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Global business services
and shared services organizations
moving forward
From pandemic to thriving

Introduction

The post-COVID-19 pandemic world looks unclear, but for global business services (GBS) and shared services organizations, one thing is clear: Conventional wisdom and long-held "orthodoxies" have been challenged during the pandemic, requiring many changes—many of which may have led to better performance. As the world eases restrictions, the new GBS and shared services normal will likely include operational practices that were previously thought to be impossible. We anticipate that most of them will "stick," then expand.

What is the silver lining in the COVID-19 cloud? GBS and shared services organizations will likely do more than just recover; they will *perform and thrive!*

Conventional wisdom no more: GBS and shared services have big opportunities

Now let's examine how companies' GBS and shared services responses to COVID-19 challenged five areas of conventional wisdom (figure 1). The actions many companies took were borne of business necessity, but can speak to new ways of working—new ways that may enable GBS organizations to not only survive but thrive in the post-COVID-19 pandemic world.

Figure 1. Several traditional service delivery orthodoxies were broken by COVID-19, paving a path to the new normal

Orthodoxies	The new wisdom and future opportunities
1 Physical proximity is required to run effective processes	Work performance, for many processes, is not location-dependent
2 Shared services and outsourcing are mainly for back-office operations	Complex processes can be delivered through shared services and outsourcing
3 Current business continuity plans (BCP) are sufficient	Addressing risks requires more than BCP—need to develop continuous resiliency
4 Legacy systems are good enough, and some manual processes are acceptable	Full automation and moving to agile technologies can be done with the right triggers and support
5 Physical sites (brick-and-mortar) are required to maintain security	Policy, process, and technology can provide adequate security for remote work

To understand organizations' COVID-19 challenges and responses, we conducted more than 40 in-depth interviews with GBS, shared services, and business process outsourcing (BPO) organizations. We also hosted virtual roundtables with more than 60 GBS and shared services executives spanning multiple industries. We asked them about their pandemic mitigation efforts. We also conducted polls on several key COVID-19 response topics. We then analyzed the data and developed our point of view on the five areas where conventional wisdom has been challenged, leaving great opportunities for GBS and shared services organizations in the "new normal."
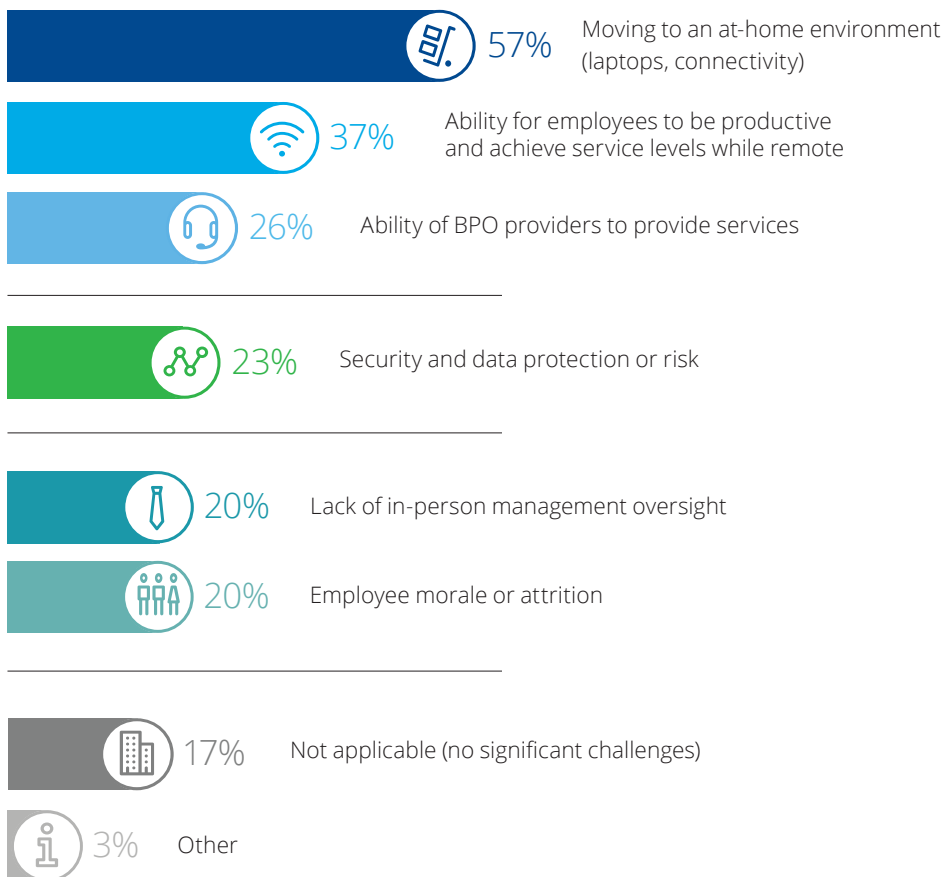
Before going into each of the five areas in detail, let's understand the immediate GBS and shared services challenges to the pandemic and how they inform our point of view (figure 2). Despite differences across these organizations, many generally shared a common planning deficiency: Few anticipated a 100 percent work-from-home (WFH) event across the globe or had foreseen this level of disruption. Setting up adequate infrastructure to allow employees to work from home was the most common challenge. Every organization we spoke with had issues providing adequate laptops, connectivity, and security access.

Most organizations expended significant effort to overcome these challenges. Consequently, there are now learnings to consider when pivoting toward the "new normal" that can help organizations thrive in the future.

Figure 2. Organizations faced various challenges in enabling employees to work and deliver services

Challenges faced by GBS and shared services organizations

Interview findings

57% Moving to an at-home environment (laptops, connectivity)

37% Ability for employees to be productive and achieve service levels while remote

26% Ability of BPO providers to provide services

Ability to move to a work-at-home environment **varied with processes, industry, locations, and technology maturity**

23% Security and data protection or risk

Processes with **PII or PHI data had the most risk and data security challenges**

20% Lack of in-person management oversight

20% Employee morale or attrition

Learning to work and collaborate virtually was a challenge for employees as they shifted from brick-and-mortar organizations

17% Not applicable (no significant challenges)

3% Other

Note: 35 total respondents

Source: Deloitte webcast survey: Adapting to new realities resulting from COVID-19 (April 8 and 9, 2020)

Orthodoxy 1: Physical proximity is required to run effective processes

Organizations traditionally believed that physical proximity was critical to getting many processes, particularly more complex ones, done effectively. Through COVID-19, many learned that this is often not the case. Multiple GBS and shared services leaders said their operations, including highly complex processes, continued to perform well after movement to work from home (WFH). Our respondents ranked "lack of in-person management oversight" the lowest among operational challenges. For several companies, productivity remained near, and sometimes exceeded, pre-pandemic levels.

Many companies with highly face-to-face-intensive processes like financial close and financial planning and analysis shifted and performed them virtually, demonstrating that face-to-face interactions may not always be required for effective process performance. Some organizations also reported that employees appreciated the flexibility that WFH has given them. It can also open the door to new talent pools of onshore or offshore workers who WFH and are able to remotely complete complex processes that had traditionally been performed face-to-face.

Future opportunities
WFH or virtual will likely be elevated as a service delivery model option and may no longer be optional. Eighty percent of poll respondents listed expansion of WFH capabilities as a key change expected in the future as a result of COVID-19. We anticipate that organizations may see one-third or more of their labor force working from home in the future, compared with just one-tenth before the pandemic. Organizations should reexamine their work for remote delivery fitness across dimensions such as proximity, regulatory, process complexity,

and service level disruption. Examples to consider include moving to digital mailrooms, virtual business partnering, and HR processes—recruiting, interviewing, onboarding, and training—which may shift to occur remotely.

Cultural shifts for employees should also be addressed, as most have historically not worked virtually before. Remote work expectations should be established during the hiring process. Traditionally, BPO organizations have reported that employees hired in brick-and-mortar locations have higher attrition when shifted to a WFH environment. However, one webinar participant felt that WFH flexibility was a positive change to reduce attrition, as many employees would appreciate the greater flexibility.

Multiple GBS and shared services leaders said their operations continued to perform well after movement to work from home.

Real estate capacity and locations should be aligned with demand as work shifts out of brick-and-mortar locations and likely continued social distancing adds constraints and requirements to current office and site spaces. Newly remote shared services employees will need new ways of working, including access to, and training on, collaboration tools for virtual meetings with videoconferencing features and virtual facilitation methods. Additionally, leaders should be trained to manage hybrid workforces working both in-office and virtually.

Orthodoxy 2: Shared services and outsourcing are mainly for transactional operations

The second traditional service delivery orthodoxy tested by the pandemic revolves around the belief that shared services and outsourcing are mainly for back-office or transactional operations. As described above, work that previously required proximity transitioned effectively to a virtual environment during the pandemic, breaking down conventional wisdom in this area.

This has expanded opportunities on the potential scope that can be delivered through shared services and outsourcing delivery models. Several interview participants discussed intentions to build resiliency into their operations while managing future cost pressures, potentially through moving complex work to new locations, diversifying service delivery across locations, or identifying medium- and low-cost service delivery models.

While all poll respondents said there were challenges adjusting to WFH shared service models, only three percent reported significant challenges or material impact on throughput or efficiency during the business disruption (figure 3). For companies with BPO relationships, most organizations (62 percent) were satisfied with their BPO's response, given the unusual circumstances. 20 percent said their BPO delivered "business-as-usual" performance during the crisis (figure 4).

Figure 3. Majority of GBS and shared services organizations faced business disruptions, but with no major impact on performance

Extent of challenges faced by GBS and shared services organizations

3%
34%
63%
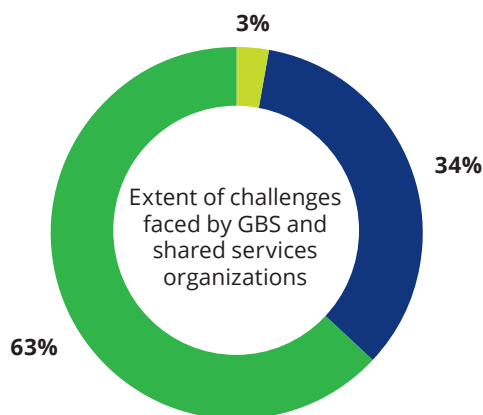
Interview findings

Response was really hard work

- GBS and shared service organizations typically shifted to a virtual or work-from-home environment within weeks once decision was made, though a significant effort was required

- Organizations focused on the safety and health of their employees first

However, operations have performed well

- Productivity did not drop significantly with work from home, and in some cases is even higher

- There has not been an adverse impact on process delivery or service levels

◼ Significant challenges or material impact on throughput or efficiency

◼ No major challenges or noticeable impact on throughput or efficiency

◼ Some challenges or impact on throughput or efficiency

Note: 35 total respondents

Source: Deloitte webcast survey: Adapting to new realities resulting from COVID-19 (April 8 and 9, 2020)
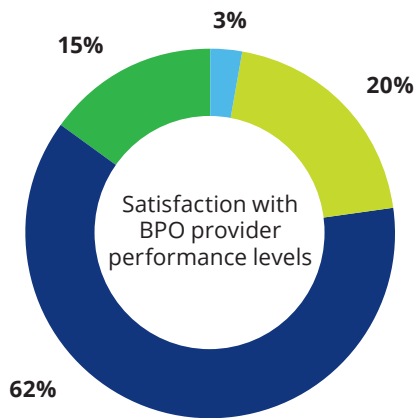
Organizations also referenced working with their outsourcing partners to scale up or down to help meet changes in their needs. In many cases, outsourcers' ability to shift labor forces across industries and processes provided flexibility to meet changing demands for existing services and support new demand (such as small business loans). Overall, shared services and outsourcing models helped increase their ability to add flexibility and resiliency in response to the pandemic, not only for simple transactional processes, but also for complex processes that were not previously considered for remote delivery.

Future opportunities

As economic pressures increase and organizations develop a new focus on business resiliency, they should evaluate their service delivery models and consider diversifying across locations. We anticipate that organizations will seek to expand their scope of services and change the mix offered through their shared services centers, WFH, and outsourcers. The expanded scope could include processes that may have previously been considered too complex to be delivered remotely, such as business partnering roles across major functions, analytics, and complex issue resolution. Additionally, organizations will likely strive to find the right balance between offshore and onshore locations to help reduce their risk exposure.

Figure 4. Satisfaction with BPO provider performance levels during COVID-19

- Not satisfied
- Satisfied, given the circumstances
- Satisfied, business as usual
- N/A (no BPO in place)

Note: 34 total respondents

Source: Deloitte webcast survey: Adapting to new realities resulting from COVID-19 (April 8 and 9, 2020)
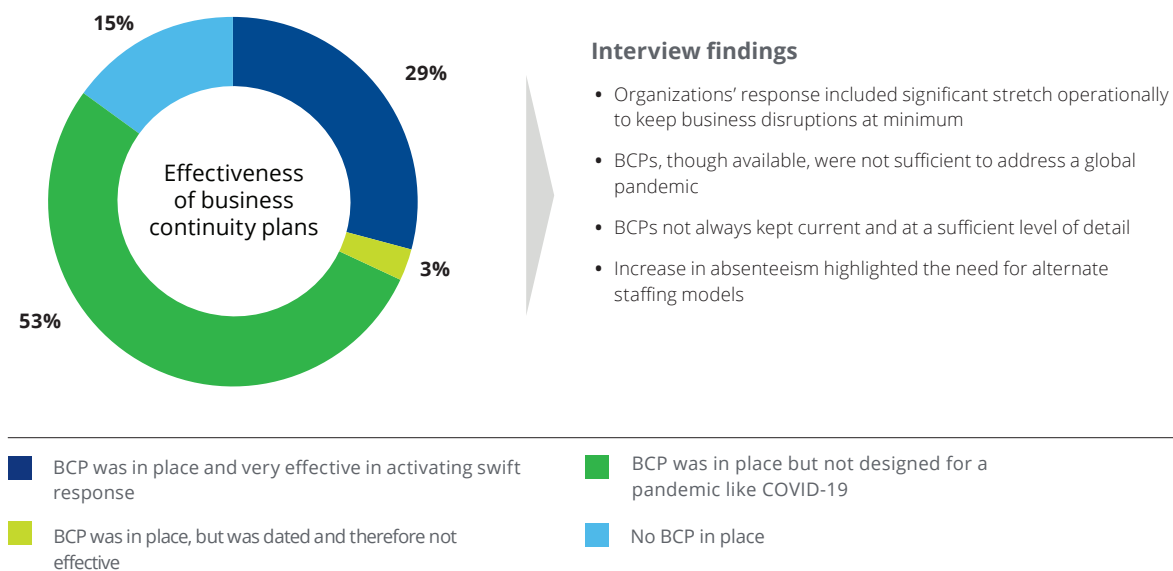
Orthodoxy 3: Current business continuity plans are sufficient

The third notable orthodoxy to be challenged was the belief that merely having a business continuity plan (BCP) is sufficient to meet the company's needs. The COVID-19 pandemic is an incident of unprecedented scale and revealed that many existing BCPs were not adequately prepared or robust.

Our poll found that roughly 70 percent of the respondents' BCPs were not sufficient to address a global pandemic,

or they didn't have one in place to begin with (figure 5). Typically, BCPs were written under an assumption that if an office or city were to shut down, work could shift to an alternate location. Many of those plans fell short during the pandemic-driven service center closures. WFH and virtual work were included in a few BCPs and were potentially a part of the 29 percent of respondents who said their plans were effective during the outbreak.

Figure 5. Existing business continuity plans were insufficient, and significant operational efforts were required to absorb the impact of COVID-19

Effectiveness of business continuity plans

- 15%
- 29%
- 3%
- 53%

Interview findings

- Organizations' response included significant stretch operationally to keep business disruptions at minimum
- BCPs, though available, were not sufficient to address a global pandemic
- BCPs not always kept current and at a sufficient level of detail
- Increase in absenteeism highlighted the need for alternate staffing models

■ BCP was in place and very effective in activating swift response

■ BCP was in place but not designed for a pandemic like COVID-19

■ BCP was in place, but was dated and therefore not effective

■ No BCP in place

Note: 34 total respondents

Source: Deloitte webcast survey: Adapting to new realities resulting from COVID-19 (April 8 and 9, 2020)

Our interviews revealed several potential deficiencies in BCPs, including:

- 100 percent WFH was not contemplated in the plans. There was little to no groundwork for virtual work—not only regarding technology, but also regarding processes and policies. Unsurprisingly, those businesses that already had robust remote work contingencies in place fared better than those organizations that did not, because they did not need to source equipment, establish network connections, and ensure bandwidth availability at home. Significantly, they also did not need to create new WFH policies, modify outsourcing agreements, or develop security protocols to enable virtual work.

- Some BCPs were outdated and had not been tested. Changes made to systems and processes over the years were not generally accounted for in the plans. Where key processes and recovery times had been identified, they were not tested to ensure they were achievable with the current infrastructure. Additionally, many of the plans did not provide detail on the steps to recovery. This resulted in precious time being lost in deciding how to implement the existing, but vague plans.

- There was increased absenteeism during the pandemic due to illness or employees being unable to work due to conditions at home. Undocumented processes and "tribal knowledge" created difficulties for others performing the services for absent team member. Having backup staffing through cross-training or clearly documented processes could have eased the challenges of maintaining effective operations.

- Lastly, though aware that their current plans did not address issues that could be faced with a global pandemic, several organizations had not invested in redundancies such as alternate locations and WFH in their continuity plans.

Future opportunities

Recent experience shows that even well-developed business continuity plans may not be enough to help a business through an unforeseen event like a global pandemic. That doesn't mean businesses should stop preparing for major disruptions, however. Quite the contrary.

Revamping BCPs should become a key area of focus moving forward, especially as new pandemic scenarios suggest that revived COVID-19 infection rates could result in several additional waves of shutdowns. BCPs should be enhanced holistically—not just from a technology perspective, but also for people enablement.

To effectively prepare for the next crisis, organizations should consider testing and revising their plans regularly to discover and address potentially overlooked issues and to confirm that their goals are achievable using the business's current infrastructure. BCPs should shift to sustain remote delivery at scale across a few key areas:

- Revise BCP requirements across an expanded set of scenarios

- Revisit permissible remote work

- Reexamine personal infrastructure to account for WFH

- Reengineer and scale remote access connectivity

- Build staff resiliency

Forward-thinking organizations should prioritize updating BCPs based on any real or perceived deficiencies and confirm that plans can be operationalized quickly and efficiently during the next crisis.

Orthodoxy 4: Legacy systems are good enough, and some manual processes are acceptable

The fourth orthodoxy to be tested by the pandemic centers on whether nonagile legacy systems can still be effective. The COVID-19 outbreak demonstrates that in some cases, the answer is a resounding "no."

Although some organizations have experimented with advanced digital tools and cloud platforms, some have been slow to adopt and migrate to these solutions, based in part on a long-held belief that these are "nice-to-haves" and not "must-haves." The experiences of GBS and shared services organizations during the pandemic are demonstrating that the continuation of manual processes or legacy systems that are not agile may not be a viable option moving forward.

Key among the issues respondents provided is that legacy systems generally increased access issues and data security risks. In fact, the organizations that were slower to change or modernize saw the greatest challenges in moving to WFH solutions.

Additionally, some major service issues occurred where manual or paper-based activities were still a part of end-to-end processes (for example, organizations that still mailed out paper invoices and suppliers that wanted to be paid with a manual check). It turns out that even a small volume of manual processes can create disproportionate difficulties. While some organizations put these manual processes on hold until they could

The continuation of manual processes or legacy systems that are not agile may not be a viable option moving forward.

return to the office, others took this as an opportunity to transition to automated systems, such as moving to electronic invoice submission and payments.

Future opportunities

During our interviews, executives suggested that the pandemic emphasized the importance of technology modernization, digital labor, and automation. Additionally, many of the technologies that some CIOs have been trying to implement for years are suddenly being utilized and leveraged.

Due to changing work conditions, such investments and initiatives are now demonstrating their value. Post-pandemic, companies should renew their pressure to maintain—or potentially increase—investments in new technologies. Business leaders should not be content to rely on existing technology solutions; instead, they should continually be updating their technology infrastructure. Similarly, companies should consider migrating to the cloud to improve data security and agility and continue to innovate toward a digital labor force.

Orthodoxy 5: Physical sites (brick-and-mortar) are required to maintain security

The final orthodoxy challenged by the pandemic centers on the belief that data security can only be ensured by having teams of people working together in centralized locations. Nearly one-quarter (23 percent) of poll respondents cited "security and data protection or risk" among the top challenges faced during the pandemic. GBS and shared services organizations had to quickly accelerate the pace and implementation of new technologies to support the data and security needs that arose from the new remote work requirements.

In particular, companies in financial services, insurance, and health care—with significant PII or PHI data—had the most risk and data security challenges. As such, they were slower to move to WFH due to immediate data security and privacy concerns.

To succeed in these difficult conditions, these organizations implemented short-term technology solutions to address potential security concerns and secure sensitive data. These included enabling the ability to remotely lock down an employee's computer, camera recognition on devices to prevent picture-taking by onlookers, voice recognition for customers, privacy screens, and several other solutions. Some companies also had employees sign NDAs that specifically referenced not showing screens and data with people

in their household. Where such security challenges could not be addressed, some work was forced to stop completely. Some roundtable participants noted that to protect data, they had to amend contracts for BPOs to allow them to continue working. Ultimately, many of these solutions provided short-term fixes that likely must be addressed for the long term.

It will no longer be an option to ensure data security only within the four walls of an organization.

Future opportunities

As organizations move toward a new normal, it will likely be imperative to invest in the tools, technologies, and process changes that can help derisk data security concerns for remote work. With potentially one-third of the workforce working remotely and the potential risk of future lockdowns, it will no longer be an option to ensure data security only within the four walls of an organization. Automation and reducing manual processes will likely be accelerated, as it makes processes much more flexible, resilient, transparent, and cost-effective.

Conclusion

It's been said that it's always important to expect the unexpected. As demonstrated by the disruptions caused by the COVID-19 pandemic, this may be very good advice.

While it is difficult to plan for every contingency or event that can disrupt the global economy and the way that day-to-day business is conducted, the COVID-19 pandemic has provided some insights into future opportunities for organizations to consider as they seek to thrive in a "new normal."

Organizations should look to the future to increase virtual work, expand scope in remote delivery models, revamp BCPs, automate and enhance security, and build greater business resiliency to help be better prepared for any future crisis and thrive.

Conventional wisdom and orthodoxies	The new wisdom and future opportunities	Potential benefits
1 Physical proximity is required to run effective processes	Work performance, for many processes, is not location-dependent	• **Flexibility for employees and contractors** • **Expanded talent sources** • **Ability to flex workforce to address disruptions**
2 Shared services and outsourcing are mainly for back-office operations	Complex processes can be delivered through shared services and outsourcing	• **Effective delivery models** • **Increased diversification across service delivery models and locations to reduce resiliency risk**
3 Current business continuity plans (BCP) are sufficient	Addressing risks requires more than BCP—need to develop continuous resiliency	• **Greater flexibility and readiness to address new and evolving resiliency risks**
4 Legacy systems are good enough, and some manual processes are acceptable	Full automation and moving to agile technologies can be done with the right triggers and support	• **Can make processes much more agile, transparent, and cost-effective**
5 Physical sites (brick-and -mortar) are required to maintain security	Policy, process, and technology can provide adequate security for remote work	• **Can reduce requirements for physical space and address overall security to enable virtual working**

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