



Top trends and predictions for 2017

KPMG Global Insights Pulse
February 14, 2017



Webcast participants



Stan Lepeak

Director Management
Consulting Research,
KPMG International and
Director, KPMG in the US



Lee Ayling

Partner,
Shared Services and
Outsourcing Advisory,
KPMG in the UK



Ron Walker

Partner,
Shared Services and
Outsourcing Advisory,
KPMG in the US

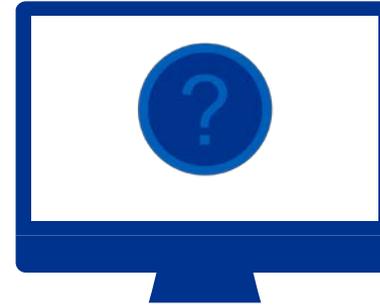


Administrative



CPE regulations require that online participants take part in online questions

- 1 Must respond to a minimum of four questions per 50 minutes
- 2 Polling questions will appear on your media player
- 3 Post webcast survey must be completed
- 4 Results will be reviewed in the aggregate; no responses will be tracked back to any individual or organization



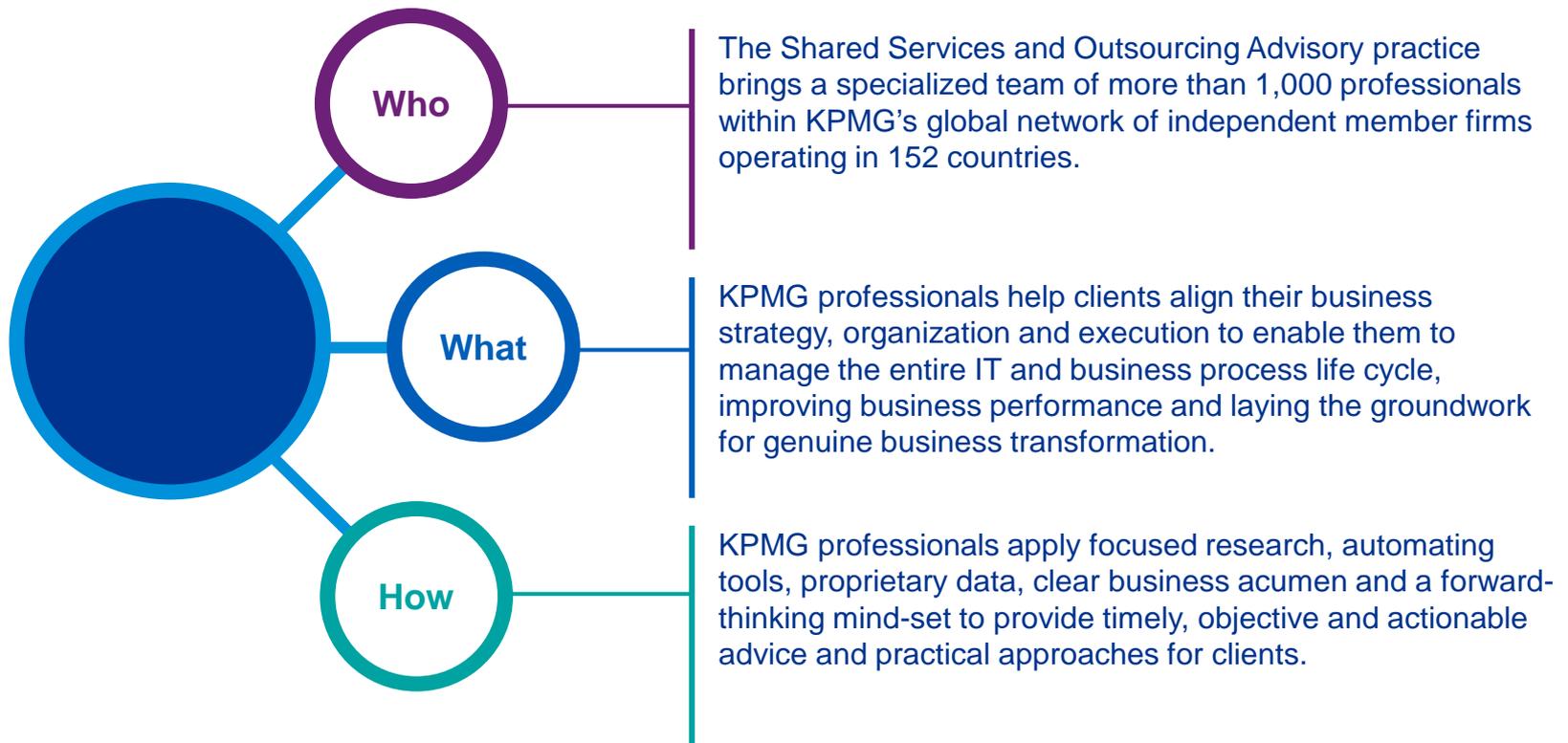
To ask a question, use the 'Ask a Question' box on your media player

Technical issues: use the '?' button in the upper right corner of your webcast player to access our new online help portal

- If this does not resolve your issue, please submit a question through the 'Ask a Question' box, and you will receive a reply from our technical staff shortly in the 'Answered Questions' box.

KPMG Shared Services and Outsourcing Advisory practice

KPMG member firms have the ability to support clients **transform enterprise services** and help improve value, increase agility and create sustainable business performance.



Polling question 1

In which of the following industry groups does your organization operate?

Select one:

- ▶ Business or IT service provider
- ▶ KPMG employee
- ▶ Financial services
- ▶ Diversified industrials/manufacturing
- ▶ Energy and natural resources
- ▶ Healthcare and pharmaceuticals
- ▶ Retail consumer goods/Food and beverage
- ▶ Technology
- ▶ Government/Education
- ▶ Other

KPMG Global Insights Pulse

The surveys are a quarterly review of global business services (GBS), related service delivery market trends and individual observations from the ‘front lines’

Input sources:

- KPMG’s global network of advisors focused on:
 - Sourcing advisory
 - Financial management
 - CIO advisory
 - People and change
 - Business operations
 - Tax, deal advisory, and audit
- KPMG market research

Topics evaluated:

- Top Trends and predictions for 2017
 - Negative trends
 - Positive trends
 - Organizational initiatives
 - Process and technology investment areas
 - Market sentiment

Primary functional focus:

- Call center/customer care
- Finance and accounting
- Human resources
- Information technology
- Procurement
- Real estate and facilities management
- Vertical industry BPO
- Emerging BPO/KPO functions

Focus on performance, trends, and future state

- Global Insights Pulse launched in 2004 by EquaTerra*
- Part of a growing family of KPMG Pulse market research studies

* KPMG LLP (US), KPMG Holdings Limited (UK) and KPMG International acquired the business and subsidiaries of advisory firm EquaTerra, Inc. in February 2011.



4Q16 Global Insights Pulse Survey results



Summary – key findings

There is some growing optimism – depending on the market – regarding global economic and market conditions in 2017.

While there is still concern related to increased skilled talent shortages, increased trade protectionism, political gridlock, and Donald Trump, there is greater optimism on economic growth and reduced regulations, especially in the United States and parts of Europe, and on the benefits gained through the use of innovative technologies.

Leveraging innovative technologies, such as data and analytics, cloud computing, and process automation, are the key means to address market challenges as well as deliver greater product and services innovation and address talent shortages, while still enabling the perennial desire to lower operating costs.

Significant variations to the challenges and opportunities across geographies and sectors remain a factor.

- 1 Top negative and positive trends for 2017**
- 2 Top IT investment areas and corporate initiatives for 2017**
- 3 Top challenges and capabilities required for initiatives**
- 4 Changes to investment patterns and overall market conditions**

Summary – Top negative and positive trends for 2017

Top 3 negative trends	
	Talent shortages/talent management challenges
	Weak global/regional economies
	Trade protectionism/de-globalization; up significantly year over year

Top 3 positive trends	
	Maturation of/greater access to innovative technologies
	Expanding emerging market opportunities
	Improving consumer/customer demand

Top 2 the same over past three years, political/government gridlock comes in fourth

Regional differences	
	Talent shortages/talent management challenges most acute with advisors supporting global efforts
	Trade protectionism concerns strongest in North America
	Weak global/regional economies – varies across regions (lowest Northern America, Europe, highest Asia Pac)

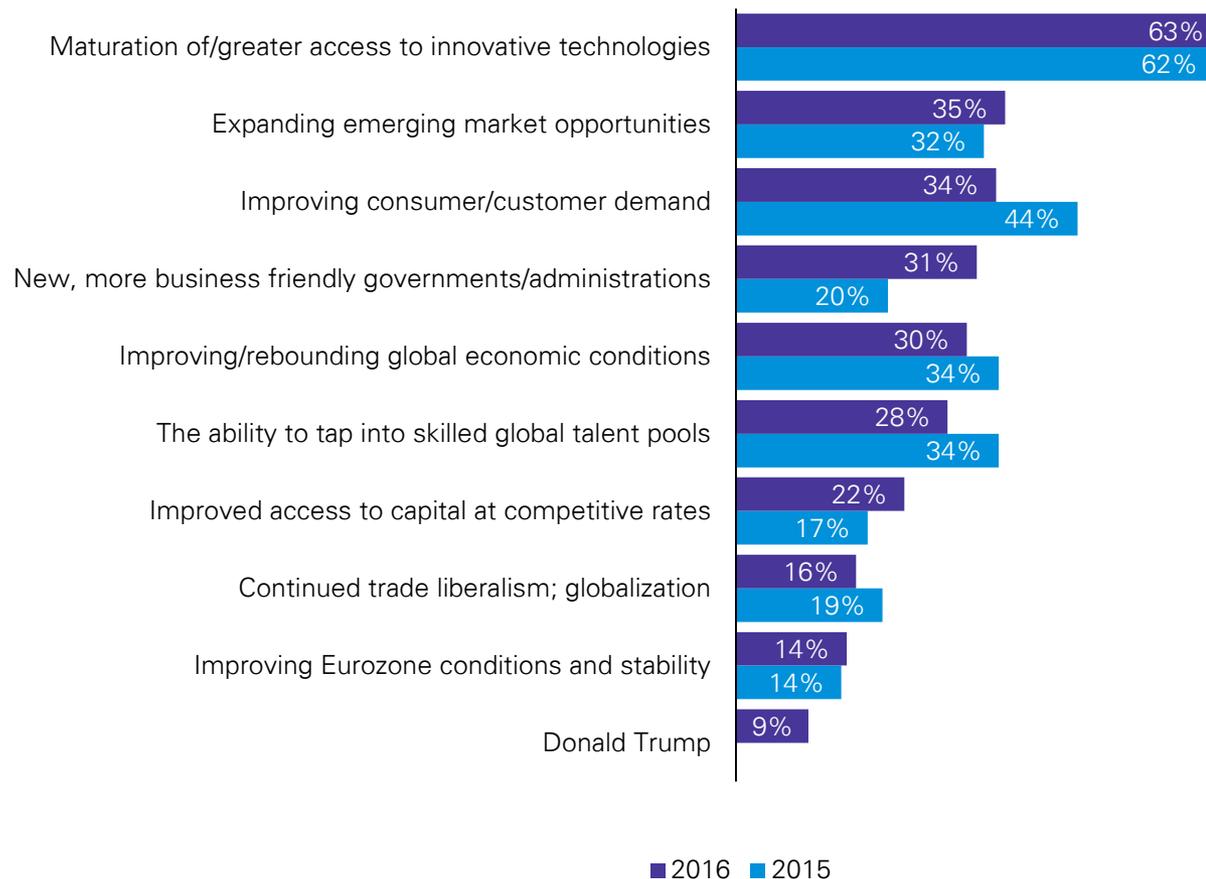
Top 2 the same over past three years

<p>Innovative technologies clear top trend with close clustering on next set of trends</p>	
<p>North America most bullish on ability to tap into global talent pools</p>	
	Process automation becoming key enabler to address talent shortages, further reduce costs and increase process effectiveness

2017 Trends with biggest negative Impact on user organizations



2017 trends with biggest positive impact on user organizations



Top 2017 user organization initiatives

Top 3 negative trends



Continue to drive down operating costs



Invest in new/improve information technology



Optimize global service delivery channels/excel at global business services

Top 2 the same over past three years

Regional differences

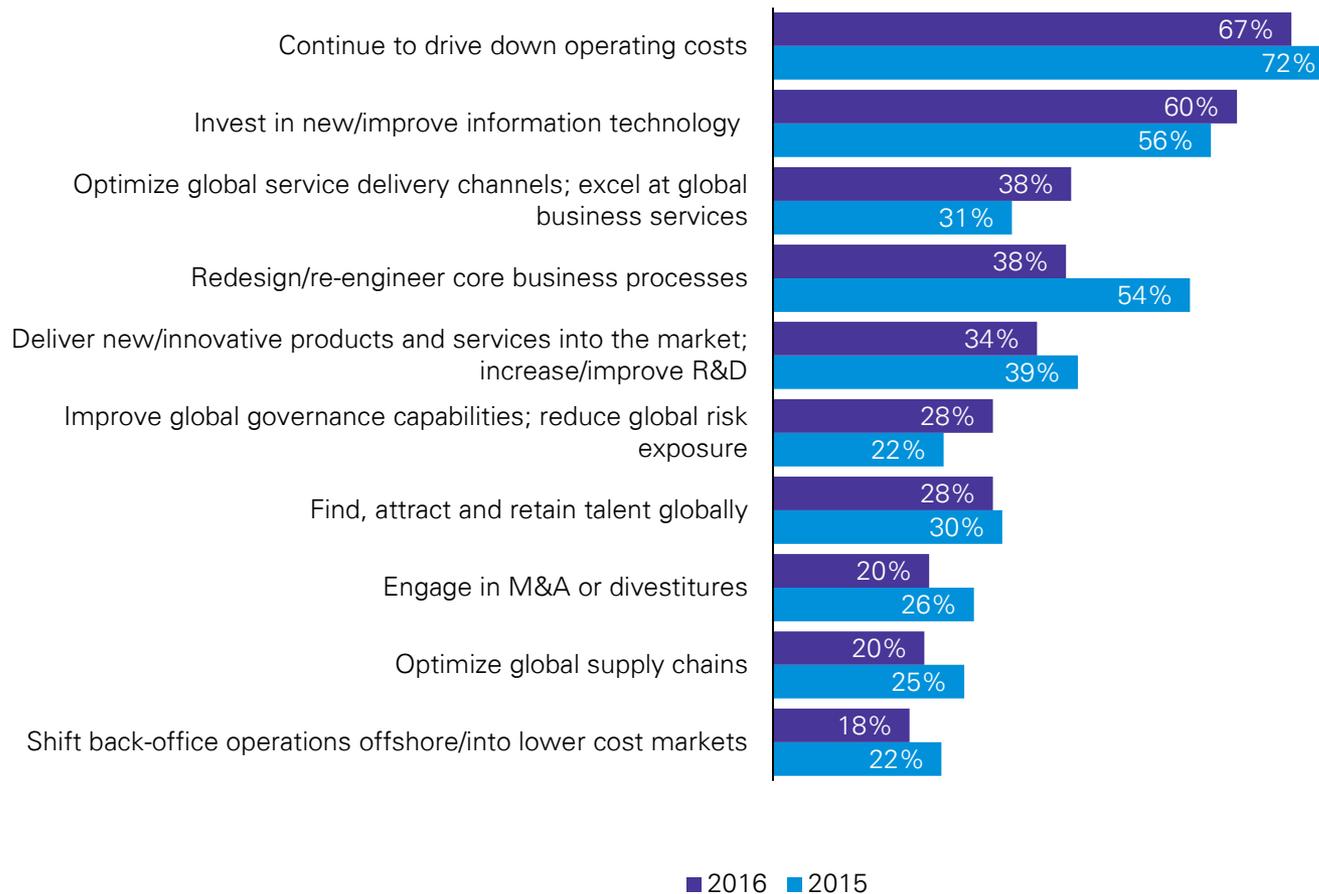


Global organizations most aggressive about investing in new/improved technologies



Drive down operating costs a common priority globally

Top 2017 user organization initiatives



Polling question 2

What are your organization's/client organizations' top initiatives for 2017-18?

Select one:

- ▶ Shift back-office operations offshore/into lower cost markets
- ▶ Find, attract and retain talent globally
- ▶ Invest/expand in markets such as China, India & Brazil
- ▶ Deliver new/innovative products & services; increase/improve R&D
- ▶ Invest in new/improve IT (e.g. enterprise systems, BI, cloud, automation)
- ▶ Redesign/reengineer core business processes
- ▶ Continue to drive down operating costs
- ▶ Technology
- ▶ N/A, don't know
- ▶ Other

Top challenges to successfully undertaking 2017 initiatives

Top 3 challenges



Dysfunctional/fragmented organizational/operating models, designs and processes



Inadequate change management and governance capabilities



Lack of adequate and skilled talent; inability to attract and retain talent

Regional differences



Emerging markets most concerned about lack of adequate and skilled talent; inability to attract and retain talent



Inadequate/antiquated IT infrastructure and systems a common problem globally

Top 1 and 3 challenge the same for past three years

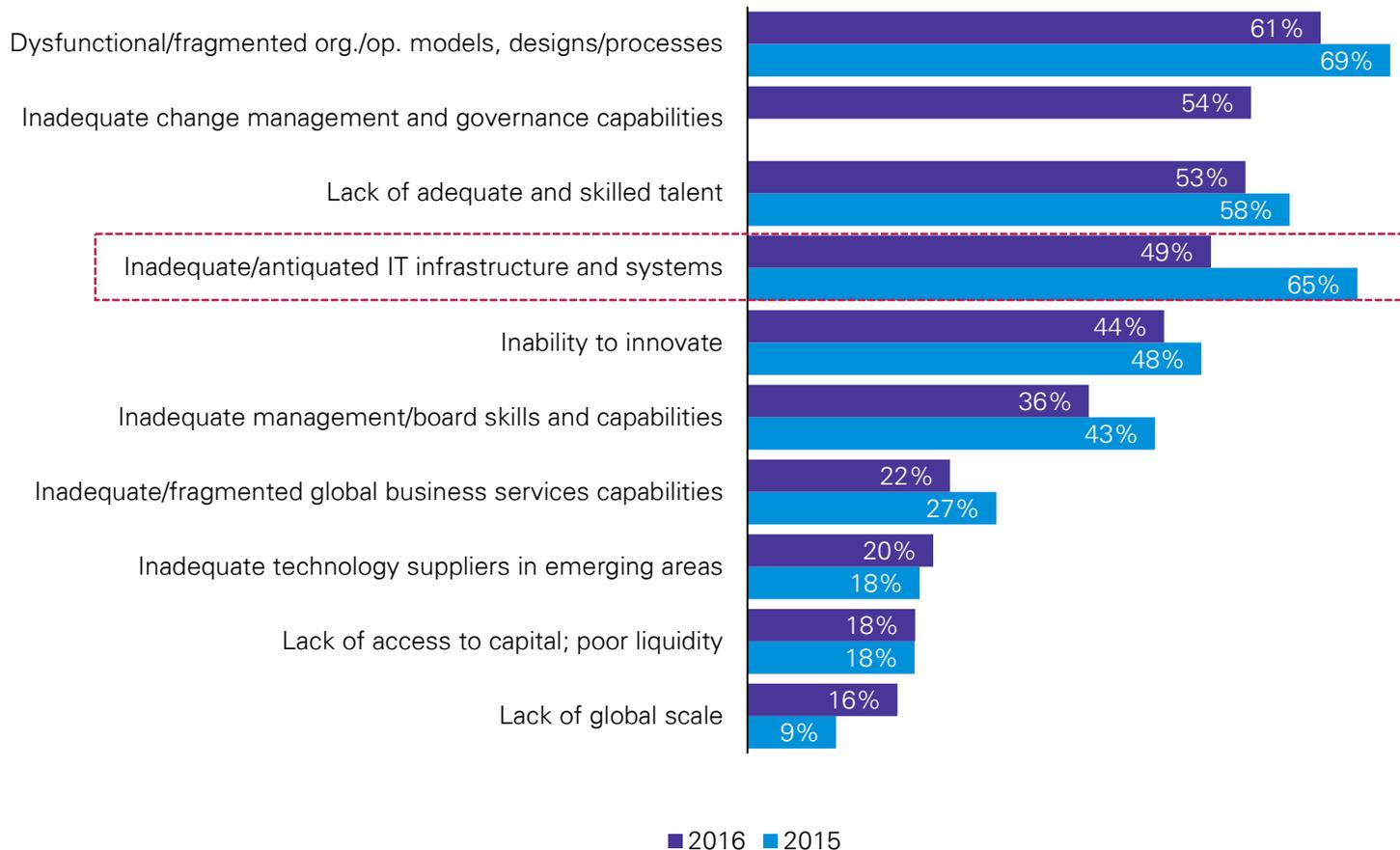


Lack of adequate and skilled talent; inability to attract and retain talent remains a problem; will process automation prove the solution?



Scores for inadequate/antiquated IT infrastructure and systems fell 16 percent year over year; cloud systems to the rescue?

Top challenges to successfully undertaking 2017 initiatives



Polling question 3

What is the biggest challenge your organization/client organizations' face(s) in successfully undertaking these initiatives?

Select one:

- ▶ Inadequate change management and governance capabilities
- ▶ Inadequate/fragmented global business services capabilities
- ▶ Inadequate management/board skills and capabilities
- ▶ Inability to innovate
- ▶ Inadequate/antiquated IT infrastructure and systems
- ▶ Lack of adequate and skilled talent; inability to attract and retain talent
- ▶ Dysfunctional/fragmented organizational/operation models, designs and processes
- ▶ N/A, don't know

Top capabilities required to successfully undertake 2017 initiatives

Top 3 required factors and capabilities

	Smart/innovative management and management practices
	Business intelligence/harnessing "big data"
	Process automation – basic and enhanced RPA

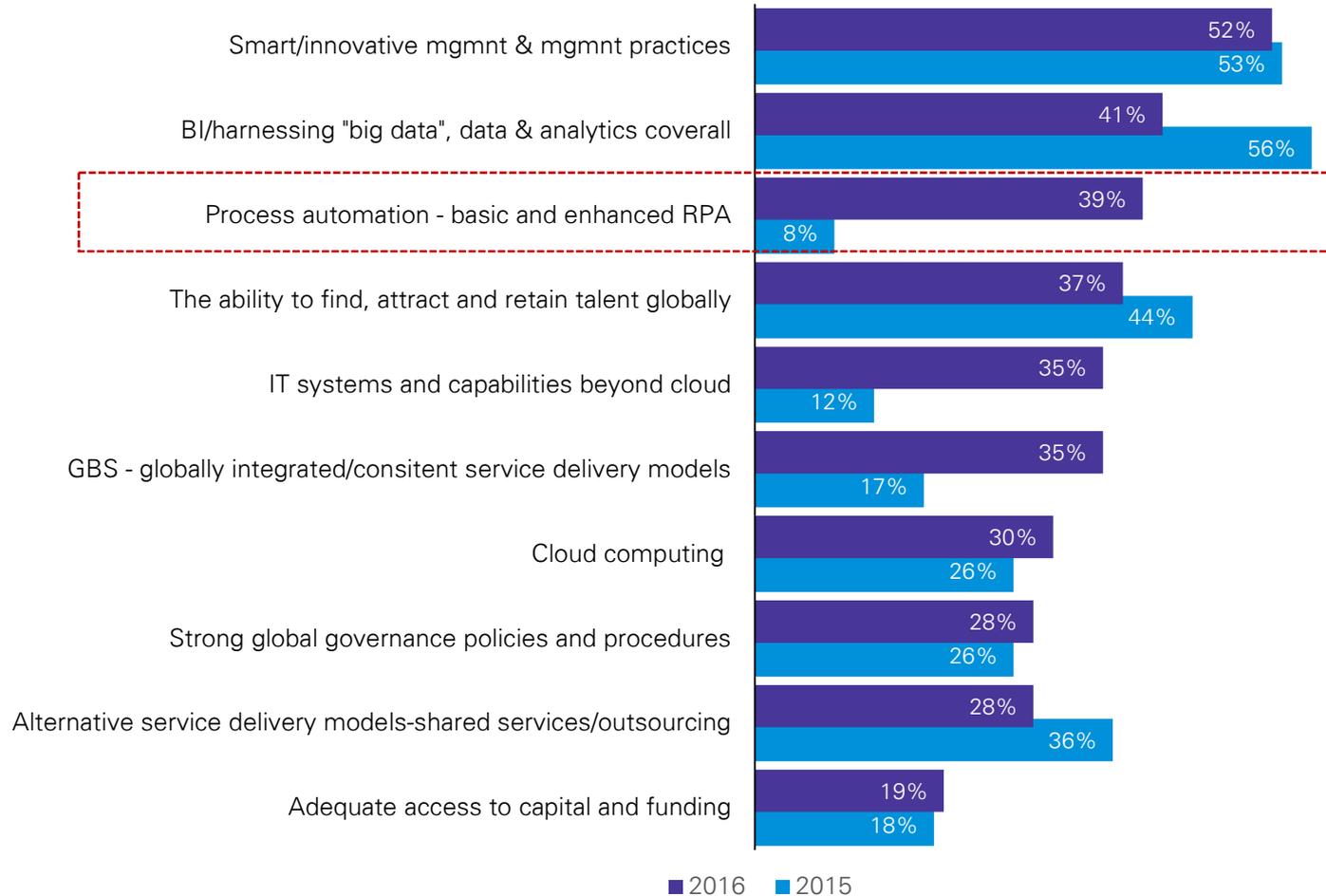
Regional differences

	Process automation – basic and enhanced RPA cited most highly in Europe
	Cloud computing most relevant in Asia Pac
	Globally integrated supply chains take a hit across all regions – de-globalization at work?

Shifting of top perceived required capabilities

	Big data and smart/innovative management swap the to take top spot from last year
	Big jump for process automation into third spot

Top capabilities required to successfully undertake 2017 initiatives



Polling question 4

What are the most important factors and capabilities to help your organization/ client organizations successfully undertake the initiatives outlined above?

Select one:

- ▶ Global business services-integrated/consistent service delivery models
- ▶ Business intelligence/harnessing "big data"
- ▶ IT systems and capabilities beyond cloud
- ▶ The ability to find, attract and retain talent globally
- ▶ Process automation – basic and enhanced RPA
- ▶ Alternative services delivery models — shared services & outsourcing
- ▶ Smart/innovative management and management practices
- ▶ N/A, don't know

Additional results

Top D&A investment are to support GBS is analytical tools, same as in past two years

Top 3 IT investment areas



Business intelligence/"big data"



Process automation – based and enhanced RPA



SaaS (Software as a Service)

Big jump in RPA but big data still in top spot and cloud investments serve as means to enhance legacy systems (and to better enable use of big data, process automation, etc.)

Most positive market trends areas



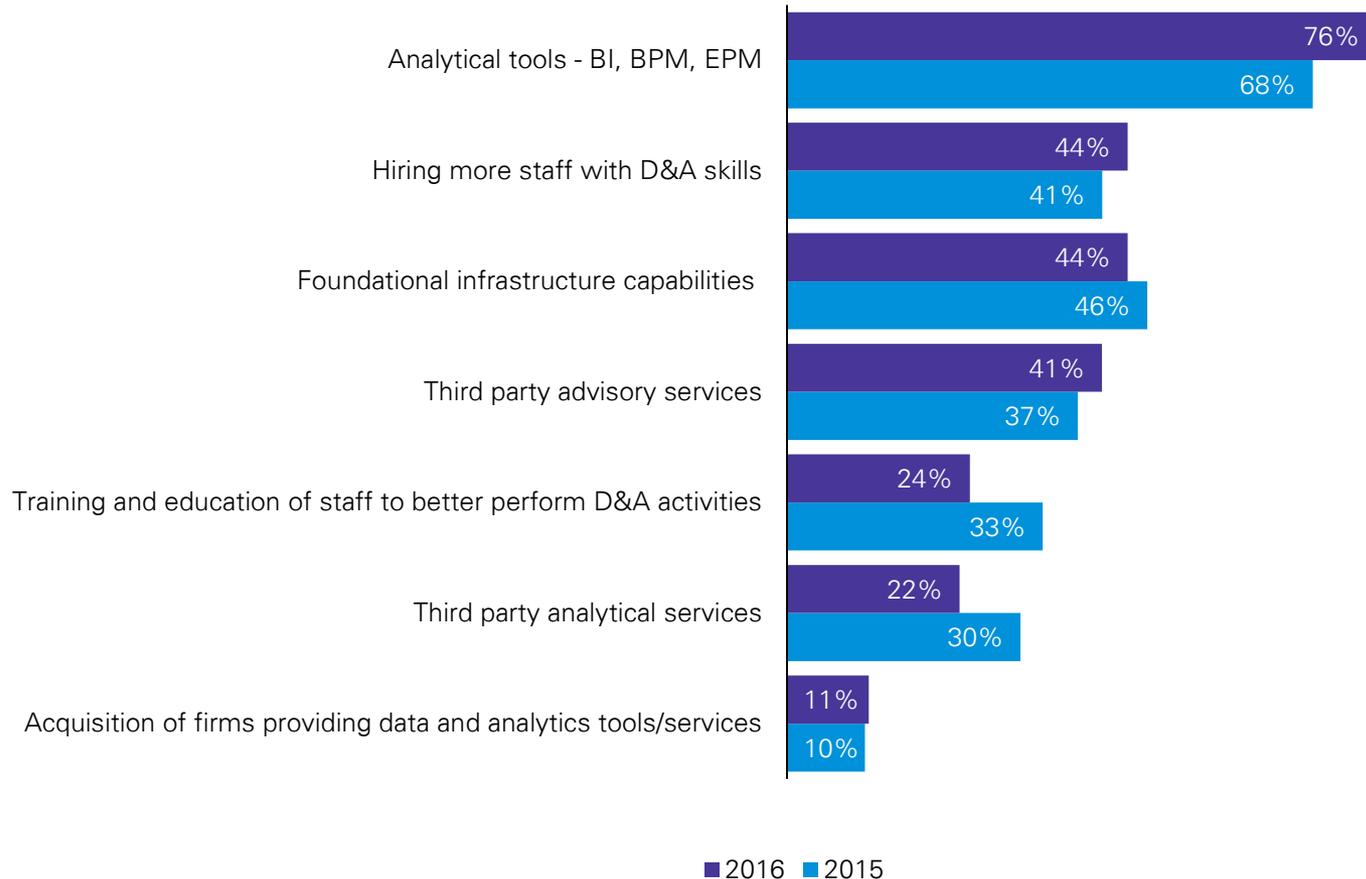
Reduction in regulatory burdens



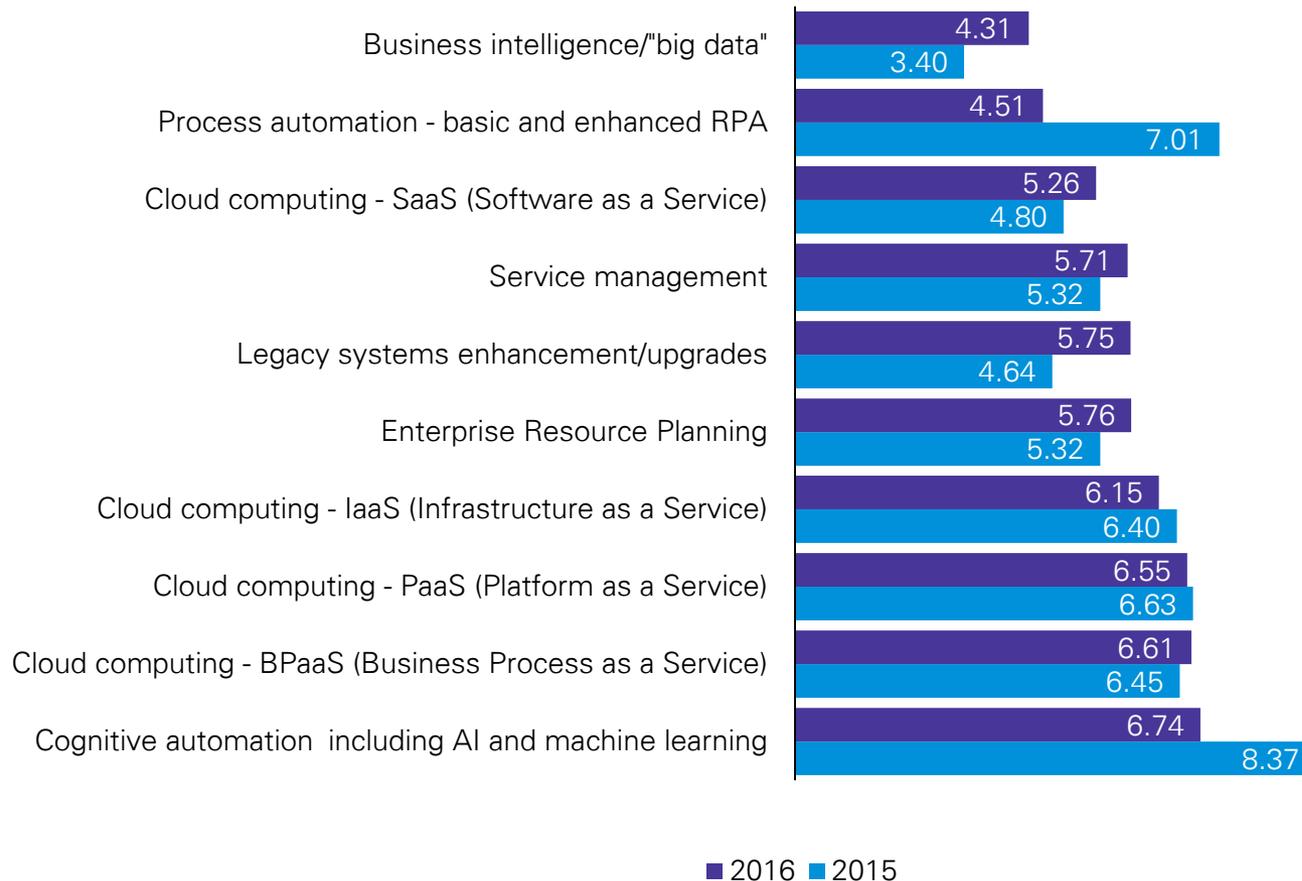
National economic growth

Some differences in investments by geography and major differences on market trends by geography

Top data & analytics investments to support global business services

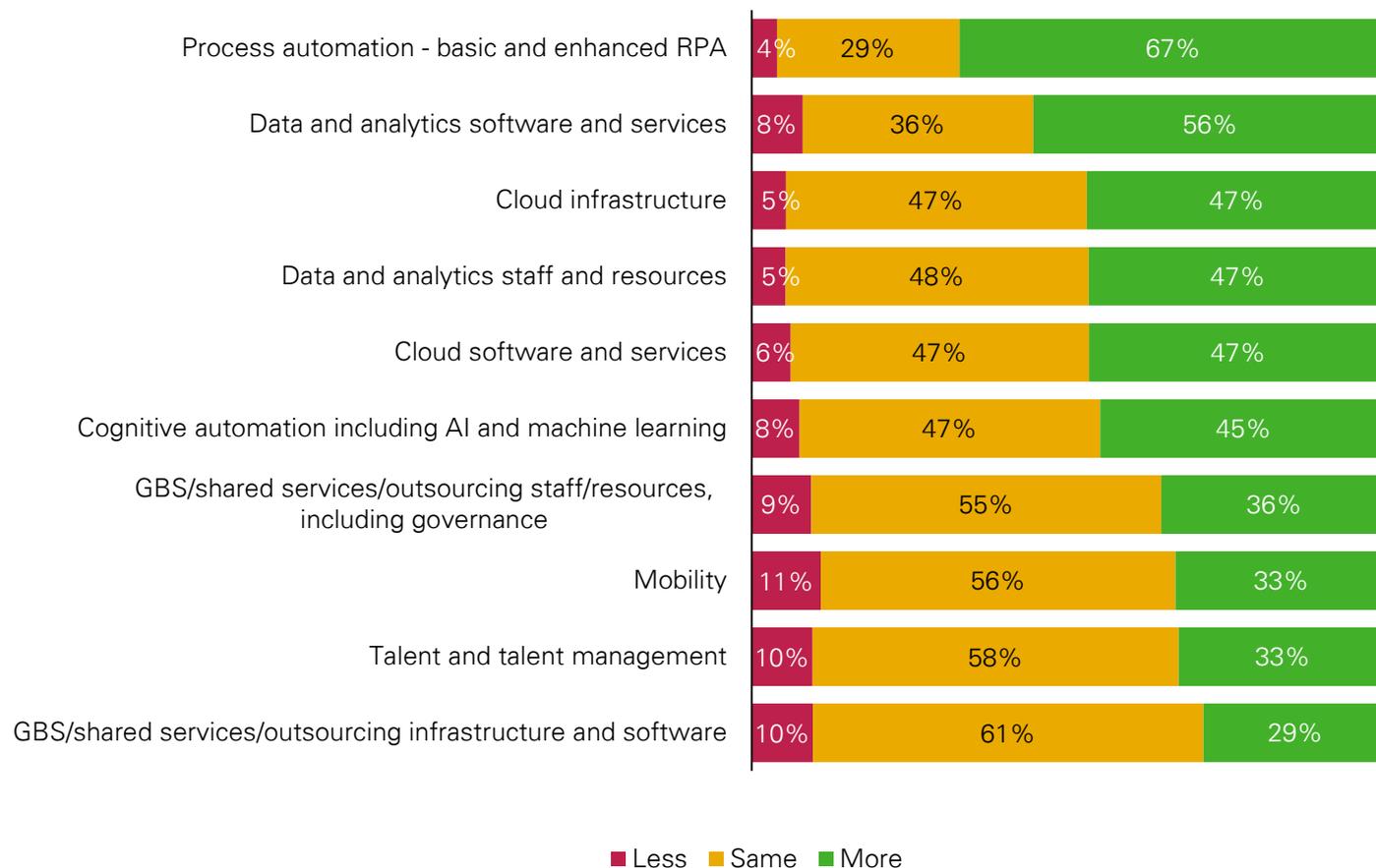


Top IT investment areas in 2017

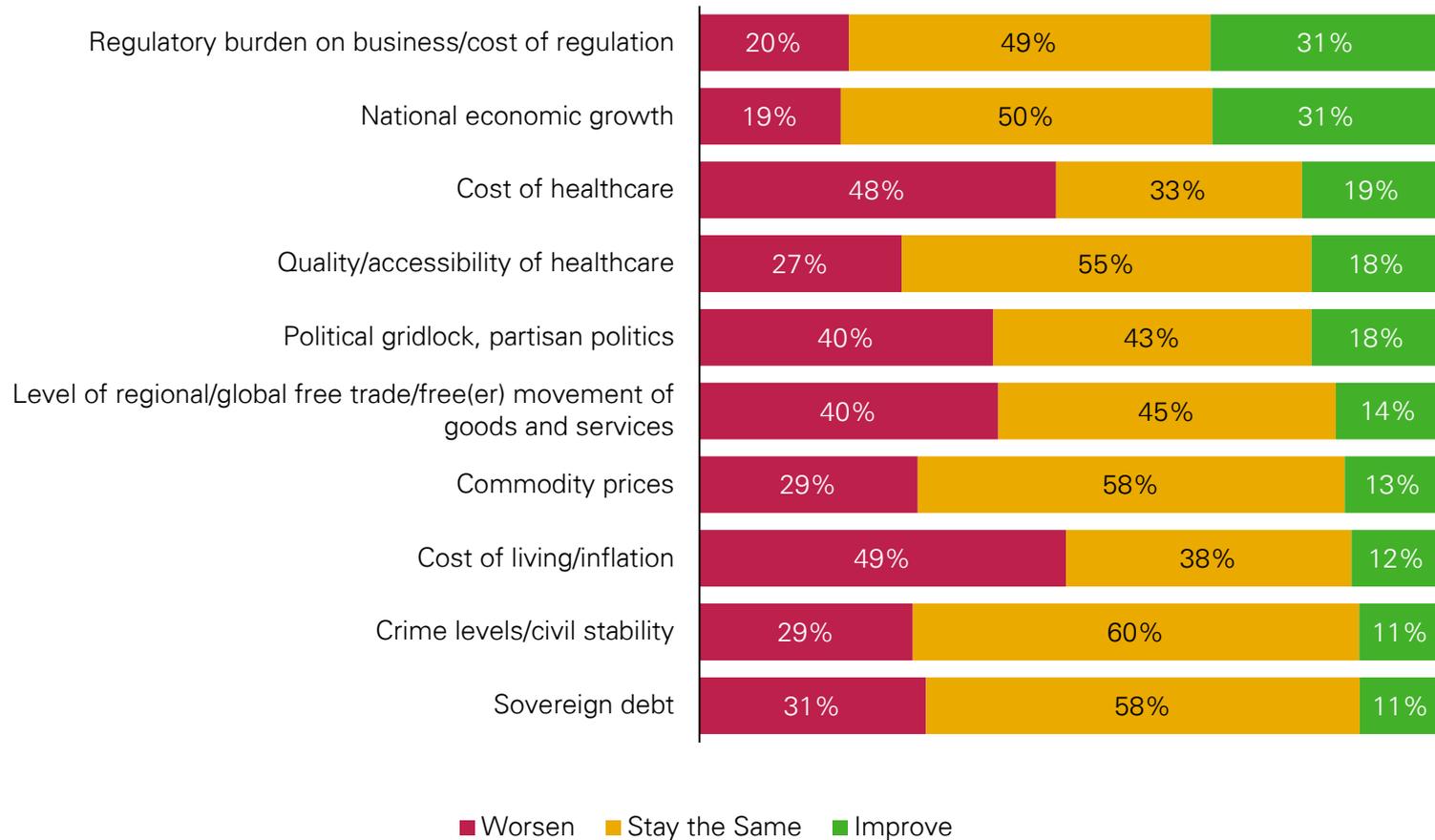


(ranked 1-12, 1=highest priority)

Investment appetite for 2017 vs. 2016



Change in market conditions: 2017-2018



Polling question 5

The world will be a better place from a business standpoint for my country/region/sector in 2017-18

Select one:

▶ Yes

▶ No

▶ Still to be determined

▶ N/A, don't know



Learn more



Learn more — Shared Services & Outsourcing Advisory

KPMG Shared Services and Outsourcing Institute:

<https://institutes.kpmg.us/institutes/shared-services-outsourcing-institute.html>

Global Insights Pulse Surveys:

<https://institutes.kpmg.us/institutes/shared-services-outsourcing-institute/articles/campaigns/ssoa-pulse-surveys.html>

KPMG Centers of Excellence Pulse Surveys:

<http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/mc-pulse-survey/Pages/default.aspx>

GBS Maturity Research Program:

<https://institutes.kpmg.us/institutes/shared-services-outsourcing-institute/articles/campaigns/global-business-services-maturity.html>

KPMG Institutes Home:

<http://www.kpmginstitutes.com/>

Blog: Reality Check:

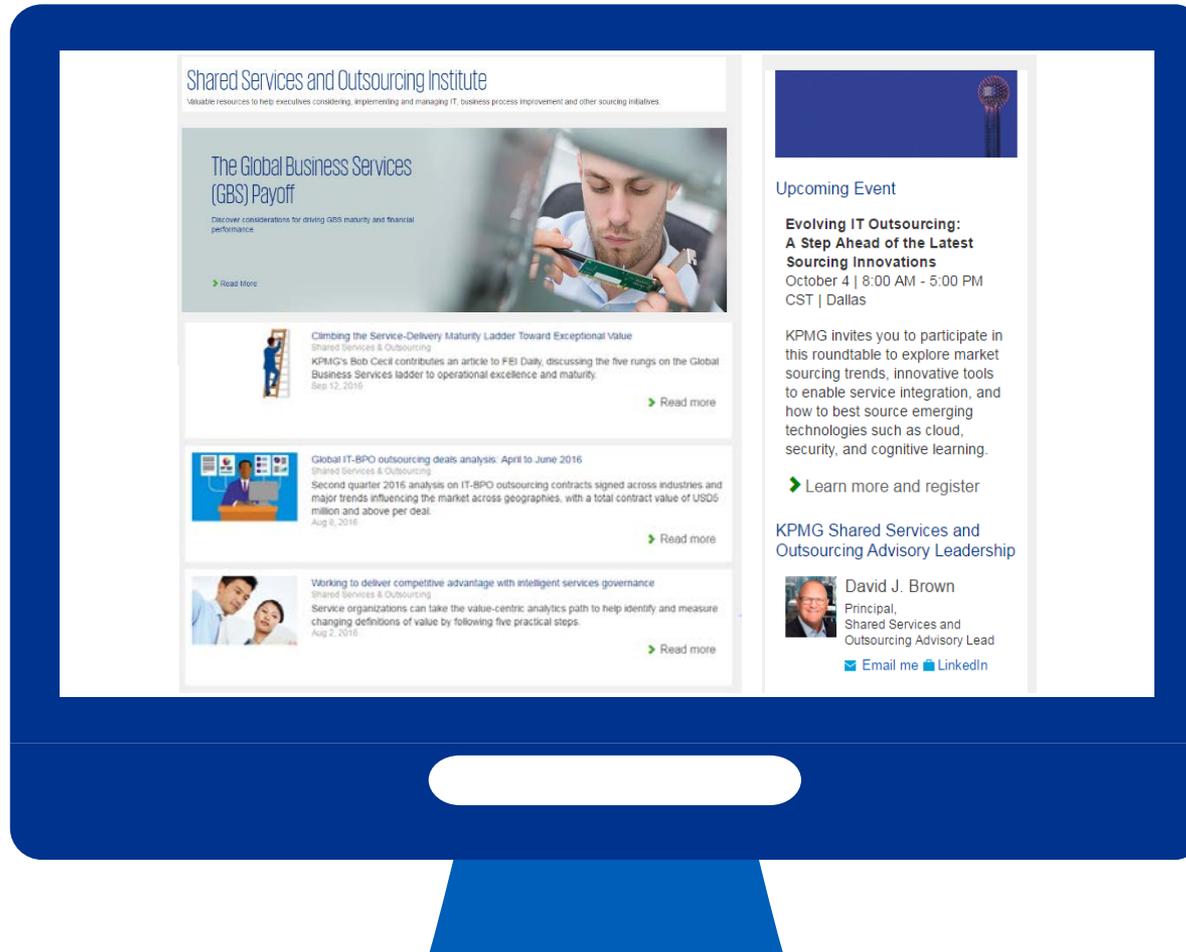
<https://advisory.kpmg.us/blog.html>

Podcasts: Advice Worth Keeping:

<https://institutes.kpmg.us/institutes/shared-services-outsourcing-institute/events/podcast-series/advice-worth-keeping-podcast-series.html>



Join the KPMG Institutes for the latest on GBS





Q & A





Speaker bios



Ron Walker



Ron Walker
*Partner, Shared
Services and Outsourcing
Advisory and Lead, US
Finance and Accounting*

KPMG LLP (US)
+1-760-703-2076
rwalker@kpmg.com

Background

Ron leads KPMG's in the US's Finance and Accounting team and has approximately 25 years of experience helping organizations transform across the entire business lifecycle including strategy, sales and marketing, operations, people and technology. Ron has held leadership positions in industry, as an outsourcing service provider and as an advisor, which enables a uniquely balanced and global perspective.

Professional and industry experience

Ron has led hundreds of improvement initiatives over the course of his career including more than 80 shared services and/or new outsourcing relationships. He has led outsourcing transactions from \$1.5M to \$1.5B across many functional areas including IT, HR, F&A, Supply Chain, Customer Care and RE & FM. Ron is an early practitioner in the business process outsourcing (BPO) industry and was a founding member of an F&A BPO service provider. The service provider community recognizes Ron as a thought leader in the industry and frequently seeks his input on new strategies and offerings.

Sample client experience

- Led strategic sourcing assessment for a global 1000 financial services institute in their efforts to develop a new service delivery model for their back office general and administrative functions. Compared outsourcing and insourcing options and ultimately settled on a hybrid model including a near shore shared services delivery solution.
- Provided account leadership for a large retailer in evaluating HR and F&A delivery capabilities and assisted in their process of transitioning to a hybrid insource/outsource service delivery model.
- Provided the account leadership for Fortune 100 Telecommunications Company in its process of outsourcing real estate and facilities management functions in North America.
- Led strategic engagement to evaluate and implement service delivery model options for a leading software provider in the healthcare industry. Evaluated software development delivery options including onshore and offshore captive, outsourced, joint venture, build operate transfer and various hybrid strategies.

Lee Ayling



Lee Ayling

*Lead, UK Shared Services
and Outsourcing Advisory and
Partner, IT Advisory*

KPMG LLP (UK)
+44 20 76945690
Lee.Ayling@kpmg.co.uk

Background

Lee leads the Shared Services and Outsourcing Advisory practice for KPMG in the UK. The SSOA team is one of the largest independent advisors in the UK helping both private and public sector clients create and execute complex global transformation programs, including shared services and outsourcing strategies, delivery, and major deal negotiation. Lee is a Partner in KPMG's IT advisory business and specialises in IT effectiveness, transformation and sourcing, particularly for the TMT Sector.

Professional and industry experience

Lee joined KPMG in February 2011 from the acquisition of EquaTerra – where he was the Managing Director for the UK Technology Advisory business. Previously, Lee spent several years at Deloitte specialising in technology outsourcing and delivering complex IT transformation programs. Lee's experience spans multiple sectors including: Logistics, Telecommunications, Media & Technology.

Sample client experience

- Led an IT operating model and global technology transformation program for a global logistics organization including supplier strategies and technology roadmap
- Supported a global technology service provider in reviewing and optimizing the service portfolio and order book
- Led a technology transformation program, operating model design and sourcing program at a global mobile telecommunications provider
- Oversaw the Applications Development & Maintenance transformation program at a FTSE 10 organisation
- Led the sourcing strategy and commercial support for two of the largest global IT services contracts held by one of the world's largest multinational consumer goods companies

Stan Lepeak



Stan Lepeak
*Director Management
Consulting Research, KPMG
International and Director*

KPMG LLP (US)
+1 203 444 1268
slepeak@kpmg.com

Background

Leads market research and thought leadership efforts for KPMG International, focused on trends, issues and futures in enterprise services transformation and optimization, the threats and opportunities from market and technology disruptions and industry best practices in responding to and capitalizing on these market trends

Industry expertise

- The tactical and strategic organizational opportunities, challenges and ramifications from:
 - technology disrupters and enablers such as cloud, big data and analytics, mobile, Internet of Things, social media, consumerization of IT and robotics process automation
 - business disrupters such as globalization, increased regulatory and compliance complexity, talent and skills shortages, shifting global economic and competitive dynamics and geopolitical risks
- Global business services usage and models including shared services, process outsourcing and automation, and cloud, and their leading practices and maturity models across major back- (F&A, HR, IT, procurement, supply chain), middle- and front-office functions
- Use of data and analytics, process automation and related technologies to create and exploit 'intelligent' business functions to enable organizational innovation and transformation
- Vertical industry and geographic trends and variations relative to disruptive market trends and technologies and their impact on enterprise transformation and innovation efforts

Professional experience

- 25 years' experience in the business and IT services markets. Led global research for leading boutique sourcing advisory firm EquaTerra (acquired by KPMG in 2011) for seven years. Previous to that, worked for the META Group (acquired by Gartner in 2004) as VP and Research Director. He has had executive roles on the vendor and provider side in the software and services industries as well as positions in finance, accounting and operations across several industries.
- Noted commentator and frequent speaker on global business services and globalization, and business and IT enablers and disrupters



kpmg.com/socialmedia



kpmg.com/app



© 2017 KPMG International Cooperative (“KPMG International”), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved. NDPPS 653829

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG and logo are registered trademarks or trademarks of KPMG International.