WHITE PAPERS

THE REALITY AND OPPORTUNITY OF SIMULTANEOUS DELIVERY

How Can GBS Leaders Simultaneously Manage Cost-Reduction, Service Level Improvement and Grow the Service Footprint?

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As a Global Business Services (GBS) professional, I'm positive that you've encountered some of the following questions from your business leaders:

- How can you reduce your budget by 10% next fiscal year?
- Your GBS team is on target from a budget standpoint, but the service quality is unpredictable. What are you doing about it?
- Can we please make our current operations more stable, before approaching me with ideas for new business?
- Can we drive more transformation? I read this article on Digital transformation, and our GBS organization seems behind. What are we doing about it?

And so on…
If I were to rephrase these into a single problem statement, it would be:

"How do you simultaneously manage cost-reduction, service level improvement and grow the service?"

That's what makes our lives as GBS professionals so interesting – that little word: "simultaneous."

Why this question is becoming increasingly important

There are many reasons why "simultaneously managing cost-reduction, service level improvement, and growing the service" is a challenge in the shared services industry.

1. Our work is people intensive – i.e. de-skill the role and you risk an impact on the quality of the output.
2. The increasing importance of customer/business proximity and language skills – i.e. it limits your ability to centralize.
3. Investments are required to kickstart transformations – i.e. there's only so many of these simultaneous activities that you can afford.

This question is more relevant now than ever. Newer technologies like Big Data, AI, ML, etc., have given us the ability to harness data to derive meaningful insights and trends, which in turn, are helping industries to redefine their business models. Customer experience has taken center stage. Expectations from GBS have also changed.

So, how do we continue to reduce costs, expand the footprint, and manage the new enhanced customer expectations – all at the same time?

Managing this multi-dimensional issue

The GBS concept is decades old, with various organizations at different stages of maturity. Some have embraced GBS across multiple functional services, while others have only exploited the benefits of centralization and basic digital automations. There are many reasons for this disparity in adoption. These range from a limited global operations footprint, a small scale of operations, decentralized operations, or a focus on growth rather than cost efficiency. Then there are human dynamics, too. This includes fears about losing control of respective organizations, not to mention the archaic perception that the size of the empire matters.

Irrespective of what level you are on the GBS maturity curve, or the internal people dynamics, the need to drive simultaneous change is unquestionable.

However, it is important to note that the actions you take as a GBS leader might be different, depending on where you are on the GBS maturity curve.

GBS Value Drivers

Before we get into solving this puzzle, let's look at some of the key levers which are available to GBS leaders. Please see the table:

.Seven Most Common Shared Services Value Drivers

1. Centralization
2. Standardization
3. Process Re-Engineering
4. Location Strategy
5. Digitization & Automations
6. Tech Modernization
7. Reporting, Analytics, and Insights

To frame the idea of key levers of value, let me use an analogy. Have you played the computer game, Mario?
The game involves a treasure hunt. Our GBS value levers are like Mario's treasure hunt. Further, all levers don't unlock at once, and often they are only partially unlocked. Depending on the level of maturity of your shared services organization, only some of these levers might be available.

An example of GBS Shared Services levers

Let me elaborate – with a scenario.

Let's say a medium-sized company is in the process of setting up a GBS organization. They have multiple sites spread across the U.S., but don't have a centralized shared service organization. IT has been centralized, through outsourcing to some extent, but business process services are still decentralized.

In this scenario, there are three drivers that can be immediately used in Year 1 as you establish your shared services.

Driver One: Centralization. Processes which have the least variance, or the largest scale, or the lowest risk will be taken as the first candidates. There are, of course, other factors like talent availability, training time, business buy-in, ROI, etc., which will also play a significant role in finalizing this. However, in most cases, transactional work, with limited interactions with end customers or business partners are chosen first for centralization.

Driver two: Siting. The company will have to define a location strategy – which location is the right balance of cost and skill? And preferably, it would be an existing location. This will help in seeding knowledgeable resources into the new shared services organization.

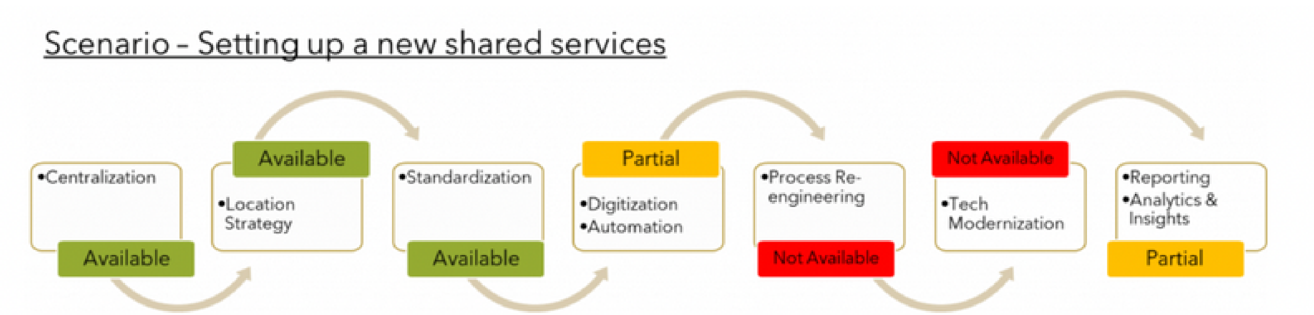
Driver three: Standardization. The objective here is not to be 100% standardized. Rather, aim to have 80-90% of the process steps standardized to dr

At the end of Year 1, you will notice that between these three levers, you have:

- Taken out ~20-25% of the cost;
- Services are more standardized;
- You have clear performance measures defined across each service area;
- Your downtime due to fragmentation is reduced;
- You have taken baby steps and avoided operational risks;
- And have increased operational stability.

Please note, you will not see a 100% of the savings hit the bottom line as there are project costs, overlap costs, severance costs, etc. The break-even point for such cases can be ~12 months depending on the geography, size, process, current cost, and maturity involved.

With your P&L situation tending to be positive for Year 2, you now are ready to start unlocking other levers in a self-funded model. That's key because it creates a positive spiral of improvement. You could aim for a 50/50 model at this point, with 50% of the savings being passed to the business and the rest being retained in shared services to drive further automation.



When to bring other key levers into play

You may ask why we can't use **"process reengineering" or "digitization and automation"** right away in Year 1, or why you wouldn't start with Process Reengineering and Automation?

To be clear, I am not suggesting that you cannot use these at the start or even start with them first.

My point is that to automate or re-engineer a process, you need some standardization. You can indeed start with automation and centralizations together, if the process is **highly standardized.** However, typically, savings unlocked from centralization, standardization, and a location strategy are available from the **next fiscal,** which helps you further invest in "Process Re-engineering" and "Automation." Plus, you don't want to drive too many changes at the same time. Operational stability is key to the success and future expansion of shared services.

You might further ask if Year 2 is a given benchmark for this? Considering various factors like hiring timelines and knowledge transfer duration, it takes anywhere from six to eight months to transition services. Plus, another four to six months to stabilize operations. As a result, in most cases, it does take ~12 months to start the levers of automation and process reengineering.

When to bring other key levers into play

		Impact		
		Cost	**Quality**	**Timelines**
Value Drivers	Centralization	High	Medium	Medium
	Standardization	Medium	High	High
	Process Re-engineering	High	High	High
	Location strategy	High	Low	Medium
	Digitization & Automations	High	High	High
	Tech Modernization	Low	High	Medium
	Analytics and Insights	Low	High	Low

These seven levers deliver different aspects of the GBS value proposition. Some are better at quick cost reduction, others do better with quality or innovation.

See to the right a high-level reference guide showing how the seven value levers impact Cost and Service levels. Note that Service Levels are further broken down into Quality and Timelines

How to create GBS projects and programs from GBS value levers

Based on the above scenario, you might notice that between these seven levers, you have a series of projects and initiatives planned to unlock value (i.e., reduce costs, improve service levels, create new business growth, or improve asset efficiency) via GBS.

A smart GBS professional knows that your focus can never be exclusively on cutting costs. A good GBS organization delivers 3-4X more value beyond cost reduction. However, you do need to earn your credibility with the business, and there is no better way to sell GBS than to show proven success stories. Over time, with cost and service levels humming in the background, you might have to create a new intake team to handle influx of new business into your GBS.

Share your opinion on which GBS value creation scenarios you'd like to hear about next

Beyond our basic scenario of creating a new GBS organization, there are several other possibilities. I plan to cover those in coming editions of this blog. But first, I have a proposition to make. I can prioritize fleshing out different scenarios, including the four listed below, depending on your interest.

So, go ahead and comment to vote for your choice from the scenarios below. I will share the results and plan my blogs accordingly.

1. What's next for companies with functional Shared Service organizations? What levers should they use?
2. What's next for GBS organizations doing transactional work? What levers should they use?
3. My GBS organization is at maturity level 4 (i.e., top level). I have an integrated Services and IT strategy in place. My GBS service strategy is in place, and I am best in class in most of the service metrics. What's next for me?
4. Open ended – Type in your challenge