



*cutting through complexity*

Hello!

We are pleased to be part of SSON's 5th Annual Shared Services & BPO in the Philippines event this August 18-20, 2014. Mohammad Zafar Ali, one of our Subject Matter Experts in Shared Service & Outsourcing from our ASEAN Management Consulting Practice, will be presenting as a resource speaker on "Transforming and Aligning Your Finance Function to Become the Leading Finance and SSC Organization". Specifically, he will speak about:

- Key success factors in transforming your finance organization
- Gaining stakeholder buy-in and minimizing resistance
- Developing sustainable talent and career management for finance professionals

In line with this event, we are happy to share with you KPMG's global pulse survey report on trends in shared services, outsourcing, and third-party business and IT service markets. If you have questions or comments, please contact me at (632) 885 7097 or email me at [icorros@kpmg.com](mailto:icorros@kpmg.com).

We hope to see you there!

Very truly yours,

**R.G. Manabat & Co.**

A handwritten signature in black ink, appearing to read 'Imelda H. Corros'.

**Imelda H. Corros**

Partner, Management Consulting in  
Advisory Services, Philippines





*cutting through complexity*

# KPMG Sourcing Advisory 1Q14 Global Pulse Survey

Trends in shared services, outsourcing, and  
third-party business and IT service markets,  
gleaned from KPMG's own field advisors  
and leading global service providers.

[kpmg.com](http://kpmg.com)

# Introduction

KPMG LLP is pleased to release the findings from its KPMG 1Q14 global Sourcing Advisory Pulse surveys. The Pulse surveys provide insights into trends and projections in end-user organizations' usage of global business services (GBS). The learnings are gleaned globally from KPMG International (KPMGI) member firms' (KPMG firms') advisors, who work closely with end-user organizations that are actively exploring or undertaking domestic, near, and offshore shared services and outsourcing, and other service delivery initiatives, as well as from leading third-party global business and IT service providers.

The Sourcing Advisory Pulse surveys are part of a broad family of KPMG Pulse surveys. This collective research program focuses on GBS market trending in specific geographies such as [China](#) or [South Africa](#) and functional areas such as real estate and facilities management ([REFM](#)). The Pulse research program also examines related key topics such as cloud computing, [human resources \(HR\) transformation](#), and [vertical industry business trends](#).

Since their inception in 2004, the global Sourcing Advisory Pulse surveys have yielded insightful analyses of current and ongoing market trends in the use, deployment, and delivery of business and information technology (IT) services. They capture changes in demand, usage levels, future adoption plans, and related key market indicators. They highlight the changes, and the direction of change, in the GBS market as a whole. The surveys focus on where the market is going and how that direction is changing—or not—as compared to prior quarters and years.

This edition of the global Sourcing Advisory Pulse surveys reflects GBS market activity during 1Q14 as well as projections and predictions for the balance of 2014.

Topics explored include:

- GBS demand and adoption trends
- Drivers for GBS delivery improvement efforts
- GBS macro trending
- Market conditions' impact on global sourcing
- Outsourcing deal pricing, service provider profitability, and scope.

The Pulse surveys focus on end-user organizations' global use of shared services, outsourcing, and other third-party services across the following functional areas:

- Customer care/call center
- Finance and accounting (F&A)
- HR
- IT
- Knowledge process outsourcing (KPO)
- Procurement/source to pay
- REFM
- Vertical industry business services

The following leading global business and IT service providers participated in the 1Q14 survey:

- |                      |                       |
|----------------------|-----------------------|
| • Accenture          | • NGA Human Resources |
| • BT Global Services | • Serco               |
| • Capgemini          | • Syntel              |
| • CGI                | • TCS                 |
| • Cognizant          | • Tech Mahindra       |
| • CSC                | • T-Systems           |
| • Dell               | • Unisys              |
| • EXL                | • Wipro               |
| • Genpact            | • WNS                 |
| • IBM                | • Xerox               |

Questions or comments regarding the Pulse surveys should be directed to [Stan Lepeak](#), director, Global Research, KPMG Management Consulting, at [slepeak@kpmg.com](mailto:slepeak@kpmg.com) or +1 203-458-0677.

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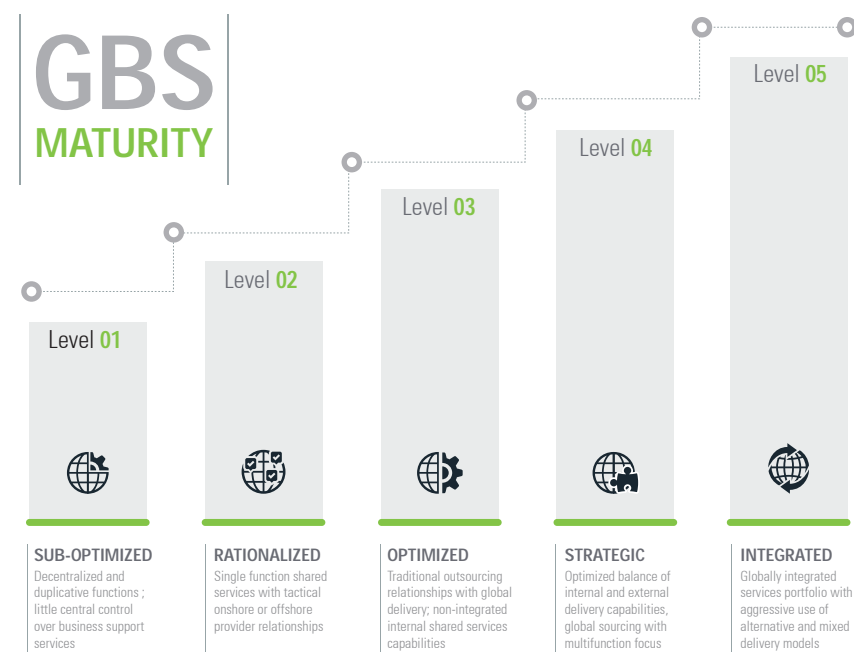




# Management Summary

The 1Q14 edition of the global Sourcing Advisory Pulse provides the next installment in KPMG's quarterly deep dive into industry trends and best practices in the deployment, use, and expansion of global business services (GBS). KPMG defines GBS as an operating model and strategic governance framework that helps organizations transform end-to-end business support services to deliver more effective solutions for both the internal and external customers of the organization. GBS focuses on optimizing the mix of human capital, service delivery models, process innovation, and technology to deliver services on an enterprise-wide, cross-functional basis, to support the business strategy. GBS adoption rates continue to accelerate, as found in a recent wide-ranging KPMG market study on GBS trending, though most organizations' GBS maturity is still evolving across most dimensions.

*KPMG GBS Maturity Model*

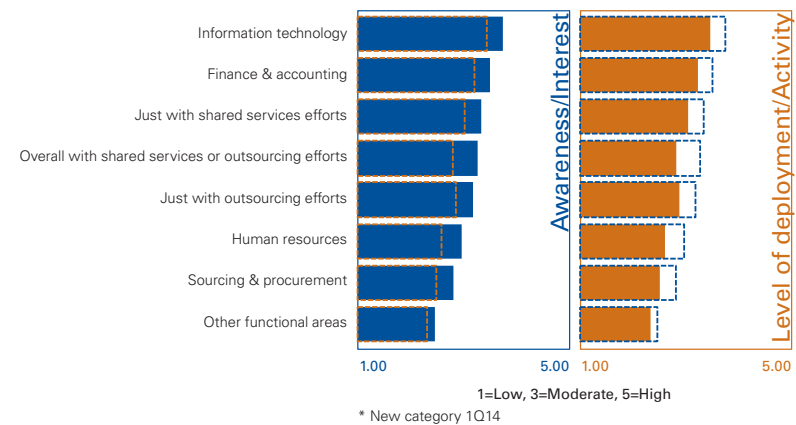


Value capture and performance sustainability occurs over time

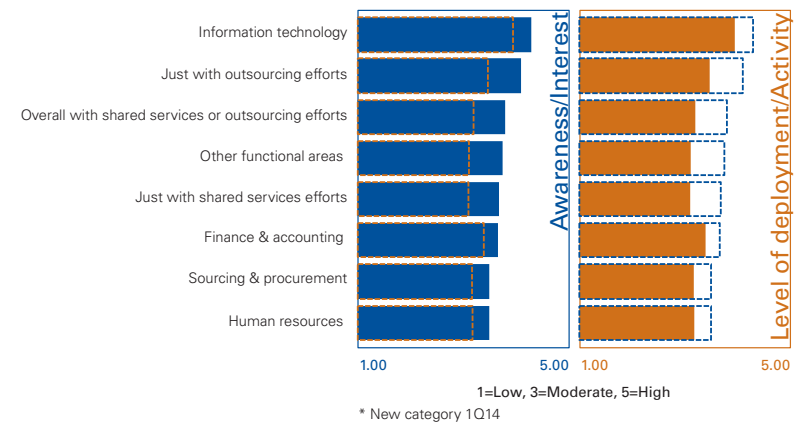
Driving GBS maturity is a multidimensional effort. Organizations are taking an increasingly broad approach to what is included in their GBS efforts beyond just back-office finance and accounting and information technology (IT) services. **Inherent to improving GBS maturity is greater consolidation and leveraging of common applications and business process models including adoption of leading practices** to deliver the in-scope services more efficiently and effectively. This 1Q14 edition of the quarterly global Sourcing Advisory Pulse survey focuses on macro trends in the GBS market as well as the impact of current economic and political conditions on organizations' global sourcing efforts.

Since KPMG last polled in the Sourcing Advisory Pulse survey in 1Q13, GBS increasingly has become a mainstream model to address collective shared services and outsourcing efforts. For some organizations, this is mainly lip service to a new acronym but for others it is a more fundamental rethink of back- and front-office service delivery best practices. Many organizations are continuing to **expand the scale and scope of their GBS efforts** to include a broad range of business and IT functions and processes. This expansion is also occurring geographically, cross-functionally—linking and integrating adjacent functions—and from an end-to-end process standpoint.

#### *Advisors: Level of Adoption of a "GBS" Operating Model*



#### *Service Providers: Level of Adoption of a "GBS" Operating Model*

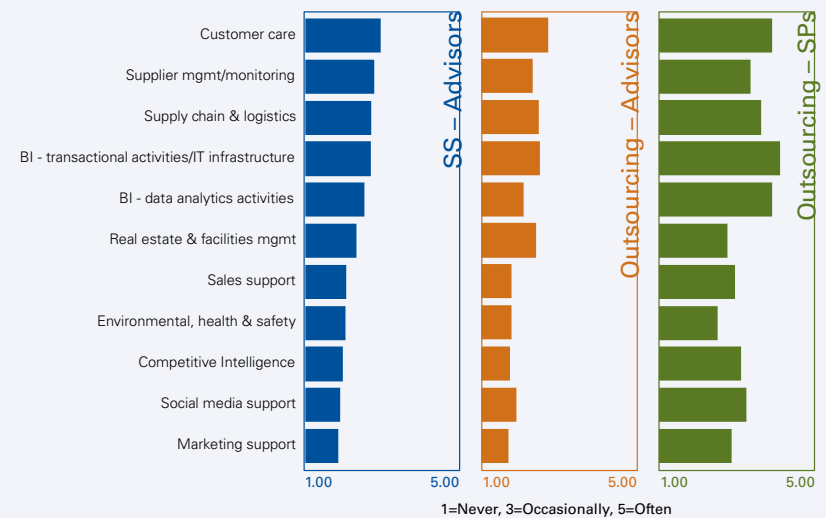




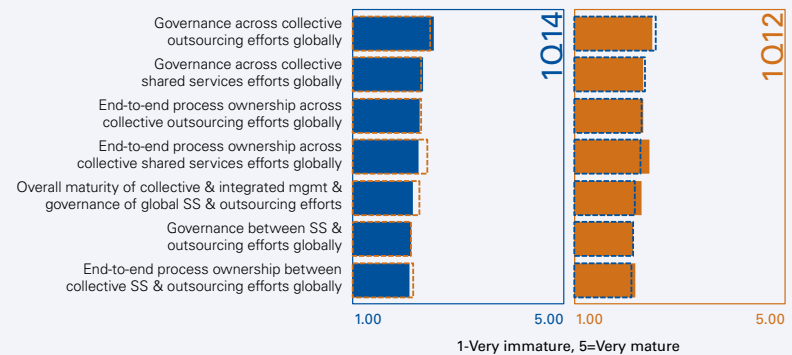
Organizations are including **diverse and often more strategic functions, processes, and activities**, such as data and analytics services and supplier management and monitoring, in their GBS operations. Today, process automation and improvement effectiveness are often the overriding GBS drivers **above and beyond cost savings** historically achieved through less expensive offshore centers for transactional services.

Despite more lofty GBS aspirations, most organizations are still **relatively immature in most dimensions of their GBS efforts**. End-to-end process ownership, overall governance between collective shared services and outsourcing efforts, the integration of IT services into GBS business functions, and talent management of GBS resources are all common areas where many organizations are immature. While determining how mature is “enough” depends on many organization-specific factors, most GBS adopters are at the early stages of their maturity improvement efforts. Improving GBS maturity is critical to achieving the typical stated benefits sought from GBS efforts but also to maintain organizational operational competitiveness on a global scale. Indeed, KPMG research increasingly finds **direct correlation between improved GBS maturity and market-leading or at least market-competitive financial performance** as assessed by such metrics as profitability and return on equity.

### Shared Services & Outsourcing Usage by Function Operating Model



### Advisors: Client GBS Maturity Levels



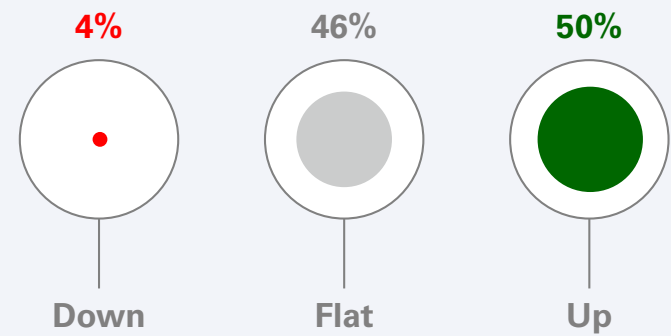
Economic conditions globally are not materially changing the nature and scope of most organizations' global sourcing efforts. While there is some relative increased interest in more use of domestic shared services and outsourcing as well as slightly elevated levels of insourcing of works previously outsourced, overall, these moves remain more the exception than the norm and are occurring on a small scale. Of greater significance is a push for **increased process automation, which will likely continue to replace humans performing business process and IT work. While improving process performance, automation will likely continue to depress employment levels.**

Specific to outsourcing, buyers remain aggressive about reopening contracts to renegotiate service levels, pricing levels, and scope, and are also performing more thorough benchmarking and baselining efforts when preparing for new and renewal outsourcing efforts.

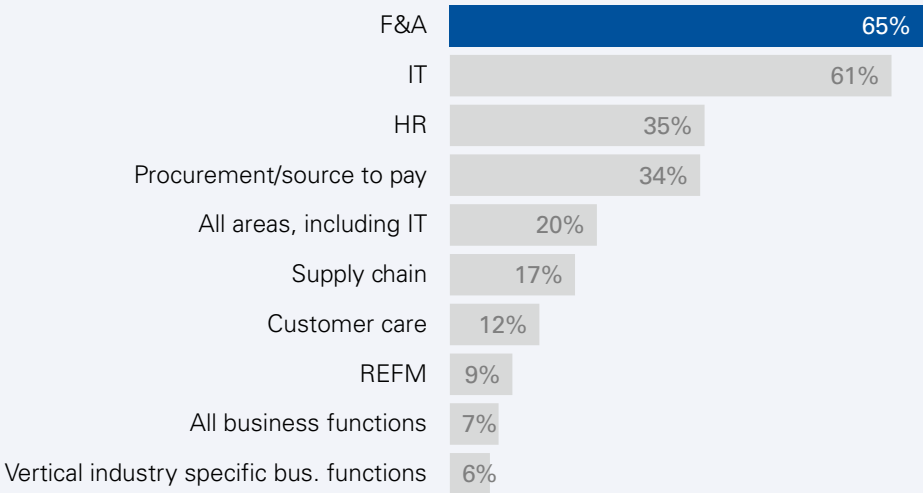


Demand for third-party business and IT services, including outsourcing, remained solid in the quarter according to both third-party business and IT service providers and KPMGI member firms' (KPMG firms') advisors polled. **Many service providers cited weakness, however, in demand expectations for the balance of 2014.** Demand for traditional, more transactional outsourcing remains weak by historical standards, and often is low margin and low priority, market conditions which will likely not change going forward. Traditional transactional IT outsourcing (ITO) continues to succumb to cloud options to the benefit of buyers and of the subset of ITO providers that can successfully co-opt cloud. **Finance and accounting outsourcing (FAO) continues to enjoy strong demand,** though the key focus and value-add has moved beyond the traditional transactional focus to packaged solutions, strategic value-added services, and vertical industry solutions.

Service Providers: Demand Next 1–2 Quarters



Advisors: Top Functional Focus Areas for Service Delivery Improvement Efforts






Here are the top five key takeaways from the 1Q14 edition of the global Sourcing Advisory Pulse survey.

- Organizations' GBS aspirations often outpace the maturity of capabilities to excel at GBS efforts. Organizations need to prioritize a focus on **end-to-end process ownership** and the **governance across and between the shared services and outsourcing** that compose GBS to drive improved maturity.
- **Use of data and analytics** to better monitor GBS performance but more importantly leverage skills and resources to improve overall business performance should be a key priority and focus area for GBS organizations.
- **Improving talent management capabilities**—find, attract, and retain—the talent required to staff a competitive GBS organization should be another key priority though for most firms, talent management across the organization as a whole is a serious challenge in light of prevailing required skills shortages in all markets. Robotic automation and the elimination of people from process optimization will likely continue to grow in importance but is in early stages of maturity.
- **Organizations should move beyond a focus on just back-office business operations** (e.g., finance and accounting, human resources, sourcing and procurement) for inclusion in GBS efforts and assess the need and applicability to include other services such as supplier management and monitoring, customer care, and real estate and facilities management (a mundane but very large spend item) in scope.
- Organizations should **take with a large grain of salt enduring predictions from market pundits on the slowing or reversal of global services delivery and globalization** in general. While there are areas of pullback, they are more common on the goods and manufacturing side than with services, and while organizations should never globalize service delivery efforts for the sake of it, there remain many compelling reasons (e.g., access to skills, reduced costs, support for global expansion of operations) to take a holistic global view on business and IT services delivery models.


# Highlights

## KPMG International Firms' Shared Services and Outsourcing Advisor Highlights

### Top Means to Improve Service Delivery Performance

- 
1. Improve current SSC/outsourcing governance processes/capabilities
  2. Use and expansion of shared services
  3. Internal process improvement or reengineering efforts


### Top Emerging GBS Growth Areas

- 
1. Customer care
  2. Supplier management and monitoring
  3. Supply chain and logistics


### Top Focus Areas for Performance Improvement Efforts

- 
1. F&A
  2. IT
  3. HR

### Most Mature GBS Capabilities

- 
1. Governance across outsourcing efforts
  2. Governance across shared services efforts
  3. End-to-end process ownership in outsourcing

### Top Buyer Responses to Current Market Conditions

- 
1. Reopen contracts to renegotiate scope
  2. Perform more thorough benchmarking and baselining
  3. Reopen contracts to renegotiate pricing

## Third-Party Business and IT Service Provider Highlights





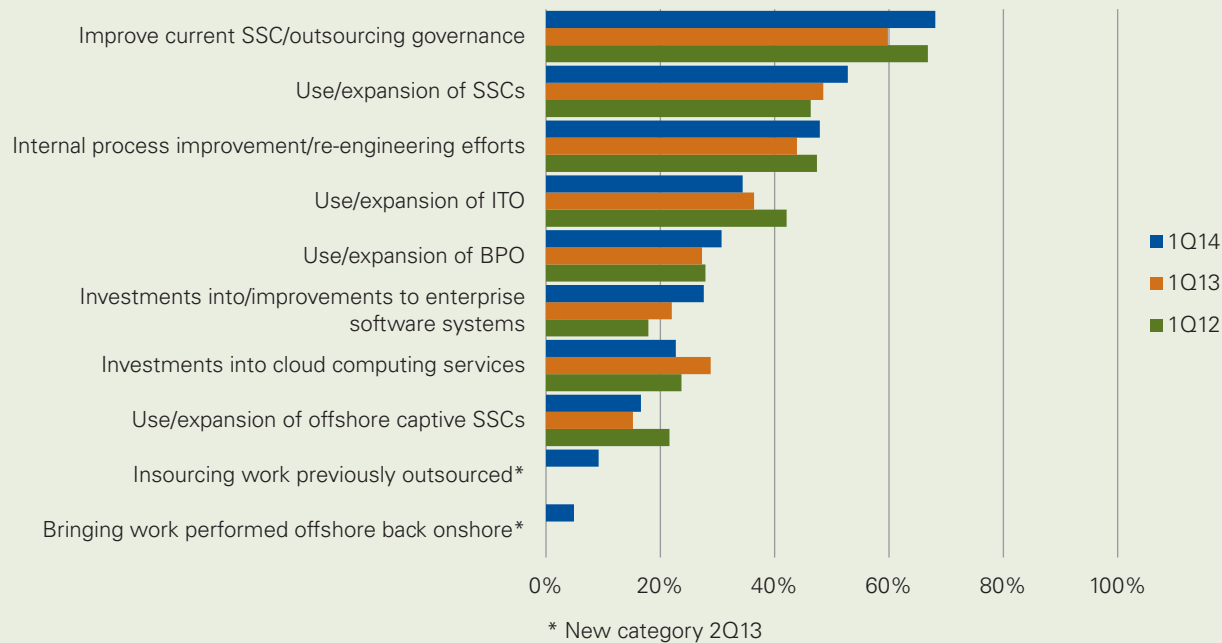
# Market Conditions

## KPMG Firms' Advisors: Top Approaches to Improve Service Delivery Capabilities

KPMG polled its global network of shared services and outsourcing advisors and professionals (KPMG consultants working with clients in the field speaking on their behalf in this research) on what they are seeing as the top approaches that end-user organizations are employing today to improve service delivery performance, as well as to help minimize or reduce service delivery costs (see Figure 1).

- Sixty-eight percent of advisors, up 6 percent from last quarter and 8 percent from last year, cited *improve current shared services and outsourcing governance processes and capabilities* as the most common approach undertaken to improve service delivery capabilities. This is the perennial top-rated choice over the past three years. It reflects market awareness of the importance of sourcing governance to GBS success as well as the challenges many organizations have in improving these capabilities, especially as GBS efforts become more complex. GBS governance excellence is an ever-moving target that in some respects becomes harder to achieve as organizations more fully understand its complexity, its importance, and what constitutes best in class.
- The second most commonly cited approach was *expand use and expansion of shared services*, identified by 53 percent of advisors. Ranking third and selected by 48 percent of advisors was *internal process improvement or reengineering efforts*. Insourcing work previously outsourced fell to 9 percent from 16 percent last quarter while bringing work performed offshore back onshore was selected by just 5 percent of respondents (highlighting that onshoring is often more urban myth than reality, though where it occurs is usually with more strategic work). These last two answers were first added in the 2Q13 Pulse survey.
- *Improving governance processes and capabilities* was the top-cited approach by all classes of advisors except those operating in the Asia-Pacific region where internal process improvement or reengineering efforts was the top change mechanism cited (see Appendix for a breakout of KPMG firms' advisors' responses by geographic region and by functional area of focus). The expansion of shared services usage was more frequently cited by advisors that support business process services than those that focus on IT services. The interconnection between GBS efforts and underlying supporting IT services is becoming more complex as IT maturity (i.e., manifested in greater global standardization of ERP systems, IT being embedded in GBS operations, and IT "run as a business" via constructs such as Technology Business Management) is recognized as a key enabler to GBS success. The intersection of IT and GBS improvement efforts is a primary focus area for [KPMG GBS research](#) efforts in 2014 and Technology Business Management is the focus on the inaugural KPMG CIO Advisory Center of Excellence Pulse survey due for release in late 2Q14.

**Figure 1 | Advisors: Top Approaches to Improve Service Delivery Capabilities**

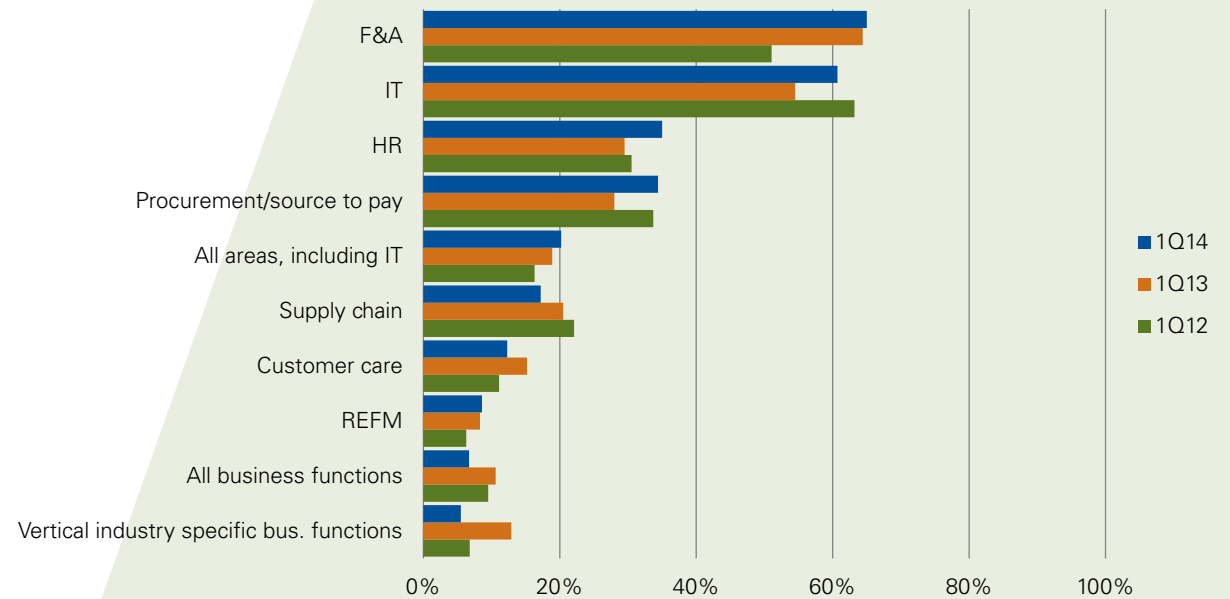


KPMG firms' sourcing advisors were next asked in which functional areas buyers are today most commonly applying the approaches outlined in Figure 1 to improve service delivery capabilities (see Figure 2). Finance and accounting was the most commonly cited functional area, identified by 65 percent of advisors, up 7 percent from last quarter. Information technology was ranked second and selected by 61 percent of advisors polled. There was general consensus on these rankings across geographies, though advisors serving the Asia-Pacific region more frequently identify BPO categories over ITO and registered strong demand in the human resources function this quarter. The Pulse survey has found a steady increase in the emphasis on F&A process improvement over the past three years.

Use of third parties to support F&A and procurement functions continues to benefit from the growth of more mature cloud and software as a service (SaaS) based offerings. Overall, however, market penetration into F&A and even more so sourcing and procurement is still much lower than with the IT function. For a wide-ranging overview of the F&A services and the FAO market space, refer to the [results](#) from KPMG's 2013 study on F&A sourcing trends.

GBS continues to become a more mainstream concept, framework, and operating model for more progressive global organizations though most firms' GBS maturity, especially in dimensions such as end-to-end process management and governance across collective shared services and outsourcing efforts, remains low. There is growing interest among organizations utilizing a GBS model to deploy it in nontraditional functional and process areas beyond back-office IT, HR, F&A, and procurement, such as data and analytics and supplier management. Cost reduction remains a fundamental goal for GBS efforts, though for many organizations, cost levels in areas in scope are already quite low based on reductions already achieved. Increased process automation—and eliminating the labor component of costs—in lieu of or in conjunction with expansion of GBS efforts, is a growing focus area among organizations keen on further driving down operating costs while also pursuing improved service quality and accuracy.

**Figure 2 | Advisors: Top Functional Focus Areas for Service Delivery Improvement Efforts**







KPMG firms' professionals were next polled on the change in demand or usage levels over the past one to two quarters, and expected change in usage levels over the coming one to two quarters, across four different categories of business and IT sourcing models employed in service delivery improvement efforts. These categories are shared services, internal process improvement efforts, ITO, and BPO (see Figures 3, 4, and 5).

- Use and expansion of *shared services* efforts, identified by 48 percent of advisors, up 3 percent from last quarter (see Figure 3), was the top-cited means used to improve collective GBS efforts. *Internal process improvement* efforts were ranked second selected by 43 percent of KPMG member firm advisors polled. The number of advisors citing demand growth for *ITO* also fell again from 31 to 26 percent, while *BPO* demand growth citations fell two points from last quarter to 26 percent. Thirteen percent of advisors cited decreasing levels of demand for BPO. BPO growth expectations, especially for FAO, continue stronger in more specialized areas such as industry-specific BPO over more generic horizontal BPO. These deals are smaller and more diverse and increasingly employ cloud-based options that are becoming more appealing to buyers than traditional hosted BPO models, especially in functions such as HR.

- Looking forward over the next one to two quarters (see Figure 4), the greatest expected growth is for both *internal process improvement efforts* and *shared services efforts*. Thirty-one percent of advisors expected increased demand and usage for ITO, and BPO demand growth expectations rose from 30 to 34 percent quarter-over-quarter for advisors polled. Low expected demand growth levels for *ITO* and *BPO* were mirrored in muted service provider expectations for demand growth over the rest of 2014. This is not to imply the market is contracting, but rather that growth levels are low by historical standards.

Figure 3 | Advisors: Demand by Service Delivery Model, Past 1–2 Quarters

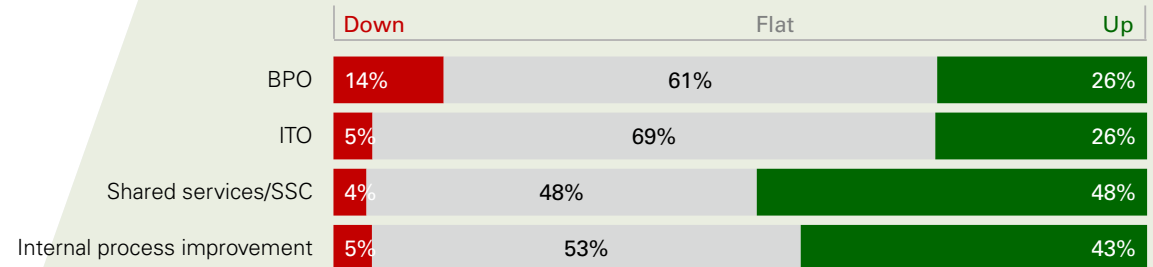
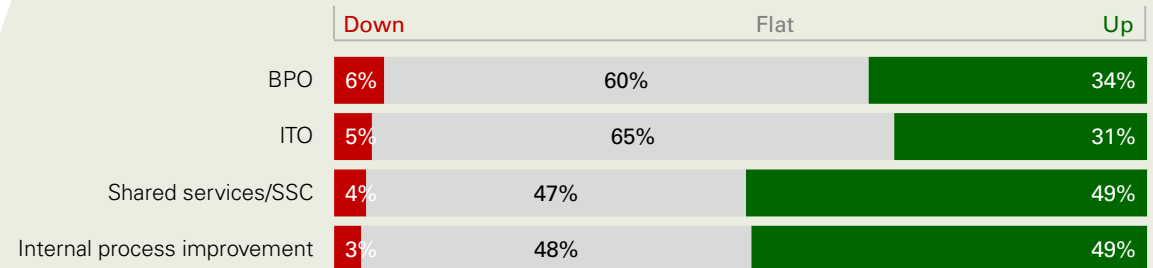


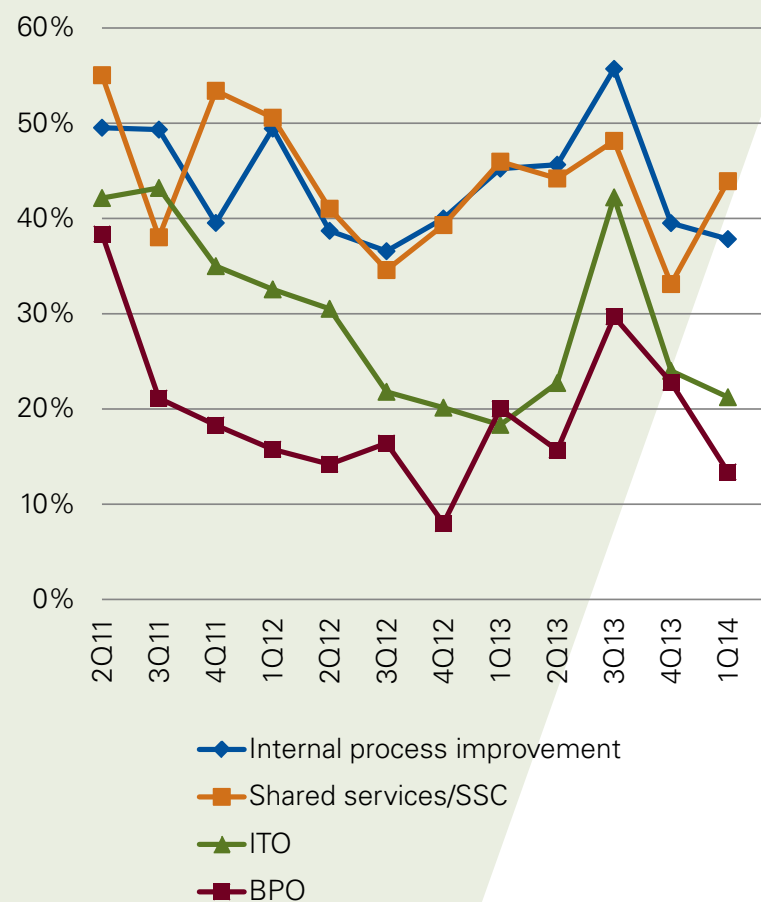
Figure 4 | Advisors: Demand by Service Delivery Model, Next 1–2 Quarters



Overall, organizations' appetites to undertake change efforts, with the exception of expanding shared services efforts, fell again in the quarter. Figure 5 illustrates the net change in demand (up minus down citations) by KPMG firms' advisors over the past 12 quarters. The next level of detail from KPMG professionals, however, paints a mixed picture depending on the client organization. A minority of firms, albeit those typically larger, more global, and more experienced with alternative sourcing models, are increasingly aggressive with GBS efforts. Firms with limited alternative sourcing delivery experience, especially integrated efforts spanning multiple functions and geographies, remain pensive and in some cases are seeking more IT-centric solutions to their problems as opposed to more broad-scale GBS efforts.

As has been the case for the past several years, many organizations are pursuing an incremental approach to change as opposed to larger-scale change initiatives. These small pieces still add up to a very large pie, though often spread over many types of efforts and supporting service providers, and are planned over a multiyear time frame.

*Figure 5 | Advisors: Demand by Service Delivery Model, Past 1–2 Quarters, Net Change in Demand*



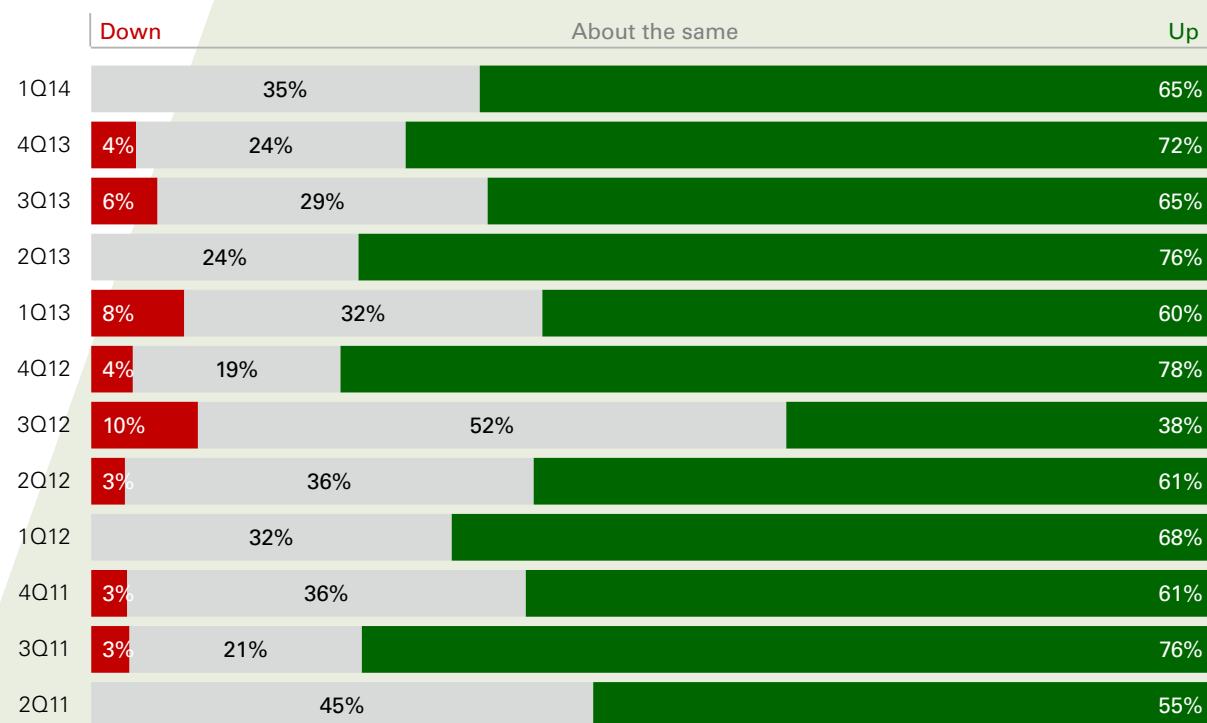


# Business and IT Service Providers Market Demand Assessments

KPMG polled leading global business and IT service providers on the current and expected growth levels in their pipelines for services deals. Providers polled are mostly bullish this quarter on pipeline growth but as always, it remains to be seen how quickly this growth will result in signed deals. The degree to which this is the case continues to vary widely, however, across individuals and classes of providers and functional areas in scope.

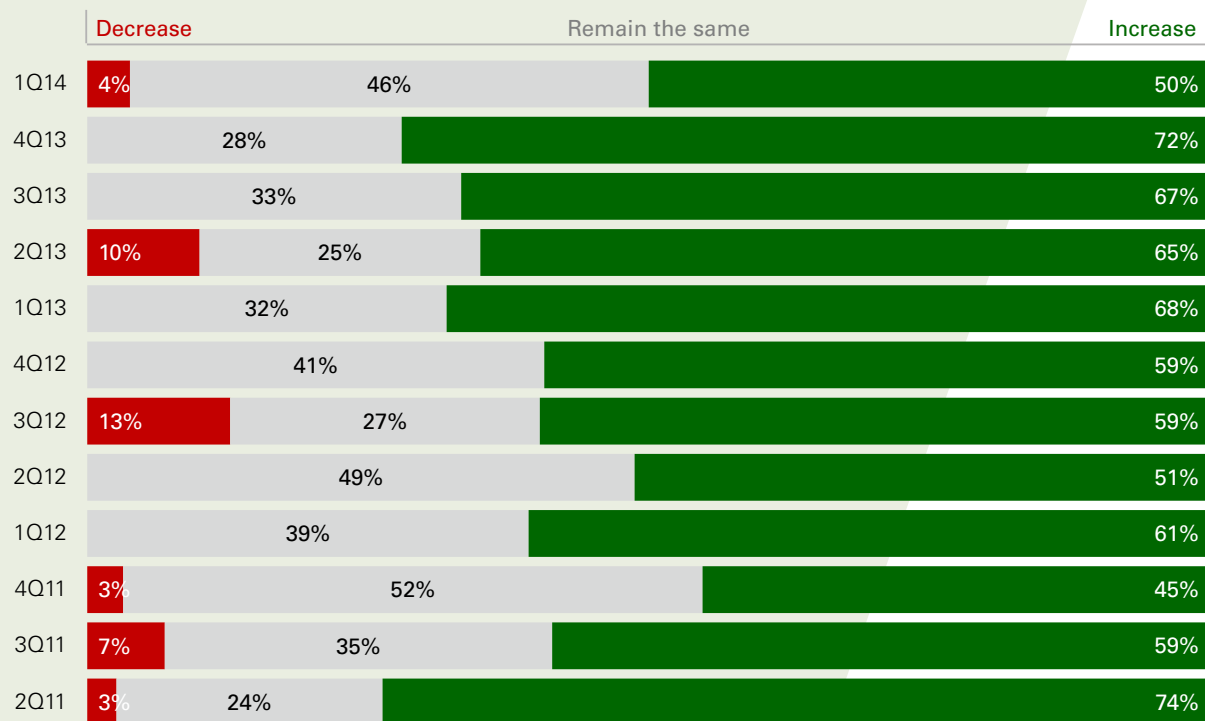
- Sixty-five percent of service providers cited pipeline growth over the past quarter, a drop of 7 percent from last quarter's Pulse (see Figure 6) but in line with the average score of 65 percent over the life of the Pulse as conducted by KPMG. It is important to note that the Pulse surveys measure change in pipeline *growth* levels, not absolute pipeline size or revenue levels.

Figure 6 | Service Providers: Pipeline Growth Last Quarter



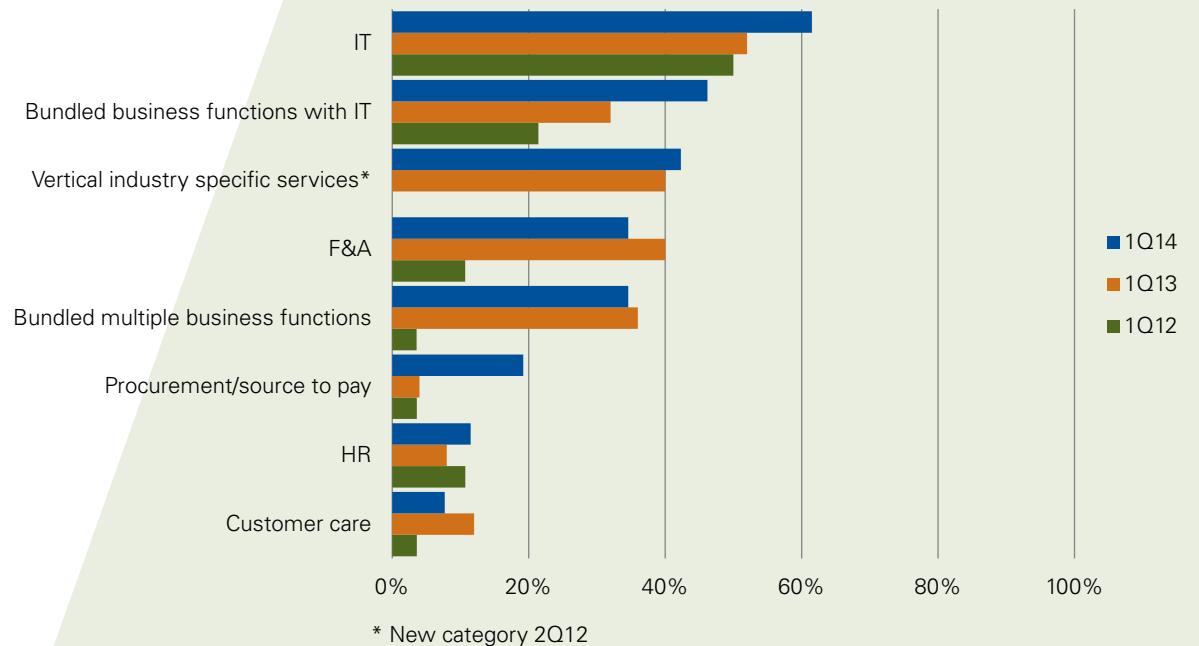
- Just 50 percent of providers expected the pace of customer demand for business and IT services to increase over the next one to two quarters (see Figure 7), a drop of 22 percent from the 4Q13 poll and well below the survey average of 61 percent. **This is the lowest level recorded in the service provider Pulse survey since the fourth quarter of 2011.**

Figure 7 | Service Providers: Demand Next 1–2 Quarters



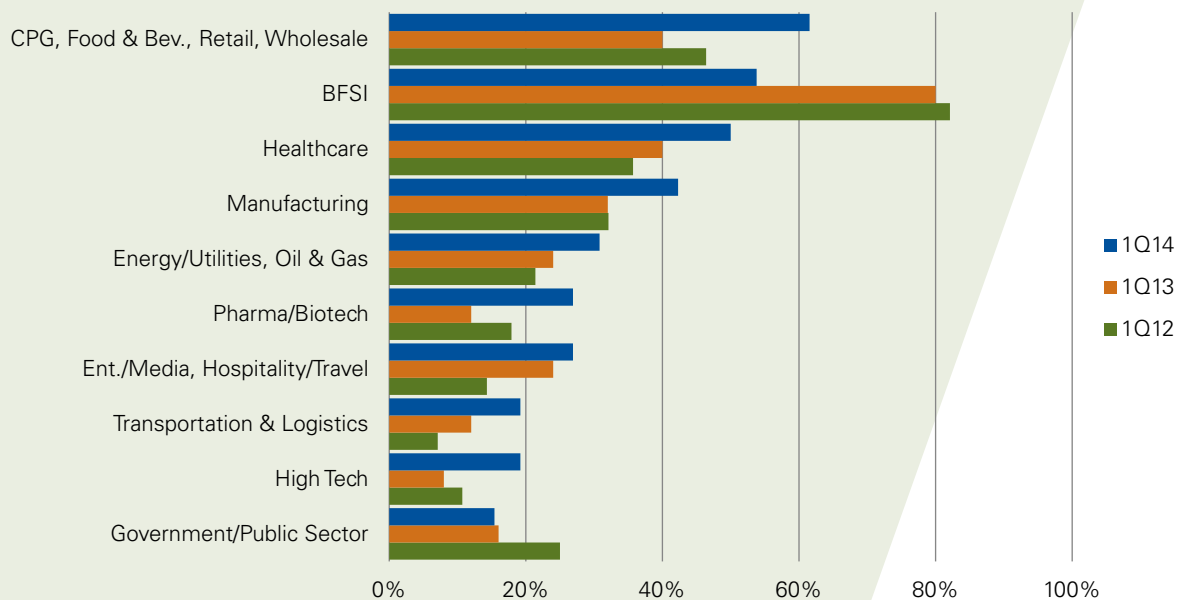
*Information technology*, cited by 62 percent of respondents, was the top ranked functional area of demand, supplanting *bundled business functions with IT*, which slipped to second place and was cited by 46 percent of advisors. Ranked third was *vertical industry-specific services* selected by 42 percent of providers polled. This trending further illustrates the ongoing specialization of outsourcing demand with buyers' preferences moving more towards bundled services and industry-specific offerings. While the services are often more valuable and strategic to buyers, the deals are often smaller for providers and the skills required to deliver them more demanding. This increased required level of skill and experience for providers is one of the drivers for buyers' increased use of shared services as an outsourcing alternative. This is often more a response to inadequate capabilities available in the market than a marked preference to shared services over outsourcing.

Figure 8 | Service Providers: Top Functional Areas of Demand



Service providers were polled on demand levels by vertical industry and industry group. Consumer packaged goods (CPG) was the top industry group, cited by 62 percent of service providers, up 2 percent from last quarter (see Figure 9). Banking, financial services, and insurance (BFSI) fell to second place, dropping 22 percentage points to 54 percent, and ranked third was healthcare. While KPMG firms' advisors were not polled specifically on demand by industry, color commentary, market insights gathered in the Pulse, and client work supported the strong demand identified by providers in the CPG sectors and a bit of a pullback in the BFSI sector group.

**Figure 9 | Service Providers: Demand by Industry (Top 10)**



# Current Market Deal Characteristics: Service Providers' Perspectives

The next section of the quarterly Sourcing Advisory Pulse survey assesses the characteristics of current outsourcing and third-party services deals in the market from the perspective of the business and IT service providers polled.

## Pricing Competitiveness

Exerting pricing pressure on suppliers is a perennial and fundamental element of any buyer and service provider negotiation and relationship. While most buyers today recognize, at least philosophically, that major services or outsourcing efforts should embody more of a partnership or strategic relationship approach than a simple buyer and vendor transaction, this does not mean buyers will cave in on price. While buyers are focusing more on process improvement over pure cost reduction in GBS efforts, they still want support for this improvement to come at a very good price. Providers that can illustrate how they can enable meaningful and measureable process improvement, however, are in a better position to charge a premium for their services.

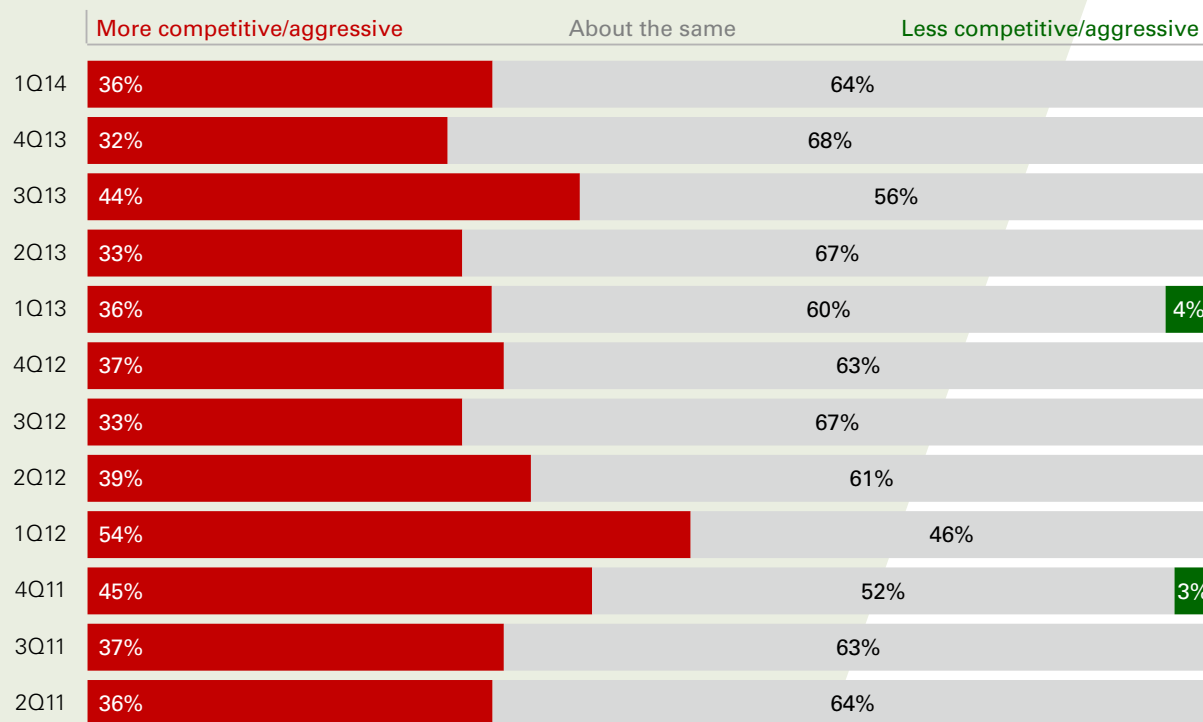
Realistic buyer expectations around pricing are critical to the success of services efforts. As buyers increasingly view GBS efforts as a means to drive value as much as, or more than, reducing costs, the discussion of pricing and pricing pressure takes on new dimensions. When buyers seek more lofty goals from their use of third-party services such as “innovation” or “transformation,” realistic pricing becomes even more important. Many buyers are locking in target year-over-year cost reductions for their GBS operations as a standard performance metric, and shifting the majority of focus to other goals beyond achieving this cost savings that is assumed a given. This approach extends to the use of service providers where cost savings are expected, but the focus is on what additional benefits providers can deliver. All this said, service providers polled in the Pulse survey typically cite pricing pressure as a major factor in client negotiations.





Thirty-six percent of service providers polled, up 4 percent from last quarter, indicate that pricing pressure increased in the quarter, while 64 percent of service providers indicated they saw little or no change in pricing pressure (see Figure 10). The discussion around which class of service provider (e.g., India-based, legacy IT, regional, multifunction, multinational) is evolving, especially among India-based providers or providers with extensive operations in India. The differentiation today is more about a set of capabilities and offerings, vertical industry expertise, platform BPO capabilities, and strength of delivering strategic services. Providers weak in these areas regardless of their heritage or geographic footprint face the most pricing pressure in the market as their service offerings, as well as brands, commoditize.

Figure 10 | Service Providers: Pricing Pressure



Note: numbers may not total 100% due to rounding.

## Contract Profitability and Ability to Increase Scope

Service providers are naturally very focused on growing the business in existing clients. Success rates are higher, pursuit costs lower, and often additional services added to scope are more strategic and hence more lucrative and profitable. As such, profitability is ideally higher in more mature and expansive deals and accounts, though other factors

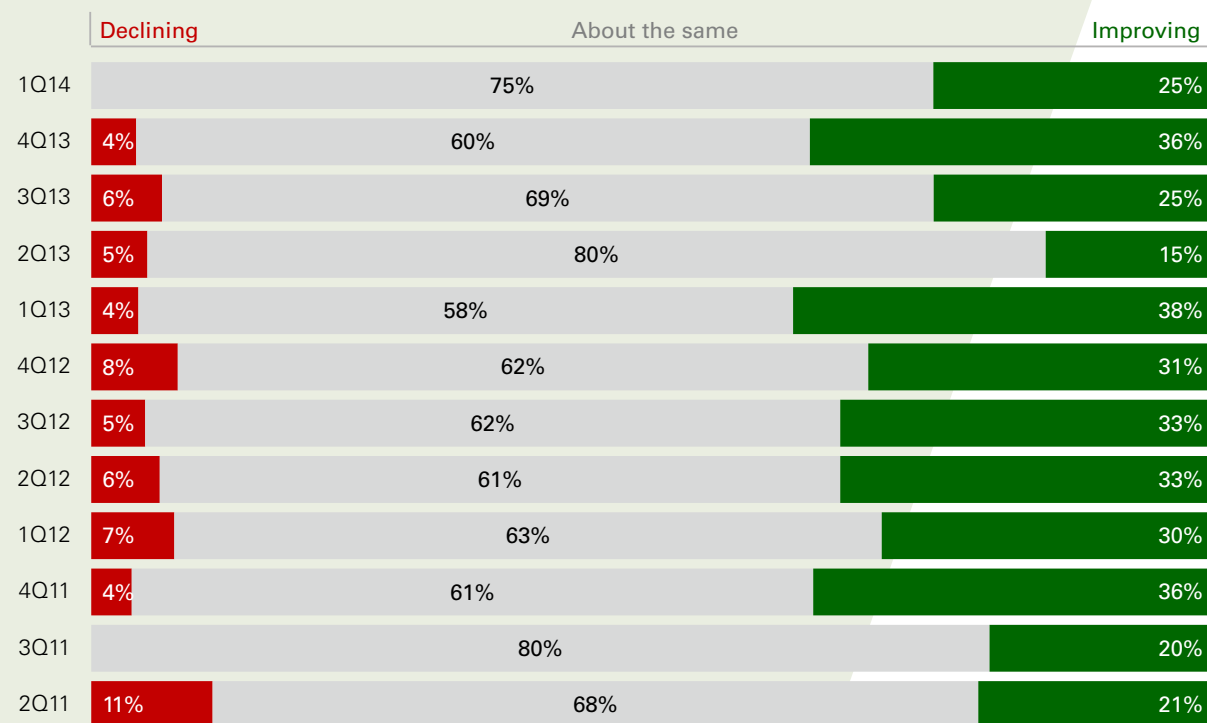
impact it such as wage inflation and currency exchange rates, while provider abilities to industrialize offerings and better leverage technologies over labor, greatly impact profitability. Increased process automation, for example, can help provider profitability as well as reduce buyer costs.



Provider sentiment slipped this quarter on their ability to improve contract profitability on new deals but fell back on existing deals (see Figures 11 and 12).

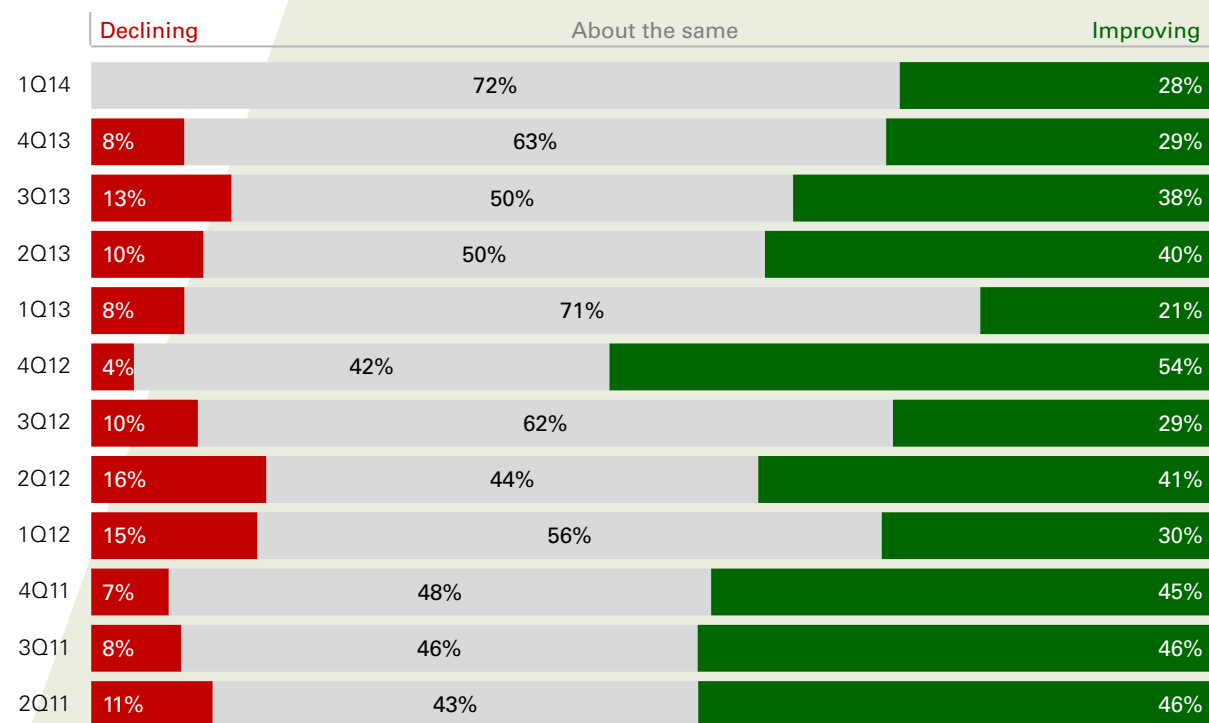
- Twenty-five percent of service providers polled, down 11 percent from last quarter and down 13 percent from 1Q13, indicate that contract profitability is improving in new deals, with just 4 percent indicating a decline in new contract profitability.

**Figure 11 | Service Providers: Contract Profitability, New Contracts**



- Twenty-eight percent of service providers expect to improve contract profitability in existing deals in flight for more than one year, down 1 percent from last quarter and in line with the survey average.

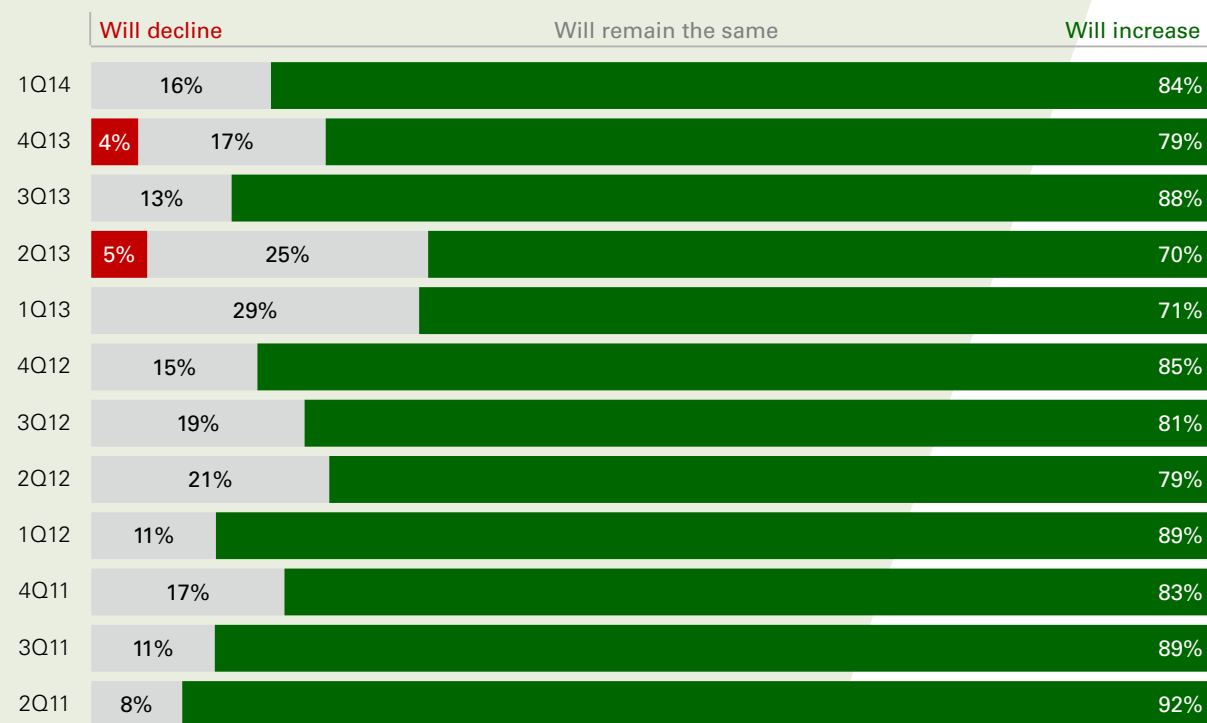
**Figure 12 | Service Providers: Contract Profitability, Existing Contracts**



Deal scope is another element that impacts service provider margins and profitability. Larger deals tend to offer more room for greater profits, though this is not always the case if they involve transactional and commoditized work. Doing more and broader work with a client should—from the provider's perspective—ideally lead to doing more strategic, value-added, and more profitable work, though this presupposes the provider has the skills and credentials to perform more strategic work. Following this logic, if providers are able to expand scope in a client account, profitability should improve, but it can depend on the provider in question. Conversely, if a provider cannot improve profitability, it should question whether to push for broader scope in the account.

Figure 13 illustrates service provider expectations about their ability to increase scope, ideally in a profitable manner, in current accounts. Providers today are highly focused on growing business in existing accounts, not only because pursuit costs are lower than competing for new business, but also because doing so protects their base as buyers rationalize suppliers and cut back on spend levels. Expectations on ability to increase scope over the past two years have been high, registering 84 percent in 1Q14.

**Figure 13 | Service Providers: Ability to Increase Deal Scope**





# Outsourcing Market Macro Trends



KPMG, on a quarterly basis, publishes an outsourcing deal tracking report. Results from the most recent, 4Q13 and year-end 2014 edition of that report are available via this [link](#). KPMG and research firm HfS Research earlier this year released a global market study entitled *State of the Outsourcing Industry 2013: Executive Findings*, which examines global trends, themes, and adoption partners of ITO and BPO as well as related shared services and GBS efforts. The 2014 edition of this study will premiere later in 2Q14. Those interested in outsourcing market size and growth projection figures should look at HfS Research's new *Market Index* program.

KPMG firms' advisors offered the following comments on GBS trending and service delivery improvement efforts:

Clients are increasingly focused on getting more value for money on their outsourcing contracts. They are optimizing organization, governance, and processes both internally and externally. They are **increasingly asking for review, audit, and benchmarking services**. They are willing to transition to other vendors, if it turns out they don't get value for money compared to what the market can deliver.

There is a shift in global organizations to focus attention on wider back-office initiatives and looking at all of these processes and how these can be **optimized to improve performance** and reduce operating cost.

The ITO and shared services market has seen the most activity as organizations look to **shift from larger contracts into smaller contracts with specialists**. This has increased the utilization of service integrators.

**General dissatisfaction with ITO service performance**, therefore changes in service providers, significant ramp-up in F&A.

**ITO performance expectation growing**, therefore shifting to more value-added service providers, shifting to GBS in more mature clients with more mid-market clients entering into arena.

More GBS cloud and data analytics plays, performance reporting, and managed governance services expectations growing, with automation tools and **reducing value leakage** driving service delivery model shifts.

The **service integration role remains underpowered**, insufficiently mature, and underestimated in significance.

For many organizations, everything is on the table when it comes to GBS, but increasingly, they are **disappointed in the reality of what most service providers can do to meet their needs**.

The **future of GBS is robotics automation**—get people out of the loop and leverage data and analytics to automate all but the most complex business processes.

# 1Q14 Featured Themes

## GBS Macro Trending

For the past three years, KPMG has been conducting an ongoing market research study on [GBS maturity](#). The research process assesses leading GBS user organizations using a maturity model employing a five-level scale encompassing seven GBS operational dimensions and multiple subdimensions. It is a subset of a full-blown GBS maturity assessment model KPMG uses in client engagements. The essence of the maturity model is the degree to which organizations embody the elements such as greater integration, end-to-end and cross-functional process ownership, and global coordination across their GBS efforts.

Another element of GBS maturity is an organization's ability to define a GBS model and appropriate maturity level that best aligns GBS operations with the overall business operational model and strategy. A firm organized in a looser, federated, or holding company model, for example, would benefit less from a highly integrated back-office GBS model and the level of effort it would take to achieve. In this context, not all firms pursuing GBS maturity should necessarily strive for the top level.



Research findings from this study reinforce the KPMG position that adopting, deploying, and expanding GBS is a never-ending journey. The initial benefits are typically cost savings resulting from economies of scale and scope, better leverage of technology, standardized business processes, expanded use of performance metrics, and a reduction in the number of people required to deliver services. The destination and longer-term benefits typically are a moving target dependent on changing needs and conditions. They run the gamut from further cost savings to enhanced process performance, higher-quality services, and overall business improvement. In addition to pursuing greater GBS maturity, firms are also expanding GBS scope to include more strategic activities such as analytics and supplier management.

Complementing this ongoing maturity study as well as the detailed look at trends in global shared services usage undertaken in each [third quarter Sourcing Advisory Pulse](#), is the following section of the Sourcing Advisory Pulse survey that examines GBS services macro trending.

## Level of Adoption of a GBS Operating Model

The first topic addressed in this macro trending assessment is the level of GBS adoption across functional areas as well as across the alternative service delivery models of shared services and outsourcing. The intent is to understand GBS uptake by function as well as by delivery model. KPMG firms' professionals and third-party service providers were asked what are typical clients' levels of GBS *awareness and interest* as well as levels of *deployment and activity across each of these functions* and delivery models. Figure 14 illustrates results from advisors polled, and Figure 15 from service providers.

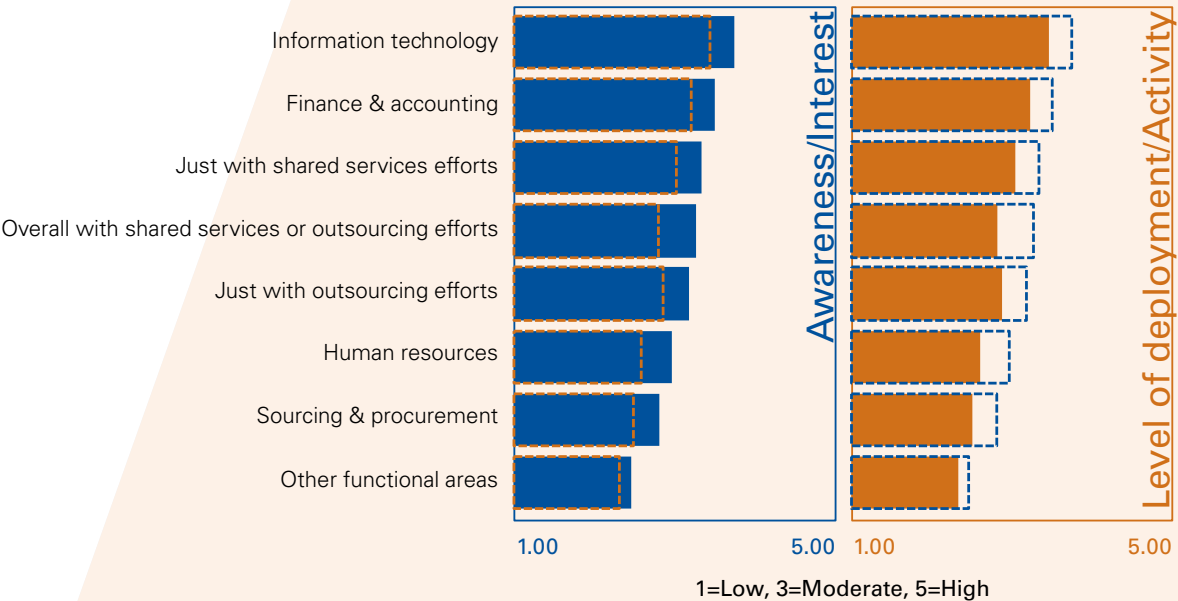
Each area was ranked on a one-to-five scale where one represents low levels of awareness/interest or deployment/activity, three represents moderate, and five represents high levels.

- *IT* is the functional area where advisors are seeing the greatest levels of GBS awareness and interest as well as deployment and activity, with awareness scored higher at 3.74 on the five-point scale and activity at 3.44. The relatively high marks for IT are interesting and need interpretation, for example, in the context that IT services to support specific business functions such as F&A deployed in a GBS model often do not include IT that is delivered via a separate operating unit. So IT itself deployed under a GBS model is often more common than IT tied to a business function being integrated in a GBS operation.



- Coming in second was *F&A*, with *sourcing and procurement* scoring lowest among major back-office functional areas. Typical organizations are more likely to have adopted a GBS model across all their shared services efforts than their typically more discrete and often multiprovider outsourcing efforts. *Other functional areas* such as sales and marketing support, analytics, or supply chain services ranked the lowest. Adoption levels in these emerging areas are addressed below.

Figure 14 | Advisors - Level of adoption of “GBS” operating model

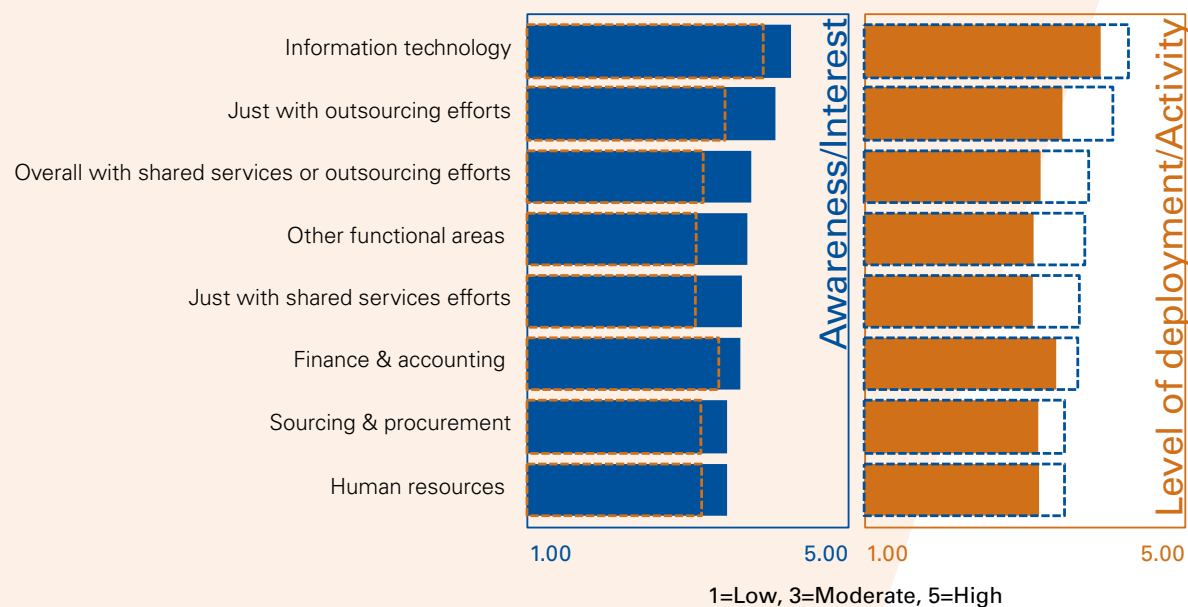




- Third-party service providers polled scored awareness and adoption levels in a similar, though somewhat higher, range than advisors, though they portrayed a different overall ranking. *IT* was again the top-ranked area for deployment and activity, scored at 4.30 on the five-point scale for awareness and interest and 3.95 for level of deployment and activity. Ranked second was deploying a GBS model *just with client outsourcing efforts*. The difference in this scoring between advisors and service providers in part reflects providers' greater visibility into their own and adjacent outsourcing efforts in client accounts, and less visibility into clients' *shared services* efforts.

It is important to keep in mind that while the GBS concept and framework is becoming more commonly identified in the market, it is still far from a universally agreed upon concept or definition.

Figure 15 | Service Providers - Level of adoption of "GBS" operating model



## Shared Services and Outsourcing Usage by Emerging Function

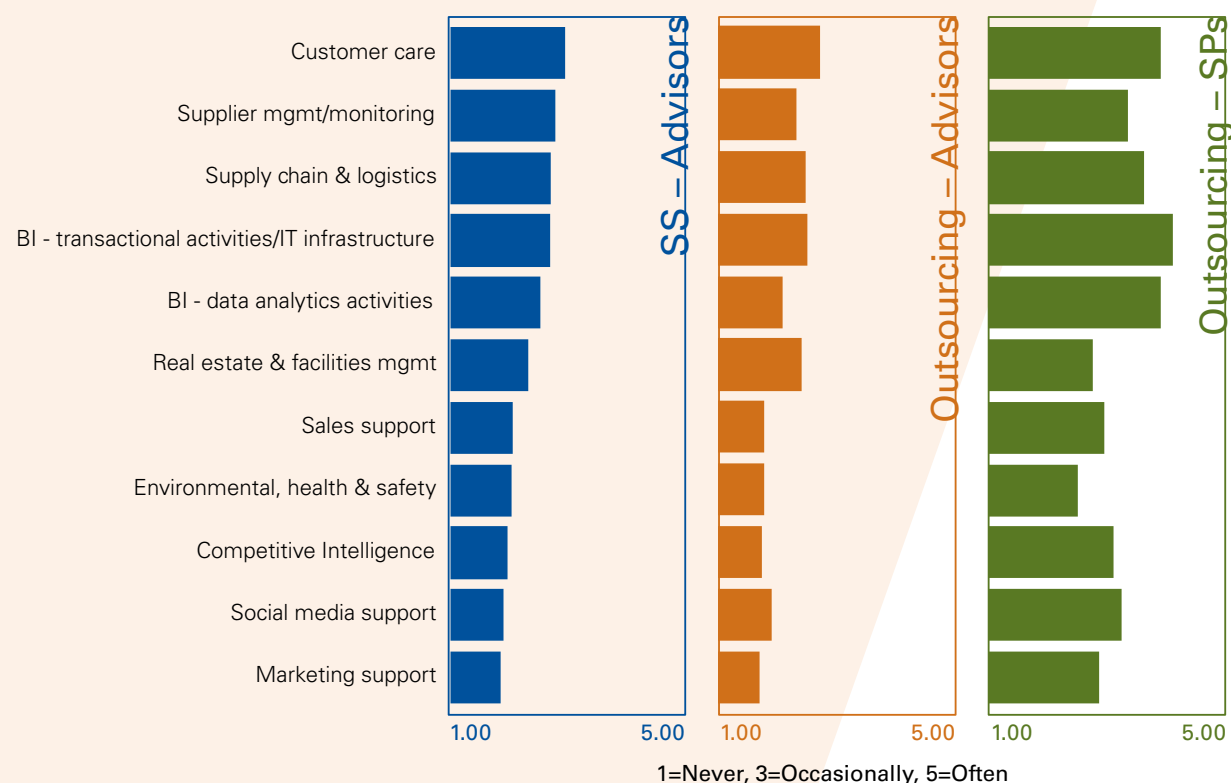
KPMG firms' advisors and third-party service providers were next asked to assess client usage of both elements of a GBS model—shared services and outsourcing—across a range of functional areas. Advisors were polled both on shared services and outsourcing adoption while service providers were just polled on outsourcing adoption, the reason being service providers typically have less accurate and comprehensive visibility into clients' collective shared services efforts.

The focus of this question is on functional areas less often deployed today into a GBS model than functions such as F&A, HR, and sourcing and procurement. These functions represent the emerging market for GBS efforts and often involve more strategic and client-facing activities.

Respondents ranked usage on a one-to-five scale where one represents *never*, three *occasionally*, and five *often*.

- KPMG firms' advisors scored *customer care* as the functional area among those under consideration as the one most commonly outsourced under a GBS model, though the score was below the midpoint at just 2.75. Ranked lowest by advisors for outsourcing was *environmental, health, and safety services*. Service providers ranked *business intelligence – transactional activities/IT infrastructure to support data analytics* the highest for outsourcing at 4.10, followed by *business intelligence – data analytics activities* at 3.84. These two categories of data analytics services were split out from a single category in the 1Q13 Pulse survey. The large variance between some of the advisor and service provider scores is based on a number of factors including the mix of service providers polled, coverage areas of typical advisors, the number of deals versus total size of efforts, providers' exclusive focus on outsourcing, and their visibility into clients' overall outsourcing efforts.
- KPMG firms' advisors again scored *customer care* the highest for deployment via shared services as part of a GBS usage model, scoring it slightly higher than outsourcing. Ranking close behind were *real estate and facilities management services*, and *supplier management and monitoring* services. Overall findings from both advisors and service providers for both shared services and outsourcing illustrate the diversity of functions and activities organizations are now supporting via their GBS efforts.

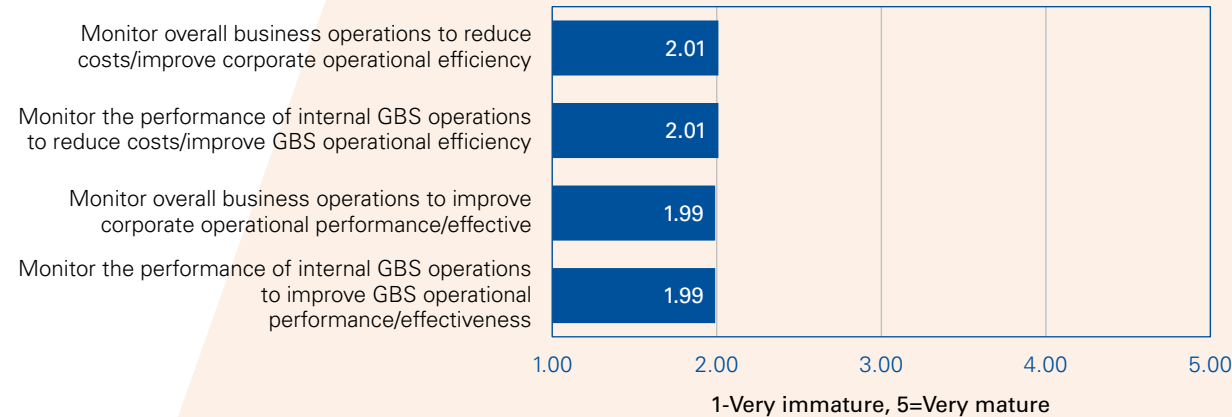
Figure 16 | Shared services and outsourcing usage by function



Maturity of Data and Analytics Capabilities in GBS Operations

A new question was added in the 1Q14 edition of the Pulse survey for KPMG member firms’ consultants that assessed the maturity of client organizations’ usage of data and analytics services. Capabilities around four dimensions of data analytics usage were assessed (see Figure 17) related to monitoring both GBS organizations as well as overall business operations to reduce costs via greater efficiency as well as improve operational effectiveness. Advisors were asked to rank typical client capabilities on a one-to-five scale where one represents *very immature* and five *very mature*. There was near unanimity on the scoring with two dimensions each scored at 1.99 and two at 2.01. So while KPMG clearly finds that data and analytics services are high on the agenda of many GBS operations, capabilities still lag significantly. This is not unexpected given the immaturity of most data and analytic efforts, but represents an area where GBS organizations are encouraged to invest in improving capabilities as rapidly as possible. Other KPMG research, for example on [best-in-class finance functions](#), finds that organizations that prioritize GBS talent management and feel they are more skilled at these activities perform much better financially.

Figure 17 | Advisors: Client Maturity for Data and Analytics Usage for GBS





## Maturity of GBS Capabilities

The next section of the Sourcing Advisory Pulse survey, along the same lines of the GBS maturity research study, assessed typical buyer maturity levels across a range of GBS capabilities. KPMG professionals were polled on seven activities, while providers were polled on six, excluded from assessing maturity around activities related solely to shared services. These categories are similar to those assessed in the related GBS maturity assessment program, though that maturity assessment is much deeper and more detailed. Respondents ranked each category on a one-to-five scale, where one represents *very immature* and five *very mature*.

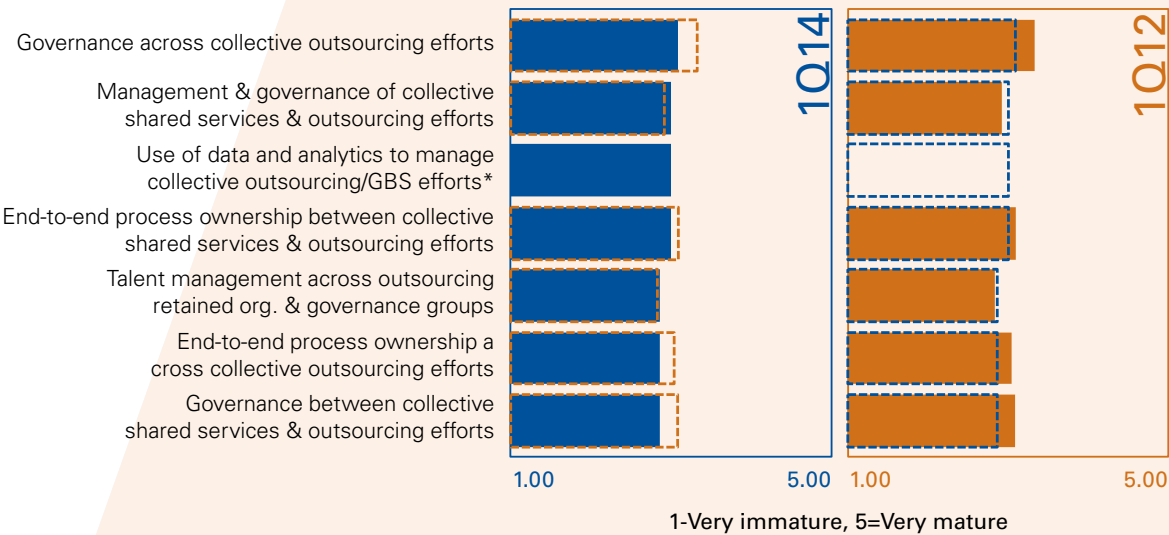
- The top ranking by KPMG firms' advisors was for GBS organizations' skills at *governance across collective outsourcing efforts globally*, though the score level leaves much room for improvement at just 2.55 on the five-point scale. All scores were clustered in a close range with *end-to-end process ownership between collective shared services and outsourcing efforts globally* scored the lowest at 2.09.

Figure 18 | Advisors: Client GBS Maturity Levels



- Service providers were more generous in their scoring of client maturity, though overall, scores are still low relative to what is optimal. *Governance across collective outsourcing efforts globally* was again ranked first, scored at 3.09 by service providers polled. Scored lowest were both *governance between collective shared services and outsourcing efforts* and *end-to-end process ownership across collective outsourcing efforts*.

Figure 19 | Service Providers: Client GBS Maturity Levels

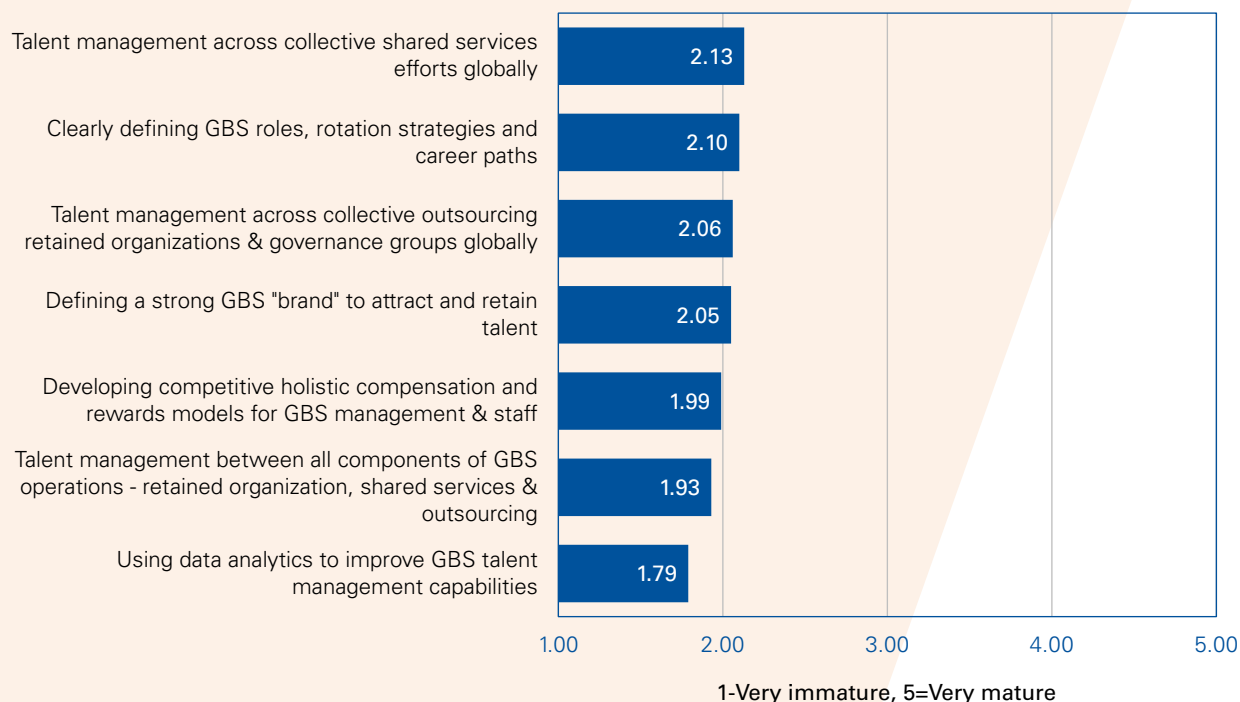


\* New category 1Q14

## Maturity of Talent Management Capabilities in GBS Operations

Another new question added to the 1Q14 edition of the Pulse survey for just KPMG member firms' consultants assessed the maturity of client organizations' talent management capabilities for their GBS operations. Seven dimensions of GBS talent management capabilities were assessed (see Figure 20) using a five-point scale where one represents *very immature* and five *very mature*. Similar to the use of data and analytics to improve GBS operational performance, there is much room for improvement in terms of GBS talent management capabilities. Ranked first, though at just 2.13 on the five-point scale, was *talent management across collective shared services efforts globally*. Scored last at a lowly 1.79 was *using data analytics to improve GBS talent management capabilities*. KPMG consistently hears from clients the challenges they have finding, attracting, and retaining the required talent needed to field a premier GBS organization. Some of these challenges arise from general skills and talent shortages in the market (despite relatively high unemployment rates in many countries) but in particular there is a dearth of experienced talent available to staff more complex GBS operations. The inaugural KPMG Human Resource Center of Excellence Pulse survey, scheduled for release in June of 2014, will focus exclusively on skills shortage and talent management challenges and solutions in the market today.

Figure 20 | Advisors: Client GBS Talent Management Maturity



The key takeaway from these GBS macro trending findings is that organizations are rapidly adopting a GBS model across a range of functional areas via both shared services and outsourcing. However, typical organizations' capabilities to manage these efforts leave much room for improvement from a variety of perspectives. This is especially the case with coordination and integration between the shared services and outsourcing components of GBS, end-to-end process management and ownership, and with talent management. Similar to global outsourcing independently, organizations' appetites for undertaking more aggressive and comprehensive GBS efforts are often greater than their skills, resources, and experience to support these efforts. Often, this becomes more self-evident to organizations as they become more experienced with GBS efforts. The result is that many firms regarded as market leaders in GBS maturity often view themselves as relatively immature, given their more aggressive maturity aspirations.

KPMG firms' advisors offered the following comments on GBS macro market trending.

*GBS is so new that **most clients do not even understand it**. They use the terms, but that is the limit to the discussion.*

*Most data and analytic capabilities built into GBS are about forecast and trends. It is **limited in its predictive capabilities**.*

*While there is an increase of general awareness of the importance of things such as data and analytics and talent management to the success of GBS efforts, for all but the most mature and experienced firms it is **typically only lip service to the concepts, not concrete plans or strategies**.*

*The general macro-level challenges of skills and talent shortages are **exacerbated in more specialized operational areas such as GBS**.*

*More clients, as well as service providers, are talking the 'GBS' talk but for most it is just a new acronym replacing shared services and/or outsourcing. The **reality of global integration and coordination is slim at best** in most client accounts.*

To provide additional, broader research on the GBS topic, KPMG, in conjunction with market research firm HfS Research, released in 4Q13 the results of a major new market study on the [state of the GBS market](#). It complements and extends KPMG's ongoing market research effort on [GBS maturity](#). The market study examines the uptake of GBS, drivers and benefits sought, key success factors, global GBS expenditure levels, and the key attributes of more mature GBS organizations in areas such as governance, end-to-end process management, data analytics, and talent management.

# Market Conditions Impact on GBS

The next section of this quarter's global Sourcing Advisory Pulse survey examines the impact that current global economic and geopolitical conditions are having on organizations' GBS efforts. This topic is explored annually in the Pulse survey. While the economy is improving in the United States, there remain longer-term headwinds, for example, relative to fiscal deficits and general governmental dysfunctionality, and there is growing concern over political gridlock in most developed as well as developing markets. There remains uncertainty over growth rates in the European Union and the growing

split between southern and northern countries and markets in Europe. Political turmoil in Central and Eastern Europe, as manifested in recent events in the Ukraine and Crimea, are raising concerns among users sourcing services from those markets. In the much-touted BRICs (Brazil, Russia, India, China), economic growth is slowing. All of this impacts buyers' GBS strategies and tactics both as they relate to improving operational efficiency and effectiveness and supporting global market expansion efforts.





## Market Conditions: Impact on Global Sourcing

Market conditions always impact buyer demand levels and usage patterns for GBS provisioning. Some of the impact is driven by changing market economics such as exchange rate trending, wage inflation, required skills shortages, high attrition rates, and the increase in surplus but poorly skilled labor in western markets. Increasing service trade protectionist rhetoric and policies in Western markets has a dampening effect, albeit not to a significant degree, at least to date. Other factors such as disparate energy costs and supplies between markets (for example, low natural costs and surging oil production in the United States) have arguably greater impact of sourcing destinations though their impact varies significantly between services and goods and manufacturing industries. While buying patterns are changing and include the use of more local or nearshore resources for certain services, the growth of global sourcing overall, at least for services, continues relatively unabated.

KPMG polled service providers and its own member firms' advisors on what impact various current market conditions are having on buyers' GBS preferences and usage patterns (see Figure 21). Advisors and service providers were asked to what degree they agreed or disagreed with five positions related to trending in global sourcing. They ranked their responses on a one-to-five scale where one represents *strongly disagree* and five *strongly agree*.

- The trend with the greatest consensus agreement between advisors and third-party service providers was that outsourcing *buyers are growing more interested in offshore services delivered from locations other than India*. This trend is natural and has been occurring for several years, as the number of quality and viable global sourcing locations expands and Indian service providers themselves diversify delivery capabilities beyond their home market. Neither advisors nor service providers see as a major trend buyers pulling back from global sourcing in general or in their use of India-based service providers overall.
- None of the scores from either KPMG advisors or third-party service providers changed by more than 15 percent from when this question was last asked in the 1Q13 Pulse survey. Among KPMG professionals, those covering global deals and clients were, not unexpectedly, less likely to feel organizations were pulling back from global sourcing or globalization efforts, while those from the Asia-Pacific region scored a pullback from global sourcing somewhat higher.

Figure 21 | GBS Data & Analytics Investments Next 24 Months

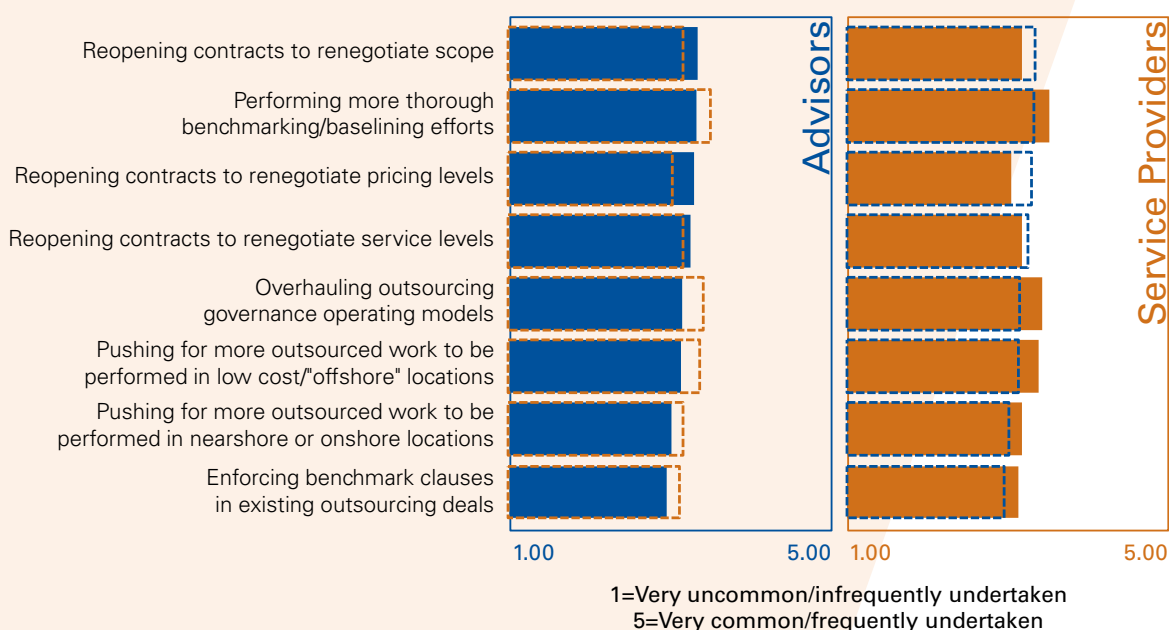


## Common Buyer Responses to Current Market Conditions

The Pulse surveys next assessed the most common activities that buyers have become more aggressive about undertaking, given current market conditions, specifically in outsourcing deals already in flight. Advisors and service providers were asked to identify the frequency with which they are seeing eight different activities in the market and rank them on a one-to-five scale, where one represents *very uncommon/infrequently undertaken* and five represents *very common/frequently undertaken* (see Figure 22).

- The most common activity according to KPMG professionals, scored at 3.32 on the one-to-five scale, was *reopening contracts to renegotiate scope* followed closely by *performing more thorough benchmarking/baselining for new outsourcing efforts* and *reopening contracts to renegotiate pricing levels*. The very close range of these scores across all eight activities and between advisors and service providers illustrates buyers are responding to current market conditions in a variety of ways depending on their situations.
- There were few major differences in responses based on functional areas of focus among KPMG advisors, and from a geographical perspective, advisors covering the Asia-Pacific region indicated buyers were less likely to perform more, or more diligent, benchmarking efforts.

Figure 22 | Common Buyer Responses to Current Market Conditions



## Current Market Conditions Impact on GBS Model Preference

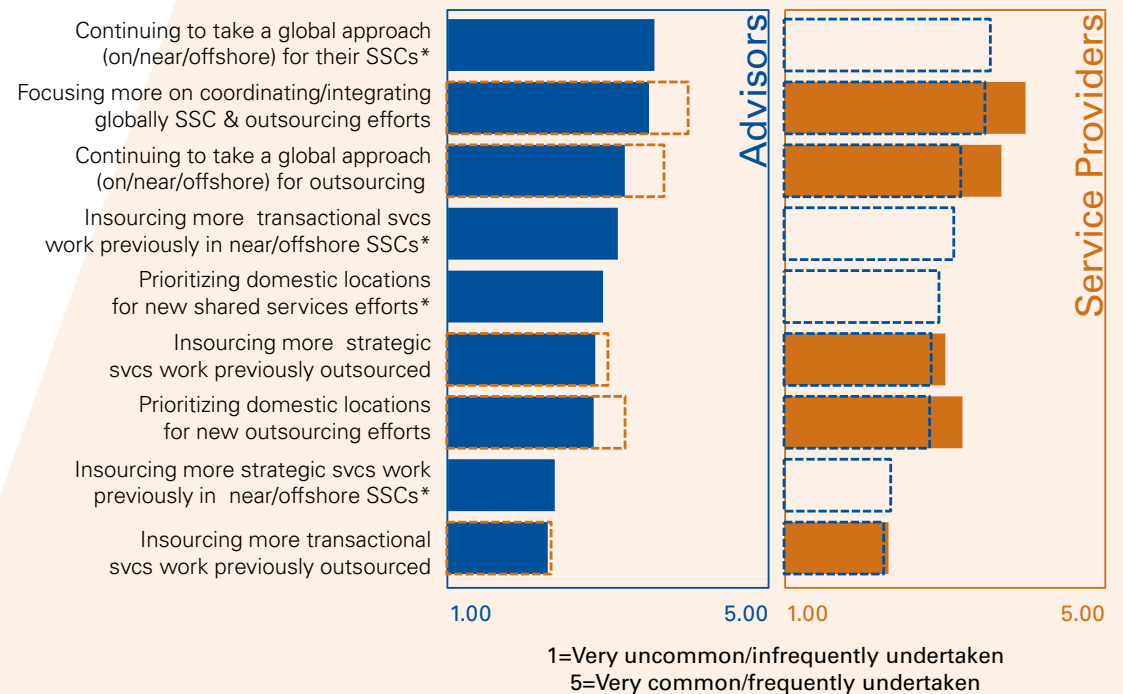
Next assessed was how current market conditions are impacting organizations' preferences for different GBS models. These preferences address insourcing of either shared services or outsourcing efforts; use of different onshore, nearshore, or offshore locations for shared services or outsourcing; and what type of work is performed under a GBS model.

Advisors were polled on all nine responses, while providers were polled on seven, excluded from assessing maturity around activities related solely to shared services. Respondents were asked to identify the frequency with which they are seeing eight different activities in the market and rank them on a one-to-five scale, where one represents *very uncommon/infrequently undertaken* and five represents *very common/frequently undertaken* (see Figure 23).

Overall, both KPMG firms' professionals and third-party service providers do not feel their clients are materially pulling back from GBS effort and in particular their "global" nature. There was consensus between advisors and service providers on the top response of organizations *continuing to take a global approach (onshore/nearshore/offshore) for outsourcing* scored at 3.51 and 4.00, respectively. The highest score among KPMG consultants was *continuing to take a global approach (onshore/nearshore/offshore) for shared services* scored at 3.58.

The lowest scores went to insourcing, both by advisors and service providers, for *insourcing more transactional services work previously outsourced* and *insourcing more transactional services work previously in nearshore or offshore shared services centers* by advisors.

Figure 23 | Current Market Conditions Impact on GBS Model Preference



\*Only advisors answered questions on shared services

KPMG firms' advisors offered the following comments on GBS trending in response to current market conditions.

- “Current economic conditions trigger global organizations to **take a closer look at their global strategies** and the hidden efficiencies that can be released into the business.
- “A **push towards bringing offshore services to or back to local regions**. For example, service centers in Eastern Europe are servicing more EU clients.
- “**Diminished pure labor arbitrage plays in India**, with other alternative lost cost solutions available.
- “Experience shows that while benchmarks are a useful indicator, they are rarely powerful enough to force a price change as the benchmarks in an outsourced IT environment are rarely directly comparable. Hence why companies choose to reopen a contract for renegotiation rather than trying to force a benchmark clause into effect. **In truly successful ITO relationships, the contract tends to remain in the filing cabinet**. The contract is mostly accessed when damage is already done and trust has broken down.

- “Irrespective of the current economic and political conditions, companies who previously wholeheartedly embraced a global outsourcing model are **making more clear distinctions between strategic and transactional outsourcing**. In these cases, companies are either choosing to insource the strategic portion of the works or to source an expert group for that core strategic function.
- “While few buyers are pulling back from the globalization of service delivery conceptually, they are **much more savvy and discerning about what services to source from where and why**. It's much more about service quality than pure cost reduction.

# Learn More

## Where to Learn More about Global Sourcing Market Trends

### KPMG Online Research Portals and Blogs

- [KPMG Shared Services and Outsourcing Institute](#)
- [KPMG Advisory Institute](#)
- [KPMG Management Consulting Blog: Advice Worth Keeping](#)
- [KPMG Management Consulting Podcast Series: Advice Worth Keeping](#)
- [Directory of all KPMG Institutes](#)
- [KPMG Competitive Alternatives](#) – global sourcing location assessment services





# Appendix

## Key Questions by Advisors' Primary Geography and Outsourcing Focus Area

	All	IT	BP	All Function	Global	Americas	EMEA	AsiaPac
<b>Top Approaches to Change</b>								
Improve current SSC/outsourcing governance	68%	70%	71%	62%	63%	75%	70%	54%
Internal process improvement/re-engineering efforts	48%	44%	54%	53%	40%	58%	48%	71%
Investments into/improvements to enterprise software systems	28%	33%	26%	36%	33%	25%	28%	17%
Investments into cloud computing services	23%	30%	21%	19%	24%	23%	26%	17%
Use/expansion of SSCs	53%	36%	56%	64%	54%	44%	57%	50%
Use/expansion of offshore captive SSCs	17%	9%	20%	13%	22%	11%	15%	25%
Use/expansion of ITO	34%	58%	20%	38%	33%	38%	33%	25%
Use/expansion of BPO	31%	30%	36%	30%	33%	30%	33%	46%
Insourcing work previously outsourced	9%	9%	10%	4%	11%	13%	11%	4%
Bringing work performed offshore back onshore	5%	9%	7%	0%	2%	13%	2%	0%
Nothing/major improvements not required	2%	3%	2%	2%	0%	5%	0%	0%
Nothing/lack of ambition/execute support/funding	1%	2%	2%	2%	3%	2%	2%	0%

		All	IT	BP	All Function	Global	Americas	EMEA	AsiaPac
<b>Top Functional Focus Areas</b>									
All areas, including IT		20%	19%	18%	28%	24%	20%	22%	29%
All business functions		7%	2%	9%	6%	13%	8%	7%	8%
Vertical industry-specific bus. functions		6%	2%	4%	8%	5%	3%	7%	4%
Customer care		12%	14%	13%	13%	13%	11%	15%	0%
F&A		65%	58%	68%	68%	67%	64%	59%	75%
HR		35%	33%	38%	26%	29%	33%	37%	54%
IT		61%	84%	49%	62%	54%	69%	59%	46%
Manufacturing		3%	3%	2%	6%	2%	3%	0%	4%
Procurement/source to pay		34%	36%	41%	30%	29%	34%	37%	38%
REFM		9%	6%	10%	6%	8%	13%	7%	8%
R&D		0%	0%	0%	0%	0%	0%	0%	0%
Sales & marketing		4%	3%	4%	6%	5%	2%	11%	13%
Supply chain		17%	17%	20%	23%	16%	17%	20%	13%
Transportation/logistics		4%	9%	3%	0%	8%	5%	9%	8%
<b>Change in Demand Last 1-2 Quarters</b>									
Internal process improvement	Up	43%	44%	46%	44%	34%	47%	50%	39%
	Flat	53%	53%	49%	52%	61%	50%	48%	57%
	Down	5%	4%	4%	4%	5%	3%	2%	4%
Shared services/SSC	Up	48%	35%	55%	52%	57%	47%	36%	57%
	Flat	48%	63%	42%	42%	39%	53%	57%	35%
	Down	4%	2%	3%	6%	4%	0%	7%	9%
ITO	Up	26%	35%	18%	30%	23%	23%	22%	24%
	Flat	69%	62%	75%	66%	74%	72%	73%	71%
	Down	5%	3%	7%	4%	4%	5%	5%	5%
BPO	Up	26%	27%	31%	17%	25%	21%	28%	32%
	Flat	61%	65%	56%	67%	65%	66%	62%	59%
	Down	13%	8%	13%	15%	9%	14%	10%	9%

		All	IT	BP	All Function	Global	Americas	EMEA	AsiaPac
<b>Change in Demand Next 1-2 Quarters</b>									
Internal process improvement	Up	49%	48%	51%	51%	41%	49%	51%	35%
	Flat	48%	50%	46%	45%	53%	49%	44%	65%
	Down	3%	2%	3%	4%	5%	2%	5%	0%
Shared services/SSC	Up	49%	34%	56%	56%	56%	46%	39%	48%
	Flat	47%	60%	41%	40%	41%	53%	55%	48%
	Down	4%	5%	3%	4%	3%	2%	7%	4%
ITO	Up	31%	41%	24%	39%	28%	23%	38%	33%
	Flat	65%	55%	70%	61%	67%	70%	62%	67%
	Down	4%	3%	6%	0%	5%	7%	0%	0%
BPO	Up	34%	32%	36%	32%	35%	26%	40%	45%
	Flat	60%	64%	57%	62%	61%	67%	56%	50%
	Down	6%	4%	7%	6%	4%	7%	5%	5%
<b>Biggest NEGATIVE Trends 2014</b>									
With all work performed via SS/outourcing	Interest	3.27	2.94	3.36	3.02	3.72	2.94	3.38	3.00
Just with shared services	Interest	3.34	3.24	3.50	3.28	3.67	3.24	3.52	2.94
Just with outsourcing	Interest	3.17	3.16	3.18	3.00	3.52	3.16	2.86	2.67
In finance and accounting	Interest	3.50	3.32	3.64	3.56	3.87	3.32	3.35	3.33
In human resources	Interest	2.96	2.92	3.16	2.65	3.04	2.92	2.85	2.63
In sourcing and procurement	Interest	2.81	2.53	2.94	2.89	3.02	2.53	3.08	2.53
In information technology	Interest	3.74	3.47	3.71	3.68	3.89	3.47	3.93	3.50
In other functional areas	Interest	2.46	2.28	2.74	2.56	2.80	2.28	3.00	2.50
With all work performed via SS/outourcing	Activity	2.80	2.52	2.89	2.56	3.17	2.52	2.81	2.72
Just with shared services	Activity	3.02	2.94	3.09	3.05	3.21	2.94	3.23	2.76
Just with outsourcing	Activity	2.86	2.76	2.82	2.77	3.17	2.76	2.59	2.28
In finance and accounting	Activity	3.20	3.00	3.29	3.24	3.60	3.00	2.92	3.17
In human resources	Activity	2.58	2.49	2.64	2.45	2.68	2.49	2.48	2.47
In sourcing and procurement	Activity	2.49	2.35	2.61	2.52	2.64	2.35	2.54	2.21
In information technology	Activity	3.44	3.15	3.35	3.42	3.48	3.15	3.69	3.22
In other functional areas	Activity	2.31	2.22	2.59	2.11	2.60	2.22	2.50	2.33

		All	IT	BP	All Function	Global	Americas	EMEA	AsiaPac
<b>Shared Services &amp; Outsourcing by Function</b>									
Business intelligence - data analytics activities	SS	<b>2.51</b>	2.46	2.73	2.40	2.89	2.46	2.58	2.33
Business intelligence - transactional activities/IT infrastructure to support data analytics	SS	<b>2.68</b>	2.62	2.83	2.60	2.83	2.62	2.81	2.33
Sales support	SS	<b>2.05</b>	1.93	2.17	2.08	2.02	1.93	2.23	2.39
Marketing support	SS	<b>1.84</b>	1.81	1.94	1.80	1.67	1.81	2.04	1.89
Social media support	SS	<b>1.89</b>	1.73	1.92	1.88	1.71	1.73	2.31	1.83
Supplier management/monitoring	SS	<b>2.76</b>	2.67	2.91	2.68	2.91	2.67	2.93	2.41
Supply chain and logistics	SS	<b>2.68</b>	2.76	2.85	2.54	2.67	2.76	2.68	2.39
Competitive Intelligence	SS	<b>1.96</b>	2.02	2.14	2.08	1.95	2.02	2.17	1.83
Customer care	SS	<b>2.93</b>	2.92	3.10	2.85	2.82	2.92	3.31	3.06
Real estate and facilities management	SS	<b>2.30</b>	2.17	2.34	2.00	2.43	2.17	2.65	2.18
Environmental, health and safety	SS	<b>2.03</b>	2.00	2.07	1.95	2.10	2.00	2.57	2.00
Business intelligence - data analytics activities	Outsourcing	<b>2.08</b>	2.18	2.25	2.05	2.24	2.18	2.00	1.83
Business intelligence - transactional activities/IT infrastructure to support data analytics	Outsourcing	<b>2.50</b>	2.51	2.53	2.58	2.64	2.51	2.47	2.00
Sales support	Outsourcing	<b>1.78</b>	1.73	1.83	1.69	1.88	1.73	1.46	1.94
Marketing support	Outsourcing	<b>1.69</b>	1.70	1.71	1.59	1.60	1.70	1.60	1.65
Social media support	Outsourcing	<b>1.90</b>	1.71	1.78	2.00	1.79	1.71	2.15	1.94
Supplier management/monitoring	Outsourcing	<b>2.31</b>	2.33	2.45	2.38	2.38	2.33	2.23	2.00
Supply chain and logistics	Outsourcing	<b>2.47</b>	2.50	2.52	2.38	2.61	2.50	2.20	2.06
Competitive Intelligence	Outsourcing	<b>1.74</b>	1.91	1.78	1.79	1.63	1.91	1.83	1.47
Customer care	Outsourcing	<b>2.71</b>	2.75	2.73	2.76	2.75	2.75	2.48	2.94
Real estate and facilities management	Outsourcing	<b>2.40</b>	2.30	2.46	2.21	2.61	2.30	2.48	2.44
Environmental, health and safety	Outsourcing	<b>1.78</b>	1.79	1.74	1.62	1.86	1.79	2.00	1.75

	All	IT	BP	All Function	Global	Americas	EMEA	AsiaPac
<b>GBS Maturity Levels</b>								
Governance across shared services globally	<b>2.28</b>	2.31	2.38	2.23	2.29	2.44	2.36	2.33
Governance across outsourcing globally	<b>2.26</b>	2.50	2.39	2.70	2.62	2.48	2.42	2.62
Governance between SS & outsourcing	<b>2.09</b>	2.12	2.14	2.11	2.06	2.15	2.15	2.33
End-to-end process ownership in SS	<b>2.55</b>	2.25	2.28	2.28	2.25	2.33	2.33	2.24
End-to-end process ownership in outsourcing	<b>2.35</b>	2.35	2.20	2.33	2.19	2.41	2.27	2.19
End-to-end process ownership between SS & outsourcing	<b>2.12</b>	2.15	2.10	2.06	2.00	2.17	2.18	1.90
Overall maturity of integrated GBS efforts	<b>2.16</b>	2.09	2.21	2.09	2.06	2.26	2.24	2.20
<b>GBS Data Analytics Maturity</b>								
Monitor the performance of internal GBS operations to reduce costs/improve GBS operational efficiency	<b>2.01</b>	1.96	2.05	1.98	2.10	2.06	1.91	1.67
Monitor the performance of internal GBS operations to improve GBS operational performance/effectiveness	<b>1.99</b>	2.00	2.06	1.90	2.06	1.96	2.00	1.71
Monitor overall business operations to reduce costs/improve corporate operational efficiency	<b>2.01</b>	2.04	2.04	1.90	2.02	2.11	1.97	1.90
Monitor overall business operations to improve corporate operational performance/effective	<b>1.99</b>	2.08	1.99	1.90	1.96	2.15	1.94	1.86
<b>GBS Talent Management Maturity</b>								
Across collective shared services efforts	<b>2.13</b>	2.13	2.19	1.98	2.13	2.16	2.21	2.05
Across collective outsourcing retained organizations & governance groups	<b>2.06</b>	2.04	2.12	1.94	2.00	2.18	2.21	1.90
Between all components of GBS operations - retained organization, shared services & outsourcing	<b>1.93</b>	1.93	2.01	1.85	1.83	2.02	2.04	1.70
Defining a strong GBS "brand" to attract and retain talent	<b>2.05</b>	2.00	2.11	1.94	1.96	2.16	2.14	2.05
Clearly defining GBS roles, rotation strategies and career paths	<b>2.10</b>	1.91	2.15	2.17	1.89	2.18	2.21	2.05
Developing compensation & rewards models for GBS management & staff	<b>1.99</b>	1.84	2.01	1.98	1.73	2.12	2.04	1.90
Using data analytics to improve GBS talent management capabilities	<b>1.79</b>	1.84	1.84	1.64	1.52	1.96	1.79	1.55



	All	IT	BP	All Function	Global	Americas	EMEA	AsiaPac
<b>Current Market Conditions Impact on Buyers' GBS Efforts</b>								
Current economic conditions are causing buyers to pull back from global sourcing	<b>2.42</b>	2.61	2.46	2.23	2.13	2.54	2.56	2.24
The current political environment is causing pull back from global sourcing	<b>2.57</b>	2.74	2.58	2.44	2.25	2.75	2.81	2.29
Current econ./market conditions are causing pull back from globalization	<b>2.41</b>	2.53	2.50	2.31	2.13	2.53	2.67	2.38
Current market conditions are causing pull back from using Indian-based SPs	<b>2.69</b>	2.65	2.80	2.58	2.48	2.79	2.72	2.52
More interest in offshore services delivered from locations other than India	<b>3.53</b>	3.48	3.48	3.58	3.60	3.38	3.67	3.71
<b>"Buyer Reaction to Current Market Conditions"</b>								
More thorough benchmarking/baselining	<b>3.32</b>	3.35	3.24	3.35	3.29	3.40	3.25	2.90
Enforcing benchmark clauses	<b>2.96</b>	3.07	2.91	2.90	2.84	3.05	2.97	2.43
Reopening contracts to renegotiate pricing	<b>3.30</b>	3.33	3.28	3.31	3.35	3.38	3.35	3.14
Reopening contracts to renegotiate SLAs	<b>3.25</b>	3.24	3.30	3.35	3.35	3.38	3.18	3.24
Reopening contracts to renegotiate scope	<b>3.34</b>	3.39	3.41	3.21	3.57	3.45	3.32	3.29
Pushing for more offshore outsourcing	<b>3.13</b>	3.24	3.09	3.10	3.04	3.11	3.21	3.00
Pushing for more nearshore/onshore outsourcing	<b>3.01</b>	3.02	3.05	3.02	2.86	3.15	2.97	2.81
Overhauling outsourcing governance operating models	<b>3.14</b>	3.30	3.08	3.04	3.08	3.18	3.29	3.00
<b>Current Market Conditions Impact on GBS Model Preference</b>								
Insourcing more transactional svcs work previously outsourced	<b>2.25</b>	2.19	2.34	2.04	2.34	2.31	2.12	2.10
Insourcing more strategic svcs work previously outsourced	<b>3.12</b>	3.19	3.10	3.13	3.28	3.11	3.03	3.10
Insourcing more transactional svcs work previously in near/offshore SSCs	<b>2.33</b>	2.43	2.46	2.13	2.36	2.54	2.19	2.30
Insourcing more strategic svcs work previously in near/offshore SSCs	<b>2.82</b>	2.94	2.91	2.65	3.06	2.87	2.59	2.80
Prioritizing domestic locations for new outsourcing efforts	<b>2.84</b>	3.04	2.90	2.67	2.67	3.04	2.68	2.55
Prioritizing domestic locations for new shared services efforts	<b>2.94</b>	2.94	3.03	2.76	2.86	3.19	2.74	2.89
Continuing to take a global approach (on/near/offshore) for their SSCs	<b>3.51</b>	3.49	3.52	3.41	3.67	3.36	3.67	3.60
Continuing to take a global approach (on/near/offshore) for outsourcing	<b>3.58</b>	3.67	3.51	3.50	3.80	3.43	3.58	3.55
Focusing more on coordinating/integrating globally SSC & outsourcing efforts	<b>3.21</b>	3.10	3.23	3.15	3.36	3.10	3.45	2.90



# CONTACT US

## PHILIPPINES

### Imelda H. Corros

Partner  
Management Consulting  
Advisory Services  
E: [icorros@kpmg.com](mailto:icorros@kpmg.com)  
T: 885-7097

### Branden B. Dean

Senior Manager  
Management Consulting  
Advisory Services  
E: [bdean@kpmg.com](mailto:bdean@kpmg.com)  
T: 885-7000 loc. 342

### Hazel Ann C. Co

Manager  
Management Consulting  
Advisory Services  
E: [hco@kpmg.com](mailto:hco@kpmg.com)  
T: 885-7000 loc. 409

## ASEAN

### Andrew Tinney

Partner  
Head of ASEAN Management Consulting  
Head of KPMG Singapore's Financial Services Advisory Practice  
Financial Advisory Services  
E: [andrewtinney@kpmg.com.sg](mailto:andrewtinney@kpmg.com.sg)  
T: +6564118026

### Tony Rawlinson

Partner  
Shared Services and Outsourcing Advisory  
E: [trawlinson@kpmg.com.sg](mailto:trawlinson@kpmg.com.sg)  
T: +6564118101

### Juwanus Tjandra

Partner  
Shared Services and Outsourcing Advisory  
E: [juvanustjandra@kpmg.com](mailto:juvanustjandra@kpmg.com)  
T: +6564118415

### Mohammed Zafar Ali

Director  
Shared Services and Outsourcing Advisory  
E: [mohammedzafarali@kpmg.com.sg](mailto:mohammedzafarali@kpmg.com.sg)  
T: +6564118418

## KPMG INTERNATIONAL

### Stan Lepeak

Director  
Global Research, KPMG Management Consulting  
E: [slepeak@kpmg.com](mailto:slepeak@kpmg.com)  
T: +1 203 458 0677



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