Welcome to the Jungle of SSC & GBS

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Introduction

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Impact Advisory – In Association with Dentons Europe LLP
 - GBS Advisory

- 19 years experience in GBS
- Build – Operate – Improve - Automate
- Worked for logo's like Adidas, Vodafone, IKEA, Cushman & Wakefield, DSM and EY

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Introduction

Our industry moving from blue skies to an uncertain jungle

Who doesn't remember the days…..

…where for years we saw significant growth in number of companies and employees in the GBS sector globally

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Over 2000 SSC's in CEE region

Growth in scope and career opportunities

SSC becoming a strategic pillar of many multinationals

Double digit growth figures

Not having an SSC almost was like a sin

And we in the SSC sector were all living a relaxing life

Our focus was very much on the basics of running an organization and ensuring the operation was delivering in scope services

Service stabilization

Standardization & process improvement

Delivery according to pre-set KPI's

Talent acquisition & management

Cost avoidance

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And while we were enjoying SSC & GBS life….

On the background a perfect storm was developing which would turn our secure life into an environment of insecurity, change and unexpected challenges

And this brought us to a jungle of questions

In the last couple of years there is so much change in the SSC and GBS world, that it has become hard to know where to focus and how to escape the jungle
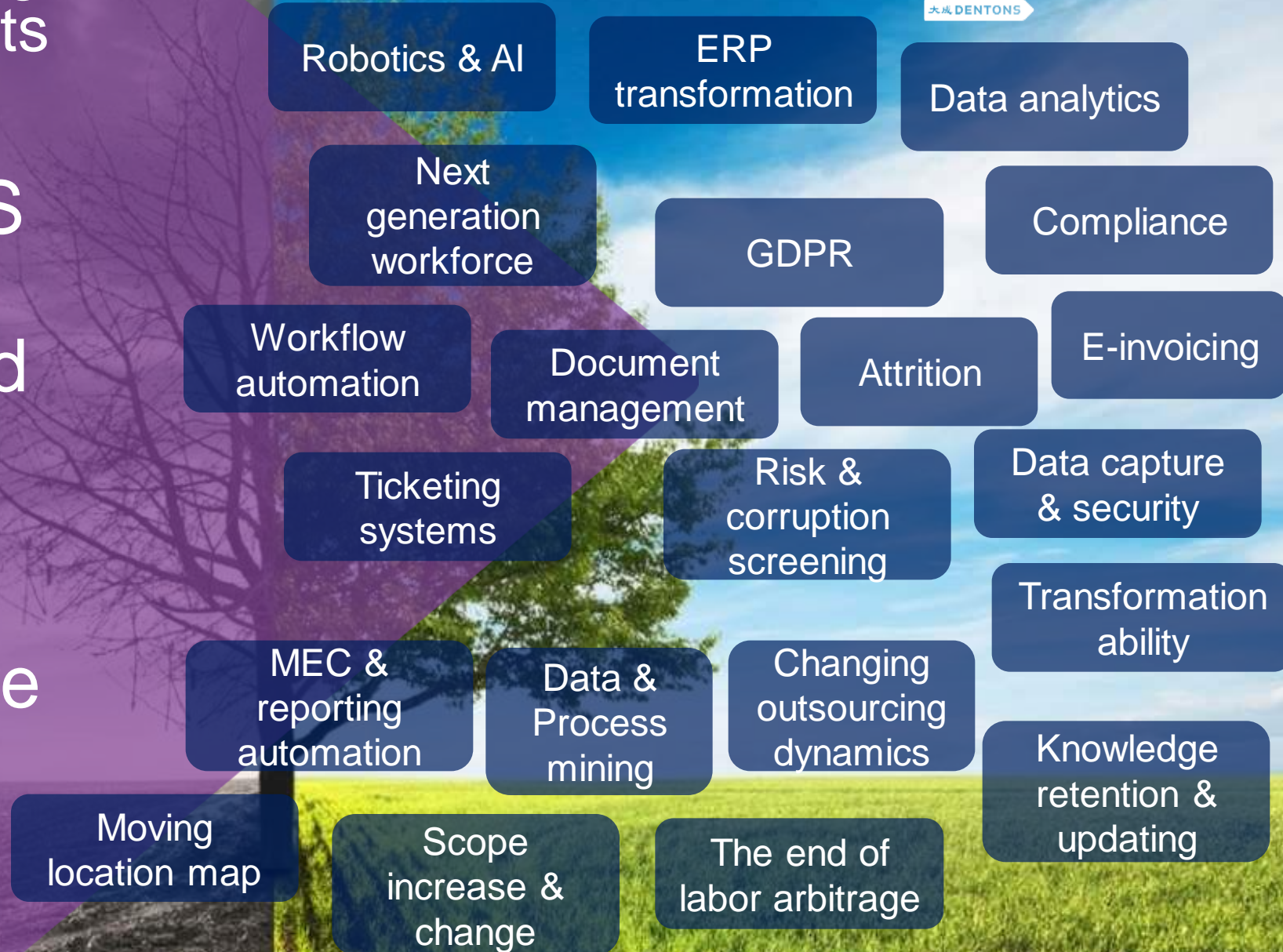
Examples of a changing environment and threats

The agenda of GBS leaders nowadays completely changed and the challenges experienced are significantly more complex than before

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Robotics & AI

ERP transformation

Data analytics

Next generation workforce

GDPR

Compliance

Workflow automation

Document management

Attrition

E-invoicing

Ticketing systems

Risk & corruption screening

Data capture & security

MEC & reporting automation

Data & Process mining

Changing outsourcing dynamics

Transformation ability

Moving location map

Scope increase & change

The end of labor arbitrage

Knowledge retention & updating

GETTING DIZZY ALREADY?

Our Jungle:

Which areas are causing challenges?

How did we come here?

The question that rises is how SSC leaders were able to navigate themselves into a jungle of uncertainties and complexity

Digital

People

Organization

Outsourcing

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Digital

The rise of the robots

All of a sudden all SSC leaders and C-suit members are focusing on automation solutions as a way to improve their organizations

Everybody talks about robotics as the solution that will solve our problems and take over from our workforce

And it is not only robotics but much more that is here to come
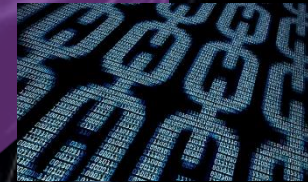
Blockchain

Augmented reality

AI & Machine learning

Internet of Things

Robotics and other digital solutions are often seen as a **must** focus area

And there is more digital then just robots

Digital agenda's of GBS organizations go much further then just robots and AI and are being implemented in every area of our GBS processes

ERP transformation

Data analytics

Procurement automation

Compliance tooling

Workflow automation

E-invoicing

Document management

Data capture

Risk & corruption screening

Ticketing systems

MEC & reporting automation

Data & Process mining

What we often forget is….

Automation is not a bad thing, it is how we implement it that can take us out of the jungle and back on our sunny beaches

Which solution really fits me?

End to end or cherry picking?

Which processes to target first?

People vs Machine cooperation?

Solving problems vs. closing gaps

Rapidly changing & new solutions

Knowledge retention

Utilization of existing solutions

And then there is another highly under estimated area

Probably the biggest threat for our modern GBS environment, which also is highly under-estimated…..

Cyber security & vulnerability

We all under estimate the cyber threat

Although cyber is a risk for our whole organization, Shared Service Centers are under growing focus of attack or threat for a company.

We all think we are protected, but our protection is often not up to date

Most organizations are operating cyber re-active instead of pro-active

Our SSC's continue to collect more data which will grow factor 10 in 3 years

More work & data is moved towards SSC's making them more vulnerable

Data is more valuable and there will be people or organizations trying to get it

Legislation gets more strict & non compliance results in serious image damage

There is a lack of awareness that the security breaches we are **not** aware about are the majority

Are we convinced?

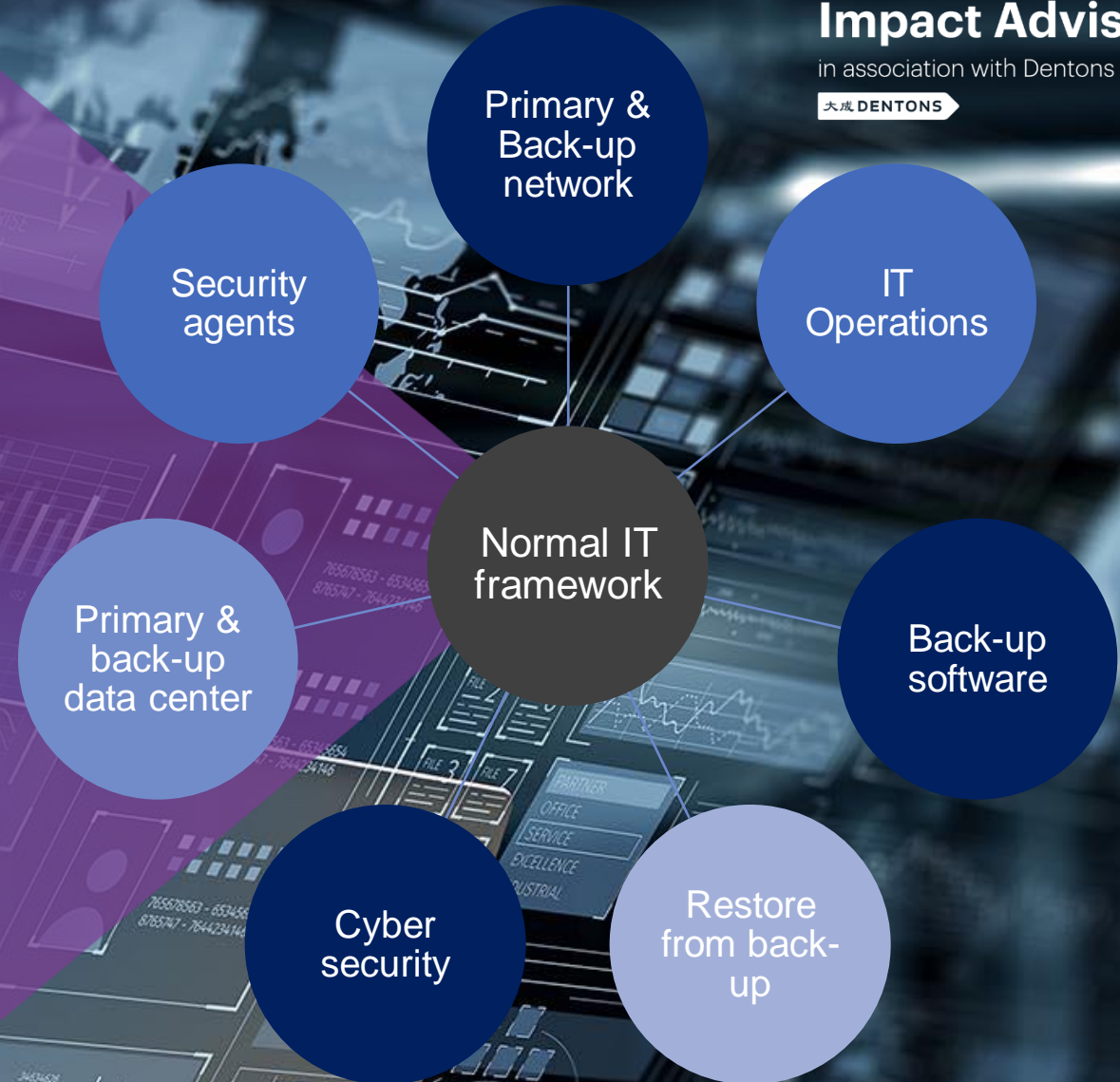Lets do a manual on how to destruct a company & its GBS

How does a normal IT & security organization look like?

Every normal organization has implemented the following relatively standard IT mechanisms like back-up, security, data centers and operations.

Primary & Back-up network

Security agents

IT Operations

Normal IT framework

Primary & back-up data center

Back-up software

Cyber security

Restore from back-up

But what if……

What if…this would happen to your IT infrastructure?

- No Network
- No Backup software
- No Operations
- No Security monitoring
- No Data Center
- No Identity

See it as a city without streets, police, hospitals….

Welcome and meet

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README-NOW.txt - Notepad

File Edit Format View Help

There was a significant flaw in the security system of your company.
You should be thankful that the flaw was exploited by serious people and not some rookies.
They would have damaged all of your data by mistake or for fun.

Your files are encrypted with the strongest military algorithms RSA4096 and AES-256.
Without our special decoder it is impossible to restore the data.
Attempts to restore your data with third party software as Photorec, RannohDecryptor etc.
will lead to irreversible destruction of your data.

To confirm our honest intentions.
Send us 2-3 different random files and you will get them decrypted.
It can be from different computers on your network to be sure that our decoder decrypts everything.
Sample files we unlock for free (files should not be related to any kind of backups).

We exclusively have decryption software for your situation

DO NOT RESET OR SHUTDOWN - files may be damaged.
DO NOT RENAME the encrypted files.
DO NOT MOVE the encrypted files.
This may lead to the impossibility of recovery of the certain files.

To get information on the price of the decoder contact us at:
CottleAkela@protonmail.com;QyavauZehyco1994@o2.pl
The payment has to be made in Bitcoins.
The final price depends on how fast you contact us.
As soon as we receive the payment you will get the decryption tool and
instructions on how to improve your systems security

2SPYWARE

But…can this be real?

Unfortunately yes, it happened in March 2019 to an organization that has a GBS spread over North America, LATAM, APAC and EMEA, bringing down full operations globally

- 36.000 FTE industrial production organization operating globally

- 6 GBS locations

- Company was based on security practices seen as advanced

- Infrastructure died "inside-out" and needed to be build from scratch

- 50% of all IT infrastructure encrypted or infected

- All factories to a stand still and total lockdown

- A virus brought in purely focused on bringing down the company

- Costing the company losses exceeding 55 million USD (before any legal impacts)

How did this happen?

Gain access to company network

Compromise high privilege account

Discover environment (3/4 month) gave them sufficient time to target the attacks

Copy virus to computers in GLOBAL.TO domain with assignment to encrypt everything

Execute virus (manual execution)

Factory

Office

HQ

Factory

Data Center

Internet

Factory

Office

Factory

Office

Remote Users

Suppliers
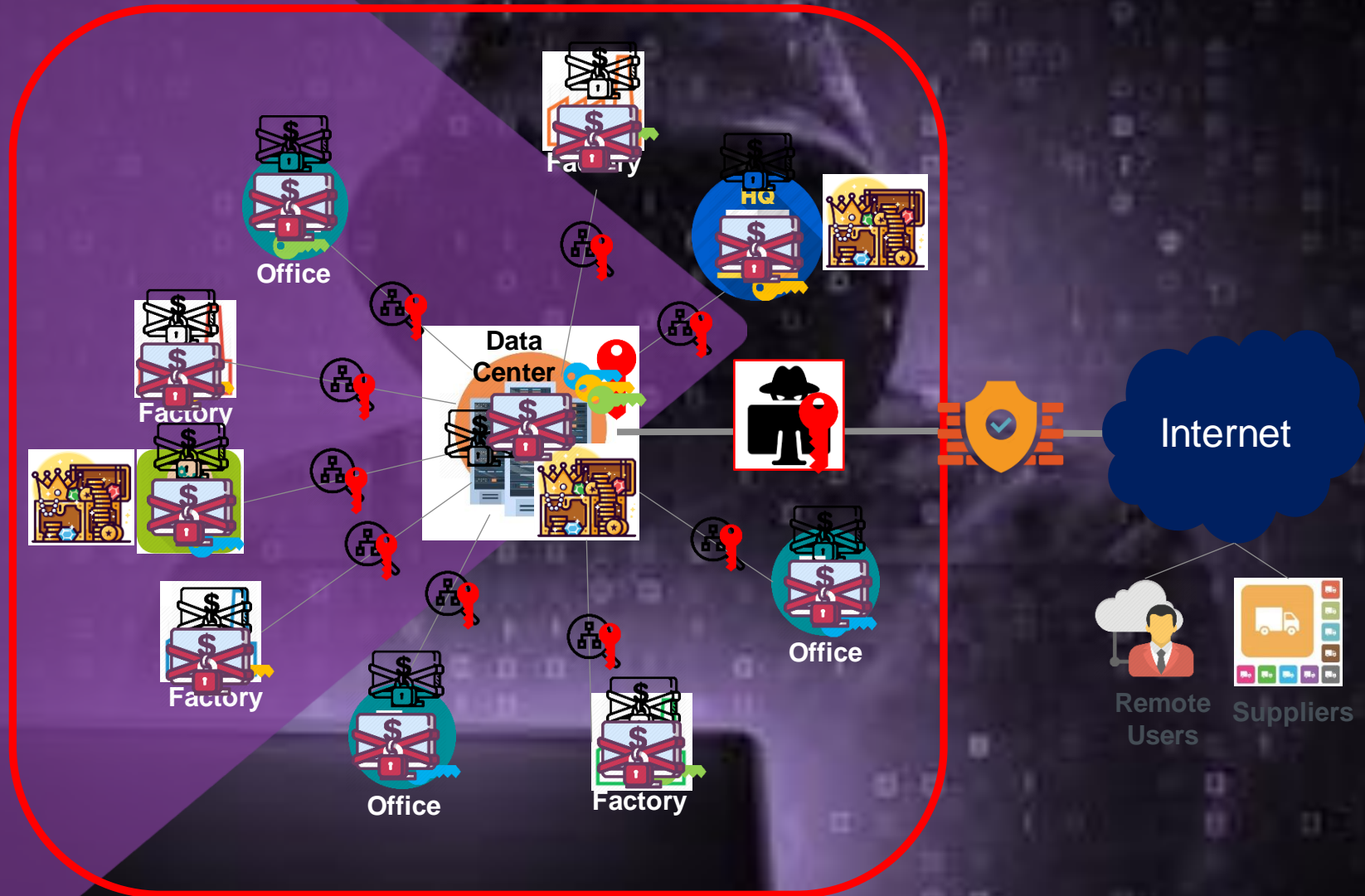
Consequences

The consequences for this company and its Shared Service Center were disastrous and the effects will be felt at least till the end of this year

Basic core infrastructure needed to be build from scratch including basic identities

Newly build-up data center and back-up center

Every server and workstation to be checked 1 by 1 (replace or recover)

Full ERP systems out of use for weeks (some occasion months)

The GBS systems are in such case not core infrastructure so are being put low on priority list

Lessons learned

Become a dictatorship – Single decision taker; No time for democracy

Cloud systems & modern ERP (S4Hana) are more resilient and secure then in house systems

Most SSC / GBS organizations have a BCP not focused on such disasters (take over does not work)

Do you really know your complex architecture? Many new links discovered by trail & error

Some apps are not written on secure / best practice way (usage of privilege accounts)

SSC / GBS is not a priority in these incidents, however they can be of great help & support

Minimize channels where to accept priorities

Tighter security measures will impact many apps and some might not be recoverable due to this

Communication is an issue, especially as laptops are down

Ensure people working on recovery are stress resilient, have project focus and are very agile

More segregation required instead of an "EU" approach

Worms are a joke compared to modern existing viruses

Security is like a journey, you will never reach the end

People

Changing workforce and expectations

The people we hire are different then what we are used to and their expectations and ways of working is changing rapidly

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New generation, new expectations	Different people, different approach, different expectations
Labor arbitrage looses significance	As compensation goes up, how will we remain competitive?
Move from candies to knowledge	What benefits are important for the new generation?
Attrition & retention	How can we retain our workforce?
Resource pyramid changes	How will we handle the new resource pyramid?

Generation Z expectations

When evaluating several researches, there are a couple of key areas where the new generation of resources are primarily focusing on at a workplace

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Working Culture & freedom

Financial Rewards

Contribution to Society

Loyalty

Learning and Development

Flexible Working

Diversity

We are losing the battle on cash

In the last couple of years, the Central & Eastern European region has become less competitive on labor arbitrage, requiring us to change our value

Compensation has grown steep over the last couple of years

We need to find other areas to be competitive with

Knowledge, moving up the value chain and quality is (part) of the solution, but how can we deliver this?

Change in education system

(Subsidized) Continuous learning & development

Managed salary for the sector

(Re) Attracting talents from abroad

Move from candy to knowledge

Where in the past we could retain people with many benefits, there is a clear move towards knowledge and pay as the main attractors for generation Z

We are no longer in control, your people are!

Your people expect a journey for them to develop & learn not just a job where they work

People are much more aware what they are worth and are ready to exploit it

The new generation understands that knowledge is the key to their success

Attrition management & retention causes

Over the years our SSC environment has become more competitive, resulting in a large requirement to focus on creative ways to manage attrition

Several factors that impact our current attrition

Growing number of competitors searching for the same talent

Increasing complexity requiring more scarce resources

Decreasing loyalty of employees from new generations

Companies that provide above market salary and compensation

Lack of maturity of SSC's, diversity of scope and growth possibilities for employees

What will happen to the bottom of the resourcing pyramid?

The number of jobs will not change drastically on the long term and might even increase on the longer term, however the composition of our jobs will change significantly

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The bottom of the resource pyramid will disappear

New composition of jobs much more focus on a combination of skills

More specialization expected in our roles

Education systems need to change curriculum

Our internal training curriculum needs to change to cover the gap

Changes in the resource pyramid

1. More specialization & new skills required – the war on talent remains

2. Job fragmentation: Several parts of jobs will disappear

3. Re-skilling once is not the solution, continuous learning is required

4. Even if we like to; not everyone has the capacity to be re-skilled

5. University curriculums need to be adjusted & become flexible to fulfill market needs

6. The gap between new comers in the market & required job skills become bigger

Remaining resource pyramid

Resources that can be re-skilled

Resources that can not be re-skilled

Universities & new comers

And how do we attract and hire this new generation

As the new generation all live in a virtual world dominated by social media, not using the power of social media, will prevent you from finding the talents you need

Average of 4 social media platforms

Fast application (on touch)

Flexibility in interviews

Mobile testing & assessment

Who is the boss?

Another example – Who uses Gamification?

In the last year I have started using gamifications in our organization to scan my future workforce during the hiring process

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I was skeptical at start…… but impressed about the results

Candidates simply get a link, play for 20 minutes and the outcomes are in my experience 90+% accurate

Games and outcomes can be linked to an own desired candidate profile

Candidates love it and are often themselves amazed by the matching mirror you put in front of them

Examples what it can measure at candidates:

Proactivity	Problem solving	Planning	Learning ability
Self reflection	Endurance	Conformity	Flexibility

Organization

Changes that affect our organization

There are many other aspects in this jungle that potentially will impact the way how we are organized and the way how we are able to deliver in the future

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Size

Governance model

Moving location map

Organizational effects

Service delivery ethos

Partnering

Size does matter in our future environment

Many companies have to make the decision at a certain time if their size is still relevant enough to remain significant for an organization and are able to compete with larger SSC organizations

Ability to transform & automate

Ability to retain talent and keep providing development path

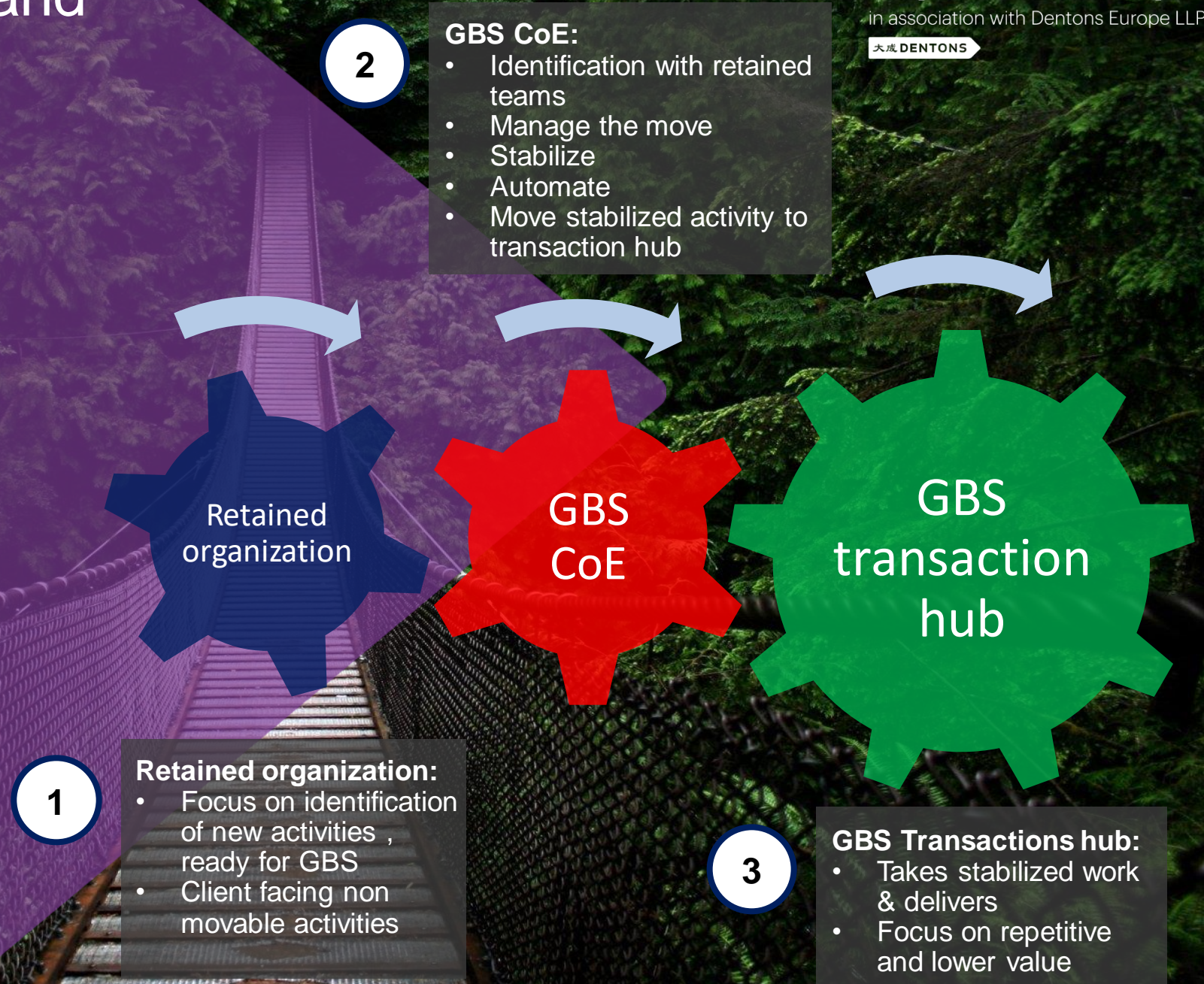**Ability to remain competitive and significant for your organization**

Governance changes and requirements

The jungle that is created for us requires a change in governance to ensure we are ready to manage and optimize our organizations of the future

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2 **GBS CoE:**
- Identification with retained teams
- Manage the move
- Stabilize
- Automate
- Move stabilized activity to transaction hub

Retained organization

GBS CoE

GBS transaction hub

1 **Retained organization:**
- Focus on identification of new activities, ready for GBS
- Client facing non movable activities

3 **GBS Transactions hub:**
- Takes stabilized work & delivers
- Focus on repetitive and lower value

How to become a strategic business partner?

What contributes to the jungle is that there are several requirements to put in place to ensure your organization is able to be a strategic partner in delivering your goals

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Business Partner Framework

Process stability & standardization

Move of process ownership & GPO role in SSC

Seat on the board / C-suite table

Strategic alignment and goal setting

GBS development mindset throughout the organization

Autonomous SSC leadership with decision power

Move from reactive to proactive

Location becoming a moving target

Where in the past we chose for the obvious location to build and develop our SSC, now several key selection criteria have changed or will change soon

A virtual world is coming

Salary increases move countries from low cost to average

Many obvious places become saturated

New required knowledge is not always available in current markets

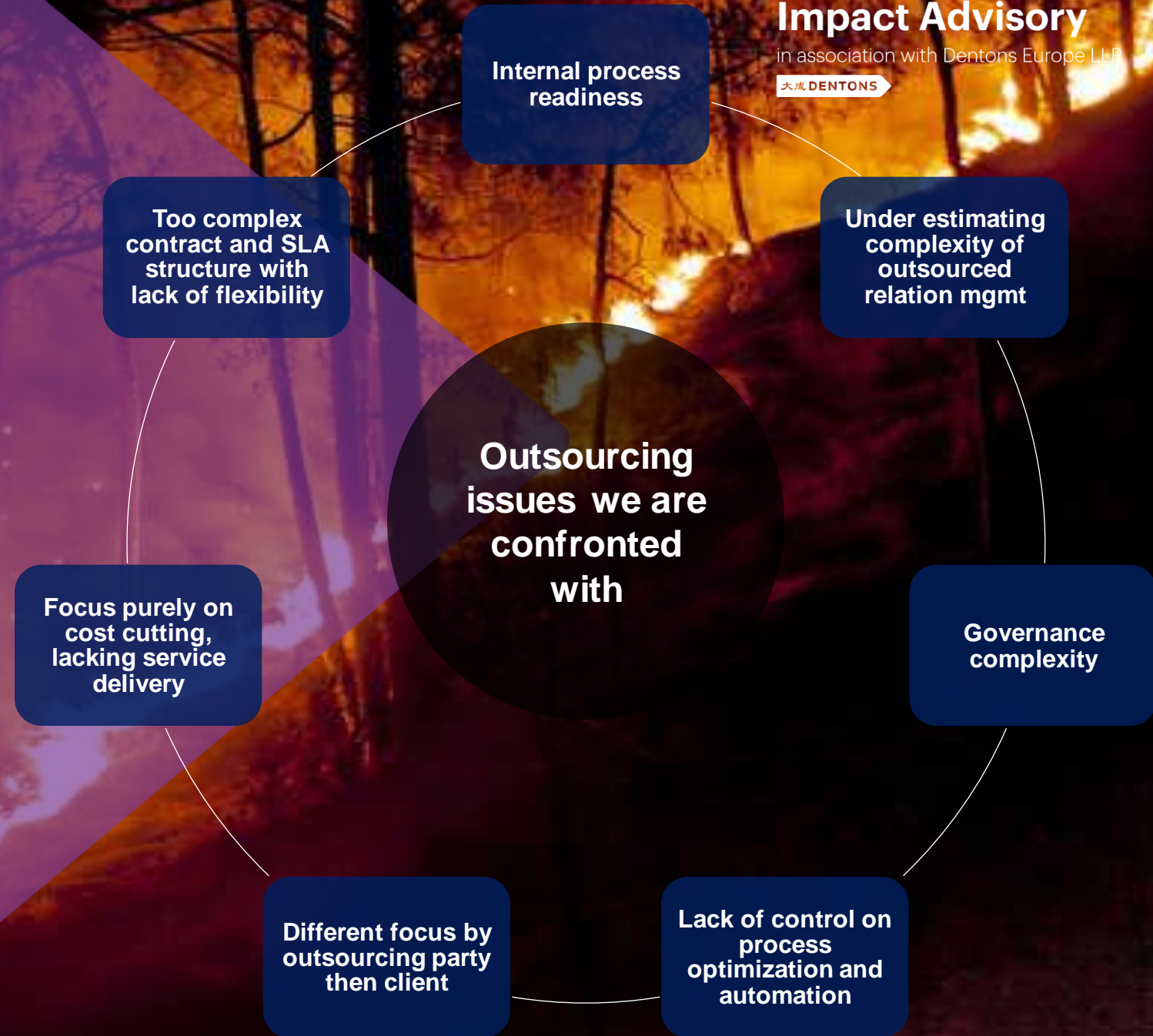Language soon doesn't necessarily have to be a selection criteria anymore

Outsourcing

Issues we often faced when outsourcing

Although outsourcing is nothing new and done by many organizations as alternative for captive delivery, there often were several issues we were facing

Internal process readiness

Too complex contract and SLA structure with lack of flexibility

Under estimating complexity of outsourced relation mgmt

Outsourcing issues we are confronted with

Focus purely on cost cutting, lacking service delivery

Governance complexity

Different focus by outsourcing party then client

Lack of control on process optimization and automation

Outsourcing organizations also face a jungle of challenges

It is not only captive organizations that are trying to find their way through the jungle of change in our market, also for outsourcers this are challenging times

Their bread and butter will seize to exist due to automation of transactional activities

Decisions required where to invest to stay competitive

The attrition beast so far was most significant at outsourcers

Clients become smarter and more demanding

New mindset towards clients and partnering during outsourcing

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Changes in outsourcing company delivery

The changes in which outsource organizations are moving could potentially help you to solve part of your SSC jungle

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1 **Outsourcing as knowledge competence center**
Become a competence center to support our SSC's in our drive towards end to end process handling

2 **Outsourcing as automation engine**
Investments in digital by all outsourcing companies put them in an excellent position to become our digital partner

3 **Outsourcing partnering as your improvement engine**
The future outsource organizations will transform into change engines specialized in process optimization

4 **Outsourcing as service quality engine**
Strong focus on service quality and delivery under more flexible contractual agreements with joint responsibilities

5 **Outsourcing as your guide through big data & analytics**
Significant focus on supporting us in data quality, data management and analytics

Can we escape from this jungle?

The future is still bright

But awareness of the change is inevitable. We now need to jump on the already driving train to ensure that in the near future we can be the same successful partner for our companies

Be open for your new workforce

Develop your future skill requirement framework

Determine your future scoping now

The automation agenda should be end-to-end

Re-design your learning curriculum

Move from operations to customer service mindset

Stay on top of new automation opportunities

Become an important driver of your organizations strategy

Ensure that you IT is well protected

Make your workforce more flexible

Questions & Answers

Add me on Linkedin or write to Arjen.Sader@dentons.com