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Global Business Services

Global business services play a digital as well as a cost transformation role

Cost savings were the original driver for companies to pool their traditional back-office functions such as finance, procurement, HR and IT into groups of services that are shared by multiple divisions or geographical regions of the business. That's still a key benefit, however there is now an additional benefit: so-called global business services (GBS) are being used to capture and analyse data from across the organisation and transform the way companies operate.

"There are immediate cost savings when you bring all these functions into one place," says [Andrew Flower](#), Managing Director with Alvarez & Marsal's Corporate Transformation Services practice in London. "Fewer layers are needed across the organisation. When we work with clients to assess the demand for the various functions, we can also right-size the level of service each one provides."

However, GBS is also probably the main place in the business where a majority of transactions are captured. "With all that data, there's a significant opportunity to look right across the business and identify best performance," he adds.

One example is travel costs – if analytics show that a division is spending 40 percent less on travel, other divisions can assess why and follow suit. "You can bring in external benchmarking data, but it's really powerful to have real-time data from your own organisation and go back to the groups with it," says Mr. Flower. "You could be saving a lot of money if you follow the best examples across the company."

Companies reduce operating costs by on average 20 percent or more when they first set up global business services, [according to Hackett Group](#), a GBS benchmarking company. The services can be outsourced to specialist providers or kept in-house in a streamlined way. The savings increasingly result from automating processes rather than moving finance or customer service roles to low-cost economies, according to Mr. Flower. External service providers have invested heavily in automated services already, enabling corporate customers to draw on that expertise without making expensive and potentially risky investments of their own.

Mr. Flower is currently working with a large engineering client on a wide-ranging transformation program, and one element of the program is deciding which GBS functions can be outsourced to specialists and which benefit from being done by the company's own employees.

"Business process outsourcing providers have invested millions of dollars in highly automated processing capabilities which our client can buy into," says Mr. Flower. "Companies are increasingly saying 'we no longer want to carry the cost of investing in systems and processes for support functions that we don't think we need to be world class at doing'. Instead they want to invest in things that directly affect their customers, such as marketing and product delivery." The GBS organisation is supporting the overall business strategy by providing analytics to the rest of the business that can enhance value.

The benefits of GBS in a transformation situation then, are controlling costs by automating and outsourcing tasks, rationalising demand for those services throughout the business and using analytics to build up a detailed picture of where money is being spent.

So, what are the potential risks? The main pitfall is designing shared services without the users in mind – building HR tools that no one uses, for example. Implementing solutions that fail to integrate services in ways that are helpful to the customers of those services or developing complex recharging models that fail to drive the behaviors that were intended are additional pitfalls that businesses need to be aware of.



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“If the services are not co-designed and co-developed, companies end up with “shadow” IT and HR departments – the divisions just carry on doing what they were doing before or engage their own third-party suppliers and don’t use GBS,” says Mr. Flower. “This means more cost because the service is paid for twice, more complexity and potentially cyber security risks, depending on the oversight of the third parties.”

To counter this, services must be designed with input from the users, and leaders must make very clear that divisions will use GBS apart from in very particular circumstances.

Teams also need to be trained in the discipline of forecasting what they need – otherwise they make unreasonable demands on GBS teams, for example requesting significant IT architecture support for Monday on a Friday afternoon.

“Businesses must become more intelligent customers of GBS in terms of demand,” says Mr. Flower. “If not, they have to rely on sub-optimal supply which may include use of temporary labour which pushes up costs again.”

The increasing use of automation and AI to carry out routine processes is changing the way GBS contributes to keeping costs low, and the growing importance of data in providing vital business insights has expanded its role in transformation situations.

“This industry has matured in recent years and that has changed where value creation comes from,” says Mr. Flower. “As companies learn more and more about the value of data, they want to gather all their back-office functions in one place where they can apply analytics and continuously improve their processes.”

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