

The State of Global Business Services in 2023 And Beyond



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INTRODUCTION

At a time in which so many pressures are converging on enterprises and the external ecosystem continues to prove volatile and uncertain, our survey of the shared services and business services delivery market has proved highly informative.

While the model has successfully navigated the many challenges it faces, it is also presented with numerous opportunities, finding itself not only more valued but also increasingly asked to take on more work.

Global Business Services – GBS – has been the Holy Grail of shared services for years. In our survey of shared services and business services leaders, six of 10 respondents are already committed to GBS, either implemented or on the journey. The reasons are not hard to fathom. GBS differentiates itself from shared services predominantly through its end-to-end perspective of a broader service delivery ecosystem, centralized leadership, and multi-functional approach. It's

also more likely to scale benefits across global operations.

Our data confirms that most shared services are in growth mode, both in terms of scope (expanding service lines) as well as geographic coverage. There are significant benefits to leveraging GBS to take on and assimilate this added volume, as you will see.

This report provides a snapshot of where the GBS model finds itself in 2023, as well as the value-drivers that determine its success. We find that “experience” is playing a central role in process (and technology) design (see page 14), and we share some of the specific steps GBS are taking to drive customer experience (CX) as well as employee experience (EX).

What is clear, as Marc Thewes, Co-Lead of EY America GBS explains on page 16, is that “a strong EX foundation needs to be established before you can perfect your CX.”

One of the biggest challenges facing GBS is to move from a predominantly KPI-driven culture to one defined by end-to-end performance and customer experience. It's what Maria Saggese, EY Global and EMEIA GBS Leader describes as “the alignment of KPIs with the broader business strategic aims and end-to-end services.” It's the key to achieving the change GBS strives towards.

I hope this report will support your service delivery endeavors and provide both encouragement and ideas to push forward.



Global Editor

Barbara Hodge

SSON Research & Analytics

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GLOBAL BUSINESS SERVICES IN GROWTH MODE

The shared services model has been driving more efficient business support for more than 40 years – initially in the US and then globally. While pioneers focused on cost optimization above all (i.e., efficiency), we have seen the intervening decades expand the focus to performance (i.e., effectiveness) and value-add. More recently, shared services have stepped up to provide a buffer against the volatility, uncertainty, complexity, and ambiguity (VUCA) vagaries that organizations operating across borders, currencies, and political spectrums are exposed to. Over

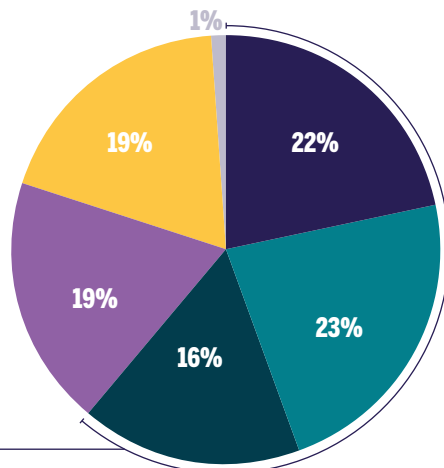
this time, we also witnessed the re-branding of *shared services* as Global Business Services (GBS) – a more capable, sophisticated, and influential model that supports worldwide operations through a multi-functional, standardized approach and centralized decision-making. While shared services are generally associated with a captive center, focusing predominantly on the activities performed within that center, the shift to Global Business Services recognizes a more holistic end-to-end view in driving efficiency and effectiveness across functions. In so doing, the GBS

model leverages the full ecosystem – from captive to outsourcing to retained organization – in optimizing value add. Furthermore, the reference to “Global” Business Services recognizes the need to govern globally in order to drive consistency and standardization, and to reap the maximum rewards from improvement initiatives.

This GBS model is in growth mode as a result of its performance capability, and its stronger impact on improvement initiatives like digital transformation.

Do you operate as a GBS?

61%
are committed to GBS

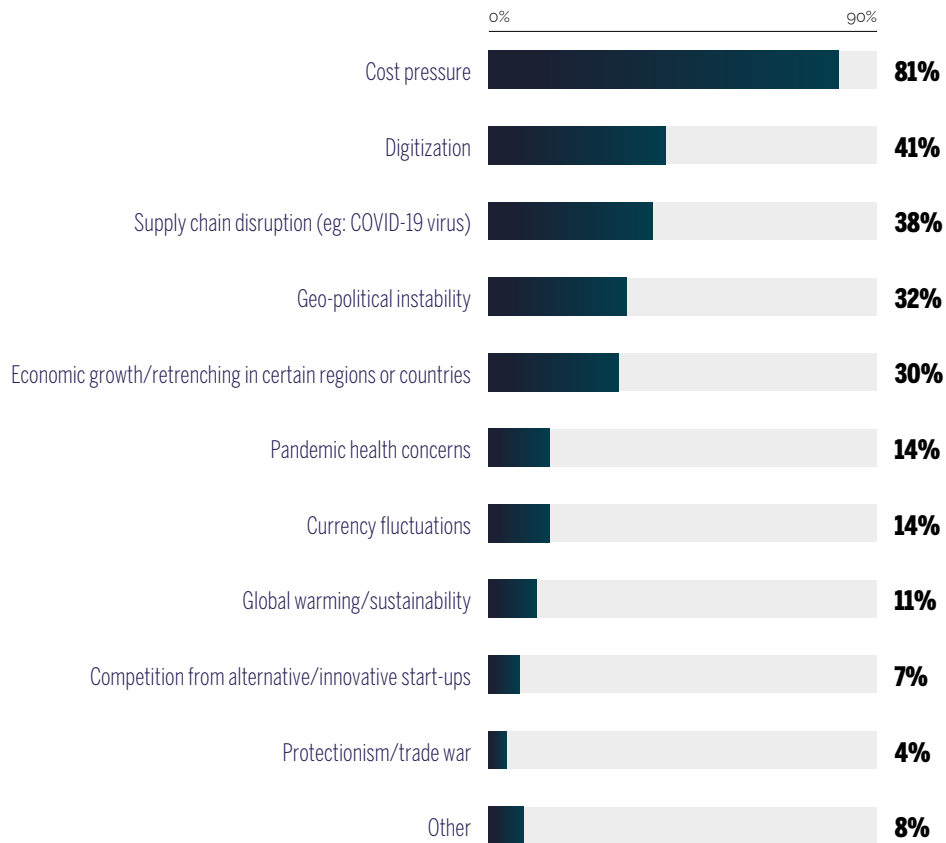


- Yes, we are transitioning to a GBS model
- Yes, we are mature GBS & now scaling value-added services
- Yes, we are mature GBS and moving towards 'digitized' GBS (enabled by digital technology)
- Not yet, but planning in next 3-5 years
- No, and no plans to implement it
- No, we tried GBS but deconstructed it

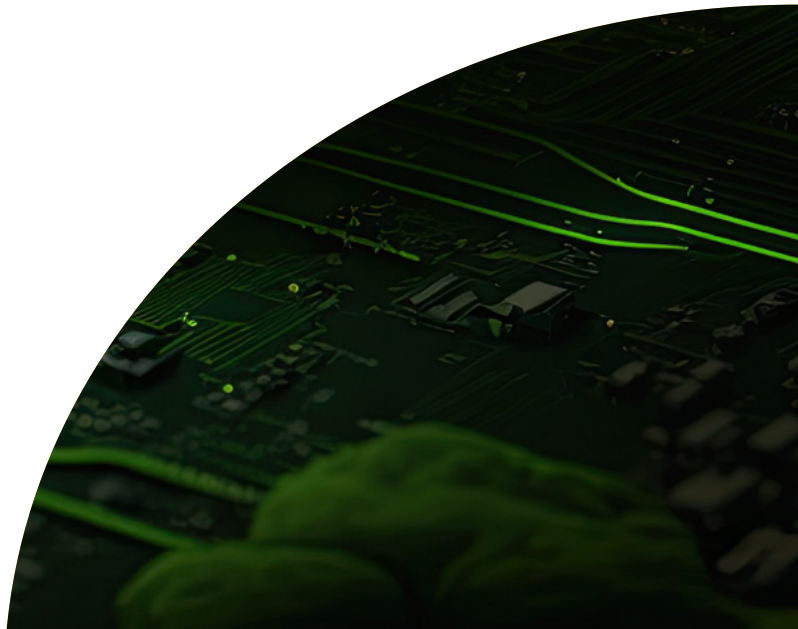
Source: SSON R&A, 2023

With GBS effectively operating at the heart of the enterprise, it's well placed to manage not just cost concerns, but also navigate supply side disruptions, drive digitization, support expansion and react to geopolitical instabilities of the kind we have seen so much of, recently. The internal and external pressure points that are beleaguering organizations are prime candidates for GBS-solutioning.

Which current trends are causing the most disruption for your enterprise?



We [have] witnessed the re-branding of shared services as Global Business Services – a more capable, sophisticated, and influential model that supports worldwide operations.





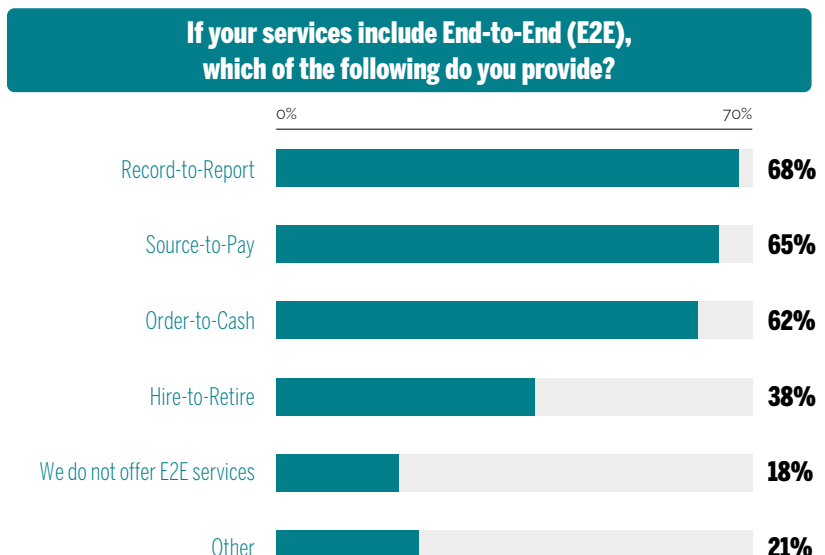
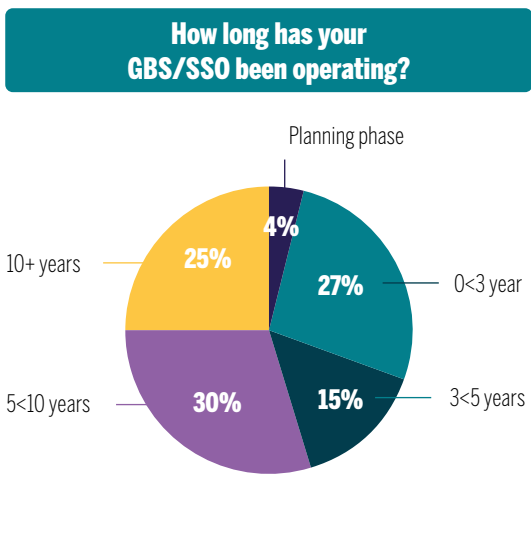
THE CURRENT SERVICES DELIVERY MODEL – SCOPE, TRENDS, OBJECTIVES

Every year sees more and more organizations adopting a *shared services* mindset and model. The growth of this model is confirmed by a continuous pipeline: According to the survey, 31% of organizations are either in the planning or early launch phases; 45% are in the mid-maturity range (3-10 years); and 25% are highly mature (at 10+ years). The continued expansion and

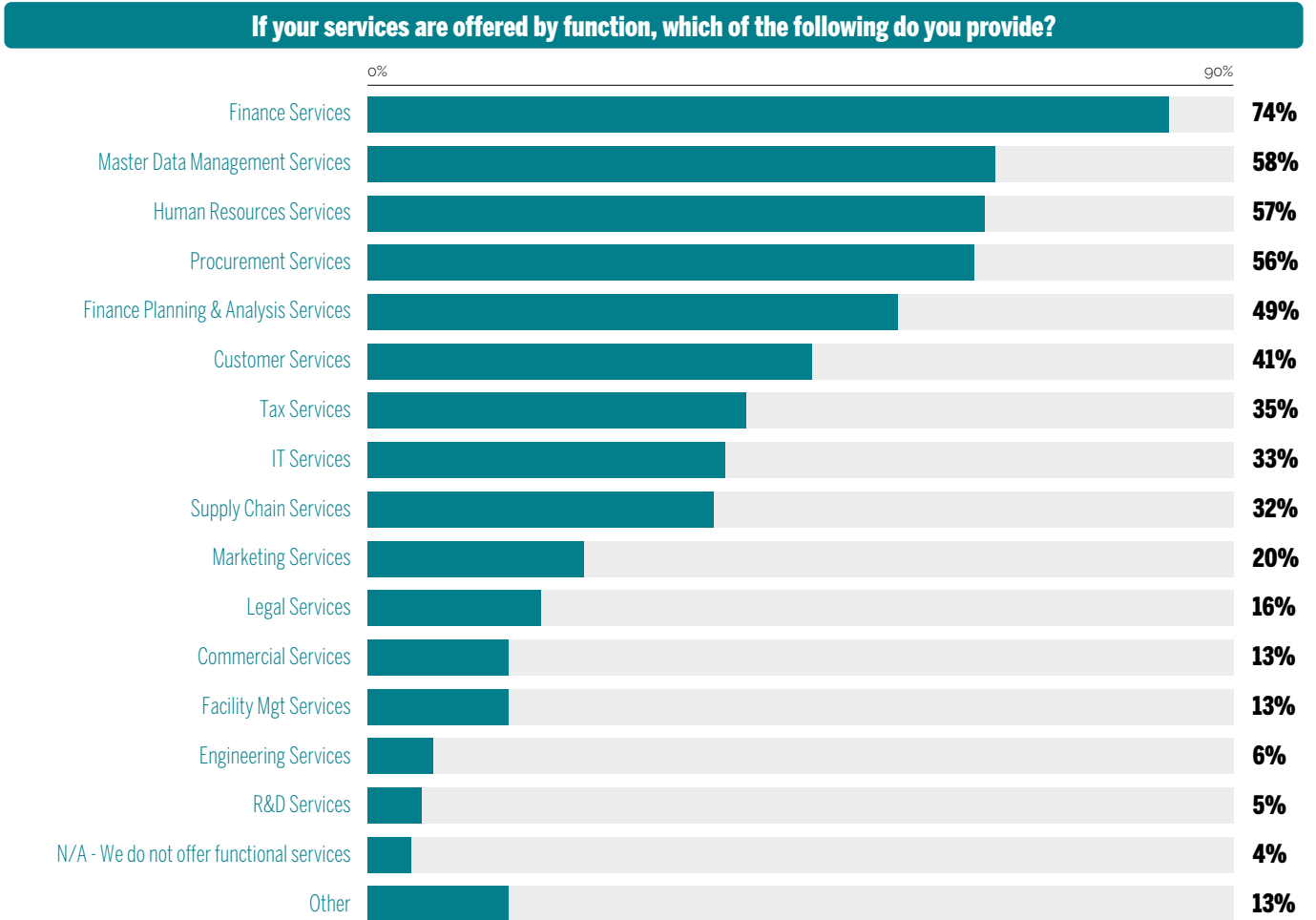
advancement of the shared services model, therefore, is assured – as is the proliferation of the GBS version.

What differentiates Global Business Services from *traditional* shared services is primarily centralized leadership; multifunctional, multi-country services support; and a more holistic view over process ownership and integration. In line with this trend, SSON Research & Analytics (SSON

R&A) data confirms 87 percent of global shared services are prioritizing end-to-end process integration this year, primarily in the traditional finance functions: procure/source-to-pay, record-to-report, and order-to-cash – where we see roughly 2/3 of respondents already driving process integration. By contrast, less than 40% are pushing end-to-end integration across hire-to-retain.



The scope of services offered by GBS/SSO has been consistently expanding. While the early years saw the main focus on Finance/Accounting & HR, today we see expansion into service lines that include master data management (58%), procurement (56%), customer services (41%), and supply chain (32%). The potential for expansion is vast, as the process standardization, performance and analytics insights that define successful shared services are increasingly recognized as being transferable to the middle and front office. Indeed, for many executives, GBS is the true *engine of transformation* with few limits, bar inhouse politics (which are, of course, significant).



In line with expanding scope, GBS/SSO is well placed to take on new regulatory requirements or manage and report on the adherence to new policies, for example around ESG (environmental, social, and governance). According to SSON R&A data, 52% of GBS/SSO are either already supporting ESG or will take on the responsibility in the year ahead.

However, the recognition of just how important a role shared services can play in monitoring and driving adherence to such regulations, or perhaps its prioritization, is slow in coming. On the carbon footprint issue, only 12% of GBS/SSO recognize the impact they could have. The vast majority have not yet recognized the influence they could wield, or it is simply not yet appearing on top of agendas.

ESG

Environmental, Social, and Governance has emerged on the agenda, and quickly accelerated as a result of the stresses induced by the pandemic and virtual operations. While it's still early days, more than half of GBS/SSO are either already supporting the ESG initiative or will take this responsibility on soon.

52%

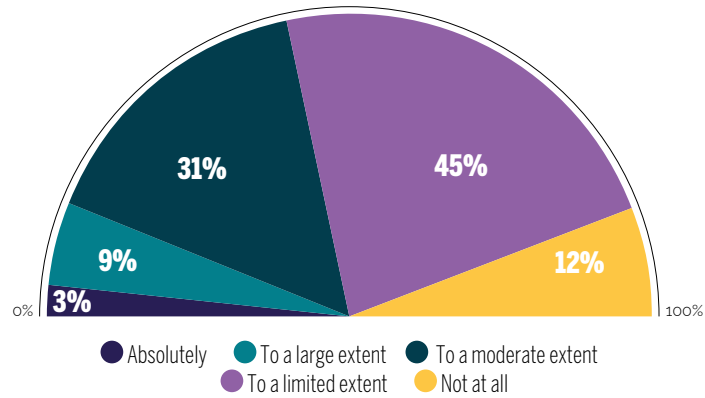
confirm their SSO/ GBS is responsible for supporting the enterprise's ESG (Environment, Social and Governance) initiative

Source: SSON R&A, 2023

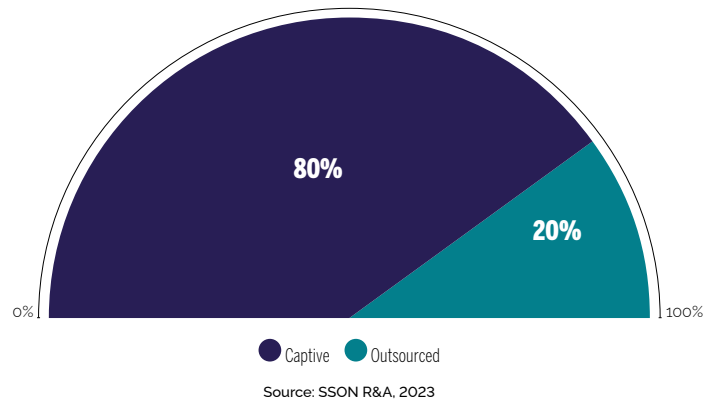
Despite the capability and large size of GBS/SSO centers around the world (45% employ more than 1000 FTEs), requirements for *specific skills* as well as *technologies* are one of the key drivers behind the continued commitment to outsourcing. Half of the GBS/SSO surveyed include outsourcing in their operating model, often working with more than one BPO. We see outsourcing predominantly across finance and IT services, but also in areas like master data management, supply chain and customer services.

Indeed, SSON R&A data confirms that while GBS/SSO practitioners believe the benefits of a captive outweigh those of an outsourced arrangement, more plan to *increase* their reliance on outsourcing than *decrease* it (21% vs 13%). There are many reasons: the increase in scope beyond traditional Finance and HR and thus requirement for support; "access," as already mentioned, to critical skills that may be in short supply; resources in general; and technology specifically. In addition, the need to transform, and transform quickly, is often the main driver for outsourcing activity (see also: [The 2022 Outsourcing Report: A New Opportunity for the Future GBS Model](#)).

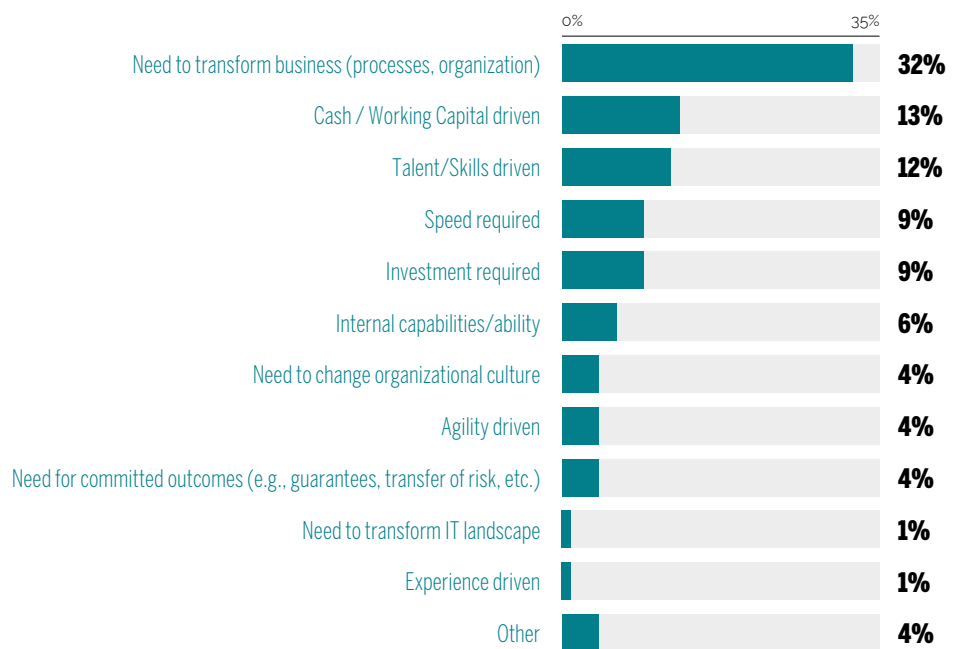
To what extent can effectively leveraging GBS/SSO reduce your enterprise's carbon footprint?



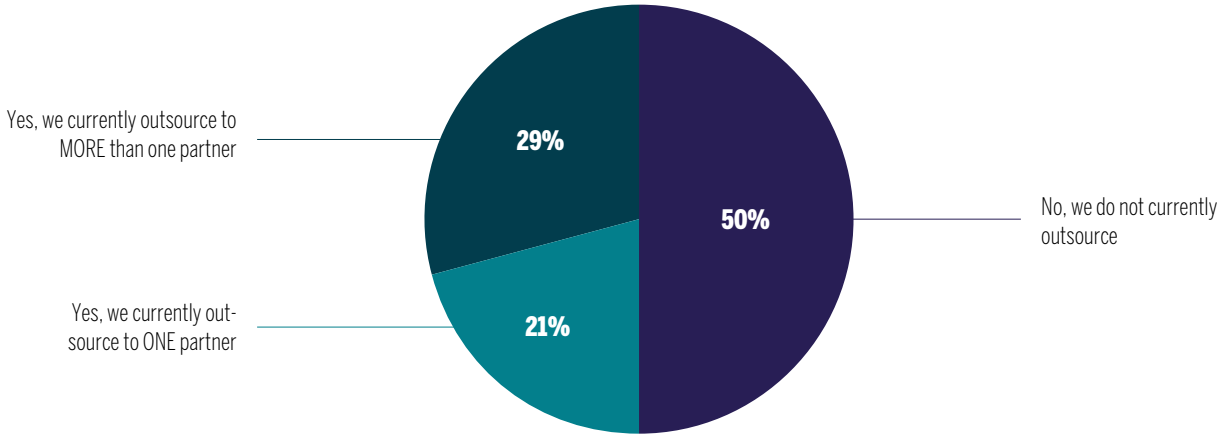
In comparing captive and outsourcing operations, which of the two sourcing approaches has delivered more benefit to you, in total?



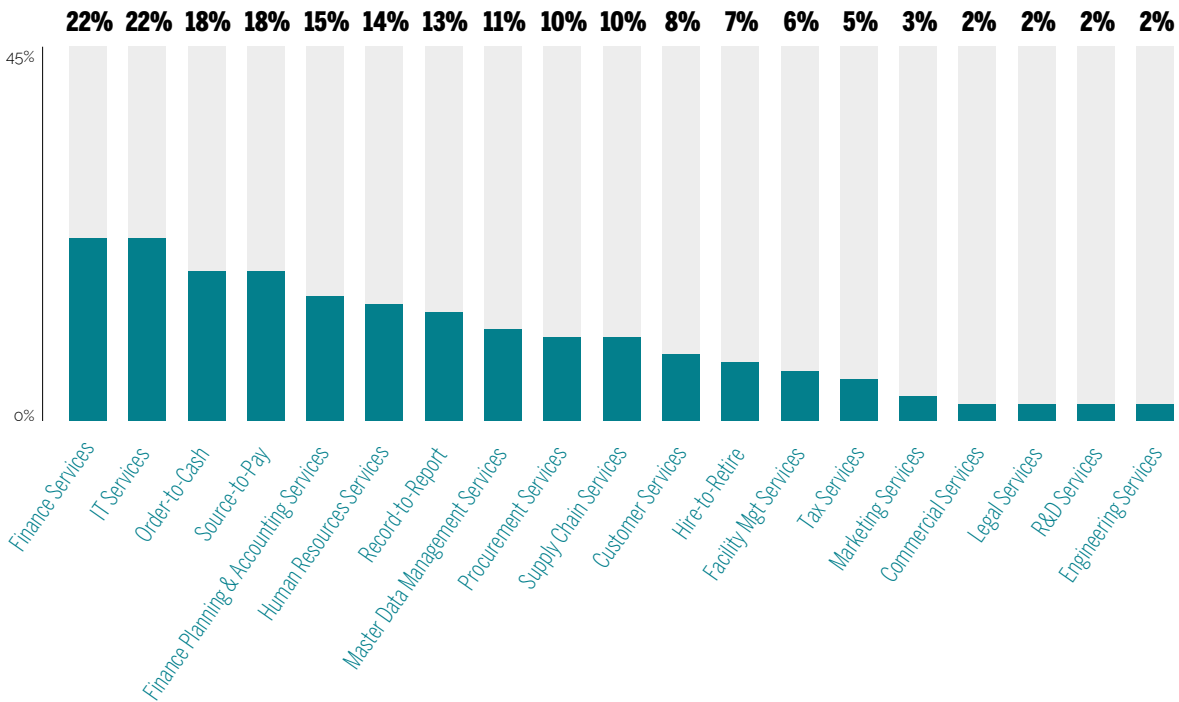
What is your criteria for determining your sourcing strategy?



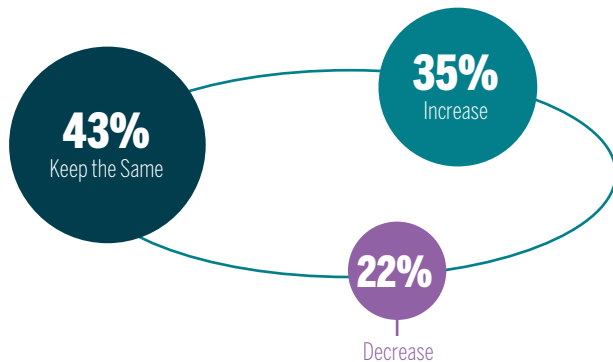
Is outsourcing part of your delivery model?

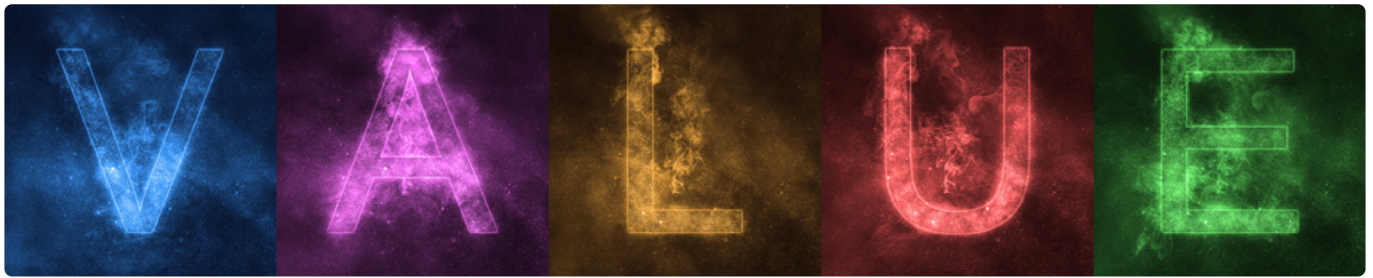


Which of the below processes do you currently outsource?



If you outsource, to what degree do you plan to increase/decrease your reliance on outsourcers?





DELIVERING “MORE” – AS IN “VALUE”

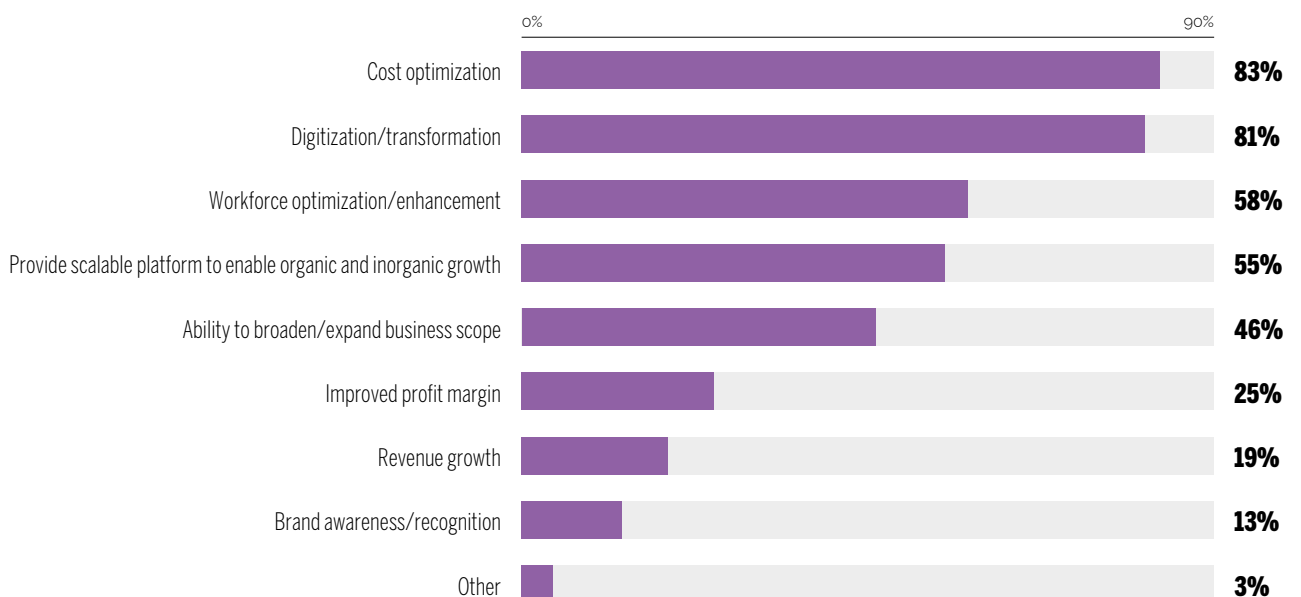
Shared services, whether advanced Global Business Services or traditional Shared Services Organizations, are still primarily focused on cost. This, despite the fact that decades of standardization, optimization and integration might be considered to have had the desired effect. Not so. Reducing cost or maintaining it in the face of an increased scope of work is still the primary means of proving *value add* to the enterprise, according to the survey. In the face of inflation, investments, and shifts in margin, cost is an evergreen priority. However, and in recognition of the current situation, shared services are also delivering significant support

and value through their ability to drive transformation and digitization across the organization. As centralized, efficiency-driven operations, GBS/SSO are better placed than any other to understand the potential of technology, evaluate its impact on global operations/processes, and implement it (roll out). As such, *digital transformation* supports the cost objective – but also that of being relevant, agile, and responsive. The increasing commitment to end-to-end process management, if not ownership, is an integral plank in this strategy.

The third determinant of “value,” according to survey data, is the ability to improve the performance

and efficiency of the workforce – to *optimize* it. In simple terms, this started by eliminating duplication across regional or global operations; and in a more advanced sense, carried on by automating transactional (“non-value-add”) tasks. Today, it’s more sophisticated than that. The need for, and availability of, specific skills – wherever they are needed and whenever they are needed – underpins the expectations of an agile workforce. We see shared services potentially playing a leading role here through a combination of talent management, people analytics, and transparency over resources. It’s worth examining in more detail.

How do you define the value your GBS/SSO delivers to the enterprise?




What Role Does Location Play Today?

Current footprints were established under the increasingly distant, pre-pandemic and pre-wage inflation days of yore. As a result, today's popular sites reflect locations in Central and Eastern Europe for nearshore support to European operations (and languages); Asia for cost arbitrage; Latin America for cheaper offshore support to North America; etc. In these times of virtual operations and increasingly digital workflows, location-agnostic is becoming a 'thing' for shared services. As we see later in the report, many GBS/SSO are already leveraging virtual operations, some significantly so. This may have real impacts down the line. Nevertheless, the reality is it's difficult to pivot out of a certain geographic footprint in the short term. Despite changes in risk perception and costs, nearly seven

in 10 GBS/SSO are not re-evaluating their location strategy as a result of the upheavals and even opportunities (talent) they now face.

These "costs" of the current footprint are felt across a number of variables: primarily through wage inflation, but also in the exposure to political uncertainty, currency fluctuations, and talent scarcity.

One surprising factor that emerged through this research is the extent to which *tax impacts or incentives* are not considered in determining a site strategy. In fact, 60% of respondents say the tax impact was not considered at all – or only to a limited extent – in selecting their current center locations. Only 11% did consider the implications of tax as a significant driver.



69%

of organizations are **NOT** re-evaluating their GBS location strategy

OPTIMIZING THE WORKFORCE

Certainly, one of the biggest (*the biggest?*) challenges facing GBS/SSO leaders right now is ensuring they have access to the talent they need, when and where they need it. The new virtual workplace that is driving *Future of Work* assessments, while it adds a degree of complexity, also serves as a source of *enablement*, providing greater access to talent and varied (in some cases, scarce) skill sets. Indeed, the single biggest *risk* concern GBS/SSO face this year is "talent," according to SSON R&A data.

Beyond that, however, ensuring the talent is allocated appropriately, has the tools and skills it requires, and knows what its objectives are ... all feed into workforce performance. Shared services' expertise in all things *performance* and *improvement* mean it can apply the same optimization strategies to the workforce.

The survey data clearly highlights the impact GBS/SSO is already having on workforce operations – primarily through headcount

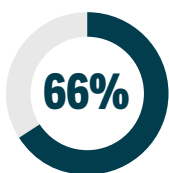
optimization (66%) and performance improvements (63%). In addition, more than half the GBS/SSO surveyed are refocusing their workforce on customer-centric behaviors. These shifts are aided and abetted by technology, which plays a key role in getting the best performance out of transactional work (i.e., through automation) or offering transparency over employee effectiveness. As expected, therefore, we also note the majority of GBS/SSO are driving better integration and utilization of technology across the workforce.

What also emerges clearly, however, are the *gaps* in workforce strategy. Diversity, equity, and inclusion (DEI), for example, are increasingly important for individuals looking for jobs. As a result, potential employees have a clear expectation of an organization's commitment to DEI. However, the data shows only 15% of respondents are driving DEI initiatives across their workforce. In fact, overall, the opportunity and the potential to develop talent are still



vastly underutilized: Less than 1/3 of respondents believe their GBS/SSO have succeeded in this area. One final point that is highlighted year after year is the significant gap in analytics, for example people analytics. Workforce transparency is critical not just because of the shift towards hybrid and remote, but also because agility requires the ability to tap skills and human resources at any given time, in any given place. The relative failure of 75% of the GBS/SSO surveyed to achieve significant progress in workforce analytics is, therefore, telling.

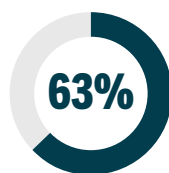
How is your GBS/SSO strategy impacting the overall workforce (at enterprise level)?



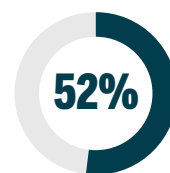
Driving headcount optimization



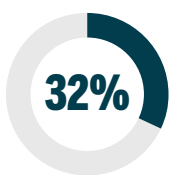
Driving better integration and utilization of technology



Driving enhanced performance



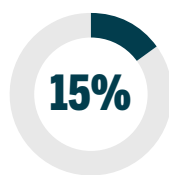
Driving increased customer-centricity



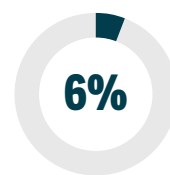
Driving faster/better talent generation/ more talent opportunities



Driving improved workforce transparency/people analytics



Driving increased diversity

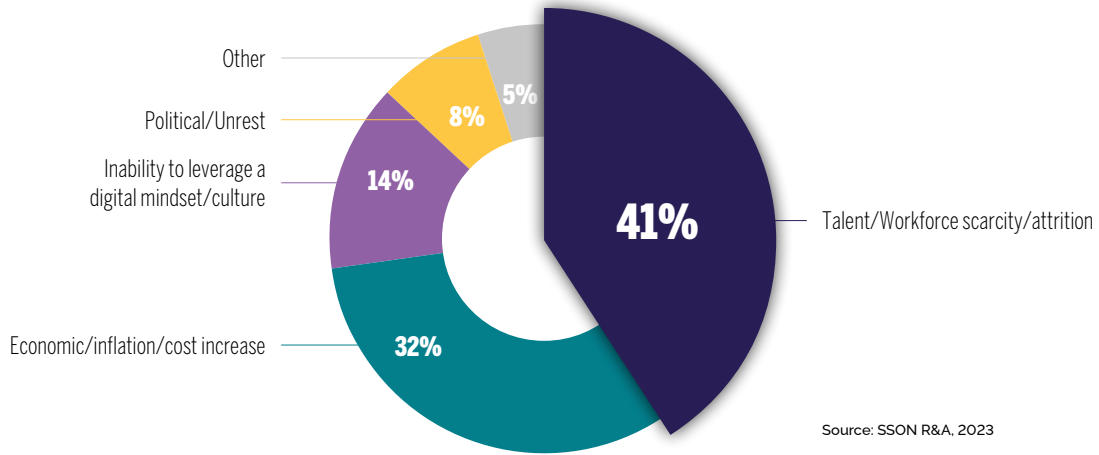


Other

TALENT STRATEGIES

According to SSON R&A research, GBS/SSO leaders currently rank 'Talent' as their biggest risk concern.

What is your main concern regarding risk today?



Most executives today are concerned not just about how to ensure a strong talent pipeline – but also how, given the 'remote' nature of engagement in hybrid operations, to retain it. What is clear is that potential employees have seemingly moved into a stronger position over the past few years, demanding remote and virtual working conditions, and many organizations have adapted their recruiting strategies as a result. According to the survey, the second most important factor in attracting

talent is indeed, the ability to work remote and flexible hours.

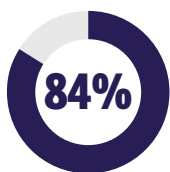
However, the leading factor (for 84% of respondents) is the potential to build individual capabilities and skills, as well as certification. In other words, "investing in yourself" is the biggest carrot GBS/SSO are dangling.

Just under half of the respondents are emphasizing the digital environment as an incentive, and a commitment to diversity, equity,

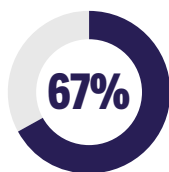
and inclusion, which the workforce is increasingly demanding, and organizations are responding to, at least verbally, ranks in fourth place.

What is interesting to note is that compensation and benefits rank fairly low, as does presenting a long-term career path. In summary, employers seem to be responding to employees' short-term demands.

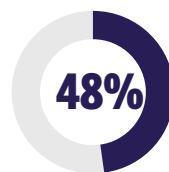
How are you trying to ensure GBS/SSO becomes an attractive career option for recruits?



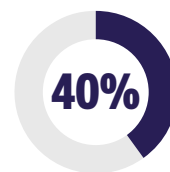
Emphasize potential to upskill/gain professional capabilities



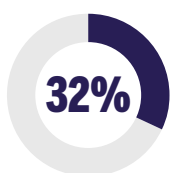
Offer hybrid working/flexible workplace/flexible hours



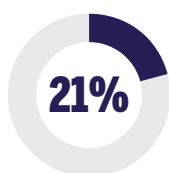
Highlight exposure to emerging technology/automation/AI etc.



Ensure Diversity, Equity and Inclusion



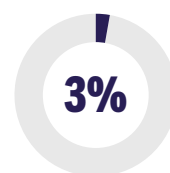
Present transparent career pathway



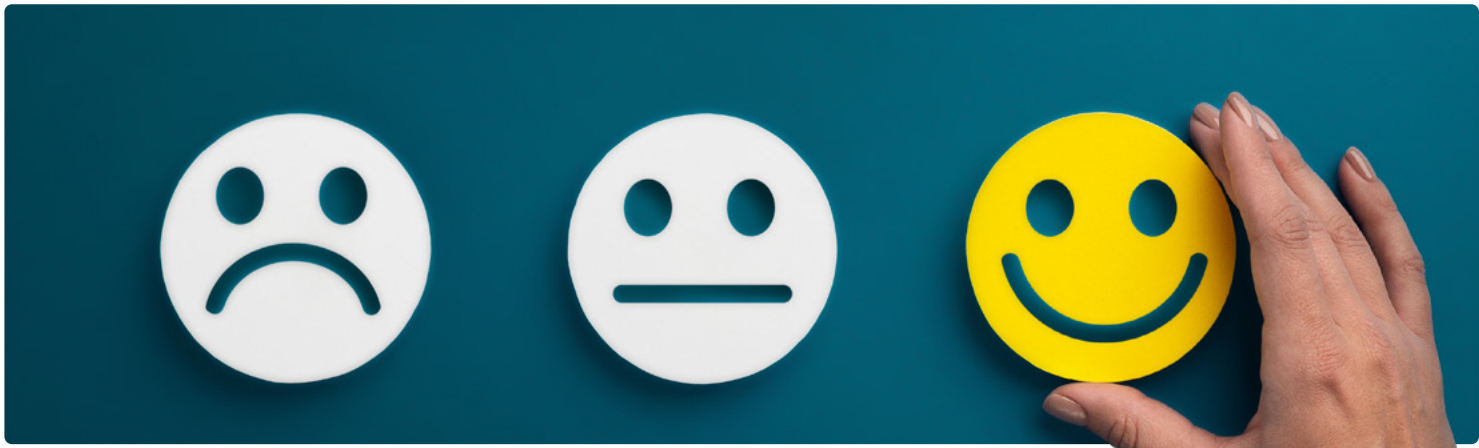
Build brand awareness/presence in untapped foreign labor markets



Focus on competitive rewards & benefits



Other



THE BIG DIFFERENTIATOR: *Experience*

As delivering against expectations has become table stakes, there's been a new recognition that beyond meeting SLAs (service level agreements) or KPIs (key performance indicators), there is something else that ensures GBS/SSO is not just *valued* but *memorable* and even *preferred*. That something is called experience.

While 'experience' first came under the spotlight in the competitive consumer market, we've increasingly seen the same expectations reflected internally. Thus, improving the *in-house customer* experience (CX) is becoming critical for GBS/SSO, as is improving the *employee* experience (EX). With talent in short supply, and wage escalation not a sustainable strategy, organizations are recognizing that providing a positive experience in the workplace is critical to retaining staff, ensuring they enjoy their work, and that that positive vibe is passed on to customers. Experience is also critical to consistently sustaining savings over time.

While experience is not as clear-cut to measure as cost, the drivers to improving it are clear. In driving EX, GBS/SSO are relying on:

- digital tools and technologies that improve the work experience;
- highlighting career opportunities and visibility;
- ensuring recognition at work; and
- applying themselves to employer branding and the employee value proposition. Today, more often than not, this includes health and well-being initiatives, as well as virtual work opportunities.

Increasingly, we also expect to see "Head of People Experience" type roles (already in existence, anecdotally) or even EX Centers of Excellence. The focus, in other words, is on improving employee's well-being as well as the purpose and meaning of their work.

On the CX side, we see similar initiatives to get "closer" to the customer, whether through:

- more regular meetings;
- aligning to customers' business priorities and offering more "value-adding information" on top of just services;
- structured CSAT measurements;
- aligning to customers' top initiatives; or
- improving communications and engagement.

However, feedback indicates that CX is driven primarily through enhanced digitization, reliance on system and technology improvements, and improved transparency. On the

strategic side, in support of CX, we see GBS/SSO playing a bigger role in functional strategy discussions and enterprise initiatives and bringing a process mindset to the forefront of everything. The biggest challenge is to shift from a KPI culture to a customer experience and end-to-end driven culture. Shared services is a critical enabler in this shift, but it will require a broader remit and recognition of "success" as defined well outside the narrow confines of simply KPIs.

For some, EX and CX are separate. EX is all about creating conditions of employee satisfaction and more importantly employee engagement, which underpin the operation performance of shared services. CX, on the other hand, is all about

meeting and going beyond expectations of value creation for customers, which is the driving force and purpose of GBS/SSO.

One respondent shared a more cohesive viewpoint:

“We don’t solution differently for EX and CX – we treat all as “People Experience” and are focused on creating seamless, painless, easy-to-use processes and tools to free-up time for specialist activities.”

The truth is that experience must be part of the original process and technology design. And with legacy systems and legacy processes still characterizing many – if not most – GBS/SSO setups, this shift is currently in process rather than achieved. Only 10% of GBS/SSO today have designed their processes or technology implementations *primarily* around “experience” ... but 81% plan to do so in future (which will make all the difference). As GBS/SSO focus more on selecting and designing solutions that position CX/EX center stage, this also drives:

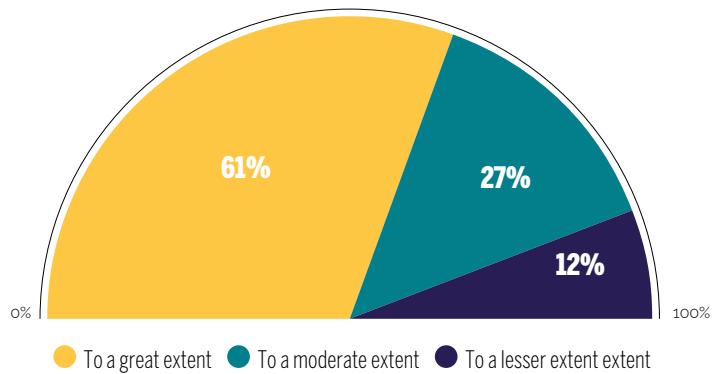
- design thinking;
- more thoughtful use of personas and concerns around user journeys;
- incorporating voice of the customer (VOC) and stakeholder reviews; and
- prioritizing simple, intuitive user-interfaces and easy-to-access solutions.

Again, as one respondent explained:

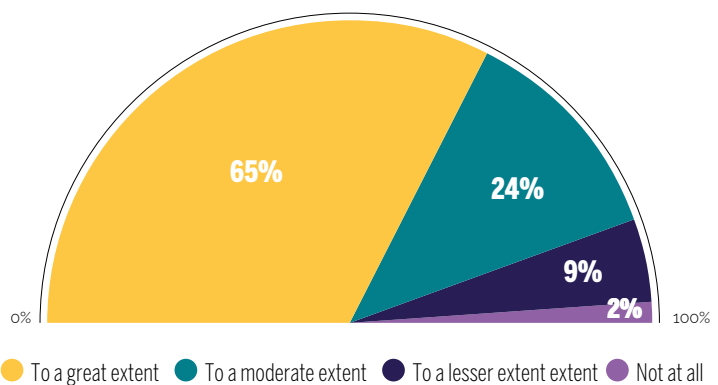
“Experience is not only about engagement but also about recognition and recommendation to others. Therefore, in future, experience will drive how we design processes and technologies.”

For now, however, there is still a gap in truly understanding what technology can do for better customer and employee experience.

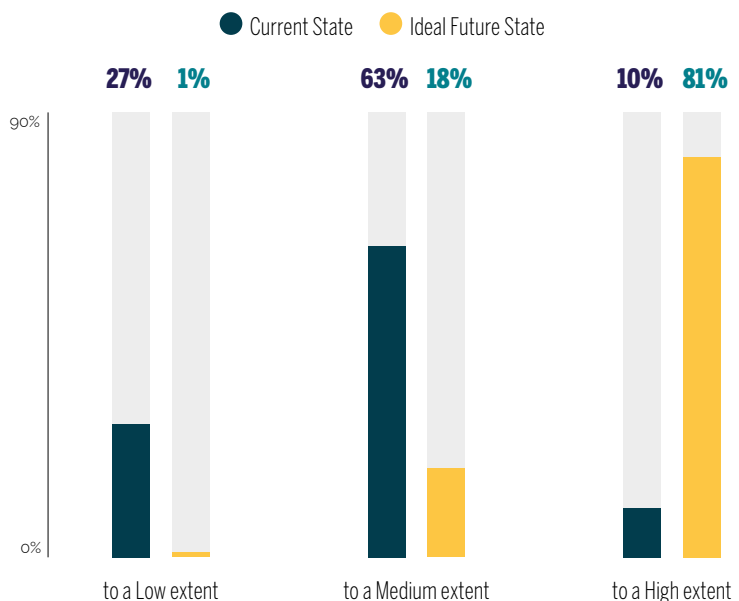
To what extent is enhancing Employee Experience (EX) critical for your GBS/SSO?



To what extent is enhancing Customer Experience (CX) critical for your GBS/SSO?



To what extent is “Experience” (e.g., Customer or Employee) driving GBS/SSO Process & Technology Design?



Experience, Value Add Services and How to Optimize Talent: GBS Levers for 2023



Marc Thewes

EY Americas GBS
Co-Leader & SSON Board
Member

SSON: We clearly see "Experience" becoming part of GBS' language, with branding, culture and the employee value proposition becoming more important. Some companies are also introducing "heads of people experience" or "head of experience excellence" roles. Can EX and CX be treated the same – i.e., are all "People Experience"? Or do they require a different strategy?

Marc Thewes – Employee Experience (EX) and Customer Experience (CX) are intrinsically linked and rooted in similar foundations, since both start with a human-centered way of thinking and design. While the tactical implementation of solutions might differ based on your specific transformational needs, both EX and CX need to put people first. There is also an opportunity to bring both under the same umbrella from a leadership perspective – historically, EX has been led by HR functions while CX has been led by brands or customer success teams. Another observation is that many companies are beginning to realize that a strong EX foundation needs to be established before you can perfect your CX. Downstream impacts to customers, partners, suppliers, etc. are frequently deeply impacted by EX efforts.

Maria Saggese – EX and CX are becoming more and more prominent in GBS strategy – firstly, from a talent attraction and retention perspective; and secondly, as the scope of GBS and the roles within GBS evolve. The CX mindset is getting more focus, in order to service the GBS (internal and external) 'customers'. Elevating CX means to make it more streamlined, intuitive, and seamless to access and consume GBS services,



Maria Saggese

EY Global &
EMEA GBS Leader

while stimulating an appetite for more GBS services. One of the emerging trends we are seeing as the GBS model matures is that the services being provided are organized into 'Experiences'– for example, end-to-end vendor experience for the source-to-pay process; end-to-end customer experience for sell-to-cash; and end-to-end employee experience for hire-to-retain.

SSON: One of the biggest challenges GBS face is to move from a KPI driven culture towards a CX and end-to-end driven culture. What would facilitate this?

Marc Thewes – From a KPI perspective, there first must be an acknowledgement that a "balanced scorecard" view recognizes the needs of multiple stakeholder groups (e.g., Operations, Customer, Employee) and includes an appropriate mix of KPIs (e.g., Leading and Lagging, Efficiency and Effectiveness, and Risk/Control), much like a balanced financial portfolio. Those KPIs associated with the customer need to align directly with experience needs and specific pain-points that companies are looking to address. Force-fitting Experience into predetermined KPIs and processes is counter-productive and will not address issues at their root cause.

Maria Saggese – KPIs and SLAs will continue to be required from a governance perspective to track, measure, and improve service performance. It is the alignment of these KPIs with the broader business strategic aims and end-to-end processes and services that will drive the change that GBS is striving towards. As an example, the number of customer services calls answered within five seconds will become number



of tickets resolved via self-serve and self-solve capability or an agent 'first time right'. The human-centered design that captures customer needs and expectations and uses them to inform a future fit solution will enable a reduction of tickets as a result of predictive and preventive care – providing customers with the data and information they need – anytime, anywhere.

SSON: Attracting talent is a key concern (and top risk criteria according to SSON R&A data). According to the survey, the #1 lever GBS are deploying to attract recruits is emphasizing the potential to upskill/gain professional accreditation (85%). By contrast, only 22% are relying on compensation and benefits (which ranked in sixth place). What does this say about the expectations of new recruits, and the awareness of GBS leaders of how much has changed?

Marc Thewes – This is probably the first time we have five very diverse generations in the workforce with different expectations and needs. Older generations worked for the same company for 30 years and retired with a watch and a pension. They valued company stability and a compelling salary that rose over time. Younger generations are pursuing multiple jobs (and frequently careers) in their first five years in the workforce, while looking for alignment with a company's purpose and work-life balance and integration. From a digital perspective, they want the same experience they have outside of work and to work for companies where they can constantly learn and grow their careers. GBS leaders are starting to better understand this cultural shift and the importance of designing flexible career experiences that appeal to different people, while recognizing the importance of facilitating an upgrade in skills. This is especially critical as GBS organizations attempt to add more value.

Maria Saggese – Organizations who are competing in the war for talent will need to differentiate on the GBS brand, purpose/mission, and culture front, as well as offer career progression within the organization.



“
A Balanced Scorecard view recognizes the needs of multiple stakeholder groups (e.g., Operations, Customer, Employee) and includes an appropriate mix of KPIs (e.g., Leading & Lagging, Efficiency & Effectiveness, and Risk/Control), much like a balanced financial portfolio.”

We have seen organizations do this very successfully, where building a strong employee value proposition (EVP) and a GBS-enabled career acceleration path from the beginning was paramount.

SSON: The value-add of GBS is still defined by cost and the ability to drive digitization. Revenue growth and impact on profit margins are not currently recognized as within GBS' scope of impact. Is this thinking outdated, considering what GBS are capable of? And what might be the missing 'enabler'?

Marc Thewes – Historically, cost/greater efficiency was, more often than not, considered the primary driver behind GBS-related initiatives. While cost remains a focus area, many C-Level sponsors have been placing greater emphasis on effectiveness/enhanced decision-making, risk & control, and the experience – from both a customer and GBS practitioner perspective. This reflects an acknowledgement that cost savings/efficiencies can be difficult to sustain and a recognition that there are ways for the "GBS Ecosystem" (inclusive of outsourcers, retained organizations, and other third parties) to add incremental value. There have also been numerous specific instances where companies have positioned GBS as the "Transformation Engine" for the organization, driving value above and beyond.

Maria Saggese – For GBS to move up the value chain it first needs to deliver the original promise of cost savings and efficiencies in order to gain trust from the business and be seen as a true partner. Delivering revenue growth is always going to be difficult to demonstrate, but the ability to leverage data and GBS' scale are two assets that should not be underestimated. Delivering analysis and insights to the business in order to inform better decision making and reduce business risk around revenue leakages, enable conversations with customers around recovery, or be used as lever in negotiation for more favorable trade terms are examples that spring to mind. Another one is about reducing value leakage within the Source-to-Pay process.

SSON: One finding that surprised all of us is that nearly 60% of GBS make decisions on location without significantly considering the tax impact or incentives offered. What is the repercussion of making decisions without doing your due diligence in this area?

Marc Thewes – When determining the appropriate GBS location(s) it is critical to first put a stake in the ground with regards to your overall strategy and the service delivery model to best enable that strategy (e.g., the balance of global vs regional centers, the merits of a hub and spoke model, the degree to which a virtual model is to be embraced, etc.). With that established as a guiding star, location selection is typically evaluated through the following three lenses, each of which is weighted differently, depending on the nuances of your organization:

- **Feasibility:** including things like International/Local Geographic Access, the Business/Regulatory Environment, & Workforce/Talent Accessibility.
- **Risk:** including Economic, Political, Environmental, and Security considerations.
- **Cost:** including Workforce, Real Estate, and Tax-related factors.

While Tax is viewed as a sub-component of the "Cost" category, its degree of influence on a decision will depend not only on the magnitude of the tax incentive, but on its relative weighting and importance to the business, relative to other factors.

Maria Saggese – It is important to take a holistic view on the factors and relative weighting of said factors when making decisions around location. Tax and incentives should feature in a location strategy decision and are important considerations in any cost-benefit analysis, alongside the availability and skill levels of talent, cost

of real estate, etc. Many countries offer various financial incentives to attract companies to open or expand shared services centers, which can be very substantial. Depending on the location and size, some of the financial incentives may include:

- Tax Incentives such as special economic zones with reduced tax rates or even tax exemptions, to encourage investments and jobs creation
- Cash grants and subsidies to help cover the costs of setting up a shared services center, including the costs of equipment, infrastructure, and staffing for each job created
- Low-cost loans or loan guarantees
- Reduced rent
- Training grants for some or all new employees

All incentives are typically subject to a detailed evaluation to assess eligibility, impact on the business case and subsequent negotiations with Local Authorities to increase chances of success. In our experience it is key that location assessments are performed alongside incentives evaluation work; and that the related incentive application is done before the final go ahead/start of the implementation project in order to ensure all opportunities are unlocked and the right choices are made. However, it should always be considered as one part of the overall puzzle and not the only leading factor, as we have seen a number of GBS/SSO projects with a high focus on incentives for location decision, only to find that whilst the incentives were attractive, the actual talent to make the operation a success was not always available in those areas.

Maria Saggese, EY Global and EMEA GBS Leader

Maria Saggese is a Partner in the Consulting Services practice of Ernst & Young, serving as the Global and EMEA Leader of Global Business Services. She is a transformative leader with 20 years of experience in driving large-scale, technology-enabled business transformation programs at multinational organizations, including Fortune 500 companies. Maria's experience includes GBS and integrated operating models' transformations, from strategy to implementation, including digital and automation enablement with disruptive innovators and greenfield ERP systems. Maria is also an engaged advocate of female leadership in Global Business Services.

Marc Thewes, EY Americas GBS Co-Leader and SSON Board Member

Marc Thewes is a Partner in the Consulting Services practice of Ernst & Young, serving as the Americas Leader of Global Business Services. He has ca. 30 years of experience in the area of Global Business/Shared Services, helping clients across numerous industries achieve their GBS objectives. During his career, Marc has led a variety of global and U.S.-based consulting transformation efforts, from strategy/design through implementation/migration and optimization. Marc serves as a member of the SSON Advisory Board.



TECHNOLOGY: THE PLAYER

While GBS/SSO models are built on people-process-technology ... the underlying *game-changer* remains technology. And we've seen an explosion of technologies over the past decade that increasingly do the "thinking" for us. GBS and SSO leaders understand the significance fully. More than 80% of respondents considered digital technology integration of significant (i.e., 'high' or 'critical') importance for the overall service delivery strategy.

The impact of digitization is predominantly and *primarily* recognized in process efficiency and integration. After that, respondents acknowledge the improved insights and analytics derived from a digital environment, and the improved customer centricity this provides.

Nevertheless, we see lagging adoption across the board and investment budget is not the only hurdle to overcome. The main culprit is the lack of process standardization (still!). To anyone working in this sector this will not come as a surprise. Nevertheless, the fact that three-quarters of respondents

unanimously declare their lack of standardization is of concern.

Skill gaps, to a certain extent, can be plugged by third-party providers but the internal factors such as fragmented ERP landscapes or challenges in integrating systems across silos are harder to overcome.

On a more encouraging note, nine of 10 leaders confirm digitization is a priority. But, given the challenges in handling GBS/SSO the mandate for digital transformation (according to SSON R&A data, only 41% of digitization projects are currently managed by GBS/SSO) – what is missing?

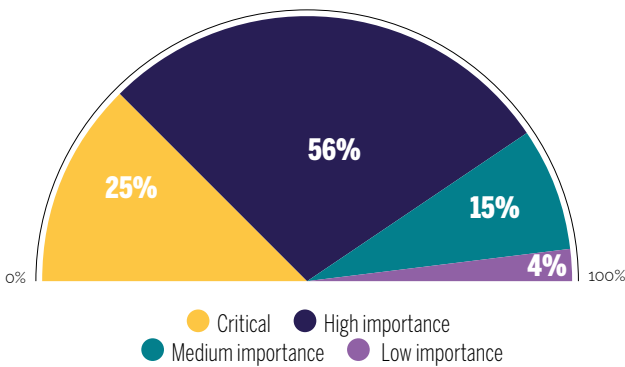
In a word: ownership. Or put differently: a strong global process ownership framework with control over end-to-end process chains. Only a quarter of GBS/SSO respondents already have this mandate. For the rest, the lack of ownership and, therefore, control, is proving a limitation. The same applies to the lack of control or ownership over Centers of Excellence housing digital capabilities, enterprise data, and intelligent automation budgets.

Despite these hurdles, automation is the star player in GBS/SSO toolboxes. In terms of specific technologies, robotic process automation (RPA) remains the most commonly adopted, but we also see specialist workplace enablers like ServiceNow and the advance of cloud computing impacting the internal technology landscape. More than 40 percent of shared services are leveraging process mining or process discovery to better understand the *as is* nature of work – and improve it. In addition, one in four GBS/SSO are already leveraging artificial intelligence/machine learning within their service

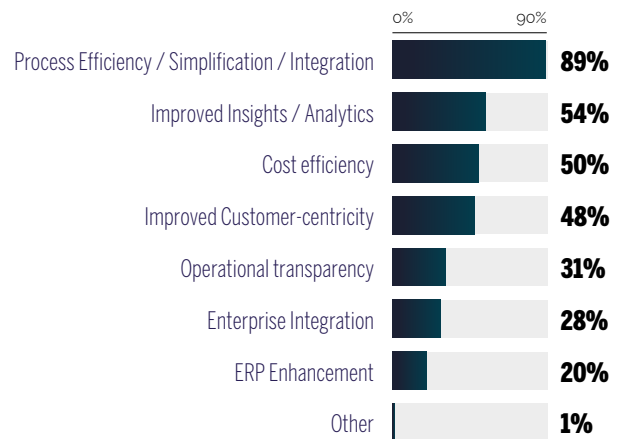
delivery operations. Chatbots are, as yet, hovering at roughly 50%, and are generally applied within HR; and we see relatively low applications of various language-based solutions.

What *is* noteworthy is the increasing adoption of data digitization solutions, which form the building blocks of a digital enterprise.

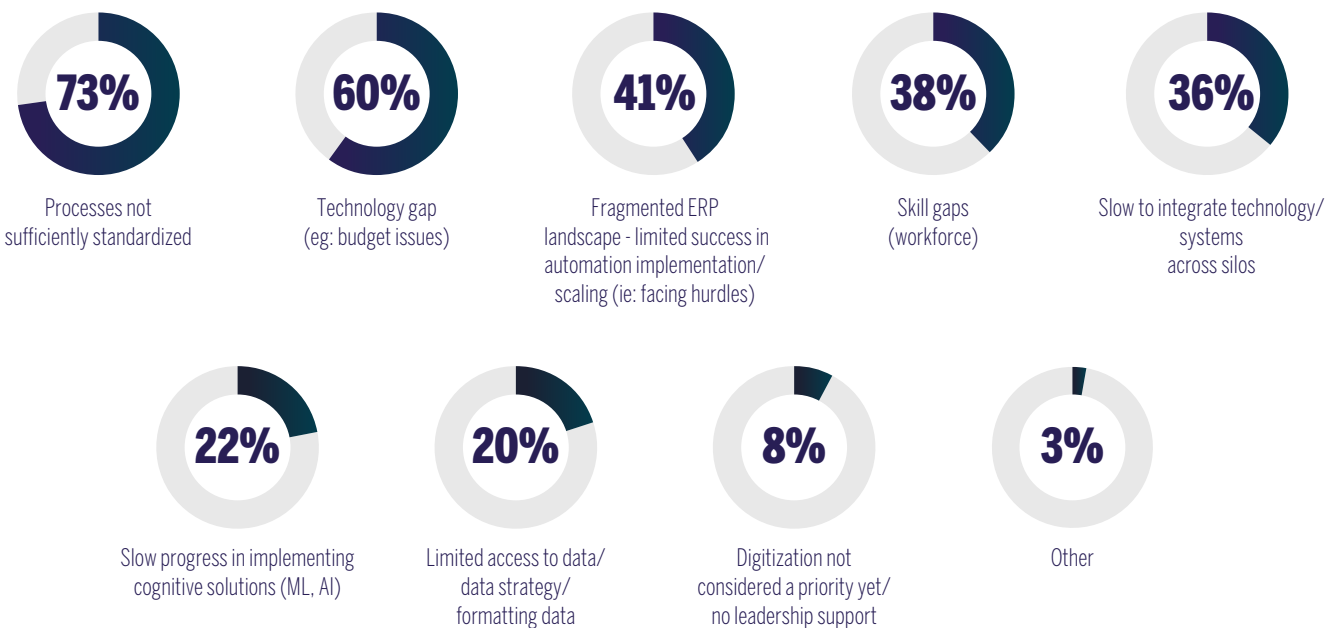
How important is digital technology integration for your overall GBS strategy?



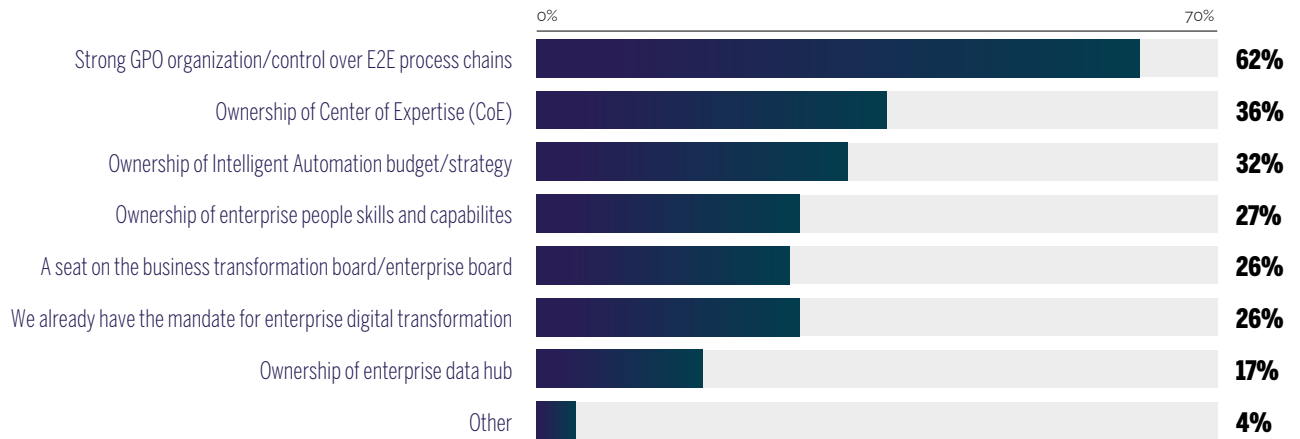
Where can digitization drive maximum value for your enterprise?



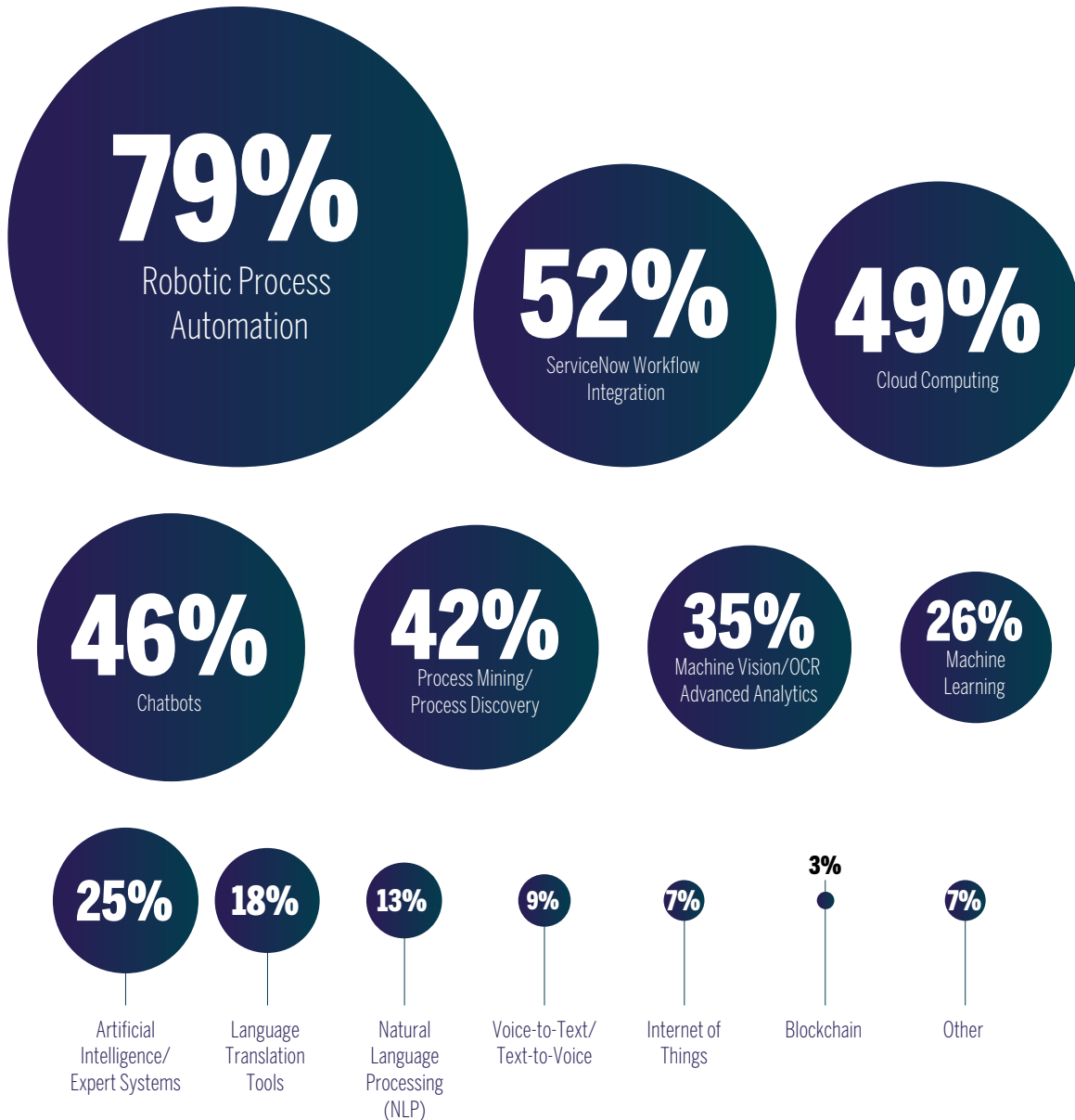
What is preventing your GBS/SSO from becoming more digitized?



What would help your GBS/SSO gain the mandate for enterprise digital transformation?



Which emerging technologies have you implemented in GBS/SSO?





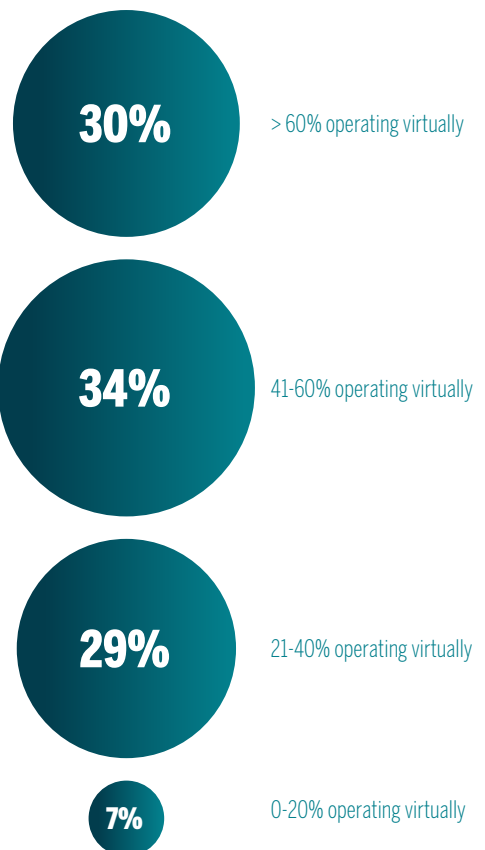
SUMMARY: VIRTUAL REALITY RULES

The shift from in-office to remote, from face-to-face to virtual, from paper to digital ... continues. But has it gone as far as it can? Will it carry on? Will, indeed, "virtual" come to define business as usual? These are all questions yet to be addressed but our survey does shed some light on them.

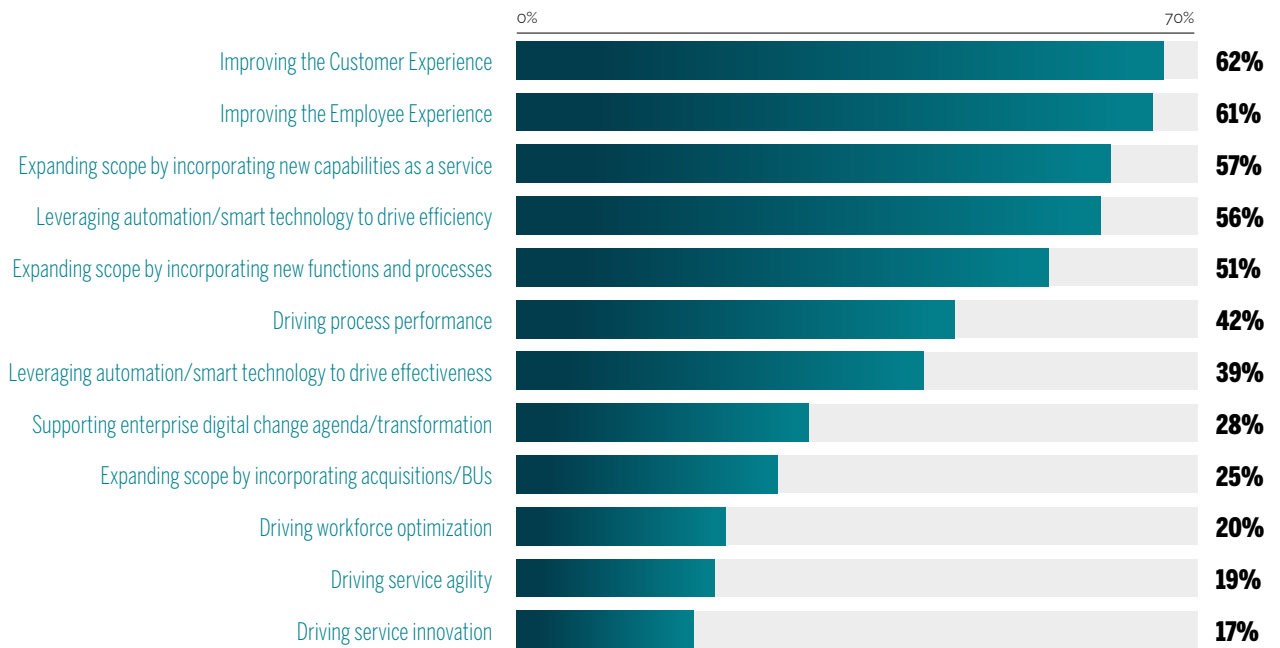
Roughly 2/3 of GBS/SSOs are already running largely "virtual" operations (i.e., more than 40%). Even more impressive is the segment that is running at least 60% of its operations virtually. So, virtual is, indeed, becoming business as usual. It's just the extent to which it exists that varies, but it is heavily skewed towards "most" work done. A knock-on effect will be that shared services will need to rely on robust SLAs and KPIs in an environment that places greater reliance on a virtual workforce.

In terms of GBS/SSO evolution, we see momentum building and refocusing on *experience* in future. Indeed, 'experience' emerges as the top GBS/SSO objective. We also see a continued expansion of scope topping leaders' agendas, for example by incorporating new capabilities and offering them "as a service." Both 'experience' and 'scope' are positively correlated with technology – are, in fact, enabled by it – and so we see "leveraging automation" as the third objective. By comparison, less prioritization is being placed on innovation and agility, which is surprising, but both may also implicitly be present in the top three choices.

To what degree is GBS/SSO activity operating virtually?



Looking forward and reflecting on your future plans, what are your top objectives in the next 5 years?



The challenges facing GBS/SSO leaders are also opportunities. Service delivery models are being rethought in light of what's available today, and market conditions. The pandemic proved a clarion call for new business models and so it is: virtual, hybrid, landlord ... there are multiple opportunities to adjust the current model to better serve organizational objectives. Certainly, the digital wave is having an impact on operating models and is accelerating end-to-end integration – both of which support improved performance as well as enterprise transformation.

Finally, *sustainability* has become a word all shared services want to be branded with. It defines both their *service to the business* but also *how work is done*. Today presents an extraordinary opportunity to leverage digital, analytics, and partnerships to become more strongly aligned with the organization in order to serve its ultimate purpose: succeed and prosper.



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