A late starter in the adoption of advanced operating models like shared services and outsourcing, the manufacturing industry has significantly evolved in maturity and is now preparing itself for the next level of growth - by leveraging learnings from other industries and redesigning the service delivery for industry-specific functions. This analysis of data from a survey conducted by the Everest Group and SSON (Shared Services Outsourcing Network) provides actionable insights.
The manufacturing industry is highly dynamic, capital intensive and easily subject to the vagaries of volatile business cycles. Product innovation using advanced engineering, emerging geographies and aftermarket services, present significant opportunities in this space. However, multiple challenges such as cost and margin pressures, increasing competition, changing regulations are significant challenges for manufacturers.

This necessitates a thorough evaluation and redesign of current operating models and many enterprises have in fact undertaken this journey towards transformation. There has been a gradual evolution of global business services in industrial manufacturing – initially significant portions of F&A, S2P, HR and other back-office operations were outsourced or consolidated in shared services. Increasingly, parts of the support to core industry functions like engineering, sales & marketing, master data management and logistics and now with the advent of Machine-to-Machine/Internet of things, there’s significant opportunity to industrialize after-sales service, asset management and reverse logistics functions as well.

To better understand these trends, Everest Group and the Shared Services & Outsourcing Network (SSON) conducted the first-ever survey focused on industry-specific strategies in shared services and outsourcing. The research provides a comparison of respondent opinions across three groups—manufacturing companies, all companies and self-reported “mature organizations,” which are represented by larger, more centralized companies.

### Levers for optimization

Three key levers generate the value delivered by advanced operations – optimized processes through re-engineering and centralization, embedded analytics and technology, and increased use of shared services and global delivery.

### Challenges such as cost and margin pressures, increasing competition, changing regulations are significant challenges for manufacturers.

### Process optimization

When surveyed about the top areas of optimization of service delivery, like most other industries, manufacturers seems very focused on re-engineering/standardizing processes (74% placed these initiatives in the top 3) and increasing consolidation/centralization (65%), which is especially important given the focus on emerging markets, increasingly global supply chains and margins.

A third focus area is implementing new tools and technologies which in light of innovation becomes more important (58%). The respondents also indicated a need to increase collaboration with business users (a need expressed mostly by “mature” industries) which can help manufacturers to provide better service.

![Figure 1: Priorities for optimizing current services delivery in manufacturing vs. all industries and companies with mature operating models](image)

Interestingly, business intelligence and analytics were indicated as a “top-3” by only 10% of respondents in manufacturing (compared to 28% across industries), – perhaps reflecting the current relatively transactional nature of delivery models in manufacturing compared to industries like financial services.

### Increasing scope: The path towards real GBS

Early efforts to commoditize, standardize, and outsource business processes in manufacturing companies focused on horizontal functions (Figure 2 and Figure 3) which are transactional,
they trail slightly behind in consolidating areas like budgeting and forecasting, strategic sourcing, category management and requisitions management.

Industrial manufacturing lags behind other industries in the inclusion of industry-specific functions, but increasingly activities like engineering support in fundamental research, new product development support, and technical documentation, direct procurement and supply chain services, are getting industrialized. The most commonly industrialized services are master data/customer data/vendor data management and inbound/outbound/reverse logistics support.

Manufacturers are ahead of other industries with regard to transactional and judgment driven F&A activities such as internal audit, treasury & risk management and tax computing. However, they trail slightly behind in consolidating areas like budgeting and forecasting, strategic sourcing, category management and requisitions management.

Figure 2: Comparison of inclusion of vertical and horizontal functions in manufacturing vs. all industries and companies with mature operating models

Conclusion: The path forward

Genpact estimates that industrializing operations can transform up to 80 percent of back-office and middle-office work as well as rule-based front office of a manufacturing company. This presents a significant potential to accelerate the path to value by leveraging knowledge accumulated in industries where the transformation has gone further. Combining that experience with a clear understanding of the strategic needs unique to the company can help craft the right strategy for an advanced operating model.

Contact Genpact’s specialists to learn about how to advance the operating model for the delivery of your business processes.
About Genpact

Genpact (NYSE: G) is a global professional services firm focused on delivering digital transformation for our clients, putting digital and data to work to create competitive advantage. We do this by integrating lean principles, design thinking, analytics, and digital technologies with domain and industry expertise to deliver disruptive business outcomes – an approach called Lean Digital™. We deliver value to our clients through digital-led, domain-enabled solutions that drive innovation, and digital-enabled intelligent operations that design, transform, and run clients’ operations. For two decades we have been generating impact for clients including the Fortune Global 500, employing 77,000+ people in 20+ countries, with key offices in New York City, Palo Alto, London, and Delhi.

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