



# From operator to orchestrator – the new role for GBS

NOVEMBER 2021

Don Ryan, Chief Strategy Officer  
Phil Fersht, CEO and Chief Analyst

## The Bottom Line: GBS is still relevant, but its role is changing to meet the demands of enterprises

GBS organizations are still relevant in today's environment, but their role has grown increasingly sophisticated as managers of diverse service delivery models, including centralized captive services, outsourced delivery, and function-focused activities. The benefits of GBS organizations have concomitantly expanded from those associated with narrow transaction processing cost-cutting to those linked to business outcomes and value-added results. GBS organizations will increasingly scale elastically, depending on service delivery focus and value generation.

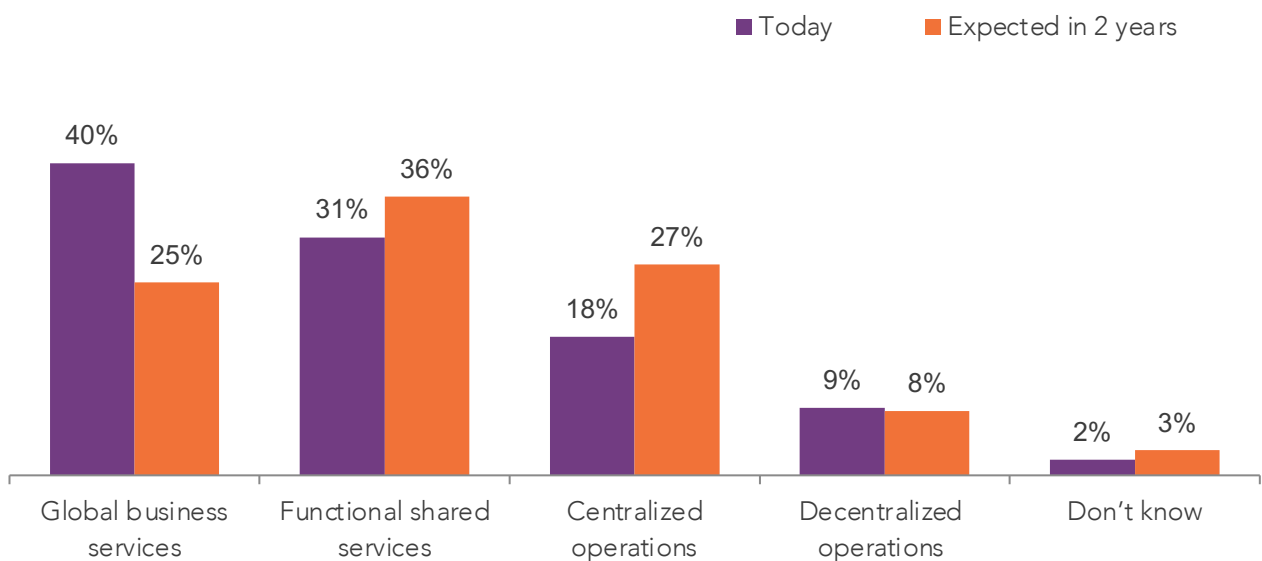
Before the pandemic blew the world of operations apart, global business services (GBS) had emerged as the most popular internal management structure for managing an enterprise's middle-to-back-office processes, usually coupled with managing service provider relationships, where some types of work were outsourced where it made

sense. However, new data from the HFS OneOffice™ Pulse Study, H1 of 800 Global 2000 enterprises in Exhibit 1 reveals that the relevance of old-school GBS has changed, and newer models are making their way to occupy share. GBS is not going away anytime soon, but we're refreshing how we look at it.

### Exhibit 1: Complicated traditional operating models like GBS are fading as the OneOffice™ mindset takes center stage

What business services operating model do you use today, and what do you anticipate your business services operating model will be in 2 years?

Percentage of respondents



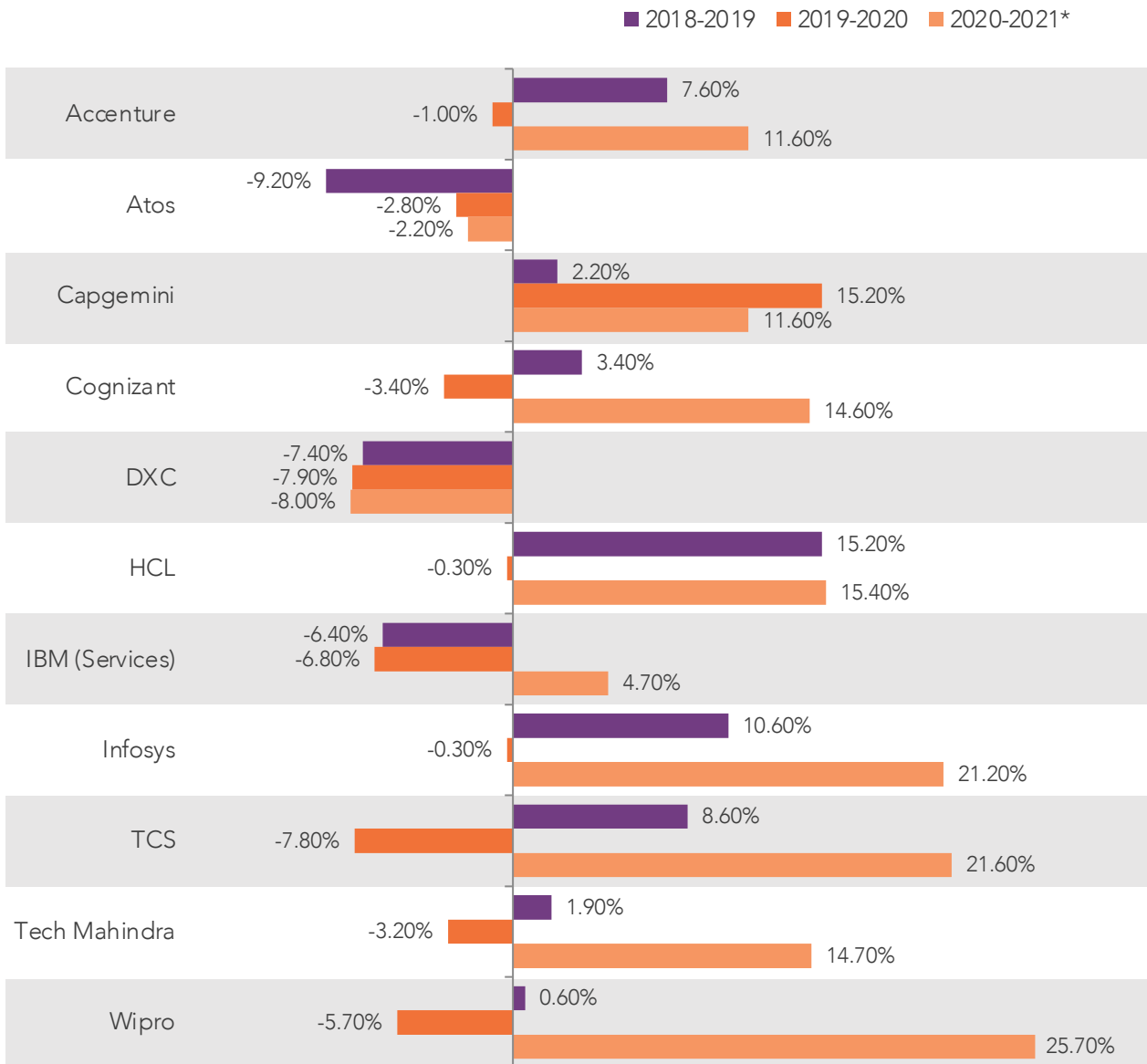
Sample: 800 respondents from Global 2000 enterprises  
 Source: HFS Research Pulse Study, H1 2021

There is a notable uptick in focus on outsourcing as we venture into this new virtual economy. In fact, we haven't seen a boom like this in demand for tech and business process services since the dot-com days. What's more,

we believe the services market for the virtual economy is only just ramping up; we only have to examine the growth of the leading service providers in Exhibit 2 to see this shift.

## Exhibit 2: Leading service providers are experiencing a surge in demand in the emerging virtual economy

### Year-on-Year revenue growth in percentage



\*Each year based on Q2-Q2 earnings  
Source: HFS Research Pulse, 2021, Public Sources

## What is driving this new phase of growth in outsourcing services?

- Firms have a frantic race to the cloud to function in this virtual economy;
- Firms have been facing a worrying shortage of available “digitally fluent” talent to support both complex and mainstream IT transitions;
- Firms have been showing high confidence in the outsourcing model as enterprises choose flexibility in unpredictable markets;
- Aggression from many service providers to win more of the Global 2000 IT pie; we’re in a “land grab market”;
- Many firms are using this virtual economy to shift from legacy shared services to outsourcing models;
- Firms have been taking control of personal data points.

## So, where does this leave the future of GBS?

In July 2021, HFS conducted a digital roundtable with Capgemini to explore the future of GBS and the role of outsourcing. More than 30 industry leaders from major enterprises and law and consulting firms participated. The session title

was GBS vs. Outsourcing—It Aren't that Simple, and yes, the discussion and takeaways confirmed that there are few clear-cut trade-offs in choosing a delivery or operating model. The pandemic was partially responsible for this management sea change; equally central was the steady drive to automate processes, implement artificial intelligence (AI), wage a talent acquisition war, and, most importantly, frame results to create expansive business outcomes.

Many participating organizations have between one and two thousand staff members in their GBS organizations and manage multiple outsourcer relationships. Indeed, one of the companies had 60 third-party service providers and outsourcing partners.

Most companies are on a journey similar to that of a giant pharmaceutical company. First, they cut costs, and then, they focus on enhancing customer experience. Finally, they work on digital enablement and service delivery, including building a digital marketing organization within GBS.

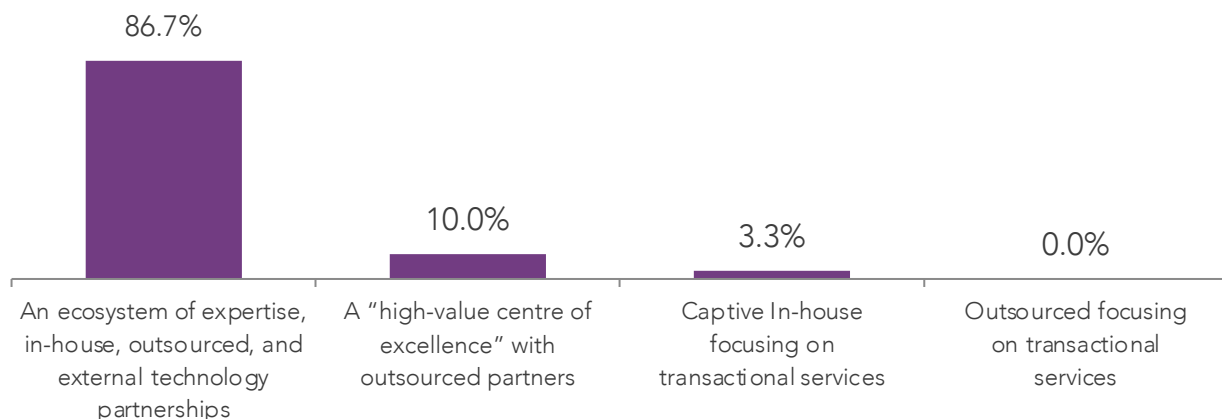
We asked our roundtable about the evolution of the GBS operating model, and the focus fell on building ecosystems. The migration to developing digital services and enabling the overall digitization of the organization hinges on successfully deploying this ecosystem mindset, and exhibit 3 shows the same.

### Exhibit 3: Ecosystem management is now a priority of GBS organizations

How do you see the GBS operating model evolving over the next 3 years?

(pick the one that most applies)

Percentage of respondents



Sample: Survey of 30 GBS leaders, July 2021

Source: HFS Research, 2021

GBS as the catalyst to drive lower-cost transaction processing is becoming less critical as automation invades most business operations. The notion of GBS being a capability delivery center, though ill-defined at the moment within most organizations, is the next service delivery underpinning. A capability-based GBS organization can deliver services around data analysis, digital transformation, etc. Most companies at our roundtable provide some of these activities, but GBS organizations have not in general formalized a new branding message and charter to convey this shift in emphasis.

## The evolving role of ecosystem orchestration

Indeed, when we asked the roundtable to identify the most dominant characteristic of GBS organizations for the next five years, they agreed that its most critical role is as an orchestrator with several specific responsibilities:

- Link internal and external resources with an end-to-end view to see the big service delivery picture.
- Manage this ecosystem of partners, especially in a cloud services delivery model.
- Invigorate IT and business alignment to mitigate one of the biggest challenges to ecosystem success: framing the language and benefits of technology so business owners can understand and act upon them.
- Define a service model that provides end-to-end ownership of data, processes, and technology within the context of an ecosystem, including both outsourced and captive delivery resources.
- Ensure improvements to revenue, working capital, and margins.

## Challenges and culture are linked

Roundtable participants also identified a few significant challenges revolving around management and culture vs. service delivery, specifically.

- No one has cracked an operating model to manage data. GBS may be an arbiter of data,

but data delivery and analysis must be a partnership between GBS and the CTO or CIO.

- The softer skills of managing these GBS organizations are still in the early stages of development, especially in work-from-home environments. Leaders worry less about how to automate processes and more about building culture and brand. This brand and organizational cultural focus seem to be what kept successful organizations moving forward in the last two years.
- Uniform digital skilling will be an ongoing effort—upgrading staff or teaming with the business, for example—to drive productivity and value.

“

The service orchestration layer is critical. You can honestly have 60 vendors, 600, or 6. But until you have that solid service orchestration layer that ensures the vendors operate like an orchestra instead of prima donnas, you will fail—I think service orchestration is the secret sauce right there.

Jay Desai, Head of GBS & Procurement Transformation, JTI

“

‘Orchestration’ is the magic word here—with the end-to-end approach towards GBS service delivery plans being fully aligned to company strategic objectives. No doubt, having BPO as a partner with its know-how is a great benefit to GBS organizations in ‘orchestrating’ our delivery ecosystem today and, even more importantly, tomorrow.

Maciej Piwowarczyk, VP & Head of Global Business Services, Discovery

## Takeaways

The impact on outsourcers will be dramatic in this new environment, requiring more service delivery flexibility, the ability to work with multiple stakeholder groups, and the capability to substitute services at a moment's notice depending on specific business conditions. The opportunities are also substantial as GBS organizations take on new responsibilities to deliver increasingly sophisticated services, leveraging partner ecosystems to be successful.

# HFS Research authors



## Don Ryan

Chief Strategy Officer

Don Ryan is Chief Strategy Officer at HFS Research. He joined the firm in August 2020 as Senior Vice President of Research and Consulting. Before HFS, Don was as Director for global research and thought leadership for business and outsourcing services, digital technology, and AI deployment at KPMG LLC. Recently, Don collaborated with HFS on the highly publicized white paper, "Enterprise Reboot: Scaling digital technologies in the new reality", a major study to delineate the impact of COVID-19 on technology implementation.



## Phil Fersht

CEO & Chief Analyst

Phil Fersht is widely recognized as the world's leading independent analyst focused on the alignment of business operations and technology spanning over two decades. He has a global reputation for calling out the big trends, being unafraid to share his honest views, and driving a narrative on the technology and business services industries that shape many leadership decisions. His reputation drove him to establish HFS Research in 2010. Fersht coined the term "OneOffice" in 2016 to describe HFS Research's vision for future business operations amidst the impact of cloud, automation, AI, and disruptive digital business models.





## About HFS

### Insight. Inspiration. Impact.

HFS is a unique analyst organization that combines deep visionary expertise with rapid demand side analysis of the Global 2000. Its outlook for the future is admired across the global technology and business operations industries. Its analysts are respected for their no-nonsense insights based on demand side data and engagements with industry practitioners.

HFS Research introduced the world to terms such as "RPA" (Robotic Process Automation) in 2012 and more recently, the HFS OneOffice™. The HFS mission is to provide visionary insight into the major innovations impacting business operations such as Automation, Artificial Intelligence, Blockchain, Internet of Things, Digital Business Models and Smart Analytics.

Read more about HFS and our initiatives on:

[www.hfsresearch.com](http://www.hfsresearch.com) or follow

[@HFSResearch](https://twitter.com/HFSResearch)