

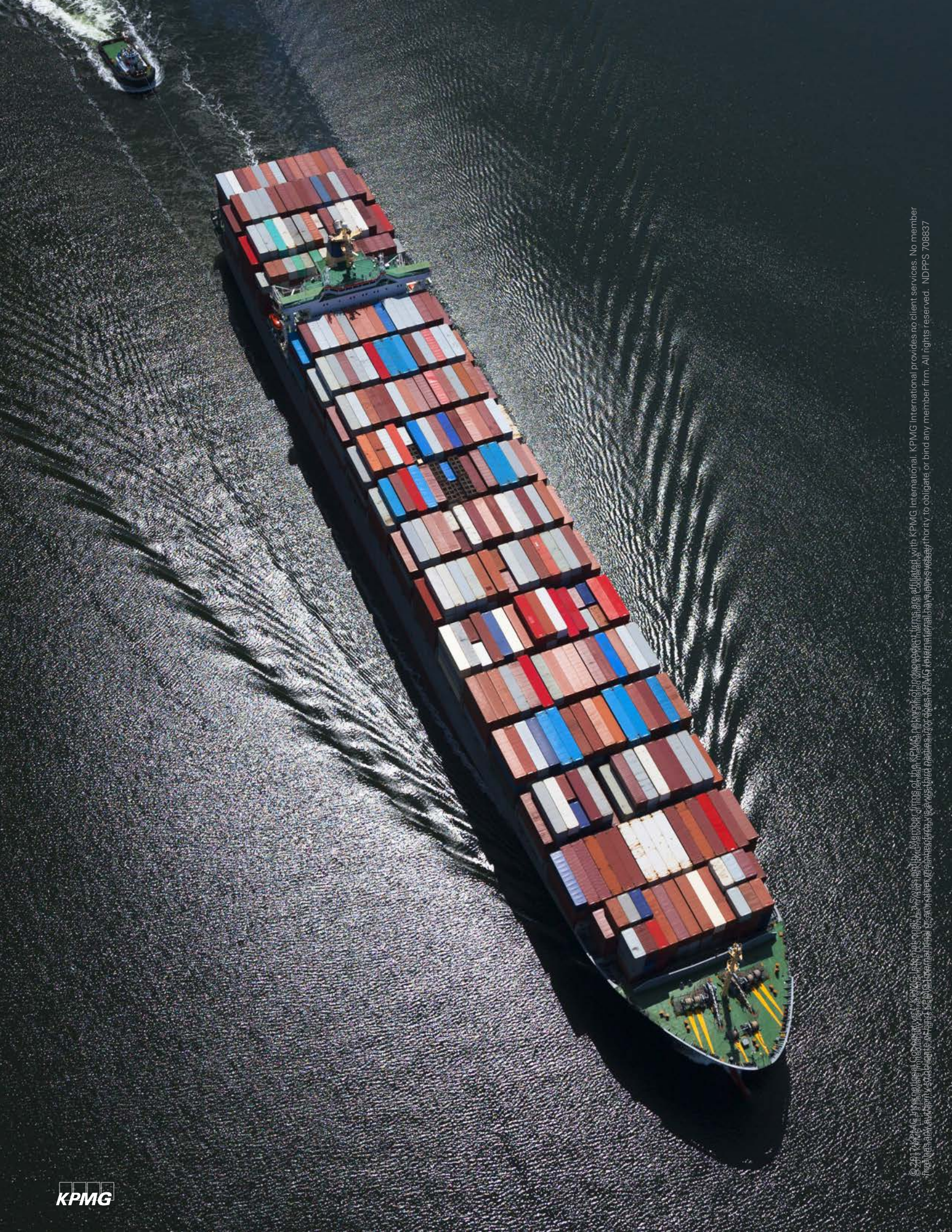


Delivering global business services (GBS) in a digital world

**2Q 2017 KPMG Global Insights
Pulse survey**

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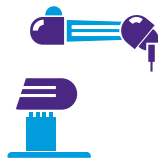




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Survey highlights



Many organizations are making steady progress in driving greater maturity on their GBS journey, with a continued focus on the IT and finance and accounting functions. The financial services sector is showing the most activity in change efforts. New investments are concentrated primarily in Robotic Process Automation (RPA), followed by data and analytics. These trends surpass historic levels of investments focused on the shared services and outsourcing service delivery models that are now common in most organizations.

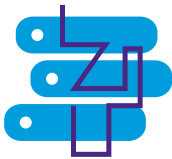


Organizations can employ two paths to drive increased GBS maturity for meaningful and measurable business outcomes:

- Promoting and enhancing the use of intelligent automation (IA)
- Evolving and enhancing IA governance capabilities to ensure IA benefits are maximized and IA efforts are well integrated into existing GBS efforts.



Over the long term, as the benefits of human-based labor arbitrage continue to decline, IA will have a major impact on staffing models, operating models, and the location of captive and third-party delivery centers. As more client organizations opt to invest in IA independently of third-party providers, there will be significant disruption to legacy outsourcing models and relationships with service providers.



In the short term, organizations will struggle with disparate and uncoordinated IA initiatives, underlying IT systems and applications that are fragmented, uncertainty over where to best start and invest, and challenges with change and talent management needs.



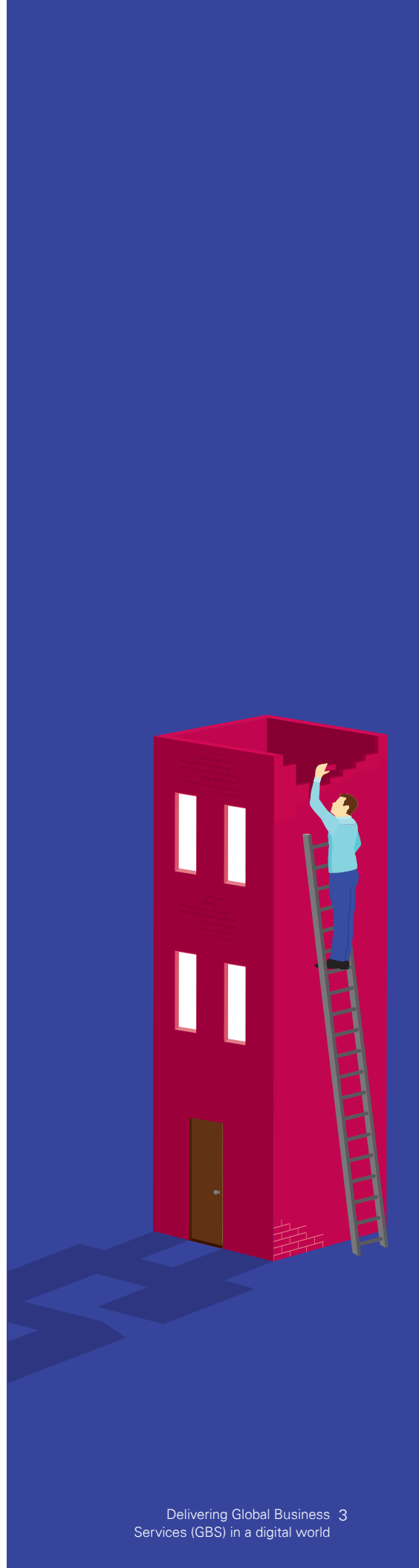
The biggest IA governance challenges today are:

- Determining where to deploy digital labor
- Addressing change and talent management issues
- Renegotiating with third-party providers deploying digital labor to ensure IA opportunities are maximized and benefits from these investments are shared equitably between clients and providers.



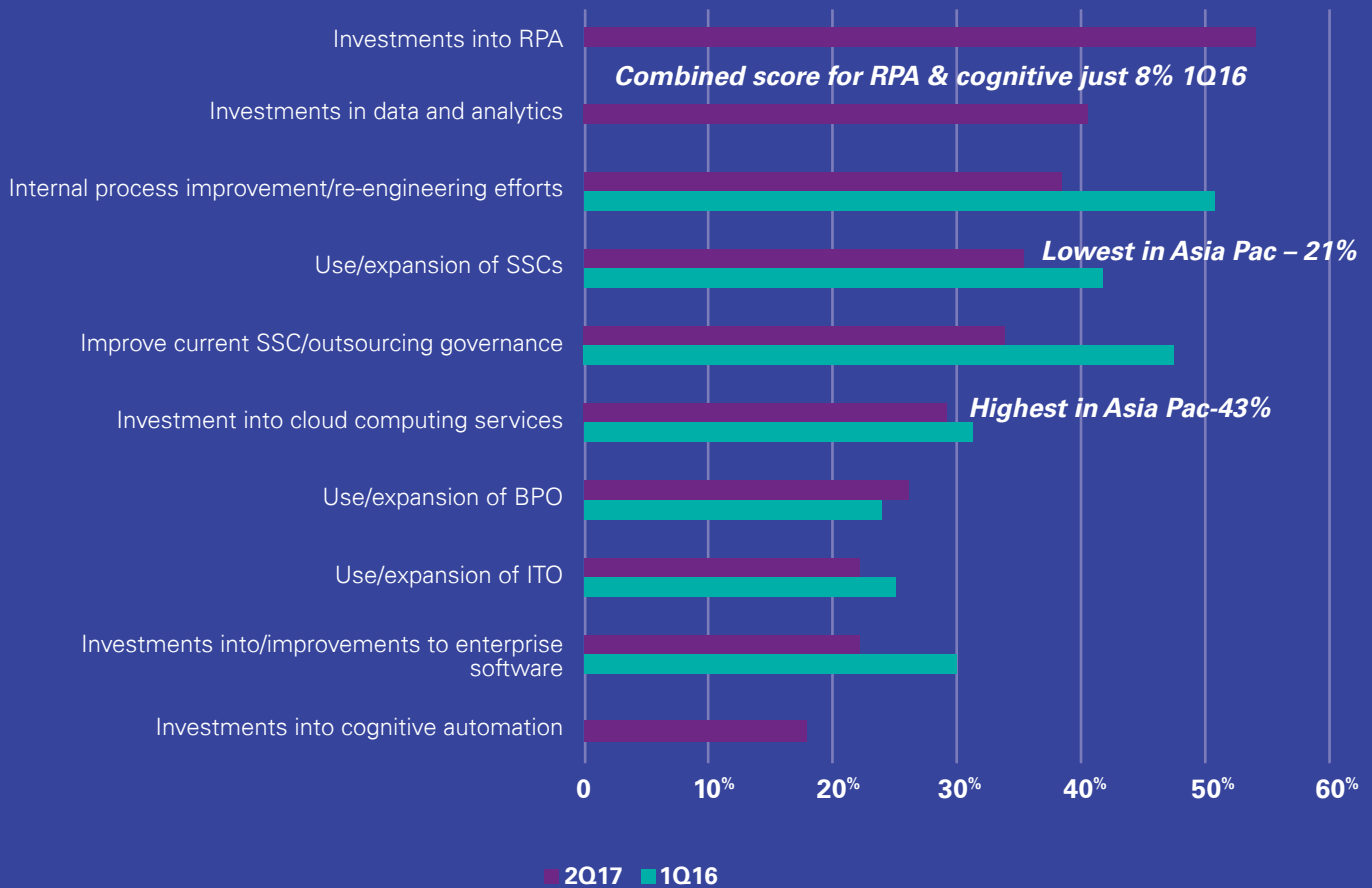
The top two critical considerations for IA governance are:

- Clearly defining roles and responsibilities for the new governance and operating organization
- Effectively establishing end-to-end global process ownership; enterprises must also consider when and how to integrate third-party service provider governance with IA governance.



Supporting GBS maturity through integration

Top approaches to improve service delivery capabilities



KPMG Global Insights Pulse surveys are a quarterly review of GBS, IA, and related service delivery market trends. Input and individual observations from the “front lines” are gathered from KPMG’s global network of professionals in our Sourcing Advisory, Financial Management, Technology, and other practice areas, backed by KPMG research.

Our surveys over the past several years suggest that organizations are making steady progress toward increasing GBS maturity and driving benefits beyond just cost savings, supported by investments in RPA and data and analytics software and services. While process automation was ranked second-to-last as an investment area in 2016, it was cited as the most attractive investment possibility for 2017.¹

The need to integrate silos of GBS initiatives across the enterprise remains a key barrier to progress. According to findings in KPMG’s GBS Maturity Research Study, 2014–2016,² most GBS groups are structured and managed only at the functional or geographic level. In fact, fewer than 10 percent of organizations have GBS leadership teams that report to a single GBS executive globally. While this is a common legacy model and adequate to gain lower levels of maturity, it limits the ability to take GBS maturity to the highest levels. Increasingly, organizations at the front end of the curve are assessing their business models and data differently and looking for ways to collaborate across functional lines to increase efficiencies, cut costs, and improve the end-to-end customer experience.

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IA will have a significant impact on how businesses handle their front-, middle-, and back-office services. Companies that today rely on a GBS delivery model should begin now to anticipate and understand the coming changes—including taxes, governance, and change management—and prepare for the opportunities and advantages that IA enables.

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David J. Brown

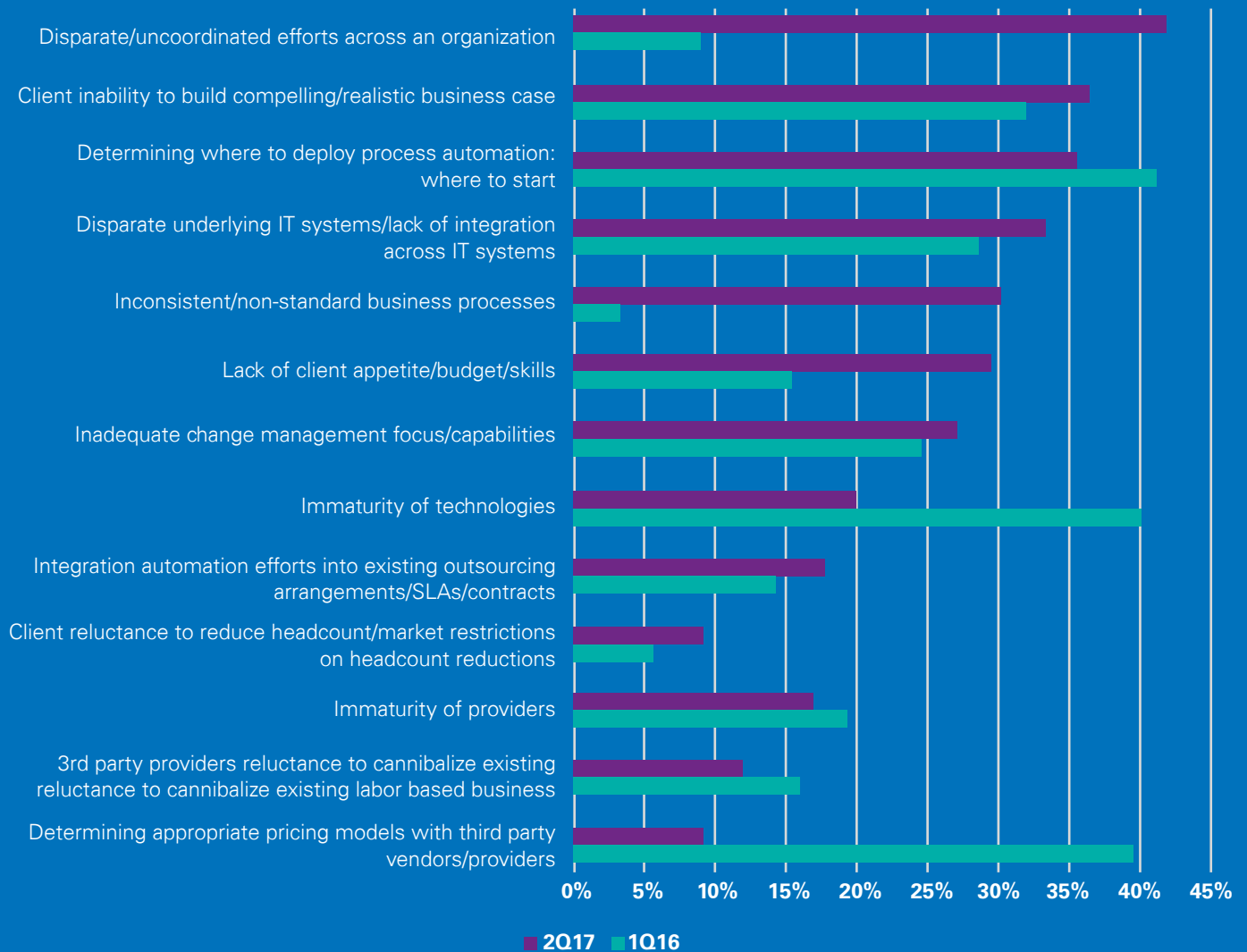
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¹KPMG Global Insights Pulse survey, Q4 2016. Cited in Top trends and predictions for 2017, KPMG Global Insights Pulse, Q4 2016, <https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2017/03/global-insights-pulse-survey-q42016.pdf>

²KPMG GBS Maturity Research Study, 2014–2016 <http://www.kpmg-institutes.com/institutes/shared-services-outsourcing-institute/articles/campaigns/global-business-services-maturity.html>

IA and the future of GBS

Biggest challenges to process automation efforts



IA or digital labor includes basic and enhanced RPA and cognitive automation. Its capabilities are enabled by rules-based macros, artificial intelligence, natural language processing, and the wealth of data that is available to today's organizations.

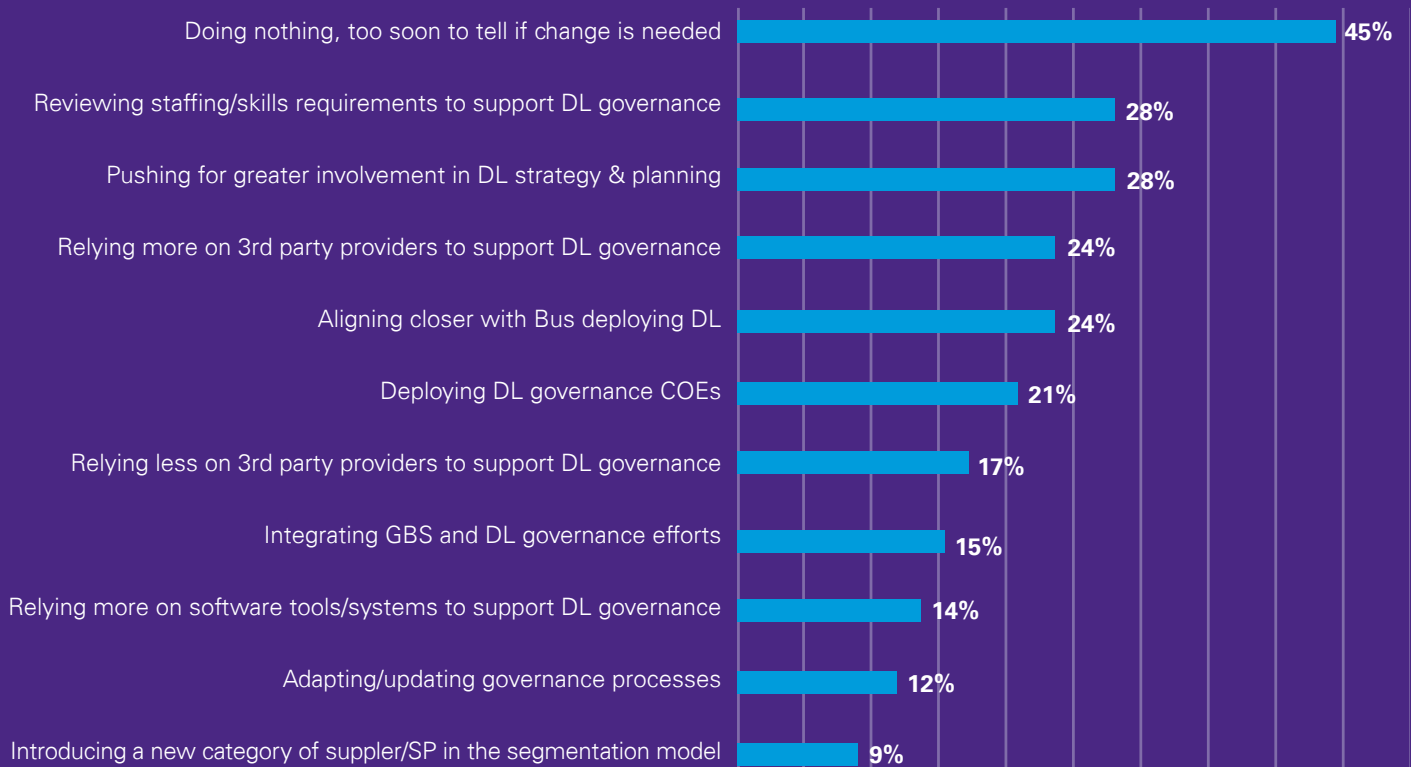
We believe that IA will have a major impact on staffing models, operating models, and the location of captive and third-party delivery centers for many years to come. This will significantly disrupt legacy outsourcing models and relationships with service providers. While the volume of potential job losses by white collar workers from digital labor is sometimes overstated, IA will nonetheless prove disruptive, especially where retraining workforces is impractical.

Our research and ongoing client engagements suggest that although organizations are ramping up their efforts to raise their GBS maturity levels, they lack consistent, standardized processes to coordinate their efforts. Accordingly, they still struggle with disparate and uncoordinated IA initiatives, fragmented underlying IT systems and applications, uncertainty over where to start, and challenges with change and talent management needs.

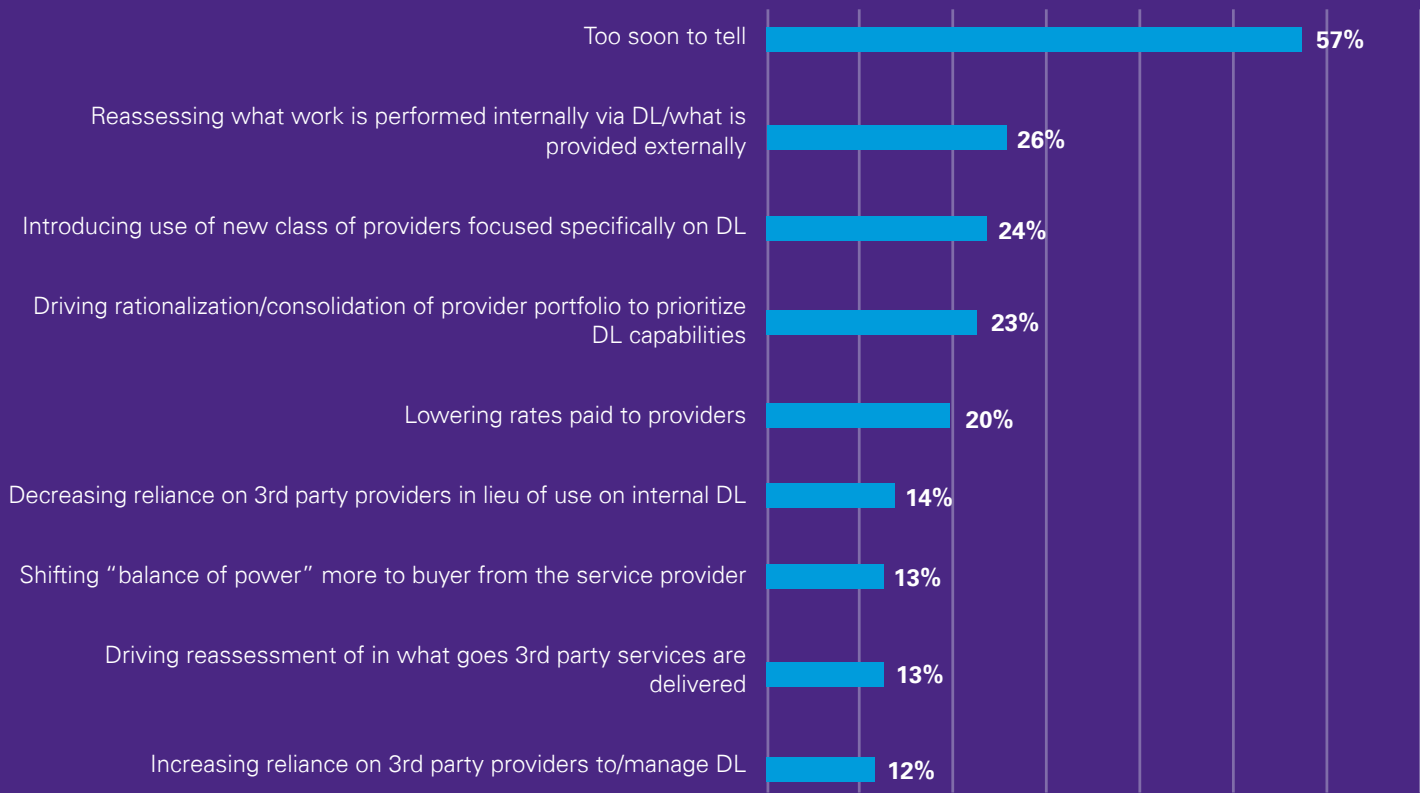


The critical need for governance

Changes made to governance/supplier management programs to oversee digital labor



Digital labor impact on client/service provider relationships



As with GBS governance in general, the bar of what constitutes best-in-class IA governance is constantly being raised. Organizations will continue to improve their skills, but will often not be able to keep up with the demands placed upon them by the increased use of digital labor.

Good governance coupled with strong change and program management is critical to the success of an organization's IA efforts, especially as the focus shifts to delivering meaningful and measureable business outcomes above and beyond cost savings. However, organizations will have to develop IA governance in the face of immature technologies, new providers and vendors, changing contractual needs, fragmented governance efforts across the enterprise, and a host of other factors. For many organizations, the biggest challenges are determining where to deploy digital labor, addressing change and talent management issues, and renegotiating with third-party providers deploying digital labor.

To enhance governance for both IA and GBS, organizations need to: (1) clearly define roles and responsibilities for the new governance and operating organization; and (2) effectively establish end-to-end global process ownership. However, our survey suggests that organizations are adopting a wait-and-see position on supplier management and service provider relationships. This might lead to significant problems in the future as they attempt to increase their GBS maturity levels.



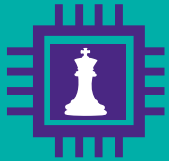
The world of vendor governance is evolving with the shift to incorporate IA in the service delivery model. Vendor governance teams have a leadership responsibility to recalibrate the vendor relationship and commercial model to incorporate IA in a sustainable way for the organization.



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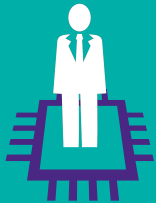
Actions to consider



Define an organization-wide strategy and leadership team to drive the adoption of IA technologies and solutions; silos are detrimental.



Focus on the development of solid business cases to prioritize IA investments, taking into account change and talent management challenges for each potential initiative.



Clearly define the role of the GBS organization and leadership in this effort, recognizing the impact that IA will have on GBS operations while still acknowledging that IA is not limited to GBS.



Determine what group will govern and manage IA deployment efforts, both internally and with third-party vendors and service providers.



Strongly consider integrating governance efforts for both third-party service providers and internally provided IA services; don't divide to conquer.

How KPMG can help

KPMG helps clients transform their business service delivery to realize improved value, increased agility, and sustainable business performance. We bring together experience in global business services, shared services, outsourcing risk, transactions, tax, and compliance.

If your organization is seeking innovative ways to achieve genuine business services delivery transformation, KPMG Shared Services and Outsourcing Advisory can help. For more information, there's no better place to start than by accessing our research and thought leadership on the KPMG Shared Services and Outsourcing Institute Website: www.kpmg.com/us/insights.



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