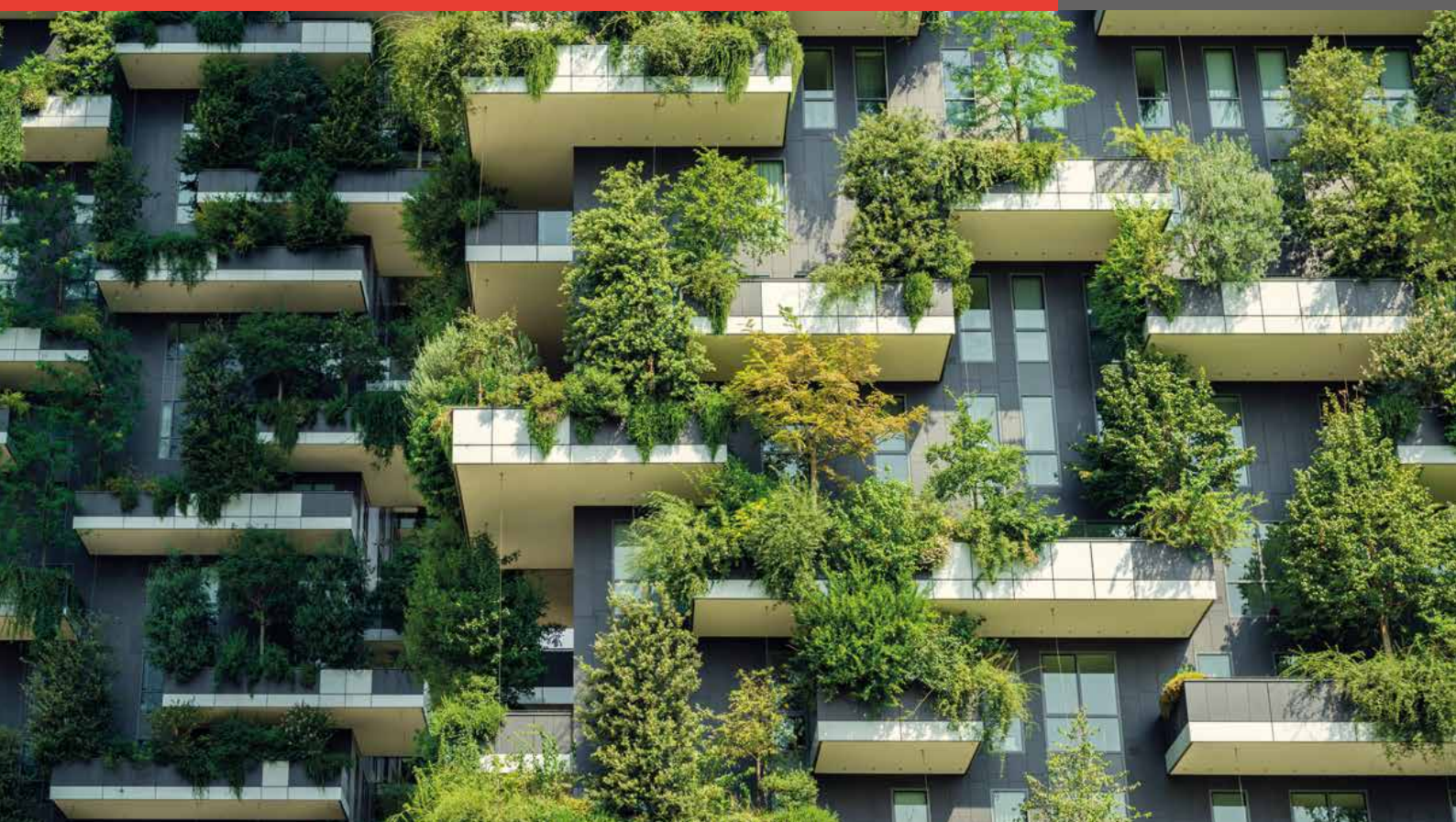


Global Business Services – Key to Agility

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Global Business Services – Key to Agility

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Preface

Global business services (GBS) organisations have firmly established themselves within the business environment. For a large majority of companies, implementation and use of shared service structures are crucial to remain competitive, especially in times when pressure to cut costs is greater than ever before. While the story of GBS organisations began with providing highly repetitive activities for internal customers, shared service centres (SSCs) today are moving towards providing global business services, covering global, end-to-end back-office activities. This new focus also includes the provision of value-adding activities to internal customers, as well as further digitalisation of transactional activities.

And this is where agility comes in. Agility can be defined as the ability to think and understand quickly, and to move rapidly and easily. GBS has now reached a position where it can bring the benefits of agile working to both internal customers and the organisation.

Within today's SSCs, we are observing a strong tendency to transfer end-to-end processes from corporate structures to GBS organisations. Whereas the finance function was the largest and thus most important function in the past (and thus the dominant function), today's more global focus includes all important corporate functions. This generally reduces the influence of the finance function, while the financial planning and analysis function and the sales and procurement function stand to benefit the most. More and more companies are also transferring these end-to-end functions to SSCs, making SSCs less dependent on the finance function.

As other functions within SSCs play an increasing role and SSC dependence on the finance function decreases, the role of the head of GBS will also change. Rather than the chief financial officer (CFO) automatically being head of GBS in the future, other members of the executive board will come to recognise their responsibilities as the importance of their functions increases within the SSC. This will make head of GBS more of a cross-functional role in the future.

With regard to further digitalisation and automation, SSCs need to adapt to the continuous improvements being made in organisations. Implementing digital tools allows SSCs to free up personnel to focus on value-adding activities and further increase SSC efficiency. However, introducing these technologies takes time and requires financial investment. Besides the need to allow adequate lead times when analysing potential and implementing digital solutions, companies using these solutions have found that initial investments are crucial for developing the organisation. This applies just as much to short-term projects – such as quick wins from robotic process automation (RPA) solutions – as it does to medium-term or long-term transformations, such as implementing artificial intelligence (AI) and, of course, the changeover to SAP S/4HANA.

All of these changes involve not only organisational changes, but personnel-related challenges as well. The large number of functions provided by a large-scale SSC means that skilled staff are required, especially if the focus on value-adding activities continues to increase. This increases competition for suitable talent and creates the need for SSCs to position and assert themselves on the market as attractive employers. Employer branding will thus have a massive impact on the final distribution of talent, and employers will need to pay more to acquire talented staff.

This study is the sixth in a series of publications produced every two years. The survey on which the study is based was conducted from November 2020 to January 2021, and included companies from throughout the world and from a wide variety of industries. All in all, the results cover more than 300 SSCs, enabling us to provide a comprehensive overview of the status quo, current developments, existing challenges and upcoming challenges. The study also covers the implications of these issues on strategy and vision, organisation and governance, processes, technology and data, and people and culture, as well as providing an outlook on upcoming key trends and further developments in SSCs.

We would like to extend our thanks to all companies that participated in this survey, and to all the organisations and partners who found time in such a disrupted world to provide valuable input and insights. We would also like to thank the global PwC network, which had a great impact on this survey. All these contributions have enabled us to produce a particularly interesting and insightful final study.

We hope that you enjoy reading this study, and that our insights will prove helpful in further developing your organisation.

Stuttgart, July 2021



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Table of contents

Table of figures.....	6
List of abbreviations.....	8
A Key findings	9
B Status quo and recent developments in GBS	10
C Strategy and vision.....	17
D Organisation and governance	21
E Processes.....	29
F Technology and data.....	39
G People and culture	46
H Outlook	52
I Scope of the survey	53
Contacts.....	55

Table of figures

Fig. 1	Which services does GBS currently provide and which services are you planning to have GBS provide in the future?	12
Fig. 2	Crisis management in GBS: actions taken by various GBS organisations during the pandemic	14
Fig. 3	Percentage of financial planning and analysis services transferred to GBS	16
Fig. 4	Management models for business services: line organisations vs. agile organisations.....	18
Fig. 5	Which options best describe your GBS strategy for the next five years?.....	20
Fig. 6	Do you consider outsourcing certain processes or functions?.....	20
Fig. 7	For which functions do you consider outsourcing services?	20
Fig. 8	Pros and cons of traditional line organisations compared to network organisations.....	22
Fig. 9	Example of a hybrid organisational model for business services	23
Fig. 10	How would you describe your current GBS organisation?.....	24
Fig. 11	Who has ownership of your GBS organisation?	24
Fig. 12	How do you manage collaboration with internal customers?.....	24
Fig. 13	Which method do you use for charging GBS costs to customers?	25
Fig. 14	What are the most important KPIs for your organisation?	25
Fig. 15	Which is the most important challenge for your company regarding internal controls?	25
Fig. 16	Use cases for PwC's GBS performance and compliance analytics suite.....	27
Fig. 17	PwC's GBS performance and compliance analytics suite (Screenshot)	28
Fig. 18	Which services does your GBS organisation provide and what proportion of activities have you transferred to GBS?	29
Fig. 19	Aspects examined in an SSC maturity assessment.....	30
Fig. 20	Client centres overall benchmark to other GBS, by area	31
Fig. 21	How standardised are your processes?	32
Fig. 22	Procurement organisations will move from category-based setups to value pool structures.....	33

Fig. 23	KPIs for procurement organisations of the future.....	34
Fig. 24	Do you use end-to-end process management (i.e. process-driven organisation)?	35
Fig. 25	Cascading field service tasks to other entities	36
Fig. 26	Which digitalisation initiatives do you think will have the greatest impact in the future?.....	39
Fig. 27	Elements of a target operating model for automation	40
Fig. 28	Automation roadmap, from proof of concept to automation at scale	41
Fig. 29	What are your main aims for digitalisation initiatives?	42
Fig. 30	IT SSCs can be set up as managed services or as part of the value chain.....	43
Fig. 31	What is the current level of automation and the target level of automation within your GBS organisation?	44
Fig. 32	Do you use Data Analytics to identify improvement opportunities?	45
Fig. 33	PwC's NextGen HR operations framework.....	47
Fig. 34	What is the average annual staff turnover your company has experienced over the last three years?	49
Fig. 35	Do you have incentives in place to reduce staff turnover?	49
Fig. 36	On average, how long does it take to recruit the following types of employees?	50
Fig. 37	How much have the requirements for the following positions changed in the last five years?	50
Fig. 38	How do you meet these new job requirements?	51
Fig. 39	What are the biggest challenges for people and culture within your GBS organisation?	51
Fig. 40	Which measures do you have in place for (digital) upskilling of your staff?.....	51
Fig. 41	What are the three most important initiatives/challenges for shared services in your company over the next two years?.....	52
Fig. 42	SSC location by region.....	53
Fig. 43	Participating SSCs by industry	53
Fig. 44	Number of FTE employees in the entire organisation	54

List of abbreviations

AI	Artificial intelligence
APAC	Asia Pacific
BPO	Business process outsourcing
CFO	Chief financial officer
CI	Continuous improvement
CoE	Centre of excellence
CPO	Chief procurement officer
ERP	Enterprise resource planning
ETM	Employee task management
FP&A	Financial planning and analysis
FTE	Full-time equivalent
GBS	Global business services
HR	Human resources
KPI	Key performance indicator
OLA	Operational level agreement
RPA	Robotic process automation
SLA	Service-level agreement
SSC	Shared service centre
VR	Virtual reality
XaaS	Anything as a service

A Key findings

This study enabled us to identify a number of key findings which will be very important for the future structure of GBS organisations and for their ways of working. The following section presents an overview of these key findings; more detail can be found in subsequent chapters.

1. COVID-19 dramatically changed business processes and put companies in a position where free global supply chains, travel, production and sales were heavily regulated. Despite these major changes at very short notice during the first few months of the pandemic, 40% of the companies surveyed do not intend to change their GBS strategy. A further 18% even said that they wanted to implement more ambitious GBS plans, and a little over a quarter of participants expected COVID-19 to only have operational impacts. This strongly indicates that COVID-19 is driving digitalisation and making employees less dependent on a single workplace than ever: companies set up work-from-home systems very quickly, and even transitions have been completed remotely.
2. GBS is becoming the rule rather than the exception: 50% of participants now have multi-tower SSCs. This is leading to a decline in the role and influence of the accounting function in GBS.
3. Our last GBS study from 2019 identified standardisation as one of the main strategies and objectives of GBS organisations. Levels of standardisation have improved since 2019, so GBS organisations will now mainly be focusing on further digitalisation of their services. AI and RPA will be the most important tools for achieving this objective, while chatbots will have a smaller impact. Many GBS organisations also consider the implementation of AI and RPA to be a major driver of ongoing digitalisation. This suggests that the strategic importance of digitalisation now exceeds that of standardisation.
4. From technology to technicians: new technologies usually require employee development and upskilling in GBS organisations, but a two-pronged approach is necessary to achieve this. The process of moving from transactional work to automation and standardisation within process management will create new qualification profiles, and new job profiles will emerge. However, these must first be filled and – above all – employees must be trained.
5. We observe that many employees are up to the new challenges and are willing to gain further qualifications and skills. However, the fact is that not all new requirements can be met with existing staff. This will require targeted recruiting of new employees, which will create a war for talent.
5. Survey responses indicate that the focus of GBS development is shifting slightly. Recent developments show that work on digitalisation now seems to be outweighing the drive for standardisation. At the same time, we see that digitalisation in almost all GBS organisations is accompanied by end-to-end process management, with one person in the group being specifically responsible for end-to-end process optimisation. Responses are even hinting at the upcoming trend of making entire GBS organisations truly process driven. Some GBS organisations have already moved from functional silos to end-to-end process organisations: instead of heads of function, these organisations are led by heads of processes – for example, head of purchase-to-pay process or head of order-to-cash process – each in charge of a relevant team.
6. What about outsourcing as an alternative? Interestingly enough, outsourcing appears to be a bigger topic now than in past surveys, although it is still not a major issue. A third of participants said that they were considering outsourcing, and finance would appear to be the best candidate among the various functions. Additional data analysis shows that there is slightly more interest in outsourcing in IT, HR and tax.
7. Agile working has also arrived in GBS organisations. Service organisations are driving agility by focusing on creative activities. In operations in particular – mainly store floor management, projects and project teams – agile methods are now almost universal. Agile working makes sense when creativity, novelty and transformation are at the forefront of solving a problem. However, highly specialised activities and large-scale transactional processes must not be left out of the equation, as agile working can be more of a hindrance than a help in these areas.

B Status quo and recent developments in GBS

Trends in GBS

A look back

As we begin to come out of the COVID-19 pandemic with vaccines becoming available, how have GBS organisations performed overall? For the most part – quite well. GBS organisations have centralised and standardised processes and use automation to optimise activities, which enabled them to be agile and adapt to the immediate needs of their business customers. They were also more digitally upskilled and better equipped for remote working, allowing activities such as closing the books and paying invoices to continue with little disruption in most organisations. In a way, the pandemic has helped highlight the role of GBS as a true business partner, with many organisations increasing the scope of their global centres as a platform for growth. Throughout the pandemic, we have seen that the “hub and spoke” operating model is most common. Clearly, there is an aspect of business continuity planning that is critical if one location has infrastructure challenges. But there is also now less of a need for global centres, given how automation is driving standardisation and thus allowing a more tailored approach to regional requirements.

Workforce of the future

So how did GBS adapt so well? One of the primary reasons is the talent pool that GBS organisations have developed. Driving improved quality and capabilities requires the right skill sets and talent. According PwC’s CEO Survey 2021, more than 50% of CEOs believe that lack of skills is impacting their ability to innovate, driving up costs, hampering quality and affecting customer experience. The impact of talent on GBS is no different. We advise clients to think about building their GBS organisations using three talent pillars – operational, functional and technical resources – for top performance. Operational skillsets help run GBS like a business to ensure optimal workflow; functional skillsets remain necessary to retain core abilities in relevant areas such as accounting, compensation and benefits, or procurement; and technical skillsets are needed for overarching digitalisation. GBS is

its own business and should be operated as such: staffing resources across these talent pillars will make transformative, data-driven business decisions rather than carrying out siloed transactional tasks. Like in professional services firms, where individuals with these different skillsets work together, GBS staff focus on business outcomes rather than their individual needs, and studies show that this also makes them more likely to progress within the organisation – a win-win situation.

More than cost savings

Part of the benefit of GBS will always be an element of cost savings – after all, this is in its DNA. However, industry leaders look equally at cost, quality and capability when considering moving activities to GBS. Beyond cost, GBS can deliver better quality for any activity currently being performed by the business: this is due to standardisation of processes and the multiplier effect of upskilling, which results from individuals working in a centralised reporting environment. However, the biggest differentiator for leading GBS organisations relates to helping the broader organisation build capabilities and deliver business outcomes. The ability to automate non-value-adding transactional activities, which frees up capacity to focus on more relevant areas such as data management and driving analytics, has turned GBS organisations into true business partners. For example, the expectation on the part of the business that vendor invoices will be paid on time is a table stake; but carrying out additional data analysis in order to leverage purchase discounts (and thus make savings) creates extra value, which in turn promotes GBS culture. Given that their core task is to perform activities more efficiently than the business itself, GBS teams have established training programmes to develop more digital capabilities, resulting in a platform for growth to upskill the organisation as a whole. GBS is often the only true global business within the organisation that can see the real end-to-end impact – so leverage it!

New scope

While progress has been made, organisations are still looking to achieve true end-to-end process optimisation, and the cultural aspect of change management remains the largest obstacle. Relinquishing control to an organisation that is often thought of as a transactional support centre makes many business leaders very apprehensive. But as highlighted above, GBS has earned the respect and recognition of many business leaders as a result of its digital teams and its performance during the pandemic, making many business leaders more comfortable with the idea of moving further activities to GBS. These activities range from transactional work to more value-adding tasks, but what they all have in common is that business leaders recognise that GBS can perform them with greater cost efficiency and equal or increased effectiveness. Today, we are seeing increased GBS scope in areas such as statutory tax reporting and operational business reporting, where the business spends a significant amount of time purely gathering data from multiple systems – this work could easily be automated, or carried out in a lower-cost location. In addition, functions such as legal and admin or engineering have also gained traction in GBS, where business leaders recognise the opportunity for GBS to support administrative activities that are more related to compliance and monitoring. This evolution is continuing to move organisations closer to the ultimate goal of true end-to-end processes. And let's not forget: the critical role in bridging these cultural concerns across the business is played by none other than our fellow global process owners – the change champions of GBS.

Why PwC?

We at PwC provide comprehensive support throughout the entire GBS lifecycle from strategy to execution, including managing outsourcing providers and providing our own managed services for our clients. We help our clients establish more efficient, technology-enabled GBS organisations. Automating non-value-adding work not only improves employees' work-life balance, but GBS's more centralised operations reduce your company's overall carbon footprint to help improve the world we live in – we at PwC take pride in making the world a better place for all.



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Fig. 1 Which services does GBS currently provide and which services are you planning to have GBS provide in the future?

Multiple answers allowed

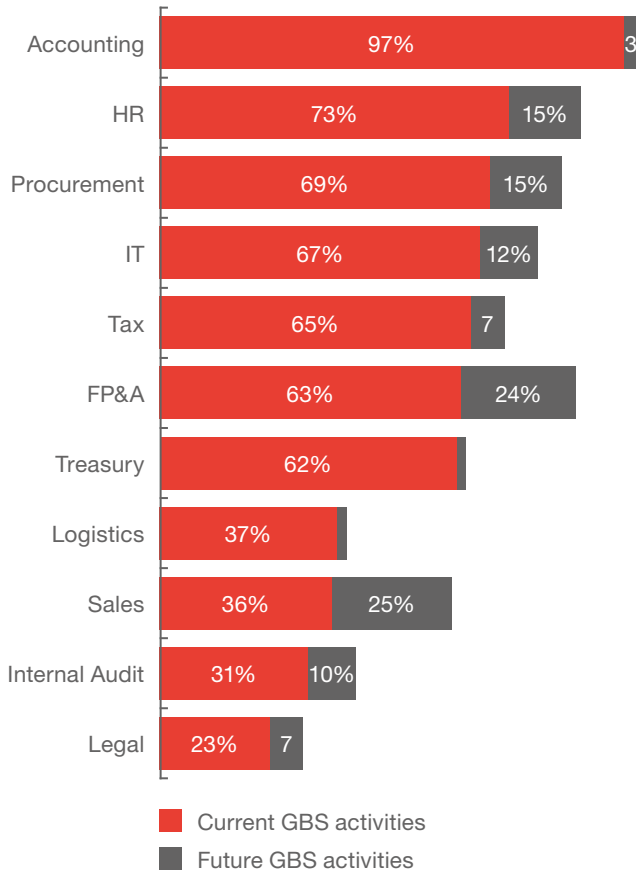


Figure 1 shows that accounting activities still dominate GBS organisations: 97% of the companies surveyed use GBS in this field, followed by HR (73%) and procurement (69%). It is also clear that all functions are aiming for higher maturity and further development of each function within GBS.

In accounting, 80% of overall accounting activities are provided through captive units and the remaining 17% through outsourcing partners. Companies are planning to integrate all of the remainder into GBS, taking the proportion of accounting services provided by shared organisations up to 100%.

In HR, only 9% of activities are performed by external service providers and 64% continue to be performed in-house. Of the companies surveyed, 27% do not have any HR services provided by GBS. However, 15% of the companies are planning to integrate HR services into GBS in the future.

The picture is very similar for procurement activities. Of the companies surveyed, 69% have most of their procurement activities covered by a GBS structure, with 61% of companies having these services provided by captive units and 8% outsourcing them. A further 15% of companies are planning to transfer procurement activities to GBS.

In IT, the share of outsourced services is higher (23%), with only 44% being provided by captives. At the same time, 12% of the companies surveyed are planning to integrate their IT functions into a shared service structure.

Almost two thirds of companies surveyed have tax services provided in a GBS structure, with 57% using captive services and only 10% outsourcing to external service providers. Around 7% of companies are planning to move tax services to GBS.

In financial planning and analysis, only 4% of companies have outsourced services; 59% remain in-house. However, there is still room for improvement in terms of GBS usage: 37% of companies have yet to transfer any financial planning and analysis services into an SSC. However, a major increase in GBS usage is likely in the near future, as 24% of the participants stated that they were planning to integrate further financial planning and analysis services into a shared organisation.

In treasury, the picture is similar: 57% of companies use in-house services, and only 5% outsource. A further 2% of companies are planning integration into GBS.

A very clear divide is visible in logistics: almost two thirds of the companies surveyed have yet to shift these services to GBS, while one third of companies still use captive global services and only 4% have outsourced them. Furthermore, only 2% of the companies surveyed are planning to integrate logistics into GBS, indicating that GBS holds limited potential in this area.

The same applies to sales services, with one third of companies using captive global services and 3% using external service providers. However, a considerable proportion of companies are planning to integrate sales activities into shared structures.

Even less transfer to GBS has been made for internal auditing services: only 30% of companies provide these services through in-house GBS and only 1% outsource them. On top of this, only 10% of the companies surveyed are planning to shift further auditing activities to GBS.

Finally, GBS is least commonly used for legal services: only 20% of companies provide these services through captive GBS and 3% outsource them. This means that 77% of the companies surveyed still carry out legal activities within their original organisations, although 7% are planning to shift these activities to shared structures.

Overall, figure 1 shows that mature functions such as accounting, HR and procurement are generally aiming to increase transfer of activities to GBS (e.g. zero local accounting), while less mature functions are aiming to complete their initial setup within a GBS organisation.

GBS and the new normal

Our findings show that companies consider GBS to be a solid strategy in the current economic situation. A total of 44% of our participants stated that they intended to continue with their current strategy despite the COVID-19 pandemic. An additional 18% are even considering more ambitious GBS plans. Some 30% expected COVID-19 to have an operational impact (e.g. minor adjustments to operations) and 8% saw COVID-19 as a reason to refine their GBS strategy. However, none of the participants considered COVID-19 to be grounds for suspending their global strategy, demonstrating the strength of GBS within corporate strategy.

Current developments in financial planning and analysis in GBS

Since the outbreak of COVID-19, the speed of change in both private life and the business world has increased dramatically. Alongside effects on business models and general digitalisation, the world of GBS has also been severely affected.

In this article, I would like to comment on five observations in the field of GBS for financial planning and analysis. The conclusion is clear: financial planning and analysis is becoming an increasingly important part of the GBS portfolio.

COVID-19 has driven acceptance of remote working – and, indirectly, the GBS model

One side-effect of the “new normal” since the start of the pandemic is that remote working is becoming as important as on-site working. There is increasing acceptance within management that remote working can achieve efficient results, but there is also a growing awareness that remote working requires more discipline and harmonisation of processes to avoid misunderstandings and to prevent steps being taken at the wrong time or in the wrong order. Remote working

Fig. 2 Crisis management in GBS: actions taken by various GBS organisations during the pandemic

	Multinational chemical and consumer goods	Leading global pharmaceutical company	German-based automotive supplier	Capital goods and systems producer	Agricultural machinery manufacturer	Multi-national engineering corporation	International services and advisory firm	US business process service provider
Arranging and coordinating remote working	✓	✓	✓	✓	✓	✓	✓	✓
Arranging rolling shift plans to ensure business continuity			✓	✓				
Improving internet connections (quality and speed)		✓						
Providing appropriate IT equipment to all employees			✓				✓	✓
Postponing planned IT transformation projects		✓						
Considering further automation of affected GBS activities	✓		✓		✓	✓		
Creating virtual communities (e.g. daily stand-up calls)		✓	✓				✓	✓
Short-time working ¹ for GBS employees			✓	✓				

■ Internal GBS
 ■ Outsourcing provider

¹ Kurzarbeit

also increases the need for a single source of truth for data structures and key performance indicators (KPIs) to avoid unnecessary communications to clarify the meaning or the origin of reported numbers. This is a great opportunity for GBS, as the essence of its operating model is centralised but remote from customer service delivery, based on standardised processes embedded in a clear KPI framework and service level agreements for measuring process efficiency and effectiveness.

Increasing popularity and usability of low-code/no-code analytics solutions (together with centrally managed business intelligence structures) are boosting financial planning and analysis GBS

The increasing usability of low-code/no-code solutions is the ideal basis for an efficient approach to financial planning and analysis GBS. As more and more desktop applications with flexible, powerful analytics capabilities appear on the market, it's becoming ever more important to have a single source of truth for data structures to ensure meaningful dialogue on performance: GBS can help in this respect by maintaining the underlying data model in line with overall management requirements and KPIs. Standard data structures and reports from GBS – together with the ability to perform flexible ad-hoc analyses on a local level – can cover the majority of reporting needs.

Process-driven organisations and the integrative approach of S/4HANA for accounting and financial planning and analysis promote GBS

We are seeing a trend towards process-driven operating models for administrative functions in order to overcome functional barriers which have grown up over the years. Together with enterprise resource planning (ERP) systems such as S/4HANA, this is driving integration between financial planning and analysis and accounting in particular. Accounting is already a very mature GBS service, driving integration and therefore leading to more financial planning and analysis activities moving to GBS (e.g. month-end control activities). There's an important split here between HQ as the governing body, local operations bringing value to external customers, and GBS delivering process excellence; process-driven approaches make this split even more relevant.

Business analytics centres of excellence are also a boost for process harmonisation

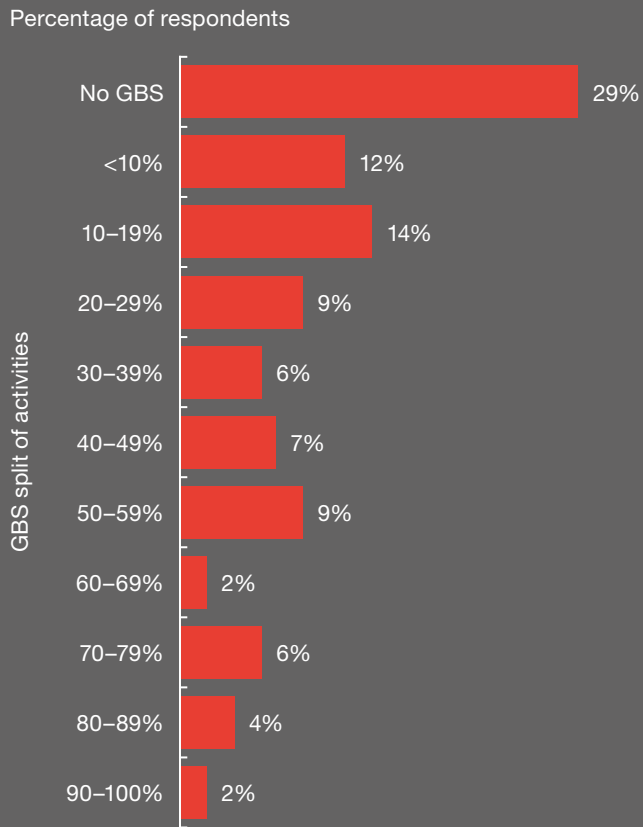
Many companies have started to bundle business analytics with the application of predictive tools, process mining solutions and further advanced analytics solutions in order to avoid redundancy and ensure efficient allocation of scarce analytical expertise. Process analytics solutions in particular are ideal for identifying process variants and process flow anomalies; this information can then be used to either find the most efficient process flow or to ensure process discipline. This makes the role of the process owner even more relevant, as now there is technology to complement process knowledge and expertise – ultimately enabling process harmonisation to be further accelerated.

There is still a lot of potential for GBS in financial planning and analysis

Even though factors such as the points above are increasing the relevance and benefits of GBS in financial planning and analysis, there is still untapped potential. Our survey results reveal that 30% of the respondents have no financial planning and analysis services in their GBS organisation, and another 50% have transferred 50% or less of their financial planning and analysis services to GBS. This means that about 80% of the respondents still have potential to extend their financial planning and analysis portfolio within GBS and realise the benefits that this will bring.

All these observations show that there is a lot of potential for GBS in financial planning and analysis, going far beyond traditional motives such as labour arbitrage. Together with the ever-increasing pressure for efficient and lean back-office structures (and hence, financial planning and analysis structures as well), the increasing need for up-to-date, reliable and consistent financial information is boosting the relevance of GBS in financial planning and analysis as part of an end-to-end, process-focused GBS organisation.

Fig. 3 Percentage of financial planning and analysis services transferred to GBS



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C Strategy and vision

Accounting – the pioneer of “zero local activities”

The accounting function is at the heart of the vast majority of current GBS organisations. Our survey showed that accounting is the only function with a very high level of GBS maturity – 97% of the companies surveyed have incorporated accounting into GBS. This is perhaps unsurprising, as it is usually the corporate CFO who is responsible for the GBS organisation. The accounting function thus serves as a nucleus for all other functions to be incorporated into a shared service structure, and a benchmark for measuring the success of this process. Despite the high maturity of accounting GBS, the transformation of accounting is still not yet complete. The ultimate aim must be holistic, end-to-end process chains, implemented in a company-wide concept of “zero local accounting” with 0.0 local full-time equivalent (FTE) accounting employees. Achieving this is a milestone and, in our view, should be an ambition for every organisation: division of activities between local entities and GBS organisations creates interfaces that frequently result in internal competition and megalomania. Technological solutions, local accounting and tax service providers, and business process outsourcing (BPO) vendors can provide the crucial support necessary to transfer all activities covered by local entities into a GBS organisation. However, further development and improvement of the accounting function within a GBS organisation often poses challenges relating to governance and legitimacy.

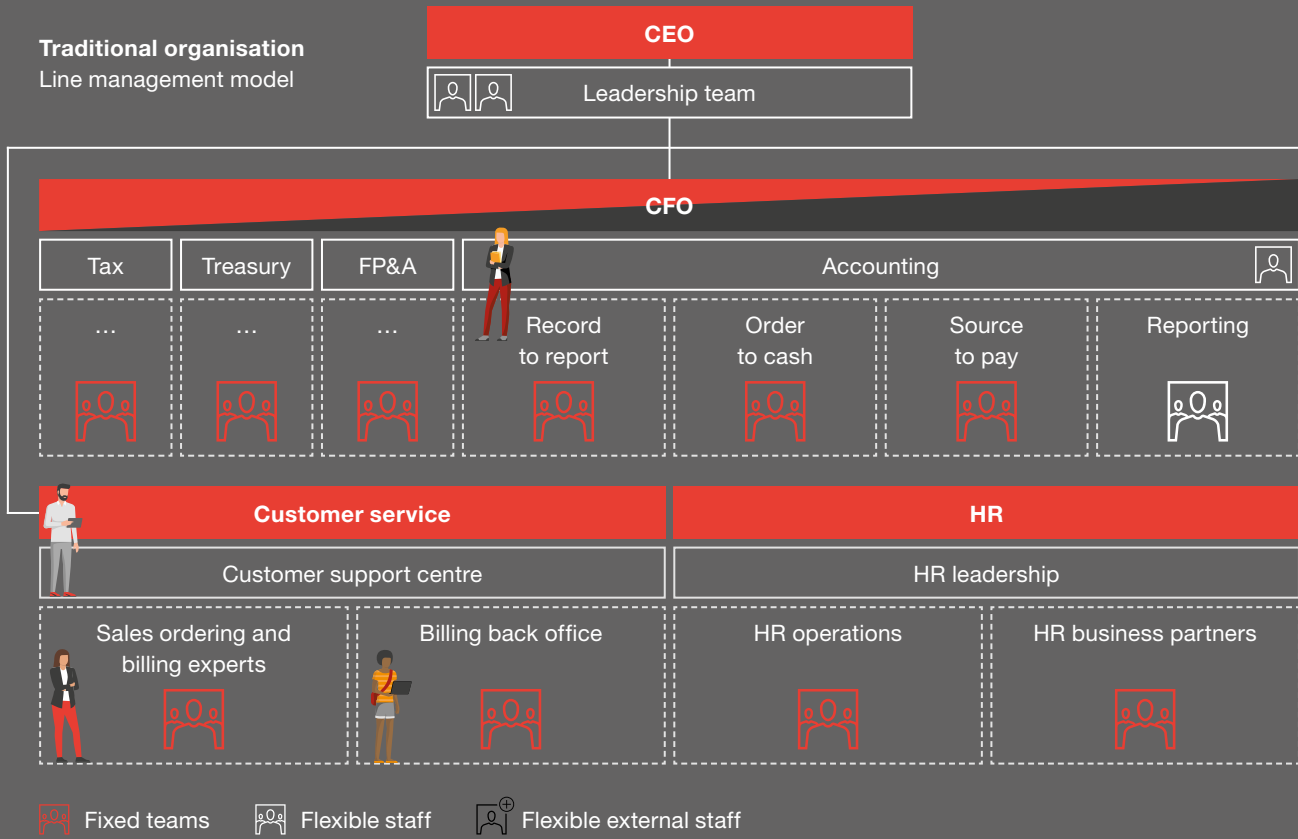
As in all aspects of business, the COVID-19 crisis has cast its shadow over GBS organisations, although the positive effects for the accounting function outweighed the negative ones. The need for quick access to important information such as liquidity and cash flow figures demonstrated the importance of identifying business-critical data at corporate group level. This enabled well-managed GBS organisations to quickly adapt and implement countermeasures, and eventually gain an advantage over their competitors.

Complete automation of all non-value-adding activities is a major driver of efficiency in GBS organisations, and the finance function is the most developed function here as well. However, this appears to be due to treasury rather than accounting. The accounting function, unlike treasury, has the disadvantage that its ways of working are often influenced by internal customers, which makes it difficult to automate and standardise activities. An example of this problem is local accountability for closing entries, which complicates higher-level acceptance and thus decreases accountability to the GBS organisation. To address the problem, many companies are taking new and more far-reaching approaches, the goal of which is to shift responsibility from local units to the SSC.

According to our survey results, digitalisation of the accounting function is the most implemented strategy for GBS organisations. This transformation is being led by digital tools and systems, which in turn help to increase standardisation of processes and data structures. However, levels of implementation still vary greatly: some organisations have digitalised just 20% of activities, while the figure is as high as 90% for some others. The ongoing corporate change due to digitalisation will also have a significant impact on working methods, employee numbers and qualifications required for future positions.

Although digitalisation is still progressing too slowly and not going far enough, many companies are also experimenting with new agile forms of organisation. So far, the effects of these experiments have essentially been seen in shop floor management and project work. Here, too – in view of the many advantages of agile working – we expect to see organisations moving away from rigid working towards agile collaboration and fast, dynamic approaches and solutions to problems.

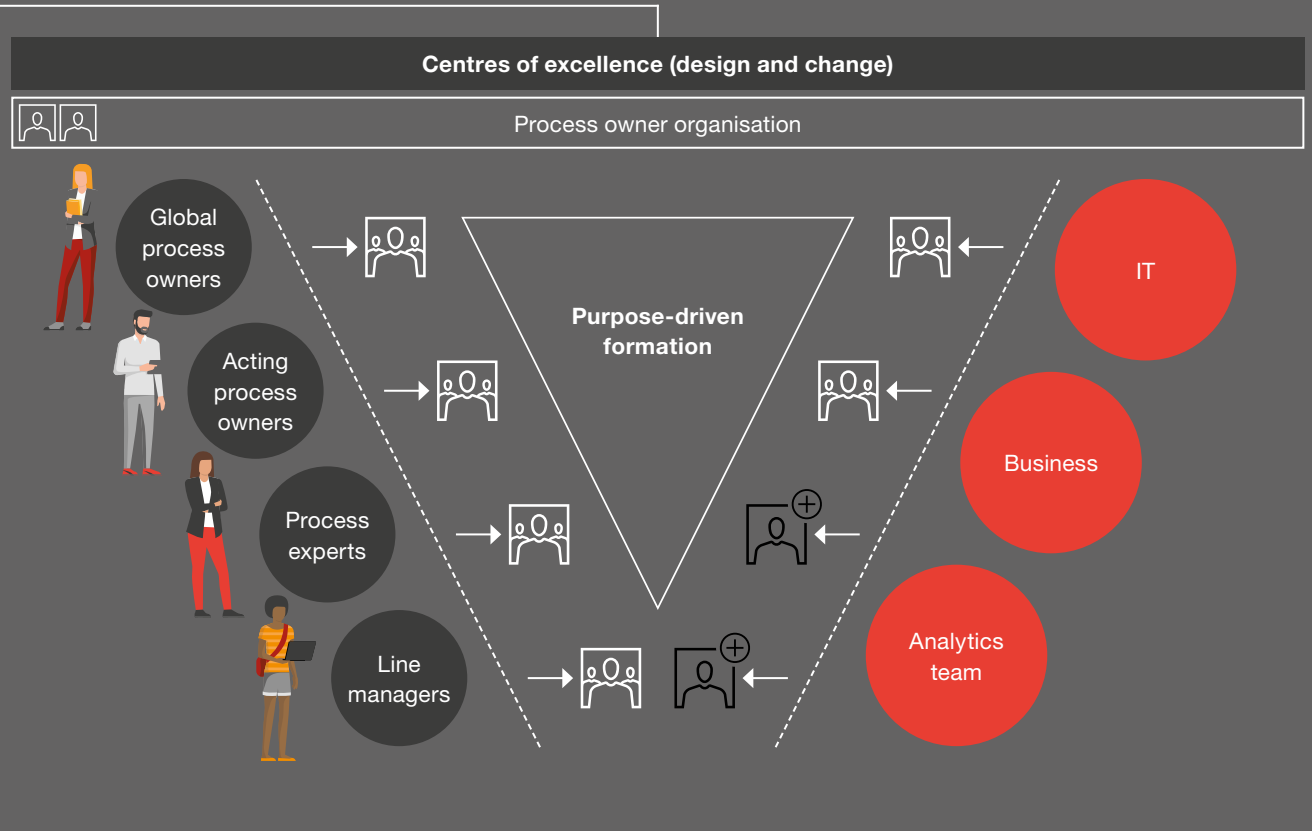
Fig. 4 Management models for business services: line organisations vs. agile organisations



In summary, accounting functions will have to face challenges at a very high level of GBS maturity in the future, paving the way for other functions to follow. It is up to companies themselves to decide how much they want to favour and promote this development by means such as continuing to reduce manual activities through increased automation and digitalisation, and redefining job requirements and profiles to meet future demands.

It remains to be seen which will be the next function to follow accounting along this path. Financial planning and analysis, as part of the overall finance function, is currently in the best position to do so. The survey results confirm this, showing that many companies are planning to transfer far-reaching financial planning and analysis activities to their GBS organisations. Other functions that we believe will continue to develop strongly in this direction are tax and treasury, albeit to a lesser extent than financial planning and analysis.

Agile organisation
Agile leadership model



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Fig. 5 Which options best describe your GBS strategy for the next five years?

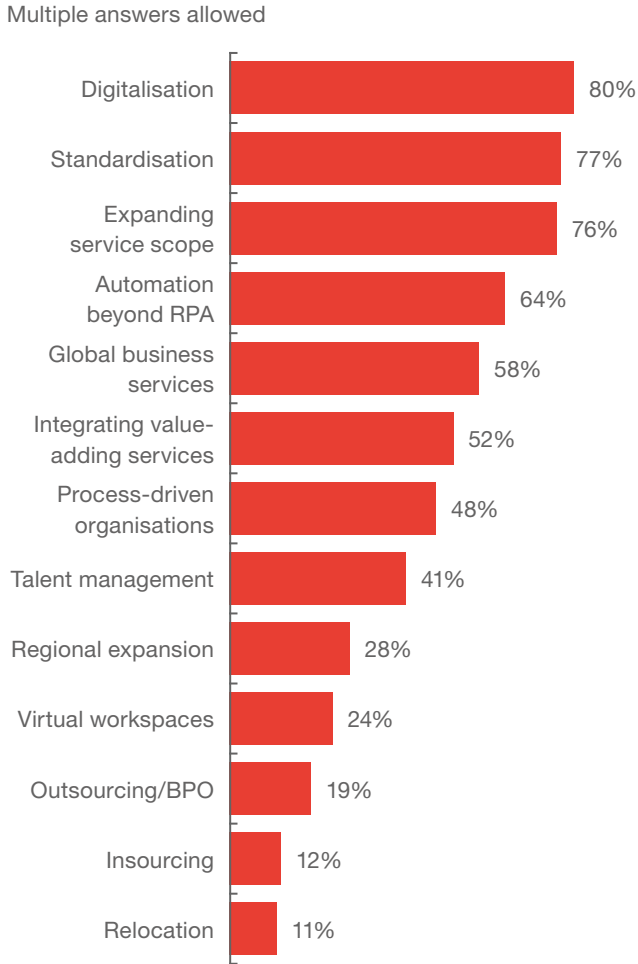


Figure 5 shows that digitalisation, standardisation and extending the scope of GBS are all key GBS strategies for the next five years among more than three quarters of the companies surveyed. The transition to a process-driven organisation is also gaining importance as a strategic GBS target, whereas BPO appears to be losing importance for strategic direction.

Fig. 6 Do you consider outsourcing certain processes or functions?

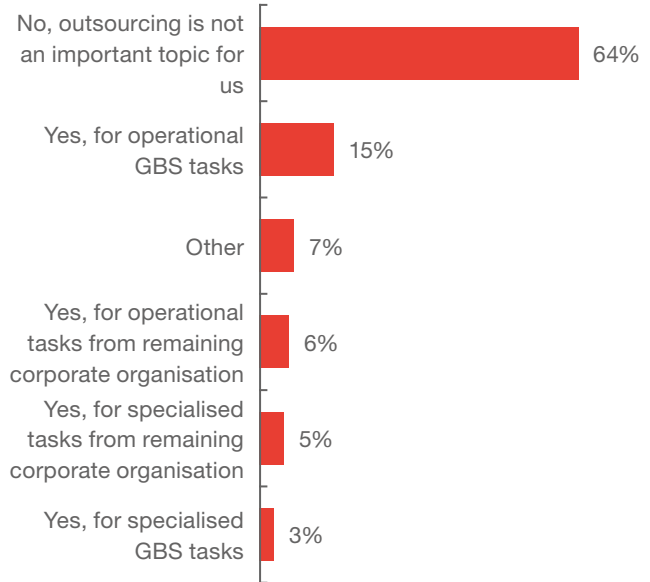


Figure 6 indicates that outsourcing is not an important strategic target for two thirds of the companies surveyed. However, the remaining third of these companies do consider outsourcing processes or functions, creating a favourable market environment for outsourcing providers.

Fig. 7 For which functions do you consider outsourcing services?

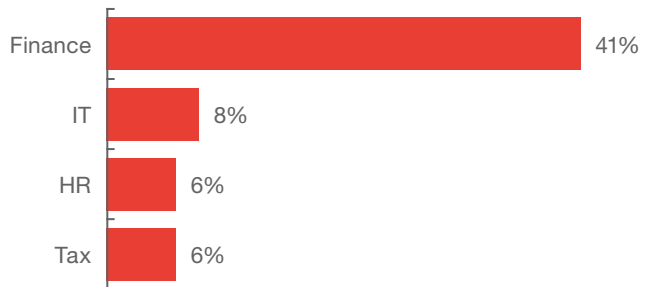


Figure 7 clearly shows that the finance function (including accounting and financial planning and analysis) is the first target when it comes to leveraging outsourcing potential. Meanwhile, there appears to be little potential for outsourcing in the IT, HR and tax functions.

D Organisation and governance

New ways of working – agile organisations for success

The capability of shared services to quickly adapt to volatile environments with ever-increasing complexity and uncertainty has been put to a serious test by the COVID-19 pandemic. After the initial shock, most organisations adapted to the new environment by rapidly shifting to remote working, keeping interruptions to business operations at a reasonable level. Despite this successful shift, the “new normal” of working in a pandemic also clearly showed the typical blind spots relating to agility that most GBS operations experience. Areas requiring improvement can be summarised as follows.

- **Flexible reallocation of workforce according to actual resource needs**

While accounts payable teams typically faced smaller-than-normal workloads during the first phase of the pandemic, much more work than normal had to be done in HR at this time. Many organisations found it a challenge to flexibly and immediately adjust staff utilisation to suit these volatile workloads.

- **Management of time-critical activities (e.g. closing the books)**

Peaks in workload often became hard to deal with, especially in GBS organisations that mainly relied on informal communication. If agile working methods and network approaches with flexible teams had been in place, GBS organisations could have responded to such changes in workload much more quickly.

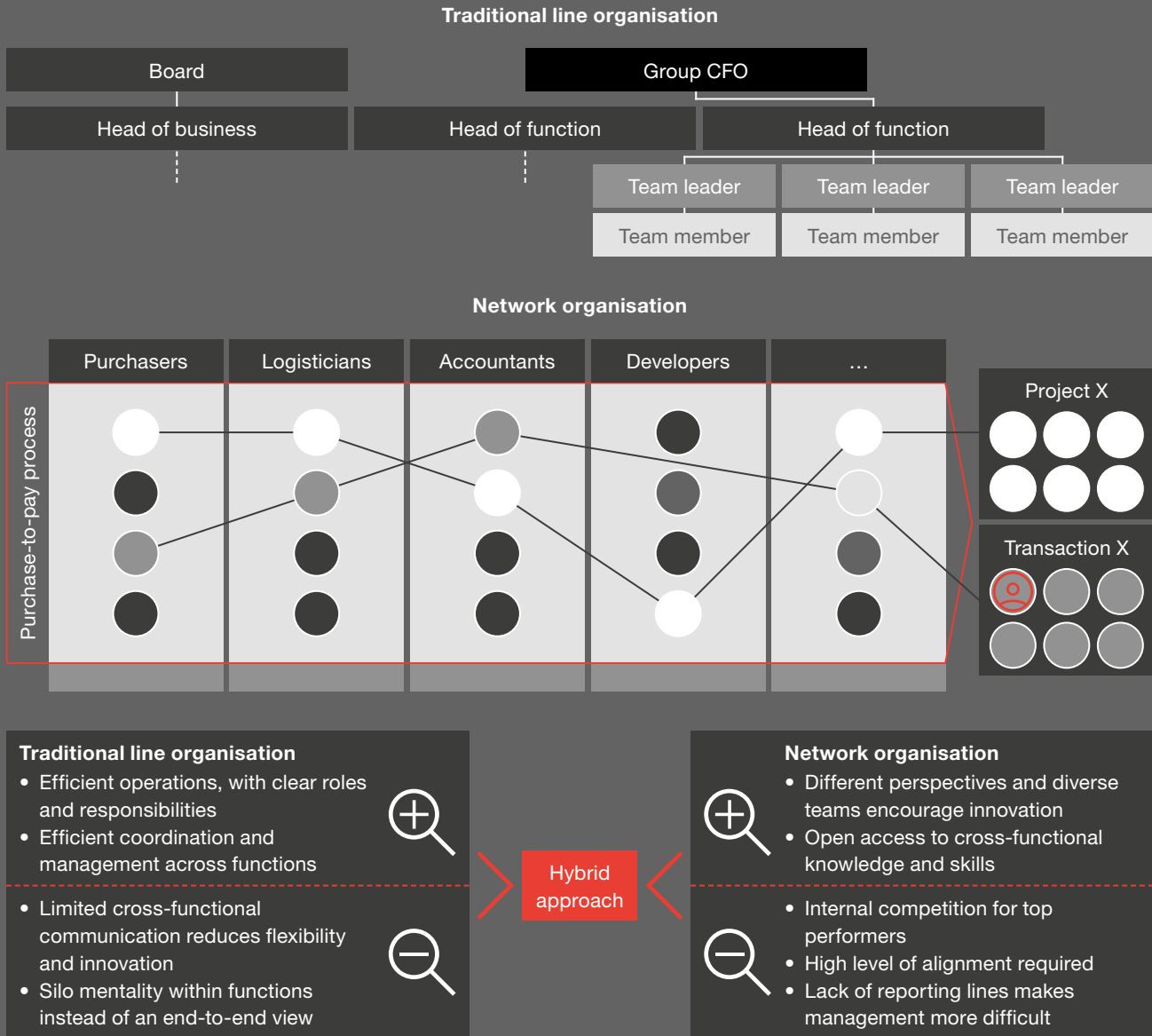
- **Retaining strategic initiatives as top priorities during critical times**

Several GBS clients reported putting long-term strategic initiatives temporarily on hold due to the overall uncertainty and the limitations of a workforce in crisis management mode. However, these projects are often related to digitalisation and CI, and therefore play an important role in the long-term success of GBS.

The pandemic has indisputably showed that organisational agility is a key success factor. GBS operations are typically set up as line organisations based on their original purpose – delivering high-quality services at low labour costs by carrying out transactional tasks. However, this traditional role is now losing relevance due to continuous automation of transactional tasks. To meet the new requirements of high responsiveness, increased customer focus and driving innovation, the traditional organisational structure of GBS needs to evolve.

But what can GBS do to increase agility? Integrating elements of a flexible network operation into the traditional line organisation structure of business service centres is an effective first response to these new requirements.

Fig. 8 Pros and cons of traditional line organisations compared to network organisations

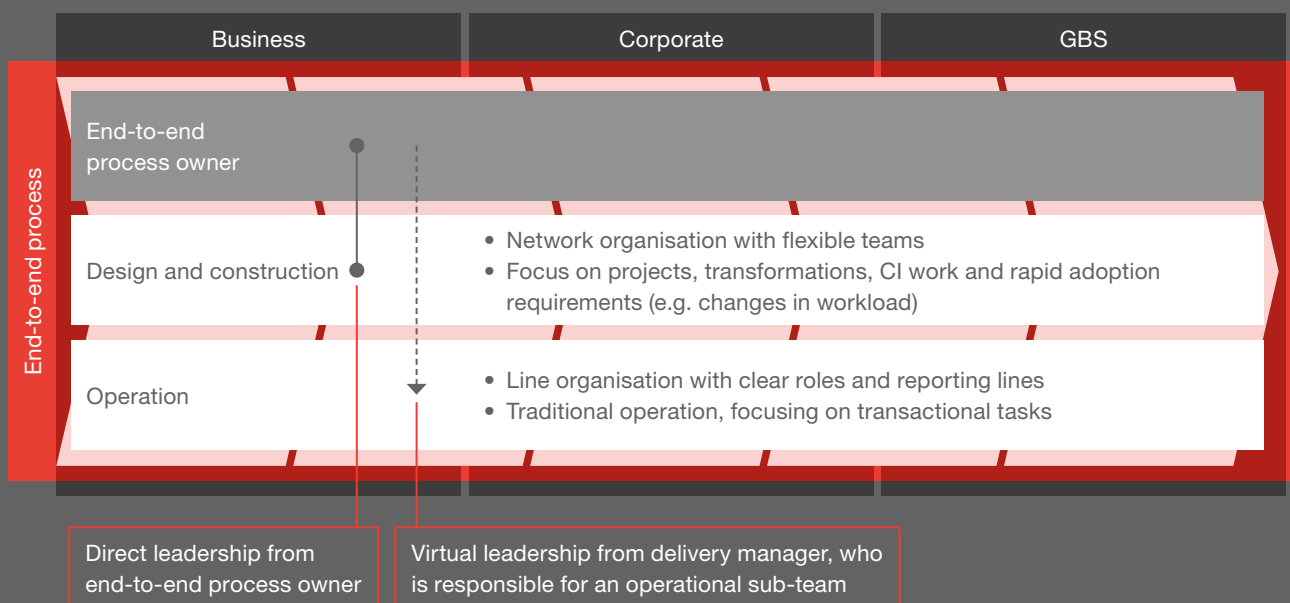


Using a hybrid approach enables companies to combine the benefits of both structures by introducing flexible teams to deliver transformational project work, drive innovation and CI, and overcome staff utilisation challenges. The simplified chart below highlights the key characteristics of a potential hybrid model for GBS.

- **End-to-end process ownership**
End-to-end processes are the most important element, working across functions and organisational levels, and led by a dedicated end-to-end process owner with overall responsibility for each process.

- **Organisational split between:**
 - **Design and construction**
Set up as a network organisation, with flexible teams managing projects, transformations and CI work, along with responding to rapid adoption requirements (e.g. changes and peaks in workload)
 - **Operation**
Set up as a line organisation, with clear roles and reporting lines covering traditional transactional work
- **Close collaboration**
Close collaboration across all organisational units (business/corporate/GBS) and functions involved

Fig. 9 Example of a hybrid organisational model for business services



The aim is not to transform your GBS organisation straight from “zero” to a completely agile setup, but to concentrate on the right changes in line with the evolving purpose of business services:

- Become a value-driven organisation, quickly adapting to volatility and changes in workload
- Play an important role as a driver of innovation and digitalisation in the company
- Ensure increased responsiveness and customer centricity



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Fig. 10 How would you describe your current GBS organisation?

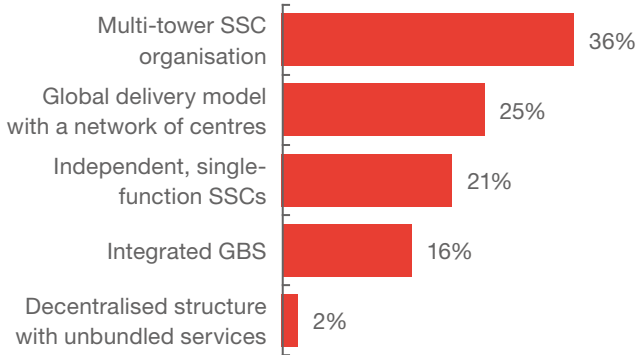
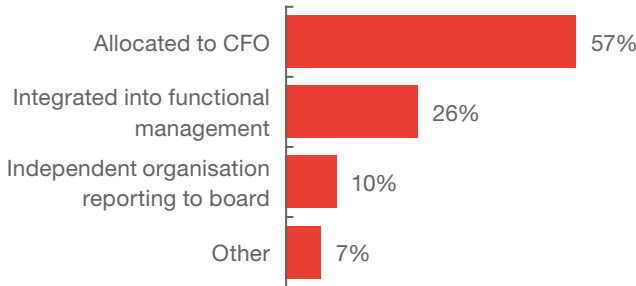


Figure 10 indicates that companies are aiming for high-maturity, multi-tower GBS organisations rather than single-function SSCs. This shows that cost efficiency is still the predominant reason behind implementing SSCs, and that the trend towards global business organisations is still increasing as companies transfer more and more functions into their SSCs. A quarter of the companies surveyed have a delivery model with a whole network of centres, showing that GBS organisations (including GBS strategy) need to be considered at a global level.

Fig. 11 Who has ownership of your GBS organisation?



As shown in figure 11, more than half of the companies surveyed directly allocate their GBS organisations to the CFO. This may be because the accounting function has a major presence in SSCs and often represents the biggest component of the GBS organisation. Another possible reason is that accounting functions have often been the first function to be transferred into an SSC, which may then have remained under the CFO even after other functions were transferred. However, a quarter of SSCs are allocated to the management structure of the function they cover, and a further 10% are operated as wholly independent organisations with no direct links to corporate functions.

Fig. 12 How do you manage collaboration with internal customers?

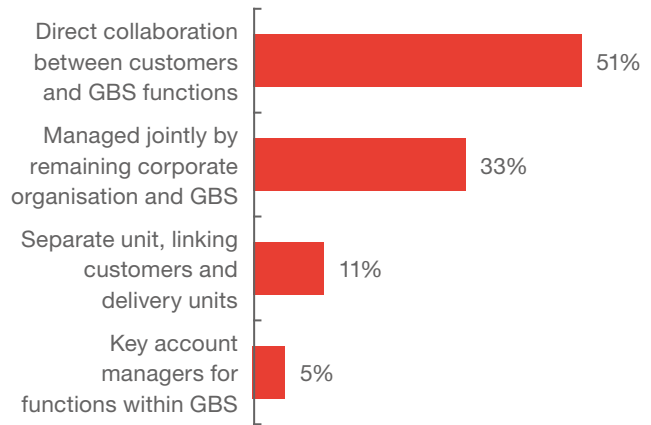


Figure 12 shows that more than half of the companies surveyed maintain direct contact between the GBS organisation and internal customers. An additional 33% have shared responsibilities, in which the remaining corporate organisations and GBS jointly manage customer contact. Only 5% of the companies surveyed use key account managers for collaboration with internal customers.

Fig. 13 Which method do you use for charging GBS costs to customers?

Multiple answers allowed

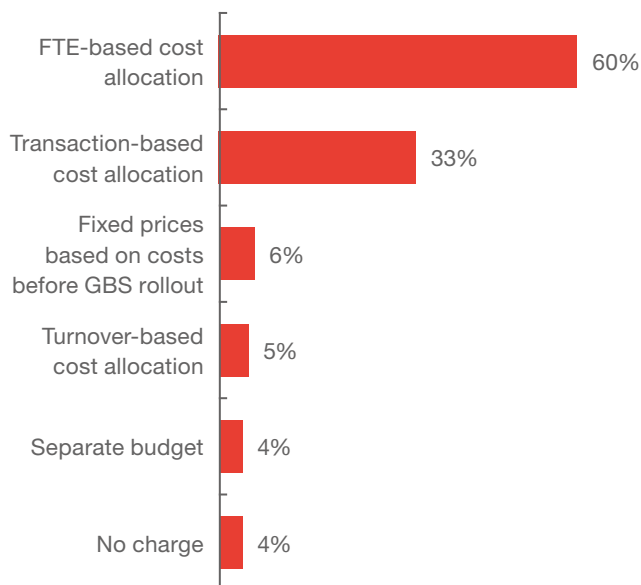
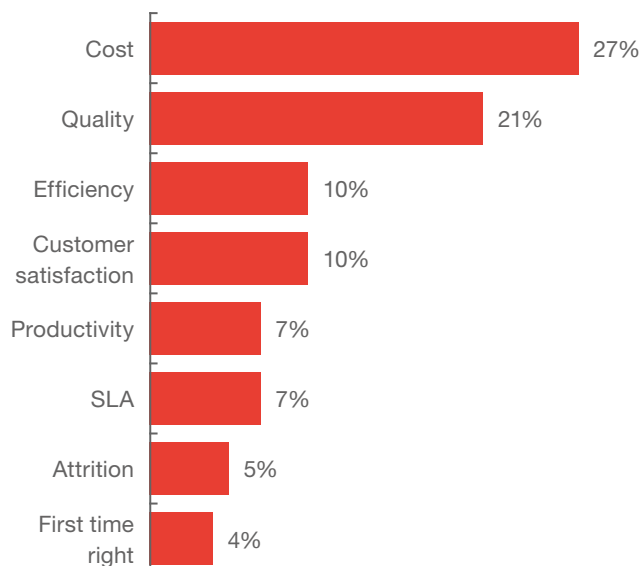


Figure 13 shows that 60% of the companies surveyed use an FTE-based system to allocate GBS costs to the customer, making this the most common method. Around a third of companies use transaction-based cost allocation, while fixed-price charging (6%), turnover-based cost allocation (5%), a separate GBS budget (4%) and no charging at all (4%) are less popular.

Fig. 14 What are the most important KPIs for your organisation?

Multiple answers allowed



More than a quarter of the companies surveyed use costs as the main KPI for guiding their GBS organisations, followed by quality (21%). Efficiency and customer satisfaction are each used by 10% of the companies, while productivity (7%), service-level agreements (SLAs, 7%), attrition rate (5%) and “first time right” (4%) only play minor roles.

Fig. 15 Which is the most important challenge for your company regarding internal controls?

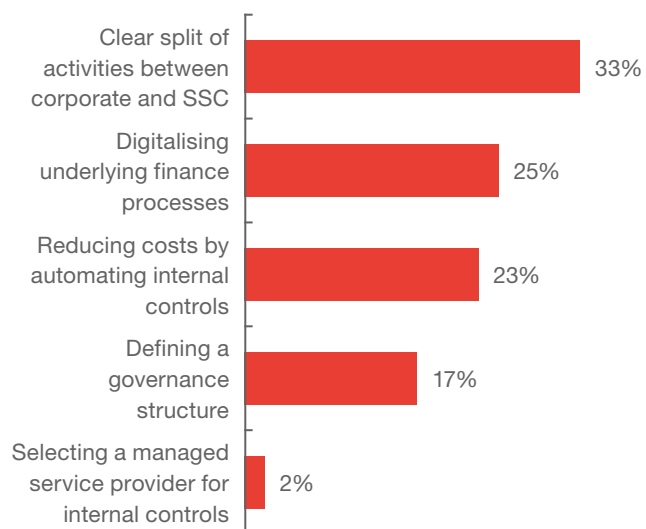


Figure 15 shows that the greatest challenge for 33% of the companies surveyed is defining and maintaining a clear split of activities between corporate and SSC. This indicates the importance of getting this split right and handling the interface well, as this is one of the most critical factors for the success of GBS organisations.



GBS performance and compliance analytics

GBS organisations have grown rapidly over the last two decades to handle processes in many areas, such as finance and accounting, financial planning and analysis, procurement, sales, or HR. In multinational companies in particular, GBS organisations serve large numbers of legal entities, often while working with multiple IT systems and different data models. Design of end-to-end processes (including both GBS and remaining corporate organisations) and increasing transfer of activities to GBS with more complex processes are the ongoing key market trends and challenges currently faced by GBS organisations. The level of maturity of GBS processes is only moderate in many cases, with significant potential for further standardisation and automation. Lack of transparency regarding ongoing processes in ERP systems is also frequently observed, as is lack of conformity with standard processes. Real processes also often deviate from the split of activities which was initially agreed upon with the remaining corporate organisations. To address these pain points, a performance and compliance measurement system based on data analytics and advanced KPIs is essential. In practice, there is still substantial potential for improvement in these systems, as the scope of data and analytic metrics are still not being fully utilised.

We at PwC have established a GBS performance and compliance analytics suite based on process mining and reverse business engineering technologies. This suite can be used as a starting point for deep-dive analysis of actual processes, their performance, risks and process discrepancies to identify relevant areas for optimisation or to shape the scope of transformation projects. The suite can also be implemented as a continuous management instrument to monitor process performance and compliance. We regularly add new content to the analytics catalogue, based on our comprehensive experience in the GBS consulting sector and our in-depth insights from the world of practical auditing. The suite can be deployed in a wide range of possible scenarios, as shown in figure 16.



Fig. 16 Use cases for PwC's GBS performance and compliance analytics suite



Continuous GBS performance and compliance management



Benchmarking one or more GBS organisations across one or more companies



GBS maturity assessment: levels of standardisation, automation, efficiency, compliance/conformity



Analysis of automation potential in GBS (e.g. RPA quick wins)



Before and after comparisons for GBS: process quality, efficiency

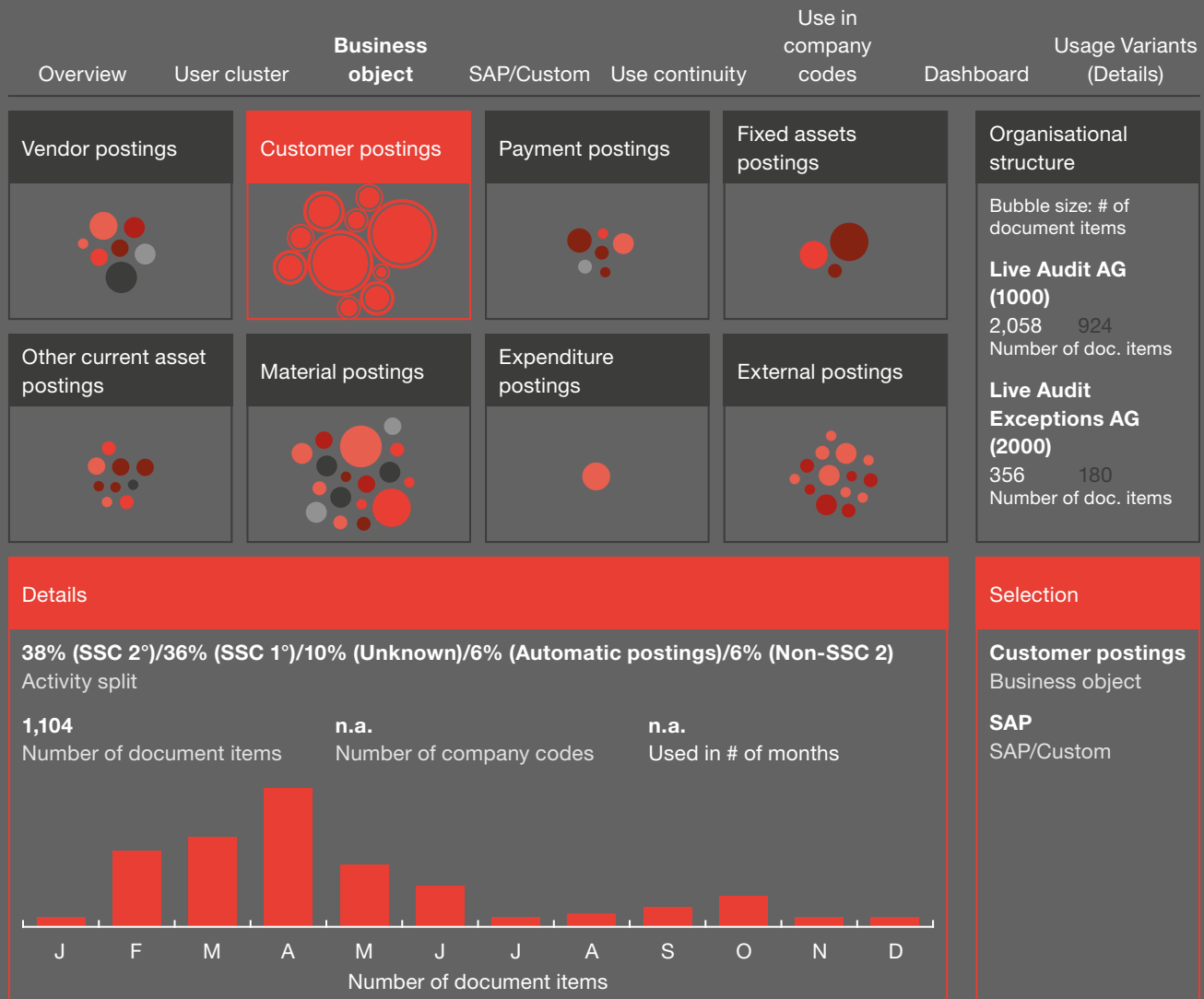


Feasibility studies for GBS implementation or optimisation

Our GBS performance analytics tool is designed to measure the effectiveness and efficiency of GBS processes, analysing multiple legal entities to provide in-depth insights about current levels of process standardisation and automation across the entire GBS organisation. The suite also uses a set of GBS-specific KPIs to measure various indicators of quality and efficiency (e.g. touch rate, change rate, cycle time) and compare them across the various legal entities. As well as this, the tool also explores potential quick wins – e.g. automation use cases with RPA.

Our GBS compliance analytics tool is designed as a process-based risk analysis system. It focuses on checking conformity with standard processes across all legal entities which are using global services. The major objective is to identify unusual process variants and transaction patterns which might create risks for the company. The tool also enables assessment of whether GBS and remaining corporate organisations are following the agreed split of activities, making it possible to identify potential deviations from the agreed scope of service. The results provide insights about the effectiveness of the company's internal control system whether appropriate controls are in place for all indicators and identified risks.

Fig. 17 PwC's GBS performance and compliance analytics suite (Screenshot)



The solution includes a standard GBS analytics package, which will be tailored to your processes based on your ERP landscape, IT system landscape

and data model. It can be used either with your own licence or as part of our process mining as a service model.



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E Processes

Fig. 18 Which services does your GBS organisation provide and what proportion of activities have you transferred to GBS?

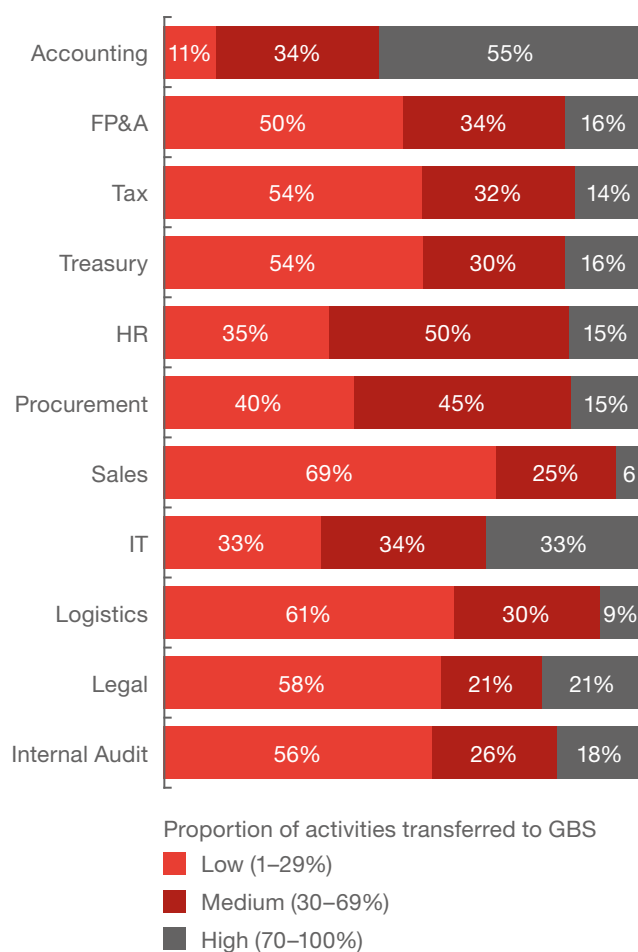


Figure 18 shows the percentages of companies which have a high (70–100%), medium (30–69%) or low (1–29%) proportion of activities transferred to GBS in each corporate function. Services currently provided by GBS are still dominated by accounting activities and processes, followed by HR and IT.

In accounting, 55% of the companies surveyed have shifted 70% or more of their accounting services into an SSC. This indicates a high level of GBS maturity in accounting. However, there is still potential to move further activities to GBS.

When looking at the more finance-related functions, we can see that around 10% of the companies have

shifted 70% or more of their financial planning and analysis activities into a GBS organisation. Almost three quarters of the companies have tax activities performed by a GBS organisation. However, only around 20% of companies have their SSC carry out more than 50% of these tasks. In treasury, around a fifth of the companies have moved more than 50% of services into a GBS organisation.

The other functions show an even more varied picture. In HR, around 30% of the companies have already transferred 50% or more of tasks into SSCs. On the other hand, a quarter of companies have still not transferred any activities to GBS at all.

In procurement, 30% of companies do not use SSCs for any procurement tasks, while almost 30% have at least half of their procurement services provided by an SSC.

In sales, GBS organisations are currently not widely used – 62% of the companies do not use a global business organisation for any sales services. An additional 12% have less than 10% of sales processes transferred to an SSC.

In IT, 43% of the companies surveyed have not moved any IT services into a shared centre. On the other hand, more than a quarter of companies have moved 50% or more of IT processes into an SSC, demonstrating the great potential for many companies to increase cost effectiveness in their IT functions.

Two thirds of the companies surveyed have not yet considered using GBS for logistics services, and only 10% have more than half of their logistics tasks carried out by a global business organisation.

Company legal functions still mostly work on a local basis, as almost 80% of the companies surveyed have not moved any legal activities into a shared service structure. However, there is clearly potential for increasing this share, as 7% of companies have transferred more than half of their legal processes to a shared centre.

More than two thirds of companies have not shifted any internal auditing activities to GBS organisations, continuing to perform this work locally. On the other hand, almost 10% have more than half of their internal auditing services provided by an SSC.

Remote maturity assessments on a global scale

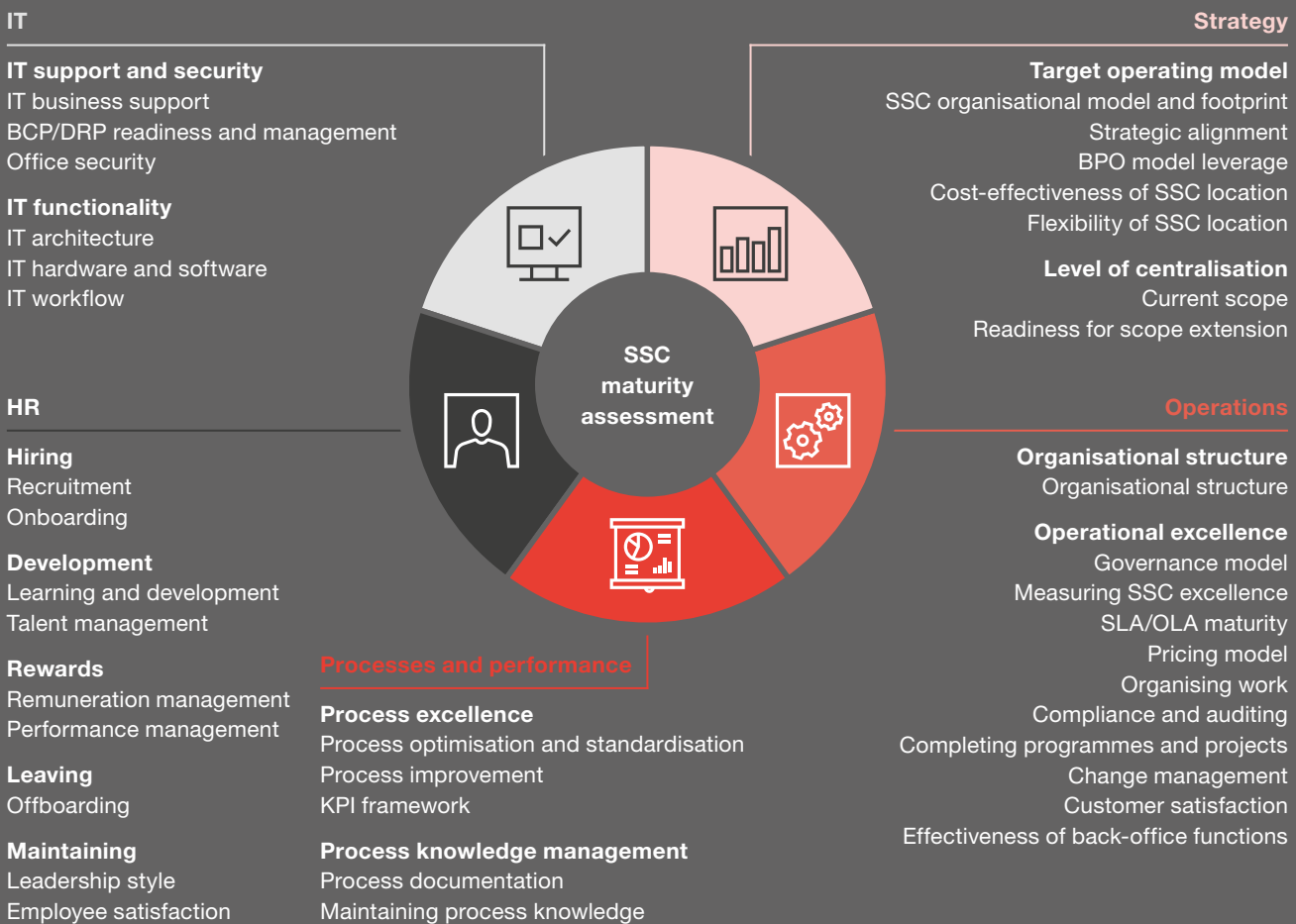
2020 was a year of unprecedented change in business. Adjusting quickly to the new realities of working in a global pandemic, our clients have implemented new models and embraced new ways of working – and so have we.

Last spring, we kicked off a new transition project for a global corporation (approx. US\$28bn revenue, over 140,000 employees), involving centralising the company's finance functions into a handful of existing GBS centres. We soon realised that reluctance within

regional offices to migrate further work and processes could be a major issue, as not all of them were satisfied with the services being provided by GBS.

We decided to carry out a thorough analysis of current GBS performance to highlight the areas of focus for improving customer satisfaction. To do this, we used our maturity assessment methodology to dive deep into the five fundamental aspects of GBS: strategy, operations, processes and performance, people, and IT.

Fig. 19 Aspects examined in an SSC maturity assessment



This methodology has three steps. First was the initial analysis, where we gathered and analysed easily available data and documentation such as organisational structures and relevant KPIs to understand initial trends and gaps. The second step was to engage in interviews with SSC representatives and customers, in order to dive deep into the gaps we had identified and understand the perspectives

on both sides. At the same time, we organised focus group meetings with operational employees, and carried out process observations and walkthroughs. As well as interviews, we organised a simple survey which was sent to all SSC staff and selected customers. The final step was to prepare a final report, summarising the insights we had gained and proposing improvements that would boost SSC maturity.

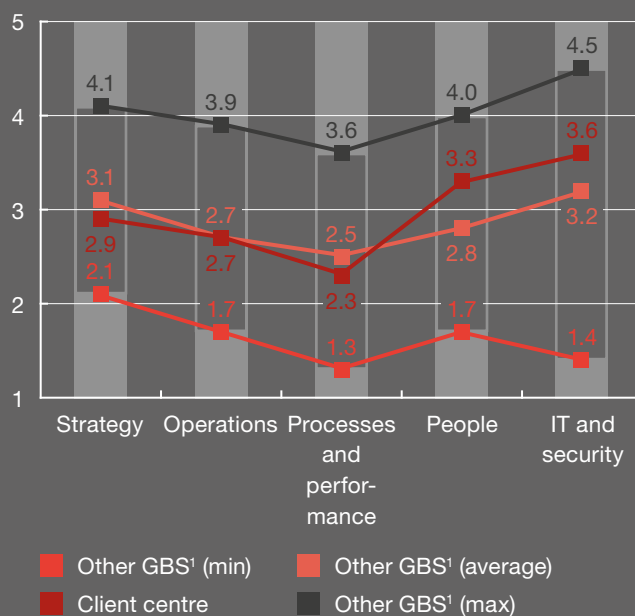
The main objective agreed with the client was to find a way to tackle the key challenges which had been hindering the development of the SSCs. As is the case in many GBS organisations, they were struggling to ensure that the delivery and quality of their services were consistent and in line with customer expectations.

In order to deliver the project, we needed to redesign our approach to ensure that it was “remote friendly” – we assumed that all the interviews and meetings would have to be held remotely. This also applied to the focus groups, which posed a particular challenge due to the need to create a feeling of real contact with a group of people and to make sure that they felt comfortable with opening up in front of their colleagues. We managed to do this by focusing on new ways of engaging the interviewees and using supporting applications such as Mentimeter.

For this project we brought together a team from across our lines of service, consisting of consultants from PwC Poland, India, Mexico, China and Switzerland. The work included running over 200 interviews and 20 focus groups, and collecting and analysing survey results from over 160 respondents. One of the biggest challenges we expected was planning the logistics necessary to deliver the project in only two months, but this turned out to be easier than expected due to our remote/virtual approach. Even though we needed to cover multiple time zones, it was possible for us to have an interview with a business unit manager in Singapore and then go straight onto a call with a process owner in New York. Jet lag was not an issue!

As a result, we were able to deliver a report for each of the five centres, plus a global report focusing on highlights and proposals for the organisation as a whole. The reports included over 20 global improvement opportunities which would help GBS to grow and improve its performance, and an analysis of issues and challenges – both global and centre-specific. All of this allowed the client to get a clear understanding of the root causes of several problems, and the areas of focus needed to improve customer satisfaction. More importantly for us, we established a great relationship with the client at many levels of the business and showed them our capabilities, skills and experience that we could use to help them.

Fig. 20 Client centres overall benchmark to other GBS, by area



¹ Other centres assessed globally by PwC



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Fig. 21 How standardised are your processes?

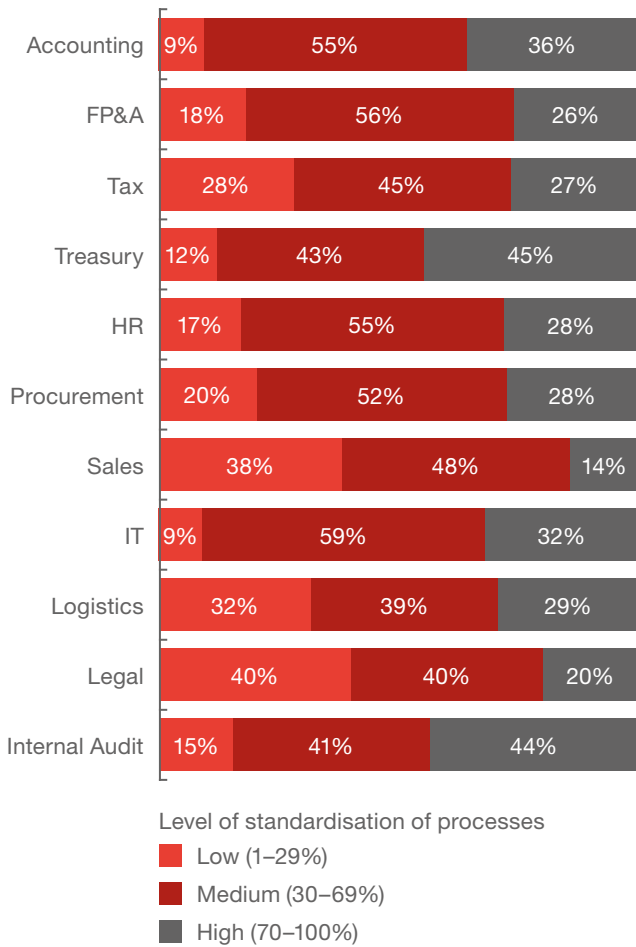


Figure 21 shows the percentages of companies which have a high, medium or low degree of standardisation of processes in each function. It can be seen that treasury, internal auditing and accounting have achieved a high degree of automation, with more than a third of the companies surveyed having standardised more than 70% of their processes in these functions.

In accounting, three quarters of the companies have standardised at least half of their processes, and none of the companies surveyed has a standardisation level of less than 10%.

In financial planning and analysis, there is a wider range of standardisation: 61% of the companies have standardised at least 50% of financial planning and analysis processes and only 7% have standardised less than 20% of their processes. However, there is still room for improvement.

For tax processes, half of the companies surveyed have standardised more than 50% of their processes. This means that the other half have standardised less than 50% of their processes, and 15% have standardised less than 20% of processes.

Only a quarter of the companies surveyed have standardised less than half of their treasury processes, and 45% have standardised more than 70% of processes.

HR processes are quite evenly balanced when it comes to standardisation: 45% of companies surveyed have standardised less than half of their HR processes, while more than a quarter of companies have standardised 70% or more.

The same applies to procurement, though here more than 60% of companies have standardised at least half of their processes. By contrast, 20% of companies have standardised less than 30% of procurement processes.

In sales, 60% of the companies have standardised less than half of their processes, and only 17% of them have standardised 60% or more.

In IT, however, there is a high level of standardisation, with only 29% of companies having standardised less than half of their processes. 32% of companies have standardised 70% or more.

Standardisation of logistics processes is evenly balanced: 54% of companies have standardised more than half of their logistics processes, while 46% have standardised less than half – with 32% having standardised less than 30% of these processes.

In the legal function, the level of standardisation is even lower. Only 40% of companies have standardised more than half of their legal processes, and 37% have standardised less than 20%.

Finally, there is a high level of standardisation in internal auditing, with almost 80% of companies having standardised more than half of their processes. Only 10% have standardised less than 20% of internal auditing processes.

Procurement organisation 2025 – category management vs. value pool structure

Procurement organisations will have been transformed by 2025 to reflect new structures and digital processes, making a new set of employee profiles and an adjusted management model necessary. The aim is to simplify processes while also increasing the impact of procurement. For example, e-procurement ensures easier purchase order management and increases the time available for strategic activities, while bundling negotiation skills increases impact and reduces transaction costs.

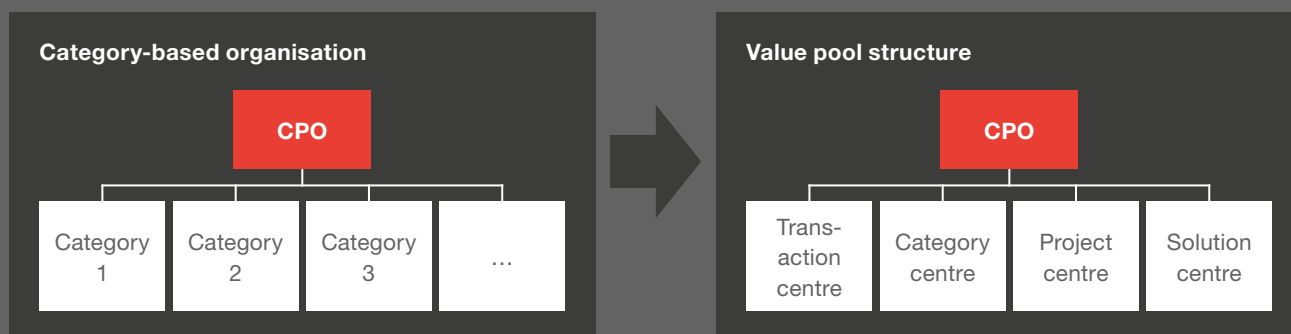
Looking at today's process landscapes, we expect to find automation in most operational procurement processes and supporting processes. With the traditional role of the operational buyer being managed through digital solutions, and other tasks such as strategic partner management becoming more important, we expect to see restructuring of today's procurement functions in the near future, affecting not only the different roles but also the overall organisational structure and management. The traditional, category-based structure will be transformed into a value pool structure which offers unlimited flexibility. In a standard organisation, we expect to see four different value pools assigned to the chief procurement officer (CPO):

- Transaction centre
- Category centre
- Project centre
- Solution centre

Transaction centre

Most of the transaction centre is made up of the "digital buyer" – a fully automated operational purchasing system, combined with an administrative clearing house for processes which cannot be automated. By 2025, the transaction centre will not only be responsible for processes which have already been automated or are currently being automated (e.g. catalogue buying, class C no-touch purchase orders), but also for more complex tasks such as online negotiation for non-strategic purchases, or full n-tier transparency. The opportunities offered by the technology of tomorrow are endless, meaning that the success and level of automation of a company's procurement organisation will depend on the other value pools. This is because the transaction centre builds on the category centre and the project centre – where rules and guidelines for automation are defined – and is enabled by the solution centre, which implements and continuously improves the necessary systems and tools.

Fig. 22 Procurement organisations will move from category-based setups to value pool structures



Category centre

The category centre is the heart of spend management: with advanced analytics laying the foundations for effective cost and capacity management, detailed information on spending for each category, supplier or product is available at the touch of a button, which helps with setting rules and guidelines for the transaction centre. In addition, n-tier transparency forms a cornerstone of strategic decision-making which supports capacity monitoring and risk radar, with ad-hoc notifications and forward-looking recommendations for action.

Project centre

The project centre focuses on both strategic initiatives and urgent challenges. To properly bear the purchasing organisation's responsibility for managing new projects (e.g. development and launch of new products) or new infrastructure (e.g. new plant), the strategic buyer needs to evolve into an in-house business partner and an external relationship manager. This involves orchestrating the requirements of countless stakeholders, ensuring quick access to strategically important innovations, and guaranteeing the availability of the capacity required for this work.

Along with insights from the category centre, the project cockpit is also key for the success of the project centre, allowing simulations, intelligent price breakdowns, benchmarking and project management.

Solution centre

The whole value pool structure is only as good as its solution centre. Whether it's next-level ERP systems with supplier integration platforms, advanced analytics, or intelligent automation using RPA, AI and bots, the solution centre handles all digitalisation projects – from development of new products to maintenance of existing tools.

This new structure will blur the distinction between direct and indirect procurement, as indirect daily business will be fully automated within the transaction centre and relevant projects (e.g. new plant) will be handled through the project centre, making a separate project management organisation or sub-organisation unnecessary. This also highlights the need for different job profiles for purchasing: whereas most purchasing staff today have a background in business, this will evolve to include a mixture of business analysts, digital experts and strongly relationship-oriented business partners.

The value pool structure will transform procurement into an organisation based on specialised, dedicated teams. This will enable shared services and expert centres for the transaction, category and solution centres in particular – ideally for bundling and centralisation. The last year has also proved that digital collaboration can replace on-site meetings. Therefore, the project centre can also be centralised within the GBS organisation. However, the many interfaces involved mean that there is no one-size-fits-all approach: company culture and overall structure should be properly considered during this process.

The value pool structure requires a new governance model and means of measuring performance, using new KPIs to account for the future structure as shown in the table below.

Fig. 23 KPIs for procurement organisations of the future

Transaction centre	Category centre	Project centre	Solution centre
No-touch transactions/ level of automation	Savings	Value contribution	Capacity for innovation
Cycle time	Capacity/ availability of materials and services	Savings	System errors/ availability
Bots for responses/ problem-solving	Sustain-ability	Booked man-days	Lines of code

Automated, self-service KPI dashboards for management are key to managing the combination of centralised services from GBS and HQ or the lead buying organisation.

The transformation to a value pool structure is a journey which requires new thinking patterns and an alignment within all procurement functions (for direct, indirect, and supporting functions) beyond power plays and time effort. Clear global procurement and approval guidelines are also required, serving as an underlying framework to ensure that processes remain compliant – even as full process automation increases the responsibility placed on parties submitting procurement requests.

When successfully implemented, the value pool structure is a game changer, which affects interaction with internal customers and external partners as well. Despite the obstacles that must be overcome, this transformation is well worth it, as the value pool structure both simplifies procurement and increases impact.

Don't delay – start your journey now towards a procurement function of the future.



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Fig. 24 Do you use end-to-end process management (i.e. process-driven organisation)?



As shown in figure 24, almost half of the companies surveyed have at least partial end-to-end process management, demonstrating that process-driven organisations are becoming increasingly important. A further 42% are currently undergoing transformation to become process-driven organisations.

Sales and services in SSCs

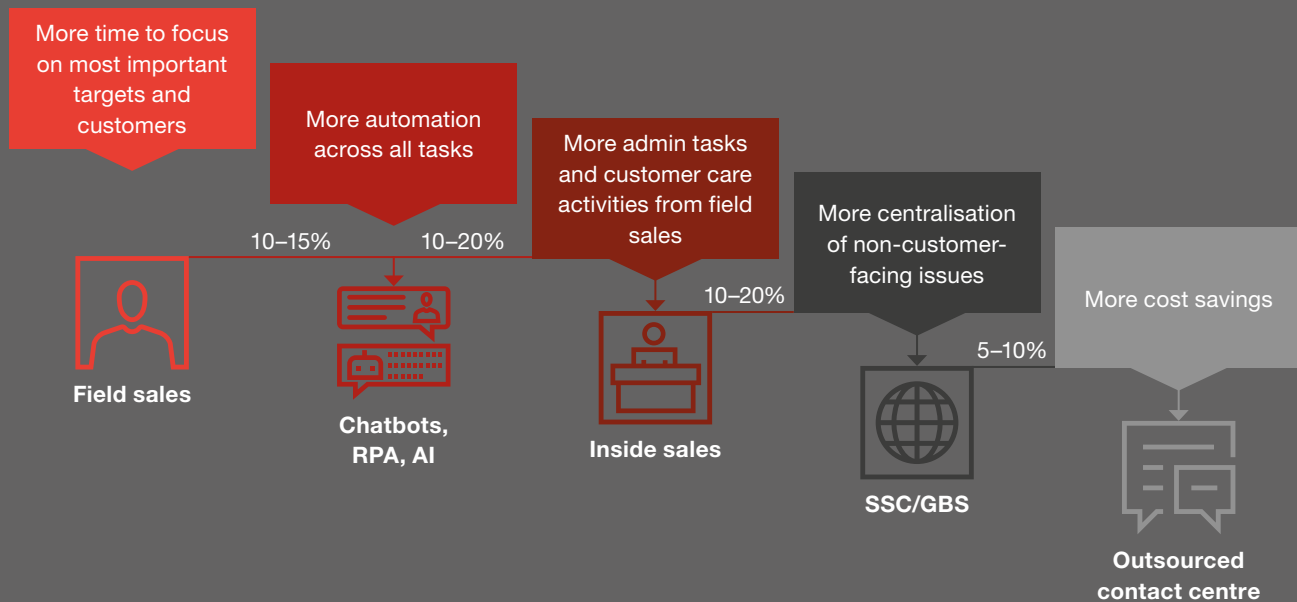
The sales and service functions of organisations of all sizes are under ever greater pressure to increase efficiency and output. Growth in output without additional staff has been the motto of the last few years, while the pandemic has even led to reduction of staff numbers to reduce costs in these uncertain times. This has created a trend of moving tasks requiring

less sophistication to the next layer (see figure 25) – or automating them completely. This has led to a distinct cascade from field forces (sales or service):

1. to automated or digitally assisted tasks
2. to inside sales and service
3. to SSCs, and
4. to an outsourced contact centre.

Fig. 25 Cascading field service tasks to other entities

Workload transferred from left to right



1 Automation

Today, automation has the largest potential to reduce human workload and free up capacity. Chatbots are the simplest form of automation: they have now reached a reasonable level of maturity, and have become a channel in their own right. Today, chatbots help customers in various ways, from providing product descriptions and pricing information right up to shopping cart assistance, and they can even trigger client-related workflows.

The next level of automation is RPA, which can automate repetitive and error-prone tasks, such as transferring data from one system to another. It is often used to update websites, product catalogues,

product details and pricing information – this might be from the pricing officer's spreadsheet straight to the company's ERP system. Other common applications include automatic report formatting, and sending or responding to emails with a very structured format and content.

AI is more advanced still, offering natural language processing, pattern detection, machine learning and independent logic. It can extract product names, material IDs and order numbers from emails; research prices, availability and order status from the company ERP system; and then reply to the customer accordingly, or even take orders automatically by email.

AI-powered predictive sales solutions add the most business value by supporting sales representatives in identifying and contacting the most promising clients. These systems collect internal information relating to the company's best customers – such as master data, order history and customer value analyses – and compare it with publicly available information such as corporate financial data, annual reports, websites and credit scores. Predictive sales solutions can identify “look-alikes” far more accurately than humans, providing a prioritised list of high-value targets with high win probability, along with recommending products and services to offer to these targets.

2 Inside sales

Despite the growth of new technology, digitalisation will certainly not automate every customer-facing task, and again companies will have to face the question of which human resources provide the best value for money in servicing customers. Expensive field sales representatives and technicians are best utilised in their customer-facing roles – acquiring new customers and servicing or repairing physical products, respectively. To ensure that field staff can concentrate on their customers as well as possible, administrative tasks need to be shifted to inside sales functions. On numerous projects, we have considerably improved the effectiveness of field sales by transferring simple customer enquiries (e.g. on features, prices or availability) to inside sales or customer service. The use of automation as described above enabled the amount of manual work in these functions to be reduced, creating capacity to take over additional tasks from field sales, such as targeting and servicing smaller customers. This is not a typical task – or profile – for an inside sales team, yet most inside sales teams employ a variety of individuals, some of whom are quite talented in customer acquisition. These individuals can be trained to act as inside sales agents for smaller customers, freeing up field sales reps to spend more time targeting the most important accounts.

3 Shared service centres

As companies expand internationally, inside sales functions in many of their markets will become inefficient and be replaced by shared service centres. This has been going on for decades, but a new development is the inclusion of sales and customer service in SSCs. Until recently, only internal functions were centralised, whereas customer-facing units are now also moving to SSCs. Entire inside sales units are now being transitioned to SSCs, often leaving the field staff as the only local sales employees. This, of course, carries a higher risk, as customer relationships are very sensitive assets and companies need to monitor them very closely. Local languages and dialects are plentiful – especially in Europe and Asia – and success or failure in mastering them will influence customer experience. Therefore, we usually recommend a phased approach, driven by business risk, potential headcount and ease of implementation. A first phase might include most activities which cannot be automated and which only involve non-spoken interaction (e.g. emails) for small and medium-sized customers. Key accounts, call centre services and other complex activities remain in the individual countries at this stage. A second phase might include centralising call centre services in local languages and other more complex activities, requiring more understanding of customers and more highly skilled agents. The third and final phase extends centralisation to include most activities for key accounts, establishing individual agents as dedicated contacts for these accounts. This phased approach requires continuous upskilling of SSC staff to handle more complex tasks, to better understand the subtleties of individual customers and to gain adequate spoken language skills.

4 Outsourced contact centres

Selecting the best and most compatible outsourcing partner is often considered the most crucial and also most difficult part of a selection process. A very structured and fact-based selection process might seem to be a good way of guaranteeing a long-lasting contract with an outsourcing partner – but in reality, doing this doesn't necessarily mean that the contracted partner will be the most profitable option. Instead, the impacts of digitalisation, the pandemic and the latest developments within the outsourcing industry mean that the following five factors are crucial to success with a new partner.

Innovative capabilities

Changing customer requirements (for both B2B and B2C clients) will have an impact on the customer journeys, the underlying use cases and the transactions which the outsourcing partner needs to provide. Successful outsourcing partners are able to forecast and simulate changes, using the results to work out which modifications and measures are necessary. If outsourcing companies are to provide the services required nowadays, innovation in ways of working, skill sets, design and project management methodologies is essential.

Digitalised services

The outsourcing industry is very dependent on knowledge and skill sets to provide the services required of it. Due to rising salaries throughout the world and limited availability of skill sets in specific regions (e.g. language skills, infrastructure, legal restrictions, lack of subsidies), pressures on costs and margins are increasing. Digitalisation provides the process automation, reallocation of human skills and cost reductions required to combat this shortage. Whereas traditional agent-based services (“customer service 1.0”) tend to generate average EBIT margins of 4–6%, digitalised and automated outsourcing services generate average EBIT margins of 15–20%.

Gain share models

State-of-the-art contracts include an adequate remuneration scheme to provide a solid basis for long-term collaboration. Business cases should be designed and jointly approved by both the outsourcing partner and the client. They should include cost savings targets (e.g. 5% savings per year), along with qualitative KPIs to increase customer satisfaction.

Data insights

Innovation by outsourcing partners is the foundation of improving performance as measured by KPIs and business case parameters. Outsourcing partners should proactively provide companies with all data which is relevant to running and improving the outsourced services, including instant access to data sources, information and reports.

Continuous performance improvement

Outsourcing partners and clients need to implement regular processes to ensure continued performance improvement. Outsourcing partners should be proactive about collecting, providing and analysing information to generate insights into use cases, processes, recent pain points and customer requirements – this should be carried out on a daily basis. An adequate governance system should also be set up to review findings and recommend measures for improvement.



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F Technology and data

Fig. 26 Which digitalisation initiatives do you think will have the greatest impact in the future?

Multiple answers allowed

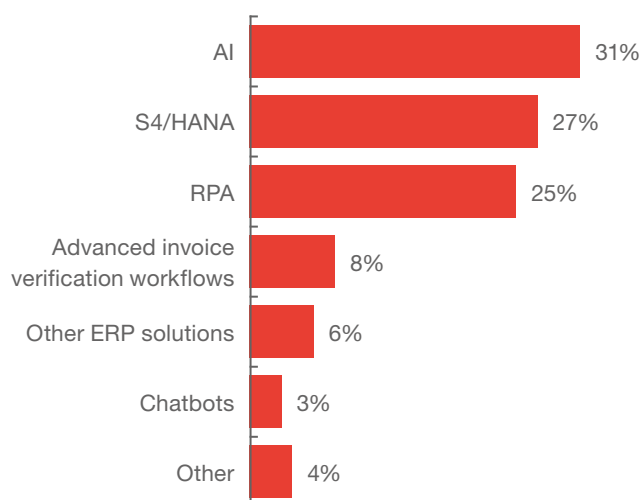


Figure 26 reveals the importance of three major digitalisation initiatives, with considerable proportions of the companies surveyed expecting AI (31%), S/4HANA (27%) and RPA (25%) to have a major impact in the future. By contrast, companies do not expect other ERP solutions or chatbots to have any major impact.

RPA and beyond in SSCs

1 Current state of play

The list of emerging technologies for automating shared services is long and still growing. However, untangling this complex web of possibilities reveals that RPA is now a must-have, rather than a choice. Over the last few years, we have often talked about piloting and delivering proofs of concept to underline the benefits of using RPA in shared services. Now, however, providers and solutions are gaining professional maturity at a record-breaking pace, and all process-oriented organisations with high levels of transactional activities now need to implement RPA solutions. The time of innovators and early adopters is over.

2 Old but gold

But it isn't too late to implement a digital bot task force – and the advantages remain. Levels of autonomy in RPA systems vary from fully automated bots working 24/7 to rapidly and accurately deliver assigned tasks and services, to bots triggered at the click of a button to assist employees with certain tasks. Either way, the cost and work involved in implementation is very modest, and is easily recovered due to the rapid return on investment and further savings offered by RPA. Besides cost and time savings, RPA provides audit trails to ensure compliance – this can be a major challenge in shared services – and frees up employee capacity to focus on more value-creating tasks.

3 Looking forwards

Companies need to leave the past behind and concentrate on future areas of focus in RPA – the time for scaling has arrived. World-class corporations are now focusing on sustainable target operating models beyond pure RPA, leveraging the flexibility of RPA in working across interfaces.

Using RPA as a starting point to aggressively increase levels of automation, we are seeing that high-volume SSC accounting processes in particular have now reached digital maturity, allowing them to exploit even more potential for automation and enter a state of hyperautomation. The most sophisticated use case is combining process mining and process automation technologies. Other companies are integrating chat bots and voice recognition to increase opportunities for self-service. Some mature companies are even thinking about integrating machine learning and deep learning solutions to extend automation beyond standardised tasks, allowing even very complex tasks to be handled with little user interaction.

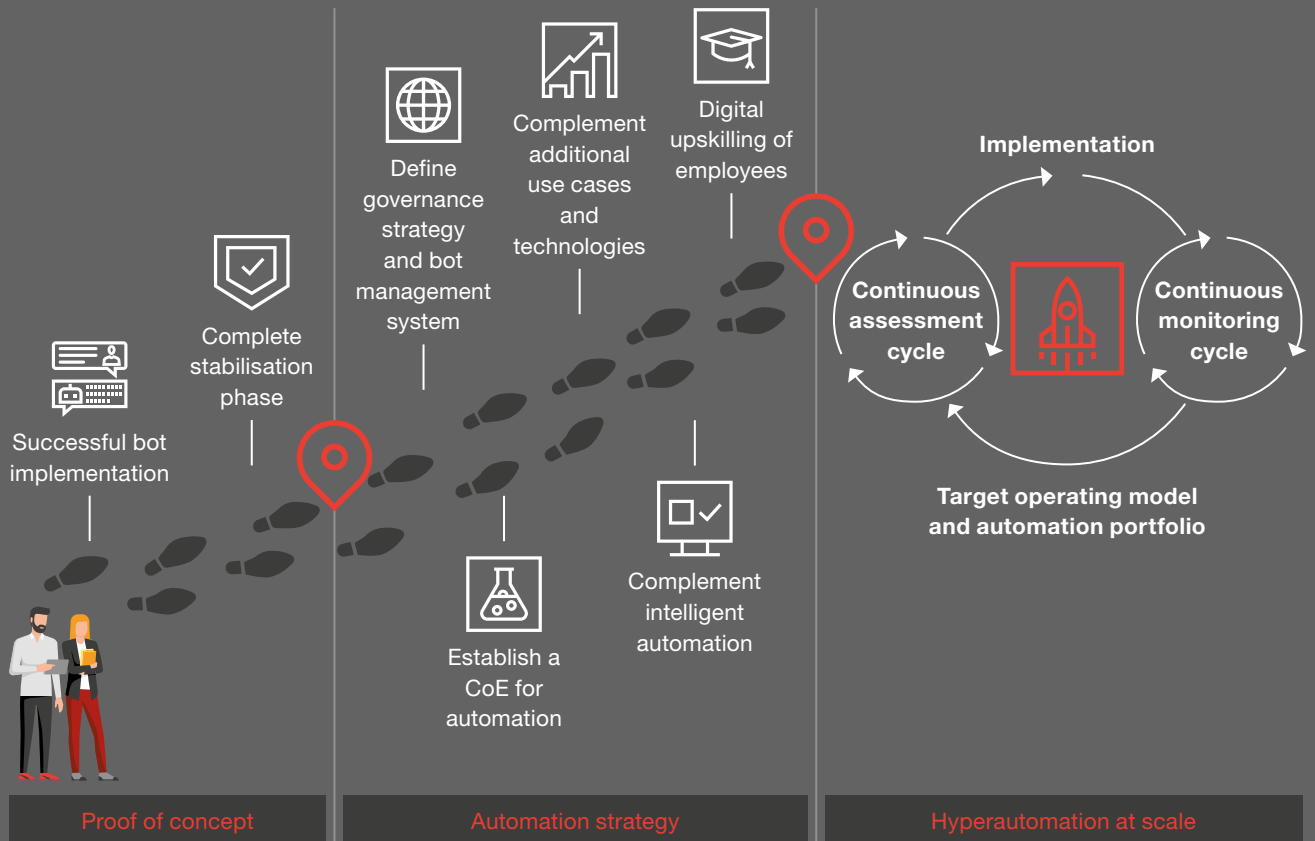
Fig. 27 Elements of a target operating model for automation



4 Recipe for success

But although automation saves time for the end user in the long run, someone has to implement the solutions, maintain interfaces, connect the dots, adjust processes and ensure continuous improvement (CI). We highly recommend assigning these tasks to a centre of excellence (CoE), where employees with various skills – from professional process experts to IT developers – share the passion to work towards the perfect automated environment. Our experience has shown that CoEs may differ in terms of location, level of service and level of digitalisation. Some companies may choose to build local CoEs, while others might focus on centralisation – this depends on factors such as the operational strategy and the business model. Even outsourcing and relying on managed services are an option. However, the people and culture dimension of the project is ultimately determined by the structure of the organisation. Besides basic user training to increase digital acceptance, internal CoEs require constant development and improvement of digital knowledge to build the competencies required. An effective and efficient CoE can only reach its full potential when the output exceeds the input. With hyperautomation, this means that CoEs can only succeed in breaking up the siloed working of the past by combining technologies so that they complement each other. The ultimate objective must always be a CoE for automation.

Fig. 28 Automation roadmap, from proof of concept to automation at scale



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Fig. 29 What are your main aims for digitalisation initiatives?

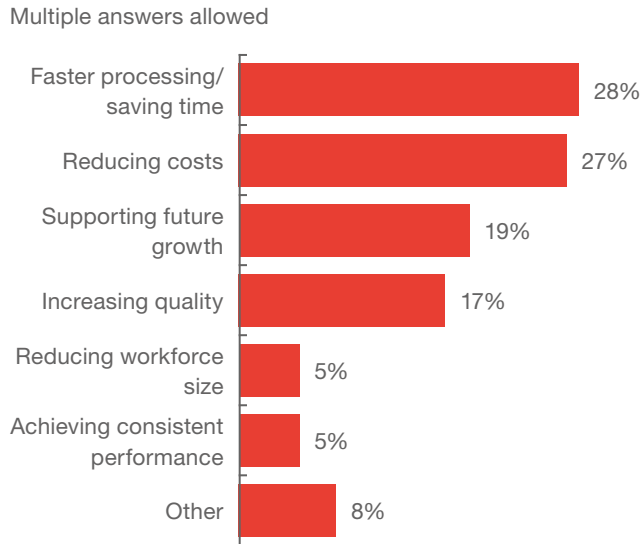


Figure 29 shows that the main aims of digitalisation initiatives are saving time (28% of companies surveyed) and reducing costs (27%), showing that digitalisation will be a key driver of competitiveness when pressure on profit margins increases. Considerable proportions of the participants also named future growth (19%) and increasing quality (17%) as strategic aims behind digitalisation, whereas reducing workforce size (5%) and achieving consistent performance (5%) do not seem to be major aims. Finally, 8% of participants listed other aims, such as increasing focus on value-adding tasks, optimising lead times and creating more digital workforces.

Why IT is playing an important dual role in SSCs

The unexpected and drastic effects of the global COVID-19 pandemic have paralysed significant areas of our economy, restricted our private lives and forced us to establish new ways of working and new ways of business almost overnight.

Business models that had evolved over decades suddenly stopped working – or, to put it more positively, the pandemic made new business models possible or greatly accelerated their adoption. Teamwork also changed drastically, as people had to move out of their offices and work from home.

IT is playing a vital role in both changes. New business models need the IT capacity to quickly respond to changing business needs and support them with new or adapted IT systems. For internal business and communication processes, IT must ensure a stable and secure working environment – this includes remote access to company networks, video conferencing systems and much more.

IT plays two essential roles in establishing and operating shared service centres: on the one hand, IT itself drives this transformation; on the other hand, it makes a vital contribution to leveraging the potential for optimisation that comes with a business SSC. The structures of these two variants can be seen in figure 30.

Multi-shared service centres as an enabler for new technologies

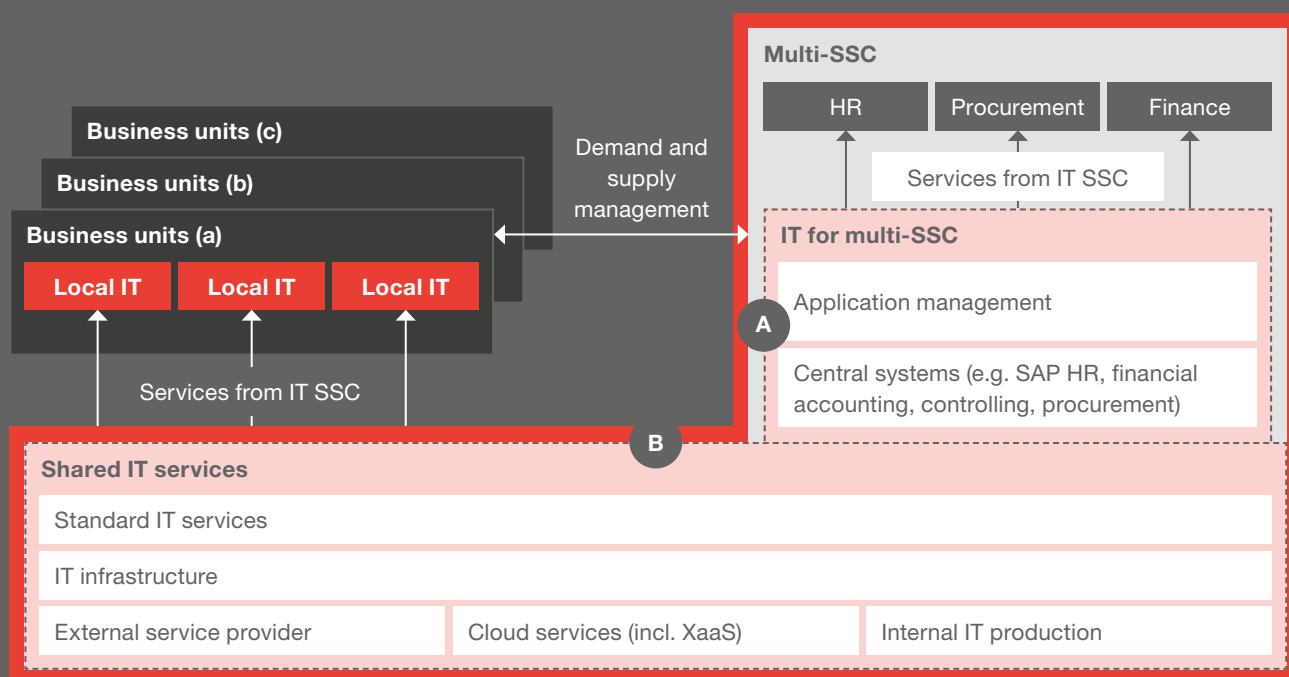
SSC processes and services such as accounting, financial planning and analysis and HR management can only be optimised if adjustments are made to the IT systems behind these processes. RPA, workflow management and AI are good examples of emerging technologies. IT must act as a driver for streamlining and optimising business processes by implementing state-of-the-art technologies. In order to achieve the full impact of RPA, for example, the business departments must understand the power of these tools, and IT must be able to map the business process correctly. This means that close collaboration between IT and business departments within the SSC is essential. Ideally, the success of the IT SSC will be measured by the level of improvement in business processes which are provided by the SSC.

IT as an SSC service

If IT is provided via an SSC, sections of IT infrastructure in particular are often transferred to the SSC and thus centralised, giving the obvious benefit of economies of scale. It is important to clearly separate the relocated services to make the actual optimisation

of IT SSC services easier. When setting up an IT SSC, however, “economies of excellence” approaches should also be considered. An SSC acting as a centre of excellence can bring together special competencies such as IT security that smaller, local IT organisations can only develop to a limited extent.

Fig. 30 IT SSCs can be set up as managed services or as part of the value chain



Among other factors, the IT megatrend of cloud computing is creating a need for uniform and scalable IT services that individual business units can use to build IT systems. A clear IT SSC structure should form the foundation for providing these services. An IT SSC can serve as the backbone of a dynamic yet stable IT organisation for highly diversified companies in particular, whether they have many globally distributed units or a large number of different business areas. Large companies can also benefit from SSC approaches: for example, setting up a central cloud transformation unit as part of the SSC can provide an orderly and cost-efficient path to a modern IT architecture.

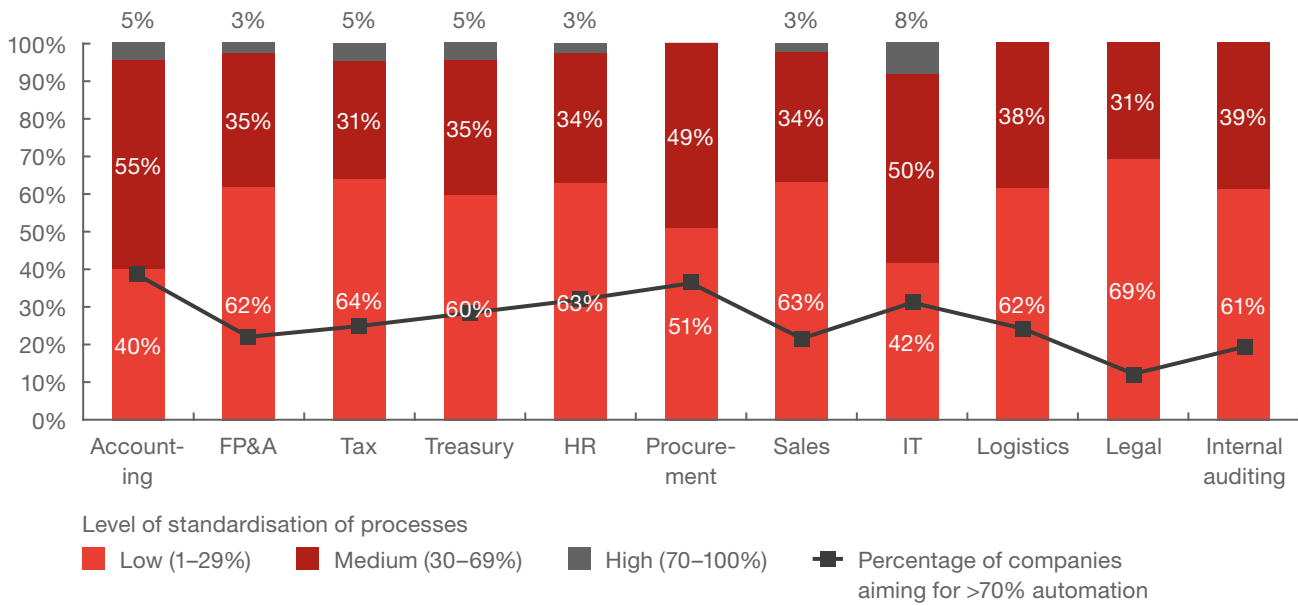
Another opportunity for SSCs in the context of the COVID-19 pandemic is the growing acceptance of remote working among employees, whether in HQ, IT or individual business units. This development is making collaboration with staff in SSCs much simpler. IT should always be an integral part of the conversation when it comes to SSCs – from whichever perspective they are viewed.



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Fig. 31 What is the current level of automation and the target level of automation within your GBS organisation?



As shown in figure 31, automation targets are currently far above actual levels of automation. Considerable action is thus required to meet these targets. Automation as such is a never-ending story – there have always been large gaps between actual and target levels of automation, ever since the first study in this series back in 2008.

In accounting, only 5% of the companies surveyed have automated more than 70% of processes, while 39% of companies are aiming to automate more than 70% of processes. There is thus plenty of room for improvement.

In financial planning and analysis, companies are not aiming for particularly high levels of automation – only 22% said they were aiming for over 70% automation. Despite this, there is still a big gap between this level of ambition and the actual share of companies which have automated more than 70% of their processes.

In tax, 5% of companies have already automated at least 70% of processes. However, this still leaves plenty of room for improvement, as 25% of companies want to achieve this level of automation.

Ambition for 70% automation is even greater in treasury (29%), but here again just 5% of companies have actually achieved this.

Among the companies surveyed, 3% have automated 70% or more of HR processes, while 32% are aiming to achieve this degree of automation.

In procurement, none of the companies has so far achieved an automation level of at least 70%. However, the level of ambition for this degree of automation is quite high (37%).

Like in HR, 3% of the companies surveyed have managed to automate more than 70% of sales processes, while 22% are aiming to achieve this level of automation.

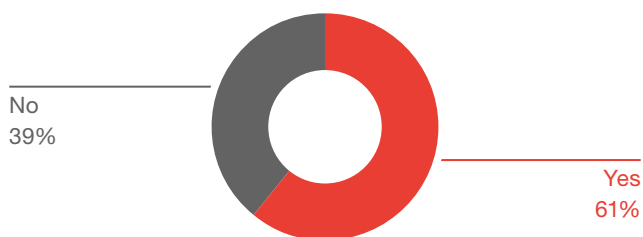
IT has the highest proportion of companies with over 70% automation (8%), and another 31% want to achieve this target.

None of the participating companies has automated more than 70% of their logistics processes, although this is a target for 24% of companies.

Similarly, none of the companies surveyed has automated more than 70% of legal processes. Here, however, only 12% are currently aiming for this level of automation.

Finally, none of the companies has automated more than 70% of internal auditing processes, while 19% want to achieve this level of automation.

Fig. 32 Do you use Data Analytics to identify improvement opportunities?



As shown in figure 32, almost two thirds of the companies surveyed already use data analytics to identify opportunities for improvement. This shows a strong trend towards use of this technology, as well as towards use of external providers for data analytics software and tools.

Increasing efficiency with ETM tools

SSC leaders are increasingly confronted with the need to continuously increase efficiency. However, because data on current efficiency of internal operations and employee productivity is generally not available, SSC leaders often cannot identify the root causes of suboptimal operations, and finding solutions can also be a challenge. The wide range of employee task management (ETM) software now available can help to solve issues like this.

ETM tools are based on digital footprint tracking, capturing and analysing usage data for each application without any integration being necessary. User activity can be automatically linked to the appropriate task, workflow and project, mapping and analysing every click.

Applications for ETM software

- Transparently measuring productivity of an organisation, and using these KPIs to identify opportunities to increase efficiency
- Process optimisation – calculating norm times, bottlenecks and identifying opportunities for automation
- Objective performance management of SSC colleagues, based on KPIs
- Automatic timesheet administration
- IT licence cost optimisation, based on usage data

To tackle resistance that might arise, it is worth highlighting that ETM software will help employees to carry out their work more efficiently, and will enable them to focus on more value-adding activities by optimising manual processes.

In order for the introduction of ETM tools to serve the interests of both the company and the employees, it's essential to define and communicate their exact purpose. Addressing the issue of communication and change management is very important for facilitating and accelerating employee acceptance. It's also crucial to highlight that the software is GDPR-compliant, as employees can access and delete the data collected if they wish.



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G People and culture

NextGen HR operations: boosting employee experience with emerging technology

HR shared services are on a journey, evolving from mainly administrative delivery centres towards digitalised, value-adding HR operations functions – providing unique experiences for employees, managers and other stakeholders. Fusing human capabilities with advanced technology is one key component of this journey.

Digitalisation and changes in workforces are creating significant disruption in HR operations. Purposeful work has become a major source of motivation for employees, even in administrative tasks. This will be even more important in dynamic, global, cross-generational work environments with ever-decreasing availability of talent. At the same time, automation has become indispensable in keeping up with customer demands and the need for efficiency. As a result, more and more work in HR operations is being automated.

Emerging HR technologies allow more flexibility in setting up HR organisations. Ambidextrous HR operating models, such as PwC’s NextGen HR framework, depend on a strong operational backbone to free up resources for driving transformational and strategic HR activities to enable corporate change. HR ops forms an important part of the “performance engine” in NextGen HR and plays a vital role in achieving the desired performance levels in HR processes, focusing on operational excellence, reliability and stable delivery and using as much automation as possible. Our research suggests that up to 53% of HR processes are transactional and could be automated in NextGen HR ops settings. Some 60% of HR activities (e.g. employee benefits) could be enhanced with AI. Automation in HR processes can reduce cycle times by up to 80%.

However, none of this will gain broad acceptance if companies fail to engage and interact effectively with employees, managers and other stakeholders. Holistic and personalised access to support in critical situations is particularly important, whether in personal moments that matter (e.g. family leave, onboarding) or in professional events (e.g. career development, suggested steps for payroll processing). Technology has a role to play here as well, allowing employee sites to show relevant and personalised tasks, applications, announcements, information and recommendations in much the same way as consumer sites such as Amazon.

The “transformation engines”, on the other hand, will now have more resource capacity available and more room to deploy strategic business and HR programmes to promote business transformation, using agile modes of operation.

Considering the growing demands that this will place on HR SSCs, state-of-the-art HR operations functions need to consider four important aspects for their future organisational setup, delivery model and resources:

- **One-touch interaction**
NextGen HR ops needs to drive an omnichannel approach, reaching all employees across the enterprise at any time to attract all HR customer requests.
- **Employee experience**
Increased expectations make customer focus necessary throughout the internal HR customer journey. NextGen HR ops can define critical

moments that matter in employee lifecycles (e.g. technology to provide help to new hires at any time).

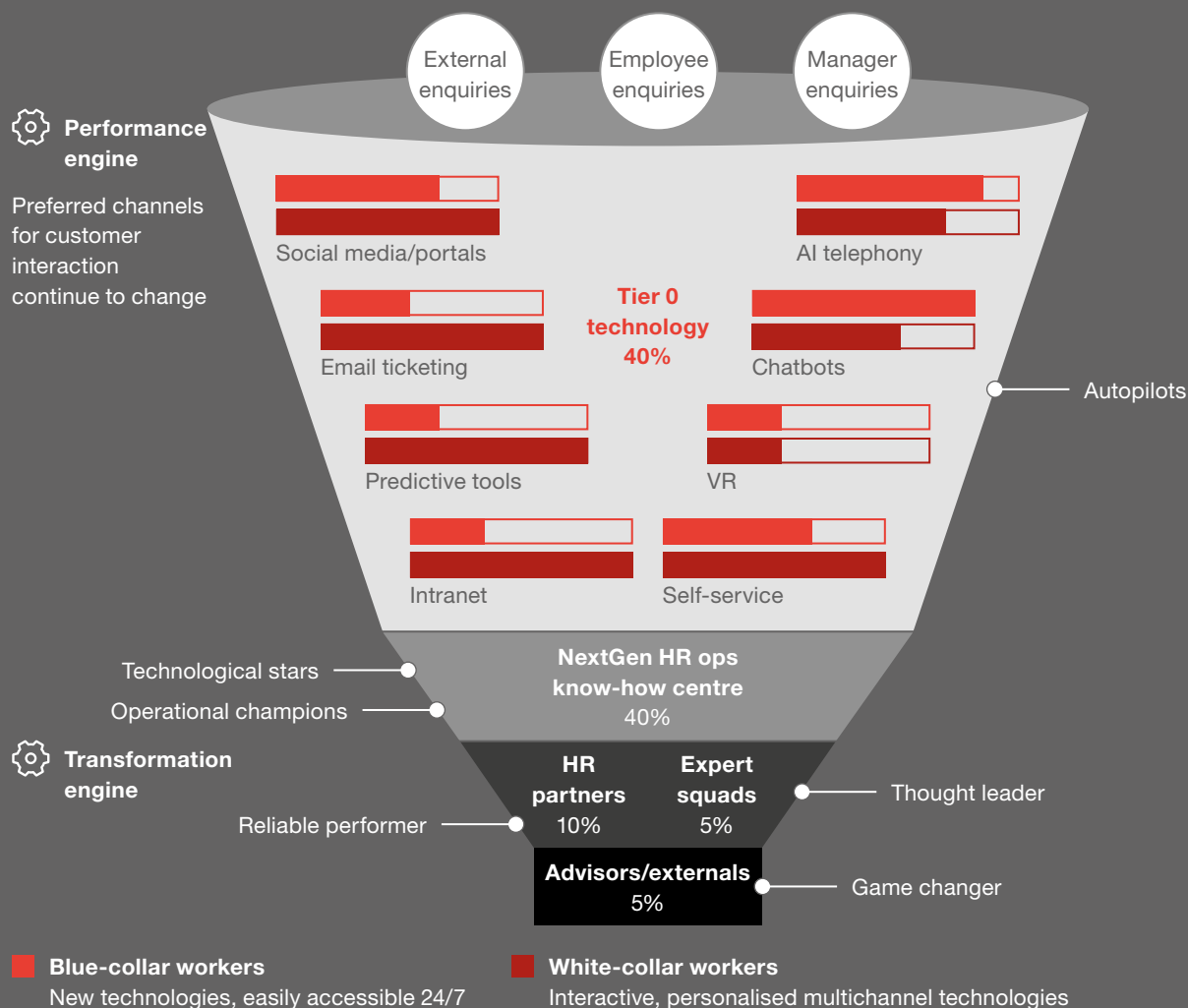
• **Digital enablement**

In competitive, disruptive markets, increasing efficiency through smart automation (e.g. RPA and bots) and data insights (e.g. AI) in HR ops has become essential for enterprises of all sizes and industries to remain competitive.

• **Upskilling**

The evolution into NextGen HR operations is creating “new-collar” jobs. These require a combination of digital, technical and soft skills, creating a significant need for upskilling – examples of these jobs include managing bots or carrying out big data analyses to interpret data.

Fig. 33 PwC’s NextGen HR operations framework



PwC's approach to shaping NextGen HR operations (see figure 33) encompasses a hybrid setup of highly skilled HR staff and emerging technologies, building the framework that companies need for a tech-savvy, digitally adaptive HR operations workforce.



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Figure 34 shows that almost three quarters of the companies surveyed have experienced staff turnover of 5–20% over the last three years. However, it is noticeable that the proportion of companies with staff turnover of more than 20% has decreased by six percentage points compared to our 2019 study. These six percentage points have shifted to the 5–10% turnover group, showing that there has generally been a strong decline in fluctuation within GBS organisations.

Fig. 34 What is the average annual staff turnover your company has experienced over the last three years?

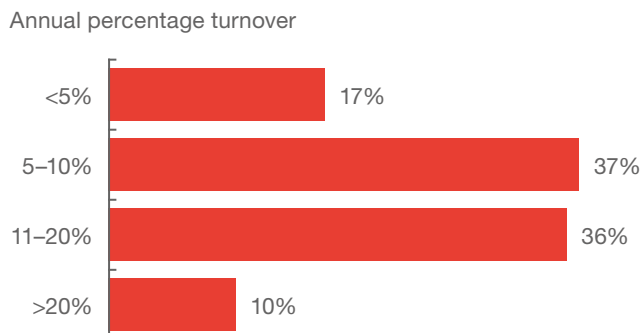


Figure 35 shows that GBS organisations have a wide variety of ways of incentivising staff to stay with the organisation. Most popular, however, are employee surveys and follow-up measures – used by 76% of the companies surveyed – and training (76%), followed by team building events (66%) and staff bonuses (52%). Only 12% of companies do not use any of the incentives mentioned in the survey.

Fig. 35 Do you have incentives in place to reduce staff turnover?



Fig. 36 On average, how long does it take to recruit the following types of employees?

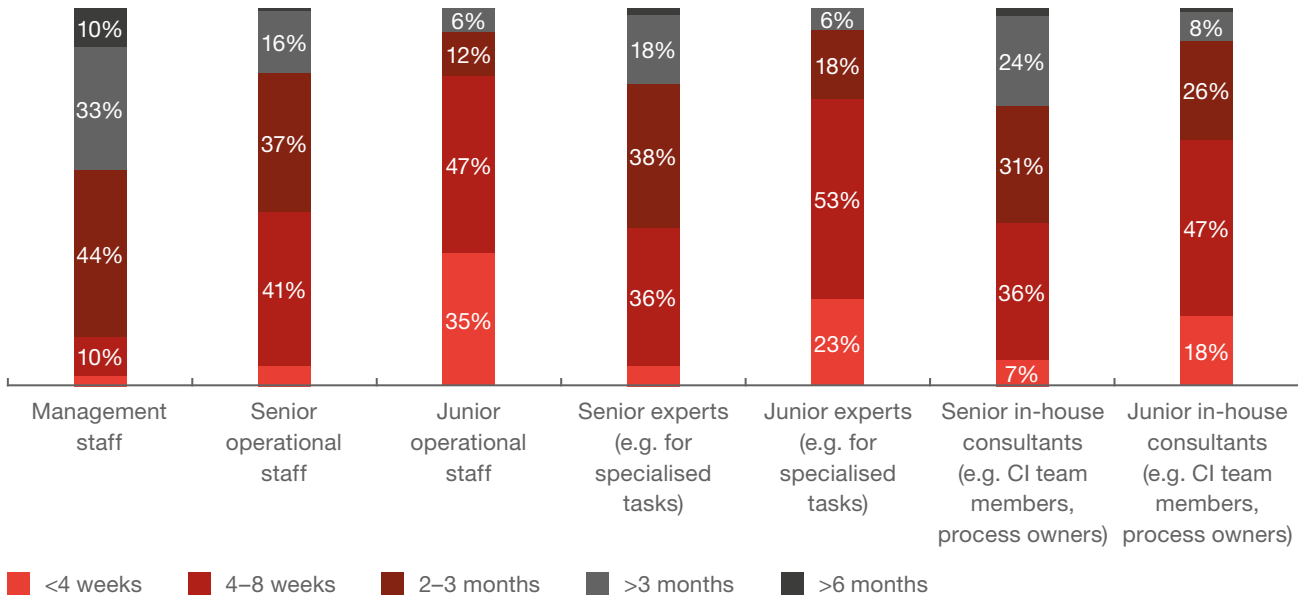


Figure 36 indicates that it generally takes less time to recruit junior staff: openings for junior operational staff, junior expert staff and junior in-house consultants are usually filled in less than four weeks in 35%, 23% and 18% of companies, respectively. More than half of

companies are able to fill junior positions in no more than eight weeks. The time taken to recruit increases with seniority: open positions for management staff take longer than two months to fill in more than 80% of companies.

Fig. 37 How much have the requirements for the following positions changed in the last five years?



Figure 37 shows that the requirements for junior positions have not changed as much as those for more senior positions – the role in which the highest share of companies consider that significant changes have occurred is management staff (44%). Notable

proportions of the companies surveyed also consider that completely new profiles are now required for senior in-house consultants (16%) and senior experts (11%).

Fig. 38 How do you meet these new job requirements?

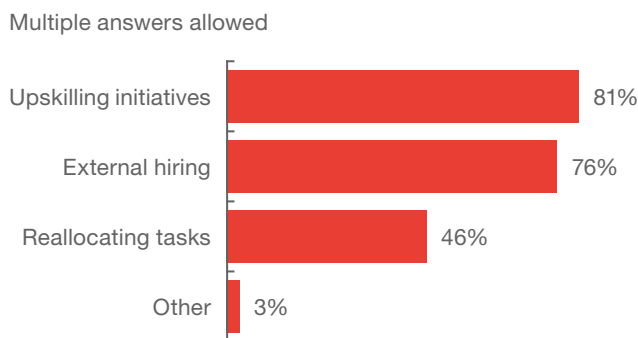


Figure 38 paints an impressive picture: many GBS organisations are focusing on both employee upskilling initiatives (81%) and external hiring (76%) to meet new requirements. Although upskilling is still slightly more popular, these two measures are now almost on the same level, indicating that external hiring will become even more important and create pressure in the war for talent in future.

Fig. 39 What are the biggest challenges for people and culture within your GBS organisation?

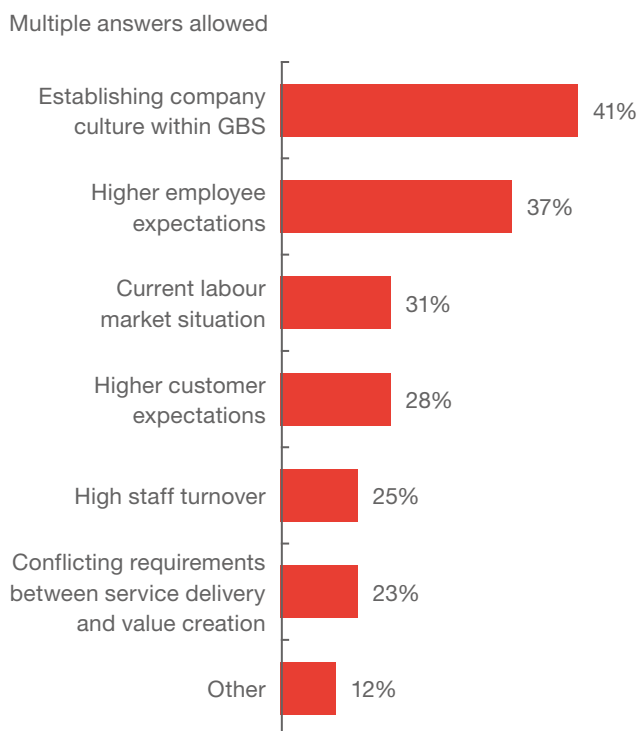
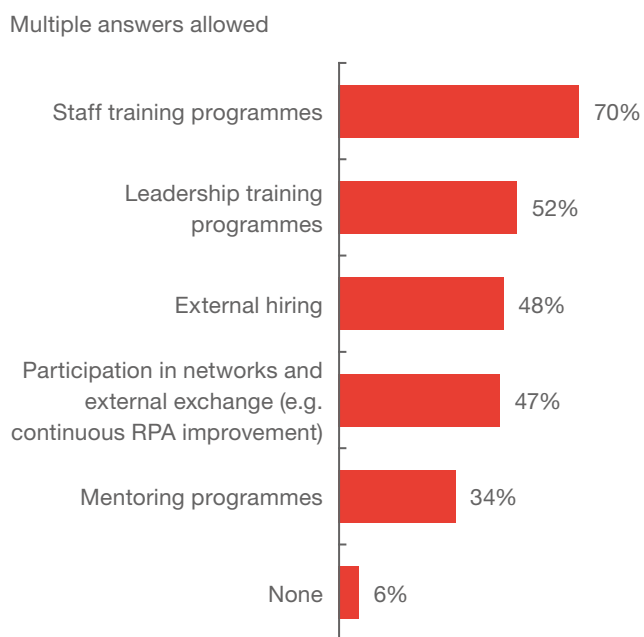


Figure 39 shows that more than 40% of the participants see establishing company culture as one of the major challenges for the GBS organisations. Confronting this challenge could also help reduce staff turnover. However, the challenges overall are quite diverse. The current labour market situation is already a major challenge, which might become even more important when external hiring becomes necessary to meet new requirements in various positions.

Figure 40 shows that almost three quarters of the companies surveyed have staff training programmes in place to upskill their existing staff. However, 48% see external hiring as an essential upskilling measure. Another 52% use leadership training programmes and 34% use mentoring programmes.

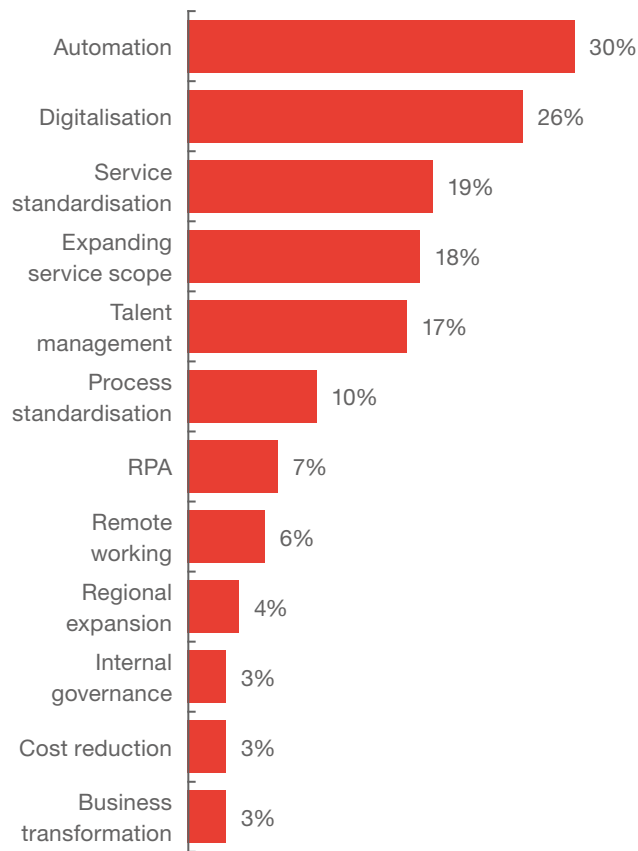
Fig. 40 Which measures do you have in place for (digital) upskilling of your staff?



H Outlook

Fig. 41 What are the three most important initiatives/challenges for shared services in your company over the next two years?

Multiple answers allowed



In the immediate future, SSCs will need to adapt to market developments, especially when it comes to increasing efficiency. Figure 41 shows that automation and digitalisation are the two most prominent challenges that companies will face over the next two years, being listed by 30% and 26% of the companies surveyed, respectively. Standardisation (19%) and expanding scope (18%) will also create challenges, as SSCs will have to become more cost-effective while also expanding services to take over more corporate activities. Alongside increasing efficiency and

expanding the scope of services, SSCs will face talent management issues (17%). This includes all topics related to talent attraction, acquisition, retention and development. With the number of staff available on the labour markets decreasing, both competition for talent and the costs involved in recruiting will increase.

The findings of this study give a good overview of the current situation and future strategic programmes of GBS organisations around the world, although it is impossible to say exactly where GBS is heading. We have also found that AI and RPA will play a major role in organisational change and increasing efficiency. But what are the next big things that we aren't currently thinking about? The ongoing effects of COVID-19 in particular will bring about major change in GBS organisations, as the need to adapt to certain situations will increase. What will happen with remote working? Will we see flexible workspaces in the future, with shared workspaces and flexible work locations? Will employees be able to choose when to come into the office and when to stay at home? Will organisations need to adapt to cultural changes – for example, paying more attention to employees' work-life balance?

We have also observed a strong trend towards process-driven organisations: almost a third of the companies surveyed have already implemented end-to-end process management, and a further 42% are currently undergoing transformation to become process-driven organisations.

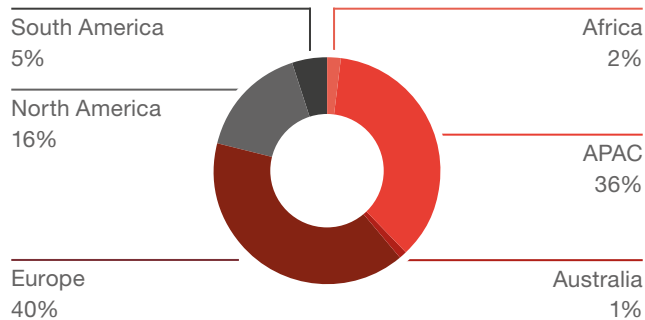
With ongoing digitalisation and organisational transformation, GBS organisations need to keep up with digital developments. Cost pressure on GBS services will increase even further, and both corporate functions and SSCs will need to keep up with the competition either by providing products at lower costs or by increasing profit margins. Either way, continuous digitalisation will play a major role in the future cost structures of GBS organisations. The sooner a company starts digitalisation initiatives, the greater their impact on the company's competitive advantage will be.

I Scope of the survey

Companies around the world are rapidly moving to further expand their existing GBS structures. Alongside this expansion, some companies have GBS organisations which are still in their infancy. Here, too, companies are moving towards centralised management and control of corporate activities. In addition to leveraging economies of scale, SSCs also offer the major advantage of developing experts in the areas they cover. This enables SSCs to offer higher-quality services at increased efficiency.

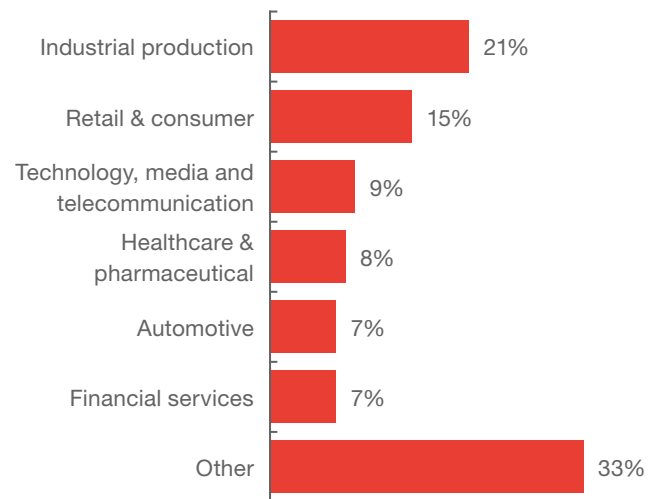
In this study, we took a look at the current state of the GBS market and identified trends and challenges for the future. To do this, we surveyed companies and more than 300 SSCs from around the world: data from these participants played a significant role in the study. Figure 42 shows that Europe represented the largest region, with 40% of all GBS organisations surveyed, followed by Asia Pacific (APAC) with 36% and North America with 16%. SSCs from South America (5%), Africa (2%) and Australia (1%) also featured.

Fig. 42 SSC location by region



This study has shown that GBS organisations are not an industry-specific phenomenon, serving as a tool for corporate strategy in all sectors. Figure 43 shows the industries in which the companies in this study operate, led by industrial production (21%) and the retail and consumer sector (15%). Overall, however, the companies were quite evenly split among the sectors, including technology, media and telecommunications (9%), healthcare and pharmaceutical (8%), automotive (7%), and financial services (7%). Other industries included food, real estate, and infrastructure.

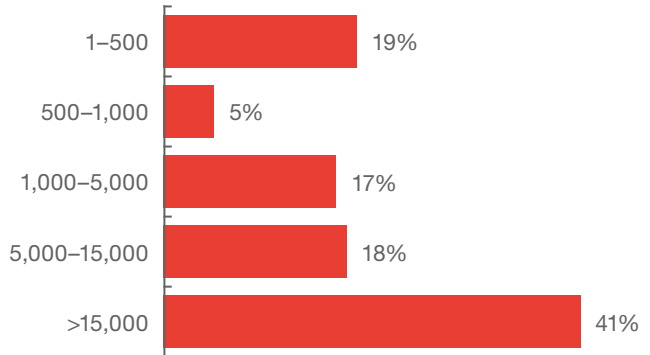
Fig. 43 Participating SSCs by industry



As well as representing all sectors, companies of all sizes also participated in the study. Figure 44 shows that more than 40% of the participating companies have more than 15,000 FTE employees within their entire organisation. Another 18% have between 5,000 and 15,000 FTE employees, and smaller companies are also represented, with 42% of the companies surveyed having fewer than 5,000 FTE employees.

The issue of the size of GBS organisations is a very interesting one, and it will be worthwhile to monitor these numbers in future. As SSCs continue to grow, the percentage of company employees providing internal services in a GBS organisation will also increase. As a result, SSCs will play an increasingly important role in corporate strategy, and continuous development of GBS strategy (including implementation) will be a critical success factor in the years to come.

Fig. 44 Number of FTE employees in the entire organisation



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