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RESEARCH

State of the Market Report | Catalyst™

GBS State of the Market Report: Top 2021 Priorities for GBS

March 2021: Complimentary Abstract / Table of Contents

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- This report is included in the following research program(s)
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Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

Contents

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Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

01

Robust definitions and frameworks

Distinctive data sets (covering 5,000+ GBS centers) and frameworks to assess GBS maturity and health

02

Primary sources of information

Annual contractual and operational RFIs, briefings, and interviews with GBS organizations and web-based surveys

03

Diverse set of market touchpoints

Ongoing interactions across key stakeholders, inputs from a mix of perspectives and interests, which support both data analysis and thought leadership

04

Fact-based research

Data-driven analysis with expert perspectives, trend-analysis across market adoption, contracting, and service providers

Year-round tracking through proprietary tools and IP (such as the GBS database and location database) covering 6,000+ GBS centers globally

Over 25 years of experience advising clients on strategic IT, business services, engineering services, and sourcing

Executive-level relationships with buyers, GBS, service providers, technology providers, and industry associations

Background and scope of the research

Background

- The global services market continued to grow in 2020 and is valued at approx.US$214 billion. Presently, while global enterprises leverage different sourcing models to suit their objectives and requirements, the Global Business Services[1] (GBS) / Global In-house Center (GIC) / Shared Service Center (SSC) model continues to be an integral component of the sourcing model, accounting for ~27% of the global services market
- Building on their success over the last few decades, GBS center set-ups have diversified extensively and experienced growth in various geographies (for example, Central & Eastern Europe (CEE), Rest of Nearshore Europe (RONE), and other parts of Asia), verticals (such as manufacturing and healthcare), and functions (such as ER&D, digital, and legal BPS)
- GBS centers are constantly evolving to focus on value-addition beyond cost arbitrage to drive strategic initiatives for enterprises such as digital transformation and improved end-customer experience
- This report provides an extensive assessment of the GBS landscape and adoption trends, along with a deep dive into the future of GBS organizations

Methodology

This report is based on Everest Group's proprietary GBS database of more than 3,500 offshore/nearshore GBS centers, updated quarterly with new set-ups, changes in existing GBS centers, divestitures, etc., based on our ongoing tracking and interactions with leaders of GBS organizations

Scope of this report:

Trends
GBS landscape (stock view as well as GBS centers trends for 2020 compared with the last two years (2018 and 2019), growth, parent organization portfolio, scale, functions supported, and key delivery locations

GBS market
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 and communication, and E&U)[3],
and functions (BPS, ITS, and ER&D)

Emerging trends
This section analyzes various factors (convictions and provocations) that are driving the future of GBS organizations, with a focus on top expectations that enterprises have from the GBS model, going into 2021, and the role that GBS organizations can play to strengthen their influence with the enterprise

1 Everest Group uses GBS as the preferred term for in-house set-ups, 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 and Utilities

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 2020, 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 top expectations from the GBS model, going into 2021

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

Overview of the GBS landscape

- Both outsourcing and GBS models continued to grow, albeit at a slower pace as compared with 2020; however, activity picked up again in H2 2020 as organizations regained momentum
- The GBS model accounted for ~27% of the global offshore services market (estimated at ~US$214 billion in 2020)
- The GBS market has now grown to reach more than 3,600 centers and close to 1.6 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 – 2020

- 2020 was the year of GBS; while the GBS center set-up activity witnessed a decline as compared with 2019, resiliency shown by GBS organizations has strengthened enterprise confidence in them
- The technology and communication vertical continued to dominate the market; additionally, India continued to account for the largest share of center set-ups; however, RONE witnessed significant traction in 2020
- Enterprises are extensively leveraging the GBS model to accelerate enterprise-wide digital transformation initiatives, with ~52% 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 more than 50% of new GBS center setups in 2020
- In terms of nature of locations, GBS center setups in tier-2/3 locations increased in 2018-2020, driven by new setups in tier-2/3 locations across MEA, Nearshore Europe, and APAC
- In 2020, more than 50% center setups were focused on digital and ER&D services

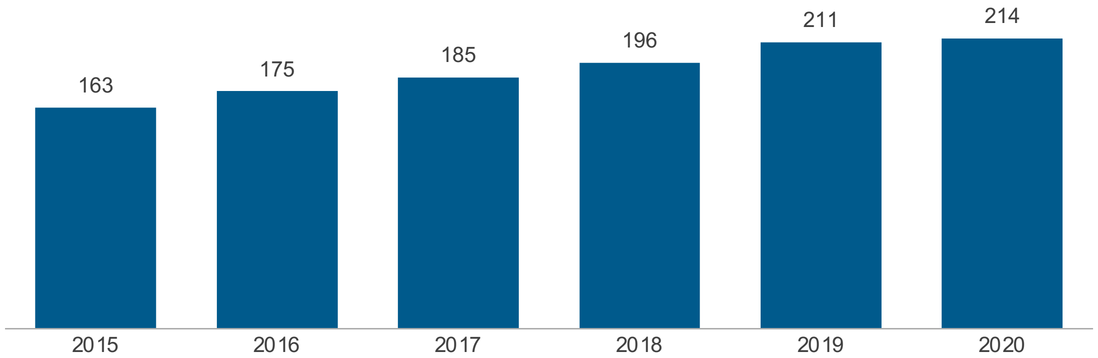
Top 2021 priorities for GBS

The GBS market continued to grow in 2020 despite a multitude of challenges; in fact, the crisis further strengthened the value proposition for evolved GBS organizations. However, as GBS organizations further evolve (and at a faster pace), they need to keep in mind top 2021 enterprise expectations from the GBS model: enable digital transformation, drive cost excellence, accelerate innovation, drive agility and cross-functional collaboration, enhance service delivery resiliency, improve quality and productivity, reskill/upskill workforce to meet evolving needs, and so on

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

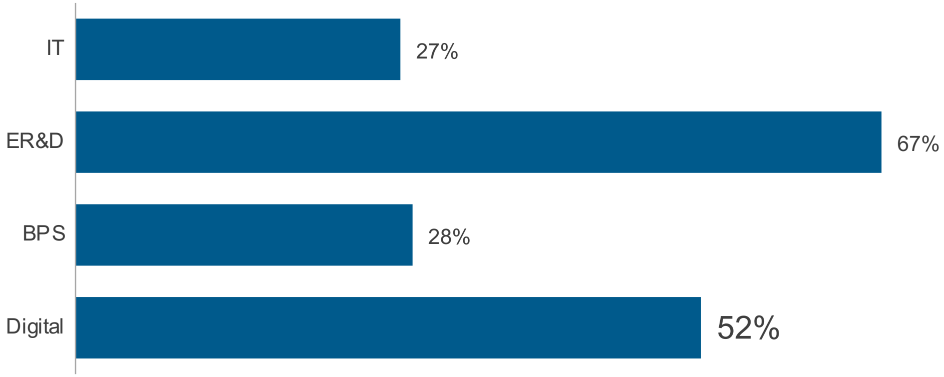
Offshore/nearshore global services market

2015-20; US$ billion



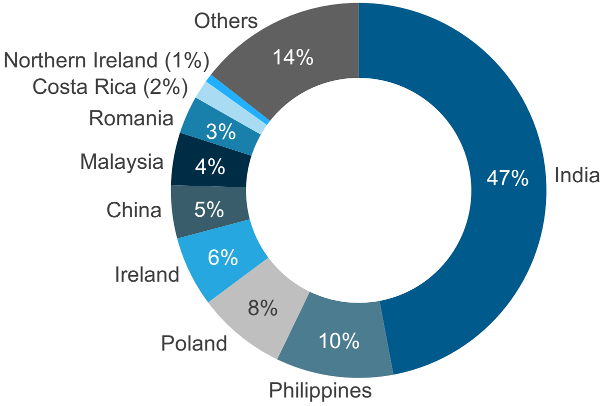
Distribution of new GBS center setups by function; 2020

100% = 128



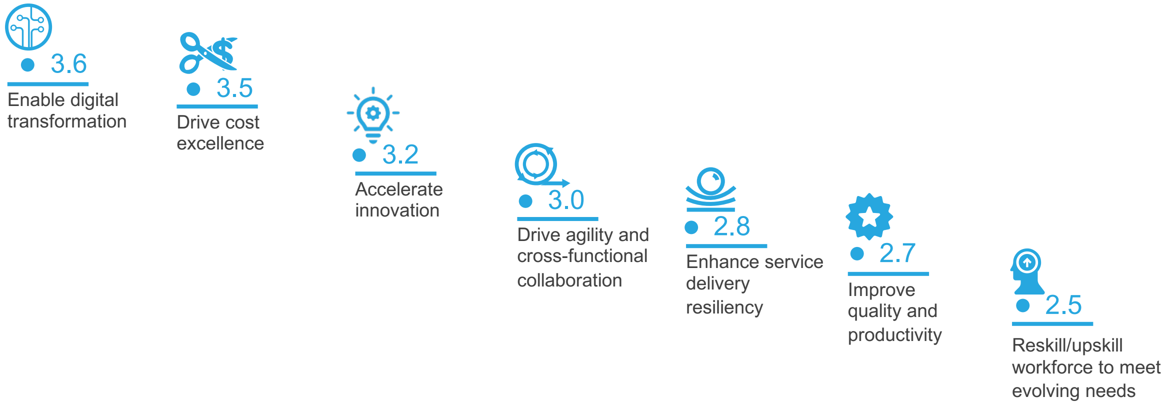
GBS market size (FTEs) by delivery location; till 2020

100% = 1.56-1.61 million



Top expectations from the GBS model, going into 2021

Weighted importance, scale of 1 to 5, with 5 being high



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
GBS State of the Market Report: Top 2021 Priorities for GBS	**March 2021**

Thematic catalyst reports	Release date
GBS Cost and Performance Benchmarks Book	August 2020
State Of Adoption For Intelligent Automation (RPA++) In GBS Organizations	August 2020
Charting the Skilling Journey to Build the IT Services Talent of Tomorrow	August 2020
GBS Key Issues Report 2021	February 2021
GBS Report on the Automotive Industry in India	March 2021
Role of Next-generation Technology In GBS Talent Management	Q2 2021
Future of Work-From-Home in GBS | Separating Dreams from Reality	Q2 2021
GBS 4.0 - Reimagining GBS of the Future (GBS without borders)	Q2 2021
GBS cost report	Q2 2021
GBS Report on the BFSI Industry	Q2 2021

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