

Questions addressed by this paper

1. Challenges faced in picking the right scope
2. Suggested principles to be used in deciding scope of GBS work
3. What is the sequence of steps that need to be followed
4. Real-life use case example of how can be split between GBS, Business Units and Functions

Why is the Right GBS Scope Important?

If done right, it can be the best instrument of digital transformation of the entire enterprise. Your world-class GBS organization can deliver three outcomes. It can cut your shared services costs by anywhere from 20-60%. It can deliver agility and scale at the 2-3X levels. And finally, it can create new business value in the units outside of GBS in the 5-25% top-line range.



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The Challenge of Picking the Right GBS Scope

Let's face it, discussions on choosing what scope of work to move into GBS can be extremely difficult. For the business units and functions that are moving work out to GBS, it can seem like a risky play. They are giving up control of operations, which have the potential to backfire. However, at the company level, there is a significant cost, business value and simplification up-side that cannot be ignored.

What makes this more complex is that there's no "one-size-fits-all" answer. The right scope definition is highly situational. It can vary by industry, geography, company strategy choices, organization maturity and point in time. Given this, it's no wonder that boards, executive committees and GBS leaders struggle to identify the "right" scope.

The good news is that there's a sequence of steps that can be undertaken to arrive at the right answer for every situation. There's a structured set of principles, design choices, governance designs and operational models that can help you arrive at the right answer. It requires an understanding of the corporate strategies and goals, of the informal collaboration cultures in the organization, the external shared services industry landscape, the

evolving technologies and processes in the shared services industry and the understanding of potential pitfalls that can only come from having operated a shared services organization.

Here's a few things to keep in mind when defining scope:

1. Corporate strategy and business model: Is your organization centralized or fragmented? That will affect scope choices
2. Executive empowerment: Is there sufficient alignment at the executive level for a shared services construct? Or are you at the risk of delegating complexity on corporate politics?
3. Business process ownership: Is there clarity of ownership for standardizing end-to-end processes?
4. Organization capability: Is there sufficient capability, or a plan to build it, in the GBS organization?

If done right, this can be one of the most consequential strategic decisions that the CEO and executives will take. Make it count!

Principles for Choosing the Right GBS Scope

There are three main principles underlying all scope decisions.

1. **Scale:** Can the work be scaled in ANY fashion e.g. across the enterprise, across a business unit or across any individual operation
2. **Operational:** Is the work operational by nature (i.e. not functional policy or BU distinctive)
3. **Optimizes the enterprise:** Design for enterprise level benefits, even if that means cost reallocation among individual units.

Equally important is to understand which principles can actively hurt or sub-optimize a GBS design.

In general, any principle that treats GBS as a “commoditized” entity for manual work, that can instead be outsourced to BPO providers, is a mistake. For instance, the principle of moving only manual and repetitive tasks to GBS. The watch-out here is undermining the process optimization role that GBS can play as a unit of the company.

In general, the best GBS designs are based on specific work-processes e.g. Record to Report, Purchase to Payment, as opposed to tactical manual work e.g. scanning of invoices



What are the scope options for a world-class GBS organization

The scope depends on the strategic mandate for GBS, along the spectrum of cost-optimization to strategic transformation

A GBS scope design exercise is essentially a corporate operating-model design effort. This means that the starting point must be an agreement on what is the role of a Business Unit vs. a Function vs. GBS.

Second, the scope option for GBS must be chosen in line with the current corporate strategy i.e. use GBS as a cost play versus a strategic transformation play. .

GBS vs. non-GBS Work: World-class enterprises tend to start with the question of what work needs to be Business Unit distinctive, as opposed to what is GBS-specific. The advantage of this approach is to use the GBS design as an opportunity to drive focus in the business unit operations.



Using this approach, it becomes clear that GBS scope must be supporting work-processes that are operational

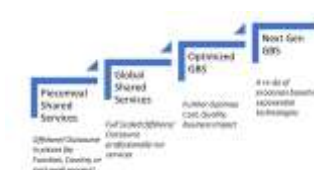
In nature and can be scaled.

“Start with the question of what work needs to be Business-Unit distinctive”

This approach will provide high-level definition of work that can be placed in GBS. Defining the scope in terms of work-processes and sub-processes helps. To be clear, there will always be gray areas. A pragmatic way to address these is to phase the transition of work to GBS starting with the clear scope areas first, and then moving the gray areas after the GBS organization has matured.

Options for GBS Scope:

It's critical to understand the different types of GBS, in order to make the choice of the right scope for a world-class GBS.



There are typically four types of GBS.

A type 1 operation is simply a tactical use of GBS to get cost-savings in specific processes or geographies. Although this has been a historical starting point for legacy GBS operations, this is not a recommended starting point today.

A type 2 operation expands the scope of operation across the enterprise. It can deliver larger cost savings as well as benefits on agility to the enterprise. However, it is still a sub-optimal design in terms of what's possible today.

A type 3 GBS targets all three vectors of business value i.e. cost, top-line as well as agility. However, it is not mandated to digitally transform the enterprise. That's a perfectly legitimate choice that a business can make today.

A type 4 GBS takes this a step further. It essentially chooses to have GBS become its digital transformation and operational engine. Think of the GBS leader essentially being the Chief Operations Officer in this model.



How to Choose the Right GBS Scope

Whether designing a GBS organization for the first time, or restructuring a GBS operation, there are a sequence of steps that can be followed to determine the right scope.

There are three steps to determining the right scope of GBS.

1. Establish enterprise-level guidelines
2. Define process-level options on GBS Scope, bottom-up
3. Have executive committee make or approve the scope decision

1. Establish enterprise-level guidelines

The starting point of any GBS organization mandate must be at the executive committee level. The basic objectives of the GBS design as well as the principles defining how to identify GBS scope need to flow from the original mandate. Guidance on proposed principles has been outlined earlier in this document.

2. Define process-level options on GBS Scope, bottom-up

This next step is usually best done via workshops using an external

facilitator. The workshop brings together operational leaders with enough knowledge of the work-process to apply the principles from step 1 to the design. To avoid contentious arguments, it might help to have the workshop generate options, along with associated business value, as opposed to making the final decision on scope.

3. Have executive committee make or approve the scope decision

The executive committee and board of directors make the final decision.

EYE ON IT Latest Industry Trends

There's an interesting trend among digitally native companies. They tend to have little to no GBS-like services. That's because digital technologies tend to be the backbone of their operations. Thus, the concept of functions or front-office vs back-office doesn't exist. There's only one office.

Another major trend is to move end-to-end process operations to GBS. In this context, the opportunity exists to make GBS the operational entity of the enterprise.



Tips and tricks on choosing GBS scope

Avoiding the pitfalls on GBS scope decisions.

1. Avoid simplistic top-down mandates: Having mandates around the number of people or scope of work, without clear alignment on the principles or success criteria, is a mistake. It usually never works.
2. Identify success criteria and business outcomes early: Without a clear set of metrics on business outcomes, it's impossible to make choices.

3. Be clear on terminology. Global Business Services is not the same as Shared Service centers.
4. Don't short-circuit the process. Setting up the GBS scope in a hurry can result in longer term issues.





Use Case Examples

In a large CPG industry multinational, the split of work between GBS and Business Units and Functions was as follows.

Finance Shared Services:

End-to-End operational work processes such as Purchase to payments, Record to Report, Banking, Accounts Receivables and the technology solutions related to all of Finance were moved into the Financial Shared Services. Shared service centers were set up in three countries covering the Americas, Europe and Asia respectively. The Business Units each have a CFO who are accountable for the P&L and governance for their

respective businesses. This includes items such as financial planning, financial analysis and guidance to the unit, governance and controls of financial operations etc. The corporate function of finance has responsibility for enterprise level functions, such as policies, treasury, corporate strategy, corporate comptroller's office, wall-street reporting, etc.

Human Resources Shared Services:

This played out along similar lines. Hire to Retire, Payroll, Facilities and Real Estate and all IT Services for employees such as PCs and Email were in GBS. The Business Unit HR managers had talent management and overall HR outcomes for their Business units. And the HR Corporate Function had ownership of policies.