

A black and white photograph of a beekeeper wearing a full protective suit and a helmet with a mesh face. The beekeeper is leaning forward, holding a wooden frame that is densely packed with bees. The background shows a blurred outdoor setting with trees and a beehive. A bright yellow diagonal shape cuts across the lower right portion of the image.

# Delivering tomorrow's companies today

How global business services can  
transform your business

## The CIO perspective

The EY logo, consisting of the letters 'EY' in a bold, sans-serif font.

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## The CIO perspective – at a glance

Your time is precious. In order to get you the insights you need, as quickly as possible, we have designed *The CIO perspective*. It is a series of short executive briefing papers that provide a quick overview of the main findings of recent EY reports, specifically tailored to be relevant to you.

### What is *Delivering tomorrow's companies today* about?

High-performing businesses need the right framework in order to thrive. No company can hope to provide consistently top-quality products and services, or stay ahead of its competitors, unless it has structures in place to ensure that customer-facing divisions can focus exclusively on their target.

In-house shared service centers and third-party outsourcing were developed to provide these structures. Routine, transactional work has long been transferred to specialists dedicated to processing it more efficiently, at lower cost. Now, high-performing companies are taking these concepts to the next stage, with the development of a single, unified global business services organization that is capable of managing end-to-end processes across different business functions.

These organizations aim to add value as well as make additional cost savings. They seek to deliver scale and scalability, process efficiencies, standardization, innovation, career development opportunities for employees, better integration of M&A, and to leave the retained business free to use its time more productively. They may operate entirely as a captive in-house organization, outsource work to third parties or work in any particular hybrid structure. The over-arching ambition is to enable the rest of the business to concentrate all its energies on producing sustainable growth.

Our report was published in 2013 and is based on a series of nearly 30 interviews with specialists in shared services and outsourcing, including senior executives running shared services operations for global multinationals.

### Why *Delivering tomorrow's companies today* matters to CIOs

For CIOs, the shift to global business services represents both challenges and opportunities. IT is one of the functions most likely to move into the global business services model. But IT will also be a key enabler of the model, with new technologies, including cloud computing, key to ensuring that global business services units can deliver what they promise. CIOs must learn to adapt to IT's new place within the organization, while simultaneously seizing the opportunity to put IT at the center of the drive toward this new operating model.

# How to ensure global business services deliver transformation

## Six key principles for CIOs:

### 1. IT should become a leader in the move to global business services

Just as IT was at the vanguard of the original move to shared services and outsourcing, so it is leading the way in multifunctional global business services. Having long been a service provider to the rest of the organization, IT is comfortable with the concept of the customer-facing business as a client. And IT specialists are already embedded within other functions, working closely with finance, HR and others on end-to-end processes that transcend individual disciplines.

Moreover, CIOs have an opportunity to lead by example. As other global business services divisions move beyond transactional work and up the value chain, so must IT. The move into business analytics and enterprise intelligence that leading CIOs are already making is an excellent example of the sort of higher-value work that a CIO-driven global business services unit may be able to offer.

### 2. IT is the key enabler of the multifunctional approach

Technology will be the glue that holds global business services organizations together. One role of the CIO will be to tap new technologies constantly in order to enable the organization to deliver on its promise and to foster end-to-end processes further.

Cloud computing solutions, in particular, will become an increasingly important foundation for global business services units, enabling a more innovative and integrated approach. Where IT was once a linear value chain of systems and processes, relationships are becoming increasingly complex. IT not only provides services to users, but also links systems together across previously unconnected business functions, delivering the end-to-end processing that global business services is working toward.

### 3. CIOs are a crucial link in the governance chain

With IT so crucial to the success of the global business services model – and such a large part of many such organizations – the CIO's profile within the business as a whole is likely to rise. While global business services may well be headed up by a governance board, the CIO will be an ever-more important member of the management team.

Specialist knowledge leaves the CIO uniquely well placed to drive continuous investment in technology, advising the governance board on where to concentrate resources. In addition, the CIO will have to manage a collection of technology providers – possibly in-house and third party – to deliver both business services and enabling IT.

Performance measurement will also be a key part of the governance chain. As the work moves up the value chain and becomes more bespoke, CIOs will need to develop new key performance indicators for technology providers. They will, based on their long-lasting experience, also help to facilitate performance measurement across the rest of the global business services organization.

#### **4. The age of outsourcing is not over**

The rise of the global business services organization does not mean that there will be no more outsourcing of IT contracts. CIOs are likely to continue to contract specialist providers of particular services. They will also continue to buy in hardware, software and other IT resources as and when they are needed. The CIO's role will be to coordinate and manage these relationships in the new context of global business services.

For CIOs, control is the key word. They must ensure that IT can sustain the architectures necessary to sustain global business services – and that providers of IT services, whether internal or external, are performing to the levels required by the business.

#### **5. Technologies must be available any time, any place and any where**

While the appeal of a single global business services organization includes the offer of centralization and standardization, it may not be possible to collocate all employees. A global business will require service across different time zones and languages.

A “hub and spoke” approach is increasingly common, with businesses designating a handful of larger centers as hubs for their multifunction units, with all work flowing through one of them. Smaller centers, the spokes in this structure, may then be used to do some of this work, particularly where language competency or ensuring constant time zone coverage is an issue.

CIOs will play a key part in the construction of such structures, advising on potential locations from the perspective on the local-technology strength on offer. While India is likely to remain a popular location, other countries and regions, notably China and Eastern Europe, are increasingly competitive too. The rise of emerging markets such as Russia and Brazil will see technology providers in these areas up their game too.

## 6. Innovation is just another service

Multifunctional shared service operations must accept that innovation is one of their most important tasks, and the CIO will have to be a driving force in recognizing this. Many of the longer-term gains achievable from this model will come from innovation realized only once processes and functions have moved into the shared services unit. Without this innovation, it will not be possible to build on the quick (but one-off) wins achieved in the short term.

The key for CIOs is to recognize that innovation has to be managed as a process in its own right. In other words, active engagement is required to boost innovation; a passive assumption that innovation will simply happen is likely to prove misplaced. For example, some businesses are now building expectations of innovation-led improvements into service level agreements with their global business services teams. Others have created large internal optimization and innovation teams within their organizations.



## Ten success factors for shared services and outsourcing

- 1 They colonize the company
- 2 They achieve more than the sum of their parts
- 3 They aim for the high ground
- 4 They are flexibly located
- 5 They offer services any time, any place, anywhere
- 6 Their leaders take charge
- 7 They measure performance
- 8 They empower their people
- 9 They innovate
- 10 They can work in emerging markets

### The CIO's global business services checklist

- ▶ Is your company already operating global shared services centers and outsourcing arrangements, or has your company begun to look at the business case for it?
- ▶ Are you involved in the strategic planning of multifunctional shared services?
- ▶ To what extent have you assessed opportunities for new technologies to drive improvements in shared services and global business services, and is there a process in place for regular assessment?
- ▶ Does the business currently operate with a captive or outsourced model for IT, or a hybrid, and how might that change in a move toward a multifunctional approach?
- ▶ Are the reporting lines for you, both above and below, sufficiently clear? How will they need to change under a restructured business model?
- ▶ Is IT at the forefront of moving toward better use of business analytics and enterprise intelligence?
- ▶ How do you assess and monitor the performance of the IT function?
- ▶ Does your business have formal processes in place for driving innovation?

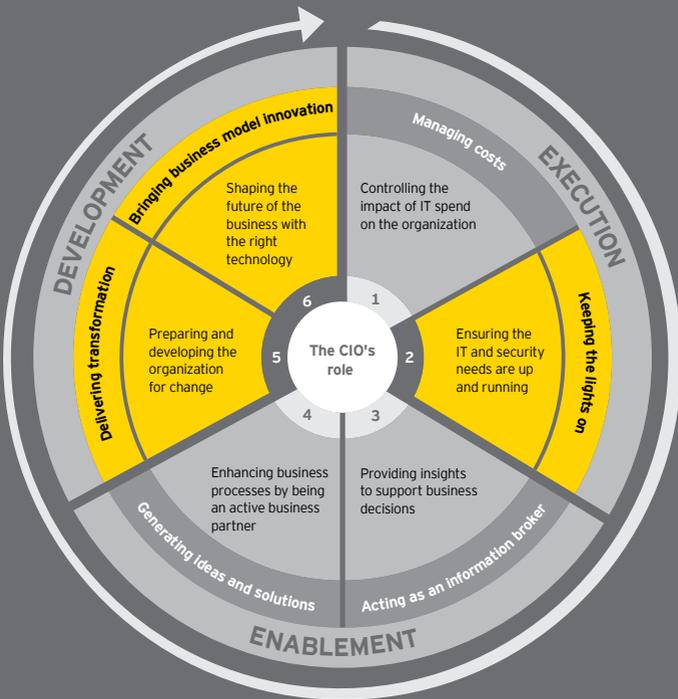
### Further reading:

- ▶ *Business Pulse*, Ernst & Young, 2013.
- ▶ *Growing beyond*, Ernst & Young, 2012.
- ▶ *Ready for takeoff – preparing for your journey into the cloud*, Ernst & Young, 2012.

For a copy of the full report, please visit [www.ey.com/gbs](http://www.ey.com/gbs)

# How is it aligned to the CIO agenda?

*Delivering tomorrow's companies today* has a strong relevance for a CIO's role. The yellow wedges highlight those areas that are influenced the strongest.



For more on these insights, please go to [www.ey.com/cio](http://www.ey.com/cio), email [cio@ey.com](mailto:cio@ey.com) or contact your local EY representative.

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