



CORPORATE PERFORMANCE IMPROVEMENT

Introducing A&M's Global Business Services Evolution Model: Harnessing the Power of Digital for Value Acceleration

I. The Evolution of the Global Business Services Delivery Model

Global business services (GBS) is an organizational concept that has gone through multiple value lever phases:

- Centering work for transactional unit cost savings and to create scaling capacity.
- Utilizing offshoring to chase structural savings in global labor markets.
- Partnering with business process outsourcing providers (BPOs) to contractually lock in savings while adding global capabilities.
- Germinating centers of expertise, excellence and now global capability centers (GCCs) where highly skilled knowledge workers can be shared across the enterprise to act as force value multipliers.

Today, these value levers can be found in an almost infinite variety of hybrid GBS delivery models.

Given that most global organizations have implemented some form of a hybrid GBS, it begs the question of how to continue to generate exceptional business value. For companies that have implemented GBS and achieved benefits like labor arbitrage, controls and compliance improvements, increased levels of customer satisfaction, and accelerated transaction processing, where do they go next, especially when new end-to-end automation solutions and artificial intelligence (AI) and machine learning are emerging very rapidly? And for companies that have not implemented GBS, what can they do to leapfrog the typical single function to multi-function to enterprise services linear journey that has been the standard maturity curve for GBS for over 20 years?

We believe that the GBS delivery model is at an evolutionary crossroads. Leading GBS organizations, what we are calling digital GBS operations organizations, are embracing a digital-first delivery strategy that has a strong bias toward a technology for labor swap and where the order of operation for delivering services has been flipped on its head:

- Manage demand: What value does this service provide? Can it be restructured, replaced or eliminated altogether?
- Simplify and standardize the underlying end-to-end processes.
- Automate the processes, digitize interaction points and oversee data governance in a systemic way, utilizing a GCC staffed with highly skilled digital process designers.
- Determine the right mix of make, buy or hybrid delivery model to most effectively achieve the business strategy and value targets:
 - Make: Deliver high value and/or highly differentiated enterprise services and last mile manual work that cannot be automated from smaller, more nimble regional capability centers close to regional hub cities.
 - Buy: For specialized services, or ones that would require too great an investment in technology, time, or capital, or for last mile manual work processing from a multi-tenant site, engage a BPO provider to rapidly scale up capabilities for the digital GBS organization.

The goal for these leading digital GBS operations organizations is to provide a holistic service portfolio focused on enabling business outcomes to achieve superior enterprise value. It is the impact on performance of each of the functions, regions and/or business units that determines the success and long-term viability of the digital GBS operations organization.

II. Introducing A&M's Next Generation Global Business Services Evolution Model (Figure 1)

The benefit of today's GBS organization is about driving value through enterprise capabilities. Cost and scale remain important benefits of GBS too — but creating an engine that can bring new and differentiated capabilities, like generative AI, to an enterprise is the next frontier for GBS.

The next generation GBS model delivers across a single function or the entire enterprise, and integrates new capabilities, like AI and ML.

In simple terms, there are three types of GBS models:

- **Single-function shared services:** Focuses on cost and compliance in one function, either specific to one BU or for the enterprise.
- **Multi-function GBS:** Focuses on cost, compliance and operational effectiveness across multiple functions across the enterprise.
- **Enterprise digital GBS operations:** Focuses on delivering digital-first services across all functions of an organization.

GBS Focus Areas	Single-Function Shared Services	Multi-Function Global Business Services	Enterprise Digital GBS Operations
A. OVERALL FOCUS	<ul style="list-style-type: none"> Cost and compliance focus within one function, or siloed shared services organizations in multiple functions or only certain geographies (GEO) and business units (BU) 	<ul style="list-style-type: none"> Cost, compliance and operational effectiveness triple focus through end-to-end service delivery across multiple functions, most to all GEO/BU 	<ul style="list-style-type: none"> Sustainable business value and labor for technology focus, innovation driven with digital-first service delivery across enterprise value chain
B. GOVERNANCE AND FOOTPRINT	<ul style="list-style-type: none"> Single-function mandate; processes are standardized at BU or regional level for work within shared services centers Intra-region consolidation, by function 	<ul style="list-style-type: none"> End-to-end value chain design authority through global process owners. Primary stakeholders are functional leaders or BU leaders Global hub-and-regional spoke model 	<ul style="list-style-type: none"> Global end-to-end service delivery design and run decision rights with global digital services owners (GDSO) Small, nimble GCCs responsible for digitization/automation and performing remaining stranded manual process work
C. SCOPE OF SERVICES	<ul style="list-style-type: none"> Migration and post migration process stabilization and routinization Transactional process orientation 	<ul style="list-style-type: none"> End-to-end global services with commercial service catalog All transactional work, majority of skill-based, and limited customer experience-oriented process scope 	<ul style="list-style-type: none"> Dynamic service portal with easy-to-use personalized services All enterprise process scope, plus IT application development and data operations, and digitization centers of excellence for ongoing tech-for-labor work elimination
D. TALENT	<ul style="list-style-type: none"> Low-cost labor arbitrage and increased spans of control are primary GBS value case driver Functions address learning and development needs 	<ul style="list-style-type: none"> GBS talent team executes on: strategic workforce planning for GBS, specialized recruiting and training, creating a leading employee value proposition as talent attractor in markets with GBS centers 	<ul style="list-style-type: none"> Enterprise GBS talent team transitions to building a highly skilled global work-from-anywhere workforce with advanced digital and transformation capabilities
E. PERFORMANCE MANAGEMENT	<ul style="list-style-type: none"> Primarily internal operational performance metrics with very basic reporting 	<ul style="list-style-type: none"> SLAs/KPIs put in place for financial and operational metrics presented within scorecards/dashboards Relationship managers review with business stakeholders regularly 	<ul style="list-style-type: none"> On demand GBS data analytics around input/output business value drivers' performance Global Digital Services owners hold capability performance review sessions with stakeholders regularly
F. COST RECOVERY	<ul style="list-style-type: none"> 100% of shared services cost is part of individual functional budget 	<ul style="list-style-type: none"> Costs are charged back monthly based on usage with predetermined rates from GBS service catalog 	<ul style="list-style-type: none"> Digital services based on data/application usage, plus direct allocation of remaining stranded manual process work cost, plus direct implementation costs for new advanced capabilities

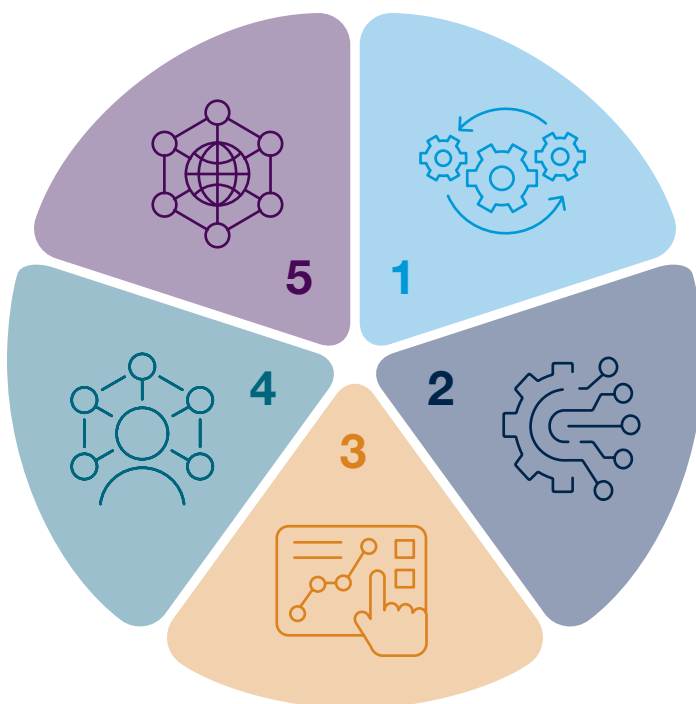
III. Value Generation at Any Evolution Stage

Unlike historical GBS maturity models, where each maturity stage brought with it a corresponding bump in value generation, GBS organizations can deliver high value from any of these models and generate significant enterprise value. Organizations are now also able to leapfrog from one type of model to another (e.g., single function to digital GBS) without needing a linear progression. This is especially true for companies that may be looking to set up a new GBS or to evolve their existing structure — a GBS for today's world can be flexible across these three options and truly be fit-for-purpose for their organization.

So, what drives enterprise value when GBS structures can be so agile and flexible? It is all about the capabilities that GBS brings to an enterprise. By adopting GBS, companies are committing to focusing resources and efforts on streamlining the organization. This then allows GBS organizations to invest in new capabilities for the enterprise, and this is where value is really created and where the GBS evolution model comes into play.

GBS brings agility, flexibility and capabilities to an enterprise that drive enterprise value.

In our GBS evolution model, we have highlighted what we believe are the five most significant capabilities for accelerating the value that the GBS generates at any of the three evolution stages (Figure 2):



- 1. Process excellence (PE):** Level of process simplification and standardization achieved through best practices implementation, and lean/continuous improvement for process improvement with robust governance.
- 2. Enabling technology (ET):** Degree to which technology is embedded into a shared service, as well as the maturity of core and ancillary systems supporting the organization.
- 3. Data and analytics as a capability (DAC):** Maturity of analytical capabilities available to support the GBS organization itself, the SG&A functions and the broader enterprise.
- 4. Business process outsourcing (BPO):** Use/leverage of BPO provider(s) for shared services. Degree of maturity of BPO provider capabilities and relationship with the customer, including contractual commitments.
- 5. Service operations management (SOM):** Capabilities supporting the GBS operations, both captive and BPO.

These five capabilities fall into a natural level of maturity from emerging, the fourth quartile, signifying very basic levels of capability deployment with pilots and inconsistent usage of the capability; to leading, the first quartile, signifying a highly advanced, stable and high value-producing level of capability within the GBS. The GBS organization may be able to import the first three capabilities, PE, ET and DAC from other parts of the business to jumpstart the capability deployment, in many cases starting with an approaching or even an achieving maturity level. The last two, BPO and SOM are typically developed inside the GBS organization itself as native capabilities of the GBS.

Figure 2: A&M's GBS Stage Evolution Model: Value Accelerator Maturity






Capability	Description	1. Emerging	2. Approaching	3. Achieving	4. Leading
1. Process Excellence 	Level of process simplification and standardization achieved through best practices implementation, and lean/CI for process improvement with robust governance	<ul style="list-style-type: none"> Activities within a process (e.g. invoice processing, bank reconciliations, tax filing) are typically migrated to the GBS as-is ... informally referred to as 'moving the mess' Processes within GBS are <35% standardized and are disjointed, duplicative, with high levels of variation requiring manual processing No formal process governance/ownership Process performance KPIs rarely used 	<ul style="list-style-type: none"> Processes (e.g. AP, T&E, benefits, help desk) migrating to or within a GBS are standardized for the regional/BU center, often referred to as 'transform and shift' Processes within the GBS are >50% standardized and actively managed; however, upstream and connected processes generate substantial process variation and time-consuming exception processing Processes are governed within the GBS by process leads Process performance KPIs used for most of the processes 	<ul style="list-style-type: none"> End-to-end processes (e.g., P2P, O2C, H2R, P2D) migrating to or within a GBS are simplified, standardized and centralized according to a global reference standard within one global center with regional capability center hubs utilized only where a local presence is needed End-to-end transactional processes are >75% standardized and actively managed, where upstream and interconnected process inputs have been optimized to greatly reduce exceptions Global Process owners govern GBS-centric processes from within the GBS organization Standardized set of process and customer experience-related performance KPIs used to review performance of the GBS with stakeholders on a regular basis 	<ul style="list-style-type: none"> Services managed on an enterprise value chain basis with a digital first mindset within a Digital Operations GBS center with regional capability centers where a local presence is needed End to end services are >90% standardized and are orchestrated and optimized across the entire value chain Global services owners govern each value chain, including what remains A standard set of interlinked and cascaded outcome-based KPIs are made available as part of each stakeholder's performance dashboard, which is reviewed by their assigned relationship manager from the GBS on a regular basis
2. Enabling Technology 	Degree to which technology is embedded into a shared service, as well as the maturity of core and ancillary systems supporting the organization	<ul style="list-style-type: none"> Largely on-premises ERP environment, supported by nonstandard, custom tools, and significant technology debt from duplicative and disconnected systems 	<ul style="list-style-type: none"> Cloud-based ERP environment, with limited adoption of process-specific applications (e.g., EPM, billing solution, reconciliation tools) Use of robotic process automation (RPA) and other tools for task-specific automation 	<ul style="list-style-type: none"> Cloud-based ERP environment with full adoption of process-specific applications (e.g., EPM, reconciliations) driving process automation Use of advanced AI/ machine learning and other automation tools for end-to-end process automation Integrated data architecture with decision support and performance management tools 	<ul style="list-style-type: none"> Cloud-based ERP environment with full adoption of process-specific applications (e.g., EPM, reconciliations) driving process automation Adoption of generative AI to drive automation Integrated data architecture with predictive analytics tools and capabilities
3. Data and Analytics as a Capability (DAC) 	Maturity of analytical capabilities available to support the GBS organization itself, the SG&A functions, and the broader enterprise	<ul style="list-style-type: none"> Mainly historical and financial-oriented reporting for the GBS organization and host functions >80% Excel-based reporting Long response times to analysis requests 70% of time spent on report compiling and data validation; 30% on proactive data analysis Trusted data is <70%; no formal data governance in place 	<ul style="list-style-type: none"> Descriptive reporting with basic trending and comparative analysis using a mix of financial and non-financial measures for the GBS organization and some SG&A functions >60% Excel-based reporting Basic reporting from reporting application Acceptable response times to requests Basic analytical skills Trusted data is <85%; data governance in place for certain data domains 	<ul style="list-style-type: none"> Predictive reporting and probability analysis techniques used across financial, nonfinancial and external data sources for GBS and SG&A functions that have opted-in to GBS <40% Excel-based reporting Robust reporting platform with dashboards, standard reports and drill down capabilities <2 days to fulfill custom analysis requests Analytics delivered from center(s) of excellence (COE) Formalized analytics, visualization and data management training for lead business analysts (BA) in COE Lead BAs have advanced analytical skills, others are more basic 	<ul style="list-style-type: none"> Prescriptive reporting and analysis used across many data sources as an enterprise capability <25% Excel-based reporting Anytime, anywhere robust mobile, tablet and desktop reporting platform with dashboards, standard reports and drill down capabilities <1 day turnaround to fill custom analysis requests Analytics delivered from a global insight center providing custom analytics and visualizations to the enterprise Multi-tier analytics, storytelling and data management training and certification programs available to everyone: democratizing analytics

Figure 2: A&M's GBS Stage Evolution Model: Value Accelerator Maturity continued

Capability	Description	1. Emerging	2. Approaching	3. Achieving	4. Leading
4. Business Process Outsourcing (BPO) 	Use/leverage of BPO provider(s) for shared services. Degree of maturity of BPO provider capabilities and relationship with the customer, including contractual commitments	<ul style="list-style-type: none"> Rate-based BPO contracts, often for a single function or more routine set of tasks. Limited outcome-based metrics Basic RPA and task automation for select processes Typically 0%–10% of post-automation total SG&A transaction volumes 	<ul style="list-style-type: none"> Multi-service BPO contracts, moving into more advanced functions Productivity based performance metrics, in addition to committed cost savings Task automation and process standardization across all services Typically 10–35% of post-automation total SG&A transaction volumes 	<ul style="list-style-type: none"> Multi-service, outcome-based contracts with committed productivity and savings on accelerated timelines Strategic BPO capabilities, including decision support and more advanced services Integrated suite of technology and automation, reducing volumes/requiring less BPO resources to perform tasks Typically 35%–60% of post-automation total SG&A transaction volumes 	<ul style="list-style-type: none"> Acquisition of entire functions or full scope of functional support across multiple process areas Outcome-based contracts with committed productivity and savings on accelerated timelines Adoption of generative AI and other tools to drive substantial reductions in BPO capacity needs Typically 60%–85% of post-automation total SG&A transaction volumes
5. Service Operations Management (SOM) 	Capabilities supporting the GBS operations, both captive and BPO	<ul style="list-style-type: none"> Foundational capabilities only: reporting, chargebacks, business continuity and basic staffing/resource management SOM informally managed within each center 	<ul style="list-style-type: none"> Emerging stage capabilities plus knowledge/collaboration mgmt., demand/staffing forecasting and BPO/vendor management SOM formally managed within each center 	<ul style="list-style-type: none"> Approaching stage capabilities plus business relationship management, multiple scenario demand/staffing forecasting, GBS transformation, communications and training SOM formally managed across global captive centers as GBS capability 	<ul style="list-style-type: none"> Achieving stage capabilities plus advanced capabilities like value/brand management, value creation and innovation, in addition to offering transformation management, change and communications services outside the GBS SOM formally managed across GBS (captive and BPO) as enterprise capability

IV. Formulating Your GBS Strategy

GBS is at evolutionary crossroads where companies are balancing value acceleration and the desire to continue building capabilities that support their ambitions. While there is no one-size-fits-all model, there are some important steps companies should be taking to confirm their path forward:

1. If your organization has yet to formally implement a GBS:

- Reevaluate your decision, utilizing today's GBS value levers and implementation paths. For many, this has led to a change in their strategic portfolio where greenlighting GBS is seen as a critical value generator.

2. For those organizations that already have a shared service, GBS and/or BPO provider(s) in place:

- Review the current GBS value proposition (service catalog scope, cost, compliance, service quality, agility, etc.) and reconfirm and/or realign on the future state GBS stage and key capabilities maturity to the longer-term business strategy and performance targets.

3. Build digital capabilities:

- Reconfirm which capabilities are most important and how you plan to invest in developing these.
- Continue to modernize the tech stack to leverage process-specific tools (e.g., High Radius, Blackline, Anaplan, Coupa, ServiceNow).
- Embrace new technologies like digital process platforms, workflow automation suites, smart automation at scale, data and analytics platforms, and predictive and generative AI-embedded solutions to continue to further drive adoption of automation.

4. Evaluate how BPO will continue to serve the business:

- If BPO plays a role in the future, push providers to truly become business innovation providers through augmenting high value business capabilities and offering new technology solutions to drive innovation into service operations.



Organizations with a clear GBS strategy will deliver value at pace and with greater consistency.

GBS organizations with clear strategies for the actions above will be able to deliver value at pace with a higher degree of consistency. It is imperative that companies embrace these crossroads and lean into GBS as an enterprise value creator.

Learn more about how Alvarez & Marsal can help: <https://www.alvarezandmarsal.com/expertise/cfo-services> and <https://www.alvarezandmarsal.com/insights/transformation-financial-impact>.

Authors



Sean Kracklaur

Managing Director
Corporate Performance Improvement
CFO Services
Denver, CO
skracklaur@alvarezandmarsal.com



Annie Peabody

Managing Director
Corporate Performance Improvement
Corporate Transformation Services
New York, NY
apeabody@alvarezandmarsal.com

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