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14 July 2022

Summary

Many companies struggle to successfully manage transformation pressures, including digital transformation. Often, transformation initiatives are uncoordinated islands that suffer from poor governance, which reduces their effectiveness. Shared services organizations (SSOs) are traditionally seen as low-cost back offices. However, we have found that best practice companies are positioning them as drivers of business transformation. However, several factors need to be in place for this to happen. The paper recommends how companies can harness the potential of shared services to drive transformation by integrating the SSO, the Global Process Owner and the Chief Transformation Officer into an appropriate governance structure and their respective corporate cultures. Four different options for an appropriate shared services setup are presented.

Successfully managing transformation pressures, including digital transformation, is not easy for many companies. Many transformation initiatives represent uncoordinated islands with poor governance, which limits their effectiveness (Obwegeser et al. 2020). Most large and medium-sized companies have established shared services and many of them have developed them into a Global Business Services (GBS) organization (SSON 2021). Traditionally, shared services organizations (SSOs) have been seen as low-cost back offices (Howcroft and Richardson 2012). However, our study shows that best-practice companies are positioning them as drivers of business transformation. However, several factors need to be in place for this to happen.

We have explored the often-untapped opportunities that a GBS organization offers to consistently drive transformation across functions and geographies. The primary source of this paper is the professional experience of one of the authors, who has been an SSO executive for 20 years at various companies, including Alcon, a medical technology company, where he is currently Head of Transformation and GBS. This is complemented by several years of interview-based academic research on SSO in six companies. The paper provides guidance on how companies can harness the potential of shared services to drive transformation by integrating the SSO, Global Process Owner (GPO) and Chief Transformation Officer (CTO) into an appropriate governance structure. Four different options for an appropriate shared services setup are presented from which companies can choose (see Figure 1).

Shared Services and Global Business Services

Since the 1990s, many companies have set up shared service centers (SSCs) in which large parts of functions such as finance, human resources or IT are bundled and carried out centrally in semi-autonomous business units (Richter and Brühl 2017). Unlike traditional centralized corporate functions, SSCs are still part of the company but structured in a similar way to outsourcing arrangements. The business units, as internal customers, decide which services they want to use and enter into contractual agreements with an SSO based on service level agreements (Bondarouk 2014). For some years now, many companies have been reorganizing their shared services according to the Global Business Services (GBS) model. Whereas traditionally SSCs were often loosely connected and focused on one function and/or one region at a time, this requires that all SSCs in the company across geographical locations and functions be brought together under one organizational umbrella and report to one executive. This brings several advantages, including: Use of a common infrastructure, reduction of duplication of work, unified communication channels between internal customers and SSCs, higher efficiency through standardization of processes and easier automation (Klimkeit 2019). At the same time, GBS organizations have evolved far beyond the transactional, repetitive tasks traditionally associated with shared services (SSON 2020). While the trend started earlier, the ability to automate repetitive, transactional tasks using Robotic Process Automation (RPA) has seen GBS move towards more complex and knowledge-intensive tasks. As the head of a shared service center points out:

> "I think a lot of people still think that what we do in shared services is second-rate work and is manual work and sometimes monkey work, but when I look around, that's absolutely not the case anymore because the monkey work from maybe ten years ago is now automated." (Head of SSC, IT service provider)

For example, functions are added such as legal tasks and controlling. Even within functions, SSOs are moving towards more complex tasks such as business partnering, which require a higher level of understanding of the business. As the GBS leader of an IT service provider points out:

> "We have taken on controlling-related tasks that you might also have as part of global controlling or a head office [...]. We have a team that takes care of controlling

governance, for example. [...] That's an aspect that I would say you wouldn't necessarily expect to be part of a shared service organization."

Many process-oriented companies have established the role of the Global Process Owner (GPO), who is responsible for defining and continuously improving key processes (Mezihorak 2018). This role is particularly important when an SSO is established, as SSOs execute at least large parts of many processes for which the GPO is responsible (Jäckle and Wolf 2013). Our research has shown different governance models for the placement of the GPO role in relation to the SSO. In the context of transformation, it takes on a new importance.

SSOs and transformation

Many companies today are faced with the need to transform their business due to a number of factors, including increasing competitive pressure, climate change and digitalization. While transformation is ideally proactively driven, in most cases it is a reaction to a changing environment. Transformation can be understood as a fundamental and risky reboot of a business, with the aim of achieving a dramatic improvement in performance and changing the future trajectory of the business (Reeves et al. 2018). Transformation affects products and their delivery, structures, processes, systems, mindsets, behaviors, and the business model of a company itself.

Today, SSOs need to move from being a low-cost back-office that is constantly trying to find further cost savings through process improvements to becoming a driving force for transformation in the company. The opportunities for further cost savings through process improvements are diminishing. Savings from labor arbitrage are decreasing as costs rise in emerging markets. Automation can still do repetitive tasks cheaper than cheap labor (Kearney 2019). Instead, SSOs are well positioned to become a driving force for the business transformation agenda. This is due to:

- SSO work is largely technology-based, SSOs have superior IT expertise. This is because modern information and communication technologies are needed to enable remote support of business units around the world and to facilitate collaboration and coordination, especially across the functions and geographical areas contained in GBS organizations.
- The SSO's mandate for high performance and efficiency encourages the adoption of technologies that enable efficiency. It also encourages the testing of new ways of working such as Lean Six Sigma and Agile, which can then be rolled out across the organization.
- As the transactional, standardized processes traditionally carried out in SSOs are particularly suitable for automation, SSOs are becoming a testing ground for digitalization in the company - example: In a pharmaceutical company, there is a dedicated automation team in the SSO that drives the automation of processes.
- SSOs, especially in the form of GBS organizations, are often the most global and cross-functional organizations in their companies, which inherently predisposes them to drive transformation and integration across functions and geographic units - example: In another pharmaceutical company, GBS has driven the integration of the group accounting and finance organization across the different business units by integrating the accounting and finance processes in the company as a whole, even outside of GBS, as the head of an SSC at this company notes, "We are moving more and more into this one finance organization. So [GBS] is playing a big role in bringing all of that together".
- SSOs manage much of the company's data, processes, and technologies, whether in accounting, HR, IT, or other functions. This puts the SSO in a good position to drive the transformation of these processes, drawing on these technologies and data.
- SSOs are characterized by a young talent pool that is digitally savvy, agile, inquisitive and drives change. For example, a team leader in an SSC of a pharmaceutical company explains: "In my team I have 92% millennials, so the average age is 25. So, everyone is young and wants to learn so many things. [...] We are a global talent pool. [...] we have

experience with tools like SAP, we have transformation experience. [...] We are, I think, the most flexible people here".

A leader of an SSC summarizes this new role, especially of GBS:

"[GBS can] stand out and take the global lead on certain projects, which was not the case before." (Head of an SSC, chemicals company)

Case study: Alcon Corp.

Alcon is a telling example of a company that is harnessing the potential of SSOs to successfully drive transformation.

Alcon Corp. is the world's leading eye care company. The MedTech company was spun off from its pharmaceutical parent Novartis on 9 April 2019. Alcon has two global business units - Vision Care and Surgical Business, which are responsible for products and marketing. In the past, the organization was regional, with functions such as procurement organized at country level. After the spin-off, a major restructuring related to the creation of GBS was to organize and integrate all functions globally, such as Finance including Procurement, Human Resources, IT, Quality, Legal, Customer Operations, and Innovation/R&D. In this functionally led model, costs, human resources, and functional strategies are now the global responsibility of the functions. The regions only retain responsibility for sales and service.

Together with the organizational changes driven by the company's CTO, the GBS strategy was approved by the Alcon Executive Leadership Team, including the required investments, with the following five guiding principles:

1) Implementation of a global function led GBS model aligned with the corporate strategy
2) Start with the founding functions of finance, human resources, and IT
3) Implementation of a global location strategy with four centers around the world
4) Merge GBS centers with existing Alcon offices to leverage existing infrastructure, people, and local business expertise
5) Using insourcing as a means to achieve economies of scale, better quality and cost savings

From the beginning, the CTO sat at the table with the company's key decision-makers and was entrusted with responsibility for the transformation. This addressed the following challenges:

1) Align people, costs, and processes with functions at a global level to achieve full transparency
2) Bundling all corporate initiatives under "one transformation umbrella" for better prioritization and focus
3) Coordinated goal setting with clearly defined targeted outcomes
4) Focus on the transformation projects with the highest benefit for the company, taking into account the required investments
5) Promote a new corporate culture in which employees make quick decisions through ownership to support the simplification of processes and minimization of non-value-added tasks

The momentum of the more than 24,000 Alcon employees all pulling together has been there since the spin-off. The excitement about being an independent company had to be matched by a very good understanding of why a transformation was needed that was not simply a cost-cutting exercise, but rather about putting the money where it really mattered. The answer was and is that the savings from the transformation can be used to fund other

initiatives, product innovation, and sales and marketing. Although this transformation will have some impact on existing jobs at Alcon, new jobs will be created in some other areas of the company.

At the heart of this transformation is the GBS organization, Alcon Global Services (AGS). Rapid successes and transformation success stories were achieved. These "new ways of working" and the dynamics in AGS were quickly noticed.

One of the most important benefits of the first successful insourcing projects was the recovery of know-how about the work and the creation of the first operational foundations for the GBS centers. Taking over the end-to-end processes for the functions opened up new opportunities for continuous improvement, simplification, standardization and ultimately automation of the existing systems. By the end of 2021, the GBS centers had 1,350 employees. GBS can be seen as the 'implementation engine room' for transformation at Alcon, enabling the respective functional transformation plans. It is also where new ways of working such as Lean Six Sigma and AGILE techniques are tested and successfully applied. IT, for example, has worked for many years using the traditional waterfall method. In the GBS centers, the AGILE way of working has been piloted and is now being rolled out across the IT organization, supported by specially developed learning programs.

Some functions have now started to form their own functional GPO teams, such as the typical finance functions (accounts payable, accounts receivable, fixed assets, intercompany accounting, travel expenses), to drive the improvements and standardization globally. Work on the functional end-to-end processes is being tackled and implemented by the functions.

In addition to the AGS organization, a small team of cross-functional GPOs, led by the CTO, is currently being established and tasked with driving transformation beyond the functional GPO area. Cross-functional opportunities are being identified in areas such as Order-To-Cash and Procure-To-Pay. In this way, functions such as sales, legal, accounting, and procurement are brought together as key business processes across functions. This is a move away from working in isolation in functions alone, and GBS has played a key role in this transition.

Regular surveys of Alcon employees show that engagement is above benchmark and that the workforce is highly committed to Alcon's transformation. At the same time, triple-digit M$ financial targets are being achieved as originally planned.

The latest item on the CTO's agenda is the digital transformation of the company. Opportunities for digitalization are being pursued in the services processed in the AGS centers. The AGS workforce, made up of energetic, open-minded people with a passion for change, improvement, and technology, is the extended workbench of the GPOs and the digital team.

The role of SSOs in business transformation

This paper notes that there is no one-size-fits-all approach. Depending on the desired level of cross-functional integration and the chosen sponsorship by senior management, the SSO can play different roles (see figure 1).

Efficient Functional Back Office

Often the SSO is functionally hosted by a traditional C-level executive. Most often this is the CFO. This is mostly for historical reasons, as in many companies the accounting and finance departments were the first functions to set up shared services. As other functions were added, the CFO remained responsible for managing the SSO. Some companies prefer this solution because it does not affect the established functional organization. The functional heads can still control the day-to-day work for their function in the SSO. Together they form a leadership team for the SSO, with the CFO at the head of this team. The disadvantage is that the CFO focuses mainly on costs and finance processes. This raises the question of the extent to which the CFO will pursue standardization and transformation across the organization. At the same time, the functions in the SSO are usually not very integrated in this constellation. Process responsibility is concentrated on individual functional processes. The SSO has little potential to play a key role in the transformation. It plays the traditional role of an efficient functional back office that focuses on reducing costs through efficient and excellent service.

Steady-state GBS organization

Some SSOs are still led by a traditional C-level such as the CFO but have established a more cross-functional perspective that makes them a GBS organization. In these constellations, the various functions are not simply placed in the SSC without further integration. They try to integrate them where it makes sense, especially along cross-functional end-to-end processes. An example of this is the order-to-cash process, which goes from negotiating with a customer, to signing the contract, to placing the order, to delivering the desired product or service, to invoicing the customer and recording the transaction in the accounting system. As several functions are involved, from sales and legal to service delivery and accounting, they are coordinated in GBS. Often, a cross-functional GPO is implemented to design and continuously improve the entire process. This enables GBS to drive integrated, efficient processes from start to finish. In the steady-state GBS model, there are also shared services across centers and functions, such as a common service catalogue, knowledge management, and customer experience management. However, as governance still lies with a traditional C-level, the same constraints as described above apply when it comes to driving transformation across the enterprise.

Functional transformation driver

Some SSOs continue to focus on the processes of a single function but set up new governance. They report to the CTO or another C-suite executive, or an executive a level below who does not represent a function but is tasked with driving the transformation. In such organizations, the SSO can play an important role in this by helping to drive and implement the transformation. Common services are not the main objective of this model. However, as cross-functional process integration is low in the SSO, transformation efforts are still done on a function-by-function basis.

GBS as a driver of corporate transformation

A few GBS organizations combine a cross-functionally integrated set-up with a governance structure in which GBS reports to the company's CTO. This combination enables GBS to become a key driver of cross-functional and cross-country transformation. In these companies, there are dedicated cross-functional GPOs that are either located within GBS or, if located outside GBS, GBS process managers work closely with such a GPO. This ensures that the continuous improvement of cross-functional processes is shaped by the people in GBS who carry them out on a daily basis. In addition to focusing the transformation on the processes, the center and cross-functional common services are given dedicated roles and

resources. In this way, a comprehensive GBS organization is built as a transformation driver. The capabilities of this model go beyond the other models described, as the key factors organizationally (CTO, GPOs), financially (investment in dedicated roles) and culturally (transformation mindset at all levels) are adequately addressed. Alcon Corp. is an example of this setup.

Table 1 provides further details on the four models. As can also be seen from the table, two different development paths for SSOs were identified. Most started as an "Efficient Functional Back-Office", seeking efficiencies in one function. Some chose to integrate several other functions, becoming a "Steady-state GBS Organization". Others continued to take an approach that focused mainly on one function but developed transformation goals and capabilities and became a "Functional Transformation Driver". Some organizations then added the missing features and became "GBS as a Driver of Corporate Transformation".

- tab. 1 about here -

Recommendations

General recommendations

The chosen model for SSOs should fit the company:

- Degree of cross-functional integration: If the company has a strong functional focus and emphasizes operational excellence within each function, then options 3 or 4 are most appropriate. If the company wants to achieve cross-functional synergies and drive end-to-end cross-functional processes, options 1 or 2 would be preferred.
- Sponsorship for transformation: If leaders make transformation a strategic priority and consequently invest the necessary resources for transformation and appoint a transformation-oriented C-level, then option 2 or 4 is recommended, where the SSO also reports to this leader. If transformation is not a priority, but the focus is on efficient ongoing operations, then options 1 or 3 should be chosen.
- The model presented points to possible development paths for a company's SSO. The leap from an efficient functional back office to GBS as a transformation driver may be too much effort at once. It is recommended to prioritize and choose one of the two development paths. Both stationary GBS and functional transformation drivers can add the respective missing dimension as the next step in their development to reach the full potential of SSO for their company.

GBS as a driver of corporate transformation

In order to be able to fully exploit the advantages of GBS as a driver of corporate transformation, some essential prerequisites must be created:

- All well-known elements for successful corporate transformation must be in place (e.g., transformation as the company's top priority, CTO at C-level, CTO owning the transformation budget, an integrated and aligned transformation roadmap, digitalization as an integral part of the CTO agenda).
- GBS should not only be integrated across functions, but also globally across locations in order to be able to drive change across both locations and functions.
- Common services in GBS are equally important to drive business transformation, for example by establishing a common web-enabled user interface for internal customers requesting services from GBS across functions and countries.
- GBS is proactively driving digitalization and continuously expanding its digital competences.

As one SSC leader noted, GBS is well positioned to be a driving force:

> "We acquire different skills here, [including] transformation knowledge. [...] We eat change for breakfast. You know, this is nothing new for [our staff]. I think that's the advantage. We are a change hub, a transformation hub." (Head of an SSC, life sciences company)

Notes

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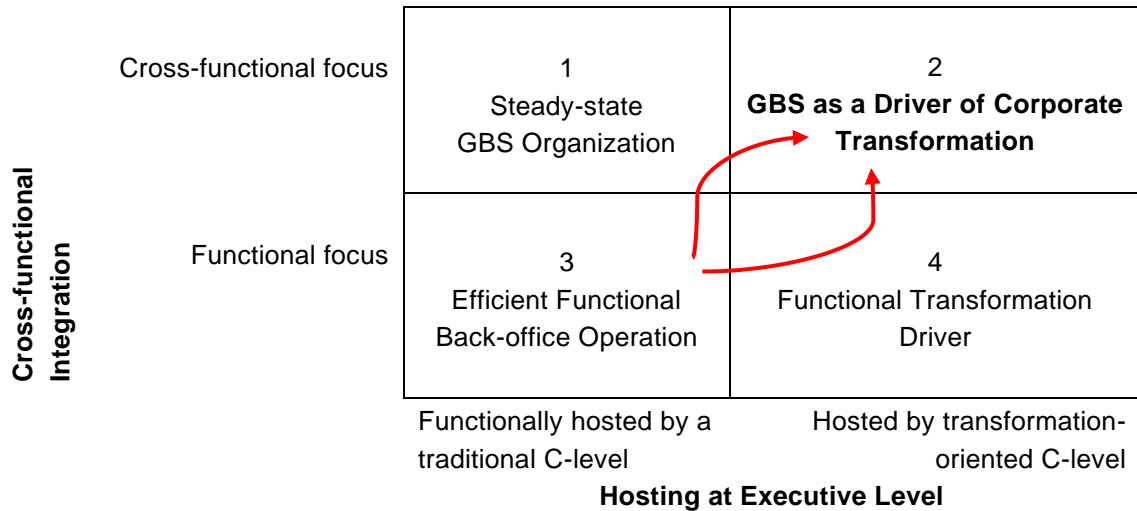
Fig. 1: Roles of shared services organizations in the transformation of companies

	Efficient Functional Back-office	Steady-state GBS Organization	Functional Transformation Driver	GBS as a Driver of Corporate Transformation
Purpose and focus	Functional efficiency gains	Functional and cross-functional efficiency gains and limited transformation	Functional efficiency and transformation	Functional and cross-functional efficiency gains and transformation
Hosting at Executive level	Functionally hosted by a traditional C-level or below	Functionally hosted by a traditional C-level	Transformation-oriented C-level or lower	CTO or similar transformation-oriented C-level
Functional Scope & Integration	Separate organization for each function	Includes several functions	Separate organization for each function	Includes several functions
Geographical Integration	Regional, independent centers	Globally managed integrated centers	Globally managed integrated centers	Globally managed integrated centers
E2E Process Orientation & GPO Roles	(Part-time) functional GPO roles	Functional and cross-functional end-to-end GPO roles	Functional end-to-end GPO roles	Functional and cross-functional end-to-end GPO roles
Automation & Digital Mindset	Some functional desktop and RPA automation	Functional and cross-functional desktop and RPA automation	Digital mindset, including desktop and RPA automation	Digitalization as an integral component beyond RPA

Tab. 1: As drivers of business transformation, SSOs create the greatest value for the company