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Positioning Business Services

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Positioning Business Services

2.1 Increasing Demand of Business Services

2.1.1 Business Services

Originally, business services were established within an enterprise with the focus on sustaining their internal organisation rather than on business services to end users (consumers or other businesses). We build on the definition of Wirtz et al. (2015) and define business services as "services that are provided both in-house and to other businesses and can be characterised by their knowledge-intensive nature". Business services consist of a variety of services such as, Finance and Accounting (Janssen & Joha, 2006), Administration (Ono, 2003), Human Resources (Maatman & Meijerink, 2017), Supply Chain Management (Wang et al., 2015), Procurement (Van der Valk & Rozemeijer, 2009), Legal (Lacity et al., 2014; Massini & Miozzo, 2012), and Information Technology (Handley, 2017; Lacity et al., 2010). To focus on their core business competences, business services are perceived as a federation of capabilities that collaborate with other business services in an ecosystem (Cherbakov et al., 2005). Since early 2000, academics studied business services from various perspectives including business strategy (Albertoni et al., 2017;

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Lacity et al., 2016; Murray et al., 2009), international business (Love & Mansury, 2009; Miles, 2005; Sako, 2006), information systems (Legner et al., 2017; Tan & Gallupe, 2006; Willcocks et al., 2017), and economics (Barber & Strack, 2015; Wirtz et al., 2015). However, between 2005 and 2011, researchers paid ample attention to service orientation to improve internal business services by building these out of readily available building blocks (e.g. Aier et al., 2011; Cherbakov et al., 2005; Janssen, 2008). Due to the convergence of rapid business developments and digitisation challenges, enterprises nowadays again seek various approaches, putting business services back in the limelight to achieve organisational responsiveness (Deloitte, 2018; KPMG, 2019).

As such, organisations decompose their enterprise and corresponding business services into smaller autonomous business components that may interact with other business components in order to improve effectiveness. The decomposition of enterprises makes complexity manageable and, as such, business services can be integrated and/or disintegrated across an organisation. In this way, business processes, which enable business services delivery are managed across an enterprise that requires breaking down siloed business processes into modular independent services (Demirkan et al., 2007), which result in dynamic business processes. Considering dynamic processes, each subsequent process step may be based on the full or partial results of previous steps. Consequently, dynamic processes increase an enterprise organisational responsiveness to cater for market changes. On the one hand, literature shows that to support business services, information systems must be loosely coupled to create dynamic business processes (Janssen, 2008), and therefore, form a prerequisite to enable strategic decision making. On the other hand, tightly coupled business services and IS may hinder the degree of business services effectiveness. Due to the evolution of IS (e.g. web services, architectures, application, practices) and of corresponding business processes, Alreemy et al. (2016) state that appropriate governance is essential to achieve organisational success.

Importantly, business services can be provided by an enterprise internal organisation or by the market. As there are many business services, it can result in sourcing strategies in which multiple modes of sourcing decisions are managed simultaneously. Today, sourcing remains an

essential topic that needs further attention as the market continues to grow both from a content and size perspective. As we address the effects of business services in the context of plural sourcing specifically, we illustrate the rise of business services sourcing options from this perspective. Next, we address four perspectives of business services sourcing modes that emerged over time in the context of global business services.

2.1.2 Shared Services Centres

Since the rise of shared service centres (SSCs) in the late 1980s, the concept has gained its popularity in public and private organisations to deliver shared services to internal departments (Niehaves & Krause, 2010; Ulbrich, 2006; Wirtz et al., 2015). Examples relate to General Electrics, Baxter Healthcare and AT Kearney (Quinn et al., 2000). In that period, shared services were predominantly used within the Finance and Accounting function (Hammer, 2001). However, by the year 2000 approximately 80% of the top 20 Fortune 500 used shared services and many other top Fortune 500 implemented some form of shared services. Sourcing arrangements related to shared services often focus on providing services in the most efficient way, creating economies of scale. The basic premise regarding shared services is that one entity is responsible for providing services to internal departments with relatively little effort (Bergeron, 2003; Ulbrich & Borman, 2012).

Based on the literature, we define shared services as "a collaborative strategy in which a subset of existing business functions are concentrated into a new semi-autonomous business unit that has a management structure designed to promote efficiency, value generation, costs savings, and improved service for the internal customers of the parent corporation (Bergeron, 2003, p. 3). Because of the mix of rapid business advancements and challenges created by digitisation, organisations demand services provided by SSCs to ensure organisational responsiveness (e.g. KPMG, 2019). As such, organisations' SSC strategies are becoming crucial, as decision making has far reached implications for offering shared services. Examples of common SSC are Finance and Accounting (F&A) (Janssen & Joha, 2006), Human Resources (HR) (Maatman & Meijerink, 2017) and Information Technology (IT) (Ulbrich & Schulz, 2014).

Service delivery modes (centralised, decentralised) related to shared services can be seen as strategic instruments, which are dependent on an enterprise's business objectives. The main rationale to establish centralised shared services is often determined by cost reduction that may be achieved when individually provided services are consolidated. When multiple internal departments within an enterprise provide similar types of services, synergies may be realised by means of standardisation and consolidation. A mechanism to decrease the cost of providing services is to achieve high economies of scale striving to provide internal services as most efficient as possible (Ulbrich & Borman, 2012). The same goes for bundling in-depth expertise in an SSC in which specific skills and experience can be shared to support end users. Consequently, this service delivery mode can be seen as an operational excellence strategy to deliver services at the lowest cost in the most effective way. The trade-off of this approach is that the internal end users' perspective is less important. Internal business demands to customise services are often neglected as this may disturb process standardisation and increase the cost level. Previous research revealed that if internal business departments feel less served, this might affect their perception of the provided performance of the services (Ulbrich & Borman, 2012).

The decentralised service delivery mode can be perceived as the opposite strategy of the centralised shared services. Organisational motives to establish decentralised shared services arise from business needs per department. When an enterprise can be characterised as a heterogeneous organisation, business service needs per department may vary. To meet specific business needs of internal departments and have a significant degree of flexibility, enterprises choose this form of delivery mode. However, decentralised shared services focus on process standardisation in order to benefit from cost reductions, but it might be on a lower level when compared with centralised shared services. In turn, capabilities as utilised by decentralised shared services may develop and provide services that are fully aligned with internal departments' needs that be geographically dispersed (Lacity & Fox, 2008).

Today, SSCs are driven by IT technology (data, cloud) and as such, can be considered as a platform that provides services by means of technical modules to internal business units. An SSC often connects users of

services and providers of services as some services are provided in-house, whereas for others, the SSCs source the services on the market. From this view, SSCs can be viewed as a modular platform providing services. Literature shows that SSCs have extensively been investigated (see e.g. Janssen & Joha, 2006; Fielt et al., 2014). However, numerous terms for the same notion have been offered; for example, challenges (Knol et al., 2014), determinants (Richter & Brühl, 2017), and critical success factors (Borman & Janssen, 2013). More importantly, different factors may affect the implementation of an SSC, such as the type of service and the importance of business processes (Joha & Janssen, 2014). As such, there is a scarcity of knowledge about the factors that lead to a successful SSC implementation (Miskon et al., 2012), despite a handful of descriptive case studies that thoroughly investigated how businesses adopt SSCs.

2.1.3 Captives

Captive centre is a strategy that is investigated by enterprises when thinking about how to offshore work. Oshri (2011, p. 9) defines a captive centre as "wholly owned facilities with the purpose of processing activities that were previously done in a company's back office in the domestic country. The concept of captive centres is directly related to SSCs as an enterprise may establish captive centres in other countries compared to their home destination. As such, captives can be considered as a particularisation of SSC's. Captives emerged at the end of the twentieth century as enterprises established captives to reduce cost and create access to expertise and skills (e.g. General Electric, Philips).

Recent research of Oshri et al. (2023) on captive centres shows that there are over 75,000 SSCs on a global level in 2022, in which the Compound Annual Growth Rate (CAGR) has grown by 30% in the period 2015 up to 2022. Regarding the maturity of captive centres some advanced SSCs have turned into official operating business units of their respective enterprises. Besides captive customers, they serve third-party customers as well and operate as profit centres. While external customers are being served with comprehensive and advanced pricing models, internal captive customers are handled differently by applying internal

agreements and related pricing (internal accounting). Taking the growth and success of captive centres into account, literature illustrates that captive centre faces difficulties in offering benefits within the enterprise such as limited financial profitability, challenges from a product or service development view, and increased employee wages (Oshri, 2011). Although the type of captive may vary, such as basic captives (all tasks are performed within the captive), hybrid captives (partially outsourced tasks), and shared captives (business services provided to both the own enterprise and external clients), the implementation of captive centre is challenging. In this regard, aspects like organisational redesigns (demarcation of business services tasks), aligning business processes, governing renewed roles and responsibilities, redesign of supporting information systems (e.g. infrastructure, applications), and increased employee attrition rate within captive centres, may all hinder the implementation phase. Consequently, operational performance of business services may be affected negatively.

2.1.4 Outsourcing

Research on information technology outsourcing (ITO) and business process outsourcing (BPO) market literature shows that enterprises are more inclined to outsource their business services (Oshri et al., 2023). As the outsourcing market matured over time, multiple suppliers offer various type of business services in which some suppliers focus on a limited number of business services and/or industries. A survey conducted by Loughborough University in 2014 shows that multiple business services have been outsourced to the market, ranging from IT infrastructure, software testing, data warehousing to legal services and research and development. Recent research on outsourcing shows that robotic process automation and artificial intelligence (AI) solutions are outsourced too (Beulen et al., 2022; Willcocks et al., 2019). Oshri et al. (2023) define outsourcing of business services as "contracting to a third-party supplier for the management and completion of a certain amount of work, for a specified length of time, cost, and service level". A vast landscape of ITO and BPO suppliers has evolved over the past decade, providers are also

essential to further improve business services as they offer their services based on various delivery models (e.g. offshoring, captives). Interestingly, the chain of parties involved include enterprise business units, their captives, retained organisation, outsourcing suppliers and next third parties.

As enterprises have to manage uncertainties in the provisioning of external business services (Krancher et al., 2022), governance is a prerequisite to encourage desirable behaviour in the use of resources. Literature reveals two main research streams that include formal and relational governance. Formal governance addresses the need to coordinate tasks between outsourcing service providers to prevent opportunistic behaviour (Chang et al., 2017). Other scholars, such as Rai et al. (2012) considered relationships that attempts to address some of the deficiencies in contract governance; namely, the failure to account for social structures within which the inter-organisation exchanges are embedded (Xiao et al., 2012). For example, literature on information systems governance shows more complex and dynamic interrelationships between formal and relational governance than the previously assumed dichotomy of complementarity and substitution (Lacity et al., 2016). These studies emphasise the role of relation-specific boundary conditions and find that formal and relational governance mechanisms can act as substitutes (Rai et al., 2012), simultaneously work as substitutes and complements (Lioliou et al., 2014), or have an impact that oscillates over time. This finding illustrates the complexity of applying an outsourcing strategy in governing internal and external suppliers.

However, outsourcing arrangements have evolved from dyadic client–provider relationship toward an environment that includes multiple suppliers (Palvia et al., 2010). The shift from single sourcing toward multi-sourcing arrangements provides enterprises with benefits, like quality improvements, by being able to select the best suppliers, having access to external capabilities and skills and mitigating the risks of supplier lock in (Hawk et al., 2012; Gonzalez et al., 2013). Literature shows that enterprises that engage in global collaborative networks invest in time, commitment, and trust-building to create and capture common value (Romero & Molina, 2011), or by interacting with multiple sourcing participants.

In the 2010s, scholars and practitioners alike defined IT multi-sourcing as the use of two or more external suppliers as part of an outsourcing arrangement (Su & Levina, 2011). These authors refer to Wiener and Saunders (2014), who define IT multi-sourcing as "the situation where a client firm delegates IT projects and services to multiple external vendors who must, at least partly, work cooperatively to achieve the client's business objectives" (p. 211). Information Systems (IS) research shows that enterprises should govern an IT multi-sourcing arrangement beyond the traditional contractual agreements and build trust relationships between individual suppliers and the client to support the exchange of information (Rai et al., 2012). Importantly, to build trust, clients and suppliers have to work together intensively to exchange information. However, literature shows that collaboration within a multi-sourcing context is often problematic because it is difficult to establish and monitor control and coordination mechanisms (Rao et al., 2007), including and specifically in international settings. Furthermore, Wiener and Saunders (2014) argue that, in a competing IT multi-sourcing arrangement, collaboration between actors is essential to aligning their interests, avoiding tensions, and creating common value. A study by Huber et al. (2017) showed that a lack of collaboration prevents actors from creating value together due to a lack of governance cost. The authors argue that this issue is addressed more successfully if the IT multi-sourcing environment is conceptualised as an ecosystem (Moore, 1996), where actors exchange information and knowledge to create and capture value together.

2.1.5 Offshoring

Offshoring of business services have become a significant trend in which enterprises may benefit from various objectives such as cost reduction, access to external capabilities, improved lead times, process streamlining and strategic repositioning (Beulen & Ribbers, 2021; Oshri, 2011). The concept of offshoring is closely related to outsourcing as suppliers may establish offshore locations to execute ITO and BPO tasks more efficiently. In a similar vein to the concepts of SSC's and captive, offshoring can be considered as a particularisation of outsourcing. The offshore

provisioning of IT outsourcing services has shown a rapid increase in the past 20 years while it is expected to continue its growth. Oshri et al. (2015) defined offshoring as "the relocation of organisational activities (i.e. information technology, finance and accounting, back office, and human resources) to a wholly owned subsidiary or an independent service provider in another country", (p. 8). When being confronted with fierce competition from over-seas firms, enterprises increased to offshore their operations to achieve cost reductions (Farrel, 2004). This trend started in the manufacturing industry and gradually permeating the service industry in particular with establishing call centres.

Carmel and Tjia (2005), who studied the offshoring market intensively, identified the important role that India plays by dominating the global ITO market. As an example, we can refer to worldwide anticipation of IT problems at the turn of the millennium and dubbed Y2K problems, where enterprises outsourced the solution of the Y2K problems to suppliers who offered available resource capacity in offshore locations. Although literature on offshoring critique addressed the importance of service quality and potential language barriers (Oshri, 2011), business services offshoring continued to grow. Today suppliers offer various sourcing delivery models that include outsourcing and offshoring options and span multiple countries such as: Argentina, Brazil, China, Egypt, India, Hungary, Lithuania, Philippines, Poland, Portugal, Romania, Ukraine, and South Africa amongst others. As such, the demarcation between offshoring locations (originally Asia) and nearshoring have become blurred.

From a historical perspective of sourcing models, the concept of make and buy which are applied to support the provisioning of business services has evolved over time. The variety of sourcing models are summarised in Fig. 2.1.

All in all, we conducted an extensive literature study in the context of global business services and corresponding sourcing modes; shared service centres and captives, outsourcing and offshoring. Next, we discussed and elaborated on these essential research insights. As shown in Table 2.1 below, we bundled relevant and impactful research insights as studied. Interestingly, the four perspectives of business services sourcing modes emerged over time and followed various paths to end up in the concept

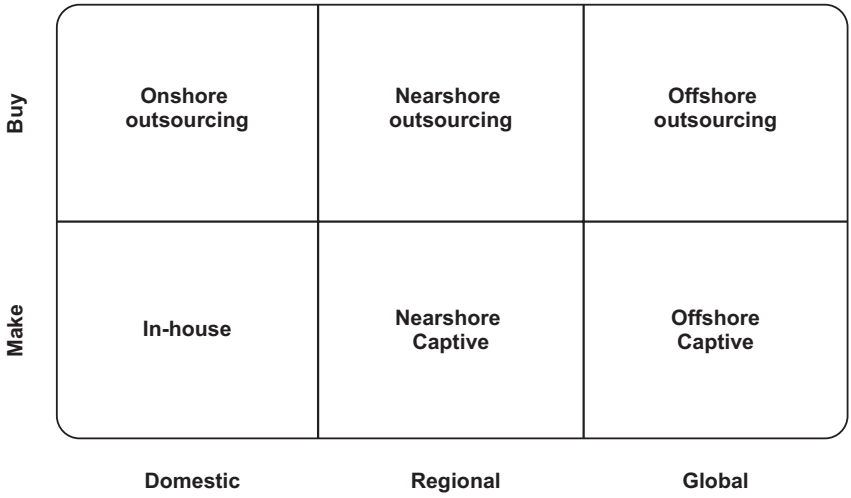

Fig. 2.1 Sourcing models. (Adapted from Oshri, 2011)

of global business services (GBS). Next, we elaborate on GBS and explain the richness as well as the complexity of implementing GBSs.

2.2 Global Business Services

The emergence of GBSs can be linked to the impacts of the financial crisis of 2007–2008 on businesses. This severe worldwide economic crisis, also mentioned as the Global Financial Crisis (GFC) forced enterprises to focus on cost reduction, lower their quality of services, and as a consequence changed their operating model. More specifically, an enterprise operating model is based on a coherent structure of an enterprise strategy, sourcing delivery models, business processes and employees' skills and expertise. The first concepts of GBS were described by various market research firms such as Deloitte, Gartner, Horses for Sources (HfS), KPMG, and PWC. These market research firms find that enterprises sourced their business services from both an SSC perspective and an outsourcing perspective. For example, research of HfS (2011, p. 1) illustrates that the objective of a global business services strategy is not

Table 2.1 Literature review

	Source	Journal (research discipline)	Type of research	Key attributes
(Global) Business Services	Esteves and Pastor (2001)	Communications of the Association for Information Systems	Literature review	Information Systems, Lifecycle, Business processes
	Fremantle et al. (2002)	Communications of the ACM	Literature review	Web Services, Information systems, Integration
	Sako (2006)	Oxford Review of Economic Policy	Literature review	Business Services, Outsourcing, Offshoring
	Demirkan et al. (2007)	Electronic Commerce Research and Applications	Literature review	Customer Perspective, Economics, Information Technology Strategy
	Van der Aalst (2012)	IEEE Transactions on Services Computing	Literature review	Business Processes, Process Aware Information Systems
	Ciarli et al. (2012)	Journal of Economic Surveys	Qualitative research	Business Services, Knowledge Dynamics, Geography
	Wynstra et al. (2015)	Journal of Operations Management	Literature review	Governance, Capabilities, Contracting, Management
	Alreemy et al. (2016)	International Journal of Information Management	Literature review	Information Systems, Governance, Success factors
	Holmlund et al. (2016)	Journal of Business Research	Literature review	Financial Issues, Management, Decision-making
	Wirtz et al. (2015)	Journal of Service Management	Literature review, Desk research	Economic Growth, Service Economy, Outsourcing, Offshoring
	Lacity et al. (2017)	The Journal of Strategic Information Systems	Qualitative research	Business Services Outsourcing, Inter-Organisational Conflicts
	Lu et al. (2020)	Journal of Service Theory and Practice	Literature review	Service Robots, Artificial Intelligence, Service Employees
	Peng (2022)	Book—Cengage Learning	Qualitative research	Strategy, Structure, Global Business Services, F&A, HR, SCM

(*continued*)

Table 2.1 (continued)

	Source	Journal (research discipline)	Type of research	Key attributes
Shared Service Centres and Captives	Ulbrich (2006)	Business Process Management Journal	Literature review	Shared Services, Business Process Reengineering, Organisational Processes
	Janssen and Joha (2006)	International Journal of Information Management	Literature review, Qualitative research	Services, Outsourcing, Information Networks
	Niehaves and Krause (2010)	Transforming Government: People, Process and Policy	Qualitative research	Shared Services, Resource Sharing, Networking
	Oshri (2011)	Book—The MIT Press	Qualitative research	Shared Services, Captives, Outsourcing, Offshoring
	Dreher (2013)	Finance Bundling and Finance Transformation	Literature review	Captive Shared Service Centre, Scoring Model, Business Unit, SLA
	Knol et al. (2014)	European Management Journa	Literature review	Shared Services, Challenges, Resource Dependence Perspective
	Lacity et al. (2017)	Journal of Information Technology	Literature review	Business Services, IT Outsourcing, Business Process Outsourcing
	Maatman and Meijerink (2017)	Personnel Review	Quantitative research	Shared Services, Dynamic Capabilities, Value, Control Mechanisms
	Richter and Brühl (2017)	European Management Journal	Literature review	Shared Service, Business Services, Outsourcing, Configurations
	Richter and Brühl (2020)	European Management Journal	Quantitative research	Shared Service, Dynamic Capabilities, Operational Capabilities
	Plugge et al. (2022)	Industrial Management & Data Systems	Qualitative research	Shared Service Centre, Configurations, Service Portfolio, Standardisation
	Oshri et al. (2023)	MIS Quarterly	Qualitative research	Shared Service Centre, Captive, Outsourcing

Outsourcing and offshoring	Carmel and Tjia (2005)	Book—Cambridge University Press	Qualitative research	Outsourcing, Offshoring, Geography, Governance, Relationships
	Cohen and Young (2006)	Book—Harvard Business Press	Qualitative research	Outsourcing, Multisourcing, Governance, Service Providers
	Bapna et al. (2010)	Information Systems Research	Literature review	Multisourcing; Offshore outsourcing, Governance, Cooperation, Coordination
	Palvia et al. (2010)	Decision Sciences	Quantitative research	Offshoring, Capability, Quality, Performance, Vendors
	Su and Levina (2011)	IEEE Transactions on Engineering Management	Qualitative research	IT Outsourcing, Multisourcing, Financial Business Services, Configurations
	Rai et al. (2012)	MIS Quarterly	Quantitative research	Business Process Outsourcing, Formal Contract, Hybrid Governance
	Lioliou et al. (2014)	Information Systems Journal	Qualitative research	Outsourcing, Formal and Relational Governance, Psychological Contract
	Wiener and Saunders (2014)	The Journal of Strategic Information Systems	Qualitative research	IT Multisourcing, Outsourcing, Forced Coopetition, Competition, Cooperation
	Willcocks et al. (2018)	Book—Palgrave Macmillan	Qualitative research	Outsourcing, Innovation, Governance, Automation
	Oshri et al. (2019)	Journal of Management Information Systems	Quantitative research	Multisourcing, Joint Performance, Governance, Architectural Knowledge
	Kotlarsky et al. (2023)	MIS Quarterly	Qualitative research	Information Technology Outsourcing, Business Partner, Reputation Formation
	Beulen and Ribbers (2021)	Book—Routledge 3rd edition	Qualitative research	IT Outsourcing, Digitalisation, Robotic Process Automation, Governance
	Krancher et al. (2022)	Journal of the Association for Information Systems	Quantitative research	Multisourcing, Bilateral and Collective Governance, Performance

only "to source globally, but also to leverage shared services, outsourcing and third-party investments to advance the objectives of the enterprise". A recent market study conducted by BCG (2022) shows that the concept of GBS matured over time and currently there are more than 10.000 GBS centres around the world. BCG projected the growth of the GBS market from USD 1.8 trillion in 2022 to USD 2.5 trillion USD by 2025. This finding shows that GBS is expected to contribute to the value equation for global enterprises. In addition, due to COVID-19 and Brexit, the importance of GBS has increasingly been valued as enterprises had to cater for changing circumstances and searched for organisational responsiveness. Today, GBS is being applied to a variety of models attempting to coordinate service delivery across multiple functions (Deloitte, 2018). According to Huber and Danino (2012) GBS can be characterised as an integrated compilation of service offerings for any (multiple) support functions within a company […] global in nature and with respect to both delivery centres and customers. As a result, GBS models are different from the traditional approach of shared services and the past wave of outsourcing/offshoring, as it seeks to leverage the capabilities of suppliers (McIvor et al., 2011).

Market research conducted in 2021 by Deloitte shows that various business services are organised by means of SSCs and outsourcing. The four most common global business services are: (1) Finance and Accounting (F&A), (2) Human Resources (HR), (3) Information Technology (IT), and (4) Supply Chain Management (SCM). Based on market insights of Deloitte, HfS, KPMG, and PWC, GBS is described as an operating model for business services that encompass SSCs, captives, outsourcing, and centres of excellence to support enterprises' business units.

2.2.1 Multi-nature Aspects

Market research shows that GBS models can be characterised by their "multi-nature" (Deloitte, 2018; KPMG, 2019), namely: multi-business, multi-function, multi-region, and multi-sourcing approach. Applying a multi-sourcing strategy fit with the concept of plural sourcing. Many

enterprises have seen their shared services and outsourcing initiatives evolve out of a single business unit, often the largest one. In some cases, internal politics may hinder GBS adoption by other business units, forcing them to go it alone. Enterprises that apply GBS typically serve multiple business units, applying the best, and most sophisticated practices to the entire organisation. Often enterprises that have started their journey with a single function or business process, extended their business functions over time. As market research shows, GBS organisations are multifunctional by nature. Historically, shared services and outsourcing programmes stated to support one geographical region. Today, however, GBS may support multiple regions within an organisation at the same time, often divided into various regions that include the Americas, Europe, and Asia-Pacific. GBS often starts with multiple centres in each region for each function. GBS organisations focus on providing an increased performance by consolidating the footprint to fewer locations. Some enterprises continue to rely on a regional delivery model, while others choose a hub-and-spoke approach, with the bulk of work typically performed in an Asian hub to achieve cost reductions. To implement a plural sourcing strategy, both firms and suppliers need to focus on mutual collaboration as they have to work together intensively to exchange business service information. However, literature shows that collaboration within a plural sourcing context is often problematic because it is difficult to establish and monitor control and coordination mechanisms (Rao et al., 2007). Due to the characteristics of GBS, the degree of complexity to govern business services increases. Consequently, an enterprise must delegate resources, processes, and managerial control to independent external suppliers. Wirtz et al. (2015) argue that firms have to apply a centralised approach when governing their business services in order to integrate into corporate strategies. Importantly, due to plural sourcing, the supply chains of technology-intensive business services become more fragmented. This creates a new source of complexity because GBS is introduced in the context of plural sourcing that may require new service governance approaches.

Enterprises that apply GBS are increasingly agnostic when it comes to sourcing delivery models. Some enterprises continue to rely exclusively on shared services or outsourcing, while other enterprises are combining

the two driven by business needs. In practice, transactional activities are often being outsourced, with higher value advisory activities delivered through captive centres. The most mature enterprises focus on what type of business services are supported in-house or outsourced, while associated delivery units focus on how business services are provided supporting the multi-nature of GBS. The evolution of business services and corresponding delivery models over time is depicted in Fig. 2.2.

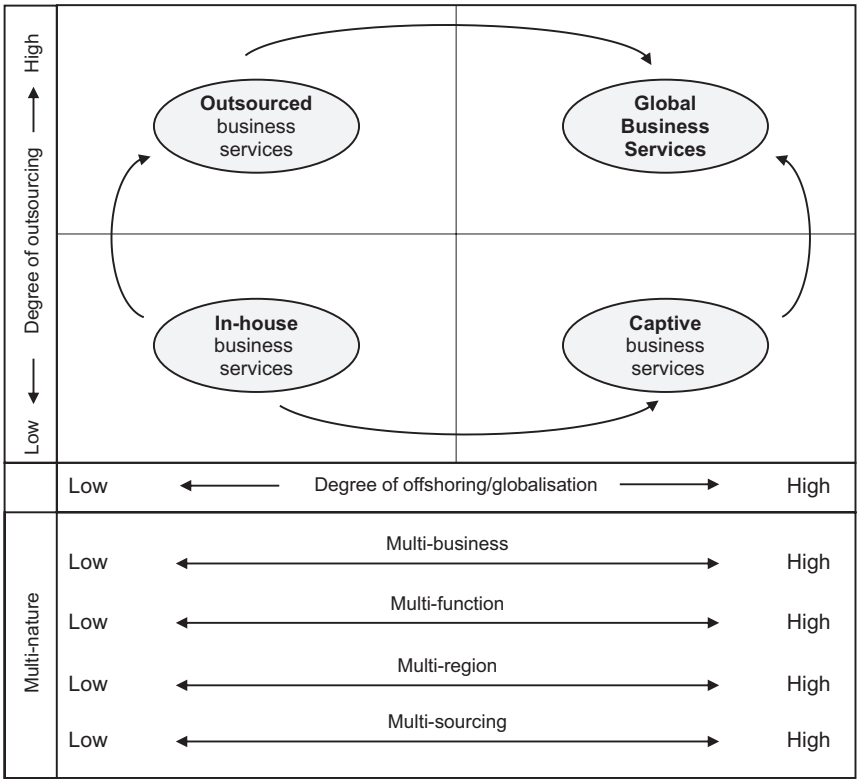

Fig. 2.2 Evolution of business services. (Adapted from Wirtz et al., 2015)

2.2.2 GBS Drivers

We conducted a survey to identify the rationales of the enterprises in scope why they started the implementation of the GBS concept. Participants were asked to enter the digit 1 to 5 that corresponds with the rationales to implement GBSs (see Appendix A). The rationales and corresponding outcomes are illustrated in Table 2.2. We included seven rationales (perspectives) that can be considered to achieve enterprises' strategic objectives when implementing the GBS concept.

First, we focused on a merger and acquisitions view as global operating enterprises may focus on growth and achieve synergies. This is supported by the second rationale to achieve growth by accessing new markets. Third, an enterprise operating model is complex by nature, and includes various aspects that need to be managed in a coherent and consistent manner (e.g. business processes, organisational structure, technology, and employees' skills). Therefore, we address the rationale to align an operating model, and consequently reducing the degree of business risks. The next rationale focuses on how to optimise global operations in order to scale up when relevant. The fifth rationale discusses the added value of applying data and analytics to support strategic decision making. Next, we address the importance of process excellence in order to support the added value of GBSs. Finally, the last rationale focuses on to what degree an internal repository of talent can be built to support a GBS implementation.

Applying a rationale view across industries, we find that the enterprises address the importance of aligning their operating model to support the provisioning of business services on a global level. As a result, business risks such a lack of governance or unclear or even lacking quality policies are mitigated, which in turn contribute to achieve compliance. In this regard, the findings of the fourth rationale is coherent with the findings of the third rationale as optimisation of global operations create opportunities to scale up business services on a global level. Importantly, the outcomes of the sixth rationale "process excellence and collaboration" is recognised by the majority of the enterprises in scope. This finding supports extant literature that argues that the coordination of business

Table 2.2 Overview of enterprises' rationales[a] to apply GBS

Rationale	Consumer products	Diversified conglomerate	Education	Energy & utilities	Financial & professional services	Food & beverages	Manufacturing & logistics	Pharma	Public sector	Technology & telecom	Other
Drive growth & realise synergies from acquisitions	3.83	2.87	4.33	2.17	2.75	3.00	3.25	3.46	1.54	3.16	2.94
Drive growth in emerging markets	2.66	2.25	2.66	1.88	2.37	2.33	1.75	2.21	2.09	3.16	2.35
Align the operating model to mitigate business risk and ensure compliance	4.33	3.75	4.33	2.77	3.77	3.55	3.62	4.20	4.66	4.50	4.55
Optimise the global operations footprint and ability to scale	4.00	2.87	1.66	3.64	3.66	4.11	3.62	4.06	2.66	3.83	3.22
Unlock the power of data & analytics to drive greater insight	3.83	3.25	3.66	3.88	3.44	2.77	3.25	3.60	3.00	3.33	3.70
Drive process excellence and collaboration	4.75	4.20	2.66	4.41	4.16	4.14	3.85	4.25	1.54	4.50	4.12
Build internal repository of high-quality talent	3.50	3.00	2.66	3.90	3.16	3.28	3.00	3.00	3.45	2.66	3.50
Total number of enterprises	N = 6	N = 8	N = 10	N = 18	N = 9	N = 9	N = 8	N = 15	N = 11	N = 6	N = 21

[a]Rationales were evaluated based on the importance of the following statements on a 5-point rating scale, ranged from 1 being "totally disagree" to 5 being "totally agree"?

processes is related to the integration of internal and external business services (Narayanan et al., 2011; Van der Aalst, 2012). In case business services are outsourced to the market, the degree in which business process coordination need to take place will increase. Taking both internal and external business services into account business processes also need to be flexible to support business services that can be managed in various configurations.

From an industry perspective, we find that enterprises operating on Consumer Products and Pharma focus on aligning their operating model, optimise their global operations and drive process excellence. This finding shows the coherence between business services supported by business processes on a global level. Various industries have also noticed the need to align their operating model or global operations supported by excellent business processes (e.g. Food and Beverages, Public Sector, Technology and Telecom, others). These findings illustrate the significant importance of both global operations, and operating model related to business processes.

2.2.3 Benefits

Several market research firms such as BCG (2022), Deloitte (2017, 2018), HfS (2011), and KPMG (2019), shows six key benefits for enterprises' when applying GBS. First, as GBS spans multiple functions, geographies, and delivery channels, it creates opportunities that may foster new value propositions. Consequently, enterprises may benefit from one integrated organisation with end-to-end processes, and clear accountability. In addition, GBS may enable an enterprise to enter new markets and adopt new processes more rapidly. Hence, applying GBS offers enterprises the opportunity to better serve the end users and customers. Second, GBS provides flexibility, as an integrated set of management and back- and middle-office delivery capabilities enable enterprises to focus on their front-office activities and as such, striving for the growth of their business. The degree of flexibility contributes to create an agile enterprise with scalability to respond to changing business needs such as mergers, acquisitions, and divestitures. Third, GBS offers a standard approach to

globally manage back- and middle-office services. As such, it offers the scale to drive cost and operational efficiencies on a global level across business services and internal business units. This makes it easier for end users and customers to do business. Fourth, centres of excellence are identified and integrated into the business services portfolio. As a result, an enterprise can maximise its talent and resources to focus on innovation and opportunities. Fifth, GBS may support enterprises to effectively manage risks; for example, decrease business disruptions and apply global control frameworks across business services and geographies. Finally, GBS becomes an incubator for digital ways of working and a catalyst for enterprise-wide digital transformation programs. This may be strengthened by improved data analytics and insights from access to cross-functional, enterprise-wide data.

2.3 GBS Implementation Challenges

Due to their multi-nature, GBS is considered to be a complex model, and various aspects (e.g. business processes, internal and external suppliers, business services portfolio) need to be aligned and coordinated continuously to ensure the proposed benefits. Prior studies have explored the antecedents contributing the success of business services implementation. However, implementation success stories are relatively scarce and predominantly based on stand-alone case studies. Studying the literature that includes SSC, outsourcing, offshoring, captives, and GBS, we may bundle implementation challenges to four groups: (1) strategy and organisation, (2) operating and delivery model, (3) business processes, and (4) geography.

Regarding *strategy and organisation*, we found examples of power struggles due to the loss of FTE and financial agreements of specific business units within an enterprise. The way in which business services are governed has been found to be a challenge as sometimes it is unclear who is responsible for managing business services and make decisions to adjust them if necessary. Tensions were found on how to implement a GBS strategy such as a big-bang scenario or a more gradual implementation strategy (step-by-step approach) of business services. In addition,

unclarity about organisational boundaries may hinder the provisioning of business services, which are provided by internal and or external suppliers. The same goes for challenges that may occur with regard to the geographic dispersion of various business services (e.g. global, regional, local). Finally, a lack of executive and management attention may rise problems and complaints to formulate clear objectives which in turn cannot be measured to identify the degree of implementation success.

In addition, an enterprise decision to outsource business services to the market has serious impact on an *operating and delivery model* as the relationships towards external suppliers are formalised compared to in-house delivery of business services. As a result, enterprise management must invest in additional governance and coordination towards external suppliers to continue service provisioning, mitigating business and operational risks and ensure compliance. Massini and Miozzo (2012) studied outsourcing and offshoring challenges on a global level by analysing case studies that include various type of business services (e.g. administrative services, call centres, information technology services, procurement, and product development). The authors argue that challenges arise with regard to outsourcing decision making (e.g. accountability, responsibility), impact of globalisation on value-adding tasks, and the organisation of technical centres of excellence that comprise of specific skills and expertise to support business services specifically. The latter is in line with the findings of Wirtz et al. (2015) in which the authors state that from a strategic perspective, business services outsourcing will be a key challenge in maintaining a viable resource base. In other words, does the enterprise have viable and skilled resources to manage and govern the provisioning of external business service. Lacity et al. (2011) studied business services in an outsourcing and offshoring context and found that enterprises expect that suppliers innovate business services over time. Importantly, practice shows that when enterprises focus on lower costs and improving service quality innovation, suppliers exclude innovation that in turn often relate to investments. As a result, innovations will be "out of scope".

To support business services effectively, implementing *business processes* are essential to enable an enterprise to continue their businesses. The challenge of business processes, however, arises from the fact that there is no one-size-fits-all solution (Blasini et al., 2017). Business processes are

context dependent, which means that they have to be adapted taking various aspects into account, such as: an enterprise's industry, their role in its industry (e.g. service integrator, service provider, or intermediate), and more particular an enterprise's underlying processes and services. From a historical view, business processes have been tightly coupled and optimised for specific needs and contexts of businesses and industries and supported by information systems. Although tightly coupled business processes and information systems can perform well, enterprises may encounter face challenges in scalability, flexibility, agility, and innovation needs of firms. To deal with these limitations, enterprises increasingly rely on modular business process and information systems. Due to the complexity of business services functionality, implementing modular business processes is risky and may hinder business continuity. In case business services are outsourced or offshored, implementation risks will increase as the chain of parties is extended (enterprise departments, multiple supplier delivery units). These business process challenges correspond with our research findings on enterprises' rationale to achieve process excellence and collaboration that in turn contributes to business continuity.

Literature shows that country attractiveness and *geography* play an essential role when implementing business services (Lacity et al., 2011; Oshri et al., 2023). The cultural difference, which refers to the extent to which the members of two distinct groups (such as an enterprise and supplier personnel) are different, was found to be important factor as they may differ on one or more cultural dimensions. Prior studies demonstrate that cultural distance negatively affects business services outcomes. A second factor that relate to geography is financial attractiveness. This relate to the degree to which a country is attractive to business services enterprises due to favourable financial factors. Examples are labour costs, taxes, regulatory, and other costs (e.g. Doh et al., 2009; Malos, 2010). Creating access to skills and expertise is often an important motivation to organise business services tasks abroad. This relate to human attractiveness that may be limited in practice due to a limited size of a labour pool and quality of education. The multi-nature of GBS demonstrates its complexity when the concept is implemented in practice.

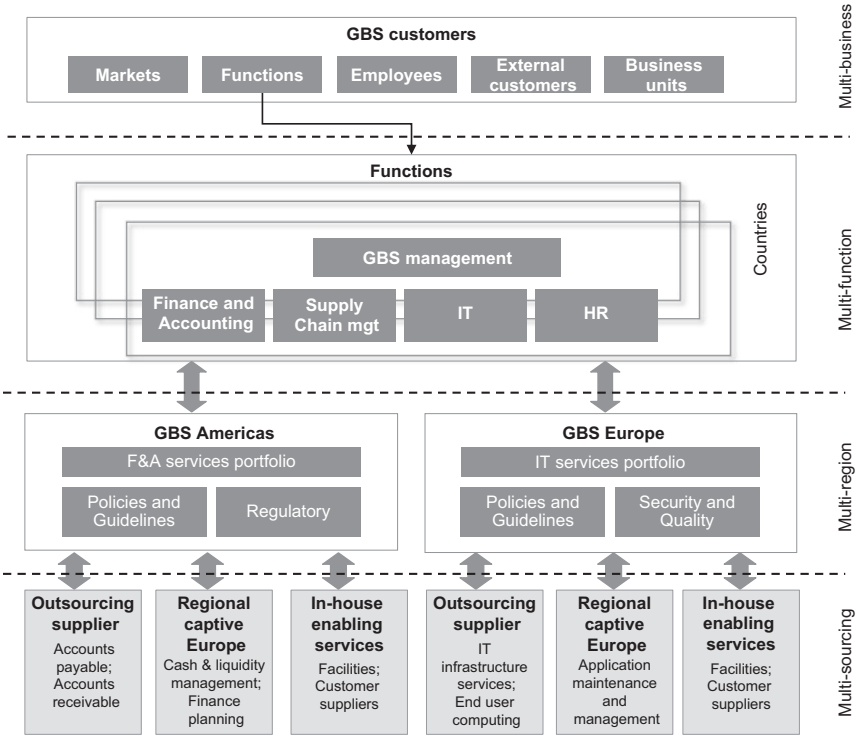

Fig. 2.3 Example of a GBS structure

Figure 2.3 shows an example of the GBS multi-function characteristics and corresponding delivery models (multi-sourcing) in a geographic dispersed view (multi-region) that may support various businesses (multi-business).

To summarise, the challenges as described above potentially hinder an effective implementation of business services in practice. Considering the multi-nature of GBSs and the associated degree of complexity, it can be argued that enterprises have to develop strategies to overcome implementation barriers effectively. Due to the convergence of rapid business developments and challenges imposed by digitisation of work processes, enterprises may explore how digital solutions may decrease implementation challenges.

2.4 Importance of Digitalisation

Today, enterprises cannot neglect the impact of the digitalisation on their business services. When enterprises have outsourced their business services, suppliers have to cater for digitalisation too as business services are intertwined with the business processes. As digitalisation increasingly encompasses entire enterprises, including their employees in which many of them corresponds to generation Z, emerging digital technologies may increasingly serve as a key operant resource during the implementation of global business services. As such, digitalisation may be seen as a valuable solution to overcome implementation challenges.

Market research (BCG, 2022) on GBS demonstrates that enterprises invest in digitalisation, such as cloud-based solutions, building analytics and reporting capabilities, apply robotic process automation (RPA) solutions that will support hybrid delivery models (e.g. virtual and physical location strategies). Emerging technologies, such as RPA, process mining, and algorithms, often referred to as Artificial Intelligence (AI), are expected to impact enterprises (Willcocks, 2020). Although the majority of business services functionality have been automated by means of digital platforms such as SAP, Oracle, and Microsoft to name a few, remaining tasks are still performed by humans. By automating repetitive and rule-based functions typically handled by back office, enterprises are able to digitalise the last mile. An example is RPA that digitally support process tasks (e.g. cost accounting, payables and receivables) which were previously performed by humans (Frank et al., 2017). A second example corresponds to process mining that combine various data sets from internal and external sources (suppliers) (Barbosa et al., 2019). Process mining is often used to optimise business process tasks and preventive identification of problems, forecasting and recommendations, like F&A and supply chain related tasks. Next, chatbots refers to software applications, which are used with the intent of backing up employees of customers in service sectors; for example, customer service to imitate written or verbal human words/speaking (Ulas, 2019).

The impact of digitalisation on enterprises is significant, as the basic assumption is that digital technologies may help to overcome GBS

implementation challenges as described earlier. For instance, enterprises that use RPA and process mining solutions may overcome duplicated or ignored tasks conducted by humans. These solutions automate the "*last mile*" as an extension of existing digital platforms that support business services like F&A, HR and SCM. By digitalising routine-based decisions made by humans, existing enterprises' operating, and delivery model challenges may be limited as manual coordination is reduced or even absent.

To illustrate the effects of digitalisation, we provide two examples. First, the trend to apply digitalisation in enterprises actually merges with the transformation from functional silos (e.g. F&A, HR, SCM, IT) into end-to-end process management. Based on end-to-end business processes, enterprise managers are no longer responsible for a specific function, like purchase-to-pay or order-to-cash but become responsible for an enterprise end-to-end business process. Such an end-to-end business process comprises functionalities that are supported by various business services. As a result, an enterprise organisational structure will change by breaking down silos and focus on employees and customers need first. IT services will play an essential role to support the transformation into digital end-to-end oriented processes that may even go beyond their own organisation in case outsourced business service are provided by suppliers.

Second, market research conducted by Deloitte (2017) illustrates that intelligent automation will have severe impact on new ways of working, challenging enterprises' ability to cope with changing circumstances that comprise augmenting human work with smart machines. As (chat)bots and humans collaboratively conduct tasks, failing to augment them will have negative consequences for both human and bot performance. As another effect of digitalisation, enterprises have the opportunity to design and implement their global business services from the perspective of employees and customers. As such, customer centricity becomes the focal point in a digital enterprise's thinking and acting. Consequently, data-driven decision making affects managers in designing value-added business services functionality to support employees and customers. In turn, these new functionalities need to be supported by an operating and delivery model, which include both in-house and outsourced solutions. The latter are supported by digital solutions like self-service solutions based

on chatbots and algorithms. In doing so, digitalised GBSs become customer-centric and create the opportunity to cater for changing circumstances more easily.

2.5 Conclusion

Enterprises nowadays seek various approaches in delivering global business services to achieve organisational responsiveness and efficiency. The gradual transformation of business services delivery models into a GBS concept contributes to organisational flexibility as a service management option for globally operating enterprises. The multi-nature characteristics of GBS, however, may result in various implementation challenges, but digitalisation and the use of emerging digital technologies may help to overcome GBS implementation challenges. As such, more far-reaching digitalisation solutions, which exclude manual interactions in business services functionality, may be a fruitful strategy to overcome GBS implementation challenges.

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