



ARTICLE

# GBS for All — An invitation to Middle Market Companies and Private Equity Firms

As with the world of fashion, eventually everything old is new again and classics never go out of style. Such is the case with Global Business Services (“GBS”), a concept first adopted by the Fortune 500 about twenty years ago and now accessible to small and medium-sized companies alike, as the business case has been proven and barriers to entry have dissolved over time. The GBS operating model commonly used to optimize back- and middle-office service delivery is experiencing a surge in interest from CFOs (who are typically at the helm of these initiatives) of all company sizes.

This increase in interest stems from a reassessment of the notion that the GBS model is predominantly a means to capitalize on labor arbitrage for large corporations only. CFOs of small and middle-sized businesses (SMBs), as well as private equity firms backing some of them, are discovering that the GBS model can deliver significant improvements above and beyond cost reduction. These improvements include:

- 1 Process standardization and digitization
- 2 Resource and workforce optimization, including deployment of digital workers
- 3 Expanded and scalable internal services
- 4 Adoption and use of cognitive technology
- 5 Increasing use of alliances and business partnerships

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## What is GBS?

GBS is defined as an operating model that utilizes a combination of shared services, business process outsourcing (BPO), centers of excellence (COE), and intelligent automation to optimize multi-function service delivery and lower costs.

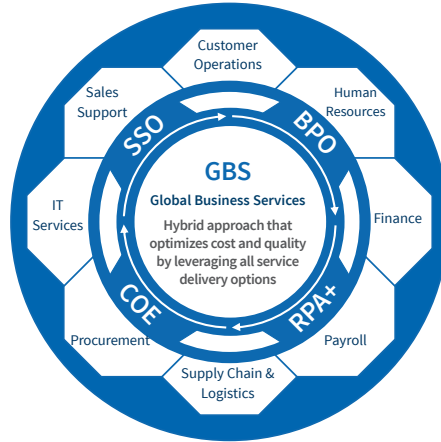
### GBS Configuration Options and Key Focus

#### Shared Services Organization

- Drives down cost via economies of scale, labor arbitrage
- Process automation leverages intelligent automation

#### Centers of Excellence

- Improves capability via economies of skill
- Leverages reporting and analytic capabilities



#### Business Process Outsourcing

- Creates bandwidth to focus on higher-value activities
- Leverages Business Process Automation (BPA) where provider offers leading technology

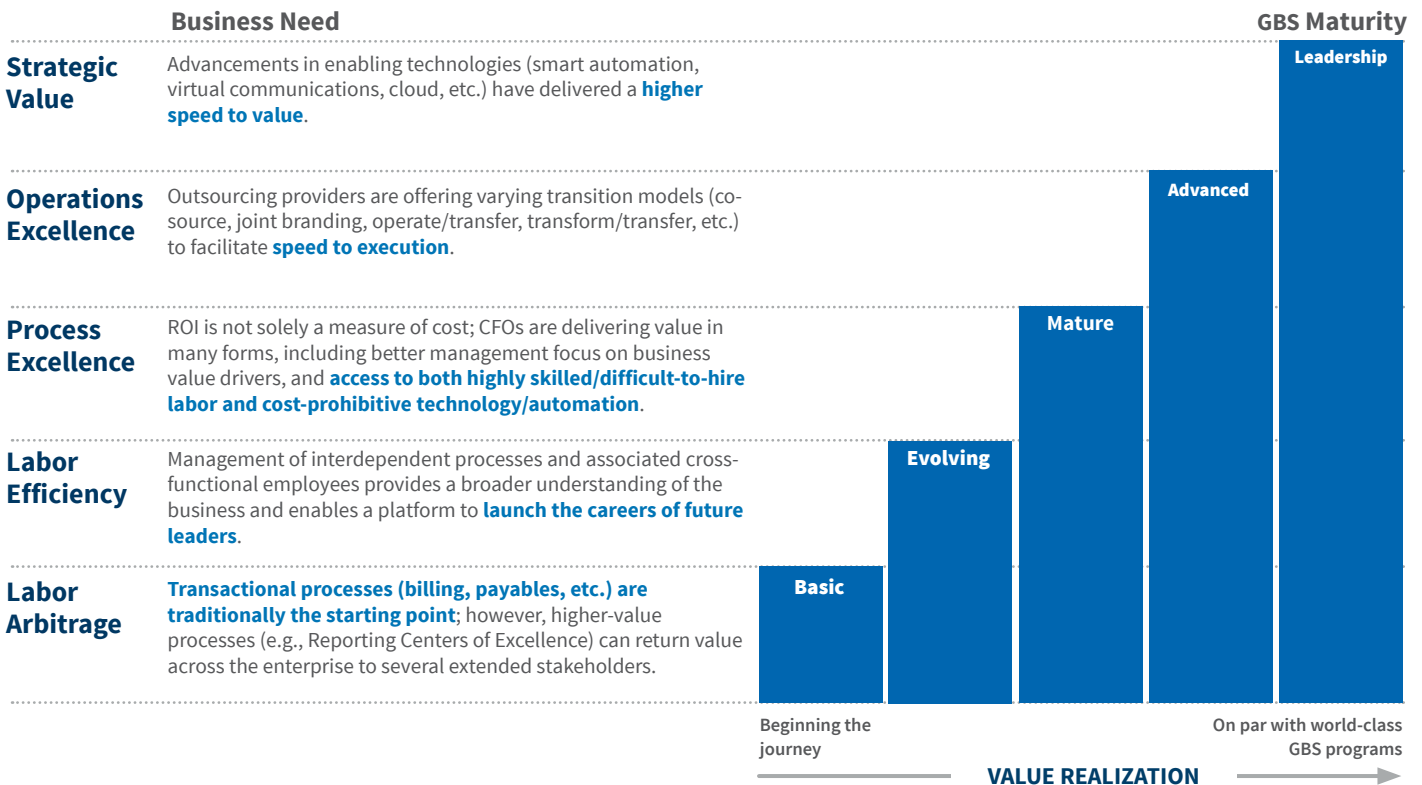
#### Robotic Process Automation+

- Leverages emerging technologies to digitize and automate rule-based and complex processes
- Develops virtual workforce for transaction processes

## What’s Driving CFOs Toward GBS?

Unlocking the value of a GBS model has been long considered only applicable for companies with dispersed global operations, significant headcounts, high operating costs, and other characteristics of larger, Fortune 500 organizations.

Typically, advancement in GBS maturity followed the five steps depicted below. More recently, CFOs of SMBs as well as private equity firms backing them are exploring the GBS model for the reasons shown below and leapfrogging stages of maturity to address their pressing needs.



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## Common GBS Adoption Scenarios

The reasons to adopt a GBS delivery model can vary. However, CFOs constrained by size and/or resources typically cite the following scenarios as key motivators.



### Address Talent Shortage and Service Gaps

GBS can provide remedy to talent shortages. In particular, BPO provides access to talent pools that are prohibitively expensive or inaccessible to small U.S. companies. BPO providers are often employers of choice where they operate, hiring the best and the brightest. Similarly, GBS can deploy technology solutions like RPA and intelligent automation that otherwise can be cost prohibitive or too time-consuming to implement internally.

### When Outsourcing Is Not an Option

The GBS concept is leveraged by CFOs who are constrained by regulatory, culture or cost issues associated with BPO. In this situation, captive GBS may address the needs of the organization and support a lucrative business case. Though initially involving more up-front investments to implement than BPO, the long-term returns and strategic importance of a captive GBS entice many large and small firms to go it alone.



### Need to Quickly Reduce Costs

Many CFOs dealing with financial distress, high fixed costs and margin pressure find they simply do not have the time or resources to implement or expand a captive GBS. Sometimes it's a question of where to invest precious resources, given more dependence on Finance to absorb non-finance activities such as contracting and business intelligence. The BPO component of GBS often provides that quick ROI to reduce costs and move to a more variable cost model.

### Nucleus to Support M&A Roll-up Strategy

Many CFOs of private equity-backed companies are faced with the challenge of absorbing new acquisitions efficiently, effectively and with scale. GBS is the perfect solution to support acquisitive companies, offering a nucleus to aggregate support staff and a vehicle to drive standardization of processes. When implemented well, GBS is a significant contributor to synergy and a strategic asset to support rapid integration. Finding a partner that can scale with the company, especially in the early stages of the enterprise life-cycle, has become a critical success factor in successfully pursuing a roll-up strategy.



### Talent and Leadership Retention and Development

SMBs with global operations frequently struggle to attract, retain, and develop young and talented employees. Advancement opportunities are limited, as they may require relocation and typically depend on positions opening. GBS, by definition, affords employees more opportunities to move laterally, as the processes supported are often multifunctional and/or provide for enterprise-wide stakeholders (global, regional, business units, product lines, etc.). GBS managers often gain a broader perspective about the organization than individuals restricted to one business site. This perspective can be essential for preparing leaders to assume larger roles in the organization.

## GBS Journey for SMBs and PE Firms

If Fortune 500 companies are in a perpetual cycle of optimizing and perfecting their GBS strategy, SMBs are in many cases at the beginning of their journey. This section is meant to provide SMB management teams, and the PE firms that back them, with insights on the GBS journey and strategies to advance the concept at their companies.

		CRITICAL OPERATING MODEL COMPONENTS			
		Capabilities	Structure	Systems & Processes	
ENTERPRISE MATURITY - + -	Crawl	<b>ARCHETYPE 1 “Keep the Lights On”</b>	Brute Force	Mostly Decentralized	Undefined
	Walk	<b>ARCHETYPE 2 Run the Business</b>	Some Specialty Skills Available	Selective Centralization	Process-Specific Effectiveness and Leverage
	Run	<b>ARCHETYPE 3 Maximize Value</b>	Digital, Automation and Analytics	Highly Centralized Captive/Outsourced Model	End-to-End Efficiency and Scalability

### 1. Recognition and Awareness

Most SMBs and newly acquired portfolio companies will fit the “Keep the Lights On” archetype. Without proper investment and upgrades in the infrastructure of the back office, the enterprise strategy and growth agenda of these companies are at risk. Historically, this investment has been on point solutions and band-aid fixes that fail to address the fundamentals of the G&A platform. These short-term fixes typically end up consuming more time and resources than expected, frustrating the organization and the new owners. The result is often a vicious circle where top talent leaves in disgust, third-party spend increases, and the G&A platform struggles to enable the enterprise strategy.

As SMBs adopt elements of a GBS model and proven optimization levers, they will be in a better position to sustain profitable growth. A sound GBS strategy will support organizational focus and minimize operational distractions that originate from an unscalable G&A infrastructure (i.e., capabilities, structure, Processes) patched together by various leaders and competing expectations.

This is an awareness phase in which most SMBs and PE operators realize that (1) a deficient G&A platform will hinder enterprise strategy, (2) the adoption of a GBS model and related optimization levers is foundational to addressing this situation (instead of short-term point fixes), and (3) the “barriers of entry” for GBS (real in prior years) are quickly disappearing, given:

- Broad adoption of the concept in the business community
- Access to experienced GBS professionals and industry learnings that expedite implementation
- Emerging technologies that lend themselves to centralization and scale provided by GBS

## Case Study

### SITUATION

An advanced electronics solutions company with approximately \$2B in revenue was composed of numerous global units sharing few processes or systems. A change to private equity ownership resulted in an accelerated growth strategy, which included several acquisitions over a short period. These changes triggered the need to re-evaluate the G&A Service Delivery Model (SDM). At behest of the client, FTI Consulting conducted an SDM assessment and defined a roadmap to establish a GBS organization as a strategic asset to achieve their business objectives.

### ACTIONS

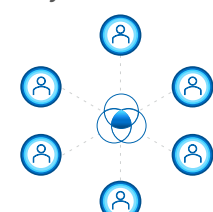
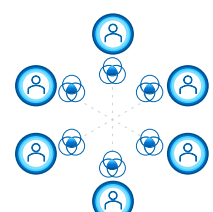
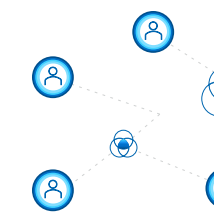
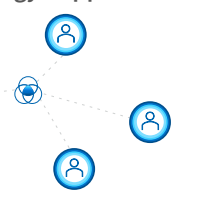


As a result of the GBS assessment, the client embarked on the following activities:

- established regional shared services centers under a GBS umbrella
- implemented SAP Central Finance to facilitate and standardize transactional processes
- implemented a complete finance & accounting organization redesign to delineate roles and right-size
- automated and standardized key finance process via deployment of BlackLine, RPA and workflow
- rewrote policies and controls to bolster compliance and improve consistency of GBS service delivery
- identified a BPO partner and potential processes to outsource

### RESULTS

The client leadership team has gone through a major cultural shift and has embraced the GBS model. Within 18 months, the business has begun to see ROI from their investment in GBS, and service delivery has improved measurably. The client now feels that they are in a better position to realize synergies from their acquisitions and integrate them seamlessly.

Sometimes awareness is not enough to stir the organization into action. Even if the organization is ready, it is still critical to conduct a rapid assessment and develop a business case for change. The business case should focus on both ROI and the qualitative benefits described above (talent shortage, ability to scale to support M&A growth strategy, etc.). The assessment and business case development is best conducted by an independent third party able to rapidly understand the organization and gather the appropriate data points (activity analysis, payroll information, KPIs, degree of internal and external customer satisfaction, just to mention a few), confirm the business case, obtain buy-in and provide an implementation roadmap. The tangible ROI should be approached by first understanding the baseline and then modeling how the cost structure will evolve as GBS optimization levers are deployed over time. The table below outlines potential qualitative and quantitative business case impacts:

Business Case Benefits			
<p><b>Delivery Costs</b></p>  <ul style="list-style-type: none"> <li>— Labor Arbitrage</li> <li>— Process Efficiency and Economies of Scale</li> <li>— Lower Software / Hardware Maintenance Costs</li> <li>— Taxes and Economic Development Incentives</li> </ul>	<p><b>Service Levels</b></p>  <ul style="list-style-type: none"> <li>— Improved Service Levels via Specialization</li> <li>— System and ERP Optimized via Centralization</li> </ul>	<p><b>Mitigated Risk</b></p>  <ul style="list-style-type: none"> <li>— Improved Financial/Operation Visibility</li> <li>— Better Controls and Compliance</li> <li>— Sound and Professional Functional Expertise</li> <li>— Business Continuity Planning</li> </ul>	<p><b>Strategy Support</b></p>  <ul style="list-style-type: none"> <li>— Alignment with Strategy</li> <li>— Scalable Service Delivery Platform</li> <li>— Flexible / Variable Services Delivery</li> <li>— Better Information</li> <li>— Enhanced Career Path Opportunities</li> <li>— Working Capital Reduction</li> </ul>
		 Business Unit (BU)	 Center of Excellence (COE)

## 2. Adoption of the GBS Model

As with Fortune 500 companies, the adoption of the GBS model is a journey. However, over 40 years of evolving operating models, maturing industry players, emerging technology and a number of paradigms broken by COVID (most notably the “working remotely barrier”) provide the key to shorten this journey. Below is a simplified representation of where most SMBs are and where they should aim to go, as well as a tactical overview of the early stage of the journey once the organization has committed to it (post-aware and business case stages).

Key Enabler	From “Keeping the lights on”...	...to “Maximize Value”
<b>Systems and Processes</b>	<p><b>Brute Force</b></p> <ul style="list-style-type: none"> <li>— Heavily focused on meeting compliance requirements</li> <li>— People over processes - Relies on heroic efforts to get things done</li> <li>— “Gang tackling” culture to deal with issues</li> <li>— Unable to provide insight into the business</li> </ul>	<p><b>Digital, Automation and Analytics</b></p> <ul style="list-style-type: none"> <li>— Leverage BPO providers for analytics and digital solutions</li> <li>— Increased use of digital workers/bots to perform routine and non-deterministic tasks in a secure, high-quality and scalable way</li> <li>— Advanced cognitive automation deployed to support higher-value capabilities</li> <li>— Leverage alliances with BPOs and SAAS providers to scale and expand services</li> </ul>
<b>Structure</b>	<p><b>Mostly Decentralized</b></p> <ul style="list-style-type: none"> <li>— Over-indexed from both headcount and cost</li> <li>— Narrow spans of control and excessive number of layers</li> <li>— Nonintegrated and highly decentralized with duplicative functions</li> <li>— Shadow organizations common in the field to close service gaps</li> </ul>	<p><b>Highly Centralized Captive/Outsourced Model</b></p> <ul style="list-style-type: none"> <li>— Non-core services delivered by BPO partners and integrated digital workforce</li> <li>— SSC focused on resolving exceptions, maintaining and expanding digital workforce, and governing relationship with BPO partners</li> <li>— COEs are expanded, virtual and deliver services with speed and scalability</li> </ul>
<b>Skills and Capabilities</b>	<p><b>Undefined</b></p> <ul style="list-style-type: none"> <li>— Heavily focused on meeting compliance requirements</li> <li>— People over processes - Relies on heroic efforts to get things done</li> <li>— “Gang tackling” culture to deal with issues</li> <li>— Unable to provide insight into the business</li> </ul>	<p><b>End-to-End Efficiency and Scalability</b></p> <ul style="list-style-type: none"> <li>— Processes are simplified and automated with outcomes linked to objectives</li> <li>— Systems are highly integrated and scalable</li> <li>— Simplified technology ecosystem facilitates compliance requirements</li> <li>— Standardize common processes across business units with degrees of statutory freedom</li> </ul>

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## Where to Start?

Below are six main areas of focus and specific action items to help you jump start your GBS journey:



### Scoping GBS

Start with Finance, but design should enable expansion to the broader SG&A platform. Turning this into a cross functional ecosystem of services is the ultimate goal.



### Create Change Management and Communication Plans

Establish a communication and change management infrastructure that includes a variety of channels to cascade key messages to the organization and share the vision for GBS communicating the objectives and addressing concerns early will facilitate the transition/migration effort.



### Hire a GBS Professional

Appoint a seasoned VP of GBS. It is fine to call it GBS even if it's not multifunctional. You want to be clear with your internal and external stakeholders that you are being deliberate about this appointment and its strategic intent.



### Commence Role Realignment and Foundational Organization Changes Immediately

Identify critical resource gaps and instances of role fragmentation - rebalance roles and establish a "lite" shared services center and/or centers of excellence. You may not have the technology, process and organizational readiness to centralize or outsource a number of distributed roles immediately, but that does not prevent you from establishing the framework to stand up the precursors to a full-blown GBS organization.



### Establish a BPO Partnership

Find a BPO partner that can scale with you. Establish governance process for the BPO relationship and migrate non-core roles in manageable waves per the business case roadmap. Governance and service management will be key during your transition to ongoing process delivery. Finding a BPO partner that will scale with you and enable your transformation agenda will be key.



### Create Technology Roadmap

Prioritize a technology optimization roadmap, but don't let it get in the middle of making other organizational and operating model transformations. Each industry has an element of uniqueness, but in general you want to simplify the technology platform early on to enable standardized scalable processes to ease the integration of future acquisitions. Key areas of focus are typically ERP (define one or two dominant platforms early on) and consolidation systems. In situations where narrowing down the ERP is not an option, tools catering to GBS organizations exist that can integrate with numerous ERPs and provide a single interface with which to execute transactions in a standard way.

## Final Thoughts

Many of the most pressing issues facing CFOs of resource-constrained SMBs can be remedied through a more creative approach to service delivery in the form of GBS. CFOs dealing with talent shortages, people/leadership development constraints, service gaps, rapid cost reduction mandates and/or the need for a scalable platform for growth can find successful use cases associated with GBS.

Optimizing service delivery is a key GBS lever with which CFOs can more directly influence their priorities. Service delivery can be enhanced via a combination of captive, outsourcing or automation. CFOs are being asked to take on more responsibility and provide higher-value services beyond typical finance processes. In light of this expanding scope, CFOs of SMBs are recognizing that outsourcing must be part of the GBS solution given the talent, technology and cost benefits associated with it.

Over the last 20 years, GBS has become mainstream across many industries, with implementation and oversight experience increasingly common among finance professionals. In addition, BPO partners have matured and perfected their approach and accelerated time to implement. Accessibility to expertise, advancements in enabling technologies, and demand for cost savings are strong motivators for CFOs to leapfrog traditional phases of a service delivery model and tailor their GBS model accordingly. Widely available knowledge from the larger conglomerates that pioneered GBS along with the seasoned outsourcers provides the blueprints for SMBs to emulate. GBS is no longer the exclusive domain of Fortune 500 companies, and it is quickly becoming a best-practice solution for mid-market and smaller companies

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**GINA GUTZEIT**

Senior Managing Director, Leader of OCFO Solutions  
gina.gutzeit@fticonsulting.com



**DAVID WHITE**

Senior Managing Director, OCFO Solutions West Leader  
david.white@fticonsulting.com



**MICHAEL OVALLES**

Senior Managing Director  
michael.ovalles@fticonsulting.com



**IAN WOLLMAN**

Managing Director  
ian.wollman@fticonsulting.com



**HECTOR BARLETTA**

Managing Director  
hector.barletta@fticonsulting.com



**MICHAEL RICAFORT**

Senior Director  
michael.ricafort@fticonsulting.com