GLOBAL BUSINESS SERVICES
THE NEXT LEVEL OF TRANSFORMATION FOR YOUR SUPPORT FUNCTIONS?
The role of the Corporate Center and support functions continues to evolve in an economic context that is driving companies to reduce costs while materializing growth opportunities.

Shared Service Centers have become the norm. We are now witnessing a mutation toward a multifunctional and global type of model “Global Business Services” in order to create a partnering relationship with the business and better address their challenges. This is a radical change for functional divisions and for most business units.

The level of maturity in this area remains uneven. The firms that have successfully negotiated this transition did it by developing a comprehensive transformation plan addressing not only operational dimensions, but also change management, partnership culture and behavioral shifts. More specifically, CEO and Top management sponsorship, careful talent selection and team engagement are particularly critical to the success of this type of approach.

SUPPORT FUNCTIONS STILL UNDER PRESSURE IN 2014

Companies are now driven to reconsider the role and structure of the Corporate Center and support functions (such as HR, Finance, Procurement and IT/IS) for various reasons. Particularly in today’s uncertain and highly volatile climate, central concerns in 2014 will continue to be, for some, defining new growth models, for others, implementing cost-cutting, restructuring, M&A, or disinvestment programs.

CEOs and Top management calling increasingly for support functions to better serve the businesses, aligning their support to the corporate strategic priorities and being an engine of innovation in their respective functional domains.

We have recently observed a rising need for greater functional support to facilitate the global expansion of some Groups into new territories, accelerate integration of acquisitions, and stabilize new joint-venture operations.

Plus, the ongoing digitalization of the economy is forcing companies to adapt their offerings and services. Support functions must follow.
THE NECESSARY MUTATION OF SHARED SERVICE CENTERS

Shared Service Centers (SSC) have become the norm for support functions worldwide with the following benefits for companies:

- Standardization of services,
- Reduced costs,
- Improved rendered service quality.

Initially, these tools were often designed to deliver recurrent high-volume administrative tasks more efficiently. Low labor cost countries positioned themselves and succeeded in attracting service platforms. The situation has now changed: with the declining attractiveness of these countries and with the opportunity to digitalize formerly labor-intensive tasks.

Today, to meet the call for better support to their businesses, global corporations are reconsidering the role and scope of these platforms in order to:

- Optimize resource deployment for each functional community
- Better differentiate the cost-value tradeoff for each service rendered
- Innovate sustainably

In this context, the following observations have been made concerning Shared Service Centers:

- Platforms are now in majority multifunctional. The share of shared service centers covering several functional divisions has hence grown from 24 percent to 73 percent from 2003 to 2013.
- Some activities must be reinforced or even created in the territories that represent a growing share of growth and revenues (for example, China, India, Russia, Brazil for traditional European companies).
IN RESPONSE TO THIS NEED FOR MUTATION: THE ESTABLISHMENT OF A GLOBAL MULTIFUNCTIONAL MODEL – “GLOBAL BUSINESS SERVICES”

To move to a new level in terms of cost cutting, customer intimacy and added value for businesses, the most mature organizations employ an established and stable response. This translates into the set-up of a “Global Business Services (GBS)” operator covering the end-to-end processes of several functions, integrated and with the governance model in which functional divisions and GBS respectively play a clearly delineated role in relation to business customers.

In our experience, this type of model can generate recurrent savings of about 10 percent to 30 percent for the support functions within its perimeter (most frequently, Finance, Human Resources, and IT/IS).

The starting point is for existing organizations to think about the targeted performance then to design an adapted model aimed at activating drivers selected in the company’s specific context and finally, to construct a medium-term path.

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### Exhibit 1: Stages of maturity of Shared Service Centers/Global Business Services

<table>
<thead>
<tr>
<th>STAGE 1: COST-CUTTING MODEL</th>
<th>STAGE 2: PRODUCT &amp; SERVICE EXCELLENCE MODEL</th>
<th>STAGE 3: GBS MODEL – STRATEGIC SUPPORT FOR COMPANY GROWTH AND VALUE CREATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope of operations</strong></td>
<td>• Single function</td>
<td>• Global and multi-functional</td>
</tr>
<tr>
<td></td>
<td>• Transaction processing center</td>
<td>• Transactional and non-transactional</td>
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<tr>
<td></td>
<td>• Single function</td>
<td>• Functional Regional/Local leadership</td>
</tr>
<tr>
<td>Governance</td>
<td>• Functional leadership</td>
<td>• GBS management: GBS VPs, cross-functional management</td>
</tr>
<tr>
<td></td>
<td>• Functional Regional/Local leadership</td>
<td>• Client Relationship Management: GBS with functional leadership and Customer Boards</td>
</tr>
<tr>
<td>Organization</td>
<td>• Functional focus</td>
<td>• Customer and Process focus</td>
</tr>
<tr>
<td>Process</td>
<td>• Functional coordinators</td>
<td>• Process focus</td>
</tr>
<tr>
<td></td>
<td>• no or limited standardization</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Global Process Owners</td>
<td>• Holistic management of global processes across geographies</td>
</tr>
<tr>
<td>Talent Management</td>
<td>• Focus on policies/processes/procedures/compliance skills</td>
<td>• High level of Enterprise-wide standards (~80%)</td>
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<tr>
<td></td>
<td>• Focus on partnering skills (with the parent function)</td>
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<tr>
<td></td>
<td>• More business-related skills, including business decision support</td>
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<tr>
<td>Performance Indicators</td>
<td>• Cost focused metrics</td>
<td>• Focus on service provider skills and behaviors</td>
</tr>
<tr>
<td></td>
<td>• No or blanket charge back method</td>
<td>• Development program in place with clear career paths</td>
</tr>
<tr>
<td></td>
<td>• Cost and Quality metrics</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Charge back method as of a sophisticated service management (dashboard, customer surveys, etc.)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Negotiated, measured service levels</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Tracking of value for business client</td>
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</tbody>
</table>

Source: Oliver Wyman analysis
A COMPLEX TRANSFORMATION, SPECIFIC TO EACH COMPANY AND SUPERVISED BY THE CEO AND TOP MANAGEMENT

The level of transformation required to reach stage 2 (operational excellence) or stage 3 (GBS) is complex and must be addressed specifically for each company in order to:

- Clarify the scope of shared resources (functions and activities concerned)
- Redefine the organization of the functional community as well as of the shared services
- Clarify governance with each player (Functional Divisions, Shared Services, Business Units)
- Review outsourcing agreements and create strategic value-based partnerships
- Optimize and automate processes
- Engage teams and ensure evolution of the managerial and operational behaviors

This is a radical model change that will profoundly transform the role of Functional Divisions and Shared Service centers. The challenges are hence not only operational but also managerial in nature. In this context, change management, partnering culture and customer-centric skills and behaviors are components that must not be underestimated.

To negotiate this transition successfully, CEO and Top Management management must play an active part, both as sponsor and supervisor in light of the savings and effectiveness stakes to be materialized across all businesses. Talent selection and team engagement are also key success factors.

We consequently consider that one of the leading priorities is to define and establish an adapted working protocol run like a true transformation project, structured into steps, and with a mandate to initiate and lead change.
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