A View from the C-Suite:
The Value Proposition of Shared and
Global Business Services
The Conference Board
20th Annual Global Business and Shared Services
November 2016
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The Evolution of Shared and Global Business Services

1980s/1990s
- Single Locations
- Regional
- Transactional Services
- Labor Savings

2000s/2010s
- Multi-Location
- Regional/Global
- Transactional and Knowledge Services
- Labor Savings, Efficiency and Effectiveness

Today
- Global GBS Networks
- Interconnected Global Models
- Knowledge Services
- Efficiency, Effectiveness and Innovation
- Business Partnership
- End-to-end Process Governance
- Digital & Analytics Capabilities Emerging

Key Questions for the Future
- What’s next?
- How is the GBS “brand” evolving?
- How are GBS leaders aligning with corporate strategy?
- How are expectations for GBS changing?
A View from the C-Suite—Perceptions of GBS

GBS as an operational hub for increasingly complex work

GBS as an M&A and Transformation Leader

GBS as an enabler for global process ownership

GBS as an incubator for innovation

GBS as a talent generator
A View from the C-Suite—Perceptions of GBS

- GBS as an operational hub for increasingly complex work
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- GBS as a talent generator
GBS as a hub for increasingly complex work
GBS is evolving from a “cost arbitrage” play to a “strategic partner”

- HR
- Finance
- IT
- Procurement

2000

- R&D
- Analytics
- Legal
- Real Estate & Facilities
- Tax and Compliance

2016

Use scale and skill to deliver value

Foster growth by bringing in new capabilities and integrating across new and existing functions
EVERY BUSINESS IS UNDER PRESSURE

NEW COMPETITION FROM DIGITAL DISRUPTORS

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A View from the C-Suite—Perceptions of GBS

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GBS as an M&A and Transformation Leader
GBS is increasingly supporting non-GBS transformations as a service to the larger organization

<table>
<thead>
<tr>
<th></th>
<th>Yesterday</th>
<th>Today</th>
<th>Tomorrow</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope</strong></td>
<td>Transactional services</td>
<td>Transactional services Knowledge based</td>
<td>Implementation services End-to-end processes M&amp;A leadership</td>
</tr>
<tr>
<td><strong>Focus</strong></td>
<td>Efficiency and effectiveness</td>
<td>Higher value services</td>
<td>Business enablers and transformation services; digital, data, analytics enablement</td>
</tr>
<tr>
<td><strong>Enablers</strong></td>
<td>Wage arbitrage Technology bolt-ons</td>
<td>Knowledge workers</td>
<td>Global process owners Advisory personnel Cloud, mobility, analytics</td>
</tr>
<tr>
<td><strong>Labor</strong></td>
<td>Captive functional centers</td>
<td>Captive and outsource multi-functional</td>
<td>Multi-sourcing, global locations</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>Reduced labor costs</td>
<td>Deliver benefits</td>
<td>Transform the organization</td>
</tr>
</tbody>
</table>
GBS as an M&A and Transformation Leader
A recent example of M&A and transformation leadership from a world class finance shared services organization

<table>
<thead>
<tr>
<th>Company and Shared Services Background</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;$40B Company Revenue</td>
</tr>
<tr>
<td>65% Finance Headcount in Shared Services</td>
</tr>
<tr>
<td>74% Transaction Processing/Accounting in Shared Services</td>
</tr>
<tr>
<td>80% Shared Services Headcount in Low Cost Locations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Anatomy of a Recent Integration and Concurrent Transformation</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;80 Countries In-Scope Across All Enterprise Divisions</td>
</tr>
<tr>
<td>~50% Of Total Synergy and Transformation Savings Directly Enabled by Shared Services</td>
</tr>
<tr>
<td>65% Of Total M&amp;A/Transformation Staffing Sourced From Shared Services Talent</td>
</tr>
<tr>
<td>97% Sustainable Benefit Realization</td>
</tr>
</tbody>
</table>

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A View from the C-Suite—Perceptions of GBS

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GBS as an enabler for global process ownership
Perception is reality—GBS organizations’ role as global process owners drive better perceptions among business partners

Perception of Average or Above Average Effectiveness

- SSC cost control: 93% (With) vs. 58% (Without)
- Value of SSC services provided: 79% (With) vs. 57% (Without)
- Ease of working with SSC: 75% (With) vs. 56% (Without)
- Capture of metrics to improve organization: 53% (With) vs. 47% (Without)

GBS as an enabler for global process ownership
Ways GBS drives transformational value through global process ownership

1. Setting and managing the strategic agenda
   - Owning the vision for how pieces of end-to-end processes come together globally
   - Understanding and communicating where integration points are
   - Driving process performance improvements over time

2. Aligning the organization
   - Understanding customer requirements
   - Managing business leader expectations
   - Navigating internally within the GBS organization

3. Changing behaviors and enhancing the GBS brand
   - Driving stakeholder awareness, engagement and buy-in to GBS strategy
   - Advocating and leading change within GBS
   - Reinforcing brand and culture
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GBS as an incubator for innovation
How will the strategic priorities of GBS organizations shift over the next 10 years?

Source: Deloitte 2015 Global Shared Services Survey
GBS as an incubator for innovation

**DIGITAL TRANSFORMATION**

- Accelerate cost-efficiency and time to market by rethinking **OPERATIONS AND PROCESSES**
  - PROCESS AUTOMATION
  - WORKFORCE MOBILITY
  - SUPPLY CHAIN EFFICIENCY

- Increase loyalty and grow revenue by improving **CUSTOMER EXPERIENCE**
  - MOBILE COMMERCE
  - REAL-TIME INFORMATION
  - PERSONALIZED ENGAGEMENT

- Unlock new revenue streams and reach new markets with **NEW BUSINESS MODELS**
  - DATA-CENTRIC SERVICES
  - GLOBAL EXPANSION
  - DIGITAL COMMERCE

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GBS as an incubator for innovation
Understanding the Bimodal Opportunity

SYSTEMS OF RECORD
Typically “Mode 1” IT
The Goal: Modernize the Core

SYSTEMS OF INNOVATION
Typically “Mode 2” IT
The Goal: Establish New Relevancy

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GBS as an incubator for innovation
Digital capabilities and enabling technologies are rapidly evolving; GBS organizations are prime enablers for digital transformation

- Enhanced Visualization
- Mobility
- Predictive Analytics
- In-Memory Computing
- Robotic Process Automation (RPA)
- Blockchain
- Cognitive Computing
- Cloud Computing
GBS as an incubator for innovation
Robotics is being used in GBS organizations today to replace repetitive human processes with software which emulates human actions

Robots are

- Computer coded software
- Cheaper and faster way to automate processes
- Cross-Functional Cross-Application Macros

Robots are not

- Physical machines
- Multi-year technology implementations
- Artificial Intelligence
GBS as an incubator for innovation
Robotic Process Automation is being utilized as a means of generating greater efficiency

<table>
<thead>
<tr>
<th>Scope</th>
<th>Yesterday</th>
<th>Today</th>
<th>Tomorrow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce work complexity to improve productivity</td>
<td>“End-to-end” processing efficiency</td>
<td>Fully automate end-to-end processes</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Focus</th>
<th>Yesterday</th>
<th>Today</th>
<th>Tomorrow</th>
</tr>
</thead>
<tbody>
<tr>
<td>One size fits all designs</td>
<td>End-to-end simplification</td>
<td>Identifying routine steps</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Typical benefits*</th>
<th>Yesterday</th>
<th>Today</th>
<th>Tomorrow</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-15% less labor</td>
<td>Improved quality&lt;br&gt;Fewer errors&lt;br&gt;20% less labor</td>
<td>30% to 50% labor elimination</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Enablers</th>
<th>Yesterday</th>
<th>Today</th>
<th>Tomorrow</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERP systems with 80% global processes</td>
<td>Lean six sigma and other process optimization approaches</td>
<td>Software tools, enhanced talent / capabilities</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Talent Needs</th>
<th>Yesterday</th>
<th>Today</th>
<th>Tomorrow</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adherence to standard operating procedures</td>
<td>Continuous improvement skills</td>
<td>Judgement to resolve non-rule based activities</td>
<td></td>
</tr>
</tbody>
</table>

* Source: Deloitte 2015 Global Shared Services Survey | Deloitte experience
GBS as an incubator for innovation

Analytics: GBS analytics capabilities are growing more complex....and more insightful

<table>
<thead>
<tr>
<th>Analytic Dimension</th>
<th>Drill-Down</th>
<th>Investigative</th>
<th>Correlative</th>
<th>Predictive</th>
</tr>
</thead>
<tbody>
<tr>
<td>What Happened?</td>
<td>Line of Questioning</td>
<td>What Will Happen?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Precise</td>
<td>Accuracy</td>
<td>Probability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limited</td>
<td>Iterations</td>
<td>Constant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Easy</td>
<td>Insights to Action</td>
<td>Challenging</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct</td>
<td>Organizational Impacts</td>
<td>Complex</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>Conversations</td>
<td>High</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Correlative (What Could Have Caused It?)

Accuracy

Insight to Action

Probability

Challenging

Organizational Impacts

High
A View from the C-Suite—Perceptions of GBS

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- GBS as a talent generator
GBS as a Talent Generator
The capabilities needed for GBS tomorrow are less execution oriented and more advisory or outcome oriented

### Diversity of work
- ** Dimension: Designed around processes, not people**
- **SSC yesterday:** Matrixed career paths to support development
- **GBS tomorrow:** Tend to seek job security, defined promotion paths
- **Boomers:** May expect to have many employers and make changes frequently
- **Millennials:**

### Skills needed
- **Dimension:** Transactional operations with some advisory
- **SSC yesterday:** Problem solving, communications, continuous improvement, project management
- **GBS tomorrow:** Tend to be knowledgeable but not always comfortable driving innovation (not my job)
- **Boomers:** May think they should change things but lack experience to comprehend impacts
- **Millennials:**
**GBS as a Talent Generator**

The resources needed for GBS tomorrow may not reside within GBS today and those newer resources are likely to be more temporal.

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### Dimension

<table>
<thead>
<tr>
<th>Dimension</th>
<th>SSC yesterday</th>
<th>GBS tomorrow</th>
<th>Boomers</th>
<th>Millennials</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sourcing</strong></td>
<td>Full Time Employees or Outsourced Labor</td>
<td>FTEs, Part Time Workers, Contractors, Freelancers, Crowd Sourced</td>
<td>Often Desire Full Time or Part Time (predicable work)</td>
<td>May Seek Flexibility in work schedules and alternative employment models (e.g. freelancing)</td>
</tr>
<tr>
<td><strong>Workplace</strong></td>
<td>Centralized, Cubicles, Some Meeting Spaces</td>
<td>Flexible Drop In Centers, Collaboration and Project Spaces, Virtual Work Options (e.g. WFH)</td>
<td>Tend to be Comfortable with Office Structures and Perks (e.g. “corner office”)</td>
<td>Tend to be more comfortable working remotely</td>
</tr>
</tbody>
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L ≥ C
A view from the C-suite—closing thoughts

From Transaction/Automation driven  ➔  Relationship/Experience driven

<table>
<thead>
<tr>
<th>Local</th>
<th>Regional</th>
<th>Global</th>
<th>Digital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fragmented: Local processes &amp; local solutions for local companies</td>
<td>Consolidated: 1 global ERP, 1 global back office</td>
<td>Archetypes: 1 size does not fit all, but there are common patterns</td>
<td>Interactive: from business process to interaction</td>
</tr>
</tbody>
</table>

To evolve, GBS needs to shift from being the enabler of efficient/effective process to the enabler of seamless, content-rich interactions with customers, stakeholders, 3rd parties.

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A view from the C-suite—closing thoughts

HDS IT SSC Evolution of Capabilities
A view from the C-suite—closing thoughts

GBS as an operational hub for increasingly complex work
- From cost arbitrage to strategic partner
- GBS continues to move up the value chain

GBS as an M&A and Transformation Leader
- “Changing things” vs. “optimizing things”
- GBS as an M&A/Transformation hub

GBS as an enabler for global process ownership
- Setting and managing the strategic agenda
- Aligning around end-to-end processes
- Changing behavior, reinforcing the brand

GBS as an incubator for innovation
- Understand data and its sources
- Embrace technology/digital
- Focus on governance and selective experimentation

GBS as a talent generator
- Fewer “doers”, adaptable workforce
- GBS as a learning opportunity
- GBS as an “exporter” of leaders
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