



Global Business Services

Catalysts of value

Redefining success in dynamic markets

Global business services – Catalysts of value

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Preface

Since we published our last study on the subject, global business services (GBS) has solidified its role as a robust engine of efficiency within corporate functions. In addition to handling transactional processes, we are now seeing GBS organisations expanding the scope of services they provide to offer knowledge-rich and highly specialised services. This demonstrates the trust that organisations place in GBS, even in the face of pessimism in the market as a result of economic volatility and global crises such as Covid-19, territorial disputes and the looming threat of climate change.

In challenging times, GBS organisations have proven themselves to be solid providers of true business value, well exceeding expectations from just a few years ago. They achieve this by expanding the services they provide, optimising processes, adopting digital tools and forming strategic partnerships with both external and internal stakeholders, creating an adaptable and digital environment. Expanding services and developing skills in this way empowers GBS organisations to address multiple challenges, such as the fierce competition for talent in digital innovation and process automation, or the need for better standardised and more digital processes.

This comprehensive study presents the findings of our most recent GBS survey and incorporates insightful articles written by experts from across the global PwC network. This diverse compilation offers a variety of perspectives on the subject, drawing on a wealth of knowledge and experience from professionals across various regions.

This is the seventh edition in a series of publications issued every two years, demonstrating our dedication to delivering valuable insights. The survey underpinning this study was conducted from March to August 2023, engaging companies from across the globe and representing a diverse selection of industries. Responses were numerous, allowing us to provide an in-depth overview covering the current status of GBS, ongoing developments, and current and future challenges.

However, our exploration doesn't stop there. This study also delves into critical areas, offering illuminating insights into strategy and vision, the intricacies of organisation and governance, the efficiency of processes, the role of technology and data, and the vital importance of people and culture. This report also takes a forward-thinking stance, providing an outlook on imminent key trends and the likely evolution of GBS. Our aim is to not only deliver a snapshot of the present, but also to offer a guide for navigating the dynamic future of GBS, ensuring that businesses are well-prepared for what lies ahead. This study presents some of the latest tools and developments used in the world of GBS, enabling organisations to set an efficient course for the future with confidence. These innovative resources are intended to serve as navigational aids, allowing businesses to move forward in an ever-changing world.

We would like express our gratitude to all of the many companies that actively participated in this survey, and to the organisations and partners who took some time to offer valuable input and insights in today's disrupted world. We would also like to extend our appreciation to the experts of the global PwC network, whose contributions had a great impact on the outcome of this study.

We hope that you find this study informative, and we wish you every success in using it to advance the growth and development of your organisation.

Essen, November 2023



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A letter from our global GBS leader

Current state of GBS

In our last global GBS study, entitled “Key to Agility”, we were transitioning out of the pandemic era, during which GBS organisations displayed remarkable resilience and performed very well in a remote operating environment. Presently, we find ourselves in a “new normal” work environment, potentially embracing a permanent hybrid operational model, especially within GBS organisations. A significant driver of this transformation is the digital proficiency of our GBS talent pool and their ability to adapt swiftly to the constantly changing business landscape. The pandemic, in a unique way, has underscored the GBS’s role as a genuine business partner, prompting many organisations to delegate additional responsibilities to their GBS centres, especially during economic downturns. Consequently, the pressing question is: what will these centres look like in the future?

Hybrid operating model – the new norm

From the perspective of our global network, it’s evident that the majority of GBS centres around the world operate using a hybrid model, the viability of which has been demonstrated by the pandemic. The specific ratio of on-site versus remote work varies, influenced by cultural factors, with the most prevalent model trending towards three days in the office and two days working remotely. However, it is common practice to have new employees be on-site every day during their onboarding phase to ensure that company culture is instilled at the outset of their employment. Many companies I speak with emphasise that embedding their culture within the GBS organisation is a top priority to make their employees feel like an integral part of the company, ultimately resulting in higher productivity.

This hybrid model is also of paramount importance for companies seeking to attract and retain top talent, as employees continue to exert a significant influence on the ways of working. For example, in Costa Rica, GBS organisations have been granting high-performing employees the option to work from home, an option which started even before the pandemic. Furthermore, the hybrid model is expanding the overall talent pool, breaking down logistical barriers as remote work increases, thus making it more feasible for employees to undertake longer but less frequent commutes. There is no doubt that ongoing technological advancements in automation, including generative AI, will further enhance the effectiveness of leveraging a hybrid operational model.

Drawbacks of the virtual office

While a hybrid operational model offers significant advantages in terms of flexibility for employees and a broader talent pool for employers, there are also drawbacks emerging in GBS centres. The younger generation now entering the workforce, often referred to as Gen Z, is seeking more opportunities for collaboration and learning. Having spent a prolonged period in isolation during the pandemic where they couldn’t simply drop by someone’s office to ask a quick question, they are now keen to interact and seek guidance. According to the PwC CEO Survey, over 50% of CEOs believe that a shortage of skills is affecting their capacity for innovation, increasing costs, and impacting quality and customer experience. It has been demonstrated that learning the skills necessary for career advancement, whether they are functional, digital or operational, is more effective when conducted in person. While GBS organisations are embracing the hybrid model,

their core nature as centralised organisations can serve as a catalyst for promoting collaboration across the entire wider organisation. When individuals with diverse skill sets work together, their focus shifts towards achieving business outcomes rather than individual needs. Studies show that their chances of advancing within the organisation also increase, benefitting all parties involved.

Another significant concern voiced by executive management relates to overreliance on remote work, leading to underutilised, expensive office space and the adverse impact on local businesses in metropolitan areas where these commercial buildings are typically situated. From a PwC perspective, we advise our clients – particularly those with fully remote employees in some of the lower-cost countries where GBS centres are commonly located – to develop a comprehensive plan to address risks such as data breaches and cyber threats, as these centres are often more susceptible targets.

The future of GBS

There are evidently advantages and disadvantages associated with different choices of location, and there is certainly no “one-size-fits-all” solution. Thanks to recent developments increasing the potential for virtual operations and the correspondingly broader talent pool, we are observing a renewed interest in establishing regional hubs. Especially as GBS expands its functional responsibilities, business leaders are becoming more comfortable with the idea of locating resources and activities in nearshore locations within their respective regions.

Within each region, certain countries – boasting key attributes such as a lower cost of living, yet with a sufficient and qualified talent pool – are emerging as the next wave of core GBS destinations. Examples of these emerging core GBS locations include Colombia in Latin America, Lithuania and Portugal in Europe, and the Philippines in the Asia Pacific (APAC) region. Just as generative AI won't eliminate the need for a human touch, the hybrid model won't entirely eliminate the need for physical GBS centres.



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Outsourcing Expert article on page 46 Figure 18	Functional perspectives Expert articles on pages 34 and 38	Regional perspectives Expert articles on pages 22 and 27
Organisation & Governance Figures 1, 2, 7, 11 and 17	Centres of Excellence Expert articles on pages 19, 50 and 72 Figures 19 and 40	Processes Expert article on page 58 Figures 11, 20 and 27
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List of abbreviations

AI	Artificial intelligence
APAC	Asia Pacific
BPO	Business process outsourcing
CEE	Central and Eastern Europe
CFO	Chief financial officer
CoE	Centre of excellence
CoS	Centre of scale
CX	Customer experience
ERP	Enterprise resource planning
ESS	Employee self-service
EWS	Early warning system
F&A	Finance and accounting
FP&A	Financial planning and analysis
FTE	Full-time equivalent
GBS	Global business services
GPO	Global process owner
HR	Human resources
IPA	Intelligent process automation
KPI	Key performance indicator
ML	Machine learning
MSS	Manager self-service
OCR	Optical character recognition
R&D	Research and development
RPA	Robotic process automation
SSC	Shared service centre

A Key findings



GBS organisations: operationally resilient winners despite multiple global crises

Global business services (GBS) organisations have demonstrated exceptional adaptability and agility by prioritising operational excellence and consistently delivering high-quality services. This adaptability has enabled them to effectively address the myriad challenges of recent years, including lockdowns, economic downturns and global conflicts. As a result, they have gained increased trust from their parent companies, leading to a notable shift in their roles. Far from curbing GBS initiatives in response to the current economic climate, there is a discernible trend towards expanding them. This involves broadening the range of services offered, placing a greater emphasis on end-to-end process management and enhancing capabilities by establishing centres of excellence, which augment GBS's traditional transaction processing activities.



GBS: driving improvements, setting standards

Traditionally, an exclusive emphasis on cost savings was the main reason for adopting GBS; however, this is now becoming less important. CFOs and boards are increasingly recognising that empowered GBS can offer a broader spectrum of value to an enterprise. This includes spearheading digital transformation, comprehensively standardising processes, enforcing robust process governance, adopting digital tools and investing in digital upskilling of employees. By prioritising the development of critical capabilities going beyond just processing transactions, GBS organisations can play a pivotal role in establishing benchmarks for efficiency, value generation and much more across their parent companies.



A shift in scope: GBS organisations and the growing importance of centres of excellence

As confidence in GBS organisations grows, parent companies are entrusting them with more intricate tasks, often complemented by specialised centres of excellence (CoEs). Originally established as centres of expertise to enhance processes and consolidate process knowledge, we now observe mature organisations leveraging CoEs as drivers for launching new business models, initiating and developing new products and service offerings, and spearheading overall innovation. This evolution is solidifying the transformative role of GBS organisations as a channel of choice for corporate change.



Current challenges for GBS

Attracting and retaining top-tier talent is a significant hurdle for GBS organisations; accordingly, they have implemented a range of strategies to stand out in the labour market. Embracing virtual collaboration, adopting flexible working and using agile methodologies have become standard practices, essential for both attracting and retaining high-calibre professionals. GBS organisations are also actively seeking individuals with expertise in areas such as digital analytics and innovation management. Even more specialised skills are needed to bolster CoEs, reflecting the growing importance of GBS as a delivery hub for complex new technologies such as advanced generative AI. This strategic approach not only elevates the organisation's capabilities, but also reinforces its position as an employer of choice in an increasingly competitive job market.



Evolving location strategies

The latest geopolitical developments are having a significant impact on GBS location strategies. The pandemic and associated lockdowns have increased acceptance of remote working and hybrid working, making it possible to attract talent from outside local labour markets. The war in Ukraine and associated concerns have boosted the Western European GBS market, making locations such as Portugal more attractive. Taken together, these trends are expected to drive an increase in location-independent virtual teams, in GBS organisations based in lower-cost countries for transactional activities, and in CoEs in locations with higher-skilled employees.



The future potential of GBS

GBS organisations play a crucial role in various corporate functions and, once they have reached a certain level of maturity, they have the potential to drive substantial company growth by facilitating the introduction of advanced technologies such as RPA, AI, OCR, global ERP and many more. These innovations are crucial in gaining a competitive edge in the market and in increasing the potential offered by GBS. To fulfil this new mission, GBS organisations are increasingly being seen as homes for CoEs, rather than simply as places for labour arbitrage. CoEs are becoming increasingly important in GBS models, providing specialised capabilities and driving value-adding services. They are expected to become even more important in the coming years, and will be the driving force of modernisation and optimisation strategies.

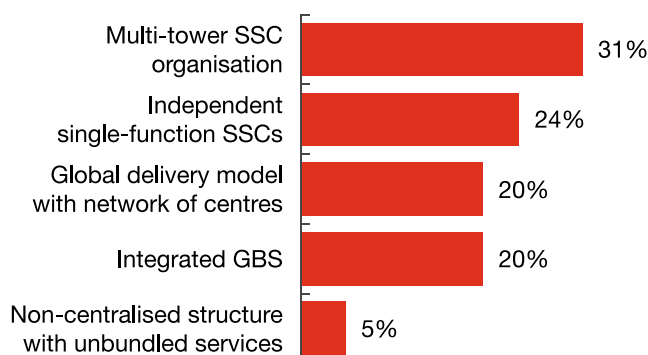


B Status quo and recent developments in GBS

This chapter lays the foundation for this study, revealing the status quo of GBS among respondents and presenting recent developments in the industry. You will also find three expert

articles, explaining why having or launching GBS still makes economic sense and digging deeper into South East Asia and Central and Eastern Europe.

Fig. 1 How would you describe your current GBS organisation?



One third of the companies surveyed describe their current GBS organisation as a multi-function organisation delivering services across multiple functions such as Finance, IT, HR, Sales and Procurement (Figure 1). 24% have independent single-function shared service centres (SSCs), while 20% state that their SSCs have a global delivery model with a network of centres (i.e. they have SSC organisations in different geographies operating independently of each other, but have a joint strategy and delivery model). So although a third of the organisations have already moved into a multi-function setup, there is still plenty of room to shift more and more functions into GBS organisations by increasing their global scope and enhancing the scope of services provided, thus unlocking even more benefits such as further cost reductions, increased efficiency and leaner processes thanks to end-to-end management. It is also clear that while GBS does seem to be a widely recognised and established concept, there are still a significant number of organisations which do not have SSC or GBS structures.

Fig. 2 How do you aspire to position your GBS organisation?

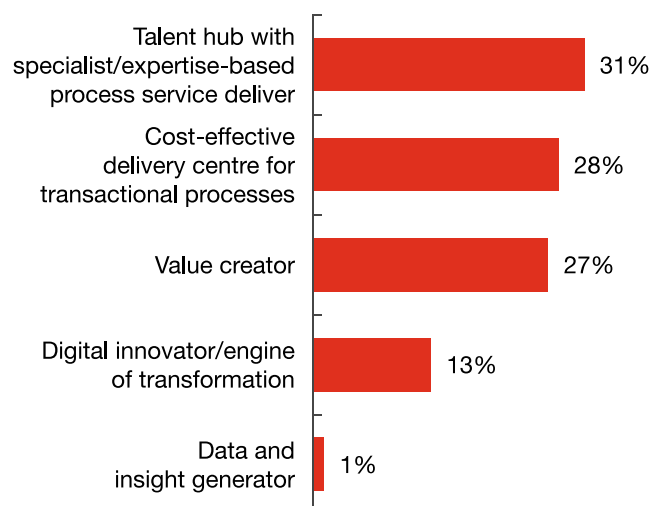
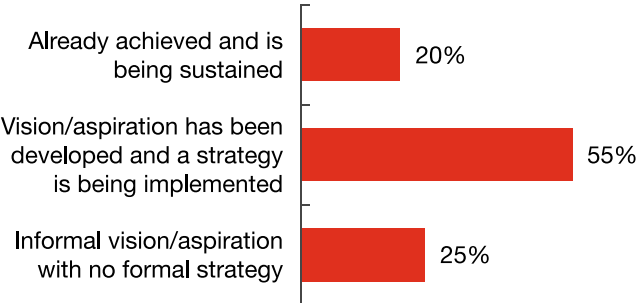


Figure 2 shows that approximately 31% of the companies surveyed want to position their GBS organisation as a hub to attract, develop, retain and upskill employees specialising in expertise-based processes. This is followed closely by companies stating that they want their GBS organisation to be a value creator (27%), with a further 13% viewing GBS's future role as a digitally innovative engine of transformation. This shows that companies are striving to develop mature GBS organisations that can provide specialised services, such as end-to-end process ownership, automation and expertise in digital transformation. The underlying aspiration is that GBS should become closely integrated into the business, with an increased focus on value creation. Of course, cost optimisation continues to be a driving factor in the development of GBS organisations, with 28% of the companies surveyed still aiming for their GBS organisations to mainly be cost-effective delivery centres for transactional processes, but the focus is shifting towards higher ambitions for GBS, underlining the value that they can bring to the business.

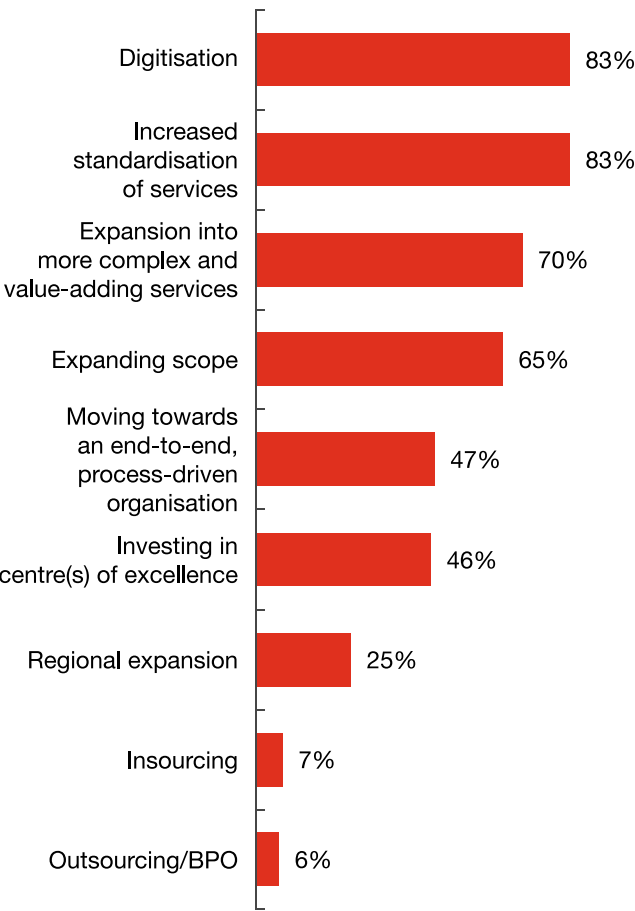
Fig. 3 What progress has your GBS organisation made towards achieving the above aspiration?



Among the companies surveyed, around 75% have a clearly defined strategy for their GBS organisations; 20% of companies have already achieved their vision, while 55% are still working on implementing their strategy. These results demonstrate that most organisations know their ultimate goal for their GBS strategy, and that their current focus is on allocating appropriate resources to the development of their GBS organisation in order to achieve their strategic priorities. More detail on these priorities can be found in Figure 4.

Fig. 4 Please select which options best describe your GBS strategy for the next five years

Multiple answers allowed

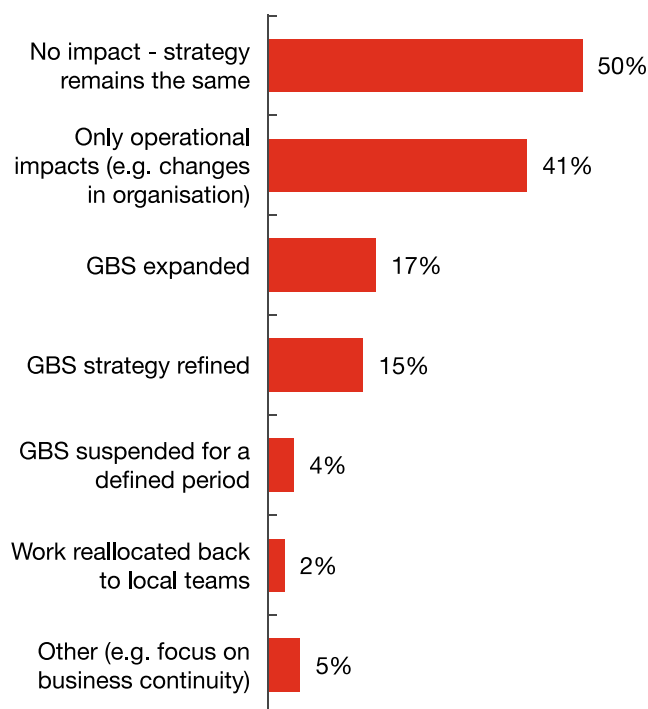


The top priorities of GBS organisations are consistent with those of our last survey, indicating that the overall strategy of GBS organisations remains unchanged. Digital transformation, standardisation, expansion into more value-adding services and expanding scope continue to be key GBS strategies for more than three quarters of the companies surveyed. Implementing these initiatives is a long-term journey, and this continues to be the focus for most organisations, as shown in Figure 4.

Outsourcing processes to business process outsourcing (BPO) providers appears not to be a top priority for most respondents. However, this does not mean that outsourcing has no relevance to GBS strategy: as shown in Figure 18, many organisations have already outsourced some of their processes.

Fig. 5 How have the challenges of the last few years impacted your GBS strategy (e.g. Covid-19, territorial conflicts)?

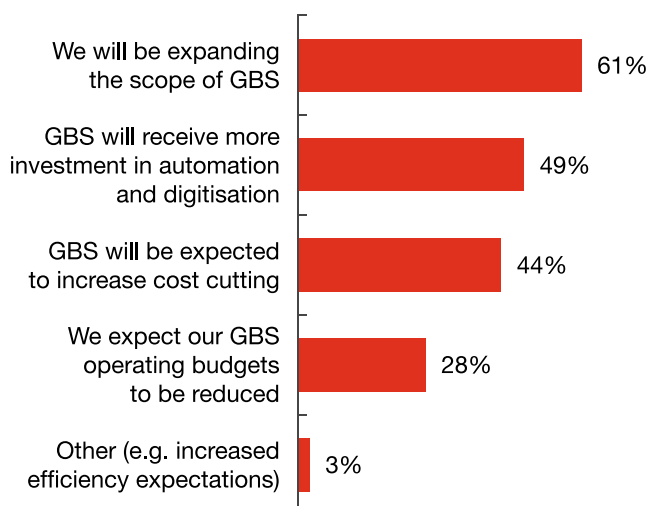
Multiple answers allowed



Half of the organisations surveyed state that the current challenges facing the economy have not had an impact on their GBS strategy. 41% state that the current challenges have had an operational impact, but their overall strategy has remained the same. Only 4% of the respondents stated that they had suspended or scaled down their GBS initiatives due to the economic downturn. These findings underline the importance of GBS organisations as resilient administrative partners that help companies to navigate challenging times by providing reliable, efficient services to the business.

Fig. 6 How do you expect the economic downturn to impact your GBS organisation?

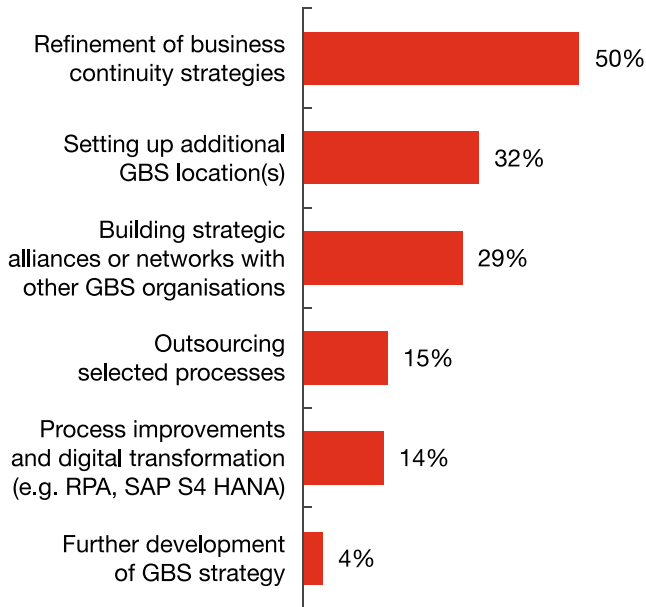
Multiple answers allowed



The importance of GBS is further confirmed by the fact that for many companies surveyed, an economic downturn would lead to increased investment in their GBS organisations through increasing scope, investing in automation and cost cutting initiatives. This trust in GBS is demonstrated by 61% of the respondents stating that they would add new services to their GBS organisations, while just under half say that they would focus on investing in automation and digitalisation (49%) and on implementing cost cutting measures (44%). Only 28% of the respondents believe that the economic downturn will negatively impact their GBS operating budgets.

Fig. 7 Which of the following initiatives have you started in your GBS organisation in the last two years?

Multiple answers allowed



With pandemics, territorial conflicts, the climate crisis and cybersecurity threats all exacerbating global economic insecurity, it is not surprising that focussing on business continuity plans is becoming more important. This is also reflected by the fact that half of the organisations surveyed state that refining their risk management strategies is a priority for their GBS organisations (Figure 7). Other initiatives that have taken priority are diversifying locations by setting up additional GBS offices, along with building strategic alliances with other GBS organisations, such as bundled procurement initiatives to drive costs down or sharing office space and materials.



The road to GBS – building a compelling case for change in today’s macroeconomic environment

Business cases are typically articulated purely in terms of labour arbitrage, but GBS value levers go far beyond this to include process standardisation, digital transformation, robust controls and CoEs for innovation. The case for change around GBS is primarily viewed through a functional lens, rather than as an enterprise-wide opportunity: this outlook may fail to effectively guide the company’s strategic vision, and it undersells the “North Star” transformation opportunity offered by GBS. The roadmap and timetable for achieving savings are often not explicitly detailed, as business cases usually only include the overall size of the prize based on the run rate. Likewise, the trajectory and future scope of GBS and the benefits resulting from establishing a scalable platform are also not quantified in many cases.

Despite plans to cut costs, CEOs are not looking to directly slash headcount or pare down salaries. 60% of global CEOs do not want to reduce their workforce, while 80% of CEOs say that reducing compensation is not in their plans (as per the PwC Annual Global CEO Survey 2023). Given these themes, GBS may be an ideal option for companies to pursue.



Articulating enterprise value

Possibly the most crucial step in a GBS transformation journey is gaining buy-in from the C-suite and the Board of Directors – real tangible value and alignment with strategic goals should be clearly visible in the GBS business case, otherwise execution will be fragmented. We strongly believe that the best way to communicate this is by adopting an enterprise-wide perspective on GBS. A GBS transformation should be viewed as a strategic enabler for the company’s vision, not just a cost-saving measure for back-office functions.



Comprehensive value levers

Business leaders today aim to achieve value beyond financial savings from traditional labour arbitrage, and are increasingly focused on the strategic business value that GBS can bring to the table. There are three key areas in which GBS can deliver value: people, process and technology.

People

- **Agile culture:** GBS provides a highly standardised environment, enabling businesses to easily establish an agile service delivery model. This creates significant strategic and operational benefits, such as the seamless integration of new business units when changes such as mergers and acquisitions occur.
- **Upskilling and people development:** Mature GBS organisations are of significant scale and cover a wide breadth of jobs, as well as focusing on digital transformation and operational excellence. This means that GBS organisations are well suited to proposing rotation programmes for key talent into multiple facets of the business and providing a steady pipeline of learning opportunities, which will help with retention and modernisation.

Process

- **Standardised and highly efficient processes:** The GBS model enables more efficient, highly integrated and standardised processes, freeing up resource capacity to focus on high-value strategic activities. This, in turn, allows businesses to focus on their core competencies.
- **Effective risk and compliance management:** GBS also leverages its scale and standardised approach when it comes to compliance with regulations, reducing the risk of non-compliance and increasing the effectiveness of corporate functions tasked with monitoring compliance.
- **Financial incentives offered by offshore/nearshore countries:** Many countries offer a wide range of incentives for setting up offshore/nearshore GBS centres, including tax breaks, employment grants and investment grants.

Technology

- **Effective digital transformation:** GBS has the potential to effectively drive a company's digital transformation initiatives, while also mitigating risks due to its scale and access to a global talent pool with the right skillsets. GBS can also be a growth engine for the company by helping it adopt the latest technologies that it needs in order to gain a competitive advantage, such as RPA, AI, OCR and global ERP.
- **Innovation hub:** GBS teams can also provide the necessary thought leadership and GBS organisations can act as innovation hubs, generating innovative digital ideas and driving incremental automation/digital transformation initiatives across functions. This enables the company to develop new capabilities and creates the opportunity to promote topics such as next-gen tech and generative AI.



Platform for growth and scale

Our experience with many clients across multiple industries has highlighted the fact that organisations pursue GBS cost transformation to unlock resources from low-value activities, and then reinvest them in differentiated capabilities to achieve strategic goals and fund investment in R&D. Growth achieved through reinvestment is also likely to magnify the cost savings achieved, further strengthening the case for change.

Over time, mature GBS centres have the potential to deliver on critical strategic priorities for the business. GBS hubs can play a pivotal role in fuelling growth for the company by expanding their service portfolio, reimagining the talent model and serving as a CoE. They also have the potential to transition to managing business-critical processes and delivering strategic outcomes for the organisation, leading digital initiatives and gaining insights from data analysis. On top of this, GBS hubs also have the unique advantage of leveraging specialised global talent: by repositioning their GBS centres as talent hubs, organisations can encourage the development of specialised skills, which in turn

can realign business priorities to improve customer centricity, ultimately driving stakeholder satisfaction and growth. Consolidation of talent can also reduce global footprint fragmentation, thus ensuring scalability of processes and consistent service delivery. Another frequently observed benefit of GBS is the potential to establish a CoE: this provides a robust, scalable platform for high-quality service delivery and functional/technical expertise.

Taking a broader perspective, organisations can leverage the scale of GBS-run processes and the know-how involved in running them to easily integrate new acquisitions. Back-office activities in GBS provide a robust platform for companies to transition any new work (e.g. additional product lines, newly launched business units/geographies), as the scale and expertise already exists and is ready to apply.

In the long term, GBS can promote a streamlined, scalable platform-based service delivery model which will help to build a seamless customer experience through access to shared workflows.



Key takeaways for clients

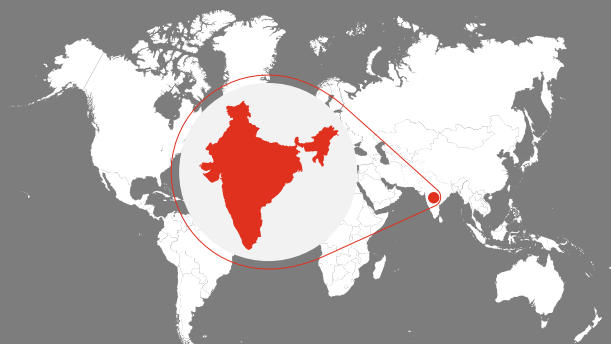
The GBS business case needs to be framed so that all stakeholders can understand the imperative behind GBS and can successfully deliver on their tasks. It helps to have a persuasive “story” for why the company should pursue GBS.

- **Board and executives:** The Board approves the GBS business case. The business case presented to the Board is at an enterprise level and usually includes the size of the prize based on the run rate, a high-level savings roadmap and broad transition timelines.
- **Process champions:** Process champions build and refine the business case. Analysing processes to assess GBS potential, a.k.a. the process split exercise, can also help process champions understand which activities in their organisation drive the most value and therefore need to be focused on to build innovative and sustainable capabilities.

- **GBS leaders:** GBS leaders implement the business case. The business case for GBS leaders will be focused on operational and tactical parameters to ramp up the project, stabilise operations and eventually achieve savings – this includes factors such as the knowledge capture/knowledge transfer approach, duration of parallel ops, real estate and IT setup, and cost and talent management.

We believe that the ideal business case needs to be built for five years – this provides sufficient bandwidth to allow for savings to be fully achieved and the initial investment to be recovered, while also being short enough to prevent assumptions significantly diverging from reality. It is also helpful if aspects of sensitivity analysis (e.g. for revenue growth, new business units/geographies, volume metrics) are plugged into the business case to account for future changes.

Despite today's cash-strapped environment, investments in setting up GBS can be recovered many times over through significant cost savings. GBS can promote strategic, vision-driven capability building, process standardisation, operational excellence, and digital tech innovation. GBS is no longer just an option to explore; in today's world, it is an essential transformation to prepare companies for the future.



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South East Asia's ascent as a powerhouse for global shared services

With a sharpened focus on lean operating models and driving productivity, companies around the world are leveraging the growth of shared services to enhance efficiency and expand their market presence.

This trend has gained significant traction across the globe, and South East Asia has been quick to position itself accordingly, judging by the proliferation of shared service centres and CoEs around the region. This is hardly surprising, given that South East Asia is experiencing rapid economic development catalysed by technological advancements.

In our conversations with C-suite managers, keywords that frequently crop up include “agility”, “streamlining”, “efficiency” and “cost cutting”.

We are living in volatile times, with huge pressure to cut costs and remain competitive while still driving performance and revenue. Against this backdrop, it makes perfect sense to use outsourcing and/

or shared service centres and build them into operating models. This allows organisations to focus on adding value and digital transformation, eliminating mundane, repetitive tasks.



The rising tide of shared services in South East Asia

When it comes to shared services, clients often ask “where should I build my shared service centre?” Well, there’s no one-size-fits-all solution: the answer depends on cost, location and infrastructure factors, the labour market and the level of local expertise, and geopolitical concerns.

Based on analysis and studies completed on these areas, the following is a comparative snapshot of the six key countries in South East Asia, along with reasons why companies choose them.



■ Singapore: the jewel in the crown of shared service excellence

As the region's financial hub, Singapore stands out with its excellent infrastructure, pro-business environment, political stability and robust infrastructure. Its strategic geographical location and proximity to various key financial hubs make it a gateway to the region and a prime location for setting up CoEs. Many multinational organisations have chosen to establish their regional CoEs here.

The country's favourable legal framework, well-educated workforce, highly skilled talent pool and advanced tech infrastructure make it an ideal location for companies who want to invest in a high-value knowledge pool and added value through digitalisation. The Singapore Government is also known for its pro-business policies, low levels of corruption and minimal bureaucracy. Cost are higher than in some other locations, although favourable tax incentives can help offset this.

The only significant downside to Singapore is its relatively high cost of living, which translates to higher operational costs, along with challenges around talent retention.



■ Malaysia: rising star of shared services

Malaysia is a neighbour and ally of Singapore and a good all-rounder in most categories – in fact, it ranks third in the world for GBS locations. Strategically located like Singapore, Malaysia has made significant strides in the shared services sector due to its relatively low inflation, competitive cost structure, and a diverse talent pool with high levels of proficiency in English and Mandarin, all of which work to its advantage.

Another plus is the relatively low cost of office space and affordable salaries – comparable with the Philippines – and government support in the form of various incentives such as tax breaks and grants.

However, there is still room for improvement in infrastructure in certain regions and there is a need for continuous upskilling. Some companies have also reported red tape and delays in obtaining certain permits and licences.



■ Philippines: a favourite with global companies

Low operating costs and a large English-speaking workforce are the Philippines' major plus points, making it highly suitable for customer service and other language-dependent functions.

The cost of labour is lower than Singapore and Malaysia, which is attractive for cost-conscious companies. The Philippines has a strong affinity for Western culture – a positive when it comes to interacting with clients and customers from around the world. Because of this, the Philippines plays host to a high concentration of BPO organisations, contact centres and GBS organisations for US-based multinationals.

Businesses will appreciate the various government programmes which have been designed specifically to attract shared services investment, including tax incentives and infrastructure development. Nonetheless, there is still room for improvement in Philippine infrastructure, despite the country being a favourite when it comes to establishing GBS. Government instability and potential corruption have also pushed it down the ranks.



■ Indonesia: engine of growth for shared services

As the largest economy and one of the most populous countries in South East Asia, Indonesia is experiencing a huge surge in the demand for shared services. The nation's large population means that there is a vast talent pool, and the expanding middle class is also fuelling domestic demand for such services.

In recent years, the government has been redoubling its efforts to create a business-friendly environment. Digital transformation is encouraging the growth of shared services in sectors such as finance, e-commerce and technology.

However, Indonesia still has several hurdles to overcome if it is to remain attractive to companies seeking shared services: infrastructure limitations, complex bureaucracy and regulatory issues all need to be dealt with.



■ **Thailand: strategic and skilled shared service offerings**

Located in the heart of South East Asia, Thailand provides easy access to all the other emerging markets in the region. The country is well-placed and has good infrastructure – modern transportation systems, reliable power supplies and advanced telecommunications networks.

Thailand boasts a large pool of diversely skilled professionals, particularly in the fields of IT, finance and customer service. The relatively stable political environment makes it suitable for long-term business operations.

A large portion of the Thai workforce is conversant in English, but proficiency in other languages such as Mandarin and Japanese is limited compared to other countries in the region. The demand for skilled professionals is also high in Thailand, which may make recruitment challenging. Complex tax structures are another factor to consider, as these result in high levels of outsourcing. Challenging road traffic and incessant congestion represent another major drawback, which could impact logistics and employee productivity.



■ **Vietnam: strong and cost-competitive contender**

A relative newcomer to the game, Vietnam is rapidly earning a name for itself as one of the most cost-effective places to set up GBS. Lower costs of living

and labour are extremely beneficial for companies looking to set up SSCs when it comes to optimising operational expenses.

Vietnam is a great place to consider for IT-based functions, with a young workforce and high levels of tech proficiency. With the rapid growth that Vietnam has been experiencing in the last few years, it also provides opportunities for businesses to tap into a growing consumer market.

Infrastructure challenges remain, especially in more remote areas outside of Ho Chi Minh City and Hanoi, which can impact the efficiency and reliability of shared service operations. However, rapid improvements are being made, so this problem may soon be a thing of the past.

Compared to other locations in South East Asia, English proficiency is another area where there is room for improvement. Cultural differences can also be a hurdle – Vietnamese culture and business practices may differ from those in Western countries, requiring organisations to invest time and resources in cultural adaptation and training.



The future of shared services: increasing market opportunities thanks to a developed ecosystem in South East Asia

Shared services play a crucial role in enhancing operational efficiency, driving cost optimisation and improving overall business performance. They enable businesses to streamline processes, leverage economies of scale and focus on their core competencies, leading to improved productivity and competitiveness in the marketplace.

South East Asia has emerged as a prime region due to its attractive costs, skilled and multilingual workforce, and generally favourable business environment, coupled with a mature shared services ecosystem which includes established service providers, industry associations and support networks.

All this means that companies can benefit from this ecosystem, which provides access to best practices, knowledge sharing and networking opportunities. This allows businesses to learn from each other and continuously improve their shared service operations.

In short, South East Asia is an excellent and rapidly growing region in which to establish GBS – ideal for companies looking to drive business success.



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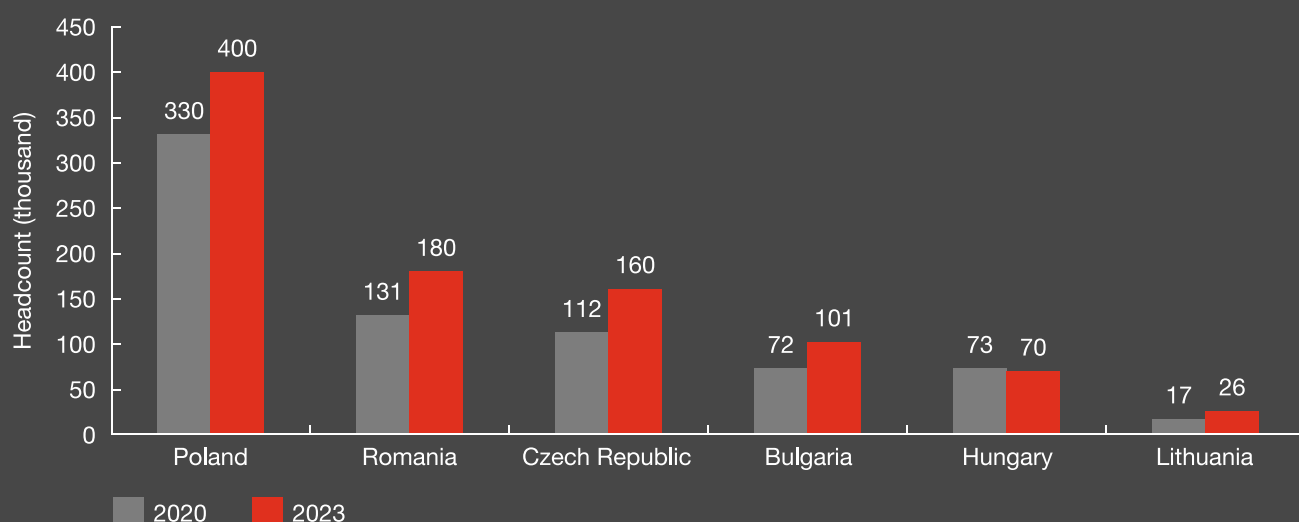
State of the CEE GBS sector – six questions to ask

1. What have we learned from the GBS sector's resilience in recent years?

Since our last study, multiple crises have tested the resilience and adaptability of countries, companies and society. In the face of these trials, the GBS sector has emerged as an exemplary case of navigating crises while making a positive impact.

Despite the obvious challenges, GBS organisations in the Central and Eastern Europe (CEE) region experienced a notable increase in headcount from 2020 to 2023, highlighting their ability to navigate difficult times while continuing to grow at an even higher pace than during the period covered in our last study.

Fig. 8 Total employment in the GBS sector in selected CEE countries



Source: ABSL

Over the past three years, the region has witnessed the creation of nearly 250,000 new jobs. This is more jobs than are provided by the entire GBS industry in Romania, which is the second-largest CEE market, and more than the GBS industries in the Baltics, Hungary and Slovakia combined. This growth has solidified the position of GBS as the predominant economic sector in CEE.

Remote working, which was traditionally considered a practice mainly for mature GBS centres, has proved itself feasible even in the startup and transition stages of the GBS journey. This has opened up new opportunities for the industry, with flexibility and cost-saving measures coming to the forefront. Robust IT and telecommunications infrastructure in CEE allowed for a seamless transition to working from home during the initial lockdowns, ensuring minimal disruption in GBS operations. This versatility was also a key factor in enabling growth during that period.

The presence of various GBS associations in the sector played a crucial role, enabling effective communication and collaboration between industry players. These associations serve as platforms for sharing best practices, fostering cooperation and driving collective growth within the sector.

This collaborative environment enabled the CEE GBS sector to provide support to the Ukrainian people on a huge scale in the first months of Russia's war in Ukraine. Multiple GBS centres across neighbouring countries quickly set up helplines for refugees, organised fundraisers and humanitarian transports, dedicated office space to refugees and their families and organised shifts of volunteers at local refugee centres – all while maintaining a high level of service. This demonstrated the sector's maturity of operations and its capacity to play a crucial role in local economies and communities, making a tangible impact on society for the better. The war also had a direct impact on GBS organisations in the wider CEE region: for instance, the city of Vilnius, a prominent GBS hub, is situated just 25km away from the Belarusian border, where numerous Russian troops were stationed. This geographic proximity and the resulting uncertainties deterred new companies from opening GBS centres in the CEE region, and temporarily led to a boost in Portugal's attractiveness as a GBS location. However, the GBS sector in CEE as a whole remained unaffected. After the initial slowdown in new investment seen in the first two quarters of 2023, new entries returned to a similar level to previous years. This stability can be attributed to various factors including market maturity, readiness and preparedness of CEE countries, and overall strength of regional alliances and organisations (both the EU and NATO).

2. The Great Resignation – will it come to CEE or is it already here?

The GBS sector in CEE has historically experienced higher attrition rates than other industries. This can be attributed to its dynamic growth and attractiveness. However, the Great Resignation, which refers to a widespread increase in people voluntarily leaving their jobs and changing occupations, may not have manifested itself in CEE.

In 2020, the GBS sector experienced stagnation, characterised by a hiring freeze in most existing GBS centres and limited numbers of new organisations being set up. However, in 2021, there was a sudden surge in both employee turnover and open positions. Although the situation eventually stabilised, attrition rates remained relatively high.

We believe that this peak in employee turnover can be attributed to a specific set of circumstances. Many employees who would otherwise have changed jobs in 2020 were unable to do so, due to both the hiring freezes and consciously deciding not to seek change during a very uncertain time. Consequently, there was a backlog of individuals seeking new opportunities, and when the labour market began to recover, they made their moves.

Taking into consideration the overall position of the GBS sector in the region, this is a natural outcome of the drop in labour market demand during the previous year, rather than a direct manifestation of the Great Resignation as seen in Western countries.

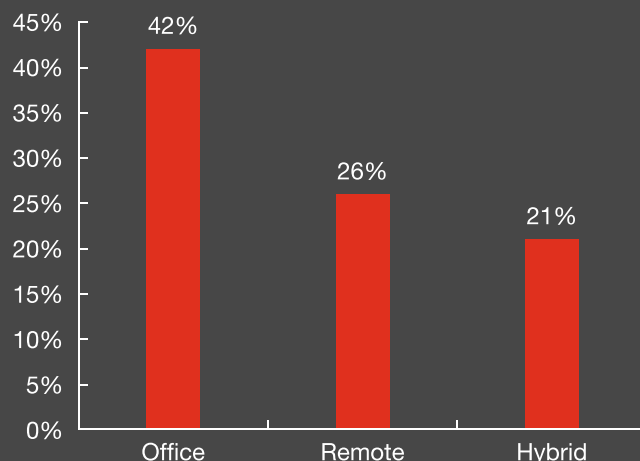
3. Remote, hybrid, forced back – does it really matter?

There is no one-size-fits-all solution to the ongoing debate surrounding remote, hybrid and forced back-to-office work. Instead, organisations should prioritise their ability to evaluate and adapt their approaches, optimising the advantages and mitigating the risks associated with each option. This approach is crucial for establishing a work environment that cultivates employee satisfaction, productivity and overall organisational success.

To achieve success, it is essential to maximise the benefits while effectively addressing the risks inherent in the chosen work arrangement. For instance, a strict in-office policy may lead to a significant number of resignations and make recruitment more challenging. However, it can also help with employee engagement, facilitate the development of a continuous improvement mindset and foster team integration. By contrast, remote or hybrid work arrangements offer employees flexibility and autonomy, improving their work-life balance and increasing productivity. However, these models can impede collaboration and they require investment in new communication tools and strategies.

Ultimately, organisations need to find a balance that suits their unique needs and regularly evaluate the effectiveness of their chosen work arrangements. This involves monitoring employee satisfaction, productivity and organisational performance, and making any necessary adjustments to meet the evolving needs of both the company and its employees. Back-to-office campaigns in particular do not resonate with the vast majority of young employees, as their final years of education and their first years of professional life were all fully remote. Working remotely is normal for them, while day-to-day commutes and working in open-plan offices are ideas of which they have no practical experience.

Fig. 9 Percentages of employees intending to change jobs within 12 months, by working model



Source: AICPA & CIMA and PwC – Finance and the Great Reshuffle, March 2023

4. Location-agnostic GBS – will this dream ever come true?

Even with the increased popularity of remote work, location-agnostic GBS organisations have not yet become a widespread reality, despite initial expectations. Adopting a location-agnostic approach to GBS poses numerous challenges, including governance difficulties, increased overheads, regulatory and tax implications, communication difficulties and cultural barriers. Only the most mature, technologically advanced and risk-tolerant organisations are currently in a position to overcome these obstacles.

However, ongoing efforts in areas such as process automation and standardisation within existing GBS entities may facilitate location-agnostic GBS. By optimising internal processes, organisations can pave the way for a smoother transition to a location-agnostic model. Nonetheless, it remains to be seen whether the significant work required to address these challenges will be worthwhile in the long run.

As an intermediate step, companies with a significant international presence can consider sourcing small numbers of specialised roles or hard-to-recruit language experts in locations where they are readily available. This approach allows the viability of a location-agnostic solution to be tested on a smaller scale before committing to broader implementation, and enables valuable insights to be gained regarding the potential benefits and challenges of adopting this model more extensively.

5. Competing for talent – a never-ending challenge?

Competition for talent in the CEE region continues to be a pressing issue, and there are no signs of it decreasing. GBS leaders must acknowledge that the level of competition in local markets is unlikely to fall over time. At the same time, the CEE population is also ageing, leading to a decline in the number of students and graduates in the talent pool over time. This demographic shift, common for Europe in general, underscores the need for proactive talent management and retention strategies.

The role of leaders in talent management and retention is becoming increasingly critical. They must prioritise retention of top talent and establish clear metrics to measure their success in nurturing their organisation's future leaders. In order to thrive in the competitive CEE marketplace, it is vital to retain and develop the most promising individuals within the organisation.

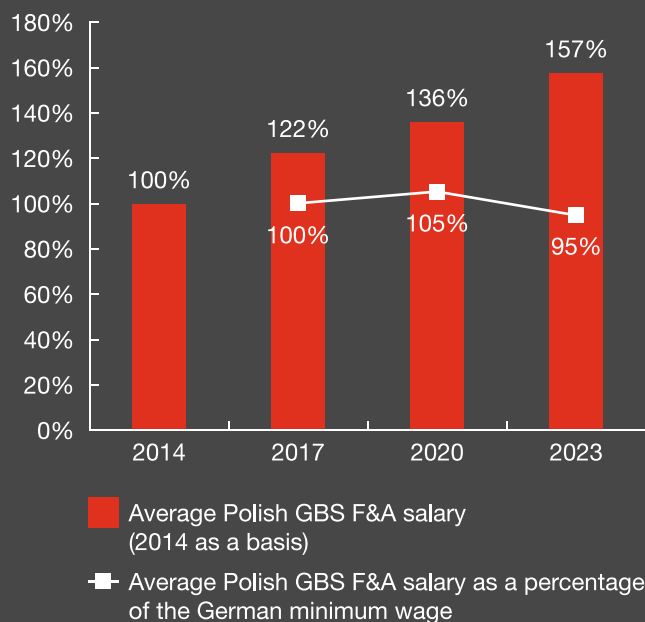
Employer branding and the effectiveness of recruitment are also key factors in attracting and securing top talent. Organisations must work on building a strong employer brand that resonates with potential candidates. Fostering partnerships with universities and implementing comprehensive internship programmes focused on developing necessary capabilities – rather than solely relying on external hiring – could prove to be a winning strategy.

6. Rising operational costs – an insurmountable obstacle or a minor challenge?

While it is true that salaries have risen significantly in the last decade, it is important to note that these costs are still lower in most CEE countries than in Western Europe. This comparison should provide some solace for GBS leaders, as it suggests that despite the increase, the region still offers a relative cost advantage.

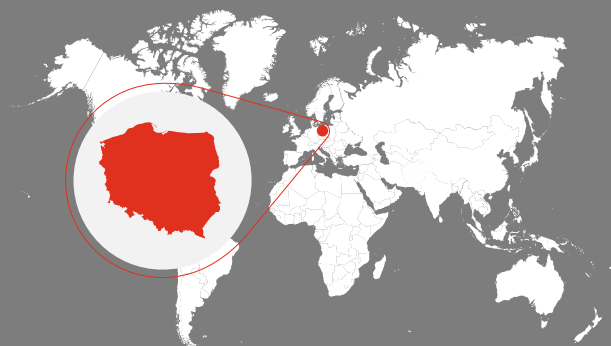
It is crucial to understand that this growth in costs has not occurred in isolation. As skills and competencies have evolved and processes have become more complex, wages have risen accordingly. It is necessary to acknowledge that the functional scope of many jobs has expanded significantly, even though the job titles may remain the same. Previously, operations focused primarily on transactional elements of processes; now, there is a strong trend towards end-to-end ownership. This shift demands a higher level of expertise and responsibility, justifying the rise in compensation.

Fig. 10 Salary growth in finance and accounting roles in Poland



Sources: 2014, 2017 - ABSL; 2020, 2023 - Hays

Considering the future trajectory of costs, it is not unthinkable they will eventually reach levels comparable to Western Europe. However, such a convergence would require a continuous and uninterrupted trajectory of growth spanning approximately three decades. It remains uncertain whether this will become a reality, so it is best to address the challenge if and when it arises rather than fretting unnecessarily over a distant future scenario. Figure 10 emphasises the fact that although Polish finance and accounting (F&A) salaries have risen by 57% since 2014, they are still only roughly equal to the German minimum wage.



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C The growing scope of GBS

This chapter examines the activities typically transferred to GBS organisations: accounting still dominates the world of GBS, but other processes demonstrate potential for growth. You will also find

two expert articles, one explaining the importance of efficient HR operations, and other looking at the benefits of agile procurement.

Fig. 11 Please indicate the services and proportion of activities performed by your GBS organisation

Multiple answers allowed

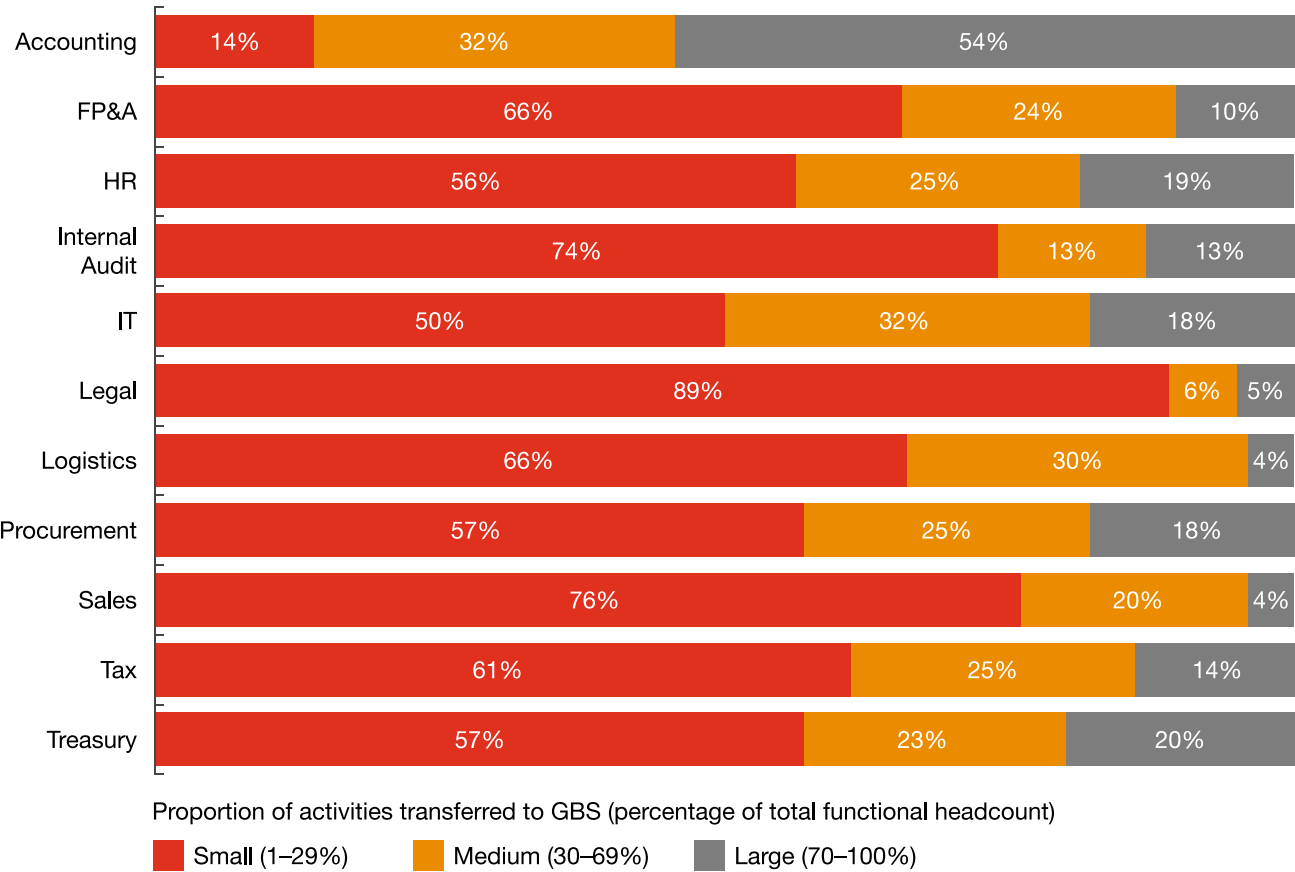


Figure 11 shows the percentages of companies which have transferred a large (70–100%), medium (30–69%) or small (1–29%) proportion of activities to GBS in each corporate function. GBS is currently dominated by activities and processes in accounting, while activities for other functions – such as financial planning and analysis (FP&A), HR, IT, tax and treasury – have not been transferred to GBS to the same extent (an average range of 20–40%).

54% of the companies surveyed have transferred a large proportion of their accounting activities to GBS. This indicates a high degree of maturity in accounting, and is consistent with the results of our 2021 survey (“GBS – Key to Agility”). However, the responses from the remaining 46% of respondents indicate that there is still potential to transfer more activities to GBS.

When looking at other functions that fall under the umbrella of finance, we can see that most activities are still performed in traditional organisations instead of in GBS. However, the potential for transferring these activities to GBS is high, as extended GBS scope and expansion into more specialised services are high on the agenda for GBS strategy in many companies (Figure 4). Currently, the FP&A functions are primarily performed locally for two thirds of the companies; only < 34% of companies have a medium to large proportion of their FP&A function in GBS, of which ~ 10% have transferred a substantial proportion of these activities in GBS. More than a third of the companies surveyed have transferred a medium or large proportion of their tax activities to a GBS organisation, while 61% retain their tax functions primarily at the local level. In treasury, less than 20% of the companies surveyed have a large proportion of their activities handled by their GBS organisation, although another 23% use GBS for a medium proportion of treasury activities.

The picture is similar in other functions. In HR, around 44% of companies have already transferred a medium or large proportion of tasks to GBS, while about 56% primarily have their HR functions operating locally.

In procurement, 57% of companies have a large proportion of tasks performed locally, while almost 20% have more than two thirds of their procurement services provided by GBS.

GBS is not widely used in sales – 76% have transferred less than 30% of their sales processes to GBS, meaning that almost three quarters of companies are yet to fully leverage the potential offered by GBS organisations.

In IT, half of the companies surveyed have moved a small scope of services into a shared centre. However, 40% of companies have moved a medium – large proportion of their IT processes into an SSC, demonstrating the great potential for many companies to increase cost effectiveness in their IT functions.

Two thirds of the companies surveyed have not yet considered scaling their GBS for logistics services, and less than 5% have more than two thirds of their logistics tasks carried out by a global business organisation.

Legal functions still mostly work on a local basis, as almost 89% of the companies surveyed have not moved less than 30% legal activities into a shared service structure.

More than two thirds of companies have shifted only a small scope of internal auditing activities to GBS organisations and continue to perform this primarily locally. However, almost 20% have more than half of their internal auditing services provided by an SSC.



No break for HR operations – the race is on for HR customer experience

In the recent past, organisations have been forced to deal with economic challenges caused by unforeseen events – such as the pandemic – on a global scale. This meant coping with interrupted supply chains, cost pressures, or tremendous growth, all of which spurred companies to find innovative solutions for tackling the skills shortage and providing much-needed stability for their employees. More than ever before, HR had to step up to help businesses manage changing agendas around people.

Our experience has shown that companies which invested in their HR operations functions to build a solid operational HR backbone were able to navigate these volatile times better than companies which struggle to get the operational basics right. A lack of well-positioned HR ops hampers reliable service delivery, leaving HR very limited in its ability to act as a strategic partner and drive transformation in the business. In contrast, a mature HR ops unit enables HR to shift its focus from administration to partnering with the business and providing strategic advice. For many companies which have successfully given their HR function a more strategic and transformational focus, it seems reasonable to assume that they will not be in such a hurry to ensure high-performing HR ops. In fact, nothing could further from the truth. Against the backdrop of companies striving to attract top talent and jobseekers looking for an outstanding employee experience, efficient HR operations are set to be fundamental for tackling the next HR challenge: the need for an outstanding HR customer experience (HR CX), which is driving the transformation of HR ops into a digital service platform.

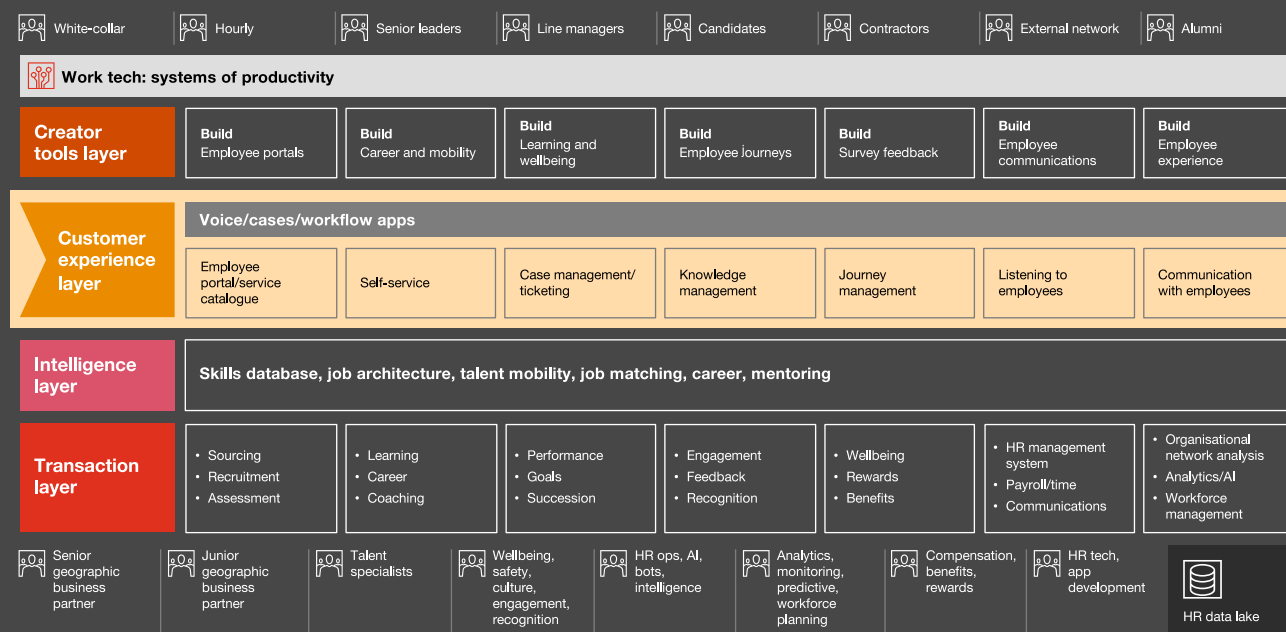
HR ops has long been an inward-focused function, but now needs to shift its focus outside the company to the discerning HR customer. However, the aim of creating an outstanding CX poses the challenge of balancing a value-adding service portfolio and customer-centric delivery with streamlined, digital processes and efficiency. To solve this problem, modular HR cloud platforms have long been considered key.



Turning HR operations into experience-led digital service platforms

Transitioning to cloud-based tech stacks and leveraging these solutions to make efficiency gains for HR ops is a solid foundation for digital HR CX, but it is only the first step towards truly customer-centric HR. In particular, cloud HR systems represent a challenge. These systems have enabled HR ops to become more efficient by providing digital employee self-service (ESS), manager self-service (MSS) and standardised processes. However, cloud platforms have not proven to be a silver bullet when it comes to creating a good CX.

From the customer's perspective, eliminating personal interactions with HR and replacing them with ESS/MSS is not necessarily an improvement: ESS/MSS systems are often based on complex data templates that lack a good user experience. On top of this, they have not actually reduced the number of HR applications in use; instead, cloud platforms have created a new central core around which other specialised HR systems, apps and solutions have congregated. All of these require integration to create a good CX

Fig. 12 Customer experience as an additional layer in HR IT architecture

Source: joshbersin.com

To achieve true customer centricity, HR ops needs to move towards digital service platforms that provide an intuitive and simple way for employees to meet their needs. HR customers want a one-stop shop experience with access to all HR services and software solutions in one place, guaranteeing guidance and help with resolving their queries at any time on any device. This means that organisations need to add a digital experience layer on top of transactional HR ops technology and infrastructure in order to better organise customer interactions.

Established HR cloud platform vendors are no longer the sole providers of these digital experience layers. Providers of HR service management technology and software companies offering low-code/no-code technology and employee experience platforms are increasingly trying to gain a foothold in this field. Microsoft, for example, has launched Power Platform, which enables organisations to align their HR processes with their IT ecosystems to offer a seamless CX. It allows data from multiple systems to be brought together, and can be developed by HR in close collaboration with users themselves without involving tech vendors or consultants, helping to shape solutions tailored to the company's specific needs.

Employee experience portals and ecosystems can also have a significant impact on HR CX. These systems allow HR customers to access all existing service capabilities and take action such as directly opening HR service requests or browsing all existing employee-related knowledge sources across the corporate ecosystem. Experience portals are also personalised: each employee navigating the portal is served individual, relevant information and recommendations, and the opportunities for doing so are set to grow as AI solutions such as ChatGPT and Microsoft Copilot continue to evolve. Virtual assistants powered by these models can be used to help answer questions, search HR knowledge sources or guide users through the HR catalogue. User search behaviour is used to train these assistants, which can then be used to parse further sources and content for even better CX and greater ease of use.

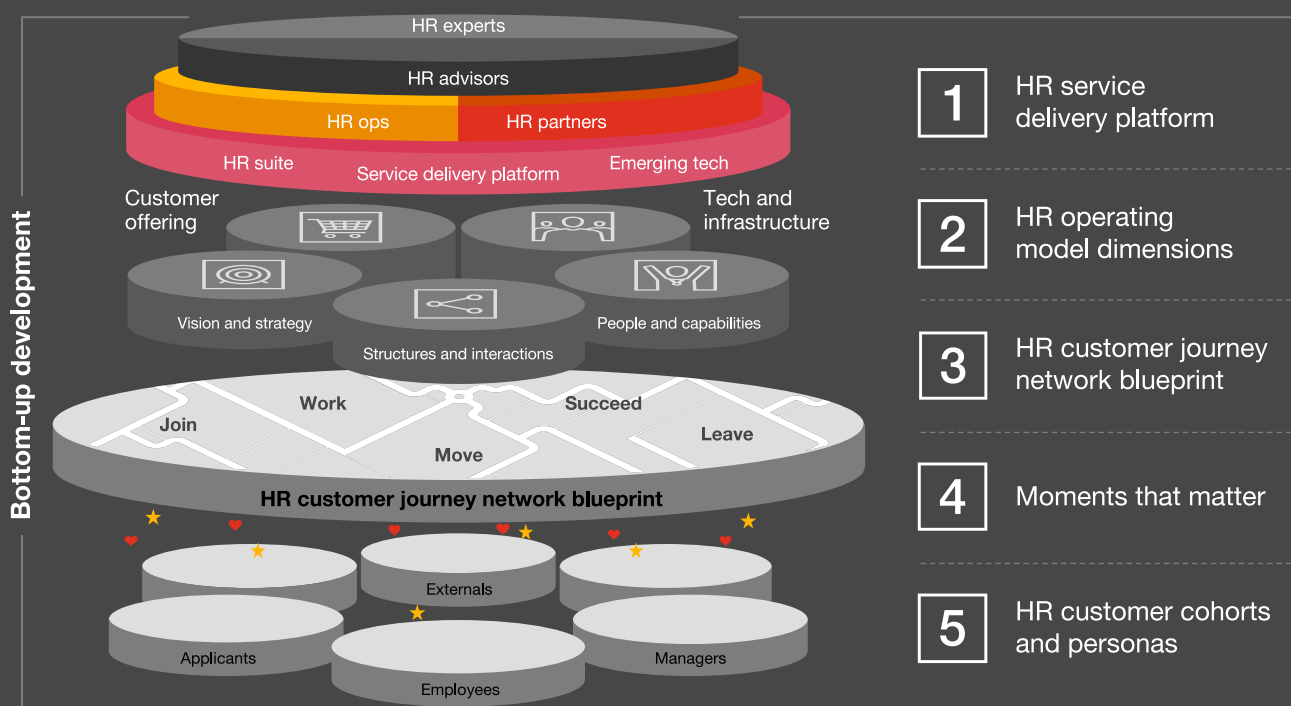


Customer first – the end of efficiency and performance agendas for HR ops?

Offering well-developed service functionality to HR customers and giving users the opportunity to shape HR service delivery is a fundamental change

in HR ops. The real benefit for HR customers stems from having fully integrated digital customer journeys across multiple HR channels, service delivery units and customer interaction tiers, based on common use cases throughout the employee lifecycle – the moments that matter for HR customers on their professional journeys.

Fig. 13 Development approach for experience-led HR service delivery



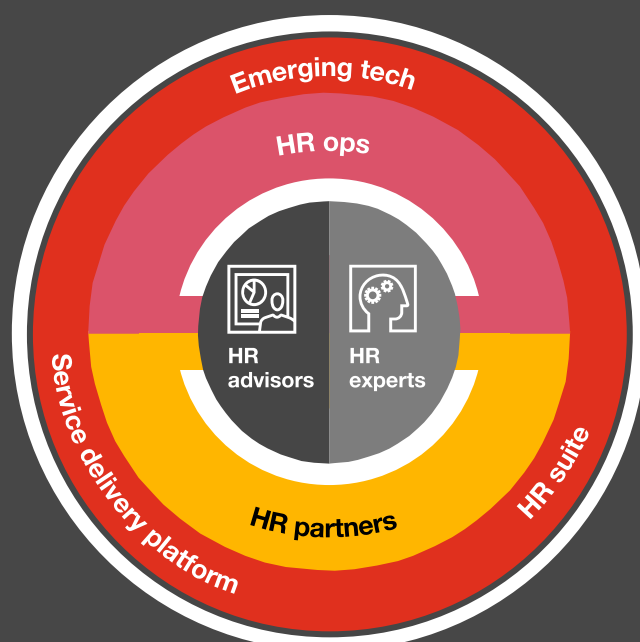
To turn a mature HR ops function into an experience-led and digital service platform built with customers' needs in mind, the first key step is to take a closer look at the existing HR customer cohorts and flesh out customer personas. These need to be viewed from a perspective of customer needs and desires, leading into a set of moments that matter on their specific journeys through HR as a whole and HR ops in particular (e.g. joining or leaving). A global HR customer journey network blueprint should be created, allowing integrated design of digital workflows and thus enabling better-integrated end-to-end HR, factoring in both customer demands and delivery centre performance. Introducing ESS/MSS and new tech

to guide HR customers will drastically reduce the number of enquiries and requests for HR ops that need to be dealt with by human staff. The ultimate outcome of redesigning HR ops to make it more customer-centric is therefore not just customer satisfaction, but also increased performance, additional efficiency and arbitrage thanks to integrated technology and automation.

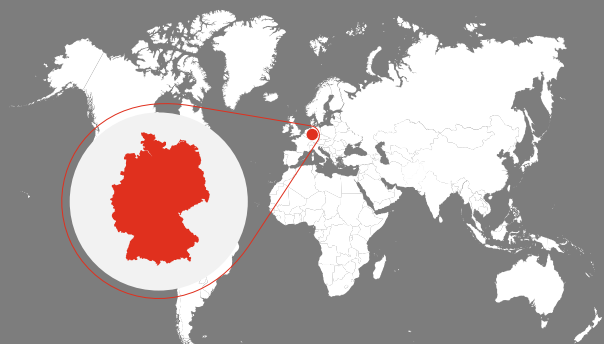
Transforming HR ops from the outside in marks a paradigm shift away from traditional evolutionary cycles, which have an inward-looking focus on service centres and deal primarily with their inner workings – i.e. process chains and the delivery organisation only. In our experience, customer-

driven HR ops redesign projects succeed when they cover the full range of transformation levers – starting with an experience-led and performance-driven vision and strategy, adapting the customer offering to volatile customer needs and capacity to delivery, fusing structures and interactions with the power of human capabilities, and introducing new technology to high-performing value chains and HR customer journeys.

Fig. 14 The HR service delivery platform



“Customer first” is by no means the end of performance and efficiency agendas in HR or HR ops. Instead, it is the driving force for transforming ops centres into lean, digital and compact delivery platforms which channel and solve the majority of customer requests through a value stream of customer journeys. Customer-first HR ops follows the organisational and technological principles of large-scale online retail platforms, efficiently organising complex delivery and logistics chains and always keeping the customer at the centre. These retail players have set high standards for customer experience and efficient delivery – and it is now up to HR ops to follow.



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Embracing agile procurement – a GBS-enabled way of working



Part 1: Introduction to agile procurement

Agile procurement is a procurement mindset and methodology that draws inspiration from agile project management principles. As organisations continue to navigate an increasingly complex and uncertain business environment, agile procurement is emerging as a powerful approach to transform strategic procurement and sourcing practices. Its benefits include enhanced flexibility, shorter time to market, improved stakeholder engagement, rapid decision-making and increased innovation, making agile procurement a compelling choice for organisations looking to stay ahead in ever-evolving marketplaces.

This article explores the methodology of agile procurement and a number of best practices, considering typical agile procurement roles and responsibilities. We will also shed some light on how organisations can unlock the full potential of agile procurement to drive up value, foster innovation and achieve sustainable success in today's world of procurement, along with providing practical guidance for implementation.

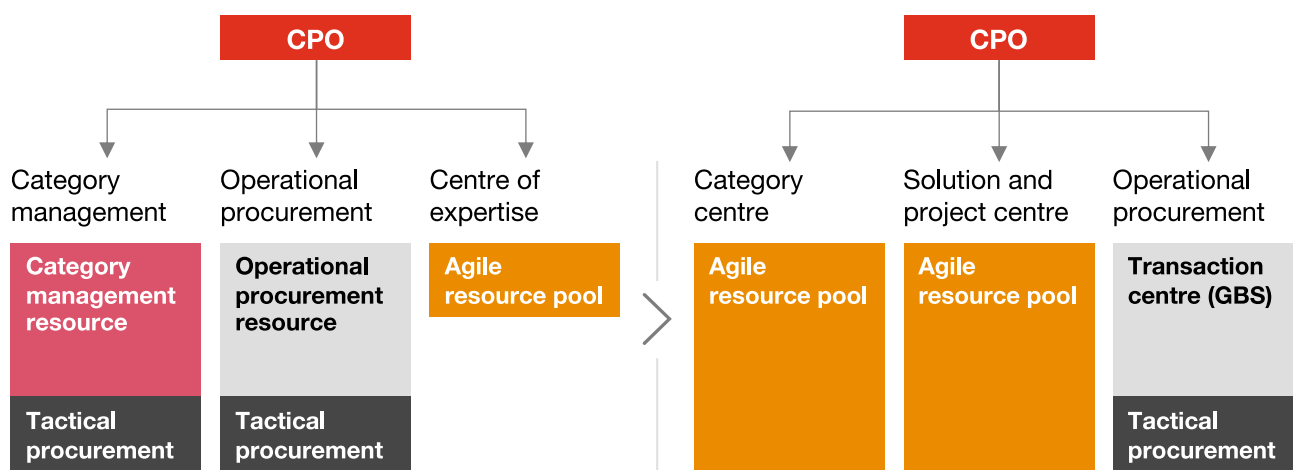


Part 2: Agile procurement organisation – roles and organisational challenges

One of the key advantages of agile procurement is its ability to accommodate changes seamlessly. Unlike traditional procurement approaches that rely on rigid processes, agile procurement allows for iterative cycles of planning, executing and evaluating. A fully agile procurement operating model allows organisations to move from a category-based setup to a value pool structure. This means that procurement teams are organised based on the value they can bring to the organisation, rather than on specific demand categories. By organising procurement teams in this way, organisations can become more flexible and responsive to changing market conditions. This enables them to deliver value quickly and efficiently, while also adapting to changes in the market.



Fig. 15 Building block of the future procurement functions



In detail, procurement functions of the future will consist of the following building blocks:

- 1) A category centre, serving as a strategic hub
- 2) A solution and project centre
- 3) A transaction centre (GBS-enabled)
- 4) A tactical procurement unit for sourcing products /services using standardised methodologies

The end result is a cross-functional, self-organising team to maximise value, and a clear operational team for minor demand categories and providing essential underlying support for procurement. This setup makes changes to roles and related activities inevitable.

In the category centre, staff in the following roles hold specific knowledge in specific demand categories:



Material expert

Material experts serve as technical specialists, ensuring proper material usage and assisting with quality control. Material experts are knowledgeable about necessary certifications and specifications, and are experts when it comes to making trade-offs between individual cost levers (e.g. raw material price index, transport cost implications). They bridge the gap between R&D and procurement. KPIs against which their performance is measured include levels of standardisation and complexity in the field of materials. In order to do their job, material experts need an engineering team, material databases, proximity to R&D and production engineers, and an external R&D network.

The solution and project centre includes the following key roles. Staff in these roles do not necessarily need specific knowledge in specific demand categories:



Portfolio manager

In procurement, portfolio managers provide a management function within procurement project teams, ensuring that projects are completed efficiently and effectively. They monitor the progress of their projects, identify areas where improvements can be made and take corrective action when needed. Portfolio managers can help their teams stay focused on what is most important. They also coordinate staffing to ensure that the right people are given the right roles in each project.



Lead negotiator

The primary responsibilities of a lead negotiator include developing negotiation strategies, training and coaching negotiation teams, leading procurement and sales negotiations, and collaborating with the legal department. For demand categories with lengthy lead times, corporations are reliant on their relationships with suppliers, and levers such as long-term contracts, indexation of contracts, localised sourcing and bulk purchasing need to be used if negotiations are to succeed. The savings achieved and the number of negotiations conducted are the main KPIs used to assess lead negotiator performance. To succeed, lead negotiators need negotiation strategies, templates, tools (e.g. e-auctions), a playbook with scenarios, and access to external training and sparring sessions. This role heavily collaborates with material experts, while ensuring solution excellence throughout the process.



Risk manager

Risk managers serve as end-to-end owners of risk management, and are responsible for driving risk analysis, mitigation and monitoring. They provide insights into changes in price and demand and act as a crucial interface with the procurement, internal control and finance functions. Risk managers are aware of the risks posed by non-availability in supply markets (e.g. the construction industry) and quality issues. Rising market prices due to shortages and increased energy prices also represent a risk to continuous procurement that risk managers need to take into account. KPIs for them include the extent to which risks are identified ahead of time, the extent of damage caused, and the level of security of supply. To do their job, risk managers need a risk management process, tools such as Riskmethods or SAP Ariba Supplier Risk, and expertise in quality standards and norms.



and may be located in the GBS transaction centre for overall functional enablement. The focus is on ensuring that other roles are provided with reliable data and information.

An ideal agile organisation has close collaboration between the roles, with fast decision-making cycles, rapid learning and incremental development of capabilities and knowledge. Different combinations of roles drive the formation of hybrid core units such as a strategy hub, a negotiation network and value creation analysts to maximise value.

Fig. 16 Target picture of an agile organisation



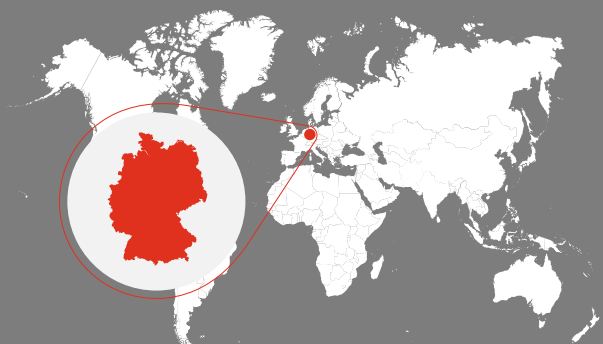
We are passionate about helping organisations to navigate the complexities of change and transform their operations to unlock their full potential with agile procurement. Our track record of delivering exceptional results and our in-depth expertise in organisational development make us the ideal partner to guide you through our comprehensive approach, which includes (but is not limited to) the following steps:

1. Conducting a procurement maturity assessment to establish a baseline and identify areas for improvement
2. Designing a detailed operating model that supports the agile procurement framework and aligns with your organisational goals
3. Carrying out a pilot implementation of agile procurement with appropriate governance mechanisms in place
4. Embedding agile procurement into your organisation's culture, processes and systems
5. Establishing a centre of excellence for agile procurement to provide expertise, guidance and support
6. Engaging stakeholders to build momentum for agile procurement
7. Rolling out the agile procurement blueprint across your organisation, with continuous monitoring and refinement to ensure ongoing success

4. Developing a success story and engaging stakeholders to build momentum for agile procurement
5. Rolling out the agile procurement blueprint across your organisation, with continuous monitoring and refinement to ensure ongoing success
6. Developing a success story and engaging stakeholders to build momentum for agile procurement
7. Rolling out the agile procurement blueprint across your organisation, with continuous monitoring and refinement to ensure ongoing success

Despite the obstacles that need to be overcome, this transformation is well worth it, as the agile value pool structure both simplifies procurement and increases its impact.

Our team is ready to discuss your organisation's unique challenges and explore how we can help you achieve your procurement goals. Don't delay – start your journey now towards your agile procurement function of the future.



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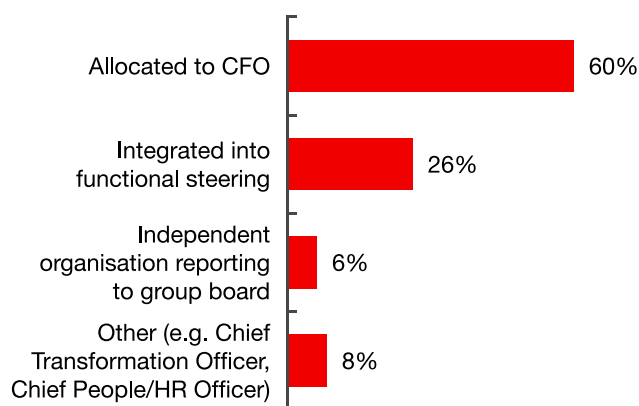
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D Evolution of service delivery organizations

This chapter delves into the structure of a GBS organisation, along with insights into GBS outsourcing arrangements. You will also find

one expert article, explaining how a GBS centre's activities change according to its maturity level and the challenges it faces.

Fig. 17 Where does your GBS organisation report to?

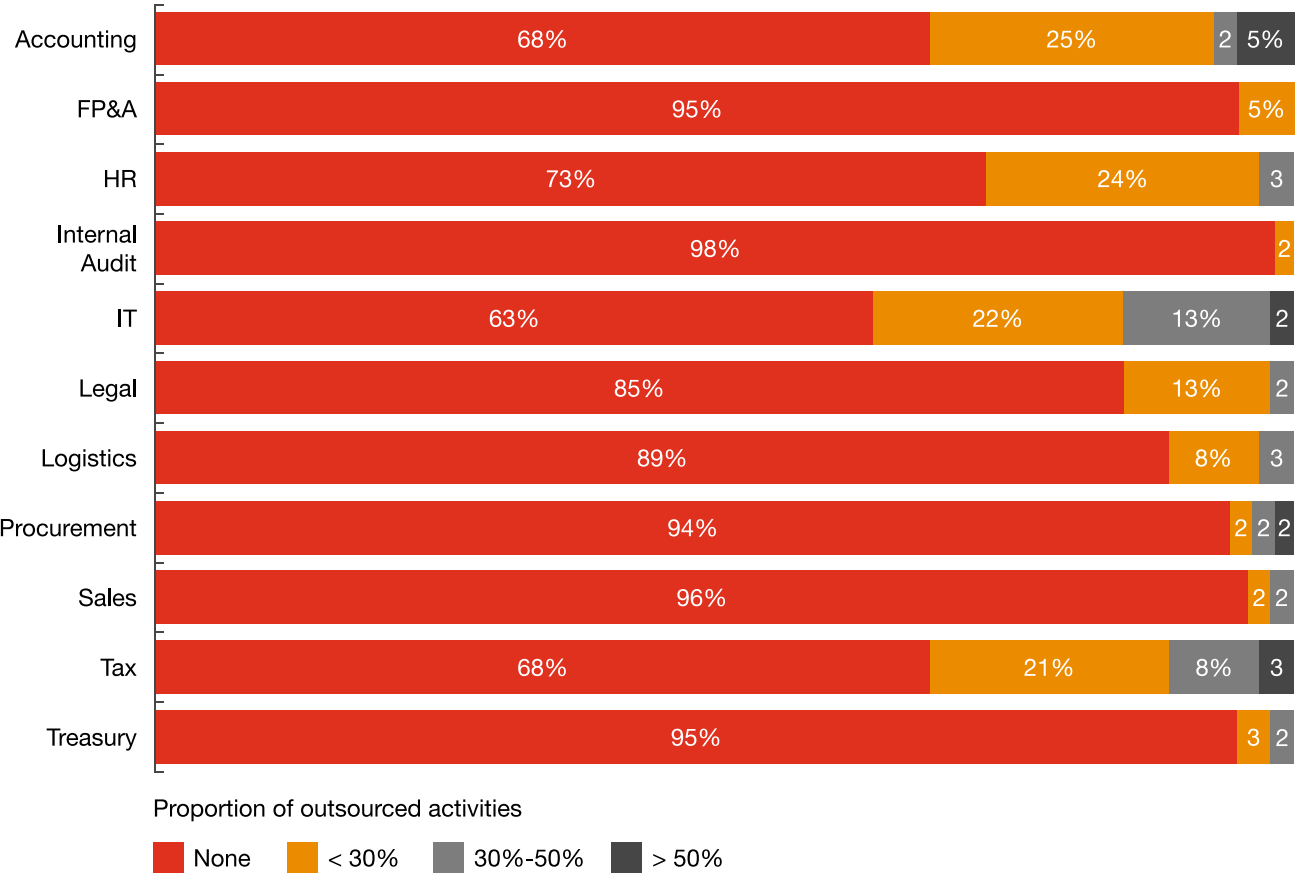


Over half (60%) of respondents' GBS organisations report to the CFO, while 26% of companies have their GBS directly integrated into functional management structures – e.g. HR GBS reports to the CHRO, finance GBS reports to the CFO. 6% of respondents have GBS as an independent organisation that reports directly to the group's board. This underlines the strategic importance of GBS and the fact that GBS often covers all functions reporting to the CFO (HR, procurement etc.).



Fig. 18 What services are performed in your organisation through an outsourcing partner?

Multiple answers allowed



Around a third of all respondents (32%) say that they have outsourced some accounting activities. Almost all of these respondents have outsourced less than a third of accounting activities across the procure-to-pay (P2P), order-to-cash (O2C) and record-to-report (R2R) processes. Services outsourced mainly include transactional activities such as processing of incoming invoices, collections, and time and expense management. However, fully outsourced accounting including statutory reporting and local accounting principles can also be found.

In contrast, only a small proportion of companies outsource financial planning and analysis (FP&A): just 5% of respondents outsource at all, and all of those respondents outsource less than 30% of their overall FP&A work. The focus for FP&A outsourcing is on standardised reports that are produced manually, and standardised internal control activities.

Payroll is the main area of focus for all respondents indicating that up to 30% of their HR work has been outsourced (24%). Only respondents who have outsourced between 30% and 50% of HR work have added other services, notably global mobility administration and compensation.

Some services are almost entirely outside the scope of outsourcing: this is the case for internal

auditing (2% of companies have outsourced work), procurement (6%), sales (4%) and treasury (5%). However, we have observed differences between the individual services. Respondents reported that GBS was very unlikely to be entrusted with the company's own internal audits, with over 80% of GBS organisations either not offering internal auditing in GBS at all or with only a small portion of total headcount (under 20%) working on it, and similar figures apply to sales. On the other hand, procurement and treasury services are provided by GBS, but not outsourced.

Around a third of respondents outsource some of their IT services (up to 30% of overall work), such as infrastructure, systems and app maintenance, and first- and second-line IT support. Legal services are less likely to be outsourced – only 13% of respondents stated that they have outsourced a small portion of their legal work and just 2% have outsourced more, mostly in order to obtain legal opinions or external support during employment law cases. Some logistics services have also been outsourced – a few respondents indicated that they have outsourced a small portion (7% of headcount, on average) of their logistics work, mostly comprising third-party logistics.



Partnerships to close the gap in your GBS 2.0 transformation journey

Partnerships to close the gap in your GBS 2.0 transformation journey

1.0 GBS 2.0

Increased market volatility, tech-driven disruptions, skills shortages and globally connected value chains are forcing organisations to continually enhance their support functions. What started with companies setting up functional shared service organisations to perform transactional processes – often with the help of business process outsourcing (BPO) providers – has now transformed into today's modern GBS organisation. GBS is continuously expanding the breadth and depth of services it provides back to their organisation, with a value proposition that spans across efficiency, scale, delivery experience and innovation.

Today, GBS is the new normal – so what is next? Leading organisations are now looking ahead to the next evolution: digitally enabled GBS, or “GBS 2.0”. This model integrates business services with seamless end-to-end processes that leverage emerging technology to deliver exceptional performance across the organisation. GBS 2.0 creates value beyond functional operational cost savings. It is able to deliver efficient end-to-end functional processes and data insights, ultimately unlocking new value frontiers for the organisation. Moving from functionally aligned services to a single GBS structure provides the necessary scale to optimise the end-to-end process experience for customers, automate tasks and progressively add more complex activities. GBS 2.0 is underpinned by its access to quality data and trusted data insights so organisations can make informed decisions, at pace.

There are differing perspectives on how GBS 2.0 should be translated into organisations. We see three broad delivery methods:

1. **GBS delivered in-house:** In order for a GBS organisation to transform end-to-end processes, it requires agility and authority to make changes. This is more difficult if the delivery organisation is contracted through a BPO arrangement. Organisations we have spoken to who have shifted work in-house from BPO providers have all stated that their motivation to do so was to gain the agility to change processes and ultimately drive further digital transformation and improve customer experience. They felt they had a stronger ability to influence this change across end-to-end processes when this was driven internally.
2. **GBS delivered through a more strategic managed services partnership:** Many future-focused organisations are turning to a more strategic set of managed services partnerships. These relationships provide access to global talent and technology, allowing organisations to build their own capabilities and/or focus their resources on otherwise unexplored opportunities. It also avoids significant in-house transformation costs and typical outsourcing issues where limited control and potential quality problems may undermine GBS day to day operations. A strategic managed services partnership can provide a unique combination of service delivery and transformation capabilities.
3. **GBS delivered through BPO partnerships:** BPO providers excel at efficiently delivering high-quality services. Given their in-depth knowledge in the field, they are well positioned to apply leading practices to processes within the organisations they manage. They can also provide flexibility and scale in resources when required, ramping up squads to deliver on identified opportunities.

There is no one-size-fits-all solution; for some organisations, it is a mix of different delivery models that allows them to bring GBS 2.0 to life in their operations to create value beyond operational costs. A delivery model's success is determined by how partnerships and alliances are harnessed to extract the most value for an organisation.

For GBS 2.0 to succeed, it requires a mandate to deliver the trifecta of efficiency, effectiveness, and experience.

This point of view will focus on GBS delivered through a strategic managed services partnership and BPO partnerships.

2.0 GBS delivered through a more strategic managed services partnership

Organisations are successfully using next-generation managed services to achieve greater value. Through more flexible engagement models, these services are used to embed the right combination of critical skills, industry depth, latest technology and proactive knowledge of emerging risks at the heart of business operations. They also help organisations enhance capabilities and scale capacity (human or automated) as and when needed.

As organisations seek more value, today's strategic managed services are far more valuable than traditional outsourcing models and offer companies the ability to eventually shift these functions back in-house. There are various reasons why companies are leveraging managed services:

- An urgency for **digital transformation**, the difficulty of accessing different capabilities and skills, and the importance of complying with increasingly rigorous regulations (e.g. tax, legal, and cybersecurity). The pandemic demonstrated the **importance of building resilience** into shared processes.
- Managed services allow multiple companies to **share the cost of hiring specialised experts** in high-risk, hard-to-staff areas such as cybersecurity, tax and digital transformation. These versatile, open-ended engagements allow organisations to **utilise on-demand, fractional resources** and to **benefit from the collective wisdom** gleaned from multiple organisations.
- Now that many organisations require continuous evolution to remain competitive, it's no longer about retaining a partner to help with finite projects. What matters today is having a **partner to continuously operate and improve certain aspects of the organisation**.

3.0 GBS delivered through BPO partnerships

The equation has changed for outsourcing. With organisations placing greater emphasis on GBS and being a digitally enabled integrated business service, BPO providers are being called on to deliver more than just labour arbitrage, offering strategic partnerships, better performance, and transformation. BPO providers are responding to this shift by doing the following:

1. **Evolving their service offering** and moving into more value-added services, with a shift from labour-centric solutions to asset-centric approaches. With shared service centres set to centralise further in the upcoming years, BPO providers are positioning themselves to shift away from traditional transactional work and towards work that has strategic importance and involves more customer contact, such as analytics and purchasing.
2. **Ongoing significant investment in technology and generative AI** coupled with in-depth industry expertise to provide cloud-based, data-centric insights and bespoke solutions to help drive informed business decision-making. Providers making the biggest impact are those that are able to hone in on their industry expertise to shape bespoke solutions.
3. **Attracting and developing talent** to address the scale and diversity of skills needed to evolve service offerings, handle complex work and provide the experience required to shift into strategic partnerships.
4. **New elements in traditional FTE pricing models** to include components of transformation and innovation, with accountability for these outcomes being shared between the client and provider. Pricing is also shifting away from being solely dependent on FTE. It now often includes incentives and committed productivity levels.

While there is increased focus for BPO providers to deliver strategic partnerships, performance improvements and transformation, there is also an inherent risk for BPO providers to influence an organisation to drive real transformation and make a sustainable change. This is due to dealing with the client's technology and architecture and, in some cases, contractual constraints limiting the provider's ability to transform processes. As BPO providers shift their focus beyond transactional deliverables to handle more complex types of work, it is expected that they will enter into more alliances and partnerships. Entering into these forms of alliances and partnerships allows BPO providers to go through the maturity curve with their client driving the right customer experience and embedding themselves within the organisation to drive change.

4.0 How to realise value from your BPO partnerships

For organisations to be well placed to extract value from their BPO partnerships, it is important for them to have a clear vision of their GBS 2.0 strategy.

In the next 2–3 years, it is expected that BPO contracts and consequently, strategic partnerships will come into review. With continuous market pressures and new pricing solutions, there will be a push for contract changes, and consolidation of contracts and providers. This presents an opportunity for organisations to deep dive into their current GBS models and reassess what the right model is in terms of how transformation is driven and delivered. An assessment of an organisation's GBS 2.0 strategy is important to ensure that transformation is at the core of delivery and is correctly set up to harness the benefits of GBS 2.0.

The ability to refine an organisation's GBS 2.0 strategy, positions them to extract the right kind of value from their BPO providers. With the shift from labour-centric solutions to asset-centric approaches being offered by BPO providers, organisations are now in a position to secure investment from BPO providers to co-create solutions around transformation and innovation.

Clients often find success in a GBS environment by creating the right ecosystem of partnerships and alliances which focus on more than just core transactional deliverables. Relationship management offices (RMOs) are an effective way of centralising the focus into a single function to drive a consistent approach across partnerships. Having all these partnerships managed under a single function amplifies an organisation's ability to maximise value extraction from BPO partnerships, as there is now a dedicated focus on continuous improvement and relationship governance.



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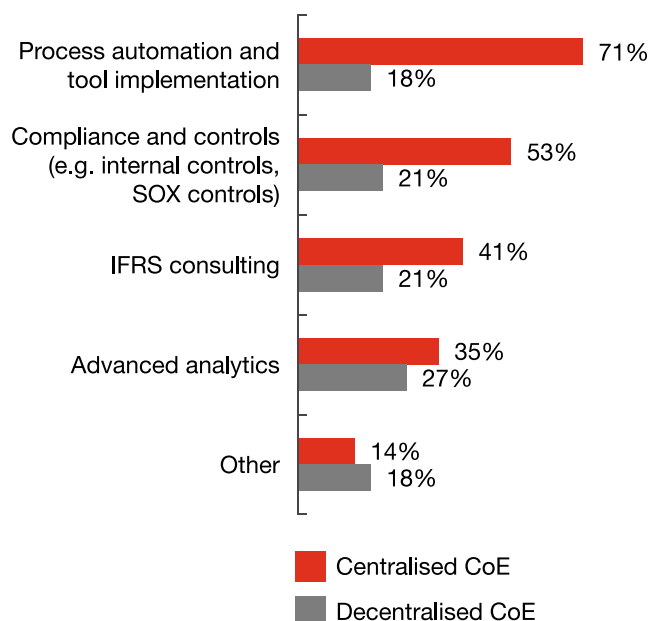
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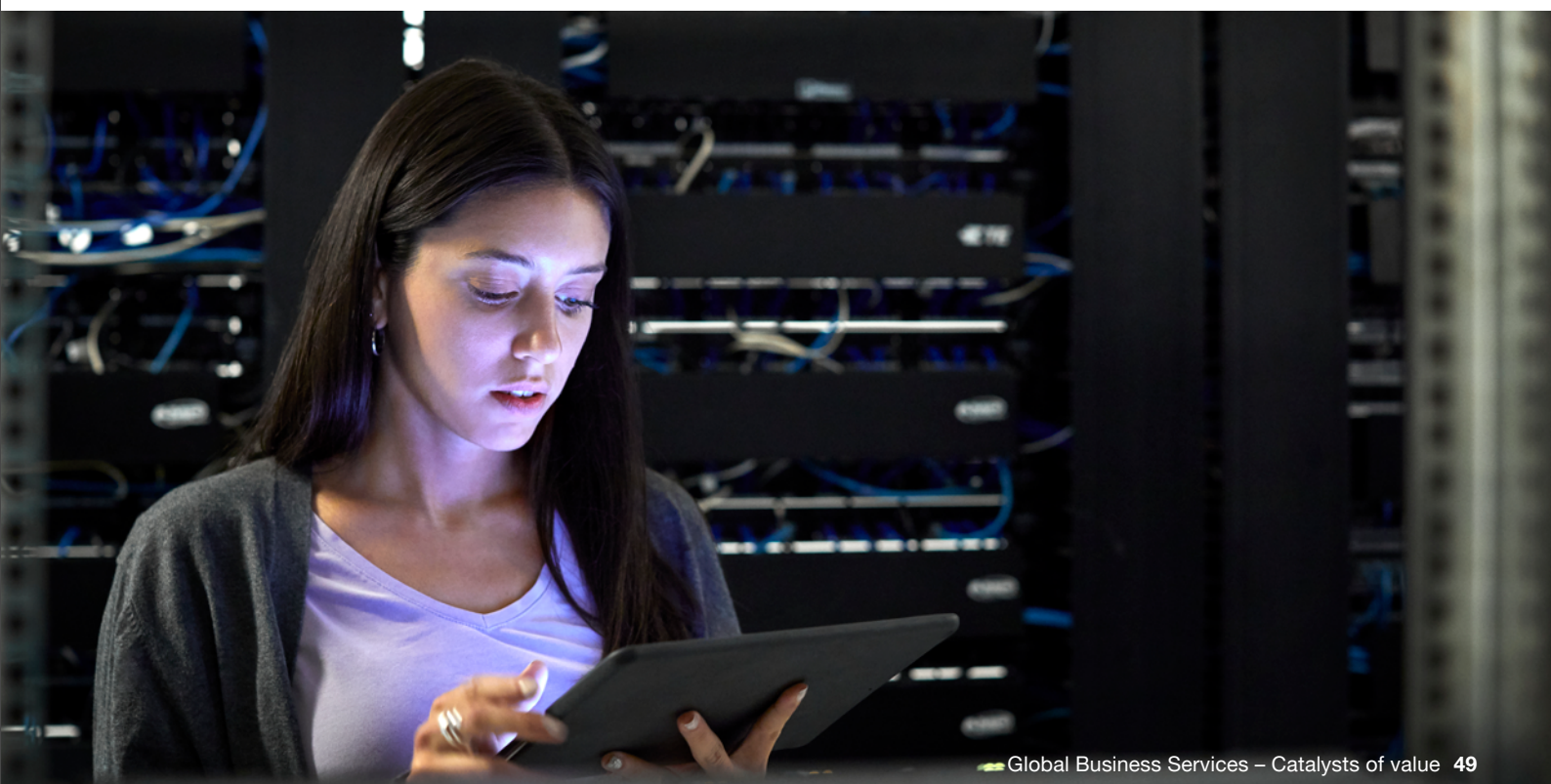
With contributions from Tasheel Sidhu and Aicha Neffati

Fig. 19 What services are provided in your organisation by centres of excellence (CoEs)?

Multiple answers allowed



Centres of excellence (CoEs) that bundle expert activities such as IFRS knowledge or process automation expertise within an organisation are a well-established practice, with almost all respondents indicating that they use CoEs in some shape or form. Process automation and tool implementation CoEs, of which 71% are built using a centralised model, are the most popular type of CoE. CoEs for compliance and controls come second (53% centralised), followed by CoEs for IFRS consulting (41% centralised) and those for data analytics (35% centralised). Other types of CoEs reported in the survey include those dedicated to specialised accounting and tax issues (transfer pricing, M&A support, fund accounting), along with IT capabilities (key user expertise, customer experience support, process mining) and organisational capabilities (strategic project management).



Delivering complex and unconventional work through GBS



GBS is constantly reinventing itself

Over the last 25 years, GBS centres have challenged themselves to be better, faster and more cost effective at delivering or sourcing services, using all possible levers around talent, automation, service design and process standardisation. Across the 1700 GBS centres in India today, there are many well-known examples of how to unlock benefits across the spectrum of services, in proven areas such as finance and accounting, procurement, HR, technology services and some sector-specific services. Riding high on the post-pandemic wave of digital and global sourcing, India continues to see 60–70 new centres being created each year.

The initial remit of a GBS centre is focused on non-core services. However, as the model matures and organisations gain confidence in GBS, they start exploring ways to unlock more value. As a result, core or core-adjacent services also gradually become an intrinsic part of the GBS catalogue. As the pace of this shift increases, the line between “core” and “non-core” becomes increasingly blurred, with many activities shifting.



Examples of complex work delivered through GBS

As GBS centres continue to evolve and expand their service portfolios to include new services that were traditionally considered “core” or “core-adjacent”, examples of unconventional work delivered through GBS are becoming increasingly widespread. The following section provides some illustrative examples, clearly demonstrating that a variety of complex and unconventional work is being delivered through GBS across different industry segments and functional areas:

- GBS centres of retail companies work on areas such as planogramming (schematic diagrams or models for displaying retail products on shelves), store design (strategy for arranging the store to optimise space and sales), merchandising (ways of displaying products to attract customers), property services (initial market research, cost-benefit analysis, store design etc.) and route engineering (determining the optimal route for delivering products from a warehouse).
- A global automotive company has established one of the largest global R&D centres outside Europe, employing almost 5,000 engineers in product design and development. They design various subsystems, the powertrain, exterior and interior, and with full vehicle integration tasks. The centre’s engineers also handle computer-aided engineering work on areas such as crash safety, occupant safety and pedestrian protection.
- The GBS centre of a large industrial manufacturing company assists with store management, strategic procurement, order execution and product engineering. The company’s GBS centre also supports areas such as commercial project management, sales and bidding, engineering, logistics and supply chain management.
- In the financial services, capital markets and insurance sector, examples of complex GBS work include trade finance, the decisioning phase of mortgage underwriting, equity research, investment banking services, material damage evaluation for automotive claims, and product development. At one multinational bank, the Indian GBS centre is used to support the institution’s ESG agenda by operationalising the ESG strategy and compiling reports as required by regulators.
- Healthcare and life sciences GBS centres deliver work in medical coding, patient enrolment, attrition prediction, optimisation of clinical trial protocols, and product benefit configuration for the parent organisation.
- The GBS centre of a leading pharmaceutical company carries out category strategy support and sourcing footprint evaluation, along with handling end-to-end e-procurement and spend analysis reporting.
- A travel technology company uses GBS to develop algorithms which enable real-time price experiments, analyse traveller habits, help airlines to increase sales by creating learning models, and power dynamic pricing models for ticket and ancillary sales.
- The GBS centre of an advertising and marketing communications company is currently setting up its second global capability centre to assist with engineering, analytics, AI, machine learning (ML), product management and merchandising.



Enabling the operating model to deliver complex work

In order to take on and deliver complex work, there are a set of enabling factors that GBS organisations need to focus on:

- Talent availability and investment in upskilling
- Open innovation and leveraging the ecosystem
- Push for digital transformation
- Leadership and interaction model
- Service placement optimisation



Talent and investment in upskilling

Delivering complex and unconventional work requires a talent pool with specific skills and experience. Sometimes, skilled employees are readily available, while at other times they need to be trained to allow them to learn and understand the nuances of their role. In some cases, it may be easier to find talent in a different part of the country to the GBS centre. In such cases, a well-thought-out talent strategy and employee value proposition helps to attract employees with the necessary skills. For example, a company might establish its GBS centre in one city and then hire people with specific experience from other cities as GBS starts taking on more complex work, although doing this may result in higher costs.

In addition, GBS organisations should have ongoing specialist training and upskilling programmes to build capabilities and gain the confidence of the parent organisation. For example, the GBS organisation of one investment bank runs programmes to upskill both current employees and new hires in technologies such as AI/ML and data engineering. This prepares the employees for the future, and enables specific services in these areas to be delivered. Another example can be found in an American home improvement retail company, which has developed an acceleration programme that enables teams to train in the product, agile, DevOps and engineering domains. It also aims for employees to acquire and enhance relevant skills on the job, delivering better value and quality.



Open innovation and leveraging the ecosystem

Ongoing research by various bodies including governments, academia and startups provides opportunities for new partnerships. These can be key differentiators for GBS centres looking to create innovative solutions in a variety of areas. Over the past year, Indian GBS organisations have made substantial investments in startups through GBS-run accelerator programmes. Some GBS centres have set up innovation labs to collaborate, ideate and develop innovative products with startups. An example of this partnership is a tech company's GBS centre, which has entered into collaboration with a public university for research on emerging technologies and existing projects.



Push for digital transformation

As new technologies continue to gain currency and challenge traditional ways of working, GBS must continue to explore how best to harness the possibilities offered by these technologies. Automation allows GBS to free up team capacity and expand the scope of services to areas which were previously not considered feasible for GBS to deliver. Digital innovations are enabling GBS to deliver many activities which were previously considered to be poorly suited to remote delivery, helping to push the envelope on the overall service portfolio of GBS.



Leadership and interaction model

Building a strong leadership pipeline to take on new GBS roles needs to be a constant focus. Delivering these roles successfully not only enables GBS to underpin the value it delivers, but also allows GBS organisations to position themselves as hubs for talent and capabilities. The added advantage of GBS leaders taking on global roles is that this enables better appreciation of the capabilities that exist within GBS. In many cases, organisations require a variety of skills to be brought together to design and deliver solutions, and GBS is ideally

positioned to enable this. Adequate representation in leadership forums allows GBS organisations to have a voice and co-create the delivery strategy for complex and unconventional work.



Service placement optimisation

Many GBS organisations today have a global network of centres which help provide adequate coverage to different time zones, address language requirements and utilise talent best suited for the work in hand, all while maintaining high levels of customer service. Ensuring that services are delivered by the right talent in the right locations allows GBS to take on work that aligns with the capabilities and aspirations of its talent base. This may sometimes require moving the work from one location to another, or even using a different provider for some of the work. A good example of this is a medical device company's tech GBS centre, which outsourced IT helpdesk support to an external provider and uses in-house teams only to troubleshoot and resolve complex issues. This helps create the expertise and bandwidth required within the team for other activities as well.

Organisations are widely looking to leverage the collective strength of their network of centres to help deliver better outcomes and a superior customer experience. Taken together, the factors examined above will enable this transformation: as well as creating an enabling operating model to help GBS meet the constant expectation of unlocking value, addressing these factors will also elevate the position of GBS as an agent of change and transformation within the parent organisation.



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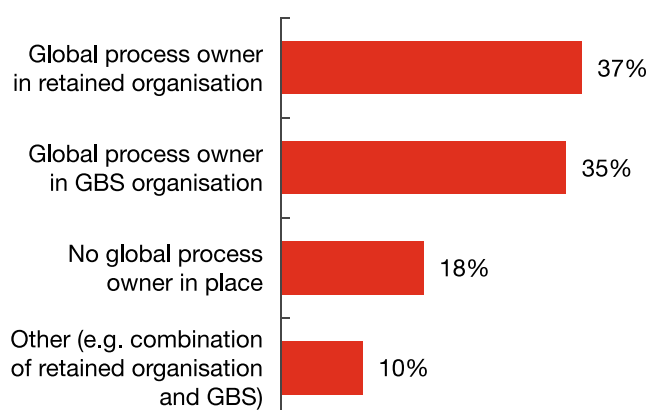
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E Driving digital transformation

This chapter examines the survey results around digital transformation. These show that if GBS is to promote digitalisation, a focus on the significance of global process owners (GPOs) when introducing standardised, digital processes is vital. You will also

find three expert articles, explaining some challenges faced by GBS organisations regarding the shift to end-to-end processes, the advantages of data access and how it can enable GBS organisations, and the implementation of new tools.

Fig. 20 Where are your process owners located?

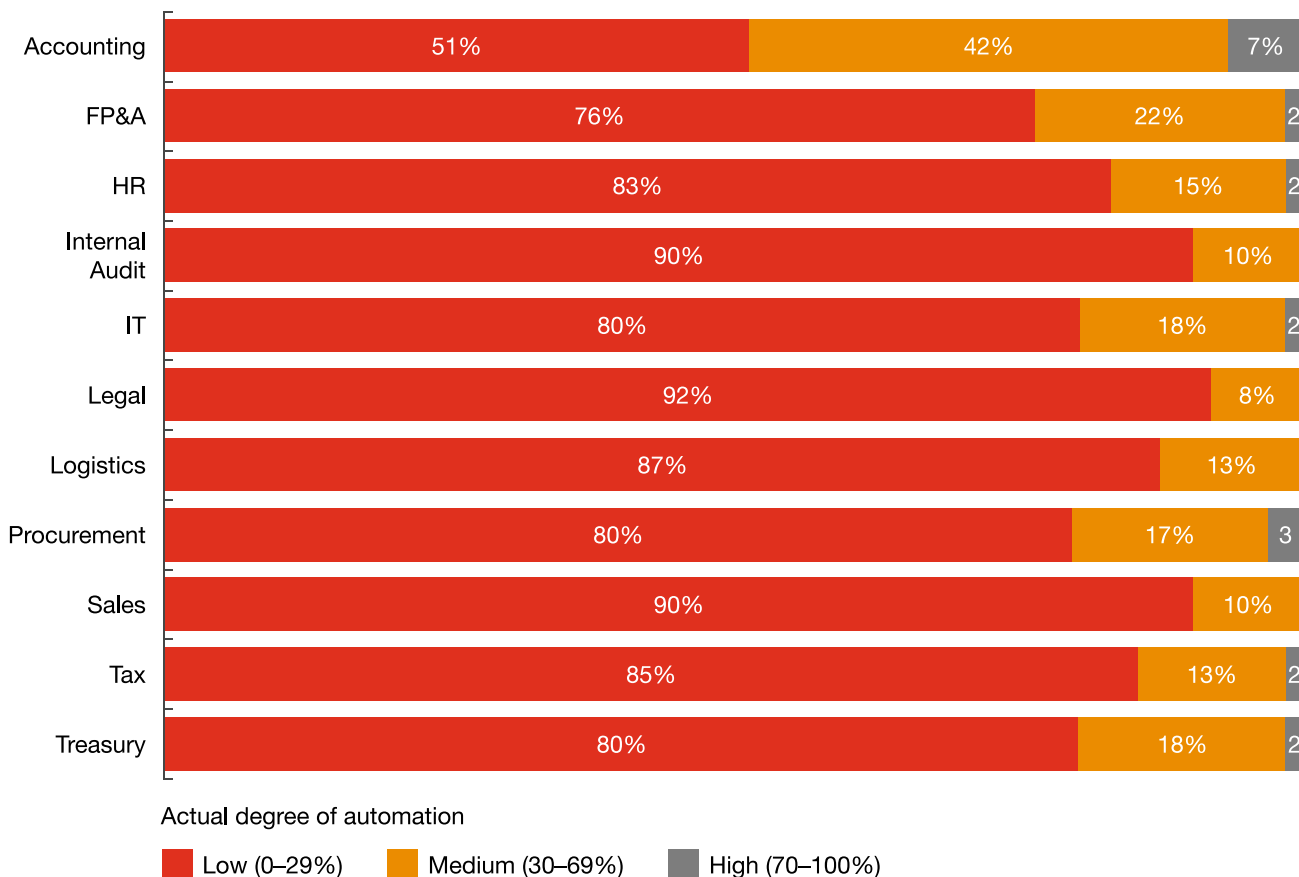


Process ownership describes the allocation of responsibility for process design, management and execution. GPOs typically combine an in-depth understanding of the process and of its business impact. Global process ownership therefore is key to successfully standardising and digitalising processes. Accordingly, 72% of the companies surveyed state that they already have GPOs in place, with the only real distinction being the location of the GPOs: the survey results indicate that allocating process ownership to the retained organisation is the most popular choice (37% of respondents). However, this is very closely followed by having GPOs in the GBS organisation (35%). As the trust that leaders place in GBS experts continues to rise, we expect even more organisations to establish GPOs and shift these roles from retained organisations to GBS organisations in the future.



Fig. 21 What is the actual degree of automation within your GBS organisation?

Multiple answers allowed

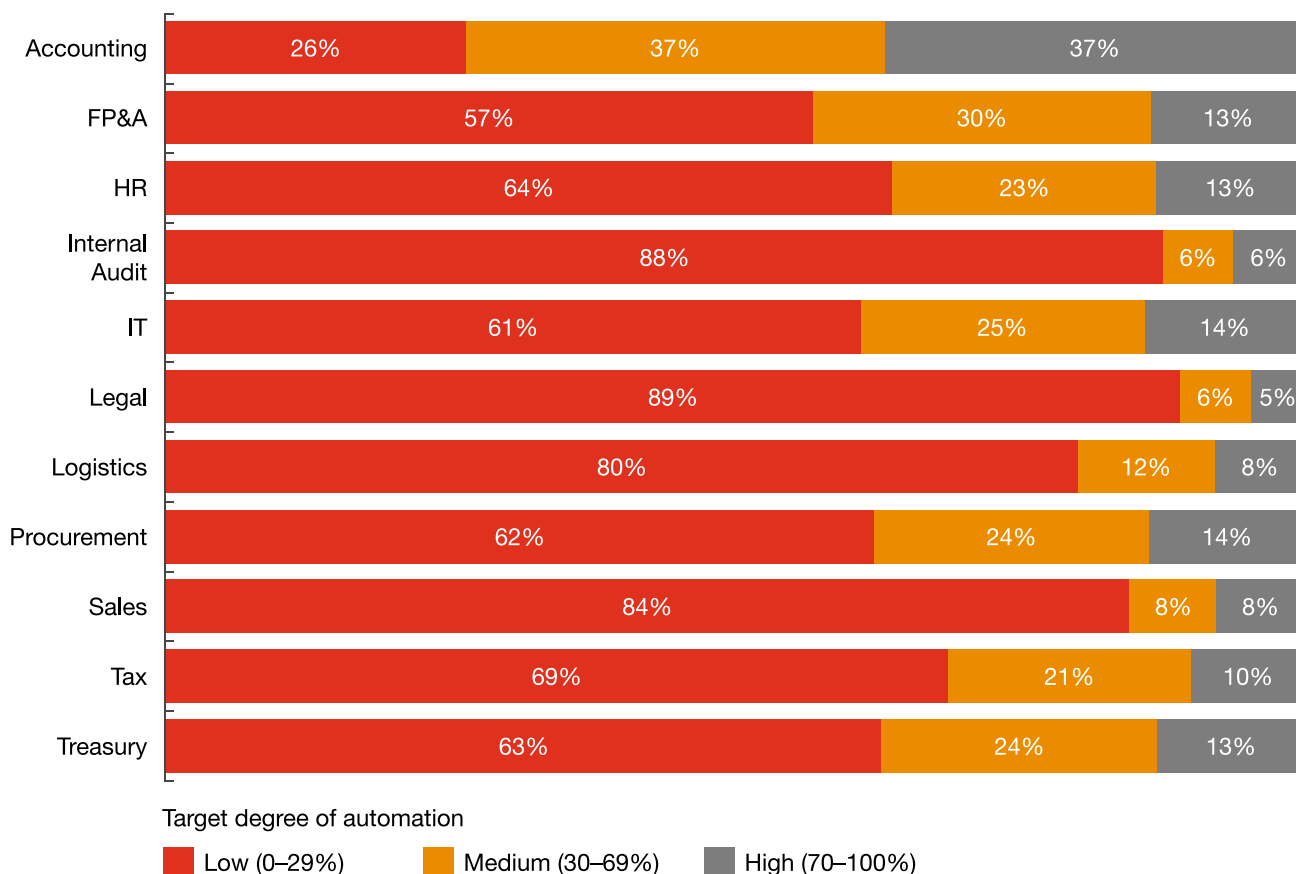


As shown in Figures 21 and 22, automation targets are currently far above actual levels of automation. Considerable action is therefore required to meet these targets, although this gap has existed ever since the first study in this series back in 2008 – a logical consequence of the continuing rapid development of digital solutions.

In accounting, only 7% of the companies surveyed have automated more than 70% of their processes, while 37% of companies are aiming to automate more than 70% of processes. There is thus plenty of room for improvement.

Fig. 22 What is the target degree of automation within your GBS organisation?

Multiple answers allowed



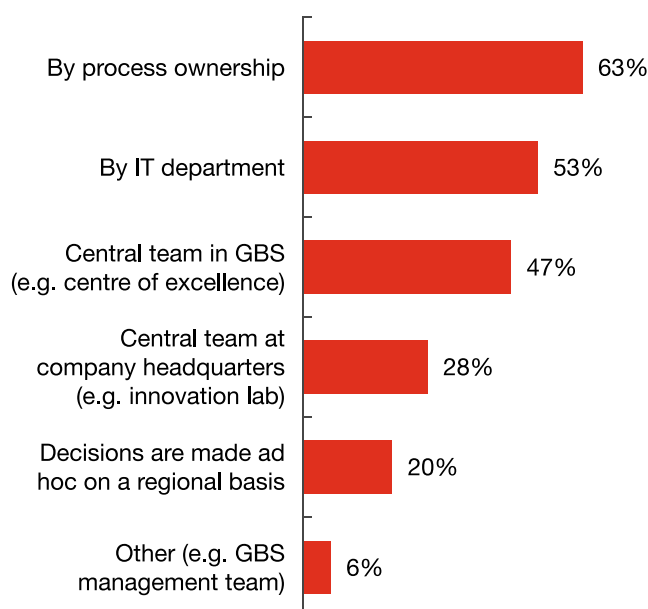
In financial planning and analysis (FP&A), companies are not aiming for particularly high levels of automation – only 13% said that they were aiming for over 70% automation. Despite this, there is still a big gap between this level of ambition and the actual percentage of companies which have automated more than 70% of their processes.

In tax, 2% of companies have already automated at least 70% of their processes and 10% of companies want to achieve this level of automation.

Ambition for 70% automation in treasury is relatively low (13%), but here again just 2% of companies have actually achieved this target.

Fig. 23 How does your GBS organisation identify new technologies/tools?

Multiple answers allowed



With digital transformation being the top priority for GBS organisations (see Figure 4), identifying new and relevant tools and technologies is key to achieving digital targets. The survey results indicate that process ownership plays an important role in identifying new technologies for GBS organisations (63%). New tools and technologies are also often ideated and implemented by dedicated IT departments (53%), as well as by dedicated tech teams (e.g. through centres of excellence) within the GBS structure (47%) or within company headquarters through functions such as innovation labs (28%).

Figure 24 shows the overall level of implementation of digital tools across different GBS functions. Overall, RPA, dashboarding tools and cloud solutions are the leading technologies across different GBS functions, while process mining and AI are up-and-coming technologies that organisations have started to adopt. These tools are used across all functions, although their level of adoption depends on the maturity of the GBS function and of the tools themselves.

Accounting has emerged as the clear front-runner in GBS digitalisation initiatives. This can be attributed to the fact that accounting functions are very mature within GBS, which enables them to better adopt and leverage digital solutions to further optimise their operations and processes. By contrast, adoption of digital tools is low for compliance-focussed functions such as the legal department and internal auditing, with less than 10% of companies using them.

RPA is widespread in GBS organisations, especially in the accounting function: over 70% of the survey respondents have already implemented RPA in accounting processes. Other functions that frequently implement RPA include HR (33%), procurement (26%) and IT (20%). Figures for AI are much lower: the highest level of AI adoption is in the accounting function, but even here, only 18% of companies currently use it. This indicates further potential for implementation as GBS organisations grow in size and scope.

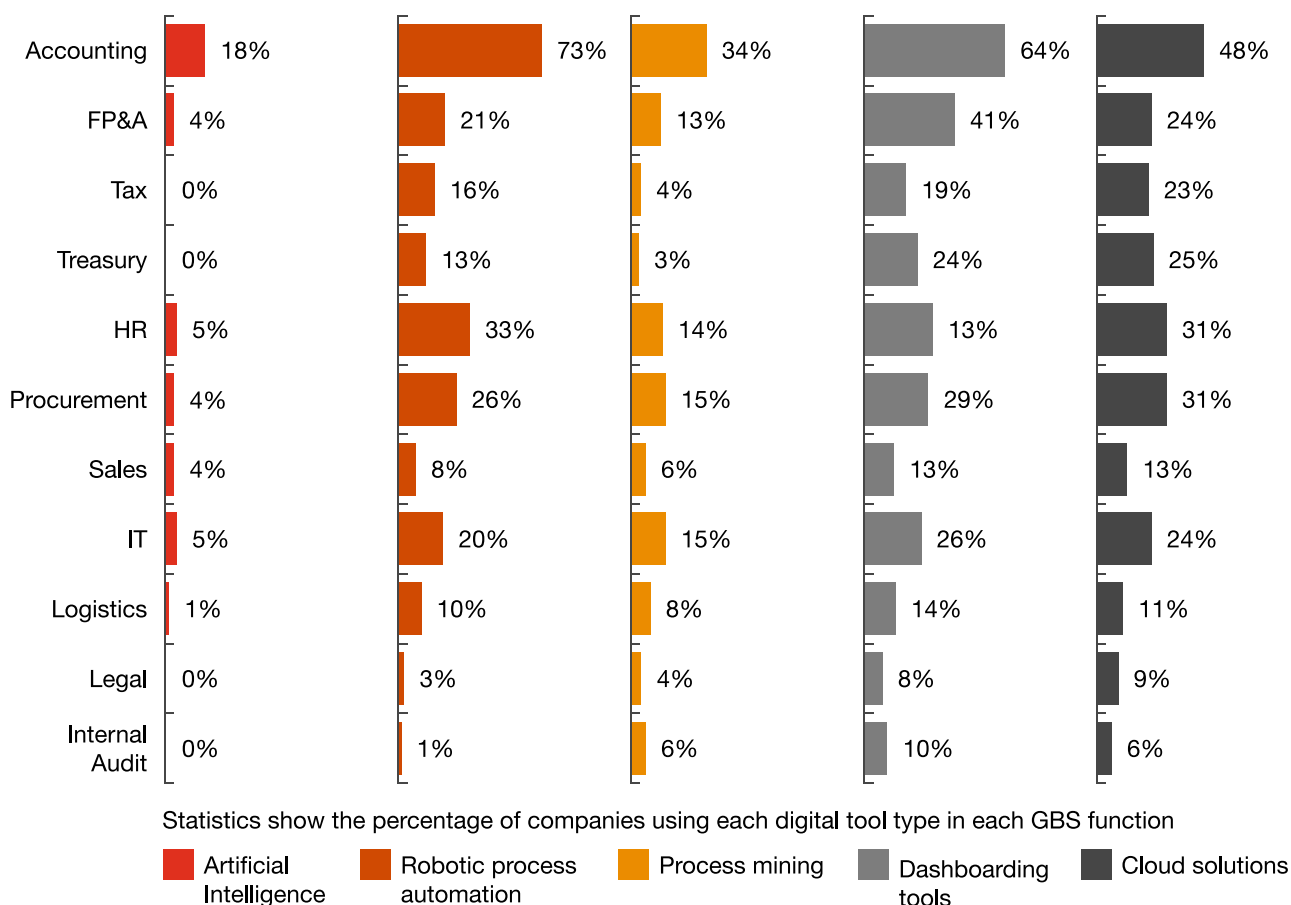
The survey results show that process mining has been most widely implemented across accounting functions (34% of respondents), although functions such as HR, FP&A, IT and procurement (10–15%) have also started to exploit its potential.

Dashboarding tools have also been implemented on a large scale to aggregate and visualise KPIs across various GBS functions, with accounting and FP&A leading at 64% and 41%, respectively. In most other functions, dashboarding tools enjoy a moderate level of implementation (approx. 20% of respondents).

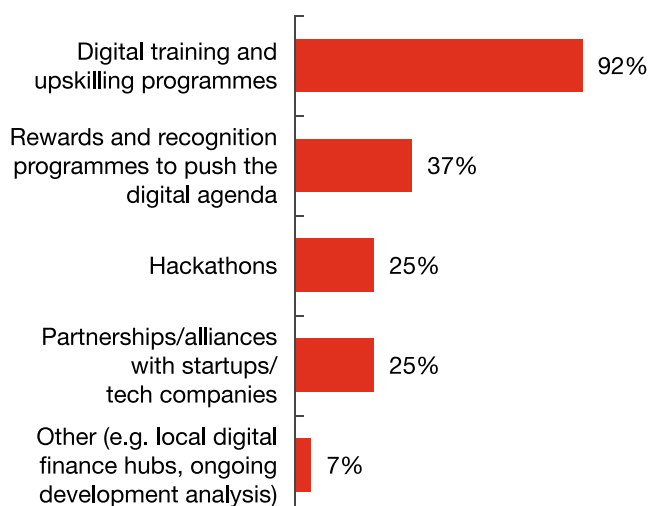
A similar picture can be seen for cloud solutions, which are also widely used by accounting functions (48% of the companies surveyed) and have a moderate level of implementation (approx. 20–30%) in most other functions.

Fig. 24 In which functions are you already using digital tools?

Multiple answers allowed

**Fig. 25 What are some of the more recent strategies you have adopted to drive digital transformation in GBS?**

Multiple answers allowed



The survey results indicate that GBS organisations are following a people-centric approach to drive digital transformation. This development is in line with predictions in our latest CFO study *“The digital CFO”*, available for download on our website, in which CFOs cited lack of knowledge and skills among the workforce as the main obstacle to further digitalisation. It is therefore hardly surprising that training and upskilling employees to drive digital transformation is emerging as a clear strategy in GBS, now adopted by 92% of the companies surveyed.

Process excellence in GBS organisations



Collaboration: the new imperative to unlock the full potential of the ecosystem

Today's world of business is characterised by continuous change and rising customer demands. GBS organisations are having to face the challenge of meeting these demands while also becoming more efficient and competitive. Our study shows that alongside expanding their functional scope, GBS organisations are increasingly striving to be fully process-driven (see Figure 4). However, because this aims to increase customer value instead of improving individual functional components, it could potentially create

conflicting goals in different functions. This makes process excellence and collaboration between all stakeholders a critical success factor.

Process excellence is a systematic approach that aims to continuously improve the efficiency, quality and overall performance of processes, as well as the customer satisfaction they provide. An overarching purpose and mission, coupled with a managerial mandate for transformational change, serve as the approach's foundation. A suitable governance framework must also be established to ensure transparency, accountability and alignment with organisational goals, while also embedding process excellence within the organisation and clearly allocating roles and responsibilities.

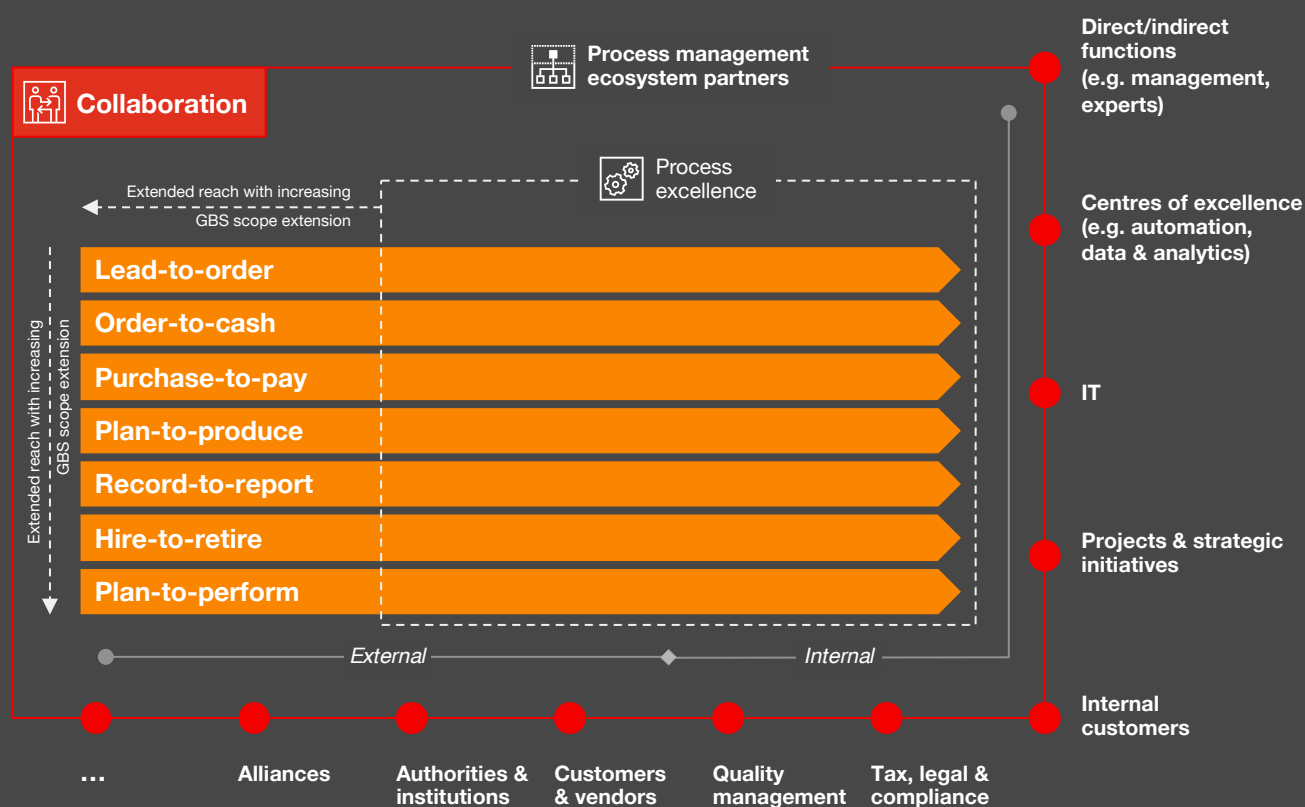
Fig. 26 Key elements of process excellence



Suitable methods and capabilities are also introduced or strengthened alongside the move to process excellence, driving continuous improvement and exploring potential to take the transformation even further and adapt processes to changing business needs. This is a key part of both the organisation's and its employees' DNA for process excellence, as it fulfils the strategy's aim of constantly questioning the status quo.

Ultimately, a transformational and process-oriented corporate culture needs to be fostered through leadership and a skilled workforce, which will enable a key differentiator: collaboration.

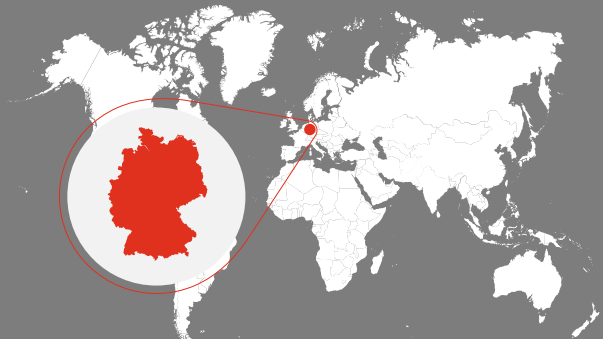
Fig. 27 The process excellence ecosystem



Collaboration within the organisation should primarily be enabled and driven by clear process ownership and the process owners themselves (see Figure 23). They are the natural drivers who translate functional strategy into process excellence; this, in turn, generates value by defining actionable initiatives and measures. Process owners are also expected to drive collaboration among team members, breaking down departmental boundaries.

This requires courage to innovate while maintaining the right balance between a culture that accepts errors, speed, cost control and collaboration. In particular, collaboration between business departments, IT and stakeholders in the wider ecosystem must be nurtured and cultivated to unleash the organisation's full potential. It is essential to provide technically proficient and curious employees with tailored paths for their careers and professional development.

Throughout the world, companies are under increasing pressure to drive continuous improvement of their operations. Process excellence offers a powerful approach to bring about this change, but it must be holistic, driven by clear governance and a clear mission, and firmly embedded within the organisation. These core enablers support methodical expertise, continuous improvement, leadership skills and a culture of transformation, all of which ultimately combine to create a competitive advantage. A well-established collaboration model within a process-driven organisation serves as the linchpin that harnesses these core enablers, making such a model indispensable for achieving sustained success in today's dynamic landscape and securing the future of companies.



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How data access can enable data services in GBS

In today's data-driven world, companies are increasingly recognising the potential of data to increase efficiency and create a competitive edge. Data access plays a crucial role in enabling data services that can create value for the organisation and are more closely aligned with the business. GBS organisations typically hold a large pool of data resources to facilitate these data-centric endeavours, and harnessing the power of data enables GBS to leverage opportunities for growth and generate real insights.

Access to data allows organisations to use data services that combine different data sources, implement advanced analytics, and leverage technologies such as AI and ML. This integration enhances the value gained from data and enables companies to stay ahead in today's competitive markets.

GBS is becoming an increasingly attractive option for companies. Since GBS functions have access to a broader range of data than is the case in traditional service models – which enables cross-functional and cross-business collaboration – they can offer more accurate and comprehensive insights, enhancing and complementing decision-making processes.



Case study: leveraging data for early default risk detection

In the order-to-cash process, there is a significant risk that customers may face difficulties in making timely payments, particularly during periods of high inflation and rising energy prices. It is therefore crucial for businesses to understand and mitigate default risk in long-term B2B/B2C contracts. Companies also need to anticipate changes in payment patterns for the upcoming fiscal year to effectively manage their cash reserves. Addressing these challenges is essential, as default is heavily dependent on the macroeconomic situation and is a leading indicator in and of itself.

There is considerable potential for GBS to tackle this challenge, as all the necessary data is available in the GBS data pool. One of our clients took a three-pronged approach. First, the company first

identified the key business factors that influenced default. This involved analysing historical data, customer profiles, contract terms and external economic indicators using ML to identify the key drivers behind default.

To enhance its forecasting capabilities, the company incorporated leading indicators into the analysis. These leading indicators, such as macroeconomic data, industry trends and market forecasts, provided valuable insights into potential shifts in payment patterns.

Based on the business factors and leading indicators, the company then developed an early warning system (EWS). This system utilises advanced analytics and predictive modelling techniques to detect turning points in payment default. By monitoring and analysing relevant data, the EWS can provide alerts in good time and identify potential risks before they escalated.

Implementing this data-driven approach brought several significant benefits to the company:

- **Early warning:** the finance department now receives early warnings about increasing levels of default. This allows finance team members to proactively address potential issues, allocate appropriate resources and take necessary action to mitigate impacts on cash flow.
- **Tailored cash management:** the insights provided by the EWS have enabled the company to adopt a more tailored approach to cash management. By understanding changing payment patterns, the company has been able to adjust its cash reserve strategies accordingly, ensuring sufficient liquidity to manage potential default.
- **Data-based risk communication:** with a data-driven approach to understanding default, the company has been able to effectively communicate risks to stakeholders. Presenting evidence-based insights and trends has allowed the company to engage in proactive discussions with customers, suppliers and other stakeholders, fostering transparency and collaborative risk management.

Fig. 28 Examples of data visualisations created by an EWS and other dashboards



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Conclusion

Data access is a fundamental enabler of data services, offering companies the potential for increased efficiency, greater opportunities and valuable insights. By harnessing the power of data, businesses can optimise their operations, enhance decision-making and unlock innovation. GBS functions have access to a large amount of data, and can use this to strengthen their role in data services, a position which is key to success in the digital era.

Business transformation using AI/ML and its implications for GBS staff – a case study



The case for transformation in the risk function

A large South East Asian bank wanted to double its retail financial inclusion within three years, prompting the need to expand distribution and product coverage. This meant that the CEO of the retail bank – the business counterpart of the Chief Risk Officer (CRO) – would have to significantly expand the bank's distribution channels and product portfolio to cater to a much larger customer base. For the initial phase, the CEO zeroed in on increasing the sell-through rate of high-velocity, unsecured lending products. This served as a stress test for the CRO's credit risk controls to ensure that the right products were being sold to the right customers while not unnecessarily burdening the bank's credit risk portfolio and keeping expected credit losses under control. Similar arguments were made for transformation in other risk functions such as operational risk, liquidity risk, market risk and interest rate risk.



AI/ML-driven transformation

Having realised that the risk controls needed an overhaul, the CRO embarked on an assessment of the existing risk controls. Previously, a combination of rule-based and simple statistical models had been used, with some repetitive checks performed by GBS employees, but the CRO decided that they wanted to supplement these systems with more advanced, accurate and automated AI/ML models. Since these models are data-driven rather than hypothesis-driven, they are much more accurate than their traditional counterparts, thus ensuring much more accurate decision-making while also significantly reducing decision times. Examples of models implemented included the following:

1. **Credit risk:** AI/ML “application scorecards” for predicting affordability, profitability and churn, streamlining application decisions.
2. **Interest rate risk:** customer-level sensitivity predictions for deposit interest rate fluctuations.
3. **Liquidity risk:** AI/ML models used to forecast balances over various time frames, helping the treasury team make optimal borrowing and investment decisions.

The benefits of AI/ML are mainly due to greater accuracy and increased levels of automation. The new models led to impressive results: up to 70% greater accuracy in predicting various outcomes including probability of default, up to 60% shorter decision turn-around times and up to 40% more profits before tax were directly attributable to enhanced risk controls.



The next step: generative AI

Traditional AI/ML models can increase sophistication, consistency, accuracy and speed in decision-making, increasing the organisation's efficiency without incurring significant extra costs. The advent of generative AI has the potential to further transform the services function in three general areas:

1. **Increased self-service**, reducing query resolution times and increasing business partner satisfaction
2. **Productivity enhancements** – e.g. Copilot for large-scale, easily consumable information retrieval
3. **Experience enhancements** – e.g. efficient and personalised micro-learning, personalised onboarding journeys at scale

The above models must be subjected to rigorous model validation and risk management checks when trained or retrained, particularly because of the regulatory burden involved. Documenting model compliance is time consuming, resulting in long model validation cycles and operationalisation timelines. Humans in the loop (e.g. loan adjudicators) often find it difficult to understand why a model is delivering a certain result, and therefore spend a lot of time translating technical insights into intelligent decisions. With the advent of generative AI, the bank embarked on a three-month proof-of-concept phase to develop and evaluate a solution which produces interpretable and readable model compliance documentation automatically after a model is trained or retrained. Generative AI picks up traces of the entire lifecycle of the model – from raw data to predictions and insights – and automatically translates it into a detailed, template-based report.



Impact on GBS staff

While these outcomes might be great for the core business of the bank, they have rather different implications for the GBS team. If we accept that repetitive, rules-based tasks can be performed much more efficiently by AI/ML than by humans and that these models are getting better at their tasks all the time, people will inevitably raise a significant question: why even bother with GBS?

As the value proposition of GBS organisations evolves, we have started to see a pronounced shift away from transactional work and towards complex work performed by CoEs. At first glance, generative AI might seem to spell the end of GBS work, but we don't actually expect GBS to become obsolete: job profiles will simply change to include specialists in emerging technologies such as AI. The advanced models necessary to support decision-making and the cutting-edge generative AI systems need to be efficiently developed, maintained and implemented throughout organisations, leveraging global know-how and linking processes together where possible. Who better to tackle these tasks than an established GBS team? We expect a significant rise in automation CoEs serving as the home of AI transformation in GBS, with a focus on generative AI as an enabling technology in the digital ecosystem.



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F People development and new ways of working

This chapter presents the findings of our survey regarding the challenges for people and culture in GBS.

Fig. 29 What are the biggest people and culture challenges in your GBS organisation?

Multiple answers allowed

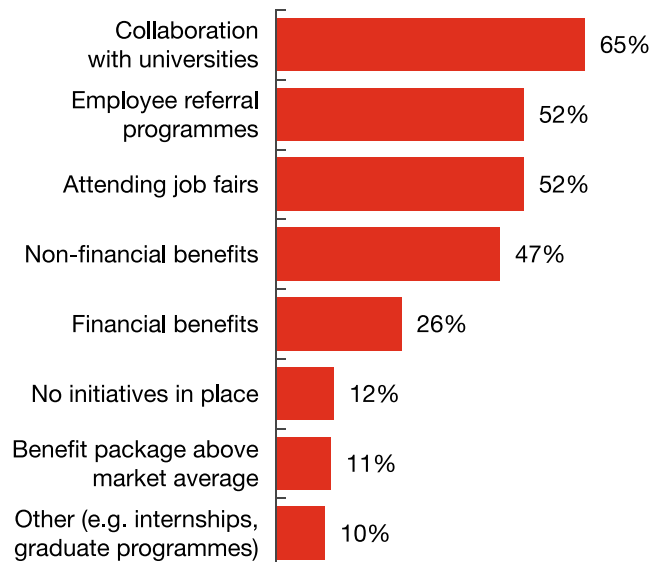


For most companies, the search for talent is still the number one focus around people and culture in GBS: three quarters of respondents said this was their top challenge. Other major challenges go hand-in-hand with recruitment: once top talent has been found, it is a challenge to set up relevant career paths for new employees (51%) and meet their requirements (45%) – otherwise, companies may have to face high turnover if skilled employees decide to leave (42%).

Attracting and keeping talent is not the only challenge: new hires also need to be onboarded effectively (28%) and teams need to be diverse (17%) for employees to thrive from day one. Recruitment of early career professionals, however, seems to be less of a challenge (13%).

Fig. 30 What are your main initiatives to attract early career professionals?

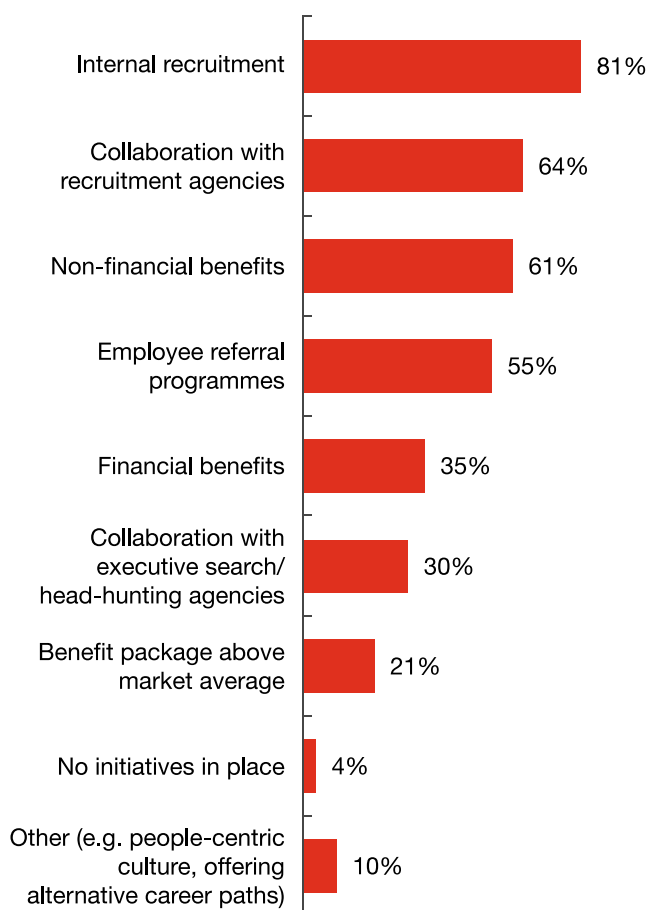
Multiple answers allowed



To attract early career professionals, GBS organisations rely mostly on direct contact with prospective employees through channels such as collaboration with universities (65%), job fairs (52%) and employee referral programmes (52%). This direct contact is supplemented by a focus on offering attractive non-financial benefits such as training opportunities, language courses, corporate health and fitness memberships, and team events (47%), and by making sure that benefits packages are above market average (11%).

Fig. 31 What are your main initiatives to recruit experienced employees?

Multiple answers allowed



Attracting highly skilled employees, on the other hand, is different: more than two thirds of respondents mentioned internal recruitment (81%) – for example, via dedicated in-house recruiting teams – as well as collaborating with external recruitment agencies (64%) and focusing on providing non-financial benefits (61%) to attract talent. Employee referral programmes also play a significant part (55%). We have noticed that there is now a strong focus on creating an overall image of the GBS organisation as a value-driven “home” for employees, emphasising values and other perks through carefully crafted stories instead of relying on money alone: even though benefits packages are still an important factor for 21% of respondents, employers have recognised that they can easily be outbid and need to provide more. To find experts to staff the growing numbers of CoEs, GBS organisations are also increasingly relying on executive search and head-hunting providers (30%).

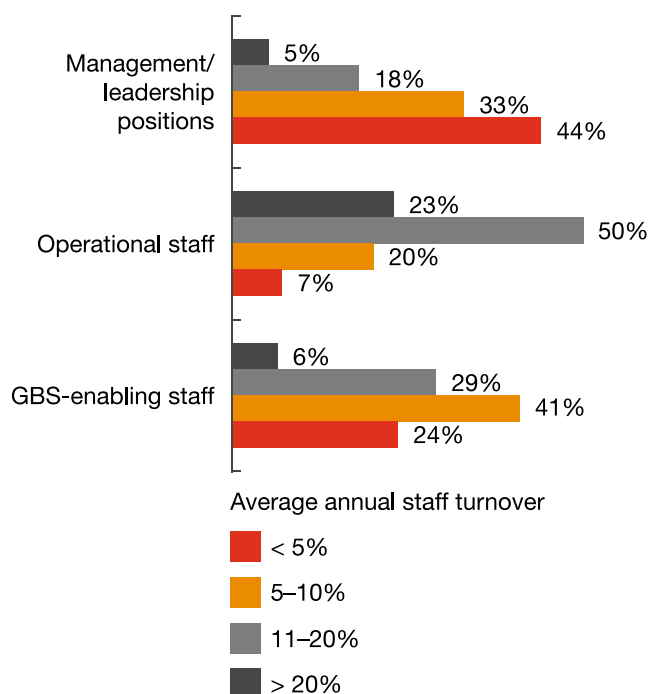
Fig. 32 What new strategies have you adopted (if any) to build and differentiate your brand in the talent market?

Multiple answers allowed



GBS organisations are also trying out new ways to attract talent: most of the focus is, as previously established, on direct communication with potential employees, either by being more active on social media (68%) or building deeper partnerships with universities (55%). A few other initiatives are also being tested, such as working together with universities to create training content and curricula (21%), introducing new hiring channels such as those of the gig economy (19%) or buying up existing organisations to access their skills (10%).

Fig. 33 What is the average annual staff turnover that you have experienced over the last three years?

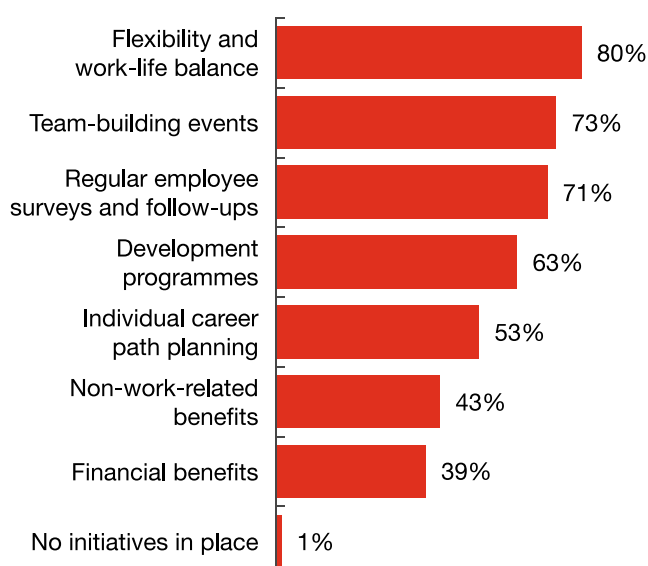


The survey results show that attrition levels are higher for operational staff than for other classes of employees. Annual turnover rate in operational roles is over 10% for more than three quarters of the companies surveyed, and 23% state that their turnover rate is above 20%. High employee turnover impacts the stability of operations in a GBS setup; coupled with a competitive hiring market, it is becoming more and more important for organisations to retain their top talent.

Staff turnover for management and leadership positions is relatively low, at less than 5% for 44% of the survey respondents and less than 10% for three quarters of the respondents. For GBS-enabling functions such as HR and IT, turnover is moderate, at less than 10% for about 70% of the companies surveyed.

Fig. 34 What are your main initiatives to retain employees?

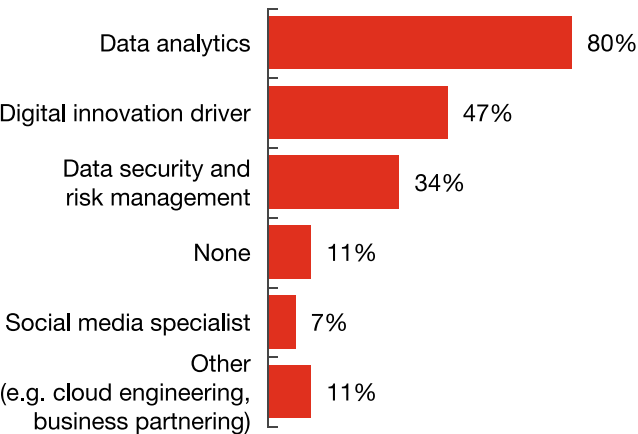
Multiple answers allowed



To retain employees, GBS organisations have taken a range of measures, such as ensuring flexibility and a good work-life balance (80%) and organising team events (73%) to create a pleasant working environment. This is supplemented by conducting regular employee surveys and following up on issues identified (71%), making sure that problems are recognised and addressed early on before they drive employees to leave. Offering development programmes (63%) and individual career development (53%) provides employees with a clear path upwards and a goal to work towards, while non-work-related benefits (43%) and financial benefits (39%) round off the offer. With three of these initiatives now above 70% of adoption, we can see that the topic of retention is universal and that GBS organisations across the board are doing their best to retain top talent.

Fig. 35 What new skills are you planning to hire or build in your organisation?

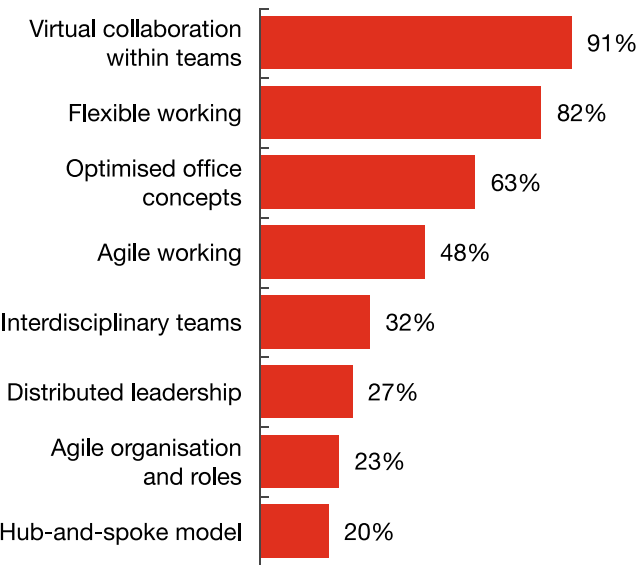
Multiple answers allowed



As GBS becomes more prominent within their parent organisations, their role changes from being a simple provider of labour to a fully fledged solution centre, delivering all kinds of value-adding services. This is reflected in the skills that companies are looking to hire: four out of every five GBS organisations want to expand their data analytics capabilities, and half of them are looking at consciously driving innovation by using digital solutions and automation to continuously make collaborative improvements. Data security and risk management are also focus topics for a third of GBS organisations.

Fig. 36 Which initiatives related to new ways of working have you implemented in your organisation?

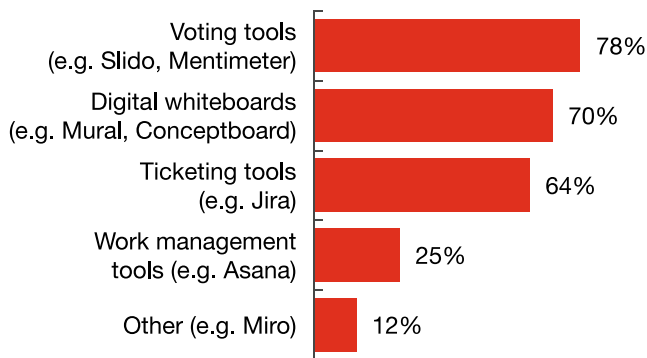
Multiple answers allowed



The last few years have – unsurprisingly – seen almost universal adoption of virtual collaboration within teams (91%) and flexible working (82%). New ways of working include optimised offices (63%), interdisciplinary teams (32%) and a hub-and-spoke operating model (20%) – this introduces a central hub for core services, and satellite locations (spokes) for specialised regional support. There has also been a general shift towards agile working methods enabled by having a customer-centric approach, regular scrum meetings and working in sprints (48%), along with agile organisations and roles (23%) and distributed leadership (27%). A focus on distributing work across teams, centres and geographies makes good business sense in light of recent worldwide volatility such as the pandemic, general economic uncertainty and escalating global conflicts.

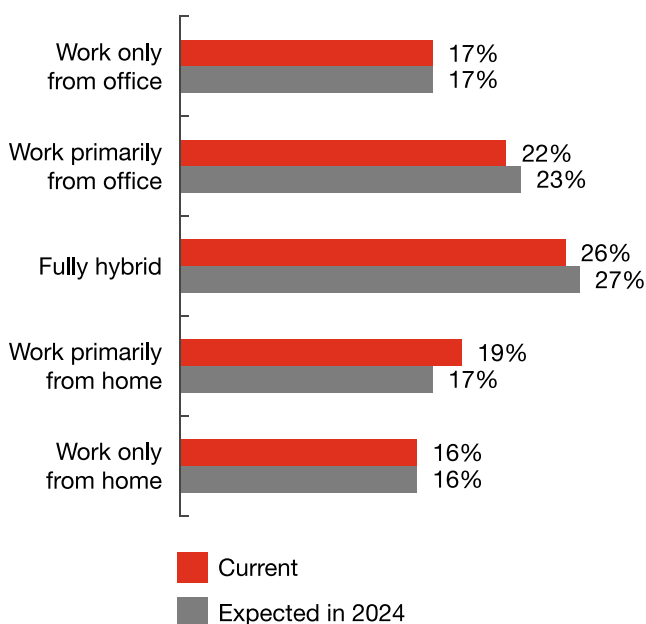
Fig. 37 What tools do you use for virtual collaboration in workshops or meetings?

Multiple answers allowed



New tools are necessary to make these new distributed ways of working possible. These include tools designed to replace analogue processes, such as voting tools (78%) and digital whiteboards (70%), or tools that take work beyond traditional analogue methods, such as ticketing tools (64%) and work management tools (25%).

Fig. 38 What is your GBS organisation's current and expected form of work?



Unsurprisingly, GBS organisations have embraced very flexible models of work: full hybrid working is now the most widespread form of work (26%), and this is expected to rise further in the future. More than a fifth of respondents, however, said that they expect the share of in-office work to increase and view the office as the centre of work for the future. Given the current competition for talent, it will be interesting to come back to this topic in a few years' time to see which strategy turns out to be the most successful.

G What lies ahead



Growing self-confidence

GBS organisations are now a well-established element of future-proof administrative functions. But this is not all: they are also key to successfully delivering an organisation's value proposition towards its customers.

To achieve this ambition, GBS organisations are shifting their focus from being providers of purely transactional services towards being ambassadors of process optimisation and digital transformation within their parent companies, all the while taking on more and more knowledge-intensive and value-adding tasks that cover an increasing part of company value chains. This has an impact on various aspects of the GBS operating model and the role of GBS as a whole.



GBS as a driver of digital innovation

In the past, GBS locations were typically selected based on expected labour arbitrage savings. Today, however, companies are increasingly focusing on aspects related to the skills of the available labour pool. Employees skilled in process automation, AI or predictive analytics are important assets, and are in demand to drive digital transformation of administrative corporate functions.

Digital transformation can only be truly successful when initiatives are conceptualised across functional boundaries with an end-to-end view of processes. This can be achieved by concentrating processes for different functions in GBS and by consistently enlarging the scope of service. Taking on employees with the necessary skills and giving them with the right level of autonomy – for example, through a sustainable process governance framework – can be the starting point for highly automated processes.



Organisational impact, driven by GBS

By digitalising services, processes can be made more efficient and less expensive. More importantly, however, capacity can be freed up from non-automated tasks and redirected to activities that provide business insights and respond to new business requirements. Generating data and analysing it opens the door to improvements in areas such as forecasting, which in turn can support decision-making when it comes to investments. Organisations are entrusting more and more of their value chains to GBS: for example, we have seen pharmaceutical companies building upon established transactional GBS in recent years to accompany clinical trials, process study data and even develop new drugs. Engineering clients are dedicating entire GBS CoEs to materials research and other high-value activities. This trend is expected to continue over the coming years.



Scalability and flexibility

The job of providing transactional services, however, will not completely vanish in the near future. As a result, GBS organisations will increasingly consist of various service delivery units, ranging from transactional services to expert services in CoEs. This set-up is likely to lead to hybrid location models, with interdisciplinary teams working together virtually and across borders. It will result in scalable, highly flexible service delivery by GBS to its internal customers, who are having to face challenging economic conditions, increased reporting requirements and the need to respond flexibly to rapidly changing business conditions.



Collaboration and ecosystem

Building alliances with other GBS organisations and establishing partnerships with companies such as tech startups and digital tool providers is becoming the norm. Exchange with industry experts and tech providers drives innovation and is opening the door to an ecosystem approach, where GBS organisations collaborate with internal and external partners to improve service delivery and drive innovation.

In short, GBS organisations of the near future will be seen as digital ecosystems – driving companies' digital transformation and delivering true business value.



The growing importance of centres of excellence

Over the past decade, leading GBS organisations have evolved towards a hybrid delivery model. This comprises large in-house shared service centres known as centres of scale (CoSs), which partner with third-party providers and smaller in-house centres of excellence (CoEs). However, **the emergence of the digital era and increasing automation of transactional processes has led to CoEs becoming ever more important**, with a growing focus on the added value delivered by specialist capabilities.

CoEs are not new: they have been around for decades, originating in the world of manufacturing. The concept has since successfully evolved and become very **widely adopted across a broad range of areas**. The **defining characteristic which sets CoEs apart from CoSs** is specialist

capabilities in specific disciplines. CoSs focus on driving down the cost to service high-volume routine and repetitive transactional processes, and have traditionally leveraged labour arbitrage in low-cost offshore locations to achieve this strategy. CoEs, on the other hand, are more **focused on having highly qualified talent** with the right knowledge and skills to deliver specialist services. **Cost tends to be a less pronounced consideration** than for CoSs.

In the past, CoEs were mainly located closer to local organisations. However, there has been a significant increase in the number of CoEs in low-cost locations over the past few years, as these markets have matured and demonstrated their talent and specialist capabilities over time.




Fig. 39 Centres of scale vs. centres of excellence



Even without considering the question of labour arbitrage, clients have reported that **centralising services into CoEs drives up efficiency and brings down costs**. Bringing together people with a unique set of expert skills into a CoE helps organisations to push the boundaries and go beyond the status quo to drive and deliver operational excellence.

Figure 40 below illustrates some of the services currently included in CoEs. However, this is by no means an exhaustive list, as we have seen continual expansion in the portfolio of services being provided by clients' GBS CoEs.

Fig. 40 Typical scope of GBS for global multinationals

	 G&A	 Technical				 Information Technology			
	Finance & Accounting	Human Resources	Sales	Marketing	Supply Chain & Procurement	Technical Services	Quality & Safety	IT Infra-structure	Application Development & Maintenance
Centres of Scale	<ul style="list-style-type: none">• Accounts payable• Accounts receivable• Collections• Fixed Assets• General Ledger Transactions• Close and Consolidation• Master data management• F&A Application Support	<ul style="list-style-type: none">• Payroll processing• Timekeeping• Employee Data Mgmt.• Employee Contact Center• Compensation admin.• Benefits admin• Training administration• Employee Relocation• Recruiting Operations (High Volume Hiring)• HR Apps Support		<ul style="list-style-type: none">• Website management• Direct and e-mail program management• Database management	<ul style="list-style-type: none">• Order Fulfillment• Order Mgmt.• Supplier portal• Supplier scorecard• Req to PO Conversion and PO Processing• Catalog Management• Spot Buys		<ul style="list-style-type: none">• Safety• Environmental• Global/Area/Regional Mgmt• Health & Environmental Sciences	<ul style="list-style-type: none">• Network operations• Data centers• Help desk• End-user support• Desktop support	<ul style="list-style-type: none">• Application maintenance• Application testing
	Centres of Excellence	<ul style="list-style-type: none">• Statutory and Legal Entity Accounting• Inventory & Cost Accounting• Brand/Category P&L, Balance Sheet and Cash Flow Analysis• Prescriptive and Predictive Financial Analytics	<ul style="list-style-type: none">• Talent Analytics• Comp & Benefits Design	<ul style="list-style-type: none">• Customer Data Management• Telesales• Technical support	<ul style="list-style-type: none">• Campaign development & management• Lead generation• Marketing data analysis• Segmentation Analysis• Trade Promotion Analysis	<ul style="list-style-type: none">• Fleet Management• Customs management• Facilities management• Indirect commodity sourcing• Indirect contract negotiation• Vendor Assurance• Vendor data Management	<ul style="list-style-type: none">• Customer Technical Support• Analytical Services• Product data mgmt.	<ul style="list-style-type: none">• Quality Control Analysis• Hygiene Security/ Crisis mgmt.	<ul style="list-style-type: none">• System monitoring• System design & engineering• IT Security

Why are organisations investing more in CoEs?

Some of the key drivers our clients have cited include the following:

- **Driving innovation**
CoEs have long been associated with **driving innovation through research and development operations** focused on bringing new products and services to the external market – e.g. clinical research on new drugs in the pharmaceutical sector, microchip and semiconductor development in the electronics industry.

Today, CoEs are increasingly being set up as **innovation hubs to drive internal digital transformation** across the organisation – e.g. for robotic process automation (RPA). In our latest GBS global survey, digital transformation and automation are at the top of the list of services provided by CoEs; 28% of respondents have invested in CoEs providing these services, reflecting the increasing focus on driving digital transformation.

- **Governance, risk management and compliance**

Organisations have introduced the CoE model to great effect as a control function to **manage compliance for external reporting across multiple jurisdictions** – e.g. statutory reporting for finance, VAT and customs. **Managing risk and compliance** is another key control area where CoEs have been successfully deployed in fields such as internal auditing, IT and SOX compliance.

24% of respondents in the 2023 GBS survey have CoEs for controls and compliance, providing internal auditing and SOX compliance. This reflects the value of centralising these types of services. CoEs providing IFRS services also scored highly in the survey, with 20% respondents having established them to support financial reporting for complex global corporate structures.

- **Providing insights**

There has been an increase in the prevalence of **CoEs for financial planning analysis**, focused on providing strategic financial insights and forward-looking data projections to support strategic decision-making by the C-suite.

Progressive organisations are taking the quest for insights a step further by creating **CoEs for data analytics**, which harness the power of data and digital technology. This important emerging trend is reflected in the survey: 20% of respondents have now established CoEs offering these services. These centres enhance the business value derived from data by using dynamic data and joining the dots between internal and external market data, leveraging data visualisation and predictive analytics tools to drive business intelligence across the company.

- **Enhancing efficiency and promoting operational excellence**

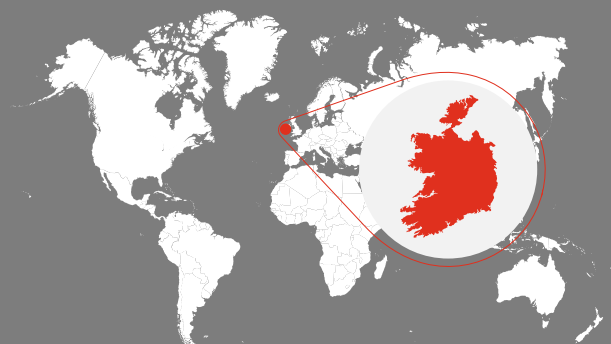
Companies are increasingly using the CoE model to **create synergies, drive up efficiency and promote operational excellence for niche, specialist functions** in areas such as logistics and facilities management. For example, centralising logistics operations into global CoEs supports efficient scheduling for the movement of goods and can help expedite customs clearance across multiple territories. CoEs for facilities management are used by organisations with a wide property portfolio to achieve cost synergies and optimise their footprints.

- **Providing expertise**

CoEs have also been created with a **core advisory brief** to support senior leadership with strategic decision-making. This is particularly the case in areas such as group taxation, treasury, legal and M&A. The level of subject matter expertise developed within these CoEs can equal that of large professional services firms, **making the company less dependent on third-party consultants and thus saving costs**.

PwC's ongoing research into the **future of finance has revealed some interesting predictions on how organisational models for finance functions** will evolve going forward. Finance will operate very differently: it will be significantly more efficient, with an increased focus on value-oriented tasks. What does this mean for CoEs? Finance operations (i.e. CoSs), corporate centres and business-located finance structures are expected to shrink, so it is hardly surprising that **CoEs, with their concentrations of specialist skills and disciplines, are expected to grow significantly**. On top of this, the ongoing transition from physical working to a hybrid model with both offices and virtual locations is set to be another interesting trend for CoEs and organisational structures in general.

In summary, we can expect to see **CoEs continuing to become more important**. CoE models will continually evolve in line with the ongoing modernisation and optimisation of operating models. There will be **further consolidation of regional hubs and spokes** into more global CoEs, which will use a hybrid of offices and virtual locations to support a flexible workforce. **Digital levers** such as data visualisation tools, AI, intelligent process automation (IPA) will be leveraged to **generate enhanced business insights** for organisations to guide their operations and strategy enterprise wide. Finally, the **portfolio of services provided by CoEs will be extended** as organisations seek to enhance efficiency, control and innovation.

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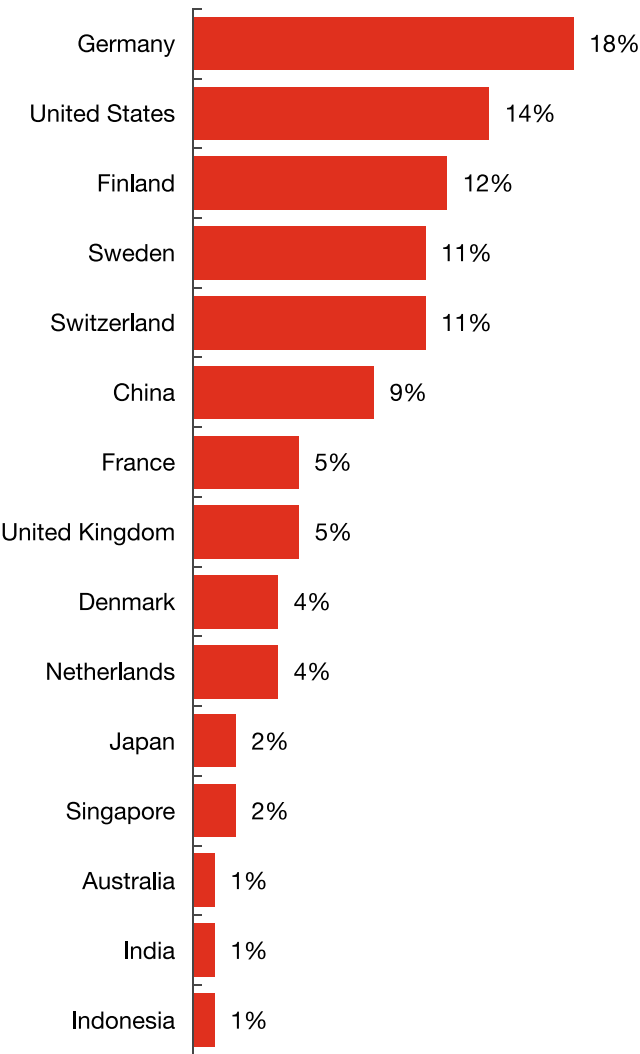
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H Scope of the survey

In this study, we examined the current state of the GBS market and identified emerging trends and challenges for the future. To accomplish this, the PwC Germany GBS team conducted a comprehensive survey involving businesses and

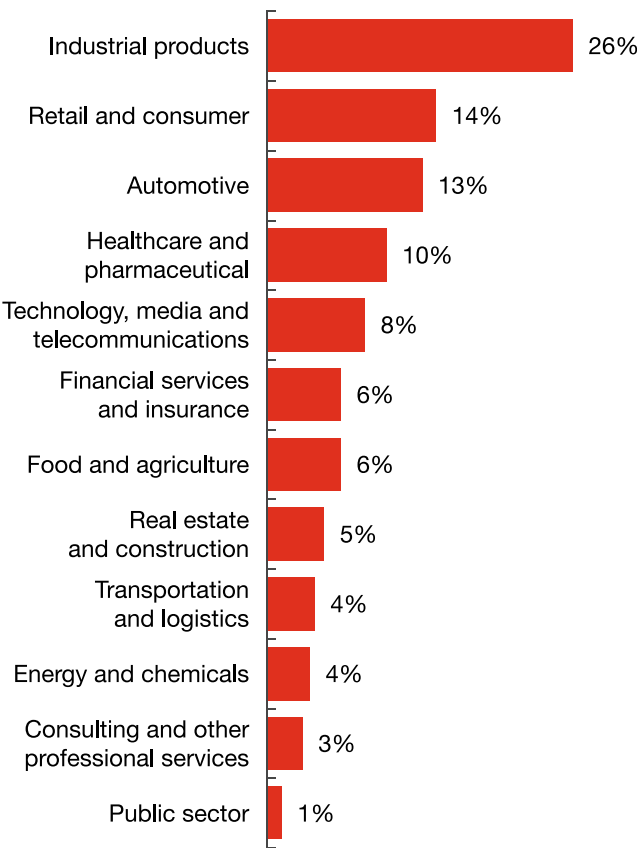
shared service centres from around the world and brought together selected GBS experts from the global PwC network. The insights gained from these respondents were of paramount importance in shaping the outcomes of this study.

Fig. 41 Where is your group headquarter?



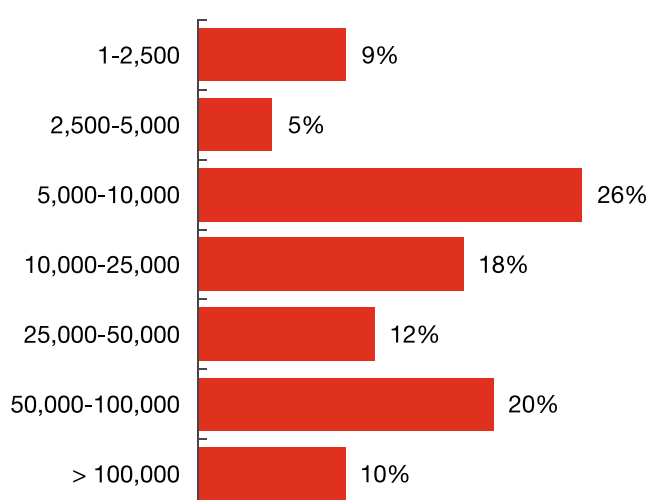
As shown in Figure 42, the lion's share of the respondents hailed from Europe. Germany was the top individual country, home to 18% of the companies surveyed, while significant numbers of respondents came from Finland (12%), Sweden (11%) and Switzerland (11%). At a global level, 14% of the companies surveyed were headquartered in the US, while those from the APAC region made up 16% of the total.

Fig. 42 Please state the general industry that best describes your entire group's activities



This study has shown that GBS organisations are not an industry-specific phenomenon, serving as a tool for corporate strategy in all sectors. Figure 42 shows the industries in which the companies in this study operate, led by industrial products (26%), the retail and consumer sector (14%), and the automotive industry (13%). Overall, however, the companies were quite evenly split among the sectors, including healthcare and pharmaceutical (10%), technology, media and telecommunications (8%), financial services and insurance (6%), and food and agriculture (6%). Other more minor industries were the real estate and construction, transport and logistics, and energy and chemical industries, consulting and other professional services, and the public sector.

Fig. 43 Please state the total FTE employees in your organisation

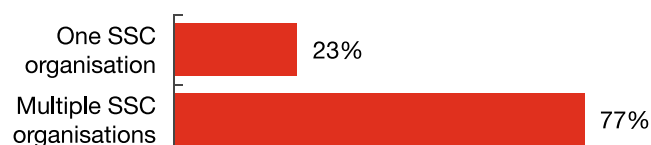


As well as representing all sectors, companies of all sizes participated in the study. Figure 44 shows that a significant proportion of the companies surveyed (26%) fell within the 5,000 to 10,000 FTE range, indicating a notable presence of medium-sized organisations, while 18% of companies had FTE counts ranging from 10,000 to 25,000.

Interestingly, 20% of the companies fell within the 50,000 to 100,000 FTE range, and a further 10% exceeded 100,000 FTE employees. Major corporations were thus well represented in the survey.

Smaller companies with 1 to 2,500 and 2,500 to 5,000 employees made up 9% and 5% of the sample, respectively, adding to the overall diversity of the survey.

Fig. 44 How many shared service centres do you have within your group?



We also found a difference in the number of shared service centres (SSCs) operated by the companies surveyed. 23% of companies said that they operate just one SSC, while the other 77% have multiple centres. This distribution reflects the varied approaches that companies take to implementing SSCs, either as single units or in the form of multiple facilities aimed at enhancing efficiency and optimising processes.

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About us

Our clients face diverse challenges, strive to put new ideas into practice and seek expert advice. They turn to us for comprehensive support and practical solutions that deliver maximum value. Whether for a global player, a family business or a public institution, we leverage all of our assets: experience, industry knowledge, high standards of quality, commitment to innovation and the resources of our expert network in 151 countries. Building a trusting and cooperative relationship with our clients is particularly important to us – the better we know and understand our clients' needs, the more effectively we can support them.

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