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PRESENTS

THE FUTURE OF SHARED SERVICES

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SHARED SERVICES

CREATING STRATEGIC BUSINESS VALUE FOR MULTINATIONAL CORPORATIONS



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A business revolution is underway, and shared services are leading it. Shared services providers, or global capability centres (GCCs) for the purposes of this report, are becoming global in-house consultancy powerhouses. The best GCCs are mining expert insights, analysis, and innovations for their multinational companies (MNCs). Most were first established in India and other low-cost jurisdictions to manage routine transactional work and deliver efficiencies in finance and other functions. Today, many innovative GCC leaders have earned their seat at the table as trusted business partners.

Some of these GCC leaders advise on optimising cashflows, revenues and profits. Others have transitioned their GCCs from cost centres to profit centres that provide customised business products and services. GCCs now represent about 1% of India's GDP and employ over 1.3 million people¹. Their combined revenues rose from \$19.4 billion in 2015 to over \$35 billion in 2021, and this is expected to double in the coming years².

Providing value and compliance assurance in knowledge-based finance processes

For many MNCs, cost savings, process standardisation and quality control were the original drivers for allocating transactional work to shared services providers (known as GCCs, GBSs or SSCs). High-performing GCCs were subsequently also tasked with managing knowledge-based processes such as statutory reporting and tax compliance for multiple jurisdictions, while ensuring compliance with regulatory and quality standards.

To deliver full financial and trade compliance, GCC leaders are adopting software that centralises financial records, provides data transparency and leverages automation. This significantly improves audits and enables the team to spend more time delivering higher value work. The risks of data gaps in financial reporting include regulatory penalties, reputational damage and loss of shareholder value.

Identifying opportunities to increase cashflow, revenues and profits

Finance functions are leading the way in centralising end-to-end processes in GCCs. Almost three in four (72%) of GCCs in India are now tasked with managing both transactional and knowledge-based finance processes³. These range from accounting, financial planning and analysis to specialist work such as global tax compliance and statutory reporting.

Innovative GCCs are delivering even greater value by establishing centres of excellence (COEs) for critical business functions such as finance. These centres strive to do more than expertly manage transactional and knowledge-based processes. They also seek to provide business insights in areas such as cash improvement, commercial lease costs, customer behaviour and product promotions.

Leveraging automation to strengthen global financial compliance

Faced with expanding workloads, GCCs are increasingly leveraging automation-enabled financial compliance tools to meet ongoing expectations of delivering cost and process efficiencies. Many are also harmonising end-to-end processes through

centralised global platform that automates the calculation and preparation of statutory financial and tax reporting.

Many MNCs are using this content-driven cloud-based technology to file tax returns for 50+ countries in 20+ languages through a single GCC team in India. This delivers substantial cost savings and eliminates potential under or over payments of tax, while providing complete oversight of ongoing tax compliance obligations. As a result, organisations can anticipate and effectively manage potential compliance risks, cashflow issues, and share price dips which can occur following regulatory penalties.

Tech-enabled GCCs are reshaping compliance

The process-based nature of statutory financial reporting, tax and trade compliance aligns well with the centralised delivery model. As many GCCs already manage financial work, their adoption of these aligned knowledge-based compliance functions can lead to numerous benefits.

- Faster response time to regulatory updates
- More efficient integration and analysis of new business information
- Closer cross-departmental working relationships and more career opportunities for staff
- Less duplicated effort to manage data collection, workpapers, calculations and report iterations
- Skilled staff in GCCs and enterprises alike better able to focus on higher-value work

Secure framework for Shared Services

S

Scalable

- Supports global growth using a single platform
- Keeps pace with latest technologies and regulatory requirements

E

Expert

- Built for specialised regulation like tax, trade, risk, legal
- Content maintained and updated by qualified professionals (CPAs, lawyers etc)

C

Centralised

- Enables control and visibility to all stakeholders
- Centralised global regulatory intelligence

U

Universal

- Out-of-the-box content for multiple jurisdictions
- Multi-lingual capabilities to cater to local regulation

R

Real-Time

- Ensures State-of-the-art data security
- Access anywhere anytime through the cloud

E

ERP Agnostic

- Connects to ERP via certified APIs/ tools, keeping core records safe
- Flexible during acquisitions, expansions, ERP migration/ upgrade

Risks vs benefits of centralising financial compliance processes

Despite the myriad advantages of a central model, some companies have held back from centralising financial compliance processes due to the perceived risks. These include beliefs that local in-country knowledge is better and that centralisation can increase the likelihood of a compliance breach. Some may have concerns over entrusting GCCs with meeting financial regulatory deadlines.

Content-driven technology addresses these by providing:

- Best-practice country-specific disclosures that meet local filing requirements for statutory reporting
- Automatic translation tools that enable centralised GCC teams to draft, review and file financial statements in multiple languages
- Country-specific indirect tax rates, return calculations and e-filing, with regular legislative updates

The best GCCs are agile and innovative. They continuously improve their operations, technology and talent to better meet their enterprise's evolving business needs.



"Anything and everything which is rule-based compliance, which requires diligence but does not require judgement, needs to be taken over without any disruption and with zero involvement of the finance function."

— Manish Dugar, Chief Financial Officer, Mphasis

Pillars of the future: transformation, technology and talent

GCCs looking to move up the value curve and provide strategic business services will need more than their historical advantage of labour arbitrage. To transform from back-office support into valued business partners, they must leverage technology and upskill their workforce. This will mean using automation-enabled technology to centralise tax and trade compliance functions and statutory reporting. These valuable tools will enable staff to mine data-driven business insights to drive innovation.

FROM BACK OFFICE TO BACKBONE OF BUSINESS

Many GCCs are pioneers of business transformation, having shifted from a transactional support focus to a strategic business services approach in recent years. As BASF's Asia-Pacific GCC leader remarked, this involves transitioning from being a "partner of force" to a "partner of choice".

A key component of this value creation is global centralisation of knowledge-based processes such as financial compliance. Another is actively engaging with enterprise stakeholders to identify innovative tech-enabled solutions to business problems. For some GCCs, the primary metric has switched from cost savings to value of services to the enterprise, its customers and its regulators.

How GCCs are enhancing their value proposition



"As an established business centre - we are here to build long term business partnerships and cater to local market needs."

— Mitul Rustagi, Vice President, Global Finance Centre of Excellence, Johnson Controls

Many GCCs are undergoing multi-year digital transformations, which are stimulating business transformations for them and their enterprises. By standardising and automating routine processes, GCCs can centralise additional services from myriad jurisdictions into a single hub, while freeing up valuable resources. Several Indian GCCs are taking on more complex knowledge-based processes in anticipation of India becoming the global hub for shared services. Some Indian GCCs already manage all global accounting and finance functions for their MNCs.

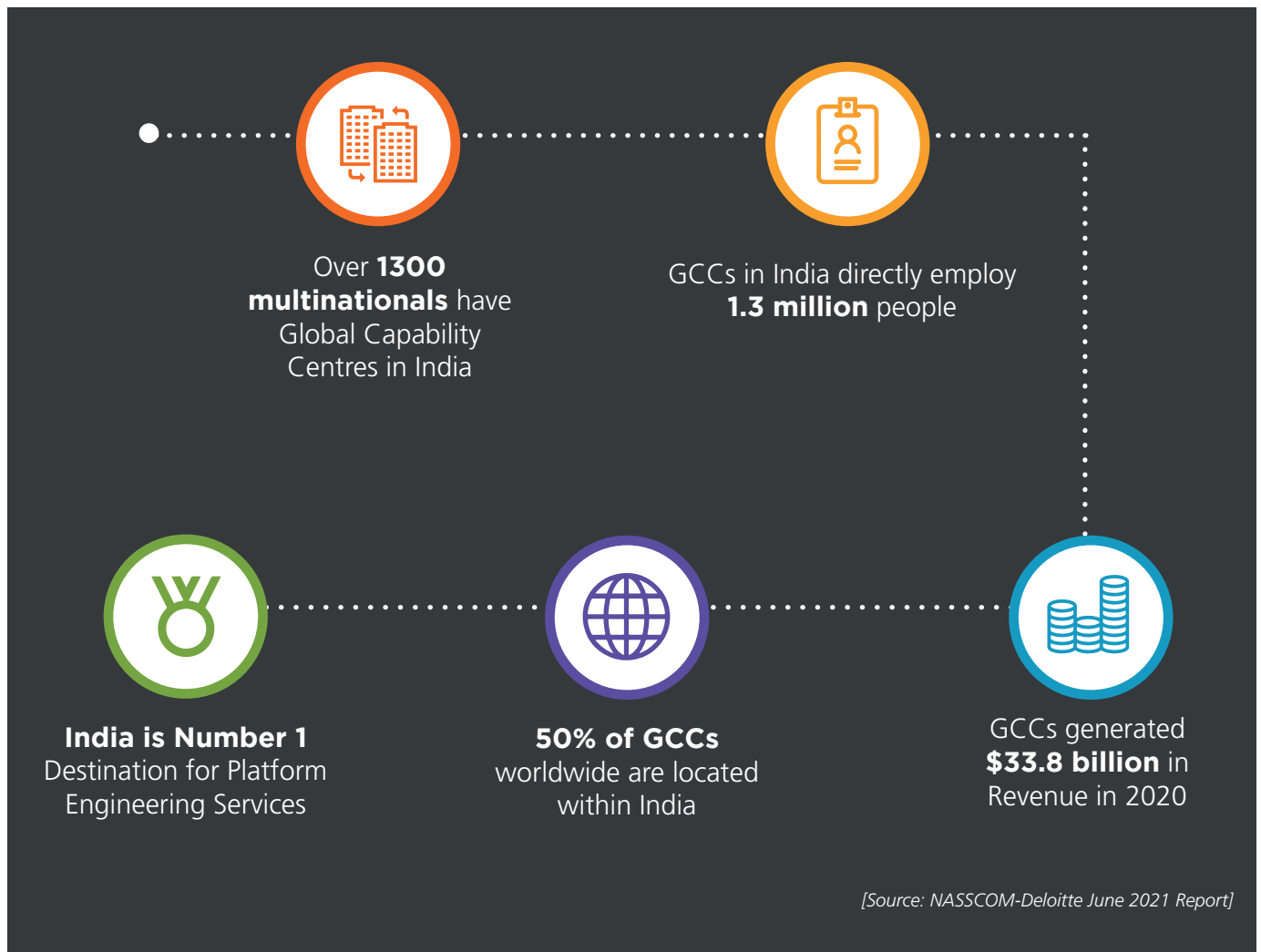
Multiple functions such as statutory reporting and

tax compliance are being connected and harmonised in GCCs through technology, enabling greater data insights. Re-skilled finance staff are utilising artificial intelligence, data analytics, machine learning, robotic process automation, predictive analytics and other tools to drive value generation. These are enabling GCCs to strengthen their enterprise's revenue generation, pricing strategies, capital financing, commodities sourcing, product costing, inventory management, and more. For example, Siemens Technology India's GBS now operates as an independent business that provides myriad business solutions to multiple companies. It has its own P&L and obtains specialist services from Big Four accounting firms.

For some GCCs, a critical success factor for these digital and business transformation efforts has been executive sponsorship within their enterprise. For others, internal recognition of the business insights that GCCs can offer has led to their leader gaining a seat at the enterprise table. The Head of Finance from TE Connectivity hinted that his MNC may soon base global leadership roles out of its SSC in India.

Redefining the value of shared services

Evolution of GCCs in India



"It all started with cost arbitrage, but we are increasingly seeing that shifting. Instead of optimising costs, people are now looking at maximising value. That shift is quite visible."

— Aniruddha Bhattacharyya, Head of Finance & Accounts, TE Connectivity



"My value proposition is not lower costs. My value proposition is how can I make your business more competitive. That's where the value of shared services is completely changing."

— Naveen Mohan, CFO & Head of Global Business Services, India, Siemens Technology and Services Pvt. Ltd



"It's not only cost savings that we are delivering, but we are actually helping to grow revenues. It is about how we can become a business enabler."

— Manish Dugar, Chief Financial Officer, Mphasis



"We are no longer a services organisation which is subservient. We have a seat at the table which positions us right at the heart of the group's strategy. Through deep data science and Analytics, we are able to influence business decisions faster and more effectively."

— Sumit Mitra, CEO, Tesco Global Business Services

GCCS OPERATING AS DIGITAL TRANSFORMATION CENTRES

Finance GCCs are accelerating their adoption of expert systems to standardise, harmonise and automate complex knowledge-based compliance processes. Having already discovered the benefits of using automation tools to manage accounts payable, accounts receivable, and financial planning and analysis processes, many are entering the next stage of their digital transformation.

GCC leaders are increasingly recognising that labour-intensive compliance processes are hindering financial innovation. To address this, some are implementing software to automate the preparation of reports and returns, regulatory updates and language translations. The business impact has been remarkable.

Delivering financial insights and analysis

GCCs that have implemented expert systems to harmonise global financial compliance have not just delivered cost savings and increased efficiencies. They have also provided greater financial control, transparency, and agility, enabling MNCs to scale operations in a regulatory compliant manner.

Some GCC finance teams that use automation tools to fulfil labour-intensive processes are now creating data-driven insights for enterprise stakeholders. They are strengthening internal controls, financial forecasting, day sales outstanding, capital structuring, cash generation, earnings per share, and more. Instead of fulfilling routine processes, they are solving their enterprises' significant business problems and increasing global profits.



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“From the key transformation point of view, our strategy for finance shared services is to centralise the accounting operations in global hub’s across India, Poland and China with close proximity to Schneider Business and Operations. Our focus is to go end-to-end digital by continue to Simplify, Standardise, Automate and Optimise the Accounting Operation that are fully embedded with Internal Controls.”

— Rajan Gupta, Head of India (Global) Accounting Shared Service, Schneider Electric

Automation is transforming GCCs' capabilities

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“I need a human intervention only when there is a point of view that needs to be taken and a decision coming out of that point of view. Until then, a lot of it can be codified.”

— Kabir Ahmed Shakir, Chief Financial Officer, Tata Communications

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“We are making significant investment in intelligent automation and analytics because we want our associates to do more value added tasks and focus on continuous upskilling and reskilling”

— Krishnan N, Vice President & Head of Bosch Global Business Services India

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“We were the first ones in the entire group to start talking about robotics. We created a humbot environment where humans and bots can work together in shared services.”

— Navneet Bansal, CEO, JSW Global Business Services



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“Today GCC is fully capable and has access to large amount of data to provide insights and analytics. I think GCC is well equipped to create magic and empower the strategic vision of the organisation to enable data driven decisions.”

— Sandeep Poddar, Head of AkzoNobel GBS India

THE WORKFORCE OF THE FUTURE EMPOWERED BY TECH



Attrition of highly skilled staff has been a growing concern for GCCs since early 2020. Insufficient job satisfaction, compensation and flexibility have led many to seek out opportunities elsewhere, creating critical knowledge and process gaps.

Today, many GCCs identify people, processes, and technology as their strategic pillars. Several have centralised and automated repetitive and knowledge-based financial compliance processes to remarkable success. This tech investment is enabling leaders to redesign their workforces, develop virtual COEs, increase staff engagement and upskill employees.

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“Centralisation allows you to manage knowledge effectively. It’s going to be crucial, especially in the area of compliance. Technology and people need to work together.”

— Arvind Subramanian, Senior Vice President and Chief Accounting Officer, Philips

How GCCs are preparing for the future of work

Many GCC leaders recognise that competitive compensation is not the only criteria for retaining skilled staff. To address this, some are developing flexible virtual workplaces for high-performing global teams of ‘digital citizens’. Others are encouraging staff to become change catalysts by offering training, leadership development and secondment opportunities within the GCC and enterprise.

GCC leaders noted that in the coming years they will need to recruit, develop, and retain more staff with interpersonal, business, and technological skills. Self-motivated professionals who strive for excellence and can adapt to new tech-driven ways of working are in strong demand. Also sought after are data-literate staff with business acumen and storytelling skills.

With robotic process automation (RPA) and data analytics tools providing organisations with unprecedented data visibility, data scientists will play an important future role in GCCs. Some GCCs have already created hybrid teams of humans and bots to maximise efficiencies. Top finance teams will be measured on their delivery of data-driven innovations, analysis and insights that contribute to their MNC’s bottom line.

Tips for centralising knowledge-based finance processes in a GCC

- **Agree on key objectives.** These may include greater cost savings, data oversight, process harmonisation and regulatory compliance.
- **Identify process weaknesses to be addressed.** These may include delays in filing statutory financial reports, which can lead to regulatory penalties and audit overruns.
- **Determine key performance indicators.** A combination of qualitative and quantitative metrics can help to ensure your GCC meets objectives.
- **Assign responsibility for the process changes.** A global process owner can ensure there is accountability in meeting deliverables.
- **Choose the right technology.** Software that is content-enabled, constantly evolving and can adapt to your needs as you scale operations will deliver substantial savings in the long term.

Building global teams for the future



"It is no longer shared services vs businesses. It is more of an integrated model where people are sitting in geographies and in labour arbitrage countries, and businesses are benefiting from those resources directly."

— Sumit Mathur, Director of Finance Shared Services, Carestream

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"Leadership skills are not just for the people at the top, but for people at every level. It's not about the hierarchy, but about collaborating with everyone around you."

— Kabir Ahmed Shakir, Chief Financial Officer, Tata Communications

"If any employee does not have storytelling skills, how are they going to manage and convey information? Being a storyteller without understanding data analytics is not going to happen."

— Varun Nayyar, Vice President - Global Business Services, Juniper Networks

"Our operating model has been evolving and it's all clearly delivered in terms of capacity, automation, and innovation. So that gives us the opportunity to do more with less and create better value"

— Uma Ratnam Krishnan, Managing Director & Co-CEO, Barclays Global Service Centre

GCCS ARE NOW THE CORNERSTONES OF MNCs

The value proposition of GCCs is growing. GCCs that have centralised routine transactional work and knowledge-based processes through global financial compliance platforms have reaped substantial gains. They have scaled back expenditure on costly local experts and external consultants and refocused staff efforts on increasing cashflows, revenues and profits.

Future-focused GCC leaders are repositioning themselves as consultants that can provide senior executive stakeholders with strategic business insights and expert analysis. To drive this enhanced value creation, GCC finance teams are being upskilled in data analytics and intelligent automation. The most innovative GCCs are transitioning from cost centres to profit centres to independent service providers.

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“After a certain time, all shared services will reach a milestone where they would be benchmarked and compared against third party service providers. In order to stay relevant they would have to provide value beyond volume consolidation and cost arbitrage. Otherwise they have to decide whether to sell themselves, or move work to a third party service provider.”

— Naveen Mohan, CFO & Head of Global Business Services, India, Siemens Technology and Services Pvt. Ltd

Four takeaways on how GCC leaders can drive the business revolution

1. Prepare to scale operations

Centralised COE finance and accounting teams are leveraging automation and digitisation to globally simplify, standardise and harmonise both routine transactional processes and complex knowledge-based work.

2: Focus on global connectivity

Global centralisation of operations is essential to support business growth, manage supply chains, oversee regulatory compliance, and ensure business continuity. As GCCs strive to develop global virtual workplaces for digital citizens, they will need expert cloud platforms that seamlessly connect data and systems across the enterprise architecture.

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“Digital transformation and data liquidity have enabled us to move up the value chain by making processes more efficient, driving new insights and analytics, and improving the overall control and compliance framework.”

— Atul Pai, Enterprise Controller Operations & Site Lead, Honeywell Global Finance Centre



“Shared services will eventually become more global intelligence services or global virtual services, with the pandemic pushing the world to be more virtually operated.”

— Sudhir Dasamantharao, Director of Global Business Services and Chief Transformation Officer - APAC, Boston Scientific

3. Reimagine value creation

Forward-thinking GCC leaders recognise that automation-powered technology is key to meeting targets, scaling operations, and retaining talent. They know that data-driven efficiencies and global process oversight can transform governance and compliance, ensure more informed business decisions, and enable in-house experts to focus more on strategic analysis and value creation.

4: Think like a consultant

The best GCC leaders do not simply maintain ‘business as usual’. They take on in-house consultancy roles within their MNC and provide insights on business issues, plans and strategies. They have a seat at the table, report directly to senior global executives, and have growing influence across the organisation.



“Today, it’s not about what can go, but what needs to be retained at the front end in terms of decision making, using the data and insights provided by shared services.”

—Sarma Garimella, SBU Controller & VP Finance - APAC, CGI



“Imagine the kinds of new opportunities we can create in terms of cash, working capital and getting more out of a workforce that already understands your business model.”

— Rohit Kharbanda, Head of Hotel Finance Services & Growth, IHG Hotels & Resorts

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