

Global Business Services Rewards: How does your Organization stack up?

Key findings from Sourcing Change / SSON
industry-first GBS Rewards Survey



A Sourcing Change Report

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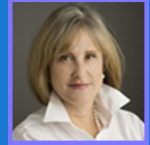
INTRODUCTION

There's a lot of urban legend about global business services (GBS) compensation. Some leaders believe that changing companies automatically guarantees a hefty uplift in reward. Others believe that the pockets of North American-based enterprises are far deeper than their European or Asian counterparts. There is an expectation that rewards are tightly aligned to scale or maturity of the operation.

[Sourcing Change](#) conducted a market-first survey, taking the pulse of the industry's rewards for high impact, "make it happen" GBS roles. Unlike typical corporate compensation surveys—a valuable tool in the arsenal of every HR department's compensation and benefits function—we correlated factors such as maturity, extent of globalization, scope and operating model with compensation, developing a more nuanced view of the GBS rewards landscape.

This summary report presents key findings about what's driving the current rewards structure. Survey participants received a more detailed report. [We invite GBS leaders who have questions or would like to participate in subsequent studies to contact us at deborah.kops@sourcingchange.com or janet.ramey@sourcingchange.com.]

AUTHORS



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Co-founder of Sourcing Change and a member of SSON's Global Advisory Board, Deborah's sweet spot is helping enterprises develop new target operating models for a range of business functions by rethinking work content, structure, scope, solutions, organizations and talent in the face of rapid change. Her career includes managing directorships at two international banks; consulting partnerships at two leading firms; and CMO of a publicly traded business process outsourcing company. Deborah sits on the advisory boards of several tech startups, and has led operations of two private equity-funded SAAS businesses. She also founded Liberty Source PBC, a U.S. onshore BPS company harnessing the talents of military spouses.

Deborah speaks and writes frequently and was the presenter of SSON's HardTalk series.



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WHY IS TAKING THE PULSE OF GBS REWARDS IMPORTANT TO LEADERS AND THEIR ENTERPRISES?

To state the obvious—the pandemic's implications on talent have changed the attraction and retention calculus for all enterprises. GBS and shared services roles are certainly not immune from the "Great Resignation" and "Great Retirement."

But there are other factors at play in our industry. COVID created a context where internal business services models have gained a new level of legitimacy. Closing the books on time and showing the enterprise how to work globally has done a great deal to drive, at the very least, unprecedented organizational acceptance of the model – if not a pull for more scope and scale.

At the same time, enterprises that have been sitting on the GBS sidelines are now doubling down on investment in internal business services platforms. And there is a third factor at play: GBS models are now being recognized as sources of what we call "enabling" capability; the critical capabilities that not only fuel the success of GBS operations—such as automation, program management, experience management, change management, analytics and resource management—but are sorely needed across the enterprise. In light of these factors, obtaining a snapshot of the market's rewards structure is critical to ensuring that GBS organizations attract, reward and retain the right talent.

METHODOLOGY

The study focused on the reward structure of high impact or "make it happen roles"—those critical roles that drive GBS or shared services value. These include the ranking leader of either a GBS or shared services organization¹ (if functional shared services is the model); key regional and functional roles such as operations leader, site leader, or functional services leaders (e.g., HR shared services); and key expert roles such as global process owners, transformation, PMO, and digital innovation.

In January 2022, GBS leaders of 37 enterprises, primarily global in remit, responded to a confidential online survey about their operations and rewards structure, focused on the primary components of base salary, target annual bonus and long-term incentive compensation (LTI). Responses were requested in ranges and in USD. Given the diversity in the structure of their organizations, not all respondents provided data on each role. In some cases, functional or expert roles were combined. Respondents had the latitude to select the role that they deemed most closely aligned.

¹ If functional shared services is the model for the organization.

WHO PARTICIPATED?

The following infographic will give you a sense of the diversity of respondents.



Truly global

65% have a global geographic remit



Harnessing the power of partners

78% have implemented hybrid operations



GBS or shared services for some time

51% have been fully operational for over 6 years

Still on the maturity journey
only 11% claim to be fully mature



Most embracing digitization

68% have embarked on automation journey, 19% maturing, 14% haven't started/just starting



Diversity in corporate HQ location:

but majority (62%) US



Broad industry representation:

but skewed to Retail Trade, Pharma, CPG and Media



Majority of companies participating quite large:

23% >10bn US\$



Broad range of GBS operation size:

27% have <600 and 41% have 1,000-5,999 staff

WHAT DID WE LEARN?

Even with a small sample, we are able to derive a number of insights about GBS rewards. Much of what you are about to read supports commonly held industry wisdom; other insights may come as a bit of a surprise. Again, we cannot sufficiently emphasize that these insights should be considered directional only.

FIRST, LET'S TAKE A LOOK AT GBS ORGANIZATIONS AS A WHOLE

These insights capture key findings that apply across the organizations.

How do organizations develop rewards structures?

The majority of enterprises benchmark GBS rewards against internal roles. Two reasons are cited: first, they want to ensure that there is parity in compensation to allow for internal career movement, and second, they currently have no external benchmarks on which to rely.

How does location impact rewards?

Hands down, location is the primary determinant of rewards. With the majority of GBS organizations looking internally to set their rewards construct, location plays an outsized role in determination of rewards, primarily for the GBS *team*, however, as opposed to its leader.

How does organization structure impact GBS rewards?

The data do underscore the fact that GBS organizations have a rich structural variation. Some GBS organizations align by region, others by function with the remit of the global process owner still in evolution as GBS organizations embrace end-to-end operations. As a result, there are no standard rewards bands since structure and work content vary.

Can we level set rewards, role by role?

It is difficult to level set rewards for the management and expert roles at the top of the organization due to variations in structure and definition. For example, one organization's transition leader may be responsible for change management while a change leader may also be responsible for experience.

Is GBS leadership truly global?

The data indicate that onshore leadership models are still prevalent, despite the fact that COVID-19 somewhat moved the industry to embrace virtual models. Few GBS organizations in our sample reported locational diversity in leadership roles; as a result there is a skew to onshore locations, impacting rewards.

Are we achieving gender diversity?

At the top of the GBS pyramid, the gender balance has improved to 56% male vs. 46% female. The picture down the line varies depending on the role.

Does leader compensation drive rewards for the rest of the GBS leadership team?

There is no apparent correlation between levels. Rewards for the top role, especially when an expert leader is brought in, are more strongly influenced by market conditions. And, more often than not, the compensation for other GBS roles is driven by correlation with internal roles that are deemed similar.

Where are GBS professionals most highly rewarded?

North Americans enjoy higher rewards when considering the usual components of compensation—base, target bonus and target long term incentives for the leader. The same is true for other roles, solely based on salary.

NOW, LET'S REVIEW GBS LEADER REWARDS

We focused the majority of the analysis on GBS leader rewards, firstly because of the sample size, and second, to ascertain whether patterns in rewards structure were driven by leader rewards. This is what we learned:

Are leaders generally “happy campers” when it comes to their rewards?

Overwhelmingly, leaders believe that they are appropriately compensated. This is not surprising given the fact that the majority currently benchmark GBS compensation to what are considered similar roles in their enterprise (think controller to head of finance shared services), while less than 15% have rewards structures specifically designed for GBS, presumably benchmarked externally.

Does the GBS reporting line matter?

The data is clear: where the leader reports significantly impacts the pocketbook; the higher up, the more rewarding.

More mature the model, higher compensation, right? Respondents' data supports the supposition that maturity is directly correlated with higher rewards when looking at maturing², mature³, and very mature⁴ models. While the data should be considered no means conclusive, we hypothesize that rewards track to complexity, in terms of managing risk, vendor and budgets across very large global operations.

Does industry impact rewards? Perhaps it is down to maturity, perhaps it is down to scale and other factors, but there is an apparent correlation between

industry and reward. Although when the data was sliced and diced, the sample size by industry was small, survey results suggest that total rewards in the Pharmaceuticals and Life Sciences top the charts, followed by Retail Trade, Manufacturing-CPG and Media, Publishing and Advertising.

What about the impact of the GBS operation's size on rewards?

No question. Our data infer that there is a direct correlation between the operation's size and leader rewards across the board. Keep in mind that other factors are also in play, such as maturity, extent of globalization, and nature of the model.

And the implications of globalization on rewards? The majority of leaders sit at the helm of truly global organizations which, unsurprisingly, correlates to the highest total annual rewards amongst models. However, those leaders who run operations in more than one region but do not claim to be global lag truly global operations' computed total annual rewards by a small number.

Hybrid vs. captive – does model impact rewards at the leader level? The data suggest another resounding yes. Those at the helm of hybrid models are more richly rewarded.

Do “expert” or “change the business” leaders earn more? Contrary to industry opinion, changing jobs as an expert—hired in from another organization—is not necessarily the pathway to much higher reward compared to those who come up the internal ranks. The data suggest that, while experts do receive higher rewards on average, the difference is marginal and factors such as tenure, corporate compensation structure, scale, scope and others are also at play.

Does the leader's location impact rewards? While respondents skewed to North American locations (62%) and Western Europe/UK (30%), with the remainder in Asia Pacific, India, and Eastern Europe, we focused our comparison on the first two locations. Western Europe/UK-based professionals' average rewards slightly exceeds that of their North American counterparts when it comes to base salary and target bonus. However, the reverse is true of target LTI, resulting in a higher pay packet for North Americans.

Is there a gender pay differential? The data suggest a slight difference, primarily in base salary. With a sample comprised of 54% male and 46% female respondents, on average, the salary gap is less than 10% in favor of males. However, other compensation is on par.

² Maturing defined as some level of process of documentation, governance, breadth (more functions and scope; some depth of processes), and stakeholder engagement

³ Mature defined as highly evolved and effective: process documentation, governance, number of processes, strong stakeholder relationships

⁴ Very mature defined as fully integrated processes, governance, functional delivery encompassing back-, middle- and front-office functions, a seat at the executive table, and running like a business

THE REST OF THE GBS TEAM

Before we dive into the rest of the GBS team, it's helpful to share some of the broader context we were able to derive from survey responses.

While we can develop conclusions about what drives rewards for the GBS leader, when it comes to other roles, connecting the dots is not so easy. Let's explore what we learned.

Is location a key driver of other team members' rewards?

Although other factors are in play, the most significant driver of GBS team rewards, by far, is location—a key lever in the arsenal of GBS value drivers. Remember one of our key takeaways: internal compensation benchmarks drive rewards? This becomes crystal clear when it comes to the difference in reward by location, as evidenced when lower cost locations, such as Eastern Europe and India, are in play. To underscore the point, we found a few cases where a regional leader did not reside in the region, increasing rewards.

Are GBS organizations' structures truly global and virtual?

Even with a small sample, one observation popped out. Other than for regional roles and a few select others such as global process owners, many roles are located in what we typically consider onshore locations. What's been at play here? Is there some traditional onshore/offshore thinking going on (e.g., judgment onshore/delivery offshore)? Has the GBS leader historically wanted his or her key lieutenants in a proximate time zone? Is there an undercurrent in staffing that says proximity to stakeholders is critical? Is there a lack of understanding of the breadth and depth of global talent?

Is there any standardization in GBS roles? When dealing with questions about the survey, it became apparent that there is no one-size-fits all job description across GBS organizations. Here's an example: one organization's global process lead may be responsible for design and quality, while another may take on delivery responsibility. Some GBS organizations may club together enabling roles such as change and transition management, while others place a different strategic emphasis and separate the role. Since the survey was structured as multiple choice with roles defined using common industry descriptors, we were not able to interpret the responses as to work content.

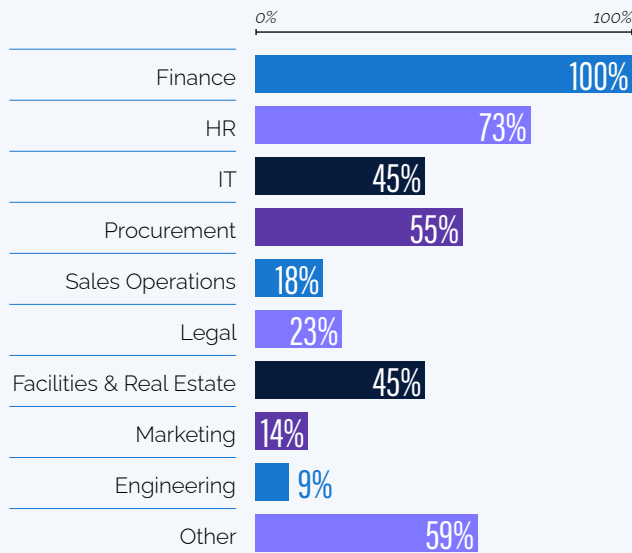
Is how far up in the organization the role reports to material to rewards? When developing the survey, we hypothesized that there was a correlation between reporting lines and rewards, as there is with GBS leaders. Analysis of all the roles indicated no cause-and-effect whatsoever.

Before we take a deeper dive into rewards for the rest of the team, one caveat. Since variable compensation is tightly aligned by region and role, we focused our analysis solely on average base salary. Further, because the sample size was not sufficient, we cannot solve for factors such as industry, maturity, and extent of globalization for these roles in this pulse.

STARTING WITH THE FUNCTIONAL LEADERS

Functional alignment—perhaps suggesting that a number of GBS models are structured as consolidators of shared services—was detected in the majority of respondents, with 32% referencing a different organizational construct without functional leaders (i.e., not applicable). Not surprisingly, most respondents have Finance functional leaders, followed by the usual suspects: HR, Procurement and IT. However, even this small sample underscores growing GBS scope.

Representation of Functions Among GBS with Functional Leaders



Representation of Functions Among GBS Organizations with Functional Leaders

How do leaders' rewards by function stack up? Well-established towers—Finance and Facilities—appear to pay slightly less than non-traditional tower roles. That said, the narrow range of average salaries—except for IT—suggests little differentiation by tower in average pay between respondents to the survey.

Does gender impact functional leader rewards? It appears that gender does not generally impact compensation when representation is balanced (approximating 50:50 male/female). However, when the tower data suggests a gender imbalance, there is something interesting to note: females' base compensation exceeds that of males.

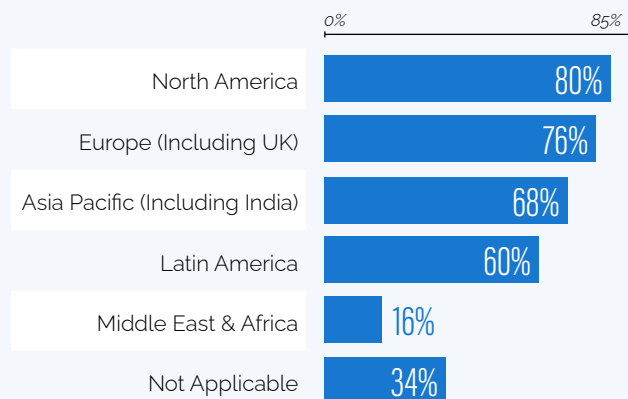
What about location? Does it impact rewards? Across the board, in functions that are typically found in a GBS, locations of their leaders were concentrated in North America and Western Europe/UK with the exception of the Finance and Procurement tower leaders, which reported leaders located in India and Eastern Europe. No functional leaders were reported in Asia Pacific. Again, because of the size of the sample, the data must be viewed as directional.

Reviewing the data, North America appears to be a better paymaster when it comes to Finance and HR tower leadership; conversely, Procurement and Facilities leaders' base compensation is slightly higher in Western Europe/UK. The data reinforce our hypothesis that GBS leaders are, perhaps, not leveraging talent in offshore locations to the extent possible.

REGIONAL LEADERS. HOW DO THEIR REWARDS STACK UP?

Across the GBS organizations in our sample, 64% of respondents identify regional leaders as a component of their organization structure.

Respondents Reporting Regional Leader Roles



Representation of Regional Roles Among GBS Organizations with Regional Leaders

Of those GBS organizations that do have regional leaders, North American leaders are most prevalent in their structures (80%), closely followed by Western Europe/UK-based leaders; only four had Middle East & Africa (MEA)-based regional leaders. This reflects the headquarters location of respondents, which favors North America and Western Europe/UK.

Tell me more about regional rewards differences. Drilling down, as the industry would expect in a delivery model that pursues near- and offshoring as a cost reduction driver, location clearly drives reward. It is worth noting that regional leaders do not necessarily reside in the region they lead, impacting rewards. Notably, North American-based leaders received greater rewards, regardless of which region they are leading.

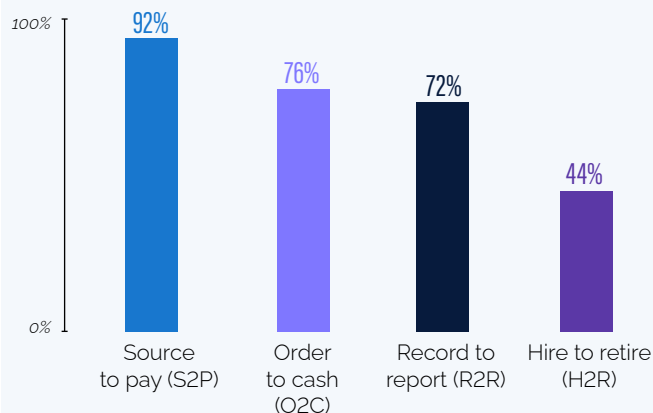
What about regional leaders' gender? Pay by gender is broadly at par. The exception is Europe, where rewards are higher for males.

GLOBAL PROCESS OWNERS: HOW DO THEIR REWARDS COMPARE?

It's critical to note that GPO scope and work content can be a driver of rewards. In some GBS organizations, a GPO advises and warns; in others, the GPO has full end-to-end delivery responsibility. However the survey was not able to solve for the differential.

Sixty-six percent of survey respondents state they have global process owners (GPOs) in their organization structure, for a total pool of 71. Of these, the breakdown by process is as follows:

Representation of Global Process Owners



Representation of Global Process Owners (GPOs) Among GBS Organizations

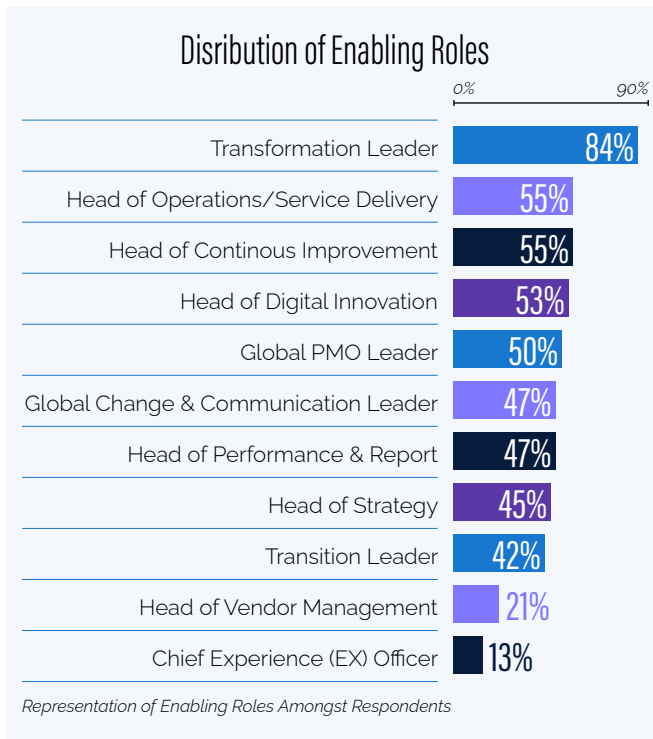
Are GPO base salaries comparable? While there is some difference in reward by process (H2R GPOs enjoy the highest level of base compensation followed by R2R and O2C), the gaps are generally not material.

How does GPO base salary compare process-to-process by location? The survey reported that the majority of GPOs are based in North America, with the remainder split between Western Europe/UK and Eastern Europe/India. Almost across the board, higher salaries are most often enjoyed by those based in North America.

WHAT ABOUT THE REST OF GBS ROLES?

When we dive down into the rest of the GBS roles, focused on the professionals who enable performance and change across the GBS portfolio, our respondents' organization charts become more varied. Keep in mind that some GBS organizations club roles together; since the data was strictly gathered from a self-reported survey vehicle, we are not able to parse roles. Further, some roles such as change management or vendor management may not be part of a GBS but rather aligned with Human Resources or Procurement.

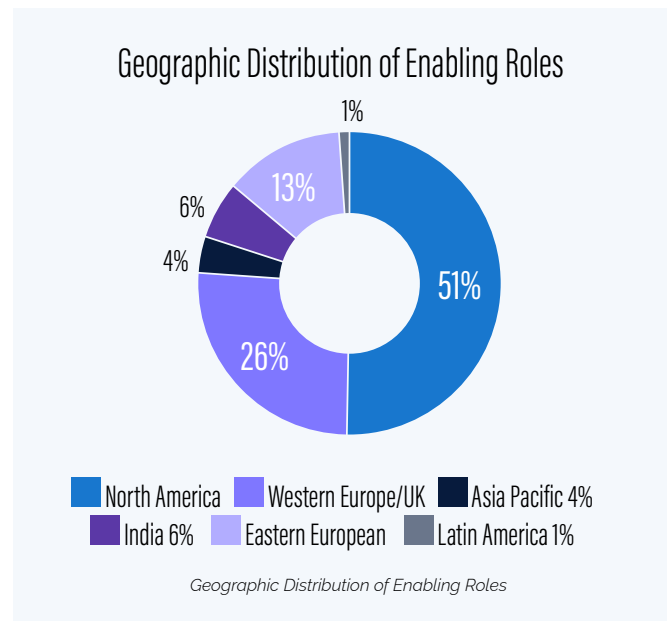
The breakdown of enabling roles among our respondents is as follows:



The distribution is not overly surprising; most GBS organizations are in perpetual transformation, either of a function or their delivery model. Likely, the number of respondents with a head of operations is directly correlated to the number of organizations that are structured by function. And as the majority of respondents profess to have a hybrid model, it might be expected that a higher percentage of organizations would have vendor management in their management line-up.

What is the salary range for these roles? As can be expected, base salaries vary greatly, although those in more transformative roles such as head of strategy, transformation leader, operations and digital roles have a higher base salary, not adjusted for location.

What about the impact of location? Again, location appears to play an outsize role in base salary for enabling roles. We went in with the hypothesis that enabling roles are frequently located within the GBS headquarters country because of proximity to stakeholders and GBS leadership. And, while the sample size is small, the data suggests that there may indeed be such a correlation.



Is there gender salary parity in enabling roles? Rewards comparing enabling roles' base salary by gender exhibit some differences. Males across the board enjoy a differential of as much as 10% higher, on average. However, looking at roles individually, there can be a much bigger gender salary gap, either male to female or female to male.

SO WHAT?

We've cut through a tangle of data; we realize that it's a lot to take in. Many of the insights we derived confirm what the industry already suspected when it comes to both GBS organizations and particularly their leader rewards—bigger and more mature is better for the pocketbook; top of the house reporting lines mean higher rewards; gender pay parity is near to par; and some industries are better paymasters than others.

GBS leaders are increasingly coming to the conclusion that talent—not process, not shiny new software, not finding the next best low-cost location—is what creates value for the enterprise. Besides being a benchmark for you and your team's rewards, and an interesting way to spend an hour or so, what's the "so what" out of this pulse? Here are three things we think you should focus on:

- **Do rewards reflect the value that GBS management create?** When dealing with your HR compensation and benefits team, be prepared to educate them about the work your team performs, and the increasing complexity of the capabilities required in your roles.
- **Will benchmarking GBS rewards against internal proxies create durable GBS talent?** Pay close attention to your leavers—what they are looking for in career paths? what is the market willing to pay?—in order to make the case that GBS is now an identifiable career path, and its professionals are in demand and potentially more willing to change companies in order to advance.
- **Is GBS missing a big bet when it comes to tapping global markets for talent?** While throughout COVID-19 we talked about virtualized GBS, the data does not play out. Think about the rich lodes of talent in Eastern Europe, APAC and India, and assess whether your GBS organization is selling itself short by focusing on onshore locales for "make it happen" talent.

The beauty of GBS is that it's a relatively new organizational concept, not a hard-wired function. Therein lies the opportunity. As a model, the case can be made for more agility when it comes to attracting the talent that fuels its performance.

We hope you have found this pulse useful and that you participate in future studies. Together, we can help crack global business services organizations' biggest challenge: talent

"LOCATION IS THE PRIMARY DETERMINANT OF REWARDS"



Our name says it all: we help leading global business and shared services organizations link strategy, model, organization, and talent to deliver transformation. Experienced GBS practitioners, we work with leaders who aspire move beyond delivery and cost, rethinking how they enable change. As industry insiders, we connect organizations with the talent that can deliver. Visit us at www.sourcingchange.com



The Shared Services & Outsourcing Network (SSON) is the largest and most established community of shared services and outsourcing professionals in the world, with over 170,000 members. Established in 1999, SSON recognized the revolution in support services as it was happening and realized that a forum was needed through which practitioners could connect with each other on a regional and global basis.

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