



GBS 3.0

The Shifting Landscape of Global Business Services and its Implications in the CEE Region



Foreword

In today's ever-evolving business landscape marked by a myriad of challenges including geopolitical tensions and economic uncertainties, the Global Business Services (GBS) sector emerges as a beacon of resilience and innovation, demonstrating unwavering momentum in its investments and strategic initiatives, both globally and particularly within the Central and Eastern European (CEE) region.

We are pleased to introduce the GBS 3.0 research initiative, offering crucial insights and guidance for navigating the complexities of the modern business environment. In a world characterized by uncertainty, strategic foresight and agile decision-making are essential. GBS 3.0 empowers organizations with the knowledge and tools necessary for success.

The decades-long evolution of the GBS sector, from Shared Service Centers (SSCs) to Global Business Services and digitally-enabled Global Capability Hubs, exemplifies innovation and adaptation. GBS entities have shifted from transactional and operational activities (which are now outsourced or automated) to strategic activities. What initially began as finance-centric simple services have now evolved into multi-process centers.

The digital capabilities of GBS entities have also been evolving at a rapid pace, positioning them as labs for the early adopting of cutting-edge technologies like generative AI (Artificial Intelligence), advanced analytics and RPA (Robotic Process Automation), which have enhance operational efficiencies and driven sustainable growth.

As the sector evolves, it has become crucial to develop the workforce into digitals-savvy strategic advisors and trusted business partners.

The shifting dynamics of global GBS labor markets have elevated the CEE region as a preferred destination for GBS operations. With its competitive cost structures for senior experienced roles, adept workforce and conducive business environment, the CEE offers a compelling value proposition for organizations aiming to optimize operations and leverage nearshore outsourcing advantages.

Despite growing awareness of the need to become ESG compliant, 75 % of global companies still feel unprepared both for compliance with new regulatory requirements in the EU and ESG certification itself. GBSs have the potential to play a pivotal role in implementing and operating mature ESG processes.

On examining changes in work environments over recent years, we see that the hybrid working model has become the preferred choice for GBSs. Achieving a balance between CEO expectations for office-based work, and talent preferences for remote work will be crucial in retaining top talent and optimizing operational effectiveness.

As we embark on this journey of discovery and transformation, let us provide you with the GBS 3.0 roadmap and tools to help you drive sustainable growth, resilience, and innovation in the face of uncertainty.



Balázs Horváth
Partner,
KPMG in Hungary

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01 Outlook



Global economic outlook—the era of Polycrisis

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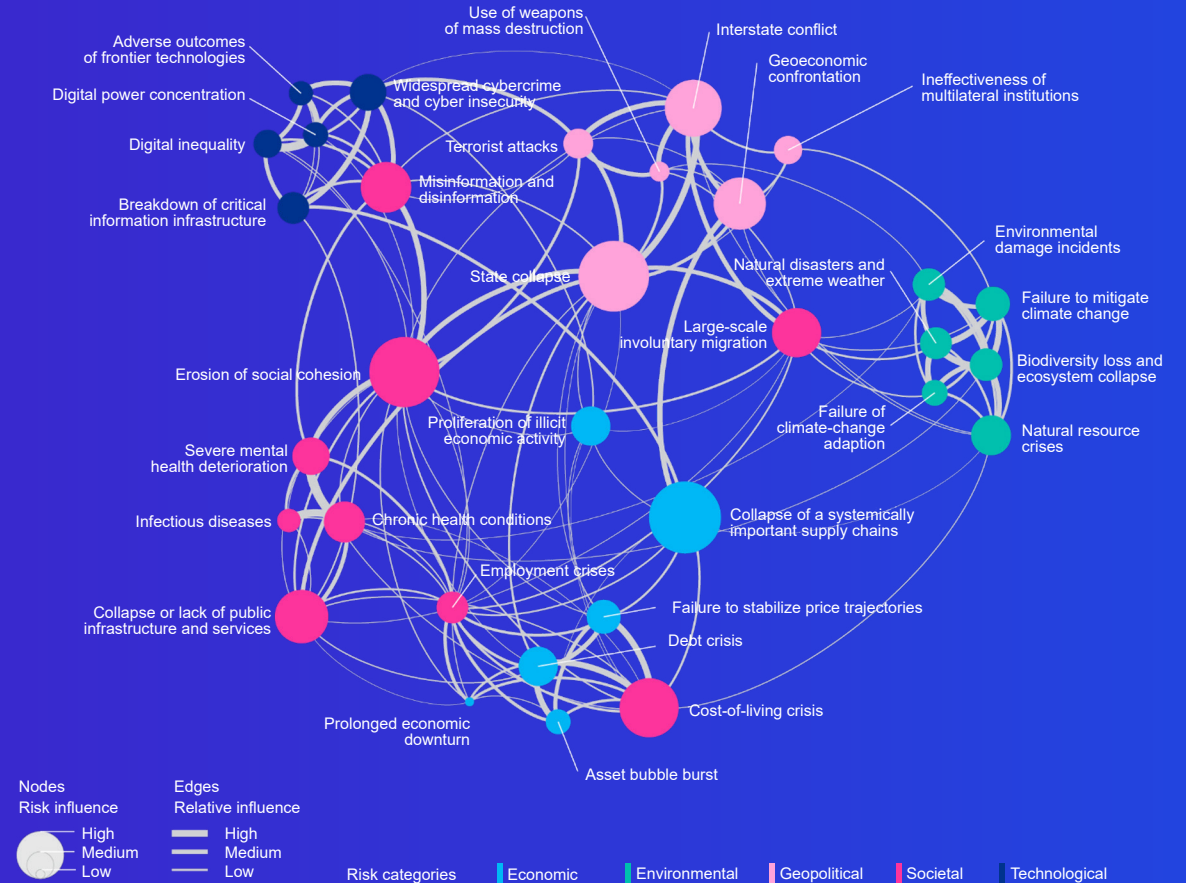
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Today, businesses are facing variable external factors forming a complex polycrisis environment. Polycrisis is a cluster of related global risks with compounding effects, such that their overall impact exceeds the sum of each part. Geopolitical shifts, recent conflicts, outcomes of frontier technologies, inflation, prolonged economic downturn and heavy regulations are collectively shaping the financial landscape. These must be carefully weighed when making business decisions.

Figure 01
The era of Polycrisis



Source: World Economic Forum, Global Risks Perception Survey 2022-2023.

“

While CEOs maintain confidence in the future of the global economy, their views on what constitutes a risk to their business have shifted significantly. The persistent flux in global politics, trade dynamics and international relations has required a new level of resilience from CEOs.”

[KPMG, CEO Outlook, 2023](#)

In recent times, where the ambiguity of the corporate external environment is affected by the spiral network of polycrisis effects, major corporate leaders still regard the future in a positive light. Three in four global CEOs are confident about the economy over the next three years. However, confidence in their own company growth has declined.

CEOs now rank geopolitics and political uncertainty as the greatest risks to the growth of their business, be it navigating a company's presence in a conflict zone or attempting to manage disrupted supply chains and price fluctuations. Seventy-seven percent believe cost-of-living pressures will negatively impact their organization's prosperity.

Figure 02
Economic risk outlook

Risk to Growth Over The Next Three Years		
August 2022	September 2023	
1. Emerging/disruptive technology	1. Geopolitics and political uncertainty*	new
2. Operational issues	2. Operational issues	=
3. Regulatory concerns	3. Emerging /disruptive technology	↓
4. Environmental/climate change	4. Supply chain	↑
5. Reputational risk	5. Regulatory concerns	↓
* In 2023, this risk was renamed “Geopolitics and political uncertainty” from 2022’s “Political uncertainty.”		

Source: KPMG, CEO Outlook 2023.

GBS sector in the CEE

Focusing on the Central Eastern European (CEE) region, the Global Business Services (GBS) sector has demonstrated resilience in this volatile operational environment and proves to be competitive in terms of cost, technology and Environmental, Social and Governance (ESG) regulatory requirements. Global corporations continue to invest in business centers, which show continuous growth within the region.

The key questions of “who,” “what” and “how” present a challenge for decision-makers in determining the optimal course of action.

The CEE is the top region of choice for the GBS sector. The four key drivers of the region’s high investment attractiveness are:



The central geographical location



Competitive salary level



Skilled talent pool



Advanced IT infrastructure

CEE Country	Hungary	Czech Republic	Poland	Romania	Slovakia
Number of SSC/ GBS	~ 200	~ 370	~ 1,800	~ 280	~ 70
Number of SSC/ GBS employees	~ 100,000	~ 160,000	~ 435,000	~ 131,000	~ 40,000

Source: KPMG chart based on various sources: PL ABSL 2023, HU HIPA, SARIO SK 2023, CZ ABSL 2023.



The six layers

Our report examines Global Business Services (GBS) trends with a focus on **six main areas** that serve as a framework for our comprehensive analysis:



Functional Process

Activities performed at GBSs that support the organization



Technology

Technological tools/solutions that could enhance GBS performance



People

Labor cost structure and ways of working at GBSs



Performance Insights & Data

Technological tools/solutions that could improve the measurement of GBS performance



Service Delivery Model

The relationship between a GBS and the parent company, and the role of GBSs within the whole organization



Governance

The role of GBSs in ESG process execution

The primary methodology applied in our research entails qualitative analysis derived from in-depth interviews conducted with three distinct stakeholder groups.

- CEOs of prominent corporations within the Global Business Services (GBS) sector
- Knowledgeable partners of KPMG member firms in the CEE region specializing in the GBS sector
- KPMG managers who are subject matter experts in the areas of industry, specific technologies, and ESG related regulations

The secondary methodology employed encompasses a thorough analysis of KPMG global, regional and industry specific studies, research findings for countries in the CEE region, and results obtained from questionnaires conducted in 2023.

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Functional Process

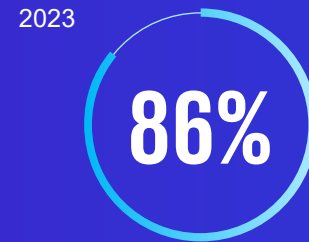
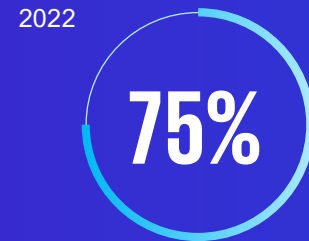


From simplicity to complexity

In recognition of the current operational environmental situation, GBSs have transitioned their business models over the last few years to satisfy their primary goal of cost efficiency, prioritizing the **automation of transactional, non-value-adding processes and agility in day-to-day operations**. Building on their centralized efficiency-focused operations, they are in the best place to understand the effects of digital change and technological transformation, allowing them to assess their own impact on global and regional processes and enabling asses the impact to lead their implementation. GBSs have gained access to new digital capabilities and acquired deeper, more specialized expertise in the processes and services they offer.

GBS processes are evolving from simple and transactional to more complex and knowledge-intensive, adding value to the business operations.

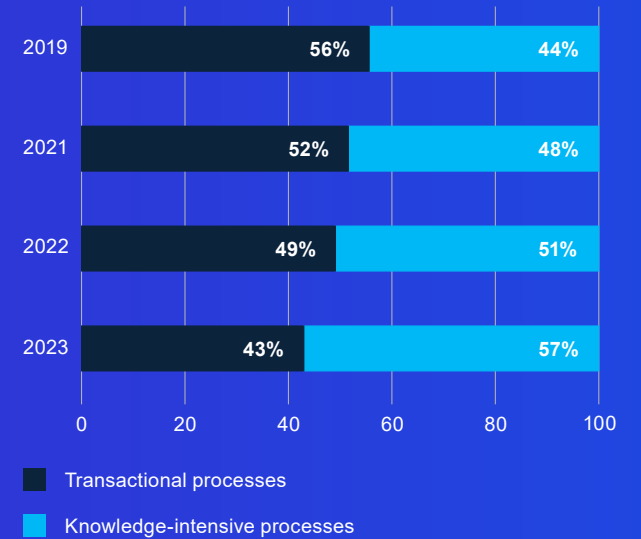
Figure 03
Expanding the scope of work



Plan to expand the scope of their work in the year ahead

Source: Global - SSON The State of the Shared Services & Outsourcing Industry Global Market Report 2023

Figure 04
Growing ratio of knowledge intensive processes



Source: Poland - Association of Business Service Leaders (ABSL): Business Services Sector in Poland 2023 and other KPMG studies based on ABSL database.

Expansion of processes—global trend

GBSs around the world are witnessing a significant expansion in the range of services they provide. In 2023, purchase-to-pay (P2P) services have surged by 69%, followed by order-to-cash (O2C) and record-to-report (R2R) processes. While finance and accounting-related processes continue to lead, half of the respondents now offer hire-to-retain (H2R) services.

This expansion reflects the evolving landscape of the GBS sector, emphasizing a growing focus on end-to-end processes and new value-added services such as Talent Management or Robotic Process Automation (RPA) within technology-related services.

Figure 05

The expanding scope of services / functions in the GBS sector globally

Purchase-to-Pay/Procure to Pay



Order-to-Cash/Customer to Cash



Record-to-Report/Account to Report



Master Data Management



Time-to-Pay/Payroll



Hire-to-Retire/Reward-to-Retire



Data Analytics/Business Analytics



Tax Support/Admin



Technology related/RPA



Talent Management



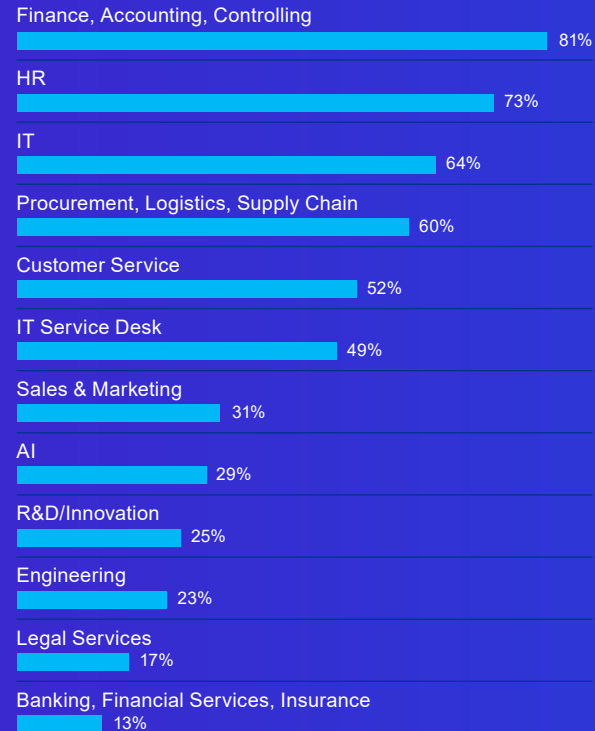
■ 2022 ■ 2023

Source: Global - SSON The State of the Shared Services & Outsourcing Industry Global Market Report 2023.

Expansion of processes—Hungarian trends

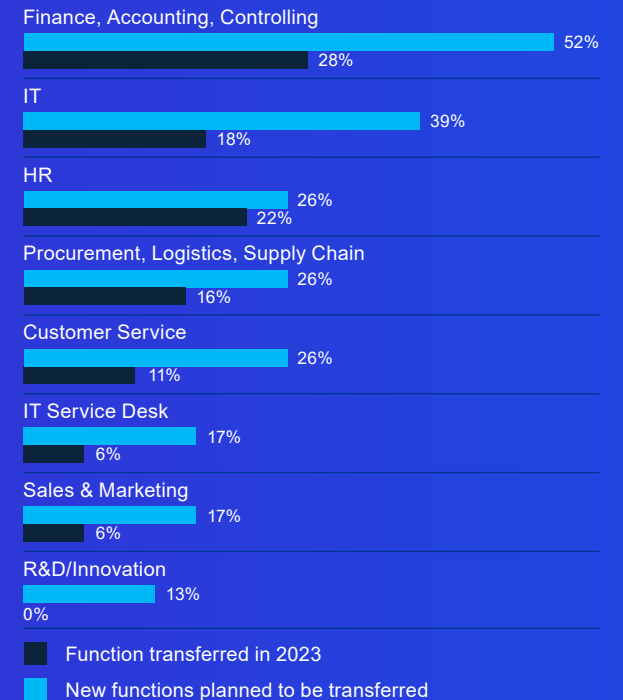
These trends cascade to the CEE regional level, which we examine through a specific example focusing on the CEE country of Hungary. [Figure 06](#) provides an overview of GBS services provided in Hungary.

Figure 06
GBS services provided in Hungary 2023



Source: Hungary - HIPA, Business Services Hungary 2023.

Figure 07
Functions transferred to Hungary in 2023 and functions planned



Source: Hungary - HIPA, Business Services Hungary 2023.

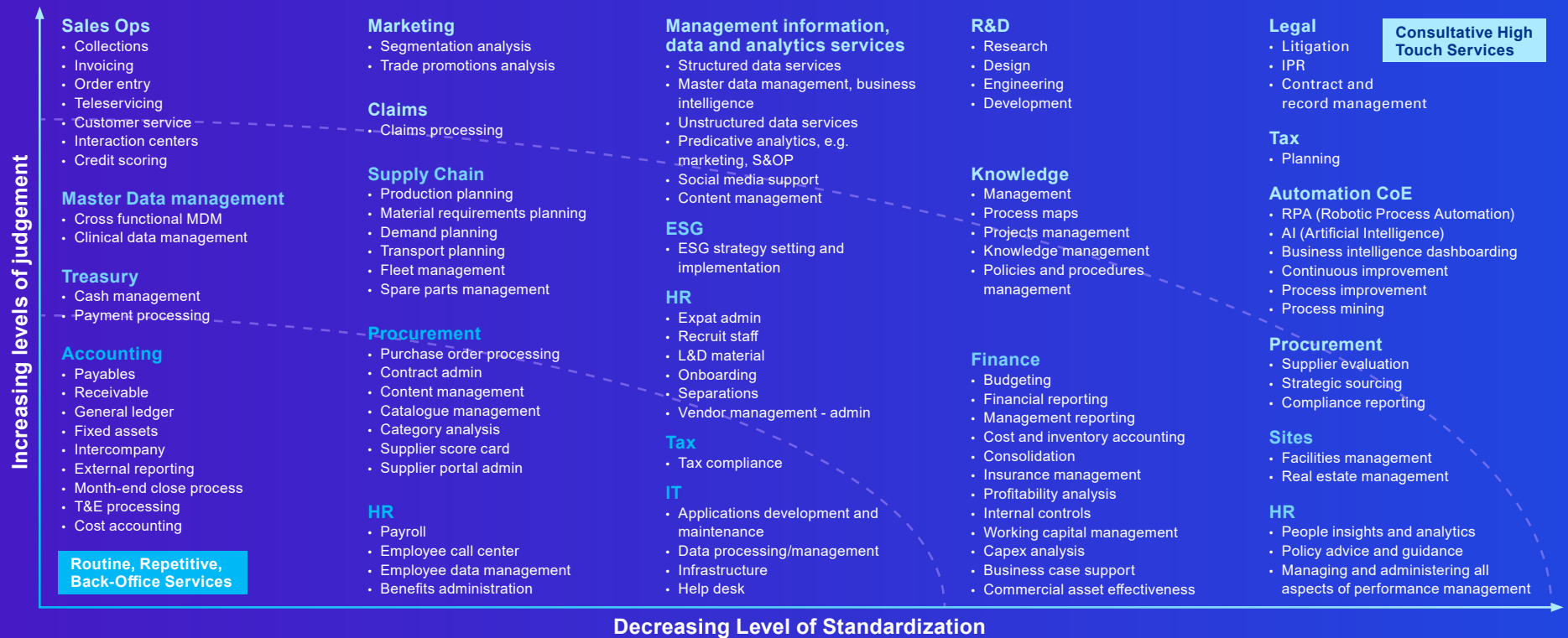
Increasing value-added processes: a journey to become an innovation hub

Forty-six percent of GBS sector companies are **focusing their strategy on automated delivery with Center of Excellence-based value-adding services.**¹

Figure 08 illustrates business service processes categorized by the degree of judgment and standardization. The bottom-left quadrant represents simple, standardized, and low-complexity activities, while the top-right quadrant represents consultative processes with high

complexity and significant value addition to overall business operations. As the business services sector evolves, there is a noticeable shift from simple, highly standardized processes to more complex activities with lower standardization.

Figure 08
Journey from “back-office” to innovation hub



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Accounting



HR



Procurement

From routine, repetitive back-office services

Accounts Payables / Receivables, month-end closing or external reporting

Payroll or benefits administration

Purchase order processing or contract administration

To more consultative and strategic roles

Management reporting, budgeting or working capital management

People insights and analytics or HR policy advice and guidance

Supplier evaluation or strategic sourcing

Although, maturity and interest in process integration globally is high



say end-to-end process integration is a priority²

There is still huge room to grow



say that their end-to-end process integration is advanced/expert



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People—a shift in the labor cost structure

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CEE salary outlook

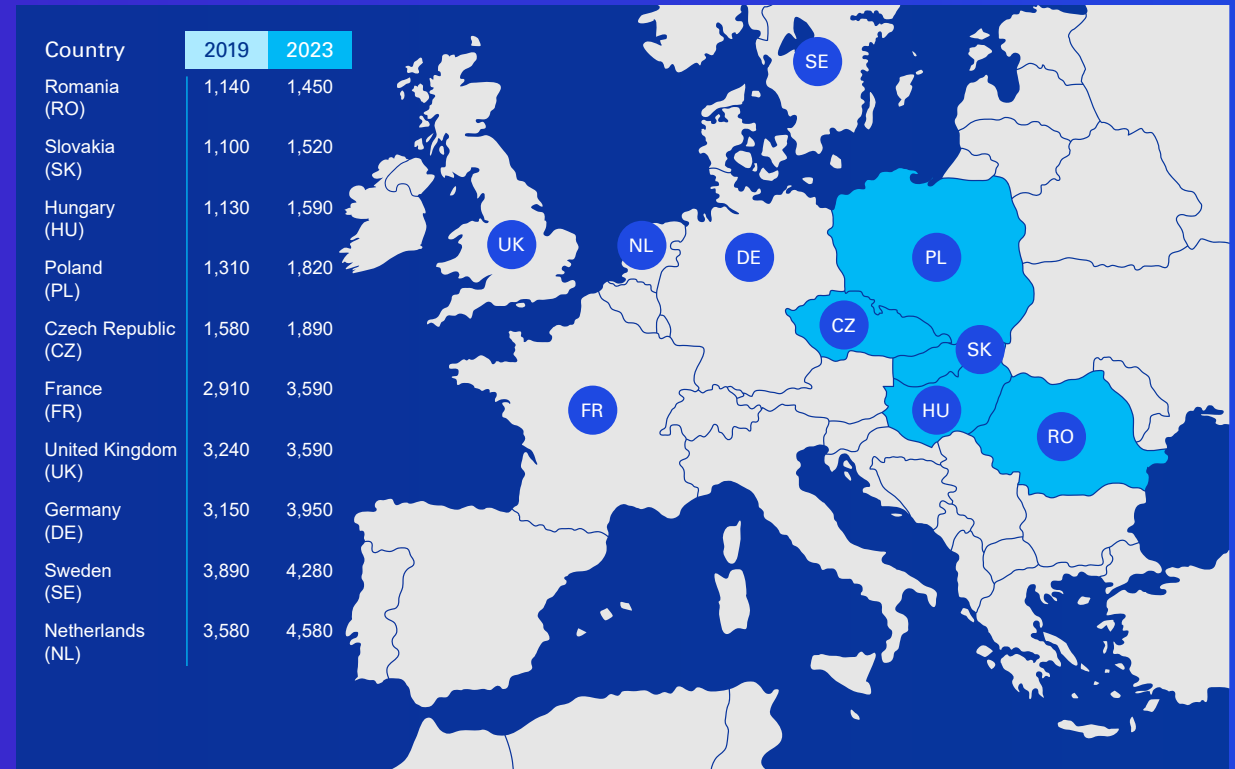
In the People component of our research, we first analyzed the labor cost structure of GBSs.

When we take a closer look at the salary outlook in Western Europe and the CEE, we notice that the average gross salary growth rate varies between the regions due to the macroeconomic conditions that affected the period 2019-23.

Despite higher average salary growth in the CEE region, it can be concluded that average monthly gross salaries in the CEE region remain consistently lower when compared to Western countries.

Figure 09

Average monthly gross salary (USD) — CEE and Western Europe



Source: KPMG chart based on Hays salary data

CEE salary outlook

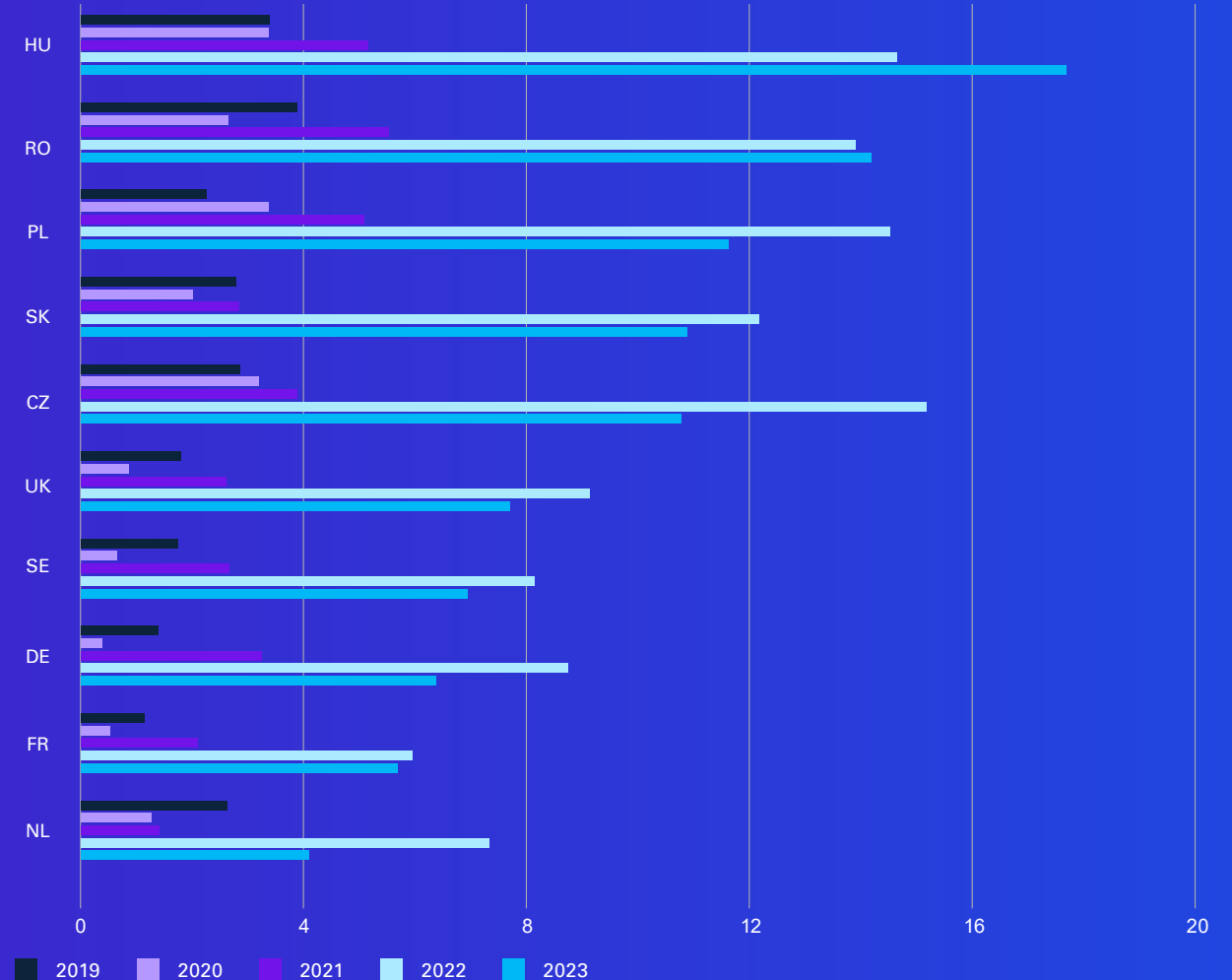
In the past two years (2022-23), relatively high inflation rates affected every selected country, particularly those in the CEE region. This factor has a significant impact on the difference between the average gross salary growth rates in the two regions. It is anticipated that wage growth in the CEE region will slow down in the forthcoming years.

Figure 10
Average monthly gross salary per country (USD)



Source: KPMG chart based on Statista.com.

Figure 11
Average annual inflation rate per country 2019-23



Source: KPMG chart based on Statista.com.

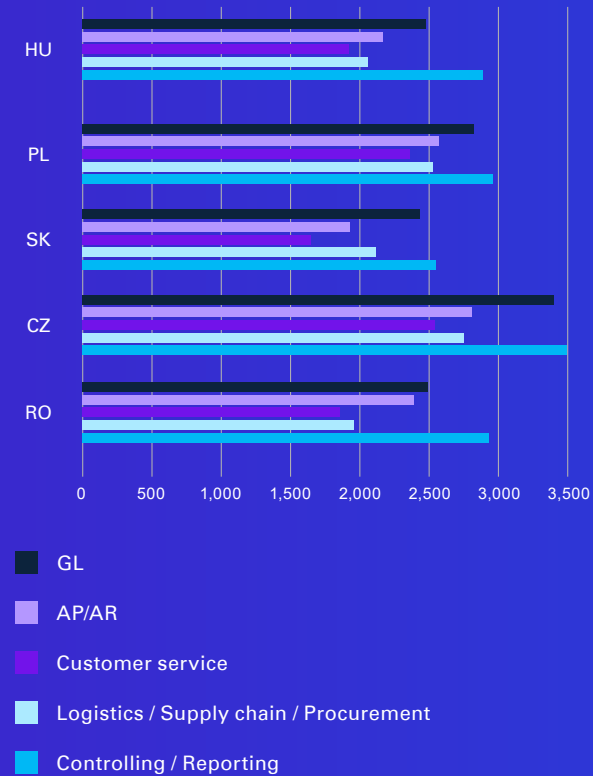
CEE salaries per processes

A comparative analysis of 2023 monthly gross salaries across key GBS processes, such as General Ledger (GL); Accounts Payables & Account Receivables (AP/AR); Customer Service, Logistics, Supply Chain & Procurement; and Controlling & Reporting, reveals that average salary costs are uniformly situated in the CEE region.

Notably, **Slovakia, Hungary and Romania exhibit lower average gross salaries** among these GBS processes.

In Hungary, 2023 was characterized by stability, featuring a lower average annual salary increase of 11%, compared to other sectors.

Figure 12
2023 CEE average monthly gross salary per GBS process (USD)

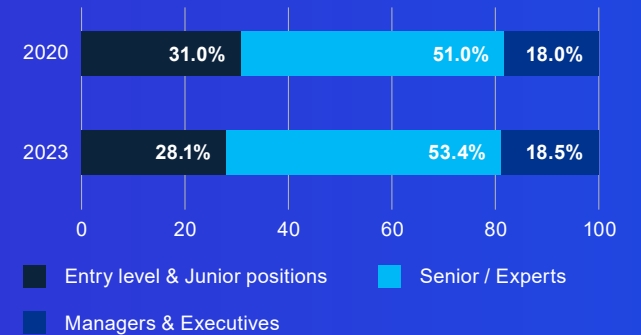


Source: KPMG calculation derived from multiple salary guide sources.

On examining changes in the employment structure of GBSs in the CEE region for the past three years, we note that Poland, as one of the major GBS countries, perfectly represents the sector trend. Here, the ratio of senior roles has increased from 51% in 2020 to more than 53% in 2023, while entry level and junior positions decreased by 3%.

There is an increasing demand for knowledge-intensive roles like technical and engineering specialists, IT specialists and developers with expertise in Java and Python. This highlights the trend of shifting skilled personnel to mid-office and expert level positions, while replacing back office and transactional functions with automation.³

Figure 13
The ratio of skilled, experienced roles is increasing in the GBS employment structure



Source: Poland, Hungary - Association of Business Service Leaders: Business Services Sector in Poland 2023; Hungarian Investment Promotion Agency: Business Services Hungary, 2023.

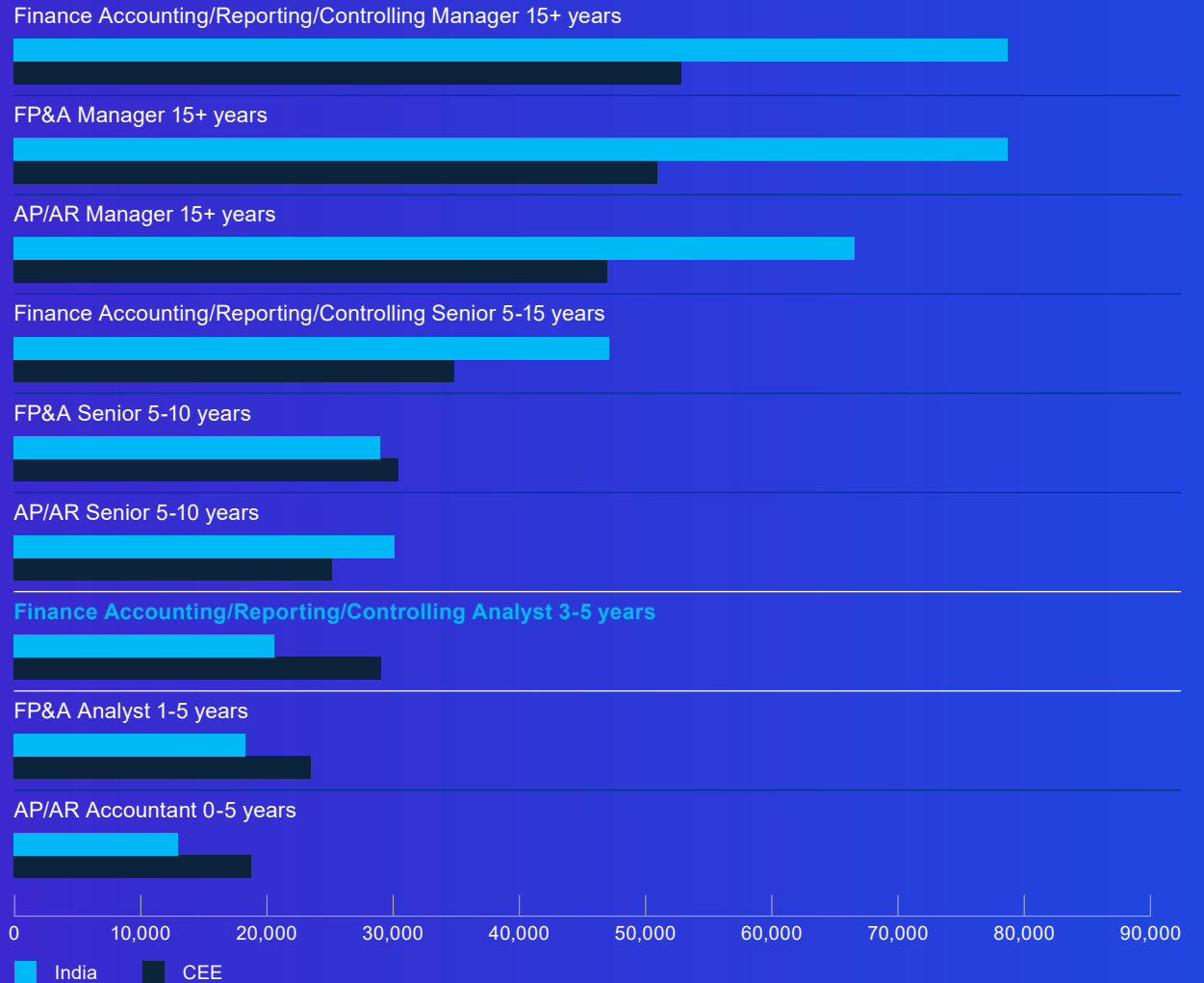
The cost of senior positions requires close consideration for GBSs

In the examination of staff compensation costs within the CEE market, base salaries and additional benefits were considered and comparisons made with a specific emphasis placed on India, which is recognized as another significant GBS region.

Regarding annual base salaries, a reversal between the regions can be observed with the increasing level of seniority. While the gross base salary for a junior position is lower in India compared to the CEE region, senior roles are receiving higher base salaries in India than in the CEE. The annual gross base salary level for an experienced AR/AP Senior Accountant position is US\$4,900 higher in India, representing a 19.5% salary increase when compared to the CEE region. With respect to a Senior FP&A Analyst position with 5-10 years of experience, the Indian base salary amount is catching up with the Central Eastern European level. For individuals with 5-15 years of experience in Financial Accounting, Reporting and Controlling senior roles, the base salary costs for positions in India are 35% higher than those in the CEE region. However, an Analyst with 3-5 years of experience in the same role costs 29% less in India.

Figure 14

Annual base salaries in the CEE vs India in 2023 (USD)



Source: KPMG calculation derived from multiple salary guide sources.

When examining overall staff contributions, positions such as AP/AR Senior and Financial Accounting/Reporting/Controlling Senior roles in the CEE region prove to be more cost-effective, with costs being 17% and 32% less respectively when compared to India. However, a Senior Financial Analyst (FP&A) in the CEE region maintains a cost level nearly equivalent to that in India. This indicates a cost advantage for senior experienced roles in the CEE region. **The staff cost of an AP/AR Senior position with 5-10 years of experience is 53% less in the CEE and 44% less in India, compared to the US total cost.**

Management positions and highly experienced experts incur significantly lower annual staff contribution costs (39% to 52% less) in the CEE region. Conversely, junior roles with 0-5 years of experience remain less expensive (25% to 32% less) in India.

In relation to overall staffing costs, the additional benefits reveal different ratios per region. While the United States averages 10%, in India this ratio is higher, at 14%. The CEE region demonstrates the lowest proportion, at 9%. These additional contributions encompass various elements, including benefits, variable bonuses and commissions. In order to prevent data distortion, Indian guaranteed allowances—which are required by regulations—comprising 50% of the total compensation are considered part of the gross salary in our analysis.

Figure 15

Annual staff contribution cost in 2023 (USD)*

Finance Accounting /Reporting/Controlling Manager 15+ years



FP&A Manager 15+ years



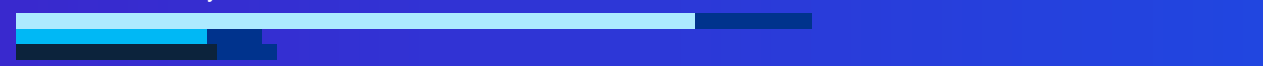
AP/AR Manager 15+ years



Finance Accounting/Reporting/Controlling Senior 5-15 years



FP&A Senior 5-10 years



AP/AR Senior 5-10 years



Finance Accounting/Reporting/Controlling Analyst 3-5 years



FP&A Analyst 1-5 years



AP/AR Accountant 0-5 years



* Additional benefits consists of Employer paid social security, Benefits and Variable Bonus & Commission

Source: KPMG calculation derived from multiple salary guide sources.

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Conclusions



Skilled professionals are playing a pivotal role in GBS processes. Their significance is amplified by the growing demand for value-added services. Investors should leverage their investment into senior positions within the CEE region.



While on average junior finance positions in 2023 cost 29% less, senior positions with 5+ years of overall experience cost 14% more in India than in the CEE region.



Investors should therefore leverage their investment into senior positions within the CEE region.

“

Here in the CEE region, the agility of skilled workforce has become our distinguishing factor on the market.”

Julianna Kulczycki,
Head of GBS Customer Operations Mobility & Convenience EU, and Head of Country Hungary, BP



People—the home office paradox: finding the balance

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Recent home office trends

The modern workforce has witnessed a transformative shift in traditional work models, particularly with the emergence of flexible arrangements between working from home (WFH) and the traditional work from office model. As organizations navigate the complexities of a post-pandemic world, striking the right balance between these two approaches becomes a critical consideration. The evolving dynamics of remote work have sparked discussions on the optimal blend of office work and WFH, paving the way for a nuanced exploration of their respective advantages and challenges.

6 in 10 CEOs predict a full return to office by 2026.⁴

87% of the CEOs interviewed said they were likely to reward those who make an effort to come into the office with favorable assignments, raises or promotions. Two-thirds of them believe there will be a return to in-office work in three years' time.

Here are some of the main challenges employers in the GBS sector face regarding the WFH model:

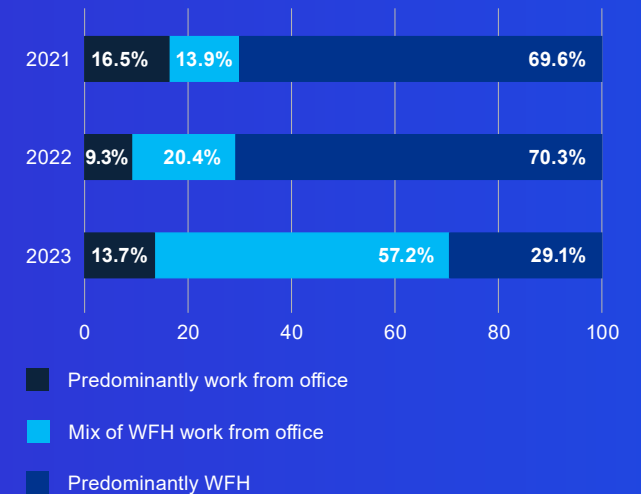
GBSs must find a balance between working fully in office and from home in order to retain and attract top talent. Such individuals are necessary for providing higher added value.

1. Increased complexity of onboarding new employees
2. Leading by example becomes more challenging
3. Communication
4. The effectiveness of meetings

Asking the right the question is critical for GBSs. It is not just about how to bring employees back to the office, but how to find the balance point.

Figure 16

There is a continuous shift from home office to a mix of WFH and office work



Source: KPMG based on ABSL Poland 2023

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An opportunity to hire employees from a broader area, even from abroad

With current technical tools, it is possible to work entirely online from home or from another city, e.g. from a co-working office. This opens a bigger pool of talent for companies to select their employees from.

92.7%

The share of business services centers employing foreigners⁵

Key considerations for remote work across borders within the EU may include:



Social security, taxation



Work permits



Other legal and administrative aspects

Policies for working from abroad:

44%

Centers which allowed working from abroad

80%

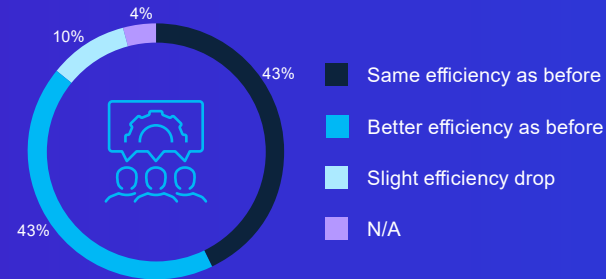
Centers that would allow working from abroad if enabled by legislation

As employees have become used to the new way of working, there has been an increase in home office work

In Hungary, home office working did not, in general, change or improve the efficiency of work in the GBS sector.

Figure 17

According to CEOs in the CEE, the WFH model had, in general, a positive or neutral impact on their companies' work efficiency



Source: Hungary - HIPA, Business Services Hungary 2023



Failing to set a correct balance will result in losing top talent to the competition and in operational efficiency.



“

Establishing how much office space an organization needs and whether employees are assigned a desk plays a huge role in planning for the future.”

Valter Kalas,
Managing Principal at Newmark VLK Hungary

Benefits of the hybrid model - the mix of work from office and work from home

Work from office⁶

VS.

Work from home

Flawless onboarding



Talent pool from abroad



Faster communication



Decreased office space



Easy to lead by example



Flexible work environment



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Service Delivery Model



Service delivery model —GBSs are ready for the next level

The business partnering role of GBSs has emerged

Within the service delivery model aspect, we examined the relationship between the service center and the parent company and the role of the service center within the whole organization.

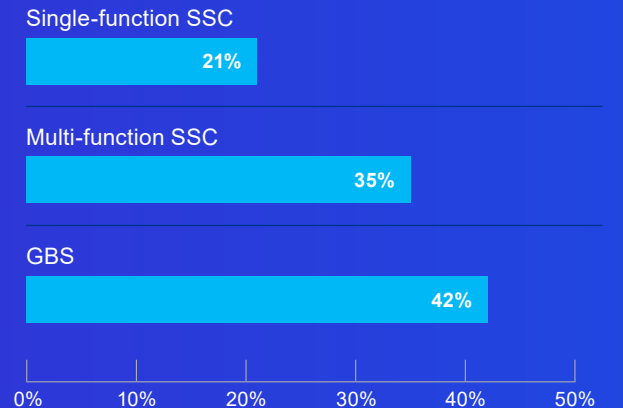
The growing trend towards expanding operations with more complex and knowledge-intensive processes, including digital innovation and research and analytics, shifts the role of the service center from service provider to a trusted business partner for the parent company.

The expansion of services within a business center requires the redesign of its service delivery model in order to foster improved collaboration and harmonized functions, facilitating the standardization of processes.

Evolution of service delivery model

- 1. Single-function SSC**—a functionally oriented, global shared service model with variation around the inclusion and level of processes, technology and governance standardization.
- 2. Multi-function SSC**—an enterprise-wide multi-functional service delivery platform with coordinated processes, technology, governance and multi-channel delivery for scale and adaptability.
- 3. GBS**—a multi-functional, multi-channel service delivery model providing transactional and analytic services, managed through integrated, outcome-oriented governance and synced end-to-end business processes.

Figure 18
Service delivery models in the CEE region



Source: KPMG chart based on SSON *The State of the Shared Services & Outsourcing Industry—Global Market Report 2023*.

In cases where standardization is not feasible, the **centralization of processes becomes an effective solution**, concentrating specialized knowledge in one location. This concentration of expertise adds significant value to the parent company while reducing operational costs, emphasizing the growing versatility and strategic role of GBS in meeting diverse business needs.

GBSs are **becoming trusted business partners** as subject matter expertise is concentrated into multi-towered, multi-disciplinary Centers of Excellence (CoEs) competence centers.

“Significant amounts of client, financial and process data are in the hands of GBS organizations. They see the anomalies and opportunities for development, so it was only natural that these transformation tasks were transferred to them so that they can participate as consultants in the life of the parent organizations.”

Julianna Kulczycki,
Head of GBS Customer Operations Mobility & Convenience EU and Head of Country Hungary, BP

By establishing a **Center of Excellence (CoE)** within a GBS, organizations aim to **centralize and consolidate expertise, best practices and skills associated with specific processes or activities**. This strategic initiative positions the CoE as a focal point for specialized knowledge, playing a key role in fostering excellence, digital standardization, and innovation within specific functional areas.

In addition to evolving into Centers of Excellence, the expansion of activities undertaken by GBSs may lead to new increasingly complex roles, encompassing tasks traditionally executed by the business across various operational locations.

The incorporation of these processes not only demands new talent with specialized skill sets, but also elevates the functionality of GBSs beyond mere service centers, taking on increasing global responsibility and positioning them as global hubs for corporate business processes. This means a change in thinking about the GBS, from a service provider to the role of a trusted partner for the organization. As trusted advisors, they contribute significantly to organizational success, cultivating specialized knowledge, best practices and innovation.

This shift in paradigm not only positions GBS entities as essential operational components, but also emphasizes their crucial role as indispensable contributors to the overall success and growth of the organization.

“While GBS organizations are maturing the service centers are becoming global capability hubs. Organizations need to unlock the potential provided by GBS to stay ahead of the game.”

Balázs Horváth,
Partner, KPMG in Hungary



GBSs are ready for the next level in digital transformation

GBS entities in the CEE region possess a high level of digital capability and are keen to take advantage of the opportunity to build on these strengths. Artificial Intelligence (AI) and Robotic Process Automation (RPA) are key core digital competencies which can be effectively used in end-to-end processes. Beyond standardized processes, more complex activities can be digitalized and automated via the latest technologies. With GBSs serving as digital process owners, they can assist in supporting strategy, designing and delivering services, and aiding the business in maintaining processes.



GBSs are turning into change engines for whole organizations due to the experience they have gained through exploiting digital capabilities.



GBS digital enablement aligned to services.



Customer and employee experience-led design.

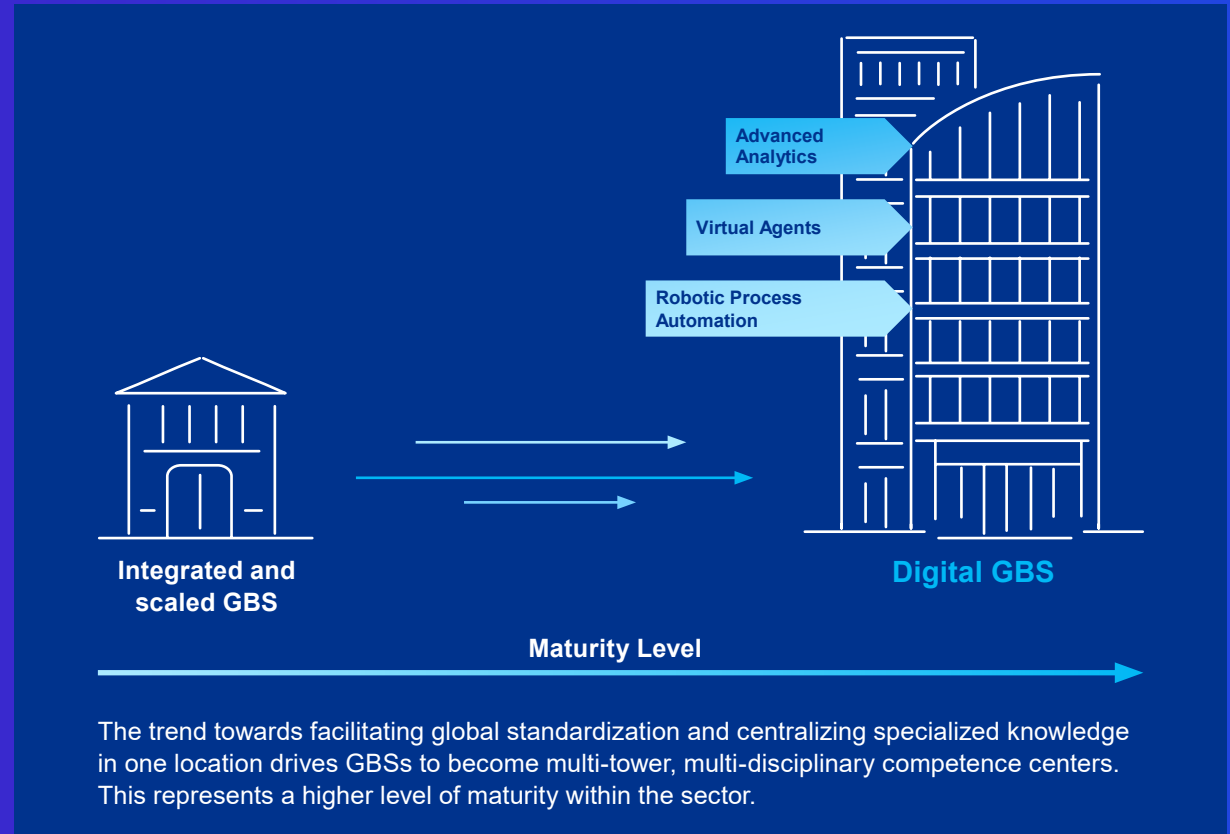
41% see digitalization automation as a means to decrease FTE and as a cost-optimization tool.

“

From the second half of the 2010s, GBS organizations have become the engine for transformation for their parent companies... Automation and artificial intelligence have become core GBS activities.”

Julianna Kulczycki,

Head of GBS Customer Operations Mobility & Convenience EU, and Head of Country Hungary, BP



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Technology—the race for AI

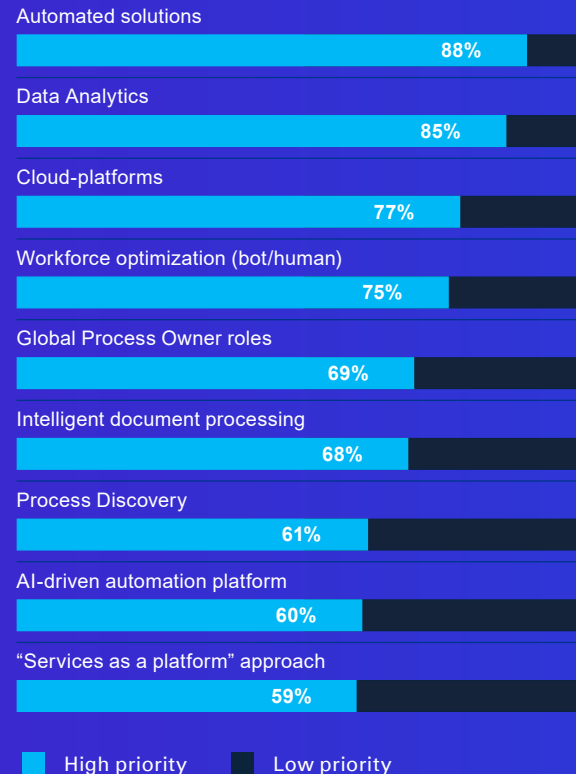
Revolutionizing business through AI: the emerging role of AI in enhancing GBS in the CEE region

As a GBS evolves, there is a pronounced trend towards embracing digital solutions that harness the power of Artificial Intelligence (AI) and Robotic Process Automation (RPA). The deployment of AI contributes to intelligent decision-making processes, leveraging data analytics and machine learning algorithms. Simultaneously, RPA facilitates the automation of repetitive, rule-based tasks, freeing up human resources to focus on more complex and strategic endeavors.

As Figure 19 shows, automation is by far the most utilized tool for supporting optimization, with nearly 90% of GBSs considering it crucial. Other important factors include data analytics (85%), cloud-based platforms (77%) and workforce optimization (75%).

Figure 19

What are some of the tools/approaches that support your process optimization efforts?



Source: Global - SSON: The state of the shared services & outsourcing industry, Global market report, 2023.

Companies that utilize AI's full potential will get ahead of their competitors. AI and robotization are already used in transactional tasks, but there are untapped opportunities for higher value added processes, too.

CEOs perspective on generative AI⁷



Believe generative AI is their top investment priority



Believe that ethical challenges are the number one concern when it comes to implementing generative AI

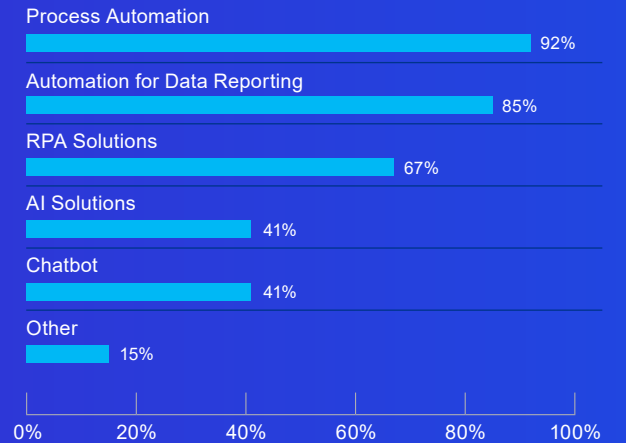


Believe AI may provide new attack strategies for adversaries



Looking back, GBSs have already adopted digitalization and have implemented various other emerging technologies in their centers. GBSs use robotization/automation to automate both transactional processes and data reporting with the main goal of efficiency improvement and cost saving. However, now that AI is capable of augmenting more complex processes, there is potential for higher added value gains by adapting & integrating these solutions.

Figure 20
Types of automation/robotization business centers are implementing (cumulative)



Source: Global - SSON, The state of the shared services & outsourcing industry, Global market report, 2023.

Artificial Intelligence (AI) is expected to have a profound impact on the GBS sector over the next five years.

Possible impacts of AI technology on the sector include:



Automation of repetitive tasks: AI technologies, including machine learning and robotic process automation, can automate repetitive and rule-based tasks. This automation can lead to increased operational efficiency, reduced costs and faster turnaround times for businesses in the sector.



Improved customer experience: AI -powered chatbots and virtual assistants can enhance customer interactions by providing instant and accurate responses to inquiries. These AI systems can handle a wide range of internal and external customer queries, freeing up human agents to focus on more complex and value-added tasks. Improved customer experience can lead to higher satisfaction levels and increased customer loyalty.



Personalization and recommendation engines: AI algorithms can analyze internal and external customer preferences, behaviors and historical interactions, resulting in individualized content. Such content can take the shape of a personalized communication style between different departments and internal clients, in this way ensuring the use of the most effective communication forms and channels. For example, a financial controlling department may prefer and respond quicker if reached out to via Teams, rather than through e-mail.



Enhanced cybersecurity: As businesses increasingly rely on digital systems and data, AI can play a crucial role in strengthening cybersecurity measures. AI algorithms can detect and respond to cyber threats in real time, identify anomalies in network behavior and protect sensitive data from unauthorized access. AI-powered cybersecurity solutions can help businesses mitigate risks and safeguard their operations.

New roles planned in the near future

While AI automation may lead to the displacement of certain job roles, it also presents opportunities for job transformation, upskilling and even reskilling. As employees train to work alongside AI systems focusing on tasks that require human creativity, critical thinking and emotional intelligence, these staff “may well discover that AI and other new technologies have so significantly altered the nature of what they do that in effect they’re working in completely new fields.”⁸

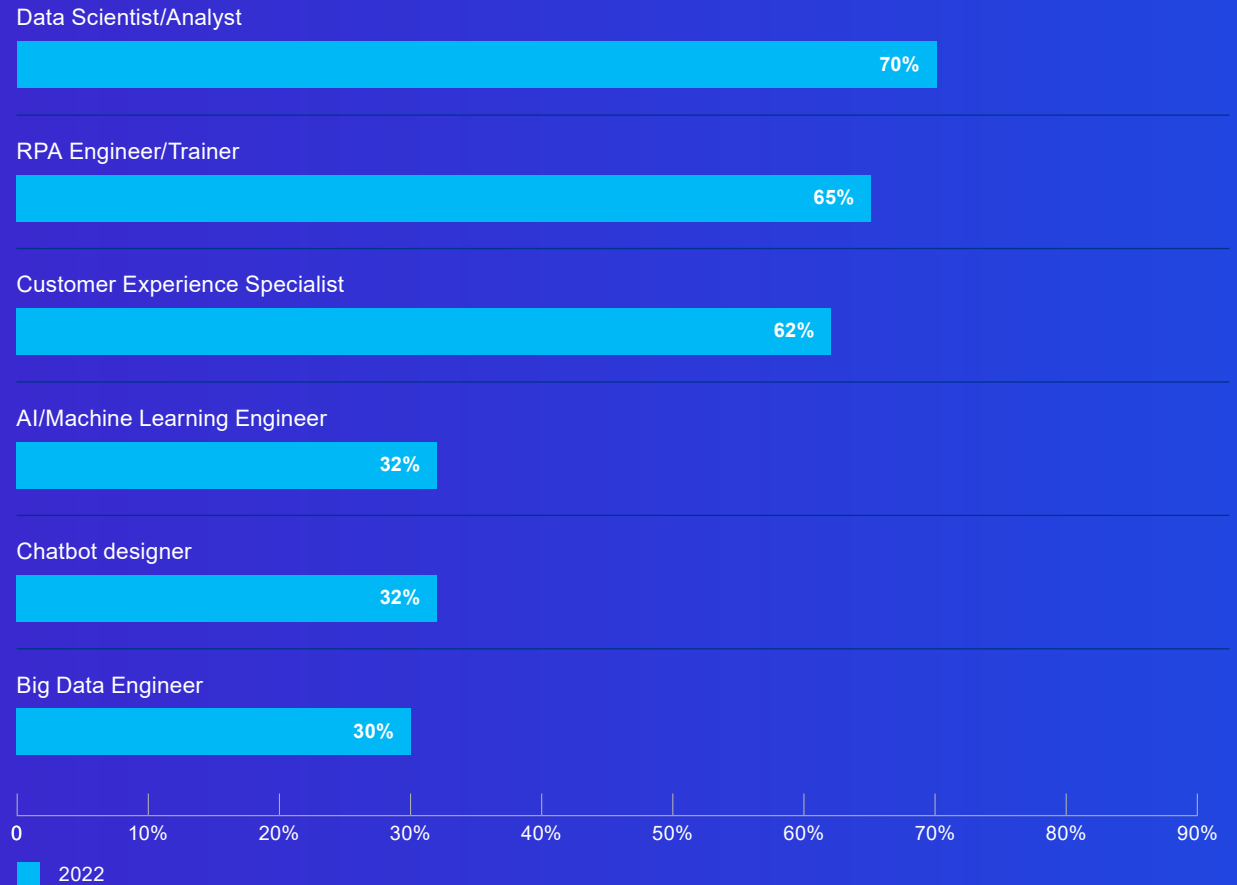
Among the new roles that Czech centers plan to introduce in the near future, data scientists and RPA engineers feature as some of the most desirable hires. However, a growing focus on customer centricity can be seen, with 62% of centers planning to introduce customer experience specialists in the next 2-3 years, 14% more than in the previous year.

Top three new roles planned to be introduced by business services centers

1. Data Scientist/Analyst
2. RPA Engineer/Trainer
3. Customer Experience Specialist

Figure 21

Share of centers planning to introduce new roles in the near future



Source: Czech Republic - ABSL, Business Services Sector in the Czech Republic 2023

AI tools available to support various processes

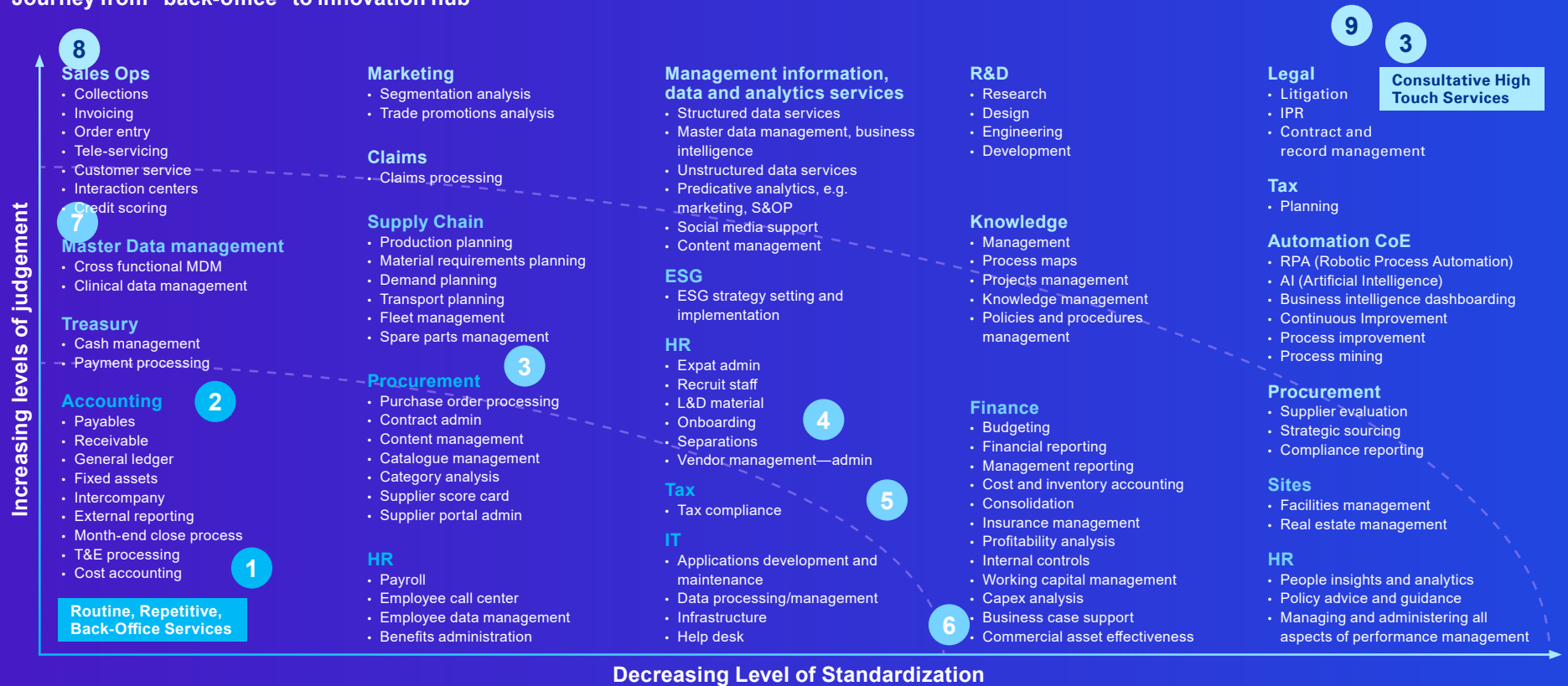
Figure 22 shows the adoptability of various AI solutions in the matrix of processes, based on the level of judgement required and the standardization level of the process that is to be improved.

While there are low-hanging fruits such as automating routine and repetitive back-office operations, it is proving increasingly difficult to automate more knowledge-intensive tasks like R&D, strategic procurement and risk management.

When considering GBS generative AI strategy, there are four key areas which should be in focus: HR, finance and accounting, procurement, and IT.

- | | |
|------------------------------------|---|
| 1. Intelligent invoice processing | 6. Advanced reporting metrics |
| 2. Cognitive Document Management | 7. Virtual assistant technology for customer service channels |
| 3. Cognitive Contract Management | 8. Root cause analysis using cognitive customer call analysis |
| 4. Human Resource Support AI tools | 9. Regulatory & contractual compliance monitoring |
| 5. Intelligent forecasting | |

Figure 22
Journey from “back-office” to innovation hub



AI tools available to support various processes



1. Intelligent invoice processing

This solution captures invoices automatically and auto-matches them with corresponding orders and goods receipts.



2. Cognitive Document Management

This utilizes machine learning models that can read, extract and compile specified data elements from unstructured source documents, as well as structured data from the general ledger in order to prepare an initial reconciliation.



3. Cognitive Contract Management

AI-enabled contract management provides an enhanced approach for contract review, assessment and management.



4. Human resource support AI tools

AI-enabled document management solutions can quickly process applicant CVs. An internal chat function can be created for new joiners, supported by appropriately collated training material.



5. Intelligent forecasting

Leveraging external signals allows us to spot patterns and perform sensitivity analysis to understand key drivers for revenue, margin and earnings.



6. Advanced reporting metrics

Various metrics can be automatically tracked by AI tools. This helps businesses measure both day-to-day and long-term performance, while enlarging the scope of their GBS and achieving added value beyond cost optimization.



7. Virtual assistant technology for customer service channels

Powered by natural language processing (NLP), when used as a first line of contact this could carry out simple requests by analyzing the query and looking up the appropriate paragraph from the company policies.



8. Root cause analysis using cognitive customer call analysis

Building a highly interactive predictive model from the metadata of calls in order to anticipate call volume and understand changes in response to various events.



9. Regulatory & contractual compliance monitoring

Although only in a conceptual stage, a monitoring tool could leverage natural language processing (NLP) and machine learning (ML) to compare document attributes and highlight differences in order to assess compliance with the regulation in question.

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AI based solutions are available in all GBS functional areas



10. Intelligent knowledge base & collaboration platform

This gathers and structures all available but scattered information. It enables employees to reach/benefit from the latent information content in the organization's data structure, (file server, intranet page, etc.) through a chat-based interface.

KPMG has facilitated the implementation of AI tools for several of its clients. Exemplifying its range of services, KPMG Hungary has worked with an alliance partner to integrate AI for a major beverage retailer, resulting in a reduction in its services ticket expenses. On implementing the AI tool, the system was able to learn from the service knowledge base, thus decreasing the number of service request tickets by customers and enabling self-sufficient options. Ultimately, this solution resulted in cost savings and increased customer satisfaction.



11. Intelligent ERP Interfaces

These solutions provide standard connectors for the most pervasive ERP providers and also promote visibility across all formats and receptions channel, including EDI.

A method that remains relatively obscure but is progressively gaining traction within large-scale enterprise environments, AI-based "outlier detection" is a technological approach to help identify systems or processes that deviate from the norm in an enterprise environment.



12. KPI based Data Quality Monitoring Tool, etc.

The tool learns patterns of each individual data feed and forecasts the expected behavior on a daily basis.

Outlier detection can be useful for companies in many areas, such as financial analysis, network security, manufacturing, and logistics. GBSs are currently using AI methods mainly to improve their internal processes and increase efficiency. The most widely used software application in business is the internal corporate chatbot. Chatbots can help corporate employees with internal processes, for example, in HR or IT.



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Performance insights & data —opportunities for data-driven decision-making

GBS as the single point of truth and the drive for data-driven decision-making: what does all this mean for the GBS sector?

In order to work well, AI algorithms are trained on large sets of data. If this data is of poor quality or is badly organized, the output of the AI tool will match that level of quality and deliver faulty information/output.

Furthermore, not only bad quality data but decentralized data sources can significantly impact the utility of AI tools. For example, if different departments use different data bases for the same data (for example, revenue) and build AI tools on these data sets, discrepancies in the data sets will emerge in the model's outcome, resulting in two models that do not agree and departments who now have to find out where the problem lies and which model to believe.

The answer to this issue is twofold.

01 - Master Data Management, essential for ensuring high data quality

02 - Performance Insights with Process and Task Mining (data-driven decision-making)



01

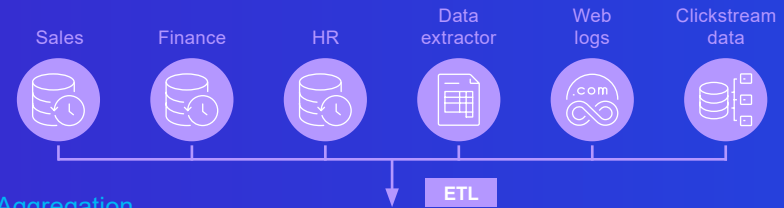
Master Data Management is essential for ensuring high data quality

The decentralized and redundant capture and storage of master data often leads to critical inconsistencies across the enterprise. Severe data quality issues, lack of expertise and missing data governance are all common obstacles when delivering master data for AI solutions. Following the central collection and review of master data, effective detective controls can be constructed to tackle this often seemingly unresolvable business problem.

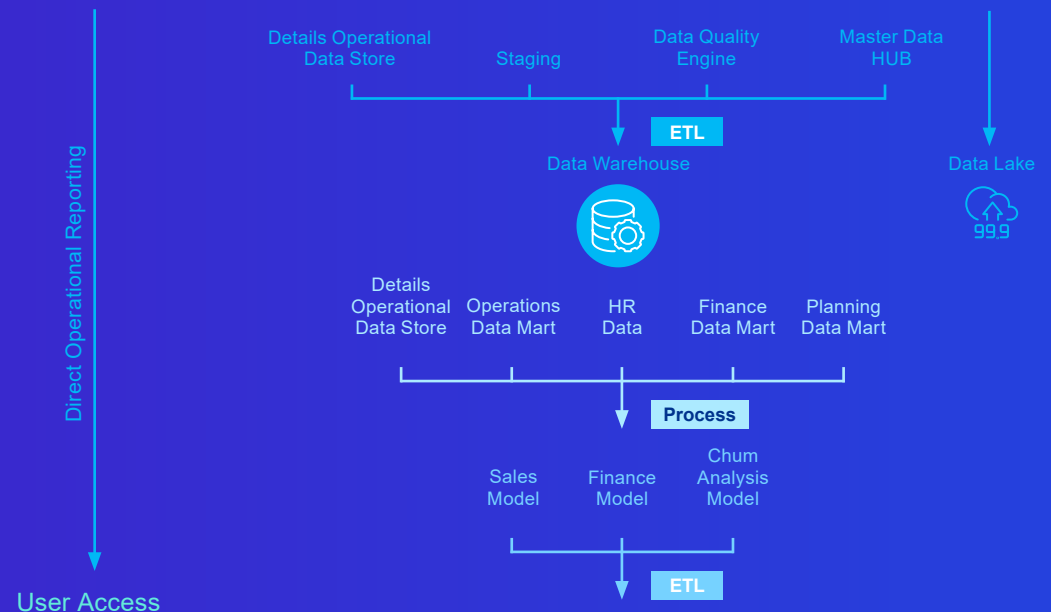
For GBSs to utilize AI tools and harness their potential, these organizations need to pay attention to the underlying data layer and make sure they have adequate data management in place to support a continuous and meaningful AI tool adoption program.

Figure 23
General concept: enterprise Data Flow

Source Systems



Data Storage and Aggregation



User Access



02

Performance Insights with Process and Task Mining (data-driven decision-making)

GBSs are in a perfect position to become their client organization's single point of truth.

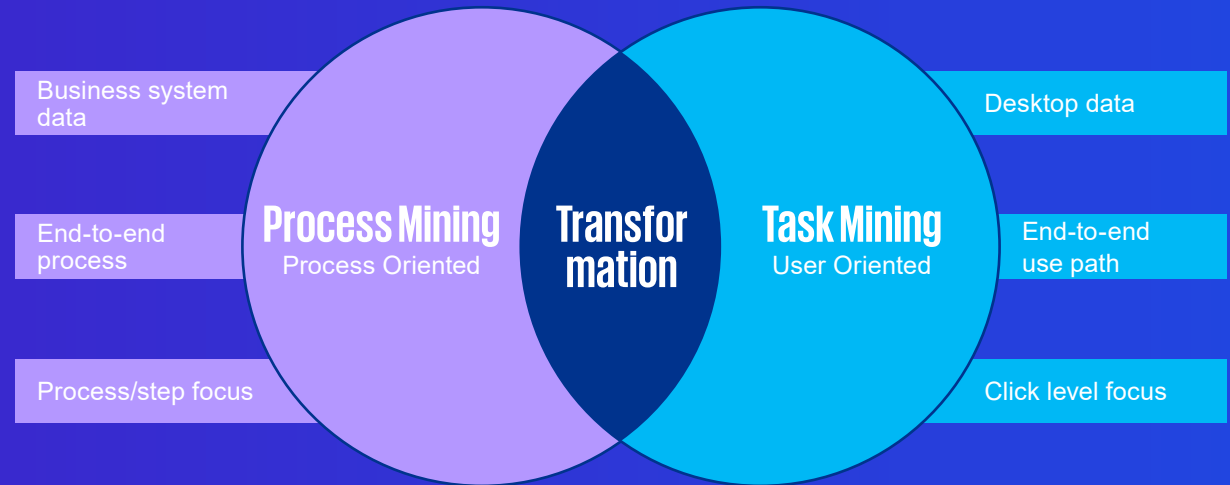
Reviewing performance metrics and having access to the right data is one of the most important aspects of leading a business to success. GBSs could play a critical role in taking advantage of this opportunity. By building on value-added processes, the centers, with the aid of their skilled workforces, can become sources of data, knowledge and guidance.

Organizations are still working toward becoming data driven. Sixty-nine percent, across all industries, believe they are not in a position of being data driven. One solution might be for GBSs to act as centralized locations of quality data, into which important, pertinent data can flow and be transformed into management information. Such centers could be ideal areas to adopt data-driven decision-making solutions.⁹

The growing number of detective control functions and the upgrading of conventional operational processes will bring a higher demand for process and task mining and Master Data Management (MDM) solutions in the future.

Figure 24

Tools to aid in the adoption of data-driven decision-making



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Process mining

Process mining is a technology that enables companies to easily capture information from enterprise systems and provides an accurate picture of how processes are performing.

Sixty percent of businesses identify a lack of visibility as a key challenge to employee experience and transformation initiatives. The goal of process mining is to turn event data into insights and actions and is useful in several ways. It helps identify any fractured points in the organization's workflow; it uncovers inefficiencies, saving costs by shortening lead times; and it removes unnecessary steps, which results in less reworking, while optimizing resource allocation.

More than 40% of GBSs are utilizing process mining to better understand their current processes.¹⁰

Common process mining challenges



The necessary logs are hard to collect or might be not collected.



For multiple (ERP) systems, further development in data extraction is required. Moreover, data quality issues can pose additional challenges.



Multiple systems require a cross-system ID.



There may be too many variants in the selected process.



Missing process mining competence.



Process mining challenges in specific GBS finance areas

01

Process mining for record-to-report

The main challenge is the complexity of the R2R process, as it can be slightly different entity by entity. Furthermore, differences can be observed within the same organization (region by region or country by country). Harmonization is challenging without the proper process mindset, and this is usually difficult to implement in companies.

This solution helps organizations to have a general, holistic overview of their actual processes as process paths with many different indicators, such as lead times, self-loops, the number of cases, approvals etc.

With process mining, the complexity of R2R process is manageable. It easily calls attention to the most common problems, such as the number of duplicated journal entries, approval skip or deadlines. It also points out the most probable causes using root cause analysis.

02

Process mining for purchase-to-pay

The chief hurdle here is the complexity of the P2P process, since it can encompass several departments, cover multiple systems and require different approval levels. Due to this complexity, there is much scope for making errors, resulting in risks and issues such as loss of money.

This solution helps organizations to view their actual processes as process paths. Process Mining also simplifies the complexity of the P2P process by highlighting the most common issues such as rework, long lead times or approval skip, and by identifying the most probable causes via root cause analysis. Furthermore, it can draw attention of opportunities for automation.

03

Process mining for order-to-cash

The order-to-cash process is fraught with challenges due to a plethora of potential failure possibilities within processing activities. These include the high number of outstanding receivables or the absence of resource usage optimization. An example of the latter might be not using system embedded control procedures and not following the previously determined process flow.

Process mining highlights the most common problems like rework and extended lead times. Additionally, it also points out optimization potential by visualizing exceptions, loops, and bottlenecks.

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Why is ESG preparedness increasingly crucial for organizations?

Environmental, Social, and Governance (ESG) related matters are altering the landscape of business operations, performance assessment and risk management, presenting a spectrum of new challenges and opportunities. While numerous firms have voluntarily reported on their ESG performance, the emergence of new regulatory requirements emphasizes the growing importance of obtaining assurance over disclosed ESG information, and highlights the need for businesses to adapt and ensure transparency and accountability in their ESG practices. Crucially, these upcoming regulatory mandates will be obligatory, requiring certification to align with the evolving standards.

Companies, guided by their specific requirements, preferences and industry emphasis, will prioritize different dimensions of ESG. Significantly, the report highlights the environmental dimension as a central focus. This has been evidenced by a KPMG research survey involving 100 companies. The results show that 71% of them disclose information on established carbon targets. The social dimension, which influences day-to-day business processes, the entire supply chain and also local communities, is particularly emphasized, with 96% of global leaders prioritizing it within their

ESG agenda. From a governance standpoint, key dimensions encompass business ethics, corporate transparency, board diversity, executive compensation, audit and internal control structures, intellectual property protection, and shareholder rights, illustrating the multifaceted nature of ESG considerations.

In the Central and Eastern European region, it is important to note that, effective from the 2024 fiscal year, the European Union has implemented new Environmental, Social, and Governance reporting requirements. These reporting obligations apply to companies subject to NFRD, multinational companies and SMEs present in the regulated markets, including those within the GBS sector.

“

There are many office buildings on the market today that do not comply with ESG regulations, and for many organizations this will cause an immense problem because they will be unable to meet ESG requirements.”

Valter Kalas,
Managing Principal at Newmark VLK Hungary





Environmental

- Pollutant emissions (air, land and water)
- Energy consumption
- Energy efficiency strategy and Co2 management
- Water consumption, especially in water scarce regions
- Raw material use
- Use of scarce resources



Social

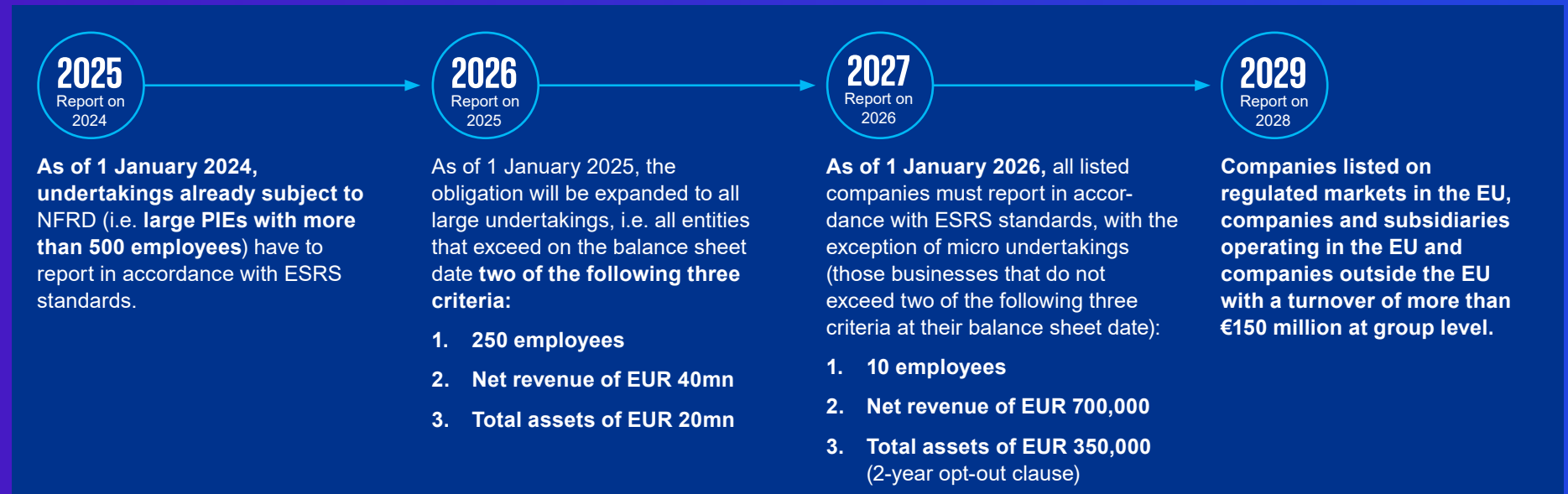
- Addressing human rights risks such as working conditions, child labor and modern-day slavery
- Diversity and equal opportunities
- Worker safety
- Demographic breakdown of employees
- Strength of relationship with employees and communities
- Supply chain risk exposure



Governance

- Bribery, corruption and responsible tax accounting
- Executive benefits and demographics
- Compliance with accounting standards
- Examples of anti-competitive behavior
- Reliability of ESG risk management processes
- Existence of appropriate abuse and complaint reporting mechanisms

The upcoming timeline of ESG requirements



“

In simple terms, a company is ready for ESG compliance once it has laid down an overarching ESG compliance strategy, assigned responsibilities, conducted the relevant materiality assessment and defined the appropriate metrics. It should further have systems, processes and associated well designed and effective controls in place to measure, collect and manage the vast amount of data.”

Julianna Nagy,
Senior Manager, KPMG in Hungary

What are the challenges involved in becoming ESG compliant?

According to KPMG's new ESG Certification Maturity Index, which gathers the views of senior executives and board members from 750 companies by industry, global region and revenue size,

75% of these institutions

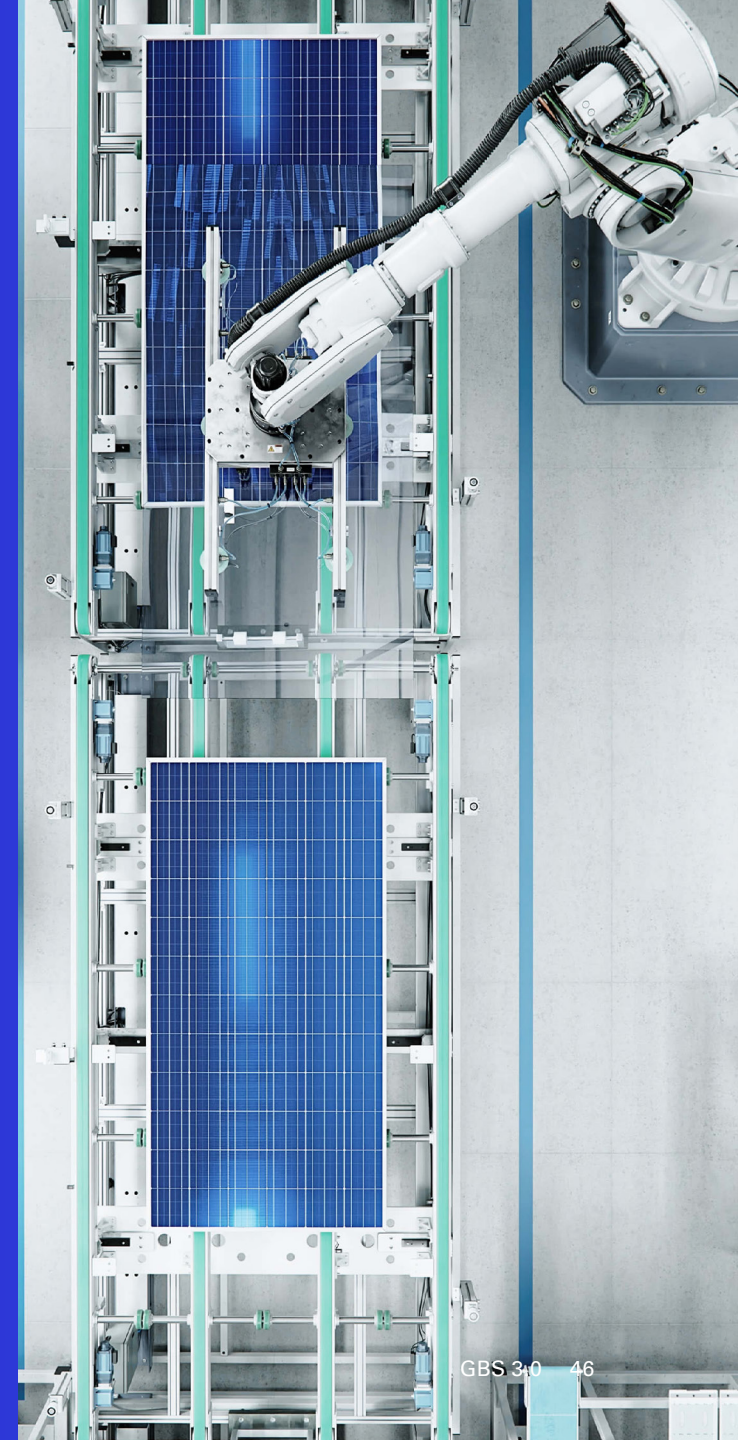
worldwide feel they have a long way to go to be ready to certify their ESG performance and comply with new regulatory requirements (KPMG's ESG Certification Maturity Index).

Furthermore, a scant 27% of companies possess robust policies and procedures to facilitate the development of their ESG disclosures, while an equally modest 26% have a clear audit trail to substantiate their non-financial information. This underscores a notable gap in comprehensive ESG governance practices among surveyed companies.

The Index also shows that,

65% of leaders see digital tools

like those mentioned in this research paper are key to being ready to obtain ESG assurance (KPMG's ESG Certification Maturity Index).



“

GBS organizations can be the first within their company groups to move to new offices and meet ESG regulations.”

Valter Kalas,
Managing Principal at Newmark VLK Hungary

Research conducted by ABSL Poland shows that the main risks, challenges and costs associated with introducing an ESG strategy included a lack of tools, methods and appropriate knowledge on how to set ESG targets and measures (50%); the perceived negative impact on financial results (35%); and a lack of transparency relating to regulatory requirements/industry standards in the sector (33%) among other reasons shown in the following Figure.

In addition to the acknowledged risks and challenges, there exist numerous opportunities for value creation within the realm of ESG.

Figure 25

The biggest challenges companies operating in the modern business services sector are facing on their journey toward operating responsibly in the context of ESG

Lack of tools/methodology/knowledge allowing them to set targets and measure ESG compliance

50%

Negative impact on financial results (increased cost or lower revenues)

35%

Lack of relevant regulatory requirements/industry standards in the sector they operate in

33%

The non-strategic importance of ESG in the company

27%

Lack of power to take local decisions

26%



Source: Poland - ABSL - Business Service Sector in Poland 2023

Figure 26

The biggest opportunities for your company/ the modern business services sector in Poland in terms of ESG

Being a more attractive employer

83%

Being a better member of the local community

64%

Limiting our negative impact on the environment

64%

Operating in a more compliant/ethical way

55%

Winning a reputation as a sustainable sector in a country that is known for coal power and other unsustainable conditions

35%

Fostering innovation (both internal and in cooperation with the external innovation community)

34%

Being the champion of change globally (entities in Poland are usually of optimal size to experiment)

34%

Attracting new business from our company's international network

31%



Source: Poland - ABSL - Business Service Sector in Poland 2023

GBS's prominent role in ESG reporting processes

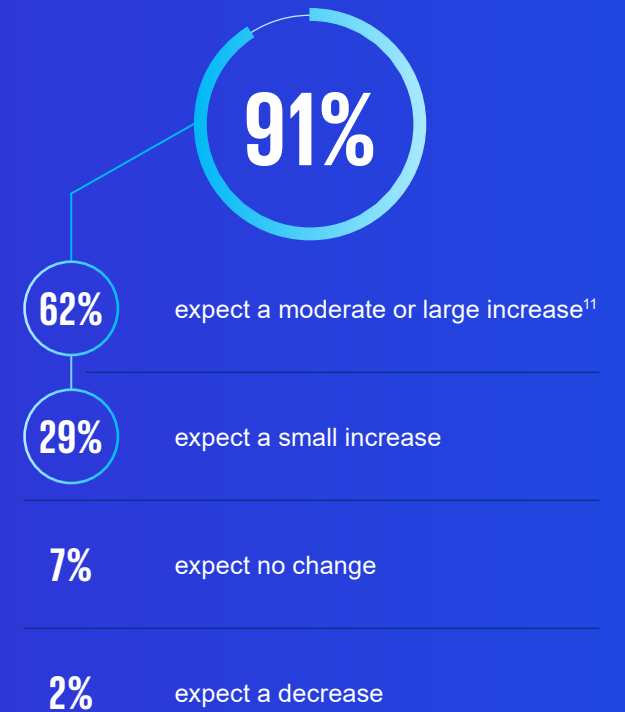
Figure 27

Potential task split of annual sustainability report preparation



There has been a growing trend toward the adoption of Environmental, Social, and Governance transparency and reporting. Many companies are recognizing the complexities and resource-intensive nature of ESG reporting and are turning to specialized managed service providers to assist in navigating this terrain.

Companies turning to managed services for ESG reporting and transparency



GBSs can help to reduce these ESG-related challenges and exploit the opportunities available. If multinational companies were to aim for enhanced efficiency, they might find it advantageous to consolidate various tasks and consider delegating Environmental, Social, and Governance processes to GBSs, particularly when separate reports are deemed necessary for each entity. Moreover, the ESG reporting process, which typically spans 3-5 months, requires meticulous capacity planning. The processes of ESG reporting can be shifted to Global Business Services (GBS), enabling the efficient realization of economies of scale, particularly in the areas of data collection and reporting.

The integration of Business Intelligence (BI) tools and automation solutions might subsequently streamline the reporting process, thus facilitating visualization. Moreover, during the readiness for assurance phase, consideration might be given to involving a separate team within the GBS organization, such as the internal audit team. This could offer a comprehensive and potentially more efficient approach.

There are key aspects to consider in determining GBS responsibilities in ESG processes. It's important to note that, due to the lack of current implementations, we can only assume at this point what GBS roles in the ESG process might be. Despite this, it seems that GBSs could help in various tasks related to ESG.

Key considerations for GBS responsibilities in ESG



Volume

As several separate reports must be prepared for each entity, it is beneficial to multinational companies to aggregate some duties and allocate ESG processes to the GBS.



Time and capacity

It generally takes 3-5 months to complete the ESG reporting process;. Special care is therefore needed when capacity planning.



Economies of scale advantages

ESG reporting processes can be transferred to GBSs where economies of scale advantages can be easily realized, especially data collection and reporting.



Technological readiness

BI tools and automation solutions may be integrated into the reporting process, which can also ease visualization.



Contributors

Even the ready for assurance phase could be performed in the GBS. A different team than the preparer should be involved in the process (e.g., internal audit).

According to SSON R&A data, 52% of GBSs/SSOs are either already supporting ESG or will take on the responsibility in the year ahead.

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¹ **The State of the Shared Services and Outsourcing Industry: Global Market Report 2023**

² **The State of the Shared Services and Outsourcing Industry: Global Market Report 2023**

³ **Hays Poland BSS Salary Guide 2023**

⁴ **KPMG CEO Outlook 2023:** <https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/2023/2023-CEO-Outlook-report.pdf>

⁵ **Association of Business Service Leaders (ABSL): Business Services Sector in Poland 2023**

⁶ **KPMG 2022: Return to office directions**

⁷ **KPMG CEO Outlook 2023:** <https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/2023/2023-CEO-Outlook-report.pdf>

⁸ **Harvard Business Review: HBR Reskilling in the Age of AI** <https://hbr.org/2023/09/reskilling-in-the-age-of-ai>

⁹ **KPMG CEO Outlook 2023:** <https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/2023/2023-CEO-Outlook-report.pdf>

¹⁰ **The State of the Shared Services and Outsourcing Industry: The State of Global Business Services in 2023 and Beyond**

¹¹ **KPMG & HFS: Managed Services Outlook 2022**

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