

GBS of the Future: Toward an Integrated and Borderless GBS Model (Part 1 of 2)

Establishing GBS Evolution Personas

Sakshi Garg, Vice President
Prashray Kala, Vice President
Aditi Bansal, Practice Director

Contents

Introduction	03
Increase in adoption and maturity of the GBS model	04
Navigating key enterprise challenges in 2022	05
Everest Group's GBS Evolution Personas	06
Understanding the capabilities that define GBS personas	09
Conclusion	11

Introduction

The GBS model has grown from strength to strength in the past few years as it has continued to deliver on its promise and surpass its original expectations of cost savings, standardization, and efficiency. In recent years, the fundamentals of the GBS model have been challenged by a variety of external factors: the development of digital technologies, the growth and increasing prominence of remote/hybrid delivery (accelerated by the pandemic), the rise of talent as a critical – and scarce – resource, and BCP/agility being put to the test by the pandemic, among others. As a result of these changes, existing measures of GBS maturity and success are losing their effectiveness in helping GBS organizations plan their future strategies.

As we have interacted with GBS leaders in more than 50 GBS organizations, we have established five GBS personas. These personas are built on a strong foundation and success of our earlier GBS evaluation frameworks but captures new capabilities that will define GBS in the future.

As we think about the future of GBS, one theme that emerges in every conversation is that higher the integration between the GBS organization and the enterprise, the higher the impact generated by it. This realization is somewhat of a departure from the earlier thinking that the GBS organization should be a strategic partner to the business. The new expectation is a borderless GBS organization that is more broadly integrated with the enterprise. This report is the first in a two-part series in which we describe our GBS evolution personas and discuss:

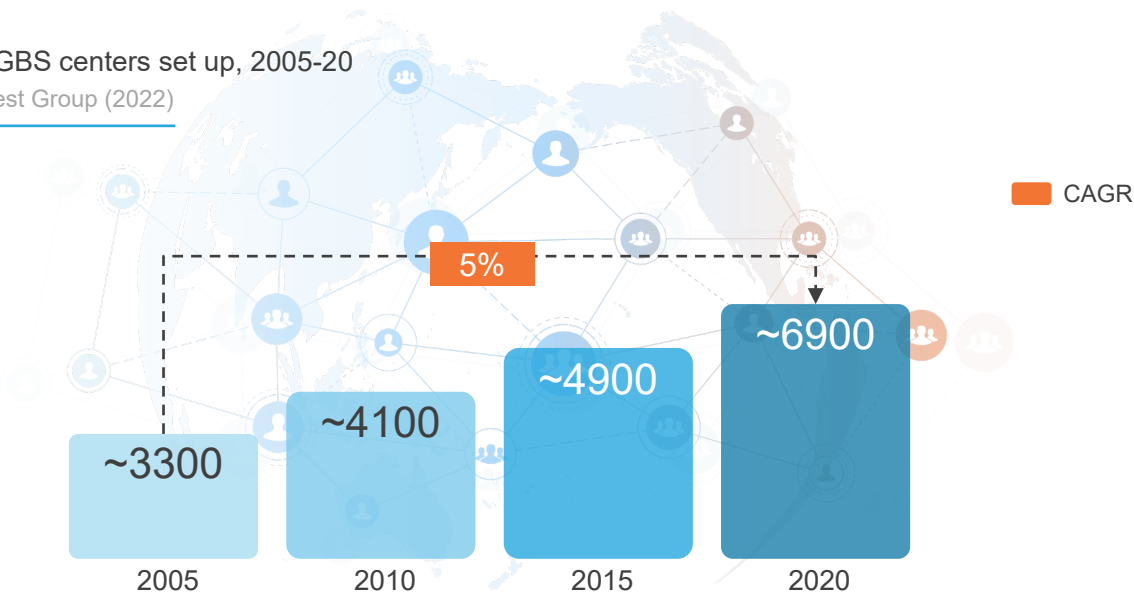
- GBS model adoption among enterprises and changing enterprise expectations
- Types of GBS evolution journeys
- Capabilities that establish the persona of a GBS organization

Increase in adoption and maturity of the GBS model

Increasing adoption of the GBS model

The GBS market has grown by about 3X in the past 15 years, with a Compound Annual Growth Rate (CAGR) of 5% from 2005 to 2020, as Exhibit 1 shows. In fact, despite the pandemic, the market continued to grow and flourish, adding more than 450 new GBS centers between 2020 and 2021.

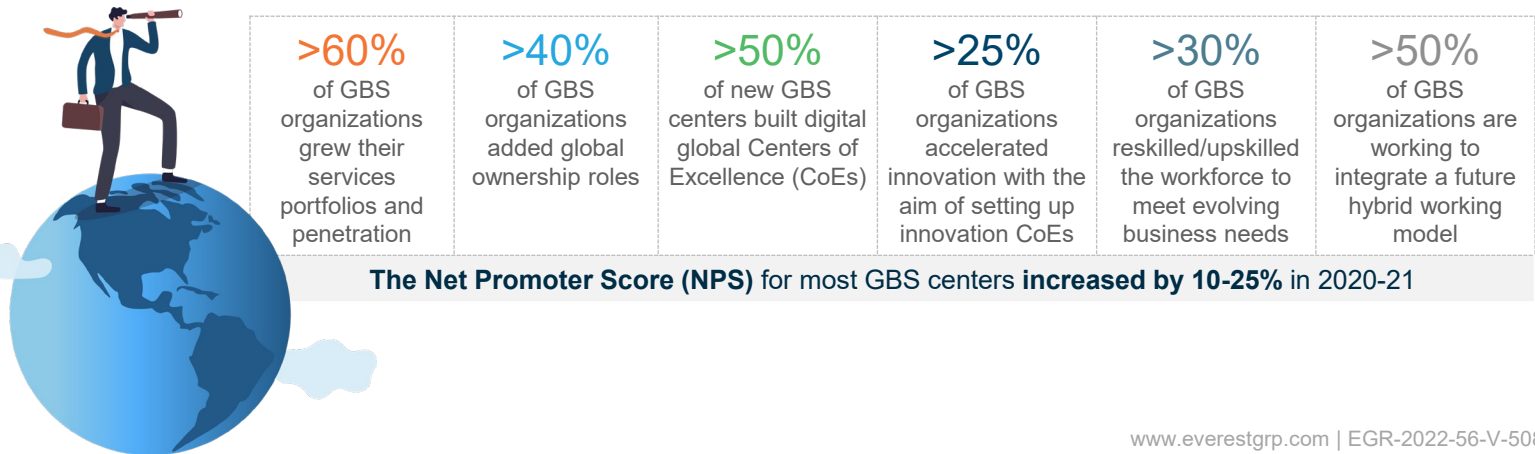
EXHIBIT 1
Number of GBS centers set up, 2005-20
Source: Everest Group (2022)



Notable increase in GBS capabilities

Not only have GBS organizations grown in terms of their footprint over the past 15 years, but – more importantly – they have significantly evolved in terms of their role and capabilities in many areas, as Exhibit 2 describes.

EXHIBIT 2
Key GBS statistics, 2020-2021
Source: Everest Group (2022)



GBS organizations are now at the forefront of innovation, accelerating adoption of digital technologies, increasing global leadership roles to provide end-to-end support on complex work, transitioning to a new normal, setting up strategic centers of excellence, and more. Further, GBS organizations proved their resilience during the pandemic and the model was truly legitimized in the eyes of the enterprise. Taken together, these achievements have created a compelling narrative for GBS organizations: they are truly poised to reach greater heights, creating significant competitive advantage for enterprises.

Navigating key enterprise challenges in 2022






Enterprise business challenges in 2022

Everest Group's 2022 Key Issues study uncovered five key enterprise challenges as they go into 2022, as presented in the exhibit below.

EXHIBIT 3

Top business challenges going into 2022 (% of respondents selecting as highly challenging)

Source: Everest Group (2022)

2022 rank	1	2	3	4	5
	 Talent/skills shortage	 Price/cost pressure	 Adapting to new business models	 Slowdown in customer decision making	 Regulations in key markets
2021 rank	5	3	1	2	7
2020 rank	5	2	1	4	3

The most critical challenge enterprises face is a talent/skill shortage. While enterprise leaders are bullish about growing headcount across all geographies, the power has shifted to employees, many of whom are looking for opportunities to make changes in their work lives. In fact, a recent Everest Group survey suggests that 75% of the workforce is looking for a change in job/position – the problem is pervasive. Adding to the pressure is ever-increasing costs.

Another critical challenge is being able to adapt to new business models, such as changing customer demands, and the need to enhance customer experiences, improve operational efficiency, develop/introduce innovative products/services, and improve existing products'/services' revenue.

Post the heroics during the pandemic, enterprises are presenting these challenges to their GBS organizations and expecting them to step up to help resolve them. As they continue to evolve, GBS organizations are well positioned to contribute to these discussions. Our GBS personas incorporate these enterprise expectations from the GBS model.

Everest Group's GBS Evolution Personas

GBS organizations need to step up to create value – quickly. However, evolving enterprise expectations are driving an urgent need to redefine GBS evolution before they can effectively do so.

The urgent need to redefine GBS evolution

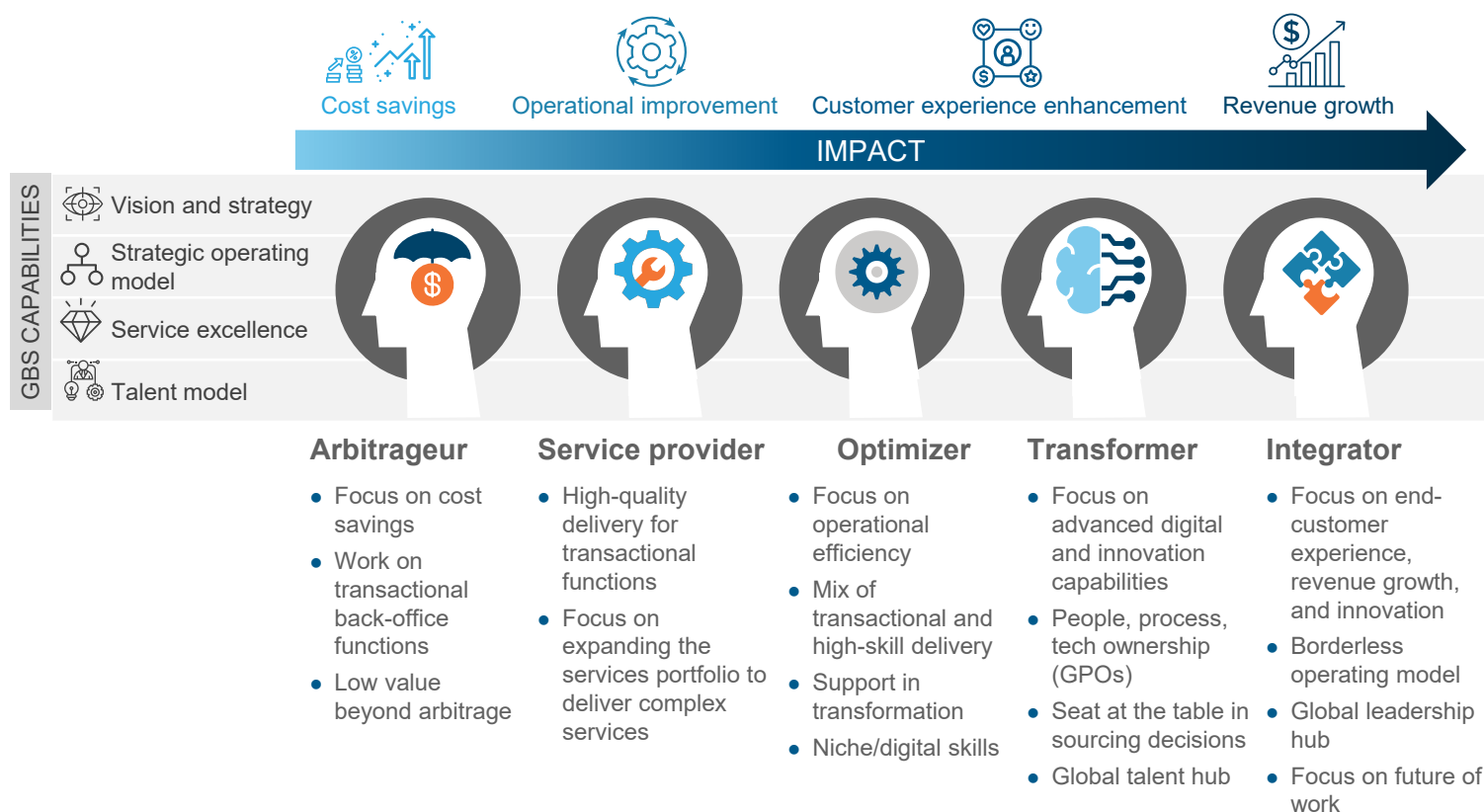
GBS organizations need to take a holistic view of value creation. As we noted earlier, today's GBS organizations need to become more integrated with their enterprises, rather than acting as entities supporting business functions. Everest Group has defined five GBS evolution personas by examining the attributes of capability and measuring the impact delivered. This framework of establishing GBS personas has three key dimensions (Exhibit 4):

- **The personas** – arbitrageur, service provider, optimizer, transformer, integrator
- **The capabilities** – vision and strategy, strategic operating model, service excellence, and talent model
- **The impact delivered** – cost savings, operational improvement, customer experience enhancement, and revenue growth

EXHIBIT 4

Everest Group's GBS Evolution Personas Framework

Source: Everest Group (2022)



More than 60% of GBS organizations still act as arbitrageurs or service providers, characterized by a significant focus on cost saving and/or high-quality delivery of transactional services, with limited focus on transformation. However, as GBS organizations step up to support their enterprises' strategic objectives, operating solely as cost savings entities is to be sub-optimal. At that point, cost optimization needs to take a back seat, and strategic business partnering needs to come to the front, taking the GBS toward its ultimate goal, integrator role.

Interestingly, while this evolution has been taking place for the last few years, the pandemic has significantly accelerated the need for GBS organizations to enhance the value delivered, thus driving higher business impact. In other words, GBS organizations no longer have a choice – they have to make this change.

The personas do NOT indicate a linear progression for GBS evolution. Different GBS organizations take different paths - not all follow the evolution one step at a time

One path does not fit all

A few notes of clarification. One, our personas are not intended to indicate a linear progression for GBS evolution. Consequently, not all GBS organizations follow the evolution one step at a time. GBS organizations can take different paths, as described below. Second, different parts of the organization (e.g., different functions within the GBS organization) might exhibit characteristics of different personas. Finally, the enterprise posture towards the GBS plays a significant role in the persona definition and may “box” the GBS organization into a narrower set of persona outcomes.

Accelerated path

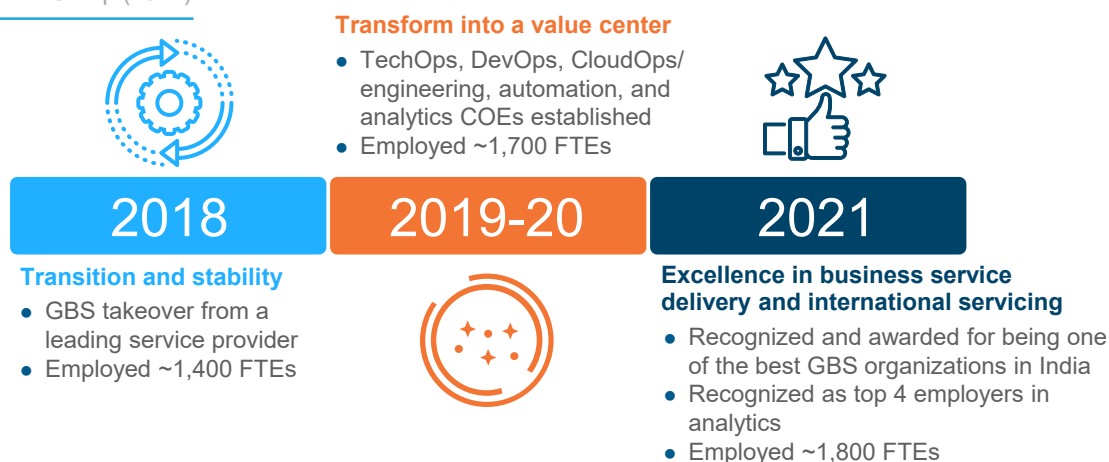
Some mature GBS organizations have evolved much more quickly than most GBS organizations, using a variety of methods and means such as:

- Shifting vision from cost arbitrage-led GBS to business-value-delivering GBS
- Efficiently expanding from transactional into complex service delivery across most processes
- Driving digital transformation
- Setting up CoEs to drive strategic engagement
- Launching conscious brand management and business development efforts
- Developing customer-centric products/services

Exhibit 5 shows the path of a leading Europe-based manufacturing company's GBS organization that evolved from arbitrageur to transformer in less than 3 years.

EXHIBIT 5**GBS evolution: accelerated path**

Source: Everest Group (2022)

**Breakthrough path**

Not all GBS organizations need to follow a linear, stair-step approach to their business evolution. A few GBS organizations (esp. newer ones) have skipped the initial personas altogether, literally starting out as – optimizers or transformers. The primary reason behind their success is the outcome-centric mindset with which they were set up.

Exhibit 6 shows how a leading US-based insurer's GBS organization started at the optimizer stage and quickly evolved to be a transformer.

EXHIBIT 6**GBS evolution: breakthrough path**

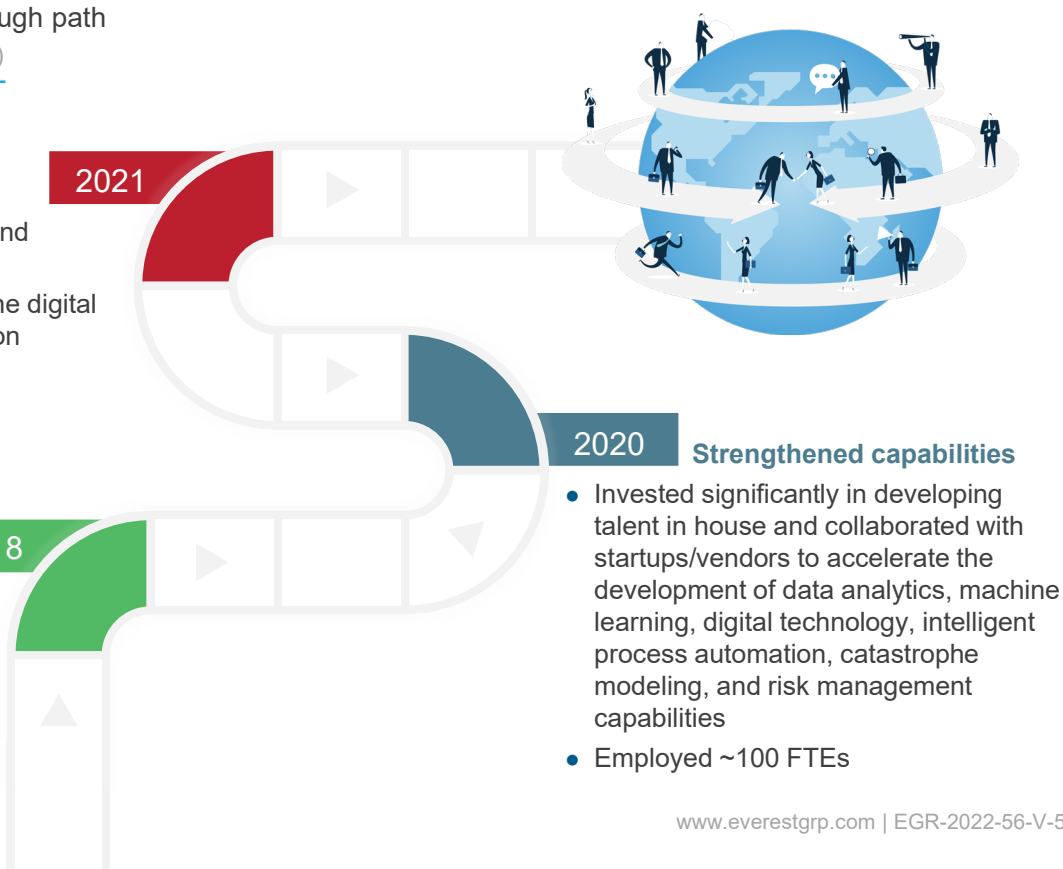
Source: Everest Group (2022)

Emerged as an integrated business partner

- Generates significant revenue and business impact
- Acts as a business partner for the digital CoEs for business and innovation operating in onshore locations
- Employs 100 to 200 FTEs

Set up as a transformation partner

Established business services centers in Bangalore and Hyderabad to provide technology, digital, and analytics support



Quality versus quantity

In both the examples above, the GBS organizations’ scales were low to moderate, delivering only two to three functions, which overturns a common myth around GBS value delivered. Value creation is NOT a function of headcount or scope of services delivered. In fact, it is independent of those issues. What really determines personas is the relationship between the GBS organization and the enterprise, the capability profile, and the permission to delivers end-to-end services within a function and the strategic value it creates for the enterprise and end customers.

Understanding the capabilities that define GBS personas

GBS personas are guided by various underlying capabilities as defined in the exhibit below.

EXHIBIT 7
Capabilities that define GBS personas
Source: Everest Group (2022)



These capabilities enable GBS organizations to evolve; they are, essentially, levers that GBS organizations can pull to keep themselves moving through the evolution journey.

The table below offers definitions of each capability.

	Sub-capability	Definition
Vision and strategy 	GBS organization's mindset	Core philosophy and objective with which the GBS organization operates, such as cost-centric mindset, delivery-centric mindset, operational efficiency-centric mindset, transformation-centric mindset, and customer/revenue-centric mindset
	Alignment with business strategy	Level of alignment between GBS and enterprise objectives and level of GBS permission and involvement in shaping these objectives
	Influence in the enterprise	Extent of enterprise stakeholder buy-in, commitment to the GBS model and the GBS organization's influence in decision-making
	Nature of metrics tracked	Types of metrics (operational and/or strategic; input and/or output and/or outcome-centric) tracked to measure GBS performance
Strategic operating model 	Governance structure	Reporting relationship between the GBS organization and sponsoring enterprise stakeholder(s)
	Portfolio resilience and agility	The GBS organization's ability to respond to external and internal disruptions
	Role in demand creation	The GBS organization's ability to influence and lead insource vs. outsource decisions
	Role in vendor/partner management	Level of GBS involvement in decisions related to third-party vendor selection, ongoing governance, and termination
Service excellence 	Breadth and depth of services	Range and nature of services delivered (transaction- vs. judgement-oriented)
	Enterprise coverage	Proportion of business units and geographies the GBS organization serves
	Global process/technology ownership	Nature of process and technology ownership and accountability
	Digital transformation, analytics, and innovation	Role the GBS plays in driving enterprise digital transformation, analytics, and innovation
Talent model 	Strategic workforce planning	Extent to which the GBS organization has embraced workforce demand and supply planning as a core discipline
	Skill portfolio and development	Understanding of GBS' skill needs and the approach to develop them
	Career pathing	Types of career paths and career development opportunities offered
	Culture and EX	Extent to which GBS focuses on creating culture and enhancing employee experience
	Fitment to future of work	Ability to flex talent and delivery model to support future of work

Conclusion

As organizations think about the future of their GBS models, they need to consider these persona defining capabilities and ask the following question:

- How closely is each capability aligned with the enterprise's objectives?
- How is each GBS capability individually adding value to the business?
- How is the effective integration of these capabilities, holistically, helping the enterprise solve its business challenges?

We will answer these questions in Part 2 of this two-part report, expected to release in Q2 2022. That report will explore how mature GBS organizations have evolved along these capabilities, illustrated with case studies. We also will discuss the varying nature of impact delivered by GBS organizations as they evolve in their persona journeys.

Everest Group is a research firm focused on strategic IT, business services, engineering services, and sourcing. Our research also covers the technologies that power those processes and functions and the related talent trends and strategies. Our clients include leading global companies, service and technology providers, and investors. Clients use our services to guide their journeys to maximize operational and financial performance, transform experiences, and realize high-impact business outcomes. Details and in-depth content are available at www.everestgrp.com.



For more information about Everest Group, please contact:

+1-214-451-3000

info@everestgrp.com



For more information about this topic please contact the author(s):

Sakshi Garg, Vice President

sakshi.garg@everestgrp.com

Prashray Kala, Vice President

prashray.kala@everestgrp.com

Aditi Bansal, Practice Director

aditi.bansal@everestgrp.com