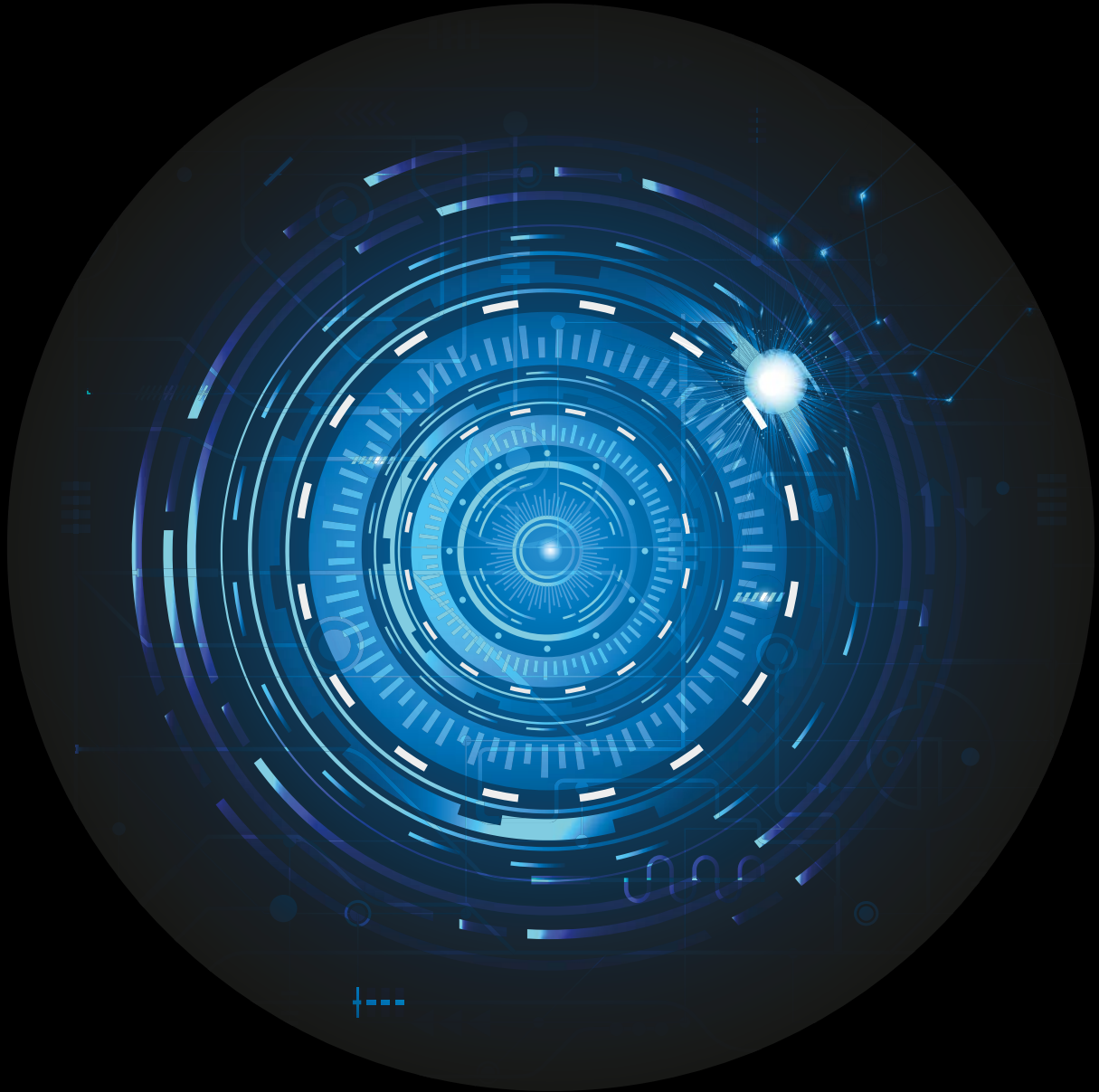


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Reaching the next level of maturity

Transitioning from cost centre and service provider to value creator and technology pioneer

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Introduction

In today's highly competitive business environment, companies using shared services (SSC) or global business services (GBS) are seeking new opportunities to drive further value, generate efficiencies across the company, and improve service levels for internal and external customers. While the future is exciting, new Deloitte research reveals important opportunities to improve alignment between corporate headquarters and SSC/GBS organisations that can boost the effectiveness and enhance the value they can deliver.

To gain greater insight into how SSC and GBS strategies are working – and where they are falling short – Deloitte embarked on a comprehensive review of the marketplace. This review included both the 2017 Deloitte Global Shared Services Survey and recent interviews from 34 companies across seven countries that are common hosts of shared services and GBS organisations – Costa Rica, India, Ireland, Mexico, Czech Republic, Hungary, and Uruguay. These in-depth one-on-one conversations focused on talent management, next generation capabilities, operational excellence, and the future of SSCs/GBS.



We uncovered three key opportunities leaders can take to accelerate the maturity of their SSC or GBS organisation:

Solving the talent challenge:

The rise of a millennial workforce within shared services or GBS is outpacing existing talent models. Yet corporate headquarters and SSC/GBS leaders are often misaligned on the solutions.

Bridging the cultural divide:

Corporate headquarters and local SSCs/GBS share a common overall goal – to drive value for the business. Yet significant cultural differences between the organisations can often jeopardise this objective.

Developing skills around integrating technology:

Vital IT skills and data-driven capabilities are lacking as organisations work to adopt advanced technologies, such as automation, robotics, and artificial intelligence (AI). Companies struggle to align the right people with the right skills and the right technology within shared services or GBS. The importance of change management becomes crucial in how to embrace this change, and if organisations are ready to move to the next level.

Seizing these opportunities will not just enhance efficiency but can enable these organisations to take the next jump up the maturity chain. Through better alignment, they can make the transition from cost centre and service provider to value creator and technology pioneer.

Solving the talent challenge

Talent concerns are universal among the leaders interviewed. In fact, talent was cited as one of the most urgent challenges across the board, especially the growing need to find reliable, well-trained people in an environment where rising salaries make retention more difficult.

But higher pay isn't a cure-all. The global competition for talent and the demographics of the SSC/GBS workforce are also forcing organisations to develop retention strategies that go beyond compensation.¹

How are these organisations rising to the talent challenge?

One effective strategy is developing an employment brand that features a strong, collaborative culture and meaningful opportunities for career development and growth.

One organisation in India reported that 73 percent of employees who wanted labour mobility within the organisation received it, either through postings abroad or transfers to headquarters. In this way, the organisation demonstrated both a responsiveness to employee goals and a commitment to their development that goes a long way toward creating a positive employment brand.

Beyond this example, nearly all leaders told us that process improvement is among their key performance indicators (KPIs) – part of an effort to create empowered employees who contribute to operational excellence.

¹ <https://www2.deloitte.com/global/en/pages/human-capital/articles/war-develop-talent.html>

In the interviews, we found that most companies encourage employees to suggest process improvements, offering dedicated tools to solicit and implement employee proposals. The buy-in of leaders and senior managers is critical. Some SSCs/GBS create specialised teams to implement process improvements suggested by employees. For instance, one Latin American leader told us successful process improvements call for

“contingency planning for when things go wrong,” and “remembering what you are trying to achieve. Get the metrics right!”

While our research provides some common themes for success, it also revealed a lack of alignment between corporate headquarters and these organisations, especially regarding the rise of millennials and their desires and expectations. While leaders indicated a rise in younger talent in their locations, there was no sign of any distinct differences between these organisations and corporate millennials but of the aging talent at corporate headquarters.



Solving the talent challenge



In Latin America, one organisation adopted a new talent management strategy featuring internal promotions and partnerships with academic institutions. Offering strong career paths and spaces for collaboration among employees can help reduce attrition and improve performance.

In EMEA, talent is a key focus. Organisations in the region are turning away from focusing on attrition to new, richer talent management strategies that examine how to hire and train employees more quickly.

Since shared services/GBS organisations typically employ a higher percentage of millennials compared to long-tenured employees at corporate headquarters, HR departments face intense pressure to develop creative strategies to attract and retain talent. For instance, our interviews found that many of these organisations are increasing their automation projects for transactional processes, freeing employees to take on more value-added activities. This strategy streamlines costs, creates greater overall efficiencies, and in addition satisfies the desire of millennials for more meaningful work.

Millennial workers within these organisations are interested in meaningful and collaborative career paths that offer a sense of advancement. Yet for corporate headquarters including their own millennial workforce, the answer to the talent crunch has been to turn to part-time employees, the contingent workforce, or other models that reduce head-count – rather than attracting and retaining talent by making work more meaningful and rewarding. Essentially, offering strong career paths and spaces for collaboration among employees can help improve SSC/GBS performance.

Following the pressing need for enhanced people management skills and strong career paths, leaders also emphasised the need to develop skills necessary for the new world of work, including areas such as data analytics and automation. For leaders, new technologies would be one of the means to empower employees to pursue meaningful and collaborative career paths, helping to decipher new ways of tackling the talent challenges of tomorrow.

Bridging the cultural divide

Nearly every leader interviewed stressed a commitment to fostering corporate values. Even so, shared services/GBS cultures are strongly defined by the local markets in which they operate. Leaders agreed corporate culture should be adopted within their organisations. On the other hand, they also agreed strongly on having sufficient space to reflect local and functional cultural values.

One leader from EMEA told us that their organisation typically “has a ‘start up’ motivation and is fast-paced, with a team that is very international and operates with less hierarchy” compared to its corporate headquarters.

Here again, shifting views over culture signal an opportunity for better alignment between corporate headquarters and shared services/GBS organisations. This opportunity would allow bolstering innovation by means of diversity. The challenge is not merely overcoming distance, but reaching agreement about how to integrate the unique local culture of a SSC/GBS into a company’s broader value system. Our interviews reveal that alignment does not and cannot mean that companies simply issue directives from corporate headquarters and expect these organisations to follow.

Essentially, successful companies in this industry incorporated local factors into building their SSC/GBS culture. They recognise that the objective is not mere centralisation of processes but finding the right balance that enables a SSC or GBS organisation to thrive. These issues are particularly important for companies seeking to venture into new markets, including Africa, Asia, Latin America and the Middle East.

One leader in India put it this way:

“We absolutely do not want to replicate corporate culture. We aspire to develop a separate culture. Our organisation has its own culture which is much younger with a higher proportion of women to maintain and boost our diversity ratios.”



Developing skills around integrating technology

All leaders interviewed agreed that automation and other digital enablers are necessary. Yet many SSCs/GBS organisations lack the proper people skills to implement technology effectively, creating a misalignment between what corporate headquarters wants and what a SSC/GBS organisation can deliver.

Our research revealed many challenges in this area, but nearly all leaders told us the problem starts with the difficulty of identifying the specific processes best suited for automation and other advanced technologies. This challenge is intensified because many of these organisations lack the IT department capabilities and the proper people skills to make this assessment and implement effective solutions.

For instance, automation efforts require changes to talent management practices. As one Latin America leader told us, “The main challenge is for people to understand that automation and other advanced technologies does not necessarily replace their work but comes to support them ... to make the operation more efficient and so that they can devote more time to other things.”



More broadly, our interviews revealed that automation and process standardisation consistently fell short in meeting expectations, indicating that organisations continue to struggle to incorporate technology improvements effectively as part of their transitions.

Similar issues arise in analytics and data-driven functions. Most of the leaders interviewed have limited capabilities in these areas and generally use the data analysis produced at the global level, adding minimum value back to their business partners. Common challenges included poor data quality, the low amount of data that could be analysed, the division of roles and competencies between a SSC/GBS organisation and corporate headquarters, insufficient investment in analytics tools, and – perhaps most important – the need to develop a mindset that embraces advanced analytics.

As one EMEA leader told us,

“One of the main obstacles has been the mindset of middle management, where they see no need to work with advanced tools, think about complex analyses, data interpretation, or predictions.”

How are companies solving these challenges? Many successful organisations start with a small team of experts that have executive support. This is where accountability and governance become key factors for success. In addition, change management plays a key role in succeeding in adapting new advanced technologies and educating on their value. For instance, as one leader from India noted, “accountability for delivery should rest with operational teams and automation should be with IT. There should not be any slippages in moving from humans to bots.”

Technology transformation and greater technological knowledge are critical for the future of SSC/GBS. In many cases, value has been tapped out of transactional processes, leading to an increased willingness to reinvest savings from productivity improvements into analytics, customer experience, and cognitive automation.

The bottom line

If you are a Shared Services Leader (SSC) or Global Business Service Leader (GBS), or a key business decision maker, finding the right approach to culture, talent, and technology is undoubtedly “on your radar.” Even so, to reach the next level of maturity and to stay competitive for the future, SSCs and GBS organisations would need to accelerate their digital agendas to continue adding value to their business partners.

As one of the first steps, it is essential to assess the readiness of the organisation and people around these upcoming changes. Digital in SSCs and GBS is about looking at the big picture and embracing the chance to rethink everything. Implementing digital within these organisations can be achieved if you have a clearly defined strategy, a robust governance structure, skilled workforce, and digital culture. For many organisations, this will require fresh thinking and focused leadership.

The future of SSCs and GBS organisations remains bright provided organisations take into account the key enablers needed in transforming the way of doing business. The leaders we interviewed predict an exciting future – the best will evolve from being seen as cost centres and service providers to true business partners and ultimately to technology pioneers within the organisation.

Amidst this transformation, the fundamental goal of a SSCs or GBS organisation has not changed: to deliver value through a platform that is increasingly technologically sophisticated and constantly improving. As one company leader summed it up, the task of the SSC or GBS today is to “be a global leader in delivering services in a more centralised, automated environment and offering a stabilised platform to provide more activities that add value.” A leader from India put it even more succinctly; a SSC or GBS organisation “has moved from partner satisfaction to partner delight” as more functions have been incorporated into the mandate.

As these statements suggest, leaders need to embrace the change they seek to lead, believe in their purpose, and continue to evolve. For any organisation, this journey is worth the effort.

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