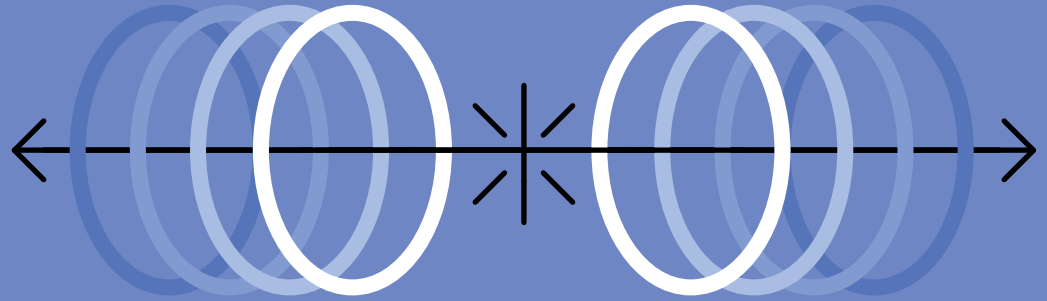




Driving Competitive Advantage through Back-Office Consolidation

A white paper by Harvard Business Review Analytic Services



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The Strategic Benefits of Back-Office Consolidation

In today's economic climate, where uncertainty and volatility are prevalent, the pressure to unlock operational efficiency and navigate increasingly rigorous regulatory requirements has never been greater. Organizations must find a way to streamline their operations to meet the demands placed on their in-house resources while maintaining a competitive advantage.

Back-office consolidation, which was once purely a cost-cutting exercise, has evolved into a 360-degree value add that helps companies better navigate the complexities of cross-border compliance and improve their data governance, all while reducing operational costs.

Perhaps most tellingly, companies that specialize only in administrative processes are no longer the first port of call for organizations looking to outsource their business functions. Service providers are increasingly becoming part of an organization's transformation journey as it looks to centralize, consolidate, and retain greater control and oversight of its business functions.

A key attraction of consolidation is the opportunity to enhance management and control, ensuring resources are allocated efficiently and third-party vendor risks are minimized.

Outsourcing essential business processes to a single provider improves business continuity and provides practical advantages in fundamental areas, such as payroll and accounting functions. Global administrative service providers are evolving to meet demand, adding transactional and technological services across multiple areas to give their clients greater flexibility, efficiency, and the control they seek.

This report from Harvard Business Review Analytic Services explores the evolution of back-office consolidation into an essential part of global business practices that have substantially increased operational efficiency. It examines the gaps left by the old back-office consolidation model and outlines the significant advantages on offer when companies select a strategic partner to transform their operations and support business growth instead of simply a global administrative service provider.

We provide corporate administrative services with over 11,000 colleagues in 125+ offices across 87 jurisdictions. As a strategic partner that supports our clients' business at every stage of their transformation journey, we bring common culture and processes to create a global solution, eliminating the operational risk and complexity of many local providers.



Aynsley Vaughan
Head of Corporate Practices
TMF Group

We are pleased to sponsor this report that empowers decision makers to assess their needs and long-term goals and make the move toward using a global corporate services partner, making a complex world simple.

Driving Competitive Advantage through Back-Office Consolidation

In today's environment of rising regulatory demands and increasing cost pressures, investment management firms and multinational companies are focused on streamlining operations while ensuring compliance across multiple jurisdictions. Nearly 80% of investment management (i.e., fund) firms outsource significant back-office functions, with a third exploring further expansion, according to a survey by *Hedgeweek*. Similarly, multinational companies outsource between 40% and 85% of their HR, payroll, accounting, tax, and entity management functions, based on industry sources.

THOSE ORGANIZATIONS are increasingly doing so through global business services (GBS), the practice of centralizing and consolidating functions into a single service model with a specialized provider. GBS is evolving beyond a purely cost-saving approach and is now seen as a mechanism to standardize processes, reduce risks, improve visibility, and enhance both employee and customer experiences.

"Given the importance organizations now place on operational efficiency, back-office functions have become critical enablers where organizational promises are either fulfilled or not," says Jamie Lyon, global head of skills, sectors, and technology for the Association of Chartered Certified Accountants (ACCA) in London. "Consolidating back-office operations

with the right expertise can unlock tremendous value."

Organizations are increasingly using back-office consolidation to maintain their competitive advantage while outsourcing administrative functions and using fewer providers that can work on a global scale. Funds and asset managers must navigate the requirements for independent administration and performance reporting put in place following the financial scandal involving investment adviser Bernie Madoff, who pleaded guilty to fraud in 2009. Global corporations, which must manage fragmented solutions across countries, seek improved visibility and compliance. Companies pursuing digital transformation want to access advanced technologies and expertise without making large internal investments.

HIGHLIGHTS

Organizations are increasingly using back-office consolidation to **maintain their competitive advantage** while outsourcing administrative functions and using fewer providers that can work on a global scale.

Besides high-level support, successful consolidation requires **careful consideration of organizational structure, process design, technology enablement, and change management**.

When considering external partners for consolidation initiatives, organizations have an opportunity to **look beyond traditional vendor relationships to establish true strategic partnerships**.

“As organizations seek competitive advantage, having centralized oversight of data becomes increasingly important, especially as global business services (GBS) operations move up the value chain.”

Jamie Lyon, global head of skills, sectors, and technology for the Association of Chartered Certified Accountants (ACCA)

As these consolidation efforts mature, the vendor relationships evolve into deeper collaborations. “At this level, the relationship transforms into a true strategic partnership,” says Bill Latshaw, research director, business consulting services, for International Data Corporation (IDC), a research firm based in Needham, Mass. Companies can turn to vendors for operations that improve their speed to market.

This Harvard Business Review Analytic Services report explores the evolution of back-office consolidation beyond cost cutting to create value across multiple dimensions. It examines how funds and multinational companies can build effective foundations through process standardization, technology enablement, change management, and strategic partnerships. The report provides a close look at how organizations can achieve enhanced visibility, standardization, and agility, thus transforming back-office operations into enablers of operational efficiency and competitive advantage in today’s complex global environment.

Creating Value in Significant Ways

Having evolved from its cost-cutting origins, back-office consolidation today creates value in multiple ways, from achieving operational excellence to navigating complex regulatory environments more effectively.

Nearly seven in 10 (69%) organizations currently operate under the GBS model or are actively transitioning toward it, according to the State of the Shared Services & Outsourcing Industry Global Market Report 2025 from SSON Research & Analytics, a global association of outsourcing executives in Singapore. An additional 16% of companies plan to outsource their core administrative operations within the next five years, driven by a desire for resilience, agility, and innovation.

Brown-Forman Corp., the more than 150-year-old Louisville, Ky.-based spirits company behind Jack Daniel’s, exemplifies the strategic value of back-office consolidation. As international sales doubled over the past decade to represent

50% of total revenues, the company faced growing operational challenges.

“Each country was set up as a little company,” says Leigh Pittman, director of global procure-to-pay for Brown-Forman. “There was duplication in just basic financial activities such as accounts payable, travel, and expense processing.”

This fragmentation not only created inefficiencies but also blinded the company to opportunities for improvement. In one example, Brown-Forman discovered that 17 different vendors were supplying the same black Jack Daniel’s T-shirts in various regions, forfeiting volume discounts and quality consistency. Payment terms varied widely across countries despite company-wide policies specifying 45-day standards.

“There’s a significant competitive advantage to be gained through better data governance,” ACCA’s Lyon says. “Centralization can provide better visibility around your data. As organizations seek competitive advantage, having centralized oversight of data becomes increasingly important, especially as GBS operations move up the value chain.”

For Brown-Forman, having visibility at a regional level rather than just in individual countries delivered immediate strategic benefits. “We have sped up our time to open new markets, which is important for sales,” says Susan Von Hoven, a vice president and director of global business solutions with Brown-Forman.

In addition, consolidation dramatically improved business continuity. Previously, functions were handled by a dedicated individual in each country; now, specialists can support multiple countries based on volumes and regulatory requirements.

“Before, if somebody went on some kind of leave, you’d be in trouble,” Von Hoven says of the prior, fragmented approach. “Now we can divert the work to a team in another place so that we don’t have gaps.” This resilience proved its value when a key employee in one of Brown-Forman’s growth countries took extended leave—the consolidated structure allowed the company to maintain operations without disruption while processing increased transaction volumes.

“[Successful consolidation is] about identifying which processes you can standardize, which functions you can consolidate into a single location, and which operations can be performed remotely.”

Priyanka Mitra, vice president of business process services at Everest Group

C-suite involvement is crucial, according to Lyon. “The soft stuff is the hard stuff,” he says. “You can have all the process and the technology parts in place, but a lot of the success of back-office consolidation comes down to leadership, culture, and communication. Therefore, it’s critical that the people at the top of the organization demonstrate their support and involvement in GBS.”

Building the Right Foundation

Besides high-level support, successful consolidation requires careful consideration of organizational structure, process design, technology enablement, and change management. Organizations that have successfully navigated this journey typically take a phased, strategic approach rather than rushing implementation.

Brown-Forman’s consolidation journey began in 2018 with such an approach. The exploration phase lasted about a year, during which the company identified opportunities and built a business case. The second year focused on what Brown-Forman’s Von Hoven calls the “sell in” phase—gaining buy-in from stakeholders across the organization’s global footprint, especially those that felt ownership of the existing processes. The pitch to stakeholders focused on the business value that would come from new efficiencies.

The consolidation began with basic accounting functions, like procure-to-pay, the process of acquiring goods or services and making payments for them. “Procure-to-pay was one of the early tracks because it was fairly easy to identify who was procuring goods and how they were getting paid,” Brown-Forman’s Pittman says. From there, the effort expanded to other accounting functions as well as master data management, which ensures consistent, accurate business data across an organization.

Finding the right balance between global standardization and local requirements is also a critical challenge in consolidation. Brown-Forman’s approach strives for 80% standardization while accommodating 20% localization.

“As we enter a new country, we go through a blueprinting process, which delineates the standard operating procedures and asks which ones won’t work for a country and why,” Von Hoven says. “If we determine a country needs an exception, it’s generally just a matter of adding an amendment to our global policy and making configuration changes in our technology systems.”

Priyanka Mitra, vice president of business process services at Everest Group, a research firm in Dallas, emphasizes that successful consolidation doesn’t mean centralizing all functions and processes. “It’s about identifying which processes you can standardize, which functions you can consolidate into a single location, and which operations can be performed remotely,” she says.

Regional and cultural differences can influence business practices, Mitra notes. In India, for example, certain bonuses are given during a particular festival, such as Diwali. In many Latin American countries, employees receive additional salary at various times during the year—a legal benefit known as 13th-month and 14th-month salaries. Companies must remain responsive to these kinds of local regulations and customs, ensuring that the consolidation process doesn’t overlook important cultural nuances that could impact employee satisfaction and compliance.

Moving to a consolidated model also raises important conversations about process standardization that IDC’s Latshaw says can be transformative. “This topic was not discussed previously because of the difference in the ways other parts of the business were operating. Much of the reasoning for why each part of the business had its own operating standards was lost. You didn’t really know what people were doing differently or why.”

Managing People through Consolidation

The human element is another key factor in consolidation success. While technical and strategic considerations are

Forty-nine percent of GBS organizations (shared services entities within enterprises that provide centralized support across multiple business functions) have adopted generative AI (gen AI).

Key Issues Study, The Hackett Group

essential, how organizations manage employee concerns, preserve critical human interactions, and create new team dynamics ultimately determines whether a consolidation initiative thrives or struggles.

These personal relationships and established support networks represent both the emotional and operational connections that consolidation initiatives must account for. Cultural differences add yet another layer of complexity to individual relationships. “You’re consolidating workers across different cultural backgrounds,” Lyon says. “There might be slightly different approaches to things like ethical considerations. Norms that we operate with as a society may be different in different cultures.”

The human transition certainly proved as important as the technical one at Brown-Forman. The company found that transparency, clear communication, and focusing on new growth opportunities helped address these concerns. Rather than emphasizing cost cutting, the narrative centered on creating better employee experiences through specialization and community.

This approach eventually yielded unexpected benefits. “Over time, employees enjoyed interacting with other people who do what they do,” Von Hoven says. “In the past, you might be the only person in an office who knew how to do any of these functions. Now you’re on teams where you interact with people who do the same thing as you do. Employees can learn from each other. They teach each other. They share best practices.”

Everest’s Mitra emphasizes the importance of what she calls “moments that matter”—key life events such as joining a new company, receiving a promotion, or dealing with personal situations like bereavement or medical leave.

“Imagine you are dealing with a situation because your payroll was incorrectly calculated or [an employee needed to take a leave] because of bereavement,” Mitra explains. “That may not be a situation where you want an employee to deal with a chatbot.” Identifying these moments and ensuring they receive appropriate human attention represent a critical design challenge in consolidation initiatives.

Successful consolidation initiatives treat people not as variables to be managed but as partners in transformation. By acknowledging concerns, preserving critical human connections, and creating new opportunities for collaboration and growth, organizations can turn potential resistance into powerful momentum for change.

Technology as Key Enabler

Technology serves as another enabler for successful consolidation, amplifying benefits and enabling new capabilities.

The Hackett Group reports that 49% of GBS organizations (shared services entities within enterprises that provide centralized support across multiple business functions) have adopted generative AI (gen AI), while the use of robotic process automation—robots that handle routine, manual tasks—is expected to grow by 20% annually.

Brown-Forman’s approach follows an “innovate, automate, orchestrate” framework that first streamlines and standardizes processes, then applies consistent technologies to enhance these standardized processes, and finally organizes talent efficiently around these optimized systems. The structured approach helps address the inherent technological complexity in global operations.

“Not all big, multinational companies are complex just because they operate across different jurisdictions or use different operating systems,” Lyon says. “They often have a huge legacy of technology solutions and challenges which they need to bring together.” This technology fragmentation creates both obstacles and opportunities for consolidation initiatives, making a systematic approach to technology integration essential.

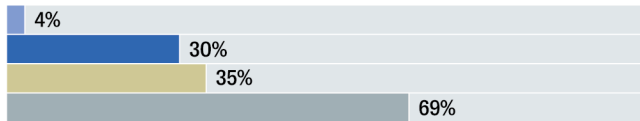
In The Hackett Group’s analysis of GBS functions, the finance department will take the lead in deploying gen AI, with 69% to deploy the technology by year’s end. Many other GBS functions are on a similar timeline, including IT (68%), HR (64%), and procurement (60%). **FIGURE 1**

FIGURE 1

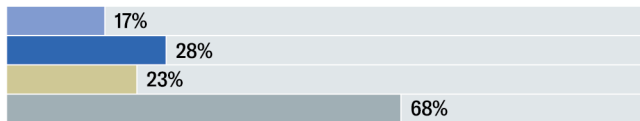
Embracing Generative AI**Many global business services functions adopt emerging technology**

Expected deployment levels of generative AI in GBS functions by 2025

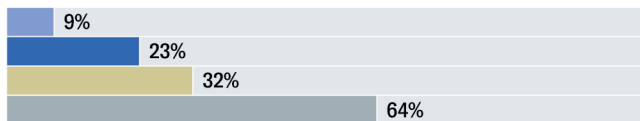
■ Broad-based adoption ■ Limited usage ■ Piloting ■ Total deploying



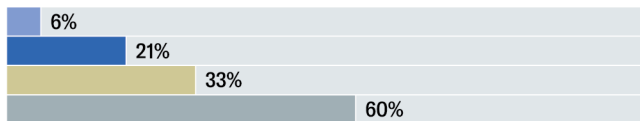
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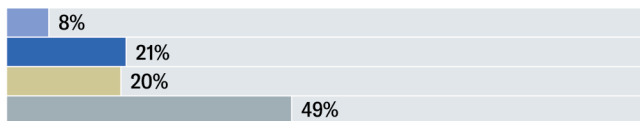
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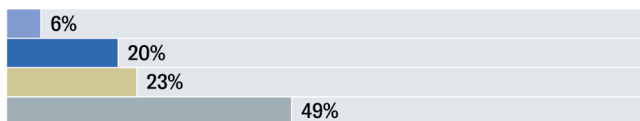
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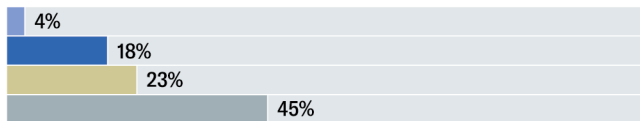
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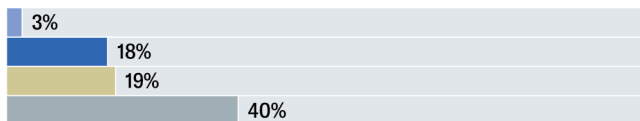
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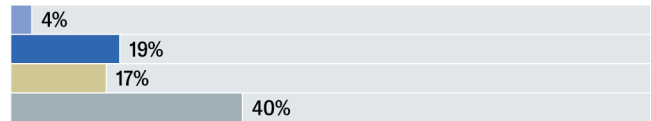
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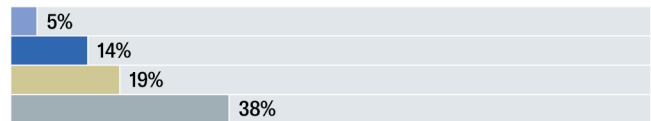
Supply chain



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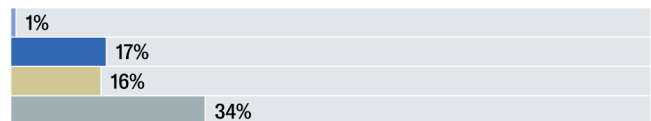
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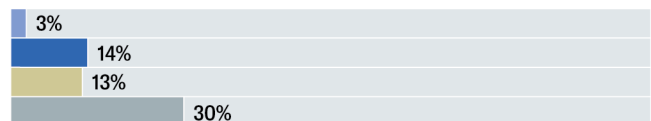
Transformational management office



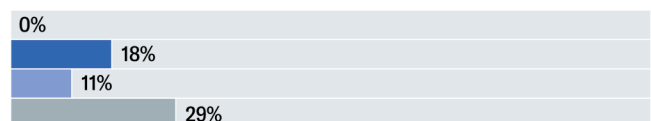
Corporate communications



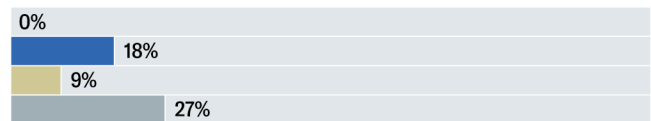
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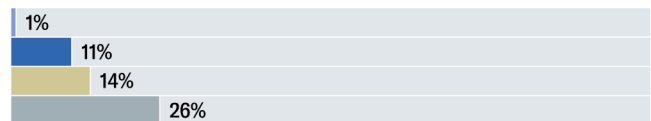
Risk and security management



Environmental, social, and governance



Environmental, health, and safety



Real estate and facilities management

Source: Key Issues Study, The Hackett Group, 2025

As organizations adopt artificial intelligence (AI) technologies, GBS partners are expected to take on expanded roles in data modeling and engineering. Their assistance will help companies maximize the benefits of these advanced tools, intertwining strategic partnerships with technological innovation.

At the same time, Lyon emphasizes that people factors remain crucial. “The most important capabilities for centralized operations include data analytics skills, AI literacy, project management, and change management,” he says. “However, as organizations adopt more advanced technologies, effective communication becomes even more fundamental to successful back-office consolidation.”

Building Strategic Partnerships

When considering external partners for consolidation initiatives, organizations have an opportunity to look beyond traditional vendor relationships to establish true strategic partnerships.

A 2024 report from The Hackett Group reveals that the top priorities for GBS providers include supporting enterprise growth strategies and acting as strategic partners, with 56% and 49%, respectively, planning major initiatives to support these goals. **FIGURE 2**

This shift toward strategic partnerships underscores the growing complexity of the relationship between companies and their GBS providers, which are becoming more integrated and collaborative over time. “Mature GBS relationships are fundamentally different from typical vendor arrangements,” Latshaw says. “They’re deeper, more integrated, and develop over time.” This evolution requires patience and commitment from both parties, with realistic expectations about the partnership’s development.

When selecting partners, organizations should evaluate potential providers across multiple capabilities. According to Mitra, while cost efficiency remains an important consideration, expertise, technological capabilities, and long-term vision are equally critical factors. Geographic coverage also matters significantly, particularly for organizations operating across numerous countries.

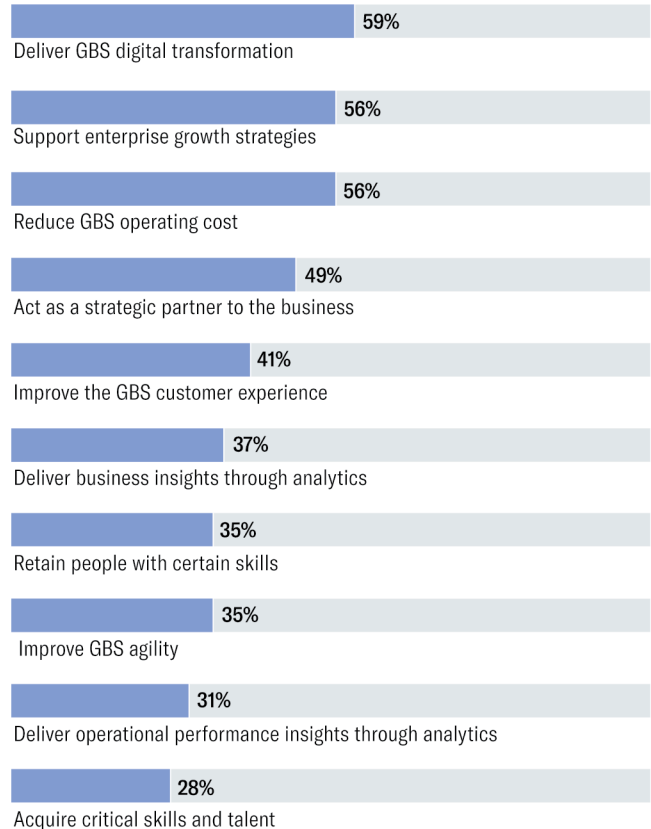
Lyon recommends evaluating providers based on their track records with similar clients, technology roadmap, talent development plans, and domain expertise. These strategic considerations extend far beyond conventional service level agreements and pricing structures.

The selection process itself can reveal much about potential partners’ approach. Latshaw suggests using a case study method in which organizations share their situation with potential providers and evaluate not just proposed solutions

FIGURE 2

Partnering Strategically

Global business services providers say their top priority is being a strategic partner, even though there might be more initiatives planned for lesser priorities.



Source: The GBS Agenda, The Hackett Group, January 2024

but also the questions providers ask. “The depth and focus of their questions tell you how they’ll engage with your organization,” he says.

Particularly valuable are partners that challenge rather than simply accommodate client requests. “You want a partner that focuses on what you’re capable of becoming, not just what you’re asking for today,” Latshaw advises.

Brown-Forman’s experience demonstrates the advantages of consolidating vendor relationships. The company has moved from individual payroll providers to two main partners handling operations across more than 50 countries. “We have a pretty big voice with them now,” Von Hoven says. “This allows us to set more rigorous KPIs in our

“You want a partner that focuses on what you’re capable of becoming, not just what you’re asking for today.”

Bill Latshaw, research director, business consulting services, for International Data Corporation (IDC)

contracts and conduct meaningful quarterly governance meetings where we review performance metrics together.”

Unique Needs of Funds, Asset Managers, and Multinationals

Funds, asset managers, and multinational corporations face distinct challenges when consolidating back-office operations due to their regulatory environments and business models.

These differences in regulatory environments and business models are especially evident when comparing the challenges faced by funds, asset managers, and multinational corporations. Funds and asset managers have unique regulatory imperatives for independent administration and transparent reporting. And the scope of their operations from country to country tends to vary widely among themselves and more widely than those of multinational corporations. “Fund firms have a different challenge compared to multinationals,” Mitra explains. “Each of their investments may not be large enough on its own, and they may not even operate in jurisdictions that can support the kind[s] of operations they need.”

Because of the diverse and dynamic nature of their investments, regulatory environments, and portfolio companies, funds and asset managers often face a complex balancing act in managing operations and scaling across different sectors and geographies.

“The maturity across firms is very different,” Mitra notes. They often need to consolidate operations not just across functional areas but also within their portfolio companies, creating an additional layer of complexity. This extra level of consolidation leads funds and asset managers to typically follow one of three specialized models: establishing shared services across portfolio companies; centralizing back-office functions to support multiple funds; or using specialized partners for regulated functions while maintaining in-house control of strategic operations.

For multinational corporations, the primary challenge lies in navigating complex regulatory variations across markets. Different countries can have significantly different business license requirements for various industries as well as different financial reporting requirements, for example. This requires carefully balancing global standardization with legal compliance across jurisdictions.

But having many small operations across numerous countries creates unique difficulties for global organizations. “Managing 10 employees in each of 50 countries is fundamentally different from managing 500 employees in each of 10 countries,” Mitra explains. “With small, widespread teams, traditional consolidation methods often don’t work.” These geographically scattered operations require tailored approaches that address both efficiency and local compliance while maintaining service quality despite their small scale.

Measuring Success and Driving Continuous Improvement

While cost reduction often initiates consolidation discussions, organizations need comprehensive measurement frameworks that capture the full spectrum of value delivered. Experts recommend beginning with a balanced set of metrics across four key dimensions.

To begin with, operational metrics provide insights into process improvements. “Process efficiency measures the time and resources required to complete key business processes,” Latshaw explains. “Metrics like cycle time, automation rates, and error reduction tell you if the fundamentals are working.”

Equally important, strategic metrics assess how consolidation enables business goals. These include market entry speed, resource flexibility, data-driven decision making, and business scalability. “Because of our rapid growth, we were processing more volumes of data,” Pittman says. “GBS allowed us to do that more efficiently while also identifying opportunities for improvement.”

“The interconnected nature of organizations means that risks need to be understood and managed in quite different ways.”

ACCA's Lyon

In addition, risk and compliance metrics ensure that consolidation enhances rather than compromises organizational control. “The interconnected nature of organizations means that risks need to be understood and managed in quite different ways,” Lyon says. “GBS [providers] can help connect the dots that allow you to see risks that can have a domino effect in a 24/7, connected, social media-information world.”

Finally, human capital metrics evaluate talent optimization. “Employee productivity, engagement levels, and knowledge sharing indicate whether you’re building capabilities for the future,” Latshaw says.

The true value of measurement lies in its ability to drive learning and improvement, not just accountability. “The objective isn’t just to track metrics but to reveal insights that transform the business,” Latshaw says. Transfer cost analysis, for example, can reveal operational patterns. “Who’s paying for what? Why is France generating so many support tickets? The data tells a story about what’s really happening.”

As consolidation initiatives mature, organizations should shift their measurement focus from operational efficiency to strategic value contribution. The evolution reflects the changing role of GBS from a cost center to a strategic enabler of business growth. The Hackett Group’s research indicates that leading GBS organizations regularly refresh their metrics to align with evolving business priorities, ensuring that measurement continues to drive continuous improvement rather than merely track predefined benchmarks.

Conclusion

The evolution of back-office consolidation represents a profound shift in organizational thinking—from viewing these functions as cost centers to recognizing them as strategic enablers of competitive advantage. As funds, asset managers, and multinational companies embrace and expand their use of outsourced service providers, they are discovering practical advantages that weren’t initially obvious when their journeys began.

This shift challenges conventional wisdom about organizational structure. “There is a common misconception that companies will lose something by not having these independent entities or functions everywhere they operate,” Pitman notes. “But the benefits far outweigh these concerns. The ability to connect upstream and downstream processes delivers tangible results beyond cost savings to include ease of use, transparency, and visibility.”

The true competitive advantage will belong to organizations that move beyond seeing back-office consolidation as merely operational. As Lyon emphasizes, “They will require capabilities like creativity and professional judgment to navigate a complex world.” The organizations that succeed won’t merely link processes together—they’ll create connections between people, ideas, and opportunities that strengthen their overall capabilities and adaptability.

Consolidating back-office operations is becoming a key strategy for market leaders. This approach delivers powerful competitive advantages through centralized data that enables faster and more accurate decision making across the enterprise.

By streamlining communication to fewer points of contact, companies enhance their cross-border efficiency. Additionally, consolidation empowers the workforce to focus on strategic initiatives rather than administrative tasks.

Organizations also gain stronger compliance capabilities across multiple jurisdictions—a critical necessity in today’s complex regulatory environment. This comprehensive approach creates environments where human judgment, technological capabilities, and organizational processes converge to deliver exceptional value.

Ultimately, consolidating with fewer providers transcends simple cost saving to become a strategic imperative that enables businesses to scale efficiently and compliantly across borders, positioning them for sustainable growth in a rapidly changing world.



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