



Deloitte.

Get GRID-ready

Unlock value in
shared services

Service Delivery Transformation

Efficiency gains are no longer enough.
A GRID operating model provides a unique framework through which global in-house centers (GICs) can work together in unison to provide high-value services back to the parent as well as to drive innovation and service excellence within their own ecosystems.

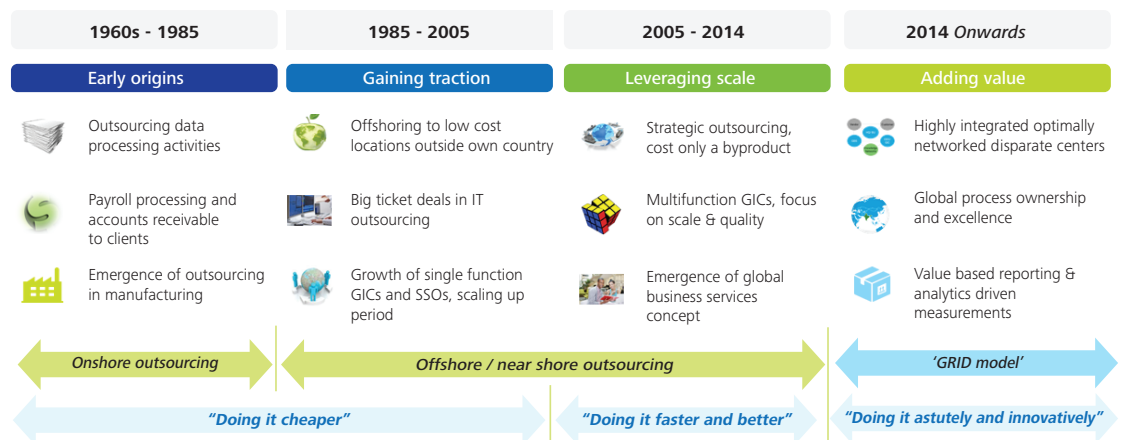
Global business services
Outsourcing
Shared services

Introducing an integrated framework for unlocking the latent value existing within the global shared services network

Global in-house centers (GICs), also known as “captives,” have been on an upward trajectory since they launched in the late 1990s. By and large they have gone well beyond the original objectives set forth by their parent companies of delivering cost savings through labor-cost arbitrage. Today, the scope and scale of GICs has substantially expanded to often include thousands of employees in offshore, near-shore, or on-shore locations handling multiple functions and serving multiple geographies. Indeed, so many GICs have succeeded in doing things “better, faster, and cheaper” that they stand at the heart of a global trend toward center-based delivery of services. As GICs continue to scale, however, some are approaching critical mass whereby it is becoming increasingly difficult to deliver more incremental value back to the parent through labor-cost arbitrage and process improvement. Efficiency gains are no longer enough. Moving ahead, many GICs will need to generate exponential strategic value by doing things astutely and innovatively, not just better, faster, and cheaper. This will demand more connectivity and collaboration between the parent and each of its centers as well as among the centers themselves—even extending to the third parties with whom the centers engage.

For many organizations, the next wave of exponential value creation will likely come from tapping into the capacity for innovation that lies within their extended shared services networks. The traditional hub-and-spoke operating model is ill suited for providing the connectivity and synchronization that will be required for GICs to move beyond adding value through arbitrage to adding it through smarter thinking and collaboration. To accomplish this, a new structure and accompanying mindset are needed, which in our view can be thought of as the “GRID.”

Today, the scope and scale of GICs has substantially expanded to often include thousands of employees in offshore, near-shore, or on-shore locations handling multiple functions and serving multiple geographies.



About GRID

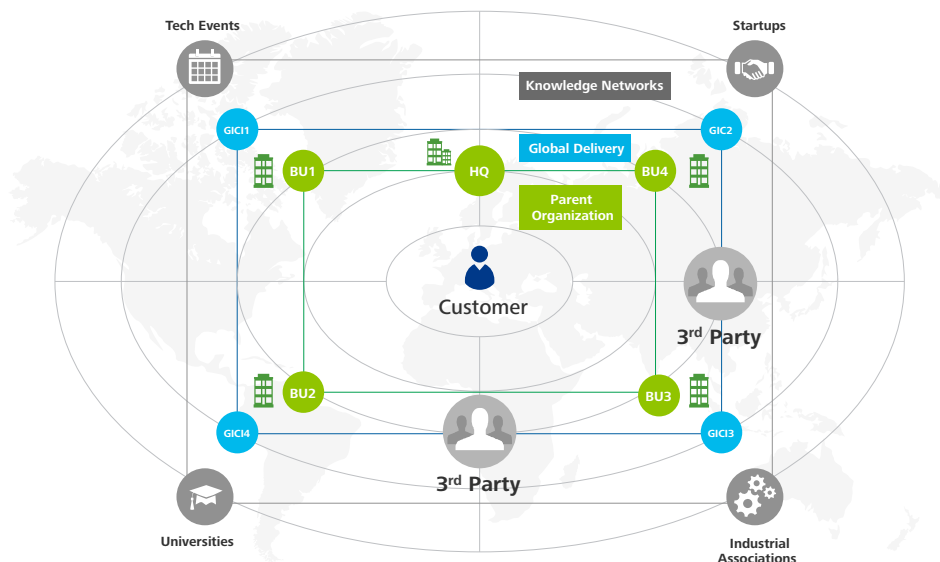
A GRID operating model can be visualized as an interwoven array of disparate nodes, which are networked for collaboration and synchronized through a common governance structure and value-based methods of measurement. The nodes of the GRID not only include GICs and shared services organization (SSOs) but also third-party service providers, product vendors, and universities, among others.

The main characteristics of a GRID operating model are:

- **G**lobal centers with “glocal” talent pools, global process ownership, and financials that are competitive around the world
- **R**esponsiveness via adoption of enabling technologies and application of predictive analytics
- **I**ntegration into a global delivery network based on collaboration and interaction with other “nodes”
- **D**ynamic through on-demand service delivery, value-linked measurement systems, and faster, empowered decision-making

A GRID operating model provides a unique framework through which GICs can work together in unison to

provide high-value services back to the parent as well as to drive innovation and service excellence within their own ecosystems. From the parent’s perspective, the idea is to be able to plug into the GRID to obtain strategic support whenever and wherever it is needed. For instance, the parent could access certain nodes to obtain finance-process help with regulatory requirements in China or for developing a regionalized version of a product to support market expansion plans into South America. From the GIC’s perspective, the concept is to coordinate with other nodes to develop innovative ideas and to build capabilities that would be useful to the parent in fulfilling its broader strategic vision. An innovation center, for instance, could connect to other GICs in the GRID to exchange ideas for driving the parent’s new product strategies while simultaneously connecting to local universities or start-up communities, also in the GRID, to develop programs for growing the engineering talent pool. Regardless, the impetus for transitioning to a GRID operating model must come from the parent as well as the GIC. A bottom-up approach, where the GIC seeks to climb up the value chain, is not sufficient, given that in many GICs, the leadership talent is simply not there to drive business transformation efforts. While the GIC needs to be proactive, it is ultimately the parent’s responsibility to drive business transformation and to make sure the GIC is working in a GRID environment.



Five key enabling areas

Transitioning to a GRID operating model can help organizations unlock the latent exponential value existing within their global shared services networks. However, such a shift represents a significant departure from the traditional hub-and-spoke model, which is characterized by predominantly one-way communication from the parent to captive, and with little to no interaction among the captives themselves. It comes as no surprise then that the journey toward greater connectivity and networking cannot be accomplished overnight. Our field experience suggests that few organizations, if any, have implemented a fully operative GRID model. However, some are beginning to connect centers, or “nodes,” and even more are acknowledging that a new, more collaborative organizational structure will be required if GICs are to add incremental value to the parent beyond labor-cost arbitrage in the future.

As organizations begin to think about what it will take to develop a more interconnected, collaborative structure, they should consider where they stand now, and what investments they might need to make, in five key, enabling areas: talent, process, service delivery, technology, and measurement.

1) Talent

As evident from numerous industry surveys, talent is a top priority. Indeed, it is often identified as the single biggest challenge faced by organizations. Today, the need for specialized, multi-skilled, and highly adaptable talent is soaring, particularly as GICs move toward delivery of higher value services such as analytics and R&D. By providing a mechanism through which GICs can connect with schools and universities, a GRID model can play a pivotal role in building a supply chain for skills. It can also offer a framework for aligning talent models and giving employees upward mobility and a sense of purpose beyond what they can receive from performing a limited functional role. This can provide a stabilizing foundation for reducing attrition and for developing a culture of innovation. In moving toward a GRID model,

organizations should consider their current and future commitments to developing talent, particularly in forging connections with educational institutions, building a pool of “glocal” leaders, and defining cross-organizational career paths. Importantly, to accomplish these goals, GIC leaders must have a “seat at the table” within the parent organization, sadly many do not.

2) Process

While the potential benefits of process standardization and harmonization are widely recognized, many organizations are still grappling with how to make global end-to-end processes a reality. Here, GICs, which often house multiple functions under one roof, have an opportunity to add value since they often have a better view of what works well and what doesn’t across the organization. To realize that value, organizations will need to further develop the necessary expertise and connectivity to undertake end-to-end process ownership. For instance, this might require facilitating closer communication between GICs and business units, more tightly integrating operations with the delivery centers, and creating a globally responsive workforce that is adept at executing more complex processes. It may also require global process owners to sit within the GIC to drive better connectivity.

3) Service delivery

Being more responsive to the demands of internal and external customers is critical for GICs seeking to move to the next phase of value creation. As expectations for real-time, on-demand service delivery rise, organizations will need to adopt innovative approaches to meet the rapidly evolving demands. Some of these may be disruptive or non-traditional, such as robotics and intelligent process automation. Regardless, greater integration with the parent and collaboration throughout the global network, including gaining external input from niche start-ups, third-party service providers, knowledge networks, etc., will be instrumental in enabling GICs to move to the next level of service delivery.

4) Technology

While the Internet and better connectivity drove the previous phases of outsourcing growth, new technologies are now revolutionizing not only service delivery but also the way business is done altogether. For instance, biometrics, robotics, and analytics are already rewriting the rules of efficiency and productivity, and in the process, creating opportunities for GICs to create strategic value. Increasingly, organizations may wish to leverage their GICs to conduct pilot implementations and/or to serve as technology incubators in collaboration with universities, start-ups, etc. At the very least, GICs will need to begin deploying some of these emerging tools to enable process standardization, reduce costs, and meet escalating service delivery standards. Furthermore, adopting these types of technologies early on offers an added benefit: it provides a “sandbox” environment through which companies can foster innovation economically.

5) Measurement

Organizations of all types often struggle to capture the value they provide to their internal and external stakeholders. Part of the problem is that the perceptions of value received versus value provided often diverge. This misalignment can be quite pronounced between GICs and their headquarters and business units, especially since most GICs rely on inward-facing quantitative metrics such as cost per full-time equivalent (FTE), center utilization, productivity, and headcount growth and attrition. As GICs become more integrated with their parent organizations and their business units, they will increasingly need to demonstrate how they support business strategy. This implies moving away from traditional service-level-agreement (SLA) measurements and moving toward more balanced key performance indicators (KPIs), which should comprise qualitative as well as quantitative metrics linked to specific business outcomes. In the end, both the GIC’s involvement, in terms of the amount of work performed, and its impact, in terms of furthering company strategy, will need to be measured.



Transitioning to a GRID operating model can help organizations unlock the latent exponential value existing within their global shared services networks.

Getting started

Organizations around the world have made substantial investments in scaling up their GICs, and now many are looking for the next logical steps on the path to getting a greater return on their investments. To identify these steps, GIC and shared services leaders should begin to ask themselves questions such as:

- What value can our GIC deliver beyond labor-cost arbitrage?
- What can we do to make the future value curve exponential and non-linear? Or put another way, how can we drive business impact, as opposed to simply saving a certain amount of money for each role that we move from a higher cost location to a lower cost one?
- How can we enable the next phase in value creation? Or, what type of changes will we need to make in order to do things astutely and innovatively, and not just better, faster, and cheaper?

For many GIC and shared services leaders, a GRID operating model will likely play a big role in answering questions such as these. Getting GRID-ready, however, may require significant change, both within GICs and within the parent organization. These changes will likely include adopting new approaches to, and investing in, the five key enabling areas of talent, process, service delivery, technology, and measurement.

Node by Node

Sample GRID-building activities from leading companies

Parent organizations and GICs are increasingly casting their nets across universities research institutes, service providers, and start-ups in an effort to get GRID-ready. Here are a few examples of what some leading companies are doing to add nodes to their GRIDs and to strengthen their capabilities across the key enabling areas:

- An American chain of retail home improvement and appliance stores has launched a series of innovation labs in an offshore location. The labs serve as start-up accelerators focused on developing advanced technologies, including robotics, augmented and virtual reality, and 3D scanning and printing. The labs support the company's strategy of gaining competitive advantage by tapping the often over-looked insight and creativity of atypical partners. They also strengthen the local economy and deepen the talent pool by providing unprecedented opportunities for area start-ups to deploy their technologies in the US.
- A global chipmaker is collaborating with a technology university and applied research institute to advance research in the field of quantum computing. The goal is to achieve a scalable breakthrough that can be leveraged to enhance financial analysis and expedite pharmaceutical development. The effort requires close connectivity among the parent, the GIC, and the educational institutions, especially since the goal is critical to the parent's overall business strategy.
- The executive team at a grocery and merchandise retail chain is working closely with a group of R&D engineers within the GIC to develop innovative products for the retail industry. These include robotics, internet-enabled clothing, and wearable devices. At present, the GIC provides about three-fourths of the technology and innovation know-how to the company's stores and businesses globally. It is also helping the company to go global with its e-commerce rollout.

To find out more about the GRID and the potential benefits of plugging into it, please contact us:

Parag Saigaonkar

Principal
Deloitte Consulting India Pvt Ltd
psaigaonkar@deloitte.com

Ravi Mehta

Director
Deloitte Touche Tohmatsu India Pvt. Ltd
ravmehta@deloitte.com

Jean White

Principal
Deloitte Consulting LLP
jwhite@deloitte.com

Susan Hogan

Principal
Deloitte Consulting LLP
shogan@deloitte.com

Learn more



For further information, visit our website at
www.deloitte.com/us/servicedelivery

Join the conversation



Follow [@Deloitte](https://twitter.com/Deloitte)

Subscribe to Service Delivery Insights



Discover more about making connections through global business services, shared services, and outsourcing.
[Subscribe now](#)

**To transform your business,
transform your service delivery model.**



This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.