

Partnering for Success: Transitioning from Shared Services to Global Business Services



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By Quoc V. Nguyen

Most large enterprises have adopted Shared Services to extract significant savings from their operating expenses. Yet, as the model has become part of the business mainstream, the sharp competitive edge it once provided has dulled. When all of your competitors are using Shared Services to drive out costs, where is your leverage?

Moreover, many companies have reached the point of “diseconomy of scale,” where the cost of removing expenses exceeds the value of the reduction. Others have found that dramatic decreases in cost structure have limited their ability to develop new products, expand to new markets, conduct M&A activities, or support their risk and compliance requirements.

Global Business Services, or GBS, is a philosophy supported by an operating model that seeks to extend the value from Shared Services beyond traditional cost reduction. Evolving from Shared Services to GBS can help you broaden strategies to support top-line revenue growth, improve customer retention, and fuel product development. In short, it can help you recapture your competitive edge.

The Competitive Limits of Traditional Shared Services

Shared Services functions provide a range of benefits, but the

overriding one is cost reduction achieved by consolidating and standardizing back-office processes in a low-cost delivery center. Over time, the model has seen changes, but the driver has always been the same—addressing costs through standardization, simplification and/or labor arbitrage.

Given the nature of the work, Shared Services functions accrue abundant transactional, customer, and product data—data that traditionally is used almost exclusively to cut costs. With GBS, however, this wealth of information is used more creatively and productively. Consider the maturity curve illustration on page 2.

The baseline for the curve is Functional Shared Services, which focuses on transaction centralization and standardization of a single back-office function, such as HR, F&A, or Supply Chain. At Level Two, Multiple Functional Shared Services leverage the investments made in single-function Shared Services by taking on additional back-office functionalities.

At Level Three, the Shared Services organization is integrated into the company's value chain and begins to focus on creating value from its cache of transactional data in a work culture of continuous improvement. This is the essence of GBS.

While this evolution is natural and logical, it doesn't happen with a snap of the fingers, which is why most companies have yet to make the transition. Adopting the GBS philosophy of leveraging more value from Shared Services is a start, but you must also adapt your operations—people, processes, and technology—to create an operating model that supports value enhancement.

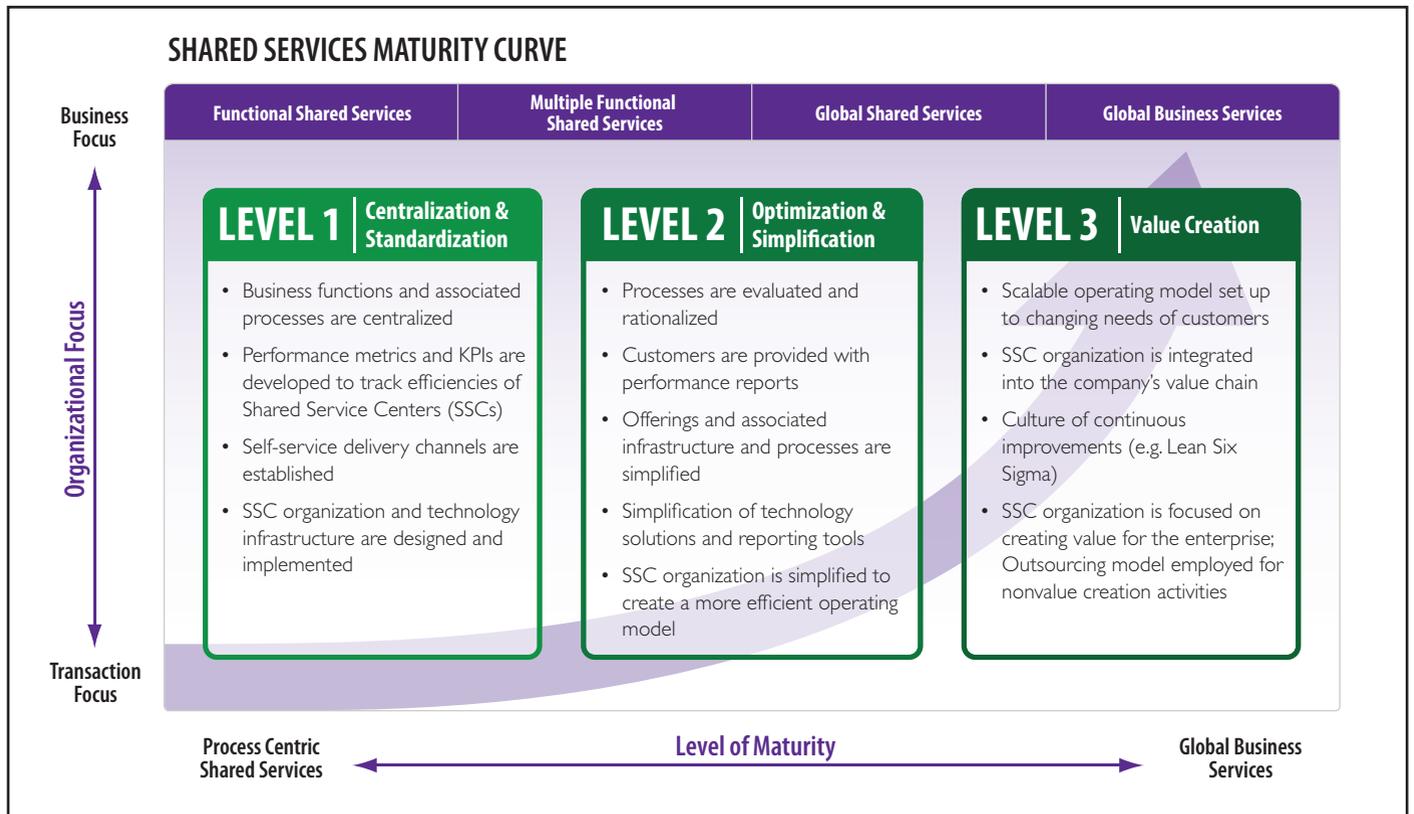
That means employees will need to be trained to analyze data gathered during the processing and turn it into insights that will create actionable information. Processes will need to

be designed to capture key value-add transactional data, and supporting technologies must have an enterprise focus that results in reports and analytics that give business managers new decision-making insights.

Capitalizing on GBS

So, how can an organization rekindle a competitive advantage with data previously used solely to measure and cut costs? There are four key areas where GBS can have an impact: customer, vendor, employees, and reporting.

Let's look first at the customer dimension. Your Shared Services organization collects a tremendous amount of information on customer payments—data that traditionally is used to create transactional cost efficiencies such as the number of accounts



receivable issues that are resolved on a monthly basis. But that data also holds beneficial clues to customer behavior.

Consider the case of a key customer who experiences a temporary setback and begins to show a pattern of late payments. Insights gleaned through the GBS framework would allow you to proactively offer a customized payment schedule to help them more effectively manage their working capital until their situation improves. Delayed payments would stop, a confrontation over billing would be averted, and the business relationship would be enhanced for the long run.

Regarding your relationship with vendors, consider a scenario in which you have an urgent need to increase your regular order of components manufactured by a small strategic vendor. Perhaps you have a 60-day payment cycle that wouldn't give them the cash on hand to expand capacity, which would put you at risk of not meeting the market demand for a key product. By leveraging the GBS framework, your data analysis can identify options to help your vendor and reduce your risk. One option would be temporarily adjusting the pay cycle to 45 or 30 days to provide more working capital.

In the context of the company employees, adopting a GBS mindset can help HR manage recruiting and retention more efficiently and lower the cost of business. By analyzing the collected transaction data, along with established industry data, your HR function now has useful information to drive strategy development aimed at talent retention. Your HR function may find, for instance, that salaries aren't the sole driver; other perks, like telecommuting or working off site, may stem defections.

Finally, GBS can improve the reporting experience dimension by leveraging the wealth of data collected to develop on-demand reports and analytics with drill-down capabilities. These reports and analytics could be used to not only manage the day-to-day activities of running a business, but could also be utilized

to satisfy regulatory and statutory requirements without having employees spend an enormous amount of time sifting through data to manually generate reports.

In essence, GBS functions become more of an advisory service and part of the organization's ecosystem instead of merely serving as a transaction-processing engine.

Adopting a GBS Ecosystem

GBS can be deployed with a pragmatic pilot test prior to being rolled out in a controlled phased-in approach. You'll start by targeting a specific area within your organization and developing a realistic business case and transformation strategy.

Start with an area over which you have the most direct control, like your supply chain, which also happens to be rich in data. For example, you could task your GBS team to assess your supply chain data to uncover intelligence on your sourcing patterns and projections, supplier behaviors and conditions, including their financial health, their ability to help you meet market demand, and their product reliability.

That takes us to some high-level steps you should take to adopt the GBS mentality.

- As mentioned, you have data that you can mine, including the transactional data captured by the Shared Services function. Analyze it to develop your business case.
- Interview stakeholders within the business to get their perspective on how to improve the employee experience, the customer experience, the vendor experience, and the reporting experience.
- Create four discrete but integrated governance councils—one for each of the areas above—and empower them to

develop a transformation program around these areas. This provides a mechanism for various components of a business to get together and think through how these areas can be improved.

- Assign senior level executives to be involved in these programs. We're not simply asking for buy-in, but accountability.

Clearly, this transition can be complex, as long time expectations shift and dynamics change. It likely will require the help of a third party to see you through the process so you reach your goals.

Partnering with an Eye Toward Revenues

Today, it's no longer enough to keep scratching out new ways

to reduce costs. It's time for smart growth. You already have the fundamentals, but you haven't been using them to their full potential. If you're looking for a competitive edge, you'll find it in the GBS philosophy and framework, which takes data you already have and translates it into actionable information throughout your organization's ecosystem.

Evolving your existing Shared Services into Global Business Services morphs the familiar face of cost cutting into a new mechanism that can power your top-line revenue growth, customer and employee retention, and product development.

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