

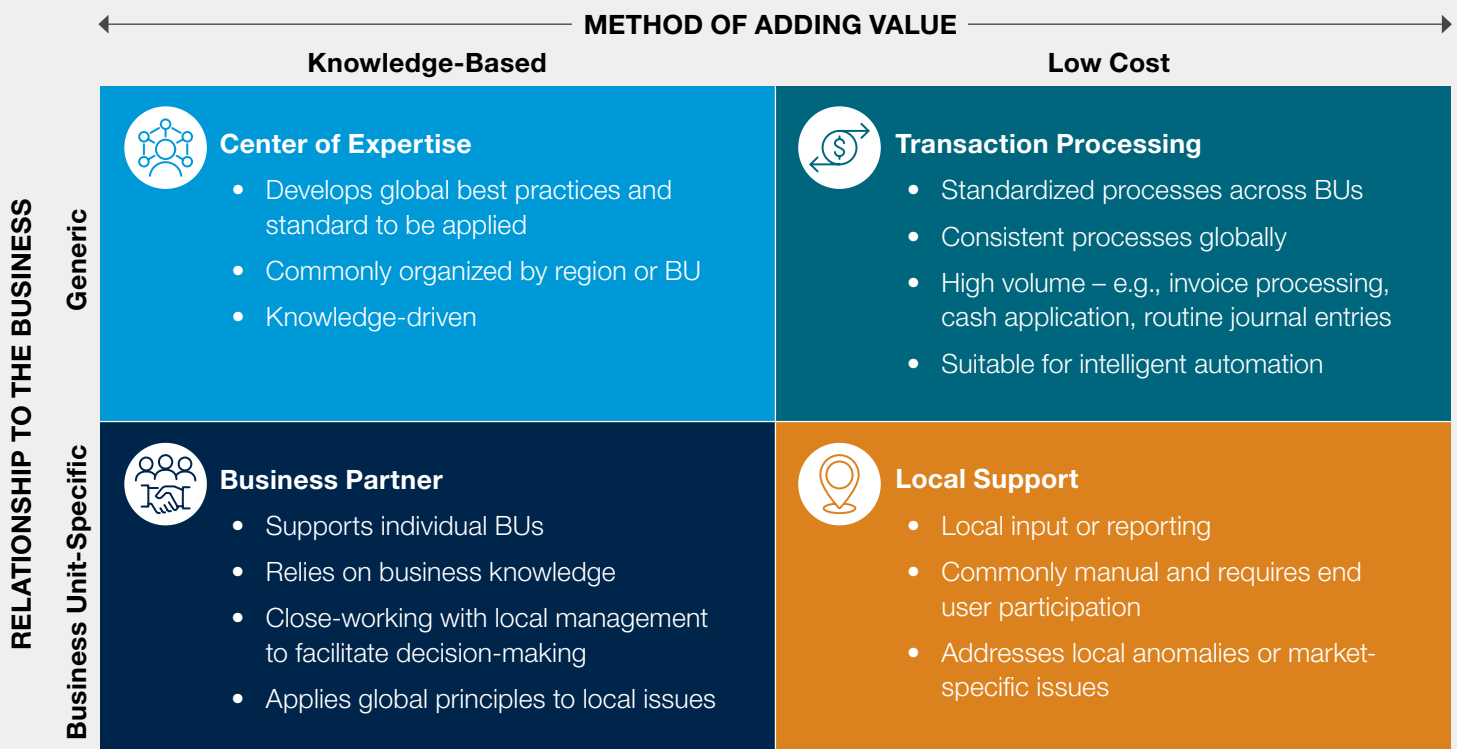


## DIGITAL & TECHNOLOGY SERVICES

# The Importance of the Retained Organization in Transforming to a Successful Global Business Services Operating Model

A Global Business Services (“GBS”) model incorporates activities that are retained, either as corporate functions or within individual business units, and processes that are handled centrally. Those processes that are centralized are typically delivered from low-cost jurisdictions, whether as Global Capability Centers or through a third-party outsourcing provider. The activities in scope typically include finance, human resources (“HR”), procurement and information technology (“IT”), but can also represent functional activities such as claims handling or mortgage processing. Driving competitive advantage, including incorporating artificial intelligence, requires a holistic approach to the process delivery model. Unfortunately, many companies have focused on only part of the model and omitted to focus on what is retained.

The chart below is a typical way of looking at an organization’s operating model. It examines the way in which value is added, whether through cost advantage or knowledge, combined with the degree to which a process is generic across the organization or business unit-specific.



The retained organization refers to the activities that are not within a Global Capability Center. It is a critically important part of the operating model, given its closeness with end users and key executives within the business units. Furthermore, given the trend to intelligent automation and the prerequisites for standardized, global processes, the retained organization has assumed greater importance than ever before.

Our view is that best-in-class retained organizations will become the strategic partners of the business on a day-to-day basis, with the centers of expertise driving robust, cost-effective transaction processing with real-time reporting, using the benefits of technology to enable better business decision-making. The design of the retained organization should address key issues such as process design, staffing, technology application and governance of centralized delivery. This is a wide-ranging brief, and securing adoption of this part of the environment is critical to overall success.

**The key issues may be seen as follows:**

## 1. GLOBAL PROCESS OWNERSHIP



It is important to base the global process with a mindset of serving the end user. It requires the appointment of empowered Global Process Owners (GPOs) who can develop appropriate work splits in “end to end” processes with clear ownership and accountability. The GPO needs to be a strong leader to facilitate change to implement and adopt standardized processes, alongside adoption of technology to implement automation.

## 2. STAFFING



The staffing model must reflect the new global processes that have been defined in the operating model. While it is tempting to use the existing positions, even with re-titling roles, this can be a significant mistake. The transformation to the new operating model is likely to require new skills, new ways of working, a new mindset and at least some new talent in the retained organization. The retained organization requires process expertise, top quality project management and strong leadership that enable it to interact with the business units, understand their needs and drive change.

## 3. GOVERNANCE



It is imperative that performance is managed holistically and that the role of the retained organization in overall delivery is not overlooked. Traditionally, the focus is on reporting service levels from the Global Capability Center, but this is only part of the job. Interdependencies need to be defined and managed on a day-to-day basis and progressively updated as part of improving processes. Governance requires skilled leadership, supported by a team that can manage performance, including comprehensive reporting, correction of failures and performance improvement. The governance team should be an integral part of the retained organization, focusing on high quality deliverables, absence of service level failures and delivery of services at value-realizing cost — all in a spirit of continuous innovation.

## 4. TECHNOLOGY APPLICATION



The delivery of services using arbitrated labor is, without doubt, a “table stakes” issue. Indeed, at the start of the offshoring movement, it was cost effective to use more people, even with largely manual processes, given the wage rate differentials in countries like India, Poland, Romania and the Philippines. However, this is no longer the case, and the leadership within the retained organization needs to drive the introduction of tools that can replace labor with technology, to save costs and drive up speed to market with greater accuracy.



Overall, it is essential to have a clear view of the desired end state for each of the processes in scope, together with a migration path from the existing situation. Defining this vision, including the role of the retained organization, is not an easy task, and beyond the technical process and organizational understanding is the requirement to secure buy-in from key executives and business users. The overall business case needs to be created, incorporating the broadest of both quantitative and qualitative parameters. It is tempting to focus narrowly on larger cost savings delivered sooner but, in our view, this is likely to be a mistake. Delivery of world-class services will require roles to be created for each of the elements discussed in this paper, as well as a plan stating how transition and transformation is to be managed, articulation of the investment requirements, especially in technology, and strong leadership from the retained organization. Opportunity is available for most companies, and the limiting factor is creating and implementing a bold vision.

## Contact Us

To find out more about this opportunity, please reach out to the authors



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