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Why Global Capability Centres are Integral to Transforming Business Operations

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Forward-thinking organisations are moving complex reporting and compliance processes into global capability centres (GCCs)

We explore why these centres are powerhouses when it comes to transforming business operations.

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Executive summary

For decades, multinational enterprises have regarded the global capability centres (GCC) model as an avenue for providing economies of scale to reduce costs and increase efficiencies. Having reached levels of maturity, GCCs are poised to enter the next stage of their evolution. Many are moving from transactional centres to centres of strategic importance, capable of handling more complex processes to amplify efficiency gains, drive business transformation forward, and support the cost optimisation agenda that is once again so prevalent in today's macro-economic climate.

A stand-out theme emerging from the 2022 Global **State of the Shared Services & Outsourcing (SSON) Industry Report** was that shared services organisations (SSOs) are assuming an increasingly **strategic role** within the businesses they serve. One development which highlights the value that these organisations have to offer, is the change in SSO leaders' reporting lines. Nearly one in three (30%) of respondents now report straight into their company's CEO, and a further 30% to the CFO.

Another key trend is **scope expansion**. Many GCCs are now expanding their scope of work from the back to the front office, as well as focusing on moving the "long tail or last mile of process activity" into the GCC environment. SSON found that over one in three (34%) are focusing on integrating or expanding their scope of services into the front office, and an additional 30% are considering such a move.

In recent years, more complex processes like statutory financial reporting, tax and trade compliance have emerged as strong candidates for centralisation. For example, the report found that one in three (33%) of GCCs already provide statutory reporting, while 29% provide tax support services. With that in mind, the CFOs and Financial Controllers that are yet to develop a robust centralisation strategy for these types of processes may be at risk of falling behind.
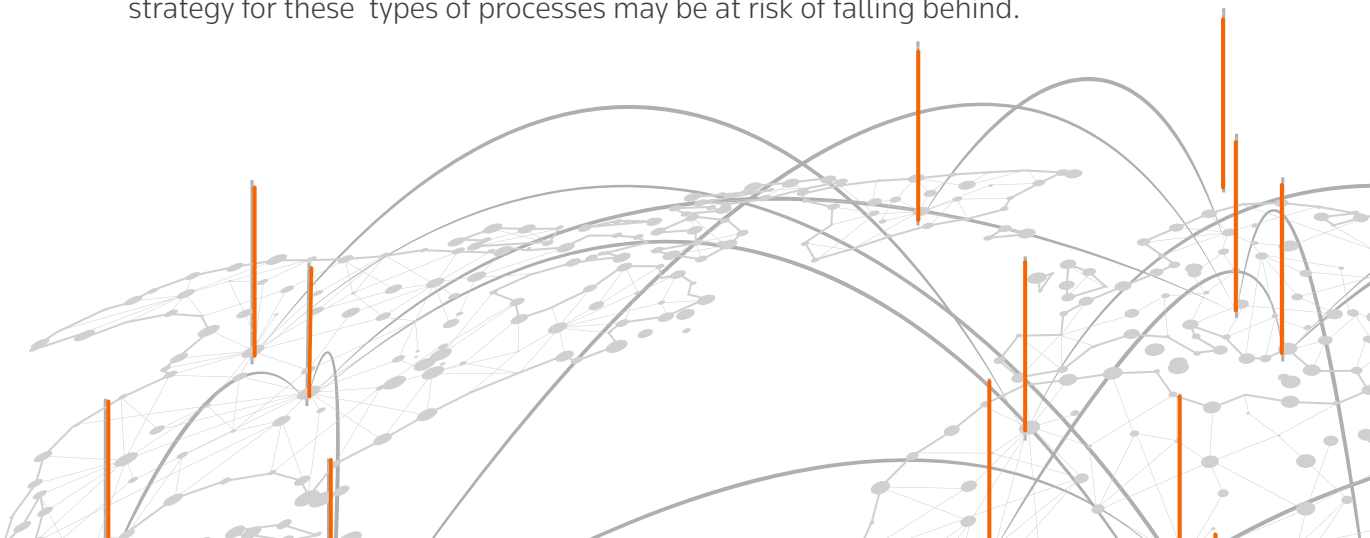
How are visionary GCCs achieving their business operational goals?

Technology is a **key enabler** for GCCs looking to embrace opportunities to drive their next chapter of growth and bring more value into the business. Among the SSOs surveyed by SSON in 2022, close to three quarters (73%) say they are supporting the enterprise's digital transformation goals; and 33% are directly responsible for driving the digital agenda and/or operating as a Centre of Excellence (CoE) running the project.

Automation capabilities are an area of focus. When asked to name their top objectives in the **2022 SSON study**, more than a third (37%) of shared services executives said 'leveraging automation platforms' was a key goal. This came second highest on the list overall after 'digitising data' (39%). Automation skillsets are also in high demand by six out of ten shared services leaders.

With a well-chosen technology solution, processes are easily **centralised, standardised** and **automated** to deliver greater efficiency and accuracy, as well as enable skilled staff to focus on higher-value work. Additionally, the right technology can provide easy access to data that can unlock insights and drive business transformation.

In the following sections, we look at how purpose-built, cloud-based, content enabled technology can help GCCs overcome the issues that have historically limited scope expansion and enhance their strategic role within the business.
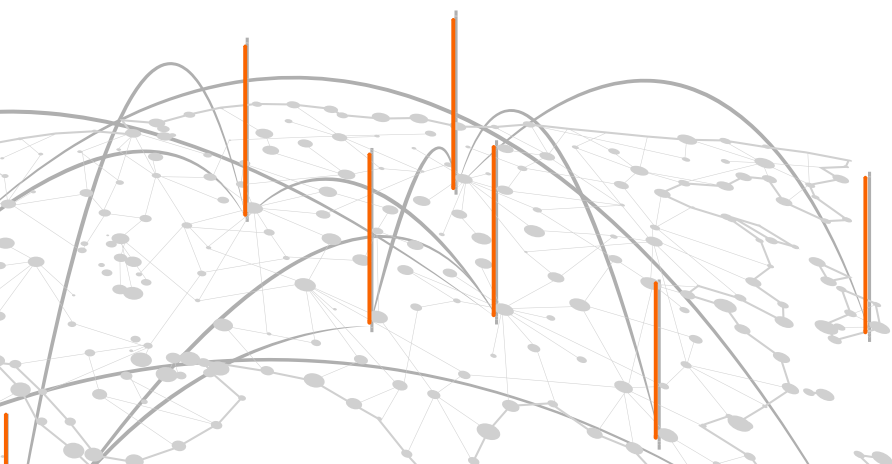
Removing roadblocks
to scope expansion and value creation

When considering whether – and to what extent – activities such as statutory financial reporting, tax accounting and reporting, indirect tax and trade compliance can be performed in a centralised structure, there are numerous concerns that need to be addressed. These have historically limited the assimilation of the long tail of process activity into a GCC.

Now, thanks largely to technology adoption, more organisations are able to rethink their approaches. Modern cloud-based, content-enabled technologies are enabling CFOs and Financial Controllers to overcome these perceived challenges and risks, and successfully streamline processes, data and reports in a centralised set up.

What are the key concerns?

Operating globally means staying on top of multiple regulatory, financial and logistical challenges. This includes navigating different tax rates and rules, statutory financial reporting formats and languages, trade tariffs and product classifications, and compliance best practices across the supply chain. All these layers of complexity at a local level can be daunting when considering moving entity-level processes into a global hub.

A recent SSON webinar survey asked respondents about their greatest concerns when moving knowledge-based processes like statutory financial reporting and tax compliance into a centralised model. Their perceived challenges included a lack of country/jurisdiction specific knowledge (76%), navigating local language requirements (50%) and a need for relationships with local authorities (43%).

In summary, the critical question these organisations are asking is:

How can teams based in regional or global hubs possibly keep abreast of multiple country or jurisdiction-specific rates, rules, reporting formats and language requirements in order to successfully reduce risk and ensure compliance at a local level?

While these concerns are understandable, there is a way forward. CFOs and Financial Controllers can maintain global control of business-critical processes – without compromising any aspect of local compliance – with a purpose-built, content-driven, cloud-enabled technology solution.

What are the advantages of this technology-driven approach?

1 Reduce reliance on in-country teams

Content-enabled technologies provide local expertise, often sourced from the "Big Four" accounting firms and in-house teams of subject-matter specialists who fully understand compliance requirements and proposed changes to legislation. This content reduces the need for multiple in-country experts across the organisation, making it possible to standardise and centralise processes in a GCC. This helps to eliminate so-called **"hero-dependencies"**, helping to keep compliance knowledge within the organisation and ensure business continuity, especially now that attrition rates are high worldwide. A **global PwC survey**, for example, highlighted that the competition for skills continues, with one in five employees saying they plan to resign in 2022.

There are huge cost efficiencies to be had from the use of content-enabled software. Having the best technology in place also enables people to spend less time on mundane tasks and contribute more, which helps to create a more satisfactory and positive employee experience.

2 Remove language barriers

Just as content-driven technology enables staff to match localisation and domain expertise with local content, some leading software solutions also offer automatic language translation capabilities. This removes the need for local language expertise and empowers central teams to safely and efficiently manage compliance across global jurisdictions.

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3 Automate to "move and improve" processes with ease

A global technology platform with application programming interfaces (APIs) makes it easy to connect the platform's functionality with adjacent systems in the process lifecycle, including ERPs and business intelligence systems. This makes it easy to harmonise and optimise processes as these are migrated into a central hub, thus dispelling concerns around the complexity of "lifting and shifting" disconnected processes that run on many bespoke spreadsheets and disconnected documents.

4 Harness cloud-driven scalability

Cloud offers a fast and secure route to process automation and scalability. With a cloud-driven solution, it is easier to adapt to new requirements and regulations without delays. Also, being able to access the platform securely, from anywhere vastly simplifies any necessary transition to remote or hybrid working arrangements – increasing agility within the global hub and across the enterprise. All participants (the preparer, controller and auditor) can access a single source to work seamlessly.

Adopting cloud platforms to support process optimisation efforts is a high priority for three in four (75%) of the SSOs surveyed by SSON in 2022.

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5 **Increase visibility and control**

When processes are managed on one global technology platform, CFOs, Heads of Tax and Financial Controllers have access to a full audit trail for any process or report. This type of technology can flag high-risk and/or noncompliant activities or decisions, right down to identifying which local employee is responsible. It is also easy for approved external parties (such as auditors) to securely access all the documentation they need—instead of piecemeal collection efforts emailed back and forth.

6 **Transform the way data is managed**

Similarly, by enabling teams to capture and store all their data in one location, this removes the need for multiple spreadsheets and duplicated manual effort. For example, with an **automated statutory financial reporting solution**, data only must be entered – or updated – once for that information to automatically flow into all relevant local reports. When all teams are working from the same connected data, using the same process management tools, and unified formatting and review processes, it is far easier to ensure accuracy and control.

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Why choose
Thomson Reuters?

Thomson Reuters is the strategic technology partner for many global enterprises that have successfully moved complex, knowledge-based processes into GCC models. The experts at Thomson Reuters supported these organisations in their initiatives to centralise, standardise and automate end-to-end processes, including statutory financial reporting, indirect tax, tax provisioning and trade compliance, among others.

With the deep expertise in our global services teams, our strong relationships with digital finance advisors, our globally trusted content and cloud computing capabilities, and the breadth and depth of specialist technology solutions within our portfolio, Thomson Reuters can help your enterprise expand the scope of services and strategic value offered by your GCC.
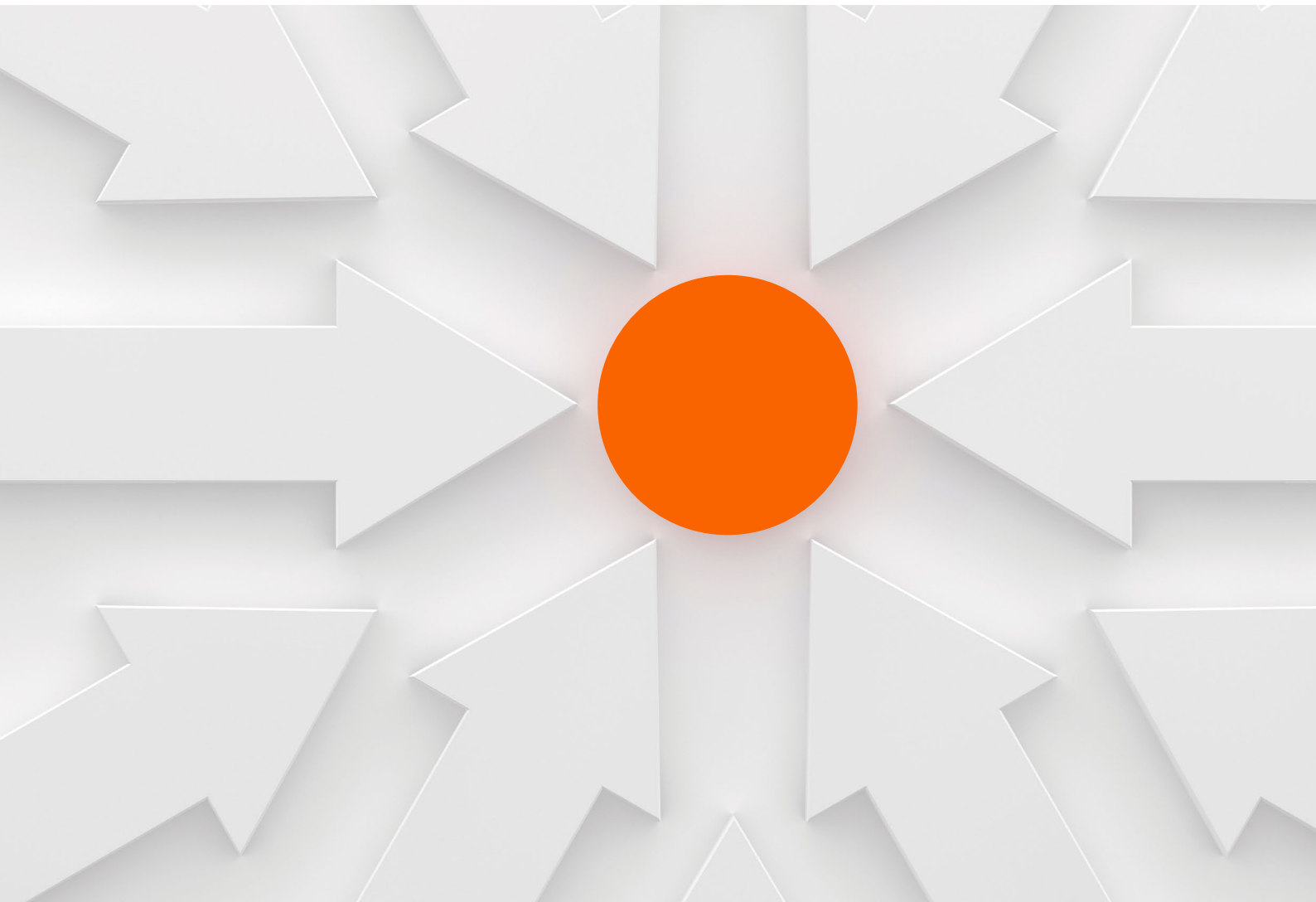
Case study: Transforming the last mile of statutory reporting for 100+ countries

One multinational corporation that operates in more than 100 countries relied heavily on spreadsheets and a patchwork of different tools to consolidate and control their local statutory financial reporting process. Among other systems, they had around 500 different ERP solutions in play.

Introducing a Thomson Reuters ONESOURCE Statutory Reporting solution allowed this company to standardise, centralise and automate its statutory financial reporting process using one global technology platform. As a result, the costs associated with the final steps of jurisdiction-specific statutory reporting have been substantially reduced. Another benefit is increased transparency and control, due to being able to track the accuracy and quality of each filing.

"Having a single process for all the accounting, from US GAAP down through to statutory reporting and compliance at the local level, is a powerful asset for our financial team and therefore for our business," explains the organisation's client-side programme manager. "It's all aligned, so at the front end, we can merge teams, consolidate work, and scale up as the business requires, and at the back end, local specialists can round out the process in an expert way."

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Case study: Adopting a tax technology roadmap

The tax function in a multinational operations management and analytics company's Centre of Excellence (CoE) had to manage multiple book closures across a growing number of geographies, legal entities and currencies. As complexity heightened, the organisation decided to adopt a tax technology roadmap – introducing a Thomson Reuters ONESOURCE Tax Provision solution as the first step in their transformation journey.

Adopting ONESOURCE technology has enabled this organisation to transform their tax provisioning process from end-to-end across almost 40 entities located in multiple countries. With no need to rely on manual spreadsheets in their preparation of global tax provision, the company has reduced their dependence on external consultants, built solid global tax provision process knowledge in-house, and generated greater confidence among auditors.

Automation has enabled this tax function to increase efficiency and ensure tax provision is completed on time, every time. They have also been able to centralise the work of all their teams to achieve one organisation-wide trial balance and ensure seamless collaboration across multiple entities and locations.

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Case study: Streamlined global trade compliance brings speed in the supply chain
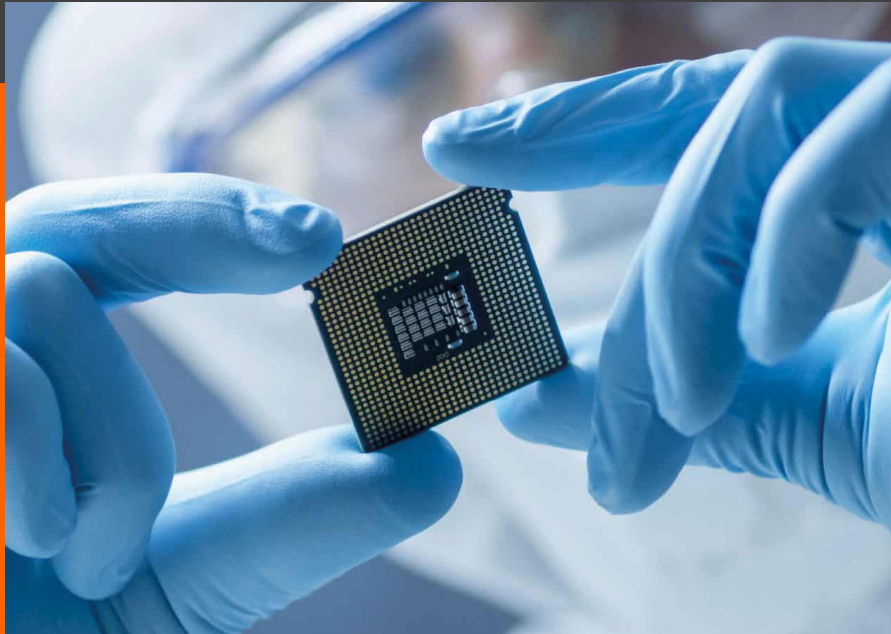
A leading supplier of hardware, software and services to the worldwide semiconductor chip manufacturing industry identified several major gaps in its trade compliance programme. Their process for consolidating and validating data for thousands of transactions was manual and spreadsheet dependent, which not only wasted time and effort, but also increased the risk of error and non-compliance. There was a lack of visibility over trading activities and compliance control procedures across the enterprise, making it impossible for the compliance team to report to senior management with confidence and proactively identify regulatory risks.

To address these issues, this organisation introduced a Thomson Reuters' ONESOURCE Global Trade solution to overhaul all its trade compliance processes. This technology platform incorporates Global Classification and Global Trade Content to ensure products have the correct tariff classification and that only up-to-date trade data is used. It also provides an Export and Import Management tool to facilitate faster customs clearance, and a Denied Party Screening tool to enable the team to automatically screen all shipment data and ensure exports to sanctioned countries are legal and error-free. Finally, enabled by this 'single source of truth', a Global Trade Visibility solution provides executive level analysis, elevating the speed and accuracy of all compliance-related decisions.

As a result, this global enterprise has achieved massive improvements in its supply chain reliability, with the ability to navigate trade lanes and supply chains seamlessly, plan for worse case scenarios and more.

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Contributors
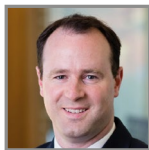
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Steve is a leader in the SaaS space whose role is to help companies automate and augment the value of their shared service centres. Steve ensures Thomson Reuters' customers are getting the most out of their digital capabilities through unique, content-enabled technology. With over 20 years of experience in taking technologies to global markets, Steve is committed to supporting the bright future of shared services centres.
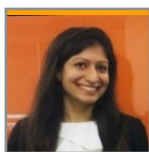
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Sakshi has over a decade of professional experience in the tax and tax technology industry. She works closely with Shared Service Centres and multinational customers propelling their adoption of technology to meet global tax and financial reporting requirements. She is a Chartered Accountant from the Institute of Chartered Accountants of India.

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About Thomson Reuters ONESOURCE

Thomson Reuters ONESOURCE is the industry's leading corporate tax technology. The ONESOURCE suite enables global tax compliance and accounting decision making. In 180 countries, ONESOURCE helps companies stay in compliance, avoid penalties and audits, save time and increase efficiency through every step of the tax life cycle, including corporate income tax, indirect tax, property tax, trust tax, tax information reporting, transfer pricing, data management and internal processes.

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