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Global Business Services a new way forward for life sciences companies

01 August 2016 | News | By BioSpectrum Bureau

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Greater uncertainty in the global macroeconomic environment is prompting companies around the world, including life sciences firms, to take a closer look at their operations in a bid to improve operational processes and derive greater cost savings. One of the means of doing so is through outsourcing, which has been going on for a long time, though it was done previously in a fragmented and decentralised manner.

Now, companies - particularly those with operations in many different jurisdictions - are adopting a more holistic approach in how they deliver services like IT, finance, accounting, human resources, procurement and other business services across an organisation. As international life sciences companies seek ways to transform their operations in the midst of wrenching change, they are establishing global business services (GBS), which is a cross-functional, globe-spanning model that integrates resources, capabilities and systems throughout the entire enterprise. GBS includes centres of excellence, shared services centres and outsourcing, extending operational improvements considerably further into every corner of the organisation.

A key element of GBS is the focus on processes that span the entire enterprise. The orientation of end-to-end processes as part of GBS can enable the enterprise to adopt new technologies more rapidly and benefit from them faster. An example of this is cognitive automation, a continuum of technologies that companies can use to automate business processes and operations.

For instance, cognitive automation can help to monitor the supply chain continually to ensure that a pharmaceutical company and its suppliers comply with the anti-bribery and corruption regulations around the world, by combining databases to look for outliers.

There are many other benefits of GBS, which are outlined in a report by KPMG International, Global Business Services in Life Sciences: A Window to the Future. The report is based on years of advisory work by KPMG subject matter experts who advise companies on how to implement GBS to transform their operations.

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Among the benefits of GBS highlighted in the report is first and foremost, cost savings through the centralisation of core functions. Companies can continue to extract savings long after they have exhausted other avenues for achieving efficiencies. For example, a study by KPMG in the USs has found that when cognitive automation is part of GBS, labour costs can be reduced by 40 to 75 per cent, more than double the savings derived from shifting the operations to cheaper labour markets.

Another benefit of GBS is stronger compliance, as organisations will be able to build more robust structures and standard processes to comply with growing demands from regulators around the world, for better business conduct.

In addition, there can be faster implementation of corporate transactions, where the completion of mergers and divestitures can be accelerated, shortening the time-to-market and time-to-benefit. In one case, a pharmaceuticals company bought 11 businesses within two years and its GBS organisation was able to help disentangle and integrate them into the central organisation.
Increased flexibility is also another advantage that GBS organisations can look forward to, as they will be able to be more responsive to business needs than a regionally-focused, siloed structure of shared services. As corporate transactions in the industry pick up speed, there is a need for a flexible and adaptable platform for the back and middle office. This in turn helps the organisations to scale up quickly to meet new business needs.
By incorporating all key services worldwide into a single GBS organisation, companies can fully realise economies of scale. For example, multi-national corporations that have offices in various regions would have different cultures and languages to contend with. By standardising processes globally, it makes it easier to implement the changes.

Business impact is also greater when GBS is fully implemented, as it can become an independent operating unit providing fully integrated end-to-end services ranging from transactional activities to strategic analytics and insights. It can then leverage on digital and innovative solutions to acquire new customers and increase revenue.

Improved tax risk management is another benefit for GBS firms. What is seen now is that tax rules worldwide and particularly in the Asia-Pacific region are changing faster than ever before with the adoption of Base Erosion and Profit Shifting guidelines by Government authorities. Tax authorities are getting increasingly aggressive with the increased awareness of tax planning ideas and flow of information to them. As such, a full-fledged GBS model is critical for tax function so that information can be provided to tax authorities in a more coordinated manner rather than in a fragmented manner by different shared service centres which may not have full visibility of the business and operating models. It will also help to create a Tax Risk Management framework to proactively identify red flags and effectively manage compliance.

Despite these benefits, many companies have not yet taken full advantage of the effect of establishing GBS for their organisations. Once they see the wide-ranging gains from GBS and implement it fully, they will be able to realise the value. But they should not underestimate the scope of the changes required and the degree of resistance that might be met with in the company. The roles and responsibilities of many people at all levels of the organization will be affected, as one would expect with any profound alteration in governance and processes.

Company leaders then, should communicate the benefits of GBS to the entire company and build support for behind the structural change. They should also ensure that GBS implementation is closely aligned with the company's overall strategy. With the right preparation, the journey towards GBS can bring about the gain while lessening the pain.

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