

The evolution of outsourcing and shared services

Bill Gilet, PwC

Businesses have long relied on consultants to help them tackle thorny questions of organisation design; in the past, consultants have played an important role in making decisions about what functions to outsource and when to set up captive shared service centres. Now, however, many organisations are having to re-evaluate their usage of such services due to changes in the cost-benefit equation, driven by new technologies and an evolving labour market.

Bill Gilet is a partner at PwC and currently acts as the firm's Global Shared Services & Outsourcing Network Leader. He has over 25 years of industry, assurance, and consulting experience, and has helped clients navigate their way through a wide range of strategic and tactical questions around make-buy decisions. He spoke to us at length about the changes he sees coming to how clients want to set up their organisations—and what that means for consulting firms.

What are the big, macro-level changes you're seeing take place in how organisations approach make-buy decisions?

The organisations we work with are constantly challenging themselves on what's core to their business. In particular, the changing technology and data landscape is driving a lot of rethinking; people are asking themselves whether they still want to outsource the same sort of functions that they have in the past, based on a desire to retain data.

Traditionally, we'd operate along a framework of "Centralise, standardise, optimise"—and using that methodology we'd deploy a Global Business Services (GBS) or shared service solution for non-core activities, and then start automating some of those once they're all on shared platforms. The modern framework, however, is something closer to "automate and upskill"; there's a presumption going on that technology will be able to automate a lot of low-complexity activities, so the opportunity is to retrain and refocus your people on more value-added areas.

So do you see automation and other technologies as being a key driver of change to how businesses structure their organisation?

Technology is changing everything that organisations do—everything from the back office to the manufacturing floor to the final customer experience. Our research suggests that the 80/20 rule comes into play here; 80% of business leaders believe technology will lead to fundamental changes in how they operate, but fewer than 20% believe their own people are equipped to handle that change.

A lot of organisations, recognising that technology is going to have a profound impact on both their front and back office, have established some sort of digital automation centre. They're proactively looking for ways to automate processes—effectively, they're trying to disrupt themselves. Of course, it's worth remembering that you can't automate a person; you can only automate the manual activities that person does.

I think many organisations chose speed over quality when establishing their automation programs. So now firms like PwC are helping them to step back a bit and think more holistically about the workforce of the future and

the related governance around the automation. Clients are coming to the realisation that the change management aspect of new technologies is harder than they thought; they're realising that if they're automating processes, their employees need to be learning new skills to focus on value-added areas.

And what about the people side of the equation? Will there also be a change in what organisations want to get from their workforce?

Organisations expect more from their staff than ever before; they're hiring smart people and they expect a lot from them. And when they set up GBS groups or shared service centres, one of the implicit principles underlying that is continuous improvement. It's also the reason that many of our clients have set up innovation teams dedicated to internal transformation within those shared service centres.

Digital is embedded in every project we do—whether it's finance, HR, operations, etc. A lot of organisations were late to fully anticipate the scale of the changes that digital transformation would bring, and hadn't planned accordingly. So they need partners like PwC to help them really understand what the workforce of the future looks like.

And that workforce will presumably need to have the skills to be able to make the most of new technologies?

We see digital upskilling as being about helping meet both an employee and a business demand. Employees want more

out of what they're doing; they want to be spending their time on more meaningful work. But at the same time, upskilling is critically important for a business to be able to actually get value out of its digital assets. I think of it like a high performance car; no matter how good the engine is, if the user doesn't know how to drive it they'll never get out of first gear.

Workforce transformation isn't just about teaching people new skills. It's also about making sure that people in the organisation don't revert to their previous habits when the transformation initiative ends. In fact, that's often the hardest part.

How do you see automation specifically changing the make-buy balance? If low-value work can be automated away, will companies have to revisit make-buy decisions?

A lot of companies these days will ask themselves "What can I automate?" before they do anything else. And they lose sight of whether they're automating something that's actually value-added. Then they don't get the results they expected because they didn't take the right preparatory steps; the data was poor quality, the processes weren't standardised, or the people weren't properly trained.

There's a lot of business functions where there's still value to be unlocked in finding the right make-buy balance. Take reporting, for example. At PwC, we've always said that reporting is one of the most important things an organisation does; if you don't understand how you're operating, you can't make informed strategic decisions. But in most businesses, more than half

the time spent by their reporting function is spent just on gathering data, not on actually analysing and interpreting it. If you outsource the gathering of data—whether it's to a captive shared service centre or to an external partner—you free up capacity for people in your organisation to spend more of their time analysing the data and putting it to use.

What role do you see for firms like PwC in helping clients respond to all of these challenges?

Firms like ours have a pivotal role to play in helping clients at the Target Operating Model level—i.e., figuring out what their organisational structure should look like, and what should be delivered using third parties. Firms have the benefit of perspective here: As consultants, we go out to different clients, we get to see different organisations in action, we get to look at all the different ways businesses structure themselves and what works and what doesn't. And a lot of clients are looking for that sort of perspective.

While advisory firms provide an important service to clients during early-stage, conceptual make-buy decisions, I think they also have a role to play as you move out of that assessment phase and into design and implementation. Firms like PwC with a global reach have an advantage here: we have a presence in all of the major hubs where people are building shared service centres; we know what local labour markets look like; and we understand all the relevant local regulatory concerns. Or if a client is going down the outsourcing route instead of building a captive centre,

then we can use our knowledge of and relationships with all of the major BPO providers to create value; we can help the client understand what each provider is good at and where they have gaps.

Firms that want to have credibility when it comes to helping clients think about make-buy decisions need to walk the walk. At PwC, for example, we've looked closely at all of our own non-core activities and we've consolidated many of our transactional processes, we've outsourced where it makes sense and we've automated where we could. We can now take that story to our clients; we can talk to them about how we're in the process of upskilling everyone at our firm, and we can show them what we've learned in the process and how we'll use those learnings to improve their own transformational journey.

The future you're describing seems to be one where the relationship between organisations and service providers and interim labour is increasingly complex. Does that have an impact on the resourcing model for consulting firms themselves?

I think consulting firms need to be proactive in creating propositions

that help clients take advantage of the gig economy. Every organisation is re-examining their resourcing mix and asking themselves how they can get the same quality resources in a more cost-effective way; that's a table stake now. So the challenge for firms is to provide clients with a practical way of solving that problem.

At PwC, we've developed a talent on demand resource pool called "Talent Exchange". It's effectively a network of qualified contractors who aren't full-time employees of PwC, but who we've vetted and who we can connect to relevant opportunities. We use that network in a few different ways: sometimes, we may need to augment one of our advisory teams with technical systems resources; other times, a client might be looking for short-term resource augmentation without having to commit to a full project team.

The rise of the gig economy has been largely driven by the changing work preferences of the millennial generation—but it isn't just millennials who are taking advantage of it. Some of the people in our Talent Exchange network have 30-plus years of industry experience; they're people who have worked internationally and have run

organisations. So if a client needs someone to come in on an interim basis to help lead a transformation programme for a project we are supporting, then our network can connect them to someone with the right qualifications.

And what would be your message to firms that want to set themselves up to win work in this space?

Firms like ours have to listen to the client when they say "We want more for less". That can mean partnering with select BPO and crowdsourcing providers to be able to put a unique value proposition in front of the client; we can help them get access to a scalable, high-quality workforce at an attractive price while limiting the risk exposure. At the end of the day, it comes down to three key concepts: partnering to bring the right value proposition; upskilling to focus on more value-added areas; and flexibility that enhances the employee experience. The firms best placed to help clients embrace the workforce of the future will be the ones that best understand those concepts.



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