

Professional GBS®

Strategic Costing



Register

How to Position GBS Costs

If you are hearing mixed messages from your senior business partners about the cost and quality of your GBS services, even though your benchmarking shows that your GBS performance is good, then this pillar will be of value.

Pillar Overview

- ▶ How to best communicate the value and price of services, as well as new business capabilities, so that there is no confusion on cost reduction and value creation by GBS.
- ▶ The intent of this pillar is to design the financial framework for how cost elements of GBS services are captured and charged back as needed and, equally importantly, how the story of GBS value creation is communicated to users and senior business clients.
- ▶ The starting point of this pillar is a GBS service catalog. This helps set up a clear boundary of scope for a GBS service, as well as the overall "architecture," which can be compared with other benchmarked organizations.
- ▶ For each watertight GBS service, the next step is to define the financial resource units i.e., the unit

costing element such as payroll run per person, or cost of office space per employee, or the cost of paying a supplier invoice. This involves making tradeoffs between the financial data available and what is a logical unit that makes sense to senior business leaders.

- ▶ For each financial costing unit, we must also identify whether the business has any control over the decisions related to the consumption of this service (e.g., for the consumption of computers as a service, can they decide which of their own people get high-end laptops vs. basic laptops?). This determines the GBS chargeback strategy of percentage cost allocation vs. direct chargeback for actual consumption of services.
- ▶ The outcome of this pillar's workshops will be an overall Service Costing plan and a communication framework on what information is shared with whom.

Why It Matters

The biggest cause of failure of a GBS model in a company is negative “perceptions.” These include the perception that GBS is too expensive, that it is not delivering the right quality operations for the cost, or that a lower cost of operations has led to a diminished employee experience. Often these perceptions are shaped by big, one-off circumstantial incidents (e.g., a visible email outage). Or, when cost-savings are delivered, there is no reference data on whether the service cost is competitive versus external benchmarks. Other times it may be the perception that the trend is not moving in the right direction.

Such perceptions often ignore the underlying cause that GBS services may be operating against targets that are inherently unviable (e.g., delivering improved service

levels at reduced FTEs and with no control over the money or people for continuous improvement). Also, these perceptions may be driven by a lack of visibility or sufficient choices for senior business leaders over the GBS costing model.

Creating an overall “GBS financial model” which includes GBS cost management, transparent chargeback and recovery mechanisms, GBS choices to the business units, and an effective story on how GBS’ financial performance relates to peer benchmarks, is therefore critical.

This pillar delivers a holistic GBS Financial Model, as well as the implementation tools and techniques for implementing it for a given GBS service (like Payroll shared service).



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Inixia's Approach

Inixia takes a holistic approach to GBS Service Costing (i.e., this is not just a cost accounting challenge but an opportunity to bring in financial transparency and choices to business leaders, who should have a choice on consuming GBS services that add the most value to their respective business units).

Hence, we recommend a workshop-based approach on the following lines.

DESIGN OF DELIVERABLES:

3 Workshops of 3 hours each:

WORKSHOP 1 – FRAMEWORK

This workshop contextualizes why GBS Service Costing is strategically important and outlines the symptoms of business partner issues caused by untransparent GBS costing. The workshop provides participants with an overview of the various options for GBS cost and recovery management, including the boundaries of the specific GBS service in question, and what is in and out of GBS cost management. The workshop will equip participants with a deep understanding of best practices in the industry for GBS costing and recovery and for giving business leaders choices on GBS costs.

WORKSHOP 2 – LANDSCAPE

This session will focus on the specific GBS service in question, defining the level 1 and 2 scope of process activity, their individual cost elements, and data feeders. Through this workshop, participants will be able to identify the most appropriate GBS service “resource units” for costing. Additionally, participants will understand how to identify current ownership of budgets. Finally, workshop participants will successfully define the process owners and the clients for the cost elements.



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WORKSHOP 3 – EXECUTION

The workshop will equip participants with the knowledge and tools to design an overall framework for collecting the cost of operations and recovery (whether by chargeback or central allocation). It will also firm up individual resource units for the GBS Service in question. Through this workshop, participants will be able to define the choices that can and cannot be offered related to the consumption of service elements (e.g., whether users are given a choice of an expensive laptop vs. a cheaper laptop based on decisions made by their respective department leaders). Finally, participants of this workshop will be able to successfully finalize the annual financial cycle – from forecast to allocation of costs.)

- ▶ Follow-up office hours and feedback sessions, max of 8 hours, provided in 1-hour sessions. These can focus on aspects of the execution, coaching on the job to the team, or any elements deemed important.
- ▶ Tools and templates, provided in written/designed form customized to the specific situation, for immediate applicability and use.

Elapsed Duration

The duration of the engagement not to exceed a total of 6 months. This could be done quicker depending on the number of services selected and if the data is mostly available.

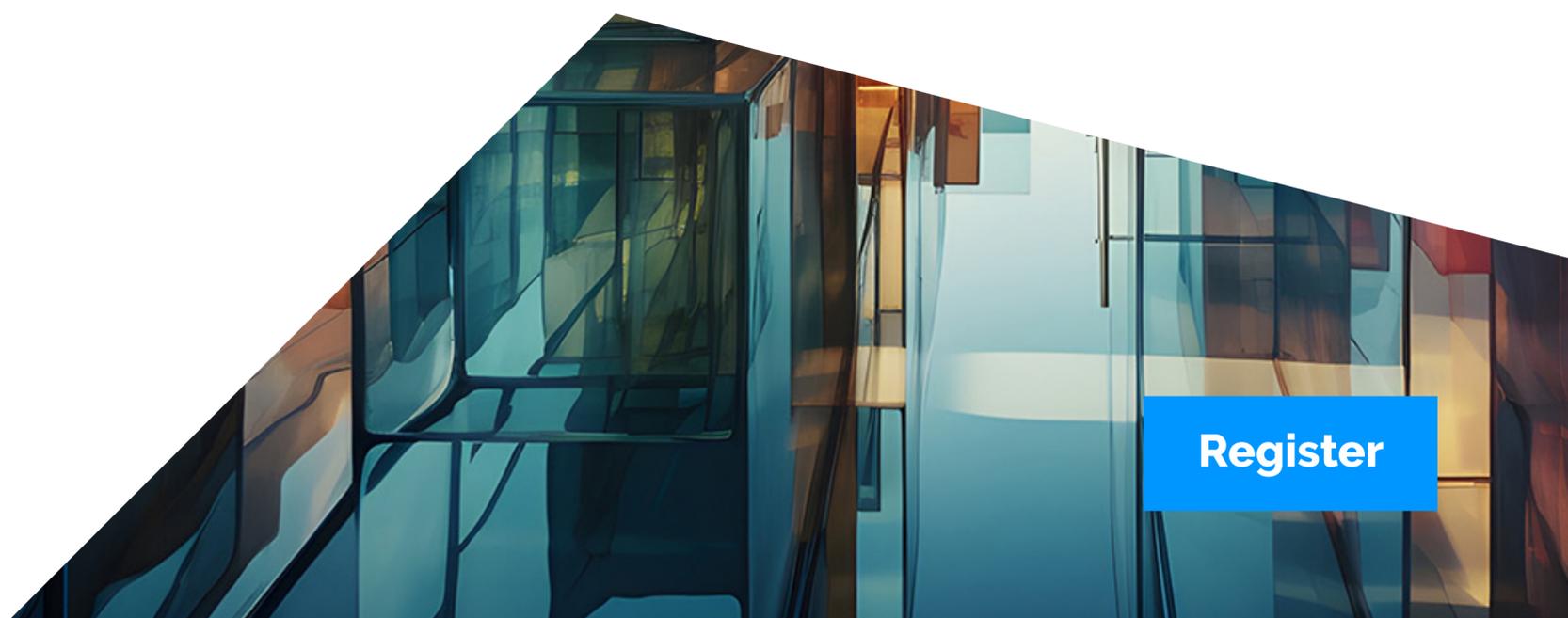


Cohort Design

The cohort must include a mix of senior GBS decision-makers and operational-level service managers. There will be some high-level GBS decisions necessary, like "at which level should we do actual charge-back to business: unit, geography, product...?". We recommend a mix of GBS leadership, GBS Finance resources, and the specific GBS Service Leader (e.g. Accounts Receivables Shared Services leader). The ideal cohort size would be about 10-15 people. It is possible to have input providers come in for parts of the process to adequately represent their needs.

Scope

There are two levels of outcomes to be expected from this pillar. The first is an overall strategy and the principles set for cost recovery for GBS. The other is an action plan to execute a GBS service costing a specific GBS service (e.g. A/R shared service).



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Who Should Attend

- ▶ This subject is important know-how for GBS senior leaders and GBS Service Managers in any GBS organization. They should include Service Managers who are accountable for defining the service strategy and financial performance of their respective services. They ought to invite GBS Operational Managers who deliver the day-to-day operational elements, BPO partners who might be delivering some of their services, and people in GBS Finance for the execution.
- ▶ We recommend that this design work be done ideally at an end-to-end service level and should be chartered appropriately so that workshop attendees are empowered to make decisions on behalf of their companies.
- ▶ This workshop requires that all attendees have previously gone through the Professional GBS modules of Foundations and Service Management.

The Inixia Team

The Leading Business Transformation program is **led by Global Industry Leaders, each with over 20 years of experience successfully developing, leading, and driving high-impact transformation projects in Fortune 20 companies.** These projects ranged from multi-million-dollar process transformations and innovations to billion-dollar global acquisitions and divestitures.



Filippo Passerini
Co-Founder and President



Tony Saldanha
Co-Founder and CEO



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Pricing

The pricing per cohort is \$60,000

How to Enroll

To learn more about how Inixia can partner with you on building new business capabilities, email us at information@inixia.com

information@inixia.com

Contact Us

To learn more, contact us at

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Adoption Services

Inixia offers 7 customized trainings designed to help individuals, leaders, and organizations fully adopt the skillset, mindset, and toolset to transform their business process operations.



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