Does the global business services model still matter?

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Yes, but for these centralized groups to succeed in a digital era, leaders must focus on agility, customer service, and talent development, in addition to cost reduction and process efficiency.

Over the past two decades, companies in various industries have pursued shared-services opportunities by deploying a global business services (GBS) model. GBS groups focus on managing many of the general and administrative tasks that happen on the back end of a transaction, leaving the business units more time to focus on customer- or product-specific activities. Traditional shared-services organizations focus on supporting tasks associated with a single function only. By contrast, GBS groups comprise specialists from multiple functional areas—IT, finance, human resources, and the like. They handle a range of end-to-end tasks, such as procurement-to-payment and employee onboarding. GBS groups' overarching mandate is to provide the business with a comprehensive set of services at a low cost and at agreed-upon levels of quality.

However, for a number of reasons, many companies are reexamining—and, in some cases, backing away from—their commitment

to GBS. Some argue that the model has introduced greater organizational complexity but not necessarily better performance. Specifically, we've heard the following from executives:

- The value that GBS groups create for organizations has not been clearly established, so some companies are left wondering whether their investments in new technologies and processes will really pay off.

- Governance of GBS groups remains cumbersome, and team outcomes are not well tracked. As a result, in some companies, GBS teams are perceived as unresponsive, neither addressing the current needs of the business nor introducing innovations.

- GBS teams are not attracting the right talent; it can be difficult to find staffers who have both the required functional expertise and a strong focus on customer service.

- Digital technologies such as process automation, robotics, and machine learning allow companies to address their business units' service requirements quickly and efficiently without having to go through the arduous work of implementing a GBS structure.

- Companies are under increasing pressure to be more agile, and senior leaders are questioning whether GBS groups can be responsive enough.

Given these trends and concerns, it is certainly worth asking if GBS models are still relevant. According to our research, administrative expenses in companies that have implemented GBS models are generally lower than those in peers without GBS. Many of these companies have reduced their costs between 20 percent and 30 percent while increasing their productivity through the use of lean and agile approaches to process and demand management. But aside from gaining near-term cost benefits—still a big draw, according to our research—why should companies go through the trouble of building or maintaining a GBS group?

Because the model still matters. GBS teams can deliver the same cost and productivity advantages they always have, but the rise of digitization enables GBS groups to provide benefits that go beyond cost. GBS teams can incorporate automation, virtualization, analytics, and other digital tools and capabilities into their existing operations and develop and deploy more effective ways to support the business units. These innovations can enable significant organizational growth (Exhibit 1). A core challenge for business executives and GBS leaders, however, is reimagining what general and administrative support services should look like in a digital era. In this article, we suggest a path forward.

Building the case—and capabilities—for GBS

Who is deploying GBS? About 30 percent of global companies in the Fortune 50 are pursuing some level of migration to a GBS model, according to published studies. The average size of the typical GBS organization varies based on the size of the parent company but can be as large as several thousand team members (Exhibit 2). In our own survey of companies deploying GBS models, most respondents said they plan to increase the scope of their programs, incorporating complex functions like legal tasks and strategic

EXHIBIT 1

Companies can achieve significant benefits from their use of the global business services model.

Increased operational efficiency and effectiveness	Improved P&L and balance-sheet figures	Better strategic capabilities for growth
• Reduced general and administrative spending between **30%** and **40%**	• Reduced working capital by **$1.0 billion** to **$1.5 billion**	• Reduced time to integrate acquisitions by **30%**
• Increased customers' satisfaction with support services between **20%** and **40%**	• Reduced shipping costs by **50%** by integrating order-management and parcel-manifest programs	• Created competitive advantage through vendor-managed inventory across all global locations
• Increased the supply of talent by **25x**	• Reduced operational costs in other functions by **5%**	• Reduced company-wide time to hire from **90 days** to **40 days**

Source: 2016 McKinsey survey on the scope of global business services programs (we surveyed 28 companies from a range of industries, including energy and materials, banking, pharmaceuticals and medical devices, and consumer goods)

planning into the mix (see sidebar, "The future of GBS: McKinsey survey results"). And about 70 percent are seeing early benefits from deploying automation technologies within the traditional GBS structure—for instance, reduced errors and improved service-delivery times because of no-touch order entry.
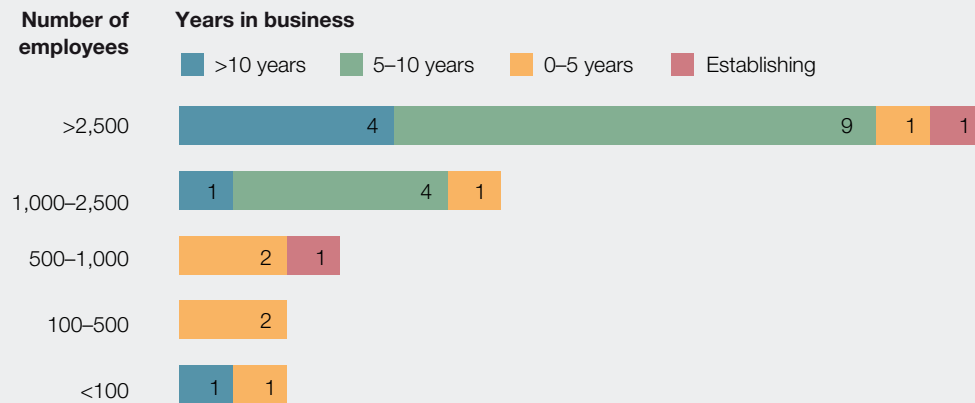
Our research also shows, however, that building and maintaining a successful GBS program in an era of digitization is not an easy task. Moving to a global business services model can raise questions about organizational structure, technology capabilities, process ownership, and overall governance. For instance, some business users get frustrated when they can't retain control over tasks that are important in their day-to-day work—for instance, accounts receivable—that are now being centrally

managed by the GBS team. Many companies are encumbered by disconnected IT systems that can thwart GBS groups' ability to integrate processes, simplify transactions, and bring innovative services to their customers. And, as many executives told us, GBS groups are experiencing a significant shortage of talent.

For GBS programs to thrive in this era, we believe companies need to pay attention to five critical factors relating to the makeup and management of their global business services groups. Specifically, they need to design global business services with more of a focus on customers, allow GBS teams to lead from the center, embrace a culture of agility and change, design global business services for the long term, and aggressively manage talent development. By emphasizing these five points, companies and their GBS teams

Most of our survey respondents are relatively far along in their global business services journey.

Size and age of global business services organization

Number of employees	Years in business			
	■ >10 years	■ 5–10 years	■ 0–5 years	■ Establishing

>2,500	4	9 1 1
1,000–2,500	1 4 1	
500–1,000	2 1	
100–500	2	
<100	1 1	

can realize not just the required cost savings but also faster delivery of services, higher customer satisfaction, and greater organizational flexibility.

Focusing on customers

Centralizing multiple functions under a GBS model will save companies money. For many customers of GBS, however, this benefit is largely invisible. What matters more to them, particularly in a digital-business era, is quality and speed. GBS leaders are used to measuring their teams' performance based on cost savings and efficiencies achieved; what's required instead is a greater focus on improving customer satisfaction and creating innovative services that meet customers' emerging needs. Indeed, GBS teams must treat their customers as strategic partners rather than simply end users. In turn, the heads of the business units and functional groups need to see GBS as a source of value creation rather than simply a cost center.

This approach marks a definite shift for most GBS and business leaders. There are tools and technologies that can help them adapt, however. GBS teams must, at a minimum, conduct regular outreach and surveys to ensure that they capture customers' requirements. They must develop a focused set of customer-satisfaction metrics and incorporate them into their work plans. GBS leaders should conduct regular check-ins with the functions they support and communicate the results to team members. Team members can use this information to gauge their performance and raise the bar on the levels of service they provide as they strive to attain the highest customer-satisfaction scores for the month or quarter. Frequent monitoring can allow GBS teams to react more quickly to changing customer needs.

Increasingly, GBS teams are using cloud-based case-management platforms, cognitive-processing technologies, and enhanced

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The future of GBS: McKinsey survey results

In 2016, we asked 28 companies across several sectors about the scope of their GBS programs, the effect of robotics or other emerging digital technologies on their programs, their governance models, and their talent concerns. We saw some regional differences in the rollout and governance of GBS programs, but overall GBS remained an attractive model to this cohort of users.

The respondents in our survey reported that their general and administrative costs had dropped between 30 percent and 40 percent through the use of the GBS model. Most said they plan to increase the scope of their GBS programs; the most attractive functions are still finance and HR. And some respondents said they are hoping to expand GBS into more complex functions, such as legal tasks and strategic planning.

They shared the following responses relating to services, automation, and governance:

- **Services.** Most survey respondents noted there was a clear plan to move beyond just transactional services; more than 60 percent said they wanted to increase their use of data analytics. Generally, companies said they were satisfied with the quality of GBS services, but they identified flawed technology systems as a main obstacle to increasing that satisfaction. Additionally, company strategy and the misalignment between GBS and business units both stood out as critical obstacles to improving end users' satisfaction with GBS.

- **Automation.** Survey respondents said their use of emerging technologies is delivering varying results, but approximately half of companies report gains of more than 10 percent and a third have made gains between 20 percent and 40 percent. Respondents said they generally favored easily deployed solutions, such as robotic process automation.

- **Governance.** Few GBS teams see themselves as strategic partners, but they want to move in this direction; defining the governance model, aligning GBS and business goals, and stronger functional integration and collaboration seem to be the key steps for the future.

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analytics to streamline customers' interactions and track performance. One company, for instance, has created an internal service "storefront"—an intranet site featuring service catalogs, knowledge-sharing databases, and real-time information on the status of open requests and service trends. Other GBS teams are experimenting with still-nascent technologies such as artificial intelligence and machine learning to create "chat bots" that can offer end users personalized, interactive service experiences.

Leading from the center

Global business service groups own or interact with three of a company's most important assets. They manage tasks associated with many of the processes and IT systems that run the company. They handle much of the core data executives need to make critical business

decisions. And they constantly come into contact with much of the company's workforce. GBS groups are in a naturally privileged position, then, in terms of both expertise and access, to have a profound impact on all of these assets. Therefore, they must be actively involved in any critical growth and change initiatives involving these assets.

GBS teams can serve as a hub of innovation—incubating new company offerings and facilitating the spread of best practices and new capabilities across functions. The GBS team can play a critical role in advanced data-analytics programs, for instance, by helping teams to source and analyze data residing in core back-office systems, as well as the data that support product and marketing groups. The GBS group can help HR teams measure the success of the company's talent-management plans and processes. It can help finance teams create new approaches for developing critical indicators of financial performance. Because GBS teams are privy to the inner workings of most if not all of the company's functional areas, GBS groups can help identify process-automation opportunities and innovative uses for digital technologies.

At one global hotel-management company, the GBS team helped senior managers automate and streamline their critical financial-planning-and-analysis (FP&A) activities. There were redundancies in existing FP&A processes, with many reports being created on an ad-hoc basis at both the corporate and property levels, leading to high costs and confusion. Almost 1,000 reports were being generated each month and stored in data marts that were not easy for authorized users to access. The company automated the financial-reporting process and put a GBS team in charge of

performing analyses and drawing insights from the data. Critical financial-planning information is now stored centrally, produced in a more cost-effective manner, and easily accessible to those with appropriate permissions. And GBS team members are leading a critical function that offers significant value to the company's executive-leadership team.

Embracing a culture of agility and change

Companies are moving away from large technology projects with high costs and long timelines and are increasingly using agile methods to develop and deliver products and services.

The hallmarks of agile development, long a staple in the software industry, are increased collaboration among employees across functions, quick iteration, and the ability to "fail fast," as well as some comfort with launching minimally viable products for testing with customers. GBS teams can enable the business units' agile projects by providing a standardized environment under which such projects may thrive—for instance, ensuring that developers have access to common tools and ways of working so GBS groups can meet agile teams' requests for responsive back-end support.

GBS team members must be able to rapidly create, launch, and scale up their own services, in controlled experiments, without fear of failure. Team members and business customers must collaborate early and often. In one company, a finance specialist from the GBS team participated directly in the quick development cycles (or sprints) for a new product feature. Through direct involvement, the finance specialist was able to help the

product owner on the agile team focus the group's efforts and decide whether there was a sufficient business case for moving forward with further development of the product.

Designing GBS for the long term

In our experience, many GBS programs do not have the impact they could, because they were designed to deliver immediate results or address a short-term need. Senior leaders often start out pursuing a GBS model with a focus on costs; they outsource or offshore some services, then consolidate or otherwise reorganize what's left without actually considering other advantages they may gain from the model beyond cost.

A more effective approach is to define a target vision for what centralized service delivery would look like at the company and work backward. In this era of digitization, GBS leaders and business-unit heads must come to a shared understanding of which processes could be automated or otherwise technology-enabled and which processes and critical business decisions still require primarily human intervention. GBS leaders should work with function and business-unit heads to take inventory of all the processes and work flows that affect customers' transactions with the GBS group. Armed with this information, GBS leaders can seize opportunities to improve the experience by introducing new digital technologies and capabilities in a streamlined, end-to-end manner.

Consider the example of employee onboarding. With a comprehensive planning approach, GBS groups can reimagine and improve upon the tasks required to welcome a new employee to the company—for instance, automating the full process from data entry of personal information, performance of background checks, enrollment in the company's benefits plans, scheduling of orientation and training, and processing security tasks like generating access badges and email permissions. The GBS team could help streamline the onboarding processes for different cohorts of employees—for instance, temporary workers, senior executives, and line managers—based on factors such as the volume of hires and business functions involved. The team could also help determine where self-service options make sense and where manual processes are still relevant.

Aggressively managing talent development

Many GBS teams struggle with talent gaps and high turnover, which can make it difficult to retain institutional knowledge and ensure the viability of GBS programs long-term. Employees with the right combination of functional expertise and customer-service mind-set are in short supply. Finance experts who join GBS, for instance, may tire quickly of the churn associated with customer service, while employees with great service capabilities may not have the deep insights required to meet the needs of finance customers.

GBS teams, like other organizational groups, must therefore invest heavily in talent acquisition, management, and development. Some companies have created three- or six-month opportunities for GBS staffers to rotate into roles in other groups—in some cases, to learn more about new technologies or management approaches. Other companies encourage business-unit leaders to experience life in GBS through a formal rotation in the group or through informal town-hall meetings and "day in the life" presentations. Such role-switching opportunities are critical for creating a culture in which employees' time spent

in GBS becomes an important part of their natural career progression.

To broaden the pool of talent, GBS leaders will need to look for help not just among university recruits but among experienced hires. The GBS team also needs to work with HR to develop team-specific training programs aimed at building functional and leadership skills. These should include sessions on "soft skills" relating to customer service, such as problem identification and resolution. Or they may ask subject-matter experts within the GBS team to educate their colleagues about emerging practices in their respective fields. HR should also help GBS leaders define clear career paths within the GBS group to expand opportunities for employees coming from more traditional functional organizations and to improve retention rates.

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Many companies struggle with GBS programs for very practical reasons, and there is increasing pressure to prove the value of the model. Based on our research and experiences, we believe GBS still matters—and in many ways can be a critical differentiator for companies trying to compete in an era of increased digitization. But we also understand that the governance and management of GBS teams must change with the times. GBS leaders and business-unit heads must acknowledge that the world of service provision is growing more complicated, that digital technologies are changing both the content and the purpose of GBS teams' work, and that customers' service expectations are increasing.

To thrive in this environment, GBS teams need to move beyond their traditional focus on efficiency. They must incorporate the voice of the customer into their operations and focus on delighting end users. They must alter their operating models so they can provide end-to-end services and respond quickly to changes in the business environment. They must build new digital platforms and take better advantage of existing ones to enhance their services and play a critical role in broader business changes. And they must embrace talent development as a true source of distinctiveness. ◆

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