

From back office to innovation's front lines with next-gen global business services

The same new technologies that are shaking up global business services (GBS) are also creating new opportunities for GBS to create lasting value.

Lucia Darino, Jonathan Silver, and Samir Singh



Over the past 20 years, many companies embraced the global business services (GBS) model to cut costs and improve efficiency through the centralization and standardization of many business processes—primarily general and administrative tasks such as processing invoices, administering payroll, answering customer inquiries, or overseeing hiring, but sometimes extending to budgeting or strategic planning. However, breakthroughs in advanced analytics, automation, artificial intelligence (AI), and related technologies have inflated businesses' expectations for GBS. GBS leaders must therefore rethink how they operate to develop better experiences for their customers and new value streams for their organizations.

By now, GBS leaders understand the need to reevaluate their value propositions, reinvent their processes, and restructure their operating models. What is holding them back from executing with the clarity and urgency required for successful digital transformations?

Success breeds stasis

With a long history of 20 to 30 percent year-on-year growth, GBS units often were driven to promote talent rapidly, leading to unintended consequences. Because GBS leaders often started out by performing business-as-usual services in fields such as finance or HR, they became deep subject-matter experts with limited breadth of experience. As a result, they often struggled to break into executive ranks—which require not only the ability to articulate value-creation opportunities aligned with company priorities, but also a function-spanning perspective and stronger “soft” leadership skills.

Moreover, despite dramatically changing expectations, too many organizations underinvested in preparing GBS leaders for the challenges they would confront in their new leadership roles—such as how to shift GBS cultures or build high-performing teams. The new

technologies GBS operations needed to leverage required learning new ways of working centered on design thinking, agile delivery, and continuous change. But many GBS leaders have found it difficult to shake off the service-delivery mindset that underlies most traditional GBS operating models.

Today there is no choice. The GBS organization of the future will require reskilling at all levels, from senior leaders to midlevel leaders and their teams. This process should proceed in three steps:

1. Clarifying responsibilities and expectations

As in any transformation, each leader in the GBS organization has an important part to play. Clarity about the new responsibilities and leadership imperatives for each leadership cohort is critical to driving organizational change.

As illustrated in Exhibit 1, senior leaders must articulate and communicate the new vision and strategy, and drive the change-management efforts that will make it happen. Midlevel managers must act as change agents, motivating their teams to innovate and achieve continuous improvement. And frontline leaders must not only learn the new technologies but also train their teams to use them.

Leading change of this magnitude often requires a mix of adaptive and technical leadership. Adaptive leadership takes on situations where the problem, the solution, and the solution's implementation are unfamiliar and difficult to resolve. This requires a high degree of leadership skill and courage, especially people skills.

Technical leadership comes into play when a problem is familiar, the solution is known, and what is most critical is execution. Technical challenges in the digital environment most often require expertise in lean process-improvement methodologies. Given the scope of transformation needed in today's GBS organizations, both adaptive

Exhibit 1

Clarify responsibilities and leadership expectations for global business services (GBS) transformations.



and technical challenges will emerge, and leaders must be adept in handling both.

2. Planning for specific capability and mindset gaps

Identifying required competencies and diagnosing competency gaps across cohorts, teams, and individual contributors is the next step to ensure that the GBS organization’s capability-building efforts are targeting the right needs. Certain capabilities are foundational and required across all cohorts; others are more tailored to the broad responsibilities and leadership imperatives of

specific cohorts. As illustrated in Exhibit 2, adaptive challenges cluster around senior leaders; the more technical and digital the challenge, the more involved front-line leaders must become, underlining the importance of their acquiring expertise in new technologies.

3. Five core capability-building principles

Shifting the mindset of a GBS organization from order taking and service delivery to value creation and innovation can’t be accomplished through ad hoc training or a day-long offsite. Designing a

Exhibit 2

Plan to address specific capability and mindset gaps.

- Not that important
- Somewhat important
- Very important

		Senior leaders	Midlevel leaders	Frontline leaders
Adaptive leadership  Adaptive & Technical leadership	Business strategy	●	●	●
	Problem solving	●	●	●
	Effective communications	●	●	●
	Entrepreneurship	●	●	●
	Team management	●	●	●
	Stakeholder management	●	●	●
	Building an aspirational future state	●	●	●
	Change leadership	●	●	●
	Ability to execute	●	●	●
	Digital	●	●	●
	Agile	●	●	●
	Advanced analytics	●	●	●
	Automation at scale (incl RPA ¹ , AI ² , blockchain)	●	●	●
	Design thinking	●	●	●
	Customer insights and customer experience	●	●	●
	MVP development	●	●	●
	Digital-product ownership	●	●	●
	Lean-management transformations	●	●	●
Implementing lean-management systems	●	●	●	

¹ Robotic process automation
² Artificial intelligence

comprehensive capability-building journey must instead incorporate five core principles:

1. **Set learning priorities.** Focus on the critical skills that will drive value, not everything at once.
2. **Offer multiple types of learning.** Combine digital content, in-person forums, one-on-one

(or group) coaching, go-and-see visits, and “stretch” pull-through projects that deliver on business priorities to create blended learning journeys that create the greatest value.

3. **Make learning experiential.** Create immersive experiences with virtual reality, gamification, and social learning to match both content and its delivery to the learners.

4. *Keep learning real.* To sustain behavioral and mindset changes, tie learning objectives (and incentives) to work processes.
5. *Focus on impact.* As with any major business initiative, measure business and organization-wide impact resulting from leadership-development efforts and then build on them.

On the road to next-gen GBS

GBS organizations have long sought to shed their legacy image as primarily a transactional, operating-expense-focused group often weighed down by inefficient systems and processes and therefore exerting limited influence across the enterprise. Today, some GBS groups are changing that image—and their reality—successfully.

Building human capabilities

At both a large North American insurance company and a major public-sector organization, comprehensive lean academies helped build people's technical skills over many months, while also training frontline managers in new technologies and technical problem solving.

For the insurer, the program helped drive problem solving down to the frontline groups in an otherwise command-and-control organization. In the old system, problems automatically were escalated to senior management, which not only took more time but also resulted in solutions that weren't always relevant for the company's customers. Now, both the design and the execution ensure that solutions are far more likely to meet customer needs.

For the public-sector organization, the Lean program helped supervisors become coaches rather than mere expert payments processors. In this environment, payments were made on a timelier basis—and, more importantly, the staff assumed responsibility for resolving issues, creating a more agile, creative organization.

Creating new solutions

Meanwhile, a multinational consumer packaged-goods company tasked its GBS organization to deliver more than five times its previous throughput—without adding resources. To do this, the group created a new internal team, which incorporated learnings from over 100 start-ups and other high-tech organizations. Some of these partner organizations were allowed to take the intellectual property they co-developed with the company's GBS team to their own clients, powerfully incentivizing innovation.

Using design thinking and a lean approach that emphasized fast failing and fast scaling, the group began with 20 ideas. Two years of testing and learning winnowed the list down to two initiatives, which alone are on track to achieve the ambitious improvement goal. Yet the more significant result for the long term is to establish GBS as a disruptive venture within the enterprise, based on technologies that have made shared services central to the company's larger digitization efforts.

Sustaining Change

For a level of transformation such as that of the CPG company, GBS organizations will need to build very new ways of working, both internally and with the business. They will need new capabilities, new behaviors, and new mindsets. To make these changes sustainable, they must link performance-management metrics to business goals, ensuring that GBS teams are incentivized and compensated according to their contribution to the business' objectives.



New digital technologies have created a tremendous opportunity for GBS leaders to deliver new value to the enterprise, and to create an exciting environment for talent to develop. If GBS organizations can transform successfully,

they will be well positioned to be early adopters of new technologies and engines of enterprise growth, transactional no more. ■

Lucia Darino is a senior expert in McKinsey's New York office, where **Jonathan Silver** is a partner. **Samir Singh** is a senior expert in the New Jersey office.

Copyright © 2019 McKinsey & Company.
All rights reserved.