Improved alignment with the business strategy and growth agenda. Business leaders often find that a Global Business Services model is the most effective structure to support their growth strategies. Global Business Services can help improve scalability of the business (particularly during mergers, acquisitions, and divestitures), further reducing the cost of operations, driving synergies in the business, and providing improved access to data to support management decisions.

“Our Global Business Services organisation is one of the four key pillars of P&G. By transforming the way business is done across all back office functions, we ensure that P&G can fulfil its core business purpose. Today we deliver employee services for 130,000 people and business services across 80 countries.”

Alex Buckthorp, Finance Director EMEA Financial Services & Solutions, Procter & Gamble

Increased CEO attention that breaks down barriers and attracts talent and investment. Global Business Services can put support services on the CEO agenda. This increased attention can enhance the value that Global Business Services can deliver, encouraging investment in support services, and removing challenging road blocks. For example, piecemeal adoption of shared services and outsourcing often leads to organisational silos, with internal politics discouraging some functions or regions from participating. Attention at the CEO or board level can provide a mandate for Global Business Services, support wider adoption, and lead to far more value than standalone initiatives. In addition, getting Global Business Services on the CEO agenda helps attract the highest quality talent at both the leadership and operational levels.

¹ P&G (2010) “P&G GBS fact sheet” [online] Available from http://www.pg.com/en_US/downloads/company/P&G_GBS_Factsheet.pdf

Consolidation that drives economies of scale. A Global Business Services model consolidates support functions into a common environment that takes advantage of location-sharing and economies of scale. By increasing scale and better coordinating the location model, organisations can reduce costs and more effectively attract and retain talent. And by leveraging common service management technology, organisations can deliver a higher quality and more consistent user experience. Also, many organisations have contracts with multiple outsourcing providers (or even multiple contracts with the same provider) that feature different terms, pricing, and service management approaches. A Global Business Services model allows outsourcing contracts to be negotiated and managed on a global scale, reducing cost and complexity, and rewarding the suppliers that deliver the greatest benefits.

Expanded process scope that enables operational excellence. Adding more processes into Global Business Services increases the opportunities to leverage process synergies and achieve excellence in end-to-end processing. For example, placing procurement and finance under one Global Business Services organisation enables end-to-end purchase-to-pay processing, instead of separate procurement and invoice-to-pay processes. This creates better visibility to sourcing, thereby achieving significant spend reductions. In addition, Global Business Services organisations can adopt a common, more rigorous approach to continuous improvement, getting very good at taking on a new process, standardising it, and then improving its efficiency and effectiveness. This operational excellence doesn't just improve back-office processing, it permeates the whole business. Global Business Services with global governance provides an environment for global process owners to be truly effective.

A global approach that improves visibility, control, and risk management. Many COOs are evaluating their organisations' risk profiles by asking tough questions. What is my exposure in India? What is the likely impact if a particular supplier goes bust? With standalone shared services and outsourcing, it can be difficult to answer such questions because the required information resides in different parts of the organisation, and no one is responsible for monitoring delivery risk across the extended enterprise. A Global Business Services organisation is well positioned to monitor and manage these issues. It can drive greater standardisation of controls and risk management, and work hand-in-hand with the internal audit function to create a more effective control environment.

“By combining HR, Finance, IT and Global Marketing in common SSCs, we have co-ordinated a global approach supported by a common strategy and the same governance principles. We have focussed on ensuring a robust and integrated approach to programme governance, which ensures that the functions are well connected. The reward of working together has been significant.”




Catherine Jallu-Berthier, Vice President Finance Shared Services, and **Marc Chevenard**, Senior Vice President, HR Operations & Transformation, Schneider Electric

Six keys to effective Global Business Services implementation

Adopting a Global Business Services model can produce significant benefits – but making it work is easier said than done. Here are some practical tips for implementing Global Business Services:

Decide how far to go. There are three primary stages of Global Business Services: Sharing between support services operations without co-location, sharing *with* co-location, and sharing with co-location and enterprise-wide Global Business Services governance. Any organisation with more than one shared services centre or outsourcing arrangement should at least be sharing information and best practices between operations. However, many organisations – especially those that are truly global in nature – could gain significant benefits by moving further up the continuum.

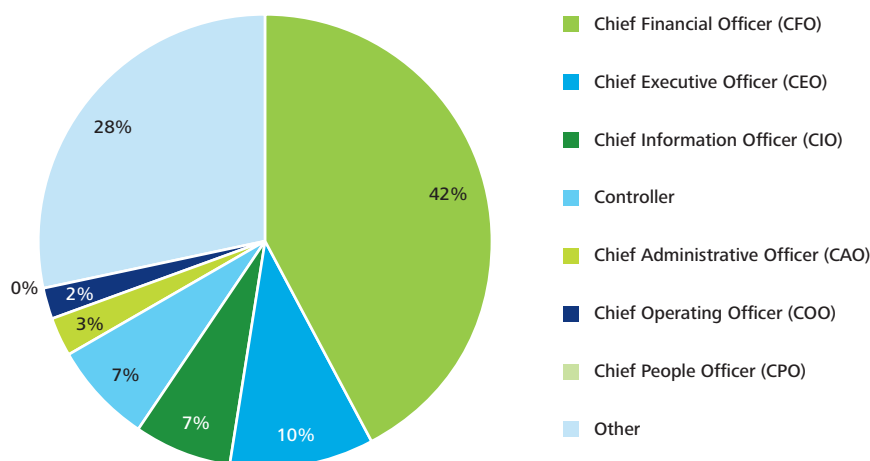
Figure 1. The key dimensions of a fully integrated GBS model

Geographical Scope	Local 	Regional 	Global 	
Degree of Automation	Limited automation	Medium automation	Maximum automation	
Degree of Value Add	Transactional		Transactional and Advisory	
Functional Scope	One function	2-3 functions	Multi-function	
Degree of Functional Integration	Little sharing	Sharing of tools & processes	Sharing of infrastructure	Full integration
Governance	Governance by/in function		Single over-arching governance with one GBS lead, often C-level	
Continuous Improvement	CI specific to function/BU		Enterprise-wide CI with common budget & tools	
Process Ownership	Informal process networks		End-to-end Global Process Owners	
Service Management	Different models per function/BU		Consistent Service Management Framework	
Customer Interaction	Myriad of customer interaction tools		Universal customer interface supported by standard toolset	
Systems & Master Data	Multiple systems & decentralised master data		One integrated platform, centralised Master Data Management	
Sourcing	In-house and outsourcing, not aligned		Managed Services blending captive and outsourcing solutions	
People Development	Specific to centre and/or function		GBS competency model & training curriculum	
Culture	Different culture at each centre		Strong GBS culture & brand	
Location	Separate functional centres		Co-location into multi-functional centres	

Establish sponsorship at the highest executive levels. By its nature, a Global Business Services model transcends an organisation’s traditional silos, be they functions, regions, or business units. Although a Global Business Services initiative might be rooted in a single silo, it requires enterprise-level sponsorship from the board, CEO, or COO. Depending on the organisation’s culture, leaders may choose to make adoption compulsory or have the Global Business Services organisation rely on persuasion to ensure stakeholder participation. Either way, sponsorship at the organisation’s highest level is critical.

Define an effective leadership structure. Many Global Business Services leaders report to someone in the C-suite, which is likely to ensure appropriate senior executive sponsorship. In some cases that person is not a functional leader (e.g. CEO or COO), which reduces the risk of any one function being perceived to be in overall control. In a recent Deloitte survey, 47% of the participating organisations said they have assigned a leader to manage shared services centres across their organisation. Of these leaders, 42% report to the CFO, 10% to the CEO, 7% to the CIO, and the rest to other roles in the organisation (such as the Chief Administrative Officer, Chief Operating Officer, or Controller).

Figure 2. Reporting relationships for Global Business Services²



Choose an organisation structure that promotes global integration. Different companies use different organisational structures for support services, often based on the extent to which they employ Global Business Services. Organisations looking to drive enterprise-wide efficiencies and ownership tend to have their support services report through Global Business Services. Organisations that are less committed to Global Business Services are more likely to maintain primary reporting within each function. The first approach deploys global business services that are fully integrated on an end-to-end basis across all functions. The second approach brings shared services centres together only at the top level.

Establish ongoing process leadership. Some of Global Business Services' greatest benefits stem from the ability to standardise processes across the organisation. To that end, a key enabler of Global Business Services effectiveness is having process owners who control how a process such as procure-to-pay is run throughout the organisation. To be effective, these roles need to be set up as cross-organisation or group-wide mandates – with the teeth to enforce standards and drive change. In some cases, global process owners even have “pay-and-rations control” over the people working in their process areas.

Many companies invest heavily in standardising processes, only to see the benefits erode over time as different parts of the organisation introduce their own unique modifications. Standardisation needs to be managed and governed as a new way of working, not as a one-off exercise. A process council – a group of stakeholders closely involved with any particular process – can help process owners succeed by providing valuable input on key decisions.

Aggressively manage change. Setting up a Global Business Services organisation requires significant change that affects a wide range of functions and business stakeholders. It is important to develop a structured change and communications plan well in advance that can help deliver clear and consistent messages to all functions and stakeholders involved in the process.

“Do not underestimate the change management challenge that you will face when implementing a GBS. If implementing Finance is like herding cats, then implementing a GBS will be like herding cats, dogs, sheep and cows at the same time.”

Mind the details

There are a whole host of detailed considerations that any organisation implementing Global Business Services needs to address. Although it is not possible to draw up an exhaustive list that applies to every situation, here are some important aspects to consider when developing an implementation plan.

- Different parts of the organisation may have very different levels of maturity. How will the Global Business Services organisation deliver in this diverse environment?
- How will delivery be managed in terms of service level agreements and governance?
- What financial arrangements will the Global Business Services organisation operate under? How will it charge for its services?
- What technologies, common platforms, and service management tools will the Global Business Services team need to be effective?
- Where will services be delivered from? Will each centre provide the same set of services?
- What sourcing model will be used? Which services will be delivered from in-house shared services centres? Which will be outsourced?
- What tax implications will the Global Business Services organisation have?



Beginning your Global Business Services Journey

Global Business Services organisations are destined to become a common part of the business landscape, just like shared services and outsourcing. However, Global Business Services might not be right for every company. Each organisation should consider its unique business requirements and culture to determine if a Global Business Services model makes sense.

In general, a Global Business Services model tends to work best for organisations with operating models and cultures that are truly global in nature. These organisations can take advantage of their vast scale and scope to create significant business value from Global Business Services. On the other hand, for a highly federated business, or one where countries operate autonomously, Global Business Services could be a step too far. In these situations, continuing down the path of regional shared services or targeted outsourcing might be more appropriate. That said, any organisation that has more than one shared service centre or outsourcing relationship should at the very least be sharing information and best practices between those operations. Anything less is wasting money.

The road to Global Business Services can be a bumpy one, given the complex mix of people, processes, technology, and multiple geographies involved. Yet companies that persevere and achieve a true Global Business Services organisation are likely to see significant benefits – including service quality and cost savings over and above what could be achieved through more limited approaches to shared services and outsourcing.



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