

Future-Proof with Global Business Services

How to Foster Sustainable Growth through Global Efficiency

WHITEPAPER



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Introduction

Global Business Services are an effective way to address continuing cost pressure, critical staff shortages and other urgent business challenges relating to administrative support processes.

How long is your to-do list as an entrepreneur? From staff shortages and savings targets to a heterogeneous process landscape and a lack of standards for the performance of services, businesses today are faced with a multitude of complex challenges. These challenges easily pose a distraction from what should be the actual focus of any company: its core business.

A promising solution to many of these challenges is called Global Business Services (GBS). GBS are usually set up as organizational units that operate throughout the company and provide standardized and scalable services across different functions and regions for maximizing efficiency and creating value. This specifically includes processes for HR, finance, IT, purchasing and other support functions. GBS units usually serve multiple business divisions around the world.

The establishment of GBS should be regarded as a transformation project that will take several years. Initially, companies typically focus on bundling transactional processes of individual functions under the term "Shared Services". The gradual expansion to multiple functions and the comprehensive coordination of standardization and automation activities leads towards Global Business Services. As a basic prerequisite for any GBS transformation, companies need to have a vision and design the individual development stages in a roadmap. At many companies, the motivation to use GBS is unlimited given

that, depending on their design, they may generate cost reductions of 30 to 60 percent.

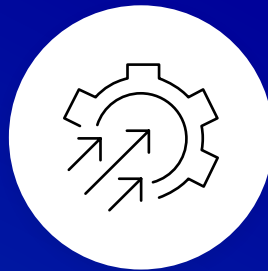
Significant cost savings are not the only reason why more and more companies are implementing Global Business Services. MHP's experience shows that companies are successfully recruiting highly specialized personnel in talent hubs via Global Business Services. In these competence centers, company-wide initiatives, such as digital transformation, disruptive innovations or major transformation projects, are increasingly being driven forward in a targeted manner, thus generating company-wide added value.

Global Business Services are therefore a key component of the future viability and pioneering role of successful companies.

In this whitepaper we will show you how you can pave the way towards a successful GBS initiative, which business functions and processes may derive the greatest benefits from Global Business Services, and which factors are critical in terms of implementation. In addition, we will present two success stories to illustrate the specific benefits that companies – in this case the companies REHAU and Syntegon Technology – can derive from GBS solutions and the role that MHP played in their conceptualization and implementation.

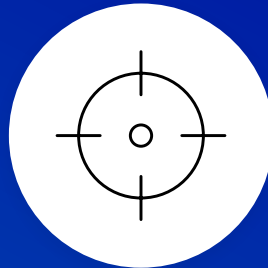
At a glance

How support functions benefit from GBS



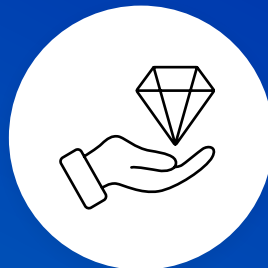
Efficiency

Establish an efficiency-oriented operating model



Focus

Minimize effort for transactional tasks



Value

Focus on continuous value contribution

Executive Summary

Global Business Services offer scalability, flexibility and cost efficiency in a globally interconnected corporate landscape by providing standardized and integrated business processes across various functions and regions. This leads to improved operational efficiency and allows companies to focus more on their core competencies.

- 01 — Today's competitors are more agile and globally networked than ever before. Companies must therefore react flexibly and quickly to market changes and the associated opportunities in order to keep pace. At the same time, profitability must be maintained through lean administration of support functions. The solution: Global Business Services.
- 02 — Global Business Services represent a further development of Shared Services. The latter usually comprise transactional and high-volume processes of support functions that are provided centrally from one or a few locations (shared service centers). The focus here is often on the use of labor cost advantages. Global Business Services expand this approach by using various levers to increase efficiency and quality and orchestrating them globally.
- 03 — GBS – even more so than conventional Shared Services – enable businesses to operate in a more flexible, agile and cost efficient manner while also meeting the highest possible requirements in terms of support process quality. Global Business Services therefore provide significant leverage to leading companies desiring to ensure their future viability and competitiveness.
- 04 — GBS can be implemented in the form of Business Process Outsourcing (BPO) or an internal Global Business Services setup. The decision on the right model is individual and should always be based on a comprehensive evaluation of your own skills and ambitions.
- 05 — MHP has developed a low-risk approach for the evaluation of GBS potential. It allows companies to make processes and cost factors transparent, review the potential for optimization, and create a pilot design for potential GBS solutions in a short period of time.

Global Business Services: The Evolution of Shared Services

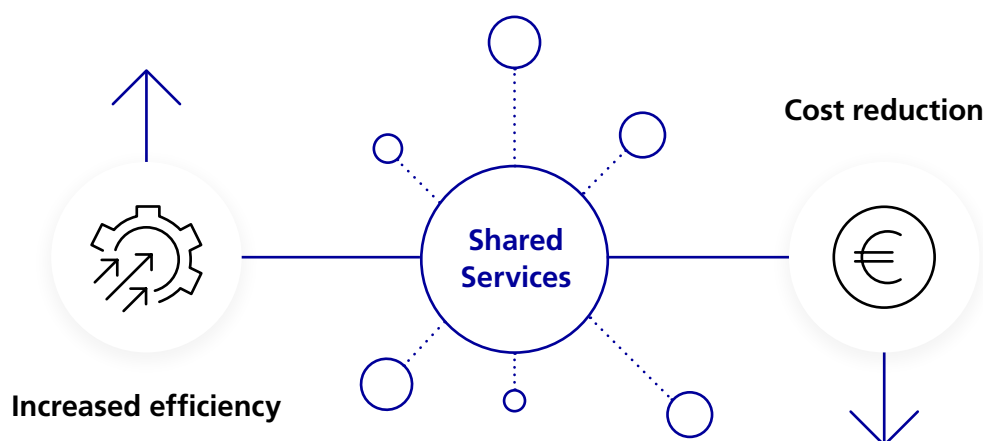
For decades, Shared Services have been considered to be significant drivers in increasing efficiency and, in particular, in reducing costs at companies. They are usually used for support functions.

A typical example is the central provision of finance and accounting processes, workforce management, purchasing or IT.

Objectives of the Shared Services concept

The basic idea of Shared Services is to bundle transactional processes, typically of support functions, in one or just a few places. In this way, processes are standardized in a central structure and provided to mostly internal “customers” by specialized staff. This increases efficiency and reduces costs through economies of scale. The potential to reduce costs even further arises if the bundled processes are moved from countries with high labor costs to countries with low labor costs.

Primarily due to the ongoing advances in AI and other digital technologies, Shared Services have become a powerful concept for optimizing administrative functions within the company from a quality, process and cost perspective at many companies. Today Shared Services are already used by a large number of companies across industries.



The next level of Shared Services: Global Business Services

Global Business Services represent the next evolutionary phase of Shared Services. While GBS and Shared Services share some characteristics, there are also numerous differences:

Shared Services vs. GBS

Shared Services

- Focus on specific business functions (e.g., HR, Finance, IT, Customer Service)
- Primarily focused on supporting internal teams
- Local operations
- Emphasis on Labor Arbitrage

Common Features

- Centralized operations
- Streamlined processes
- Cost saving
- Improved efficiency

GBS

- **Integrated approach to business support functions**
- **Role as strategic business partner**
- **Focus on both internal and external customers**
- **Global reach**
- **Manifold potential for efficiency gains**



Global nature: GBS operate on a global level and serve multiple regions, business units or functions within a company. The access to global talent pools enables companies to flexibly respond to fluctuations in service requirements of individual business divisions. This resolves perceived location disadvantages and associated staff shortages.



Strategic orientation: GBS are not just an extended workbench of business functions, but pursue a more strategic approach for business support functions by aligning them with the company's overall objectives and actively contributing to its growth and competitiveness.



Strong focus on technology and innovation: GBS use advanced technologies, such as automation, AI and cloud computing to increase productivity and drive innovation.



Customer centric: GBS attach great importance to meeting the needs and expectations of internal stakeholders and therefore often use sophisticated feedback mechanisms to continuously optimize their services. These improvements often also benefit external companies, for example after a carve-out.



GBS orchestrate the provision of key business support processes in a globally interconnected corporate landscape. Contrary to conventional Shared Services, which primarily play a supporting role for processes within a given function, GBS act as an independent business unit.

Compared to Shared Services, where various shared service centers and outsourcing providers can work independently from each other, a feature of Global Business Services is the provision of an integrated framework for governance, site management and operational practices for all centralization efforts within a company. This holistic integration is essential when it comes to determining relevant KPIs, establishing unified workflows and promoting seamless, effective communication that eliminates the silos that are frequently encountered in business operations.

This means it is not just about reducing costs: It is about establishing a multifunctional business unit that helps businesses overcome any existing silo mentality and thereby helps make them more agile. While Shared Services used to be considered as a supportive function for the whole company, Global Business Services are positioning themselves as a business partner that helps companies achieve their strategic objectives.

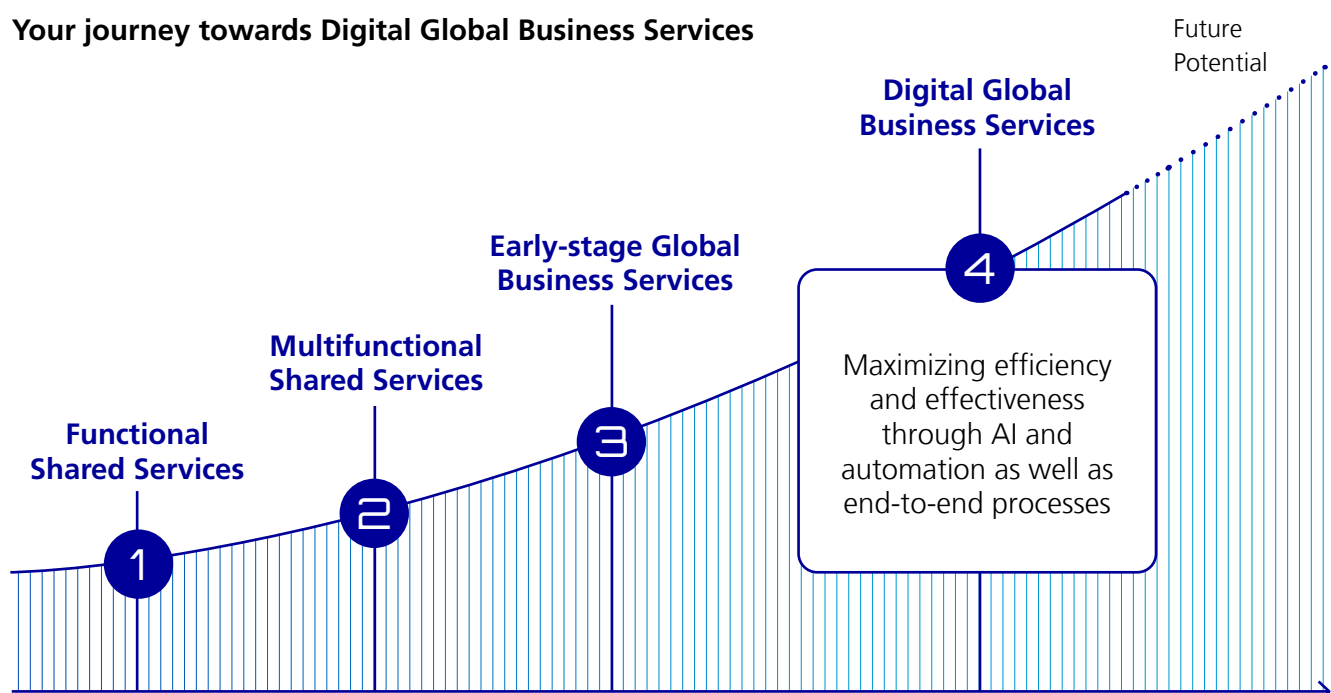
Ultimately Global Business Services also help companies ensure compliance and meet data protection requirements because they minimize the risk of human error, for example through the intelligent use of automation and AI technologies. And, what is more, they release the joy of innovation and creative energy because employees can concentrate much more on customer-centric activities.

At a glance: How Shared Services become Global Business Services

The transition from Shared Services to Global Business Services is a transformational process that can be shown based on the following four levels of maturity:

- 1 Functional Shared Services**
 are characterized by providing services for individual functions in a silo-based manner. For example: Processing accounts receivable or accounts payable in the area of finance.
- 2 Multifunctional Shared Services**
 describes a first evolutionary stage in which processes are provided by several functions, but overarching standards are often only applied in a rudimentary way.
- 3 Early-stage Global Business Services**
 refers to the first phase of the transition from Shared Services to GBS. This phase is typically characterized by the establishment of a basic GBS governance and the integration of regional shared service centers or shared service centers for individual functions under a global "GBS" brand.
- 4 Digital Global Business Services**
 constitute the last evolutionary stage of the transformation process. GBS act as an independent business unit and use the entire potential of digital automation technology and artificial intelligence in order to achieve significant cost and efficiency advantages. End-to-end process orientation underlines the indispensable customer focus of GBS.

Your journey towards Digital Global Business Services





**Reduce costs,
minimize complexity,
overcome capacity
shortages.**

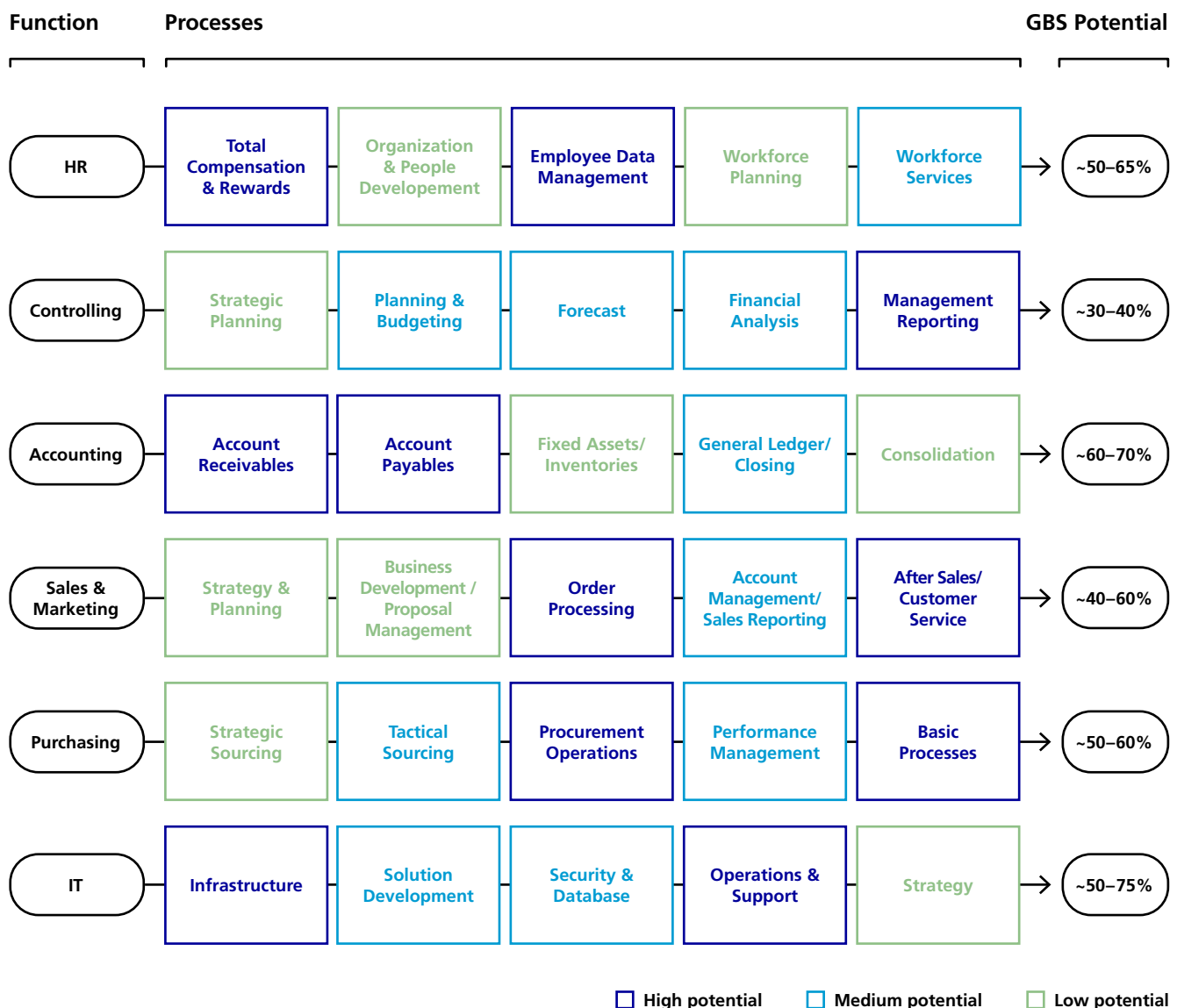
Global Business Services
represent future viability.

Functions and processes suitable for GBS

The following graphic shows the potential for companies to use Global Business Services. Attractive opportunities exist in particular within the functions

of IT and accounting. HR, purchasing or controlling may also benefit from GBS.

GBS potential by business function and type of operation



The specific processes that benefit from Global Business Services are determined based on a number of characteristics:

- **Repetitive:** The activity is repeated frequently in day-to-day operations.
- **Rule-based:** The activity follows clear rules and guidelines.
- **Not a USP:** The activity is not a key differentiator and does not have any strategic importance.
- **Location independent:** The activity does not require physical presence.

Based on these criteria, there is a large number of functions and associated processes that are ideally suited for GBS:

Function	Processes suitable for GBS (examples)
 HR	Total Compensation & Rewards, Employee Data Management
 Controlling	Management Reporting
 Accounting	Account Receivables, Account Payables
 Sales & Marketing	Order Processing, After Sales/Customer Service
 Purchasing	Procurement Operations, Basic Processes
 IT	Infrastructure, Operations & Support

The potential of GBS cannot only be quantified with respect to the various areas of processes. MHP's wealth of experience can also provide indications as to the effectiveness of individual measures. Specifically, the following five levers are most promising in terms of their effect with regard to a long-term reduction of costs:

- **Labor arbitrage:**

Use of labor cost advantages in nearby foreign countries (nearshoring) or geographically more far-reaching constellations (offshoring).

Fixed cost saving potential: 10 to 30 percent.

- **Bundling:**

Cost benefits through economies of scale by bundling similar processes and avoiding redundancies.

Fixed cost saving potential: 5 to 10 percent.

- **Standardization and harmonization:**

Streamlining of processes, harmonization of the IT landscape.

Fixed cost saving potential: 10 to 15 percent.

- **Digitalization and automation:**

Prioritization of the automation and digitalization portfolio, use of RPA and AI for automation.

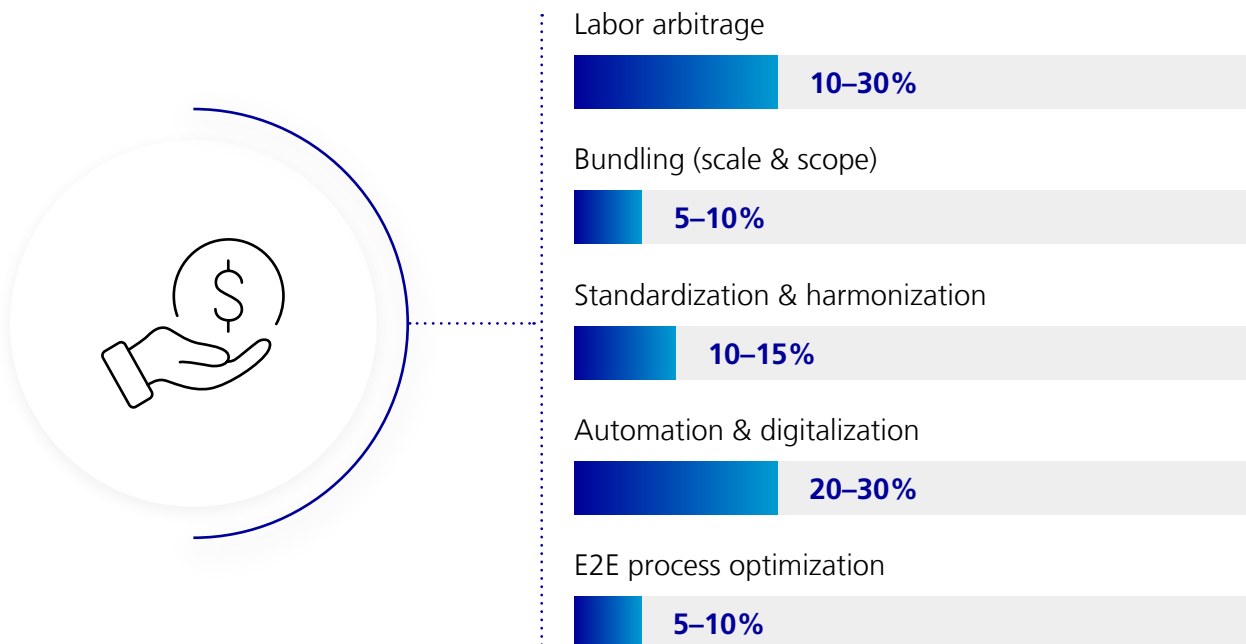
Fixed cost saving potential: 20 to 30 percent.

- **End-to-end process optimization:**

Overall integration of processes into customer-centric and cross-functional process chains.

Fixed cost saving potential: 5 to 10 percent.

GBS: Five levers for cost reduction



Read the following chapter to find out how REHAU Industries SE & Co. KG realizes potential through a nearshore approach.

Success story: Nearshore IT for 170 REHAU locations

The family-owned company REHAU has been developing plastic and polymer-based solutions for the automotive, construction and industrial sector, as well as the furniture industry, for more than 70 years. The one thing the 170 international REHAU locations with more than 20,000 employees require more than anything to ensure smooth operations is a reliable IT infrastructure.

The heterogenous process landscape that had developed at REHAU over the years, as well as staff density, created complex challenges for the company's IT needs. In light of this background, REHAU further developed the IT department's target operating model in a future-oriented and scalable manner together with MHP in 2020. The goal: Creating a nearshore IT Shared Services Center (SSC).

Within the extremely ambitious timeframe of six months, an SSC was established supporting services in all functional areas of REHAU's IT department, including all SAP applications and development teams, together with the server, network, firewall and exchange infrastructure, as well as application

security and a first-level helpdesk. This shared service center is fully linked to REHAU's internal IT processes which ensures smooth collaboration with the internal IT experts and specialist departments.

A large part of the IT Shared Services are now provided to REHAU by MHP Romania at the Cluj and Timisoara locations. The advantage: Many of the team members working at these locations not only have excellent technical skills, but also speak German well. This means that all communications in interactions relevant to the specialist departments can still be carried out in German.

In spite of difficult circumstances – due to the COVID pandemic the entire transition had to be done remotely – MHP managed, in a very short time, to develop and roll out a solution for REHAU that meets the various IT needs of the polymer specialist and allows its employees all over the world to work in an efficient and innovative manner at all times.

"By outsourcing selected IT services, we not only gain financial freedom, but also the capacity we urgently need to shape our IT transformation strategy and, in particular, to strengthen our innovative power.

This is another important milestone on our journey from a traditional IT unit to a value-creating and innovative business enabler with market-compliant end-to-end processes and innovative IT technologies."



Thomas Wölker

CIO

REHAU Industries SE & Co. KG

No reason to be afraid of GBS: First steps with MHP's low-risk approach

Given that the journey towards Global Business Services is one with far-reaching consequences – in the most positive sense – companies often hesitate to take the first step. What if the required investments exceed the budget? What if important stakeholders are unwilling to cooperate? What if the entire GBS project fails?

To counter these concerns, MHP has developed a low threshold, low-risk approach which allows companies to explore the territory before initiating any comprehensive changes.

Three-step GBS introduction model

01

Vision and Feasibility
(1–3 months)

Determination of target picture and derivation of potentials incl. pilot design

The first step is to determine the actual and desired situation and also the company's ambitions. A range of analysis methods can be used to make processes and their costs transparent, to determine the potential for optimization and to create a pilot design.

02

Concept and Testing
(6–12 months)

Conceptualization of preferred Global Business Services solution

The next step is to conceptualize GBS solutions based on the company's requirements and potential. A pilot setup underlines feasibility, already delivers a measurable value contribution and promotes the commitment of the entire organization.

03

Global Scaling
(customer-specific)

Realization of potential and further development of GBS

The recently established GBS organization is taking over company-wide processes as planned, global expansion is progressing and the targeted regular operation is taking shape.

GBS options: Business Process Outsourcing vs. in-house implementation

We at MHP consider two key options for the implementation of GBS initiatives: Business Process Outsourcing and the in-house (also: captive) implemen-

tation of Global Business Services. Choosing one of these models has far-reaching consequences and must always be decided on a company-specific basis.



GBS in the form of Business Process Outsourcing (BPO)

The term “Business Process Outsourcing” describes the outsourcing of a portion of, or all, business processes to external service providers that perform them centrally. The responsibility for these processes is delegated on the basis of agreed Service Level Agreements (SLAs) which means that companies can focus on their core business. This option lends itself to situations where companies are not yet using any or have only used functional Shared Services and are interested in a quick scaling solution for their project delivery, services and operations.



GBS in the form of an in-house implementation solution

Companies also have the option to operate their own Global Business Services setup. This is particularly useful if extensive Shared Services structures already exist and are to be taken to the next level. At the same time, this approach underlines the ambition to build up knowledge and talent within the corporation in the long term.

Driving GBS initiatives: (Change) management is key

One thing that always matters in the transformation to Global Business Services: systematic change management on all hierarchy levels. The shift towards GBS can only be implemented successfully if all parties involved act in concert and are willing to embrace change.

This can also be achieved by establishing dedicated GBS teams and roles. GBS leaders inform the management and key stakeholders through regular reporting on goals, prioritizations and the achieved milestones, as well as the measurable value contribution. In this way they actively contribute to communicating the importance of the GBS vision throughout the company and promote their acceptance among the entire workforce.

How the implementation of GBS works in practice is illustrated in the following chapter using the example of Syntegon Technology GmbH.

Success story: How Syntegon Technology automated its financial processes

Syntegon Technology GmbH is a true packaging specialist – and has been for the past 160 years. The company based in Waiblingen in the German state of Baden-Württemberg has 6,300 employees and develops high-quality and efficient packaging solutions for the pharmaceutical, medtech and food industries. In 2023 its business operations generated sales of 1.5 billion Euros.

Its acquisition by the investor CVC Capital Partners in early 2020 initiated a new chapter in the company history of Syntegon Technology. In the past, the packaging division had been part of the Bosch Group – now the company is operating autonomously on the market. In light of this background,

Syntegon Technology and CVC Capital Partners were looking for possible solutions to evaluate and maximize the efficiency of its global financial processes. It was a complex task given its more than 39 locations in almost 20 countries and various subsidiaries and led them to consult with MHP as an external partner.

In the pre-study phase, MHP conducted a strategic analysis of the key end-to-end processes at Syntegon Technology's finance department. For this purpose MHP used the "MHP Automation Assessment Tool" (AAT). This is a fully digital assessment that allowed for a top-down breakdown of Syntegon Technology's existing process landscape.



AAT: The powerful MHP tool for analyzing automation potential

The AAT tool, which was internally developed by MHP, helps review processes with industry-specific benchmarks with respect to their automation potential and thereby supports companies in their initiation of process automation.

It is used to evaluate the automation potential of select use cases in the MHP evaluation workshop. The result not only shows the most suitable technology, but also includes a benchmarking of the process costs using the MHP database.

This method was used to analyze more than 30 partial processes at Syntegon Technology across four locations. The generated findings were used as the basis for a customized automation strategy and additional workshops. The objective was to be able to make qualified statements regarding the development costs and the potential cost savings.

The structured AAT overview allowed MHP to evaluate the efficiency potential of Syntegon Technology's finance department, prioritize the required steps and discuss potential solutions and automation within a few hours. The industry comparison, which is integrated into AAT as a standard feature and is based on several hundred benchmarks and reference projects, also allowed for an objective

evaluation of process costs and automation potential. After the pilot was rolled out for the German-speaking countries, the project gained momentum by integrating the international subsidiaries of Syntegon Technology into the new solutions.

To date, Syntegon Technology has established 13 automation concepts on three continents and at 15 entities in partnership with MHP. Even early on, this led to measurable efficiency gains of well over 50 percent for multiple partial processes. For this great success, MHP received the Best of Consulting award in the finance category of WirtschaftsWoche in 2023.¹

"With our Value Creation Program, we pursue the goal of identifying and successively implementing significant efficiency potential throughout the company within two years. MHP has been supporting the project from the get-go and is making a significant contribution to its success, particularly through the automation and reorganization of the finance department."



Stefan Schmidt

Director Finance Transformation
Syntegon Technology GmbH

¹ Award-winning: MHP customer projects win prizes | **MHP – A Porsche Company**

Conclusion



Reduce costs, minimize complexity, overcome capacity shortages: Global Business Services represent future viability.

The term “Global Business Services” refers to a far-reaching approach to the centralized provision of certain support processes. The objective behind it is customer-specific and ranges from cost reduction to bridging staff shortages. Depending on the degree of maturity of a GBS approach, several levers for significant and sustainable cost reduction unfold their effect. This increase in global efficiency enables companies to enhance their growth potential by freeing up resources and capacities for strategic and customer-centric activities.

Global Business Services share some of the characteristics of Shared Services (for example centralization), but go a decisive step further: GBS not only support companies in the centralized provision of individual services, but they operate globally as a service entity that uses all available levers in a targeted manner and maximizes the value contribution. The global orientation also helps compensate for staff shortages and location disadvantages.

The success of Global Business Services strongly depends on the willingness of the company and all relevant stakeholders to fully accept the concept and the associated change processes. Global Business Services are primarily a management decision: Where the value of the associated changes is communicated in a stringent manner and in terms of a benefit argument from the top, the door to the realization of significant potential is wide open.

MHP will support you on your journey to becoming a GBS-centered company – as a consultant, but, upon request, also as an outsourcing provider with an extensive partner network. Please contact us for further details. We welcome the opportunity to offer you a customized solution for your Global Business Services setup.



Publisher

MHP Management- und IT-Beratung GmbH **ENABLING YOU TO SHAPE A BETTER TOMORROW**

As a technology and business partner, MHP has been digitizing the processes and products of its around 300 mobility and manufacturing sector customers worldwide for 28 years and providing support for their IT transformations along the entire value chain. For the management and IT consultancy, one thing is certain: digitization is one of the biggest levers on the path to a better tomorrow. This is why the Porsche AG company MHP provides both operational and strategic consulting in areas such as customer experience and workforce transformation, supply chain and cloud solutions, platforms

and ecosystems, big data and AI, as well as Industry 4.0 and intelligent products. Headquartered in Germany, the consultancy operates internationally with subsidiaries in the USA, Mexico, the UK, Romania, and China. More than 5,000 MHP employees are united by their pursuit of excellence and sustainable success. It is this aspiration that will continue to drive MHP – today and in the future.

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