Many CFOs of large enterprises have responded to volatile market conditions by transforming their roles and functions. The rise of the Global Business Services (GBS) model, where multiple F&A processes (and, often, other functions) are shared in a unified global operating entity – an industrialized operation – demonstrates how CFOs can lead enterprise strategy by enabling a new operating model. The smart decoupling of business functions, advanced use of metrics, data-driven process management, specialized HR/organizational design, and effective IT enablement can form the blueprint for success and translate into superior scale, lower costs, and optimized processes. Cutting costs by as much as 40 percent is only the start. The real benefit is a more agile enterprise and stronger process-management skills that can be deployed in many other enterprise operations. However, the highly variable results to date indicate that both strategy and execution aren’t easy to master. This paper describes a more scientific, granular approach grounded in successful practices refined for more than a decade.

**Global Business Services: The wave that keeps rolling**

During the decentralization rage of the 1990s, many companies gave their business units more leeway to operate independently, hoping to unleash their entrepreneurial spirit. But these initiatives generated mixed results, as the benefits from this fragmented approach were offset by higher costs and uneven service levels. Over the past decade, however, the pendulum has swung back as many companies have created regional or functional shared services. Some have advanced toward a more ambitious Global Business Services model that delivers a variety of services to subsidiaries and business units from a unified entity. Those services can range from finance and accounting (F&A), information technology (IT), human resources (HR), research and development (R&D), customer support operations, and analytics decision support.

Adoption across business processes, IT, and R&D is varied among industry segments. F&A and customer services account for more than 50 percent of processes in GBS organizations (see Fig. 1a).

According to one study¹, more than 75 percent of Fortune 500 companies have adopted some form of shared services, and the public sector is following suit. An analysis of more than 1,000 offshore and near-shore captives shows that the longest-standing of these operations also encompass more processes (see Fig. 1b).

¹HfS Research, The Hackett Group
While shared services have enabled many organizations to reduce costs of highly repetitive tasks, it can take longer to achieve fuller benefits and the adoption rate can vary by industry. For instance, consumer packaged goods (CPG) companies and retailers are ahead in their GBS adoption compared to some industries but lag behind healthcare and insurance.

The challenges facing CFOs

In recent years, the role of the CFO has become more difficult as the aftershocks from the 2008-09 financial crisis have led to new financing, recruitment, and technology challenges. Today, CFOs must navigate through greater volatility and uncertainty, which squeezes margins and makes it more difficult to plan and forecast demand.

On the financial front, CFOs face new working-capital challenges that leave them unable to optimize their cash management. That can create uneven performance in managing inventories, receivables, and payables. And in the wake of the financial crisis, they now face greater regulatory scrutiny that affects financing and risk-management models while increasing compliance costs.

Genpact research has identified several areas in finance that can benefit from improved process effectiveness:

- **More accurate forecasting.** Many companies struggle to develop reliable revenue forecasts. Only 12 percent report that their forecasts are within 2 percent of actual performance. Standardizing data-gathering and mandating key analyses across businesses and geographies will improve timelines, improve uniformity of forecasting, and enable planners to focus on business-impacting activities.

- **Timely closing of the books.** Genpact’s research has shown that 60 percent of companies require more than five working days\(^2\) to close their books.

- **Quicker payments.** Only 14 percent of organizations surveyed by Genpact make more than 95 percent of vendor payments on time. That may lead to suboptimal sourcing negotiations and subsequently increased cost of costs.

Effective GBS design helps seed four key capabilities in the organization that can be leveraged broadly by the business:

1. **Efficiency,** by more rigorously and uniformly addressing the cost base.
2. **Risk management,** by providing better visibility across the enterprise, irrespective of region or business unit.
3. **Growth,** by facilitating easier, more structured entry into new markets, churning data to identify the most profitable niches, and enabling more seamless scaling up or down of both back and front office.
4. **Adoption of best practices and policies,** by facilitating the design and execution of the right way of doing things.

Four critical questions, irrespective of the maturity of your function

GBS implementation typically follows three phases, with focus and achievements shifting from foundational (often cost-driven) activities to strategic activities (see Fig. 2).

Although many companies are still in the first two stages, managers of these GBS centers are no longer satisfied to simply reduce costs of operations through consolidation and by leveraging lower-cost locations. GBS leaders now routinely

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\(^1\)Genpact CFO.com survey

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\(^2\)Genpact CFO.com survey
evaluate whether they should take responsibility for key outcomes in such areas as accounts payable, including metrics such as days sales outstanding and reductions in bad debt.

Still, some have discovered that building out GBS capabilities can be more difficult than anticipated. The setup can be far more expensive than expected and ongoing costs – both OPEX and CAPEX – can be difficult to control if key processes are not standardized. Through its work with clients around the world, Genpact has calculated a 50 percent variance in the KPIs of companies adopting GBS. This variability across scope, location, and delivery models suggests that “cookbook” approaches do not work.

As a result, selecting the right target operating or delivery model is critical. Senior management can do so by answering four critical questions (see Fig. 3).

What levels of efficiency, effectiveness, risk, and standardization are acceptable during and after transformation? Companies need to “introspect” and know their boundary conditions – that is, the collective will of the key stakeholders, whether they are regional, functional, or business line. Today, better understanding of efficiency and effectiveness drivers point to specific business practices that can help organizations meet desired outcomes.

For example, a pharmaceutical company can redesign its finance operating models to enable a standardized organization structure across regions. A bank might use a GBS model for regulatory compliance with controlling functions. Or an insurer could redefine its operating models for financial planning and analysis (FP&A) to reduce costs and drive standardization.

Will resources released from transaction processing be reallocated to higher-value work? The redirection of resources doesn’t happen easily through the classic HR process and requires deliberation at the strategic level. Genpact has found that managing third-party vendors who may fill part of the GBS role requires face-to-face interaction and specialized knowledge for parts too unique to be shared.

What structure and operating model should the finance organization adopt to support an emerging business model? The operating model depends heavily on the objectives, because the impact of key levers (metrics, IT, or HR practices, for example) varies significantly depending on the choices made. For most companies, there are three organizational archetypes that can be applied and combined (see Fig. 4).

The corporate cluster provides governance and strategic guidance and establishes policies, particularly for processes requiring extensive expertise in specific disciplines. This cluster itself can be set up as a shared service center, a regional hub, or possibly a center of excellence.

The business partner provides services that require an onsite presence or that directly affect the customer experience. The benefits include minimal disruption to ongoing operations, effective sharing, and a tighter linkage with the business.
The **Global Business Services** unit runs processes efficiently and drives best practices. This approach streamlines interfaces between service providers and internal clients; drives a shared culture, processes, and leadership; and enables a leaner, optimized management structure.

**What new processes, people, practices, and technologies are required to achieve the desired objective?** Scientific understanding of business processes – such as SEPM – has significantly increased, allowing organizations to correctly estimate the end-to-end business impact of choices made at each level of the chain, hence facilitating effective design. HR practices for managing GBS-type workforces have evolved and matured. For instance, companies are seeing the effectiveness of synchronously hiring, training, and managing career paths to ensure the right tenure mix and job grade for specific roles. Finally, IT supporting shared environments has improved radically. These can range from ERP frameworks that integrate process transactions from multiple back-ends, and cloud-based tools that support agile collections, to unified communications and collaboration technologies that minimize the challenges of distance and harness the collective knowledge of a global ecosystem.

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### Table: Actionable choice patterns emerge by triangulating four themes

<table>
<thead>
<tr>
<th>Category</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a</strong> Boundary conditions</td>
<td>What <strong>efficiency, effectiveness, risk, and standardization are acceptable</strong> during and after transformation?</td>
</tr>
<tr>
<td><strong>b</strong> Resource redirection</td>
<td>Will <strong>resources</strong> released from transaction processing and control be <strong>reoriented</strong> towards decision support?</td>
</tr>
<tr>
<td><strong>c</strong> Organizational choices</td>
<td>What <strong>structure</strong> and operating model should the Finance organization have to support the emerging business model?</td>
</tr>
<tr>
<td><strong>d</strong> New delivery DNA</td>
<td>What new <strong>processes, people practices and technologies</strong> are required to achieve the desired objective?</td>
</tr>
</tbody>
</table>

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**Figure 3. Actionable choice patterns emerge by triangulating four themes**

**Figure 4. Structure and operating model that finance organizations can adopt to support emerging business models.**
The chosen archetype depends on the organization’s needs. An Australian insurer optimized its source-to-pay (S2P) operations, to realize the potential cost savings of AUS$30 million. A large pharmaceutical company used a process optimization program across all of its F&A processes—including record-to-report (R2R), S2P, and order-to-cash (O2C)—to improve its efficiency and promote standardization. And a U.S. bank used process improvements across its R2R processes to drive better controllership and regulatory compliance.

Towards a strategic solution

Genpact has found that a significant level of granularity and empirical experience are beneficial in crafting the right strategy for a target operating model. While broad-brush strategies and “comparables” have a place in this process, each business case is heavily dependent on the feasibility of the operation’s DNA, as described earlier. Unfortunately, many companies overlook this deeper analysis. We recommend to utilize a seven-step approach:

Review as-is state and rationale. This first step is to understand the current state of performance, identify candidates for improvement, and review the process and subprocess practices.

Identify top improvement opportunities. Second step, the organization should use best-practice metrics and frameworks to benchmark key areas, identify top areas for improvement, assess the feasibility and risk of options, and conduct a preliminary analysis of benefits such as cost, efficiency or effectiveness. (see Fig. 5).

Identify delivery alternatives. In this step, we assess options for consolidating processes into internal global shared operations, externally sourced operations, or a combination.

Determine change implications. Here, we outline the implications—both financial and risk-related—must be outlined for each location and structuring option (e.g. various types of risk) and then leverage the client experience.

Build business case for each alternative. In this step, a high-level business case must be compiled that encompasses process improvement, organizational structuring options, location choices, and change implications.

Detailed roll-out plan. A multiyear roll-out plan to reach targeted operating model by process and by location is then developed.

Build the Final Business Case. Finally, we identify emerging options for each process and develop financial and high-level rollout plans.

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**Example**

Minimum  Median  Maximum

<table>
<thead>
<tr>
<th>Key Performance Measures</th>
<th>Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub Ledger – AP</td>
<td>- Automated interface process within ERP system</td>
</tr>
<tr>
<td>Days to SL cut off</td>
<td>- Scheduled mapping tables from source to SL to GL to avoid data loss</td>
</tr>
<tr>
<td></td>
<td>- Automated tool for inter-company transactions</td>
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<tr>
<td></td>
<td>- Implement MJE workflow</td>
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<tr>
<td></td>
<td>- Global common chart of accounts</td>
</tr>
<tr>
<td>GL Close &amp; Consolidation</td>
<td>- Standardization and rationalization of IT systems</td>
</tr>
<tr>
<td>Days - GL submission</td>
<td>- Reduction in MJE – Threshold, recurring JEs, interface</td>
</tr>
<tr>
<td></td>
<td>- Web-based global closing calendar, with clear accountability</td>
</tr>
<tr>
<td></td>
<td>- IT system integration / Rationalization</td>
</tr>
<tr>
<td></td>
<td>- Synchronize edit checks between subsidiary and parent books for better first-pass yield</td>
</tr>
<tr>
<td>External Reporting</td>
<td>- Create database for common errors encountered and their proposed solution for reference</td>
</tr>
<tr>
<td>Days to earnings release</td>
<td>- Materiality thresholds defined for accruals</td>
</tr>
<tr>
<td></td>
<td>- Recs prioritization</td>
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<tr>
<td></td>
<td>- Documented reconciliation policy in place</td>
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<tr>
<td></td>
<td>- Use of automated tick and tie/reconciliation tool</td>
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<tr>
<td></td>
<td>- Reconciliation dashboards published regularly</td>
</tr>
<tr>
<td></td>
<td>- Clearly defined approved backup per category</td>
</tr>
<tr>
<td></td>
<td>- Standard policies/operating framework</td>
</tr>
<tr>
<td></td>
<td>- Analysis of repetitive open items to reduce inflow</td>
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</tbody>
</table>

Figure 5. Efficiency and effectiveness drivers point to specific business practices
Conclusion: Toward a new era of enterprise strategy

As discussed in “The Adaptive Roadmap”³, business agility in times of unprecedented volatility is an imperative that requires a more strategic role for the CFO and business operations. The journey toward the right operating model for the F&A function can create experience for other functions and lines of business. The CFO’s organization can show the way toward business model innovation by enabling the industrialization of business operations and leveraging recent best practices in process, HR, and IT.

A significant amount of specialized knowledge exists in the market that offers great value for navigating the continuum of design choices. In such a focused field, strategy must leverage the experience curve of large organizations’ journeys for more than a decade. At Genpact, a company that originated from one of the first and, arguably, most successful GBS organizations, we believe success lies in clearly understanding a client’s strategic needs and capabilities as well as practical evidence of the art of the possible in developing industrialized operations.

Why Genpact

Genpact is uniquely positioned to help organizations meet their challenges in GBS. Genpact began its journey 15 years ago as the GBS for General Electric (GE). Today, we operate more than 70 global delivery centers in 20 countries, serving hundreds of clients’ GBS organizations across a range of industries and functions. We bring our passion and collective experience in running these centers to our clients.

Over the years, Genpact has built advanced, granular GBS practices and today we can support our clients throughout the continuum between design, setup, and optimization, to managing shared operations and potentially taking responsibility for part of the process delivery. Whether it is defining a future path or identifying custom solutions to optimize an existing strategy, we have in-depth experience across several industries, verticals, and geographies.

In addition, Genpact is amongst the leading F&A service providers in the world, earning a Gartner “leader” status in F&A services and leveraging more than 16,000 F&A experts. Our extensive domain experience in F&A is built on insights from more than 200 million transactions. We leverage our unique process design and analytics capabilities, enabled by our proprietary Smart Enterprise Processes (SEP™) to help clients achieve superior business outcomes.

About Genpact

Genpact Limited (NYSE: G), a global leader in business process management and technology services, leverages the power of smarter processes, smarter analytics and smarter technology to help its clients drive intelligence across the enterprise. Genpact’s Smart Enterprise Processes (SEP™) framework, its unique science of process combined with deep domain expertise in multiple industry verticals, leads to superior business outcomes. Genpact’s Smart Decision Services deliver valuable business insights to its clients through targeted analytics, reengineering expertise, and advanced risk management. Making technology more intelligent by embedding it with process and data insights, Genpact also offers a wide variety of technology solutions for better business outcomes.

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