Moving From Shared Services to GBS – What Does World-class Look Like?

Penny Weller, PhD, CMA
The Hackett Group
Moving From Shared Services to GBS – What Does World-class Look Like?

Shared Services is a successful, twenty+ year old concept that has worked exceptionally well for many functions including finance, HR, IT, and procurement. What happens when multiple shared services come together to leverage skills, technology and service management? Organizations can now leverage the shared services benefits within a compelling business case for enhanced savings and strategic alignment in an operating model called Global Business Services (GBS). In this session you will learn:

• Why so many companies are considering moving from shared services to GBS
• Which functions are most likely to embrace GBS and to what extent
• Why moving to GBS can be so political and how to offset those concerns
• How to build a culture within shared services that will help position your organization to move to a GBS
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North America Operations Leader
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• The Hackett Group – Advisory services and research Global Business Services and Shared Services
• 30 year Shared Services executive with Pfizer (formerly Pharmacia)
• Director of Performance Management
• Six Sigma Motorola-certified Black Belt
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• Hackett Overview

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Payables • P2P • Shared Services

The Hackett Group
World Class Defined and Enabled

93% of the Dow Jones
86% of the Fortune 100
93% of the Dow Jones Global Titans
87% of the DAX 30
52% of the FTSE 100
48% of the CAC 40

93% of the
86%
93%
87%
52%
48%

The Accounts Payable & Procure-To-Pay Conference & Expo is produced by:
• Library of 2,500+ Best Practice Research Perspectives, Books of Numbers, and Hackett Certified Best Practices through the Best Practice Intelligence Center
• Unlimited inquiry access for members to Hackett experts for transformation steering
• Peer-to-Leader 1-2-1 Best Practices sharing, and Best Practices networking events
• Enterprise, functional and process-based performance studies & value accelerators

• “Gold Standard” Benchmark – over 10,000 conducted, the empirical backbone for your transformation at the SG&A Enterprise, Functional, and Process level.
• World-Class, Peer, and Custom Peer comparative metrics and best practices
• Ability to provide multiyear World-Class Program view of performance over time
• Hackett Performance Exchange (automatic accumulation of performance data from Oracle or SAP)

• Finance
• Human Resources
• Information Technology
• Procurement
• Supply Chain and Operations

• Enterprise Performance Management
• Shared Services, Global Business Services & Outsourcing
• Merger Integration
• Working Capital Management

• Oracle EPM (Platinum Partner)
• SAP ERP (Gold Partner)
• Hyperion
• Kronos
• Workforce Management

• Application Managed Services
  – Functional Application Support
  – Technical Application Support
  – Cloud and Hosting
  – Remote Development
• We are the **global leader** in operations improvement strategies, implementation know-how, and G&A agility
• We **address both efficiency and effectiveness** improvements to enable strategic business objectives
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• Our **Best Practices Intelligence Center™** is a significant differentiator and enabler. It contains:
  – 20,000+ performance metrics updated annually
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  – 1,000+ best practice-based process maps, requirements and configuration guides
  – 1,000+ case studies, implementation examples and research
• We **deliver results** through a global team of senior practitioners using a consistent methodology and best practice-based toolset

We help companies **establish and implement** business performance improvements.
EFFECTIVENESS

- Alignment with corporate and business unit strategic goals
- Enterprise agility contribution
- Enterprise compliance with financial, operational rules and regulations
- Delivery of competitive advantage by reducing operating cost
- Competitive advantage through high-quality services
- Competitive advantage through business partnering

EFFICIENCY

- Operating cost improvement
- Productivity improvement
- Quality improvement
- Customer service improvement

What World Class GBS Do Differently:

2X improvements in customer service productivity

93% World-class GBS rate as effective or highly effective in enterprise agility
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Strategic Choices

- Complexity Reduction
- Operational Excellence
- Customer Intimacy
- Strategic Enablement
Primary & Secondary Reasons

- Compliance Focus
  - Risk & Controls

- Cost Focus
  - World-class KPIs

- Operational Excellence Focus
  - Quality

- Customer Focus
  - Service Design
Shared Services
The Basics

- Economies of scale and skill
- Improved cost and efficiency
- Improved reporting & details
- Leveraged technology
- Customer-centric focus and controls
Moving Back Office to Shared Services

Previous Back Office Models

- **CONS**
  - Little responsibility for costs and service levels
  - Tend to be upwardly oriented to corporate headquarters
  - Concerned with company-wide issues, tend to standardize services
  - May lack flexibility/responsiveness

- **PROS**
  - Economies of scale
  - Critical mass allows for high-degree of specialization

Centralized Structure

- **CONS**
  - Redundancies, high cost of sub-scale operations
  - Expensive, no economies of scale
  - Does not leverage skills across businesses
  - Organizational change is tough

- **PROS**
  - Flexibility, ability to tailor
  - Flat, simple organization
  - Decision-making close to product line

Decentralized Structure

Shared Services Operating Model

- **CONS**
  - Leverages scale, skills, technologies and best practices while retaining business focus

- **PROS**
  - Responsive: oriented toward its customers (business units, divisions, etc.)
  - Allows organizations to grow under one system
  - Business units determine service levels via Service Level Agreements
  - Potential for employees to develop functional expertise
  - Better sharing of information and resources across the organization

Transition to this model can be challenging
A Shared Services is a regional or functional operating model to **organize**, deliver, and continuously improve internal business services.

A Global Business Services (GBS) is a **global** operating model used to organize, deliver and continuously improve internal business services provided to support **value** producing processes and business units. It involves removing or coordinating work activities from business units, and standardizing and consolidating the way in which these services are delivered in order to provide **value** to the enterprise and business units in the form of continually reduced operating costs, improved cycle times, more time for core competencies, and other key performance dimensions.
What Can Be Done In GBS?

<table>
<thead>
<tr>
<th>Performance Motivators</th>
<th>Work Distribution</th>
<th>Leveraging</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue, GM, OP</td>
<td>Business Strategy</td>
<td></td>
</tr>
<tr>
<td>Service, Cost and Strategic Enablement</td>
<td>Sales / Marketing / Operations</td>
<td>Transactions</td>
</tr>
<tr>
<td>EPS, ROE, ROA</td>
<td>Service Management</td>
<td>Knowledge</td>
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<td></td>
<td>Service Delivery</td>
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<tr>
<td></td>
<td>Enterprise / Portfolio Strategy</td>
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<tr>
<td></td>
<td>Protection / Performance / Culture</td>
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</tr>
</tbody>
</table>
# What Can Be Done in GBS?

<table>
<thead>
<tr>
<th>Business Units</th>
<th>Transactions</th>
<th>Knowledge</th>
</tr>
</thead>
</table>
| Business Strategy | - BU Unique Processes  
- Local Market Driven Processes  
- BU Business Intelligence  
- High Automation | - Customer Intimacy  
- Innovative  
- BU Competitive Advantage  
- Continuous Operations  
- Analytical Diagnostic  
- BU Specific Knowledge |
| Sales / Marketing / Operations | - High Volume  
- Efficiency Focused  
- Repetitive Activity  
- High Automation  
- Easily Measured Performance  
- Consistent BU Requirements  
- Cross Enterprise Integration  
- Common Technology Platform | - Leveraged Skills  
- Project / Issue Driven  
- High Cost Skill  
- High Demand Skill  
- Common Analytics |
| GBS/Shared Services | Service Management | - High Level Analysis  
- Investor Relations Processes  
- High Security Processes  
- High Risk Processes | - Enterprise Fiduciary  
- Strategic  
- Confidential  
- Companywide Compliance  
- Statutory And Regulatory |
| Service Delivery | - | |
| Corporate | Enterprise / Portfolio Strategy | - |
| Protection / Performance / Culture | - | - |
35%  
Average initial savings over baseline costs realized by world-class GBS (two years)  
Peer = 20%

93%  
Percentage of world-class GBS rated as “effective or highly effective” in enterprise agility  
Peer = 5%

8%  
Average recurring cost savings realized by world-class GBS

6%  
Average annual rate of customer service improvement achieved by GBS organizations  
Peer = 3%

8%  
World-class productivity improvement achieved by GBS organizations  
Peer = 4%

## Scope of Global Business Services

<table>
<thead>
<tr>
<th>Processes within Shared Services</th>
<th>Accounts Payable</th>
<th>Cash Application</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fixed Assets</td>
<td>Intercompany Accounting</td>
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<tr>
<td></td>
<td>Contact Center</td>
<td>Time &amp; Attendance</td>
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<td>Travel Expense</td>
<td>Payroll</td>
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<td></td>
<td>Credit</td>
<td>Order Management</td>
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<table>
<thead>
<tr>
<th>Functional Shared Services</th>
<th>Finance</th>
<th>Human Resources</th>
<th>Information Technology</th>
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<tbody>
<tr>
<td>Procurement</td>
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<tr>
<td>Supply Chain</td>
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</table>

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</tr>
<tr>
<td>Supply Chain</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Executive &amp; Corporate Services</th>
<th>Sales &amp; Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate, Facilities</td>
<td>Legal, Engineering, R&amp;D</td>
</tr>
<tr>
<td>Supply Chain, Logistics</td>
<td></td>
</tr>
</tbody>
</table>

**Functional Shared Services**

- Finance
- Human Resources
- Information Technology
- Procurement
- Supply Chain
The Accounts Payable & Procure-To-Pay Conference & Expo is produced by:

The Hackett Group’s Global Business Services (GBS) performance study, 2016


Focus

Value

Stage 3
- Agility
- Innovation
- Commercial Profile
- Customer-centric Mindset

Stage 2
- Multi-function
- End-to-end Process Ownership
- Service Management
- Enterprise Standards
- Technology Integration
- Centers of Excellence
- Captive Plus Delivery Model

Stage 1
- Single-function
- Transactional Standardization
- Regional Consolidation
- Transactional Automation

GBS – 3-Stage Model

Focus

Transaction Excellence

GBS – 3-Stage Model

Function Aggregation

Multi-function Shared Services

Integrated Services

Enterprise Strategic Enablement

Business Services Excellence

8%

35%

57%

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Service Placement G&A Functions

Adoption of GBS model by function (2013-2016)

Adoption of GBS model by function and GBS maturity stage (2016)

Stage 1 GBS deliver *one-time* cost savings and operational performance improvement through consolidation, labor arbitrage and functional standardization.

Stage 2 GBS deliver *one-time* cost savings and operational performance improvement by integrating end-to-end process and significantly improving customer service and employee empowerment.

Stage 3 GBS organizations have the capability to deliver *sustained improvement* across all six value levers *year over year*.
Investments Planned & Expected Savings

Source: The Hackett Group’s Global Business Services (GBS) performance study, 2011

Finance
- Document scanning & imaging solutions: Planned Investments 53%, Highest Savings 41%
- Workflow automation: Planned Investments 59%, Highest Savings 56%
- Electronic invoicing: Planned Investments 61%, Highest Savings 60%

Human Resources
- Data warehouse & business intelligence tools: Planned Investments 48%, Highest Savings 18%
- Self-service solutions for employees: Planned Investments 58%, Highest Savings 61%
- Self-service solutions for managers: Planned Investments 65%, Highest Savings 64%

Information Technology
- Mobile IT solutions: Planned Investments 56%, Highest Savings 23%
- Data warehouse & business intelligence tools: Planned Investments 60%, Highest Savings 50%
- Workflow automation: Planned Investments 64%, Highest Savings 41%

Procurement
- Document scanning & imaging solutions: Planned Investments 45%, Highest Savings 21%
- Data analysis & resourcing tools (i.e. spend analytics): Planned Investments 52%, Highest Savings 55%
- Electronic invoicing: Planned Investments 55%, Highest Savings 45%
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Multi-function Shared Services

Median no. of functions included in GBS

<table>
<thead>
<tr>
<th>Year</th>
<th>World-class</th>
<th>Peer</th>
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</thead>
<tbody>
<tr>
<td>2003</td>
<td>76%</td>
<td>24%</td>
</tr>
<tr>
<td>2004</td>
<td>72%</td>
<td>28%</td>
</tr>
<tr>
<td>2005</td>
<td>58%</td>
<td>42%</td>
</tr>
<tr>
<td>2006</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>2007</td>
<td>51%</td>
<td>49%</td>
</tr>
<tr>
<td>2008</td>
<td>52%</td>
<td>48%</td>
</tr>
<tr>
<td>2009</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>2010</td>
<td>72%</td>
<td>28%</td>
</tr>
<tr>
<td>2011</td>
<td>74%</td>
<td>26%</td>
</tr>
<tr>
<td>2012</td>
<td>73%</td>
<td>28%</td>
</tr>
<tr>
<td>2013</td>
<td>72%</td>
<td>28%</td>
</tr>
<tr>
<td>2014</td>
<td>78%</td>
<td>22%</td>
</tr>
<tr>
<td>2015</td>
<td>77%</td>
<td>23%</td>
</tr>
</tbody>
</table>

GBS Utilization By Function

## Finance Example

### Service Placement

<table>
<thead>
<tr>
<th>Service</th>
<th>GBS</th>
<th>Business Unit</th>
<th>Corporate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>89%</td>
<td>7%</td>
<td>5%</td>
</tr>
<tr>
<td>Travel &amp; Expense</td>
<td>76%</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Cash Application</td>
<td>71%</td>
<td>12%</td>
<td>17%</td>
</tr>
<tr>
<td>General Ledger</td>
<td>62%</td>
<td>14%</td>
<td>23%</td>
</tr>
<tr>
<td>Fixed Asset Accounting</td>
<td>61%</td>
<td>16%</td>
<td>24%</td>
</tr>
<tr>
<td>Payroll</td>
<td>59%</td>
<td>14%</td>
<td>27%</td>
</tr>
<tr>
<td>Intercompany Accounting</td>
<td>59%</td>
<td>12%</td>
<td>29%</td>
</tr>
<tr>
<td>Collections</td>
<td>54%</td>
<td>29%</td>
<td>17%</td>
</tr>
<tr>
<td>Customer Billing</td>
<td>48%</td>
<td>47%</td>
<td>5%</td>
</tr>
<tr>
<td>Credit</td>
<td>37%</td>
<td>38%</td>
<td>25%</td>
</tr>
<tr>
<td>Dispute Management</td>
<td>36%</td>
<td>49%</td>
<td>15%</td>
</tr>
<tr>
<td>Cost Accounting</td>
<td>30%</td>
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<td>Compliance Management</td>
<td>25%</td>
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<td>Tax Management</td>
<td>22%</td>
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<tr>
<td>Enterprise Consolidation</td>
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<td>3%</td>
<td>79%</td>
</tr>
<tr>
<td>Treasury Management</td>
<td>17%</td>
<td>4%</td>
<td>80%</td>
</tr>
<tr>
<td>External Reporting</td>
<td>14%</td>
<td>8%</td>
<td>78%</td>
</tr>
</tbody>
</table>


Source: GBS Performance study, 2016
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Key Focus Areas to Ensure Success

Governance consistently applied across functional shared services

Customer Experience improved while Focusing on productivity, cost, compliance

New capabilities, process standardization, end-to-end process design to enhance business outcomes
Consistent management guidance, setting cohesive policies and procedures, and assigning effective decision-rights (RACI)
Getting to the right tables
Capabilities enabling a GBS to align and optimize the delivery of work; strategy, design, transition, operation, and continual improvement.
Service Strategy – Ability to design a services portfolio that meets internal customer expectations demand in a cost effective manner

Service Design – Ability to identify design and deliver services that meet internal customer expectations demand in a cost effective manner

Service Transition – Ability to transition a service from business unit to GBS causing minimal business disruption

Service Operation – Ability to manage customer interaction and GBS support functions to deliver services

Continual Service Improvement – Ability to continuously improve service quality and operational effectiveness
Correlation between capabilities and performance

- Financial Management: 0.73
- Supply Management: 0.69
- Service Continuity Management: 0.68
- Quality Improvement: 0.65
- Service Catalogue Management: 0.61
- Service Demand Management: 0.60
- Infrastructure Management: 0.55
- Change Management: 0.54
- Service Portfolio Management: 0.53
- Service Migration Management: 0.53
- Knowledge Management: 0.47
- Supplier Management: 0.39
- Client Contact Center Management: 0.35

Source: Global Business Services (GBS) Service Management performance study, 2011
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Performance Measurement
Work delivered based on best practices process design and execution
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It’s Really Not a Secret!

Continuous Improvement
Service Strategy
Voice of the Customer
Service Management

Service Design
Change Management
Make It Easy To Do Right
End-to-End Processes

KPIs and Measurement
Governance
Celebrating Success!
Key Best Practice Characteristics:

- **Scalable, Cost-efficient Platform** – Allows organic and external growth without adding a proportionate number of staff through scalable processes and technology
- **Organizational Flexibility** – Properly aligns resources to meet changing customer needs with a nimble organization. Responsive to customer requirements; win-win mentality
- **Plug ‘n Play** – Absorbs back office functions of new business acquisitions to increase economic benefits of inorganic growth
- **Implementing Business Best Practices** – Replicates existing best practices through the use of end-to-end, standardized processes
- **Technology Leverage** – Identifies and economically implements technology improvement (e.g. RPA, digitization) is greatly enhanced
- **Improved Control** – Creates environment that facilitates control over policies and processes and thereby leads to better compliance with Sarbanes-Oxley and other regulatory requirements
- **Enhanced Customer Experience** – Enables standardization of processes while segmenting stakeholders where needed to deliver high quality, high value services in a customer-centric environment
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<table>
<thead>
<tr>
<th>Senior business leaders</th>
<th>Key stakeholders</th>
<th>Operations</th>
</tr>
</thead>
</table>

Who are your key audiences?  
What is important to them?  
Are there some **Quick wins**?
Rule #1: If you submit an idea you don’t have to fully develop it…
Having a Mustang Attitude...
Risk of Not Implementing GBS

**Talent**
Less Options for Talent. GBS organizations offer rebalancing of talent as well as a path for global resources and leaders within the organization; aligning people to skills & strategy

**Cost**
Lost Cost Savings Are Significant. Let’s face it, GBS works and hard data shows 20-35% savings off of original base. That’s $20-35M in initial savings for a $10B company

**Agility**
Lower Agility and Likely Underperformance: GBS organizations provide a foundation for agility – acquisitions, dispositions, scaling, standardization and innovation

**Digital**
Less Digital Innovation
GBS organizations and COEs are emerging as the heart of the digital revolution, incubating pilots on analytics, robotics, and other digital areas for the broader enterprise

**Risk**
Higher Cost Compliance: GBS organizations bring more standardization, less exceptions and better control over transactions and risk

**Customers**
Frustrated Customers
GBS organizations consistently deliver higher quality services and improved customer experience. GBS can reduce transactional responsibility and unleash internal customers to drive value
**GBS Myth #1**

<table>
<thead>
<tr>
<th>Myth:</th>
<th>Reality:</th>
</tr>
</thead>
<tbody>
<tr>
<td>GBS means all processes are centralized in a single location</td>
<td>GBS owns and optimizes processes, however, is location neutral; services may be delivered from a global hub, regional center(s), centers of excellence or satellite offices to align with customer needs</td>
</tr>
<tr>
<td>Myth:</td>
<td>Reality:</td>
</tr>
<tr>
<td>-------</td>
<td>----------</td>
</tr>
<tr>
<td>GBS means you do everything that anyone wants</td>
<td>GBS is a professional organization that provides exceptional services in a two-way, negotiated relationship focused on what’s best for our company</td>
</tr>
</tbody>
</table>
GBS Myth #3

**Myth:**
GBS is a place no one wants to go

**Reality:**
GBS is used to groom talent with key capabilities that provide value with transferable skills; such as professionalism and continuous improvement
GBS Myth #4

Myth:
GBS is a delivery model that only works on transactional processes

Reality:
Knowledge-based service offerings are already in place for many GBS organizations that have aspired to drive more value for their companies
GBS Myth #5

Myth:
GBS is well understood and has buy in from key functions

Reality:
GBS is very political and often misunderstood. It’s challenging for functions to realize that optimizing work outside their function diminishes their value
GBS Myth #6

Myth: I cannot impact my work

Reality: Oh, yes you can
Questions or Comments?
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• Receive report with key research findings and assessment of your performance

• Participate by joining the Hackett Research Community
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• [www.thehackettgroup.com](http://www.thehackettgroup.com) or contact pweller@thehackettgroup.com

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