GBS State of the Market Report: Evolving Operating and Governance Models to Build GBS of the Future

Catalyst™
State of the Market Report – March 2020: Complimentary Abstract / Table of Contents

EGR-2020-34-CA-3643

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- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

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Background and scope of the research

Background

- The Global Business Services[1] (GBS) / Global In-house Center (GIC) / Shared Service Center (SSC) market continued to grow in 2019 and is valued at approx.US$211 billion. Presently, while global enterprises leverage different sourcing models to suit their objectives and requirements, the GBS model continues to be an integral component of the enterprise sourcing strategy, accounting for ~27% of the global services market
- Building on their success over the last two to three decades, GBS organizations have diversified extensively and witnessed growth in new geographies (for example, Latin America), verticals (such as healthcare and life sciences), and functions (such as legal BPS and marketing BPS)
- GBS organizations have also delivered cost arbitrage and stable performance for global enterprises and are increasingly focusing on delivering value beyond arbitrage and driving strategic initiatives for enterprises (such as digital transformation, enterprise-wide innovation, and improved end-customer experience)
- GBS organizations are also undergoing several changes in their operating and governance models, with focus on building GBS of the future
- This report provides an extensive assessment of the GBS landscape and adoption trends, along with a deep dive into evolving operating and governance models for GBS

Scope

This report is divided into three sections

Section 1

GBS landscape (stock view as well as GBS trends for 2019 compared to the last two years (2017 and 2018), growth, parent organization portfolio, scale, functions supported, and key delivery locations

Section 2

Deep dive into the GBS market across locations (Asia, CEE, RONE, Latin America, and MEA)[2], verticals (e.g., BFSI, retail & CPG, HLS, manufacturing, telecom, technology & communication, and E&U)[3], and functions (BPS, ITS, and ER&D)

Section 3

This section analyzes various factors that are driving GBS organizations to evolve their operating and governance model, with focus on building GBS of the future. This section also studies the five key changes we are observing in the operating and governance models of GBS organizations

Methodology

This report is based on Everest Group's proprietary GBS database of more than 3,000 GBS centers, updated quarterly with new setups, changes in existing GBS centers, divestitures, etc., based on our ongoing tracking and interactions with leaders of GBS organizations

1 Everest Group uses GBS centers as the preferred term for in-house setups, which are otherwise also referred to as Global In-house Centers (GICs), shared services, global capability centers, or captives
2 CEE – Central & Eastern Europe, RONE – Rest of Northern Europe, MEA – Middle Ease and Africa
3 CPG – Consumer Packaged Goods, HLS – Healthcare and Life Sciences, E&U – Energy & Utilities

This research leverages Everest Group's proprietary GBS database that tracks GBS centers of leading global companies

Attributes of Everest Group's proprietary GBS database

Unique characteristics

The industry's most comprehensive database of GBS centers across India, Rest of Asia, CEE, RONE, Latin America, and MEA

Tracks leading GBS centers of leading firms (including Forbes 2000 and Fortune 500 companies)

Covers more than 3,000 GBS centers

Focuses on GBS centers providing offshore delivery of global services – excludes Shared Services Centers (SSCs) serving the domestic market

Key dimensions tracked

Scale (by FTE)

Verticals

Functions offered (e.g., IT, BPS, and R&D/engineering)

Parent geographies

Parent size (by revenue)

Location of delivery centers

Overview and abbreviated summary of key messages

This report provides a deep dive into the GBS landscape and a year-on-year analysis of the GBS trends in 2019, comparing them with trends in the last two years. The research also brings out key insights into the GBS market across locations, verticals, and functions and concludes with a deep dive into evolving operating and governance models for GBS

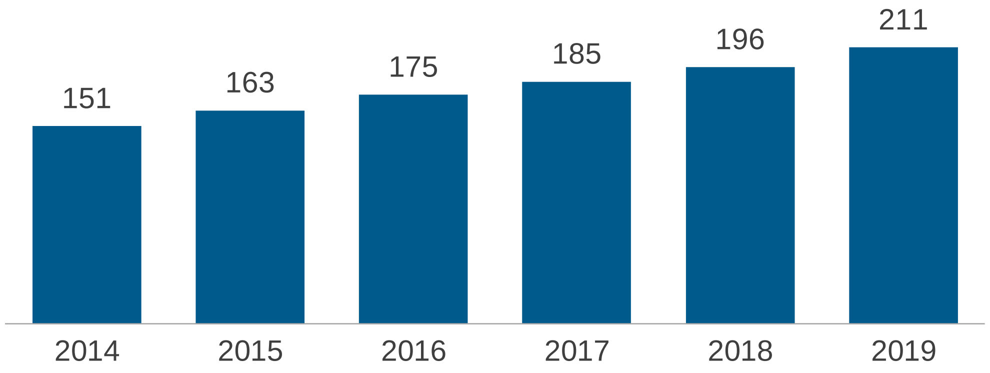
Some of the findings in this report, among others, are:

Overview of the GBS landscape	• The GBS model accounted for ~27% of the global offshore services market (estimated at ~US$211 billion in 2019) • The GBS market has now grown to reach more than 3,300 centers and more than 1.5 million FTEs across leading offshore and nearshore locations. The activity is expected to continue, as GBS organizations are becoming strategic partners to enterprises, bringing value beyond arbitrage and playing a central role in digital transformation and innovation initiatives
GBS landscape – 2019	• The GBS market continued to grow in 2019 (with ~20% YoY increase in the number of setups compared to 2019), driven by new setups from the manufacturing and technology & communication verticals • US-based firms dominate setups in India and rest of APAC owing to English-language skills, while European firms prefer the CEE region (~39% GBS centers in CEE belong to European firms) due to geographical and time-zone proximity • Enterprises are extensively leveraging the GBS model to accelerate enterprise-wide digital transformation initiatives, with ~54% new GBS centers focusing on digital services
Trends in the GBS market	• The top 5 countries (i.e., India, Ireland, Poland, Philippines, and China) continue to be the leading locations for GBS center setups, accounting for ~50% of new GBS center setups in 2019 • In terms of nature of location, GBS center setups in tier-2/3 locations increased in 2018-2019, driven by new setups in tier-2/3 locations across MEA and APAC (excluding India) • In 2019, most new GBS center setups were focused on digital services (increasing the share of GBS centers with digital capabilities by 38% YOY)
Evolving operating and governance models for GBS	• There are three key needs driving GBS organizations to revisit their operating and governance models: need to build greater alignment with business teams, need to build agile GBS organization, need to improve performance reporting mechanisms for the GBS organization. These needs are leading to five key changes in the operating and governance model for GBS organizations: changing reporting model, evolving leadership roles, merging IT and Ops, building global ownership, deploying success metrics beyond costs

This study offers four distinct chapters providing a deep dive into key aspects of GBS market; below are four charts to illustrate the depth of the report

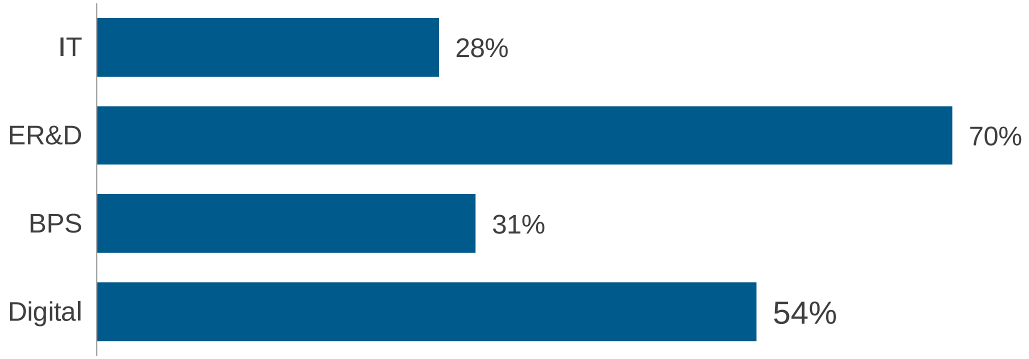
Offshore/nearshore global services market

2014-19; US$ billion

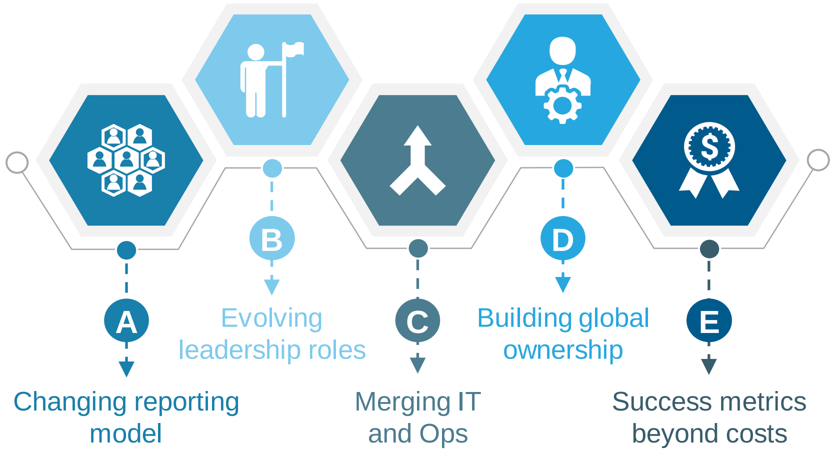


Distribution of new GBS center setups by function; 2019

100% = 243

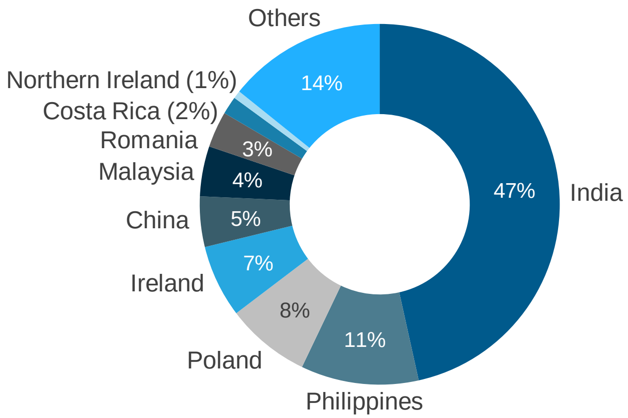


Five changes in operating and governance models for GBS



GBS market size (FTEs) by delivery location; 2019

100% = 1.50-1.55 million



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Research calendar – Catalyst™

Published | Planned | Current release

Flagship Catalyst reports	Release date
Global In-house Center (GIC) Landscape Annual Report 2018 – GICs Emerging as Innovation CoEs for Global Enterprises	May 2018
Global In-house Center (GIC) Landscape Annual Report 2019 – Enterprises Insourcing IT Services to their GICs	July 2019
GBS State of the Market Report: Evolving Operating and Governance Models to Build GBS of the Future	**March 2020**

Thematic Catalyst reports	
How to Drive Revenue Impact Through Global In-House Centers (GICs)	June 2019
Building the Insurance BPS Workforce of the Future	October 2019
Case Studies on Scaled RPA Adoption in GICs	October 2019
Innovative Talent Practices to Build the GBS of the Future	November 2019
Improving the Productivity of the GIC Workforce	December 2019
Global Services Market Pressing Issues in 2020: GBS Perspectives	February 2020
Navigating the Coronavirus Outbreak for Shared Services Organizations	March 2020
Innovation in GBS organizations | Pinnacle Model® Analysis 2020	March 2020
Evolving role of onshore GBS centers and its impact on role of offshore GBS centers	Q2 2020
GBS report on the retail and CPG industries	Q2 2020
State of adoption for intelligent automation (RPA++) in GBS organizations	Q3 2020
Value creation/impact delivered by GBS organizations | Pinnacle Model® Analysis 2020	Q3 2020
Building the BFSI IT workforce of the future	Q4 2020

Note: For a list of all of our published Catalyst™ reports, please refer to our website page

Additional Catalyst™ research references

The following documents are recommended for additional insights into the topic covered in this report. The recommended documents either provide additional details or complementary content that may be of interest:

1. **Webinar Deck: How Enterprises Are Leveraging Data & Analytics to Deliver 2X More Value from Their Shared Services Centers** (Webinar Deck); 2019. As technology adoption increases exponentially, organizations are challenged by the proliferation of data that the technology generates. Increasingly, Shared Service Centers / Global In-house Centers (SSCss) are leading their organizations' efforts to tame data and derive key insights from it. Based on our recent Pinnacle Model® research on data & analytics maturity in SSCss, this webinar shows executives how they can build capabilities in their SSCss to turn this challenge into a strategic asset, generating value and enhancing service delivery.
2. **Innovative Talent Practices to Build the GBS of the Future** (EGR-2019-34-R-3417); 2019: While most organizations are starting to accept this reality, some have already made huge strides in this regard. In fact, many of these futuristic organizations are deploying innovative employee-centric techniques to build their future workforce. This innovation is not only limited to implementing new ideas, but also seen in finding new ways to execute traditional practices/policies. This report synthesizes the learnings and best practices from over 100 Global Business Service (GBS) firms / Global In-house Centers (GICs) and shared services of global organizations
3. **Global In-house Center (GIC) Annual Report 2019: Enterprises Insourcing IT Services to Their GICs** (EGR-2019-34-R-3238); 2019. This report provides an in-depth analysis of the GIC landscape and trends. It covers market size, growth, and distribution of GICs by buyer portfolio, scale, functions supported, and offshore delivery locations. The research also provides an overview of the trends witnessed in the overall GIC landscape in 2019 and compares them with GIC activity in the previous two years, to bring forth key areas of difference
4. **Navigating the Coronavirus Outbreak for Shared Services Organizations** (EGR-2020-0-V-3614): The viewpoint offers a recap of the standard responses that most organizations have taken, some best-in-class industry practices, and a view on how the new normal, post-COVID, would look like. These perspectives are drawn from both previous experience with organizations reacting to pandemics (such as SARS, MERS, and Zikka) and specific responses in the current COVID-19 situation. It is critical to acknowledge that the impact from COVID-19 is different from other forms of crisis such as natural disasters or civil unrest, as it can potentially disrupt multiple locations across geographies at the same time, as well as the uncertainty attached to the duration of impact

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About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empower clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com.

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