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Maximizing Mid-Market Value

The Role of Global Business Services in Private Equities' Strategy

A Primary Research Study Conducted by Altius

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Forewords

Many Private Equity (PE)-owned Portfolio Companies (PortCos) in the Mid-Market are at a crucial inflection point in their evolution when it comes to achieving their business goals. Their technologies and processes feel fragmented. Yesterday's technologies will not stand up to tomorrow's challenges. Existing data is not easily accessible and can't be used for business insights. Festering business complexities are making acquisitions and integrations increasingly difficult. PEs realize this is hindering their growth. For others, the realization hasn't hit yet, but it will, soon. Implementing a Global Capability Centers (GCC) strategy through the use of a Global Business Services (GBS) organization can untangle the knots and is key to overcoming these challenges.

PortCo CEOs are driven to propel their companies down the path of improvement. To do so, there are many aspects they need to consider:

- Will redesigning and reengineering processes impair innovation and the agility of the existing business portfolio?
- Can organizational consolidation reduce costs that we can then reinvest in technologies which will provide operational differentiation?
- Can we apply programmatic workflows, which will allow near touchless operations?
- Will our choice of operating and service delivery models drive continuous improvement and excellence?

Managing successful Global Business Services (GBS) operations is not rocket science. But it helps to think like a rocket scientist. It takes vision, precision and process to launch and establish an effective and efficient GBS organization. When implemented effectively, it presents a compelling value proposition for Private Equity (PE)-owned companies in the Mid-Market.

GBS enables PE Deal and Operations teams to unlock value creation from the outset of deal closure. Cost-savings, while substantial, aren't the only benefits. Revenue generation, speed-to-market and access to talent are all outcomes one may count on. Centralization and digitization of functions, technology vendor consolidation and labor arbitrage are key enabling factors. Once ironed out, Operating Partners have often leveraged GBS to create cross-functional synergies that unlock additional opportunities.

GBS models usually start with a desire to create a center of excellence (COE) or a Global Capability Center (GCC) that support a number of functions across an enterprises P&L. There are two important questions that need to be answered immediately – 1) Build or Buy? and 2) how much talent is available? Recent workforce trends of work-from-anywhere require you to have sufficient talent to create a compelling local presence and

- How are our competitors leveraging GCCs and new technology platforms to gain competitive advantage?
- We need to go where the labor pools are plentiful and technology supports our employee value proposition. Can we attract and retain talent in a highly competitive environment?

PEs that have newly acquired companies with recent founder involvement are looking to enhance their investments, create value and grow multiples. In today's world, digital transformation and innovation can be easily enabled by a GBS organization leading the way, immediately upon deal closure. Meanwhile, AI enabled solutions are empowering service delivery organizations to take advantage of the many lucrative opportunities in the global Mid-Market. And yet, these companies are generally not geared to implement a GBS model effectively.

Though GBS models have successfully been adopted by corporations since 2010, there's an urgent need for more PE and PortCo investment in them to achieve scale and return on investments. A well-crafted and executed GBS model can deliver 2X-4X benefits in cost optimization, driving the adoption of innovation, while aligning the strategy across PortCos.

All said and done, every journey begins with a single step. CEOs, your GBS journey starts here. Kick it off with a trusted advisor.

– Tiger Tyagarajan

Senior Advisor – Boston Consulting Group, Bain Capital, Brighton Park Capital, AVALT, Innospark, High Radius, Bridge Green
Board Member – GENPACT, Jabil, Kantar, MathCo

employee value proposition. Your talent attraction and development strategy must facilitate an acceleration to digitization. It's critical to find a location with an abundance of strong emerging technology skills to achieve it.

While PE-owned PortCos have adopted GBS for functions such as Finance and Accounting, HR, IT, Procurement, yet they haven't capitalized on the bigger opportunity of leveraging it for other functions such as R&D, sales, and marketing, core operations, digital transformation and innovation. Until they do, the true potential of GBS remains untapped. And it's not just for the big boys with revenues in billions, even smaller portfolios with a few hundred million in revenue stand to make big gains.

C-suite sponsorship and accountability are essential at every stage of the process. As PE firms bring talented consulting teams to strategize and operationalize GBS, PortCos need to invest in management resources for ongoing operational sustainability. Such transformation is not necessarily repeatable from one PortCo to another, yet in all cases, governance, continuous improvement and digital transformation are necessary for a GBS initiative to stick the landing and open up new horizons of success for PEs and PortCos.

– Nate Myer

Chief Financial Officer, Operating Partner, Private Equity thought leader

Executive Summary – The Case for Global Business Services

Private Equity Firms Face Complex Business Challenges

In today's global economy, PE-owned Mid-Market companies[1] – those with annual revenues between $500 million and $2 billion – face significant challenges, including macroeconomic pressures, geopolitical uncertainties and rapid technological advances, all of which impact their market competitiveness and growth. Rising interest rates further pressure companies to optimize capital and operating expenses for higher multiples on investments. For PE-owned firms, these challenges are intensified by heightened scrutiny and EBITDA delivery of Limited Partners (LPs).

GBS Centralizes and Accelerates Strategic and Tactical Execution

To address these issues and ensure long-term success, many Mid-Market companies are adopting the GBS model. GBS centralizes management and delivery of enterprise-wide functions from R&D, Sales and Marketing, and more typically General and Administrative functions, such Finance, Human Resources, Legal Support, Procurement and Information Technology into a single organizational unit, promoting cross-functional collaboration, data-driven decision making, and innovation. This service delivery approach helps companies adapt to rapid changes, build resilience and reallocate resources towards growth. Although Mid-Market firms have been slower to invest in such comprehensive transformations due to limited financial resources and access to advanced technology, this service delivery construct offers a path for the PE deal and operations team to maintain focus, streamline operations and enhance deal efficiency, making it a strategic choice for overcoming their unique challenges.

A Force for Rapid Cost Take-Out and Value Creation

GBS significantly enhances EBITDA for PortCos by reducing operating costs and improving margins, ultimately driving higher valuations. Despite substantial upfront investment in setting up GBS structures, technology infrastructure and specialized talent, the **returns beat the hurdle rate of 3.5X-4X** which PEs target when investing in strategic initiatives such as GBS. Through cost optimization measures like labor arbitrage, centralized vendor management and streamlined processes, our study indicates that **returns are realized within 12-24 months.** Historical data shows that well executed implementations not only recover initial investments quickly but also provide long-term growth potential, with cost savings and operational improvements that can exceed 30%.

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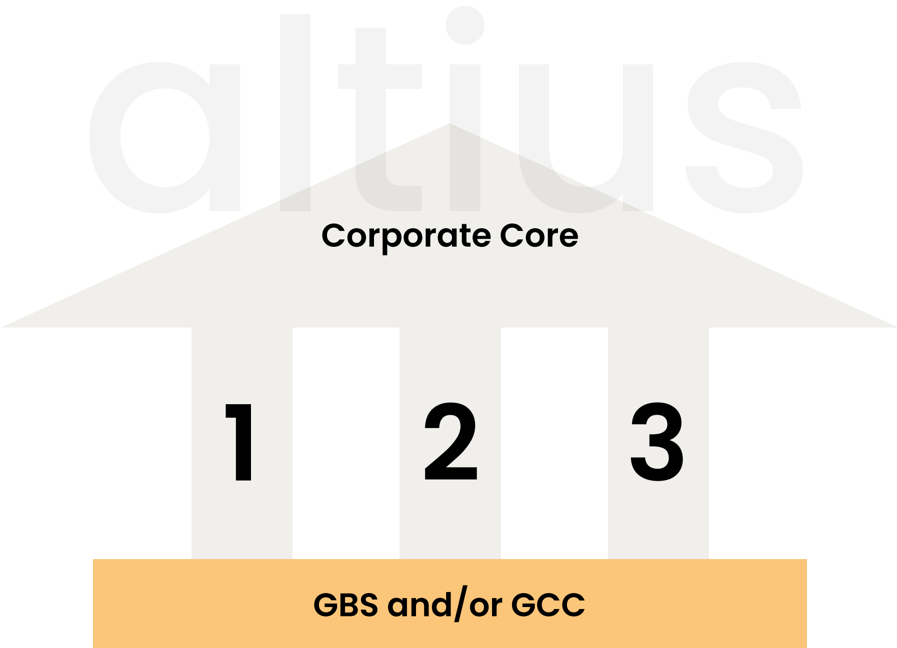
[1] Globally, the Mid-Market segment is categorized based on annual revenue of portfolio companies, with three distinct tiers. The Lower Mid-Market (LMM) is companies with revenues between $25 million to $100 million. The Core Mid-Market (CMM) ranges from $100 million to $500 million, and Upper Mid-Market (UMM) ranges from $500 million to $2 billion.

Strategic Benefits of Global Business Services

About 80% of Fortune 500 companies have some form of shared services[2]. Of these, more than 60% of Fortune 500 GCCs are in India. The country currently accounts for 55% of the market, which is expected to grow to 70% by 2030[3]. But GBS and GCCs aren't just for the Fortune 500. Their benefits have evolved in scope and purpose, over the years, and they've grown far beyond cost-cutting and process automation.

An established GBS structure serves as a solid foundation on which Mid-Market PortCos can create a successful growth platform. It also enables them to incorporate innovation into their ecosystem and build a robust innovation platform on a reliable base. The strategic benefits of GBS are many and may be summarized as follows.



1- Growth
2- Innovation
3- Operational Improvement

[2] McKinsey, "Detailing the New Landscape for Global Business Services", 2018
[3] Business Standard, "70% of Fortune 500 firms will expand reach to India by 2030: Report", 2024

Growth	Innovation	Operational Improvement
M&A Enablement	Innovation Acceleration	Cost Reduction
New Market Entry	Transformation Engine	Improved Cashflow
Global Talent Pools	Adoption of GenAI/ Agentic Automation	Global Leadership Roles
New Revenue Streams		Short-Term vs Long-Term

Figure 1: Strategic Benefits of GBS

Growth: Enabling Mergers & Acquisitions and Enhancing Deal Economics

Serial Private Equities acquirers have leveraged a GBS structure in order to achieve and exceed the goals of the deal thesis. Upon transaction close, GBS enables the setup of operations on existing infrastructure.

- Serves as a platform for rapid deployment of subsequent add-on acquisitions or what is now well known as a "Buy-and-Build" strategy.
- Enables a superior hurdle rate (in excess of 3.5X-4X) as investments are amortized over a larger headcount base, improving EBITDA and enhancing portfolio valuations at exit.
- Accelerates the acquiring and divesting of assets where the need for a Transition Services Agreement (TSA) may be substantively minimized or eliminated for non-core functions.
- Leverages economies of scale, sometimes among PortCos, thereby providing the ability to acquire products and/or services without the need to expand on support talent or infrastructure.

Growth: The Power of Location – New Market Entry, and Global Talent Pools

Time-to-value is a critical metric in any investment initiative. The choice of service delivery locations significantly accelerates benefits, specifically, two critical ones – entry into new markets and tapping into global talent pools.

New Market Entry Strategy – PortCos are increasingly diversifying their sources of revenue and creating new business models to enter new markets. Often a GBS structure has been leveraged in entering a market, creating branding, localizing a product and then launching the product in the market. Our analysis indicates that a GBS structure has enabled such efforts for industrial, healthtech, medical devices, insuretech and technology companies, amongst others.

Tapping Into Global Talent Pools – Additionally, PEs and the PortCos have tapped into global talent hotspots to enable innovation, access to diversified and younger workforce, as well as highly educated scientific and operational talent to drive labor arbitrage as a competitive advantage of collocating work in a low-cost location. When applied repeatedly to each acquisition, this provides reliably forecastable results. To effectively navigate any complex transformation roadmap, having the right expertise in place is crucial. Companies sometimes don't have access to the skilled professionals to affect the change, as well as the capabilities they need for successful on-going operations. Moving to a new location will provide a market entry point for access to specialized talent. The ability to take advantage of multiple time zones, and skills arbitrage provides rapid scalability, allowing companies to quickly adjust operational capacity. These flexible resources can be leveraged throughout the portfolio. Some cities are well known for cornering the market on specific skills. Their robust technical experience speeds up standardizing and automating processes. Multidisciplinary teams proficient in program management and change management start the journey, and those with the required technical skills elevate the quality of in-scope services post-transition. Several PE-owned PortCos have leveraged GBS structures as an entry point to a market for talent. GBS creates the Employee Value Proposition (EVP) for a company, attracting talent for all areas of operations.

Having diverse roles in GBS, across functions and geographies, provides employees with robust career paths as well as non-traditional opportunities across the full spectrum of functions. A well-run organization will generally see higher employee engagement, reduced turnover and a strong talent pipeline. A structured approach to career progression attracts desirable talent and emphasizes growth and development. It fosters autonomy in decision-making, empowers employees and promotes ownership. Access to specialized global talent in fields like data analytics, AI and automation further strengthens capabilities.

Growth: Net Revenue Streams

Technologies such as automation, AI and analytics offer new revenue opportunities for Mid-Market PortCos to create new business opportunities and new revenue sources, further driving growth and competitive advantage, as in these select examples:

- Offering remote monitoring and diagnostics as a service by setting up AI-powered command centers to monitor equipment and assets across multiple client sites.
- Leveraging AI and natural language processing for content creation, curricula vitae screening and job description writing to provide outsourcing services for recruiting.
- Developing data-driven products and solutions by combining domain expertise with advanced analytics capabilities.

Innovation: Innovation Acceleration

By offloading non-core tasks from business units to GBS, PEs can reinvest savings into strategic growth initiatives, product development and technology advancements to drive competitive advantage and profitability. Access to specialized expertise in AI, data analytics and digital transformation turbo charge decision-making, unlocking opportunities for innovation and speeding up time-to-market, which is of paramount importance in fast-paced industries like healthcare and technology.

Case Study 1

Client	A global public relations company
Sponsor	Mid-Market PE leader
Industry	Media, SaaS
Title	Transformation of the global content operations across 35 countries
Time-to-Value	180-240 days
Context	A global organization which grew through multiple acquisitions and services, high-profile clients such as heads of states and institutional clients across several industry segments, sought to leverage standardized business processing platforms and take advantage of multilingual global talent pool. The client consolidated X service providers, 3 captive centers, and rebased Y number of resources across 15 countries, under a centralized GBS leadership, covering content operations, productions and editorial functions into three globally distributed locations to service worldwide clientele twenty-four seven.
Impact	Reinvestment of savings to the development of the new product platforms; \$100M-\$150M in OPEX savings, impacting 1,200 FTEs, elimination of 15% of repetitive labor-intensive tasks through automation, resulting in a 7% increase in market share over a 4-year period through higher quality of high-touch service.

Innovation: Transformation Engine

As a company's GBS division gains experience, the PortCo hones its abilities in project management, transformation leadership and change management, while providing valuable operational capabilities that bring them closer to their customer. Business units become more reliant on them and embrace GBS as a true business partner. Extending beyond a processor of back-office transactions, GBS becomes the transformation engine of the company.

The automation of traditional tasks by AI is speeding up the evolution of GBS from a centralized shared services model to a more agile GBS-as-a-Platform model. This modern approach integrates advisory services, automation, analytics and market services. It's not just service delivery. GBS is a driver of innovation and growth. By leveraging new technologies, it enhances traditional functions, resulting in better utilization of resources, increased agility and a sharper focus on innovation.

Innovation: Adoption of GenAI/Agentic AI Automation

GBS enables supporting different business models across the enterprise, and with the growing maturity of the GenAI tools, and sophistication of Large Language Models (LLMs), will allow enterprises/PE funds to support several concurrent business models without the associated increase in complexity and headcount. Further sophistication in the automation spectrum with the adoption of Agentic AI Automation is expected to increase the degree of flexibility that enterprises seek in different markets. GBS as an organizational entity will be the source of truth to understand different demand variables, the organization's response and build cognitive recognition logic to respond to these patterns. In several forward-looking GBS organizations, the adoption of GenAI tools and further developments to Agentic AI Automation are in progress. A unique concert of business leaders, GBS tinkerers and platform providers are driving this innovation to help differentiate the services and provide a competitive edge to the enterprise.

Operational Improvement: Cost Reduction

Often, as a result of mergers and acquisitions, companies need to absorb new business models, new markets and/or product lines, which come with disparate processes and systems. While management focus has been on successful realization of the deal value thesis and enhancing market share, operational integration and hygiene have taken a back seat. Additionally, technology sprawl, justified by top-line growth, has created a complex blend of often redundant systems. In such a scenario footprint, process optimization, and application rationalization are primary methods for streamlining operations and reducing costs. Specific expense-saving tactics include:

Tier 1: Immediate, one-time benefits can be realized by consolidating work into cost-effective location(s).

- **Labor arbitrage** is an immediate and permanent effect of moving work to a nearshore or offshore location, quickly realized.
- **Fewer, better process controls** are required and can be tested locally in a GBS, or remotely through the application. Centralized process controls facilitate ease of traceability and access management, allowing Controllership organizations to certify the Information Technology General Controls (ITGC) with ease. Similarly, companies often see a reduction in third-party audit fees as an incremental benefit.

Tier 2: Ongoing improvement initiatives are a continuous source of recurring enterprise savings.

- **Continuous improvement opportunities** reveal themselves during transformation. They should be identified, discussed with key stakeholders and prioritized for solutioning.
- Process mining, or the automated analysis of workflows, can be applied to standardized end-to-end processes and help organizations find the root causes of poor performance.
- Automation through techniques such as low-code, no-code, robotic process automation (RPA) or machine learning/artificial intelligence (ML/AI) are now cost-effective and can be efficiently applied at scale.

Operational Improvement: Improved Cashflow

An intense focus on working capital management and cash flow is possible in a centralized environment. By having accounts receivable, accounts payable and inventory control under one roof, Days Sales Outstanding (DSO), Days Payables Outstanding (DPO) and Days Inventory Outstanding (DIO) can be examined under a common lens. CFOs from PEs benefit from operational visibility and manage tight cash flows, across the business. PEs can optimize the primary cashflow processes in a targeted manner.

Operational Improvement: Global Leadership Roles

There is a growing trend to expand the scope of GBS to include more judgment-intensive functions, such as corporate strategy, product development, marketing, sales support and customer-facing services. This has led to an increasing number of global leadership roles being created in the GBS organizations.

Some global roles and decision-intensive functions being moved to GBS include:

- Strategy Vice President for a global electronics manufacturing enterprise that supports competition mapping, due diligence of targets, oversees post-merger integration.
- Product Leader for a global ride-sharing company that develops global platforms for business and customer success.
- Regional Strategy Leader for a global ride-sharing firm that manages strategy and regional platforms for growth.
- Chief Data Officer roles in multiple global firms are located at their GCCs in India.
- Chief Technology and Innovation Officer for a global shipping enterprise that develops technology platforms that foster innovation.

Here are some examples of decision-intensive functions that have moved to GBS and GCC.

- **Corporate Strategy** – support in due diligence of targets for acquisitions, competition tracking and post-merger program management.
- **Customer Service and Support** – management of customer contact centers, leveraging technologies like chatbots, natural language processing and analytics to improve customer experience, reduce resolution times, provide omnichannel support cost-effectively.
- **Marketing Operations** – marketing operations like campaign management, lead generation, and marketing analytics free up core marketing team to focus on strategy.
- **Salesforce Effectiveness** – services like order management, contract management and sales analytics drive sales force productivity and effectiveness across regions and business units.
- **Product Lifecycle Management** – consolidating product data management, product costing, configuration and pricing within manufacturing companies to create an integrated view across the product lifecycle.
- **Digital Services** – management of digital platforms, e-commerce engines and mobile apps for consistent digital experiences.

Case Study 2

Client	Automotive dealer management platform
Sponsor	Mid-Market Real Estate Investment Trust (REIT)-focused PE
Industry	Automotive and Industrials
Title	Modernization of legacy platform by consolidating, migrating and re-platforming legacy systems
Time-to-Value	240-400 days
Context	A US-based multi-line automotive dealer management system with a 4% market share faced a significant technology debt in its platform, and intensive pressure to modernize from the installed base. However, the operating margins didn't allow for investment in contemporary technology features, including business and cyber security components. Through an extensive market survey and assessment of the end-user base demands for continued subscription to the platform, including renewals, it was determined that the optimal course of action was to migrate the entire business operations (business processes and technology modernization) to a GBS construct which included product sustenance for the installed base, phase-wise product rearchitecting to a cloud-based environment, as well as moving the core back office and customer facing processes to a consumption based model. To ensure business continuity and retention of product and end-user customer base knowledge, management executed a strategic exit of the captive operation and migrated the non-core processes to a global BPO provider, under a common GBS management structure to drive transformational benefits. The scope of services included sales support, inventory management, service, finance, customer relationship management, master data management and technology support. For vehicle pre-sales, the GBS provider supported customer inquiries, scheduled test drives, assisted with configuring vehicle options. In the area of spare parts and inventory management, including tracking parts availability, managing stock levels, multi-location management and automating the re-ordering processes. For Vehicle servicing the GBS provider managed the repair and maintenance workflows, tracked service history and managed appointments,

	technician assignments and tracked parts used in repairs. Lastly, the GBS teams supported warranty and claims management such as warranty processing, claims tracking and reimbursement. For the technology areas, the master data management – customer, manufacturer and parts were supported by GBS, as well as the electronic document management for contracts, service records and invoices.
Impact	Rearchitecting of the legacy platform to a contemporary service-oriented architecture, migration of the business processes including select rebadging of business-facing resources to ensure business continuity of product engineering, business partnering and business process resources. It involved setting up the deal in such a way that $10M worth of committed savings were received upfront within the first 3 years. The savings were redirected to reinventing the platform and investment in change management for platform adoption with the installed base. The deal size was ~$250M and the EBITDA impact was ~100M over 5 years.

Operational Improvement: Balancing Short-Term Gains and Long-Term Value

The focus on immediate value creation, particularly through cost-take-outs and restructuring, has made PEs hesitant to implement transformative GBS capabilities within their PortCos. The one-time investment costs are higher, and return on investment (ROI) is longer than other quick-wins, and thereby mis-aligned with their typical three-to-five-year investment horizons. As a result, they often opt for alternative initiatives that better support short-term objectives, as opposed to the longer timeframes generally required to fully realize the benefits of GBS.

However, amid fiscal uncertainty and increased competition, some PEs recognize GBS as a critical platform for navigating market challenges and accelerating value creation. They focus on creative deal structures and faster time-to-value, with some even extending their investment horizons to four-to-seven years, which makes the strategy appealing.

Their level of involvement varies depending on the specific needs and maturity of their PortCos, balancing operational control with other strategic initiatives in line with their investment objectives. For shorter holding periods and quick exits, they tend to prioritize immediate cost reductions to boost valuations, while in longer-term "buy-and-build" strategies, they may adopt a more advisory role. In established companies with supportive leadership, they often provide guidance while allowing flexibility, whereas in situations with less mature operations or resistant leadership, they may enforce GBS adoption to drive transformation. Regardless of approach, a growing number of PEs are increasingly considering the balance between short-term and long-term expectations immediately after deal close.

Key to Successful Implementations

Committed Leadership

Executive sponsorship and alignment on vision from the CEO, CFO and other C-suite executives, in many cases the Boards of Directors when PEs are involved, are crucial for driving the transformation roadmap, overcoming resistance to change and realizing the full PE growth potential. The support of leadership signals the initiative's importance and ensures that resources, both internal and external, are adequately available and invested. This alignment enables a unified approach across the organization, breaking down silos and streamlining decision-making. A compelling business case with projected cost savings, efficiencies and value creation potential can further solidify commitment and drive momentum.

Having a strong and experienced GBS leader is essential for securing the commitment of PortCo leadership. Educating leaders on how it aligns with strategic goals and enhances operational efficiency is key to gaining their support. A proven leader can navigate global complexities, break down silos and meet PE growth expectations. To do so, they must demonstrate resulting benefits, address concerns about autonomy and build trust with targeted change management. Upskilling employees and identifying internal champions only adds credibility. Leaders should also engage with other Global in-house captive center leaders and BPOs to incorporate best practices and manage change effectively.

Customer Journey Map

Once approved by the PE Operations Team and Portfolio Management, the program carries the full weight of the entire executive leadership team. This determines the scope, operating model, location strategy and creates an execution journey map. All critical next steps. Companies must carefully evaluate which business and technology processes to include. Often at least one of these three factors determines which processes go first:

- Work is in a high-cost location and there is significant and immediate benefit to moving it to a lower-cost city.
- A sponsoring executive has experienced GBS in the past and wants to be a first mover.
- A process is broken and there’s an urgent need to fix it.

Other factors to consider include process complexity, criticality and the potential for improvement through standardization, optimization and automation.

Initial Centralization of Functions

Choosing the functions that will kick off the journey can be a difficult task. The "you first" crowd will wait for another to start. The best advice is to work with a willing partner who supports the initiative and look for transactional processes that are in good shape. There is plenty of experienced talent to support those tasks. The following is an illustration of the functions which show the greatest propensity to be successful in a GBS environment.

Finance	Human Resources	Supply Chain	IT Support	Customer Service	Other
Invoice-to-Pay	Build-to-Gross	Order Management	Application Development and Support	Client Facing	Front Office
Collect-to-Cash	Payroll	Inventory Tracking	Infrastructure Management	Multilingual Customer Service Centers	Research and Development
Record-to-Report	Benefits Administration	Purchase Order Creation	Cybersecurity	Omnichannel Management	MarketTech Support and Analytics
Acquire-to-Retire	Source-to-Hire	Vendor Master Data	Service Desk	Renewals, Entitlement and Provisioning	Sales Support, including CRM Management and Reporting
General Accounting	LMS Administration	Tail Spend Management	Vendor Management	Customer Analytics Support	Corporate Strategy
Tax Compliance	Employee Data Management	Compliance and Vendor Management		Website Support	Business Performance Reporting
Audit Support	HR Reporting	Contracts Management			
M&A Support	Employee Help Desk {Level 2}				
Cost Accounting					
FP&A Support					
Tax Compliance					
Statutory Filing					

Figure 2: Opportunity for Centralization of Functions/Processes
For Low-complexity, High-volume, Repetitive, Predictable, Non-core Business Functions

Operating Model

The choice of operating model depends on a company's specific goals, appetite for risk, size, existing capabilities, availability of talent and long-term vision. When selecting a strategy for managing operations across multiple regions and countries, one-size-does-not-fit-all. The core framework consists of operations, project management, continuous improvement, reporting and analytics functions.

When it comes to operating their processes, companies generally consider one of three options or a combination thereof.

Global Capability Centers (GCC) – This model involves establishing in-house service centers, usually in low-cost locations, to retain control over the functions and people operating the processes. This is especially important when moving core Intellectual Property (IP) and specialized knowledge work. This approach allows companies to maintain tight control over their people and processes. It also provides an Employee Value Proposition (EVP) that instills a sense of belonging. It requires significant investment, time and resources. There are many factors to consider, including standing up a new legal entity, finding adequate office space, creating the EVP, finding a recruiting team and hiring a GCC leadership team that's new to the company.

Business Process Outsourcing (BPO) – In this model business functions and processes are delegated to external providers, typically to leverage cost-effective labor and specialized expertise. This approach offers substantial cost savings, scalability and quick implementation, as BPO partners already have the necessary infrastructure, talent and project management in place. Our broader research indicates leveraging a BPO provides clear advantages for standardized processes that require scale and faster ROI. Representative examples of such processes include Collect-to-Cash, Invoice-to-Pay, Hire-to-Retire, etc. A key advantage of working with BPO partners is the ability to secure guaranteed productivity through their expertise in specialized transformation and optimized performance. The BPOs manage critical aspects such as leadership alignment, business case development, governance and change management, allowing PortCos to focus on strategic activities and ensuring operational excellence. Many companies opt for this option if they're looking for the shortest time to value with minimal one-time and ongoing cost.

Hybrid Approach – A hybrid model blends GBS, GCCs and BPOs to meet specific needs. For example, strategic functions may remain within GCCs, while non-core processes like Accounts Payable are outsourced. Some functions are fully managed by GBS, while others in GBS facilities report to different departments. To succeed, leaders must be integrated into companywide priorities and decision-making. This ensures that GBS supports company initiatives consistently, despite varying reporting structures. Outsourcing transactional functions offers specialized expertise and cost benefits, while retaining core activities internally helps protect competitive advantages and drive innovation. If transformation is the goal, the hybrid approach helps achieve the desired outcome more effectively than traditional BPOs.

Case Study 3

Client	MedTech company carved out of a pharmaceutical giant and migration to an asset-lite model of G&A operations
Sponsor	Mid-Market PE leader
Industry	Healthcare, MedTech, SaaS start-up
Title	Post carve-out migrating operating model for front-office and back-office to asset-lite model of operations
Time-to-Value	120–180 days

Context	A global MedTech product and services company was underinvested in the devices business, and the PE acquired a controlling stake and carved out the business as a stand-alone entity. The carve was performed with the assistance of a global system integrator and facilitated by the ParentCo. In conjunction with the carve-out, the organization set up a GBS structure with multiple SIs to design an asset-light model of operation for back-office functions (finance & accounting, customer service, human resources, procurement and information technology) and the orchestration and business partnering retained a small in-house team. Led by the GBS sponsor and an executive council, post carve-out, the OPEX-to-revenue ratio delivered for the stand-alone entity below ~7%, which was far ahead of the benchmark for comparable companies with similar-sized revenue, footprint and portfolio of operations.
Impact	Asset-light operations with contemporary technology platforms, negligible noncore function staff in-house and higher investment in R&D for product development, with shorter time to market for advanced product upgrades or new releases (less than 6 months from conception) with advanced analytics.

Work Placement

As a first step, placing processes under a centralized organization creates singular end-to-end global ownership. From there, an assessment of how the existing work is performed can be made. The associated applications should be reviewed for fit across the enterprise. Selecting one go-forward collections platform to support the entire corporation, for example, will reduce IT spend and standardize the process. This mindset creates a foundation upon which true insights and value can be developed.

When determining the geographical location for work, companies evaluate various critical factors to ensure strategic alignment with their goals. A thorough analysis, including market intelligence on commercial office space vacancy, talent availability, compensation benchmarks and competitor landscape is essential to make an educated decision. Depending on the company's priorities, cost optimization, access to a skilled workforce, language capabilities, scalability, government support and adapting to evolving workplace models need to be held in delicate balance.

Talent Availability – Locations are assessed based on the availability of relevant talent. Access to large pools of skilled talent with specific language capabilities, skillsets and domain expertise at optimal cost levels is key. A dedicated team and the right skill sets are required to execute and sustain efforts. Real-time market intelligence on compensation benchmarks, hiring trends, attrition rates and scalability of talent pools inform decisions. Time zones overlap with other offices and the ability to provide follow-the-sun support can also influence the choice of locations.

Labor Arbitrage – For many companies, especially in the initial phases, cost savings are the primary driver for offshoring or centralizing operations. Locations like India and the Philippines provide significant cost of labor advantages compared to established markets. Nearshore options like Central America and Central Europe are preferred by some clients for their proximity, cultural affinity and multilingual capabilities at attractive costs.

Jurisdictional Incentives – Certain locations become more attractive when local or national governments offer incentives such as tax breaks, subsidies, infrastructure support or create special economic zones. Their long-term benefits may be in the company's long-term financial interests. Partnerships with local real estate providers and government agencies can assist in identifying and securing appropriate office spaces.

Employee Value Proposition (EVP) – Organizations with an already established presence in specific regions tend to leverage those locations for ease of integration and to take advantage of existing infrastructure. These companies have already established an EVP, meaning their brand is on the market, which makes it easier to recruit and retain employees. In cities where a company's brand is unknown, it can be challenging. The anticipated size of the center is a big factor. A center of 300 people in a large Indian city would be difficult to gain traction with the talent market. Developing an EVP would be difficult since career opportunities would be limited when compared to competitors. However, the same-sized center in a smaller Central European city would make it a larger employer in the city, which makes it easier to attract talent and lends gravitas to the brand.

Client Industry/Segment – The industry vertical or client segment can influence location choices. Regulatory requirements, cultural affinity, or the need for specific domain expertise are important factors to consider. For example, Bengaluru, India is a desirable location for data analytics and AI. Western Puerto Rico, on the other hand, is popular with aerospace contractors. In both cases, these locations have universities that specialize in their respective fields. They are also attractive locations for professionals to live.

A Clear and Comprehensive Journey Map

A roadmap and implementation plan, detailing project timelines and risks, talent impact, real estate considerations and technology adaptations is a must-have for many reasons.

Aligns stakeholders and sets expectations – A well-defined roadmap helps align various stakeholders, on the objective's timelines, and governance structure. It sets clear expectations and ensures everyone is on the same page and working towards a common goal.

Identifies potential challenges and adjustments – By mapping out the journey, potential challenges and roadblocks can be identified early, allowing for proactive adjustments to the approach and mitigating risks.

Facilitates change management – Implementation often requires significant organizational changes that will meet with resistance from employees. A roadmap that outlines the project milestones that impact employees and anticipated change tactics can mitigate this resistance.

Supports scalability and expansion – A well-defined roadmap enables organizations to scale smoothly while capturing additional value continuously, over time.

Change Management

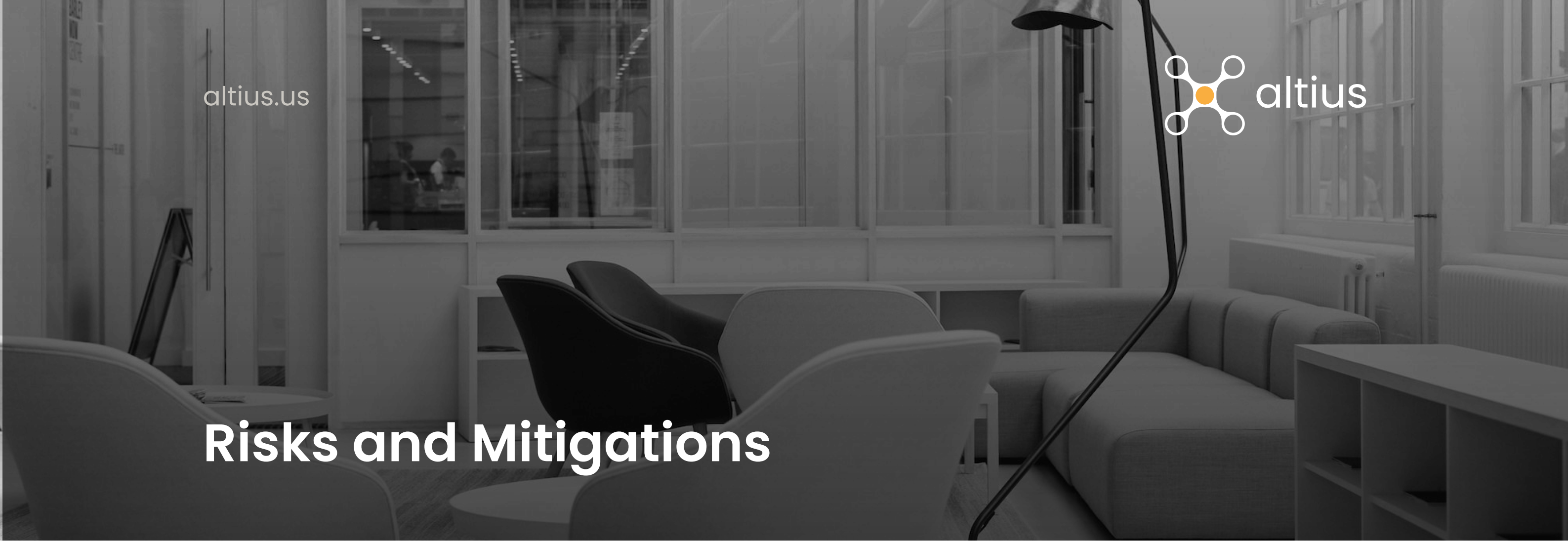
As the scope of operations expands and new technologies are integrated, establishing effective change management practices increasingly becomes imperative. Change management is often underestimated. Mismanaging it can lead to delays and complications in rolling out the operating model. The full benefits of GBS may take years to fully materialize. It requires patience and a carefully managed transition that emphasizes speed without sacrificing quality. Comprehensive change management strategies are particularly important when adopting AI, as they ensure the organization is fully prepared to learn, and fully utilize, the power of new technologies.

One of the key dimensions of change management is establishing the right culture in the GBS organization. From the inception, leadership commitment and involvement lay the foundation for success in these transformation programs. Inclusivity of the GBS talent pool, in the parent company's efforts, fostering innovation and advancing new generation tools and methods to deliver business outcomes sets the tone across the organization of the cultural dimension of change management. Our research has indicated that the workforce in the GBS organization has advanced skill sets and is willing to invest in learning new technologies, putting them into practice and driving far higher productivity benefits and lasting impact.

Governance and Decision-Making Structure

Establishing a strong governance and decision-making structure is crucial to guide the GBS program. An effective and efficient governance model will facilitate smooth operations in the GBS while allowing the PE firms to focus on achieving strategic objectives (E.g., Achieving 3x-4x hurdle rate).

Such a governance model should include representatives from all business units and functions with clear roles and responsibilities. A poor governance model can lead to lack of accountability, slow decision-making and misaligned priorities between GBS and the retained organization, thereby leading to failure in achieving strategic objectives. The right approach depends on the organization's size, structure and culture. It should be empowered to drive the agenda and make decisions across functions and regions. Clear roles and responsibilities, decision rights, metrics to measure success and effective escalation mechanisms are key components of any successful governance model. Core to such governance is a balanced scorecard, a strategic management tool that provides a comprehensive view of an organization's performance by integrating financial and non-financial metrics. It focuses on four key perspectives: financial performance, customer satisfaction, internal processes, learning and growth. This approach ensures that GBS does not solely prioritize short-term financial gains but also invests in long-term sustainability and continuous improvement. By aligning business activities with strategic goals, the balanced scorecard helps organizations track progress, identify performance gaps, and make data-driven decisions to enhance overall efficiency and effectiveness.



Risks and Mitigations

The implementation of a GBS model is not without risk. Time-to-value can be delayed by a variety of issues. Anticipating problems and preparing countermeasures, on the other hand, significantly speeds up completion.

Organizational, Cultural and Geographic Silos

Organizational silos and resistance to change complicate adoption. Successful implementation requires significant organizational change, which may face resistance from business units and employees, accustomed to independence, within established practices. Long-tenured staff may be particularly resistant to new approaches. PortCos led by entrepreneurs with strong mindsets and personalities may struggle with the perceived loss of control over operations.

Cultural and geographical barriers can pose significant obstacles to standardizing processes across different regions. These roadblocks are the result of variations in local regulations, practices and cultural preferences. They make it challenging to implement a uniform approach. What works well in one country may not be suitable or effective in another.

An effective change management program, as discussed earlier in this paper, is a must-have for a successful transformation.

Talent Constraints

Talent is another major obstacle, particularly for PortCos that often lack the internal expertise necessary to design and manage a GBS model effectively. This talent gap creates challenges in areas such as governance, process standardization and vendor management, all of which are critical for success. The scarcity of experienced GBS professionals, especially in leadership roles, coupled with the difficulty in upskilling existing staff, limits scalability and efficiency. Moreover, the need for specialized skills in process reengineering, change management, emerging technologies and implementation further hinders the full realization of the benefits of GBS, as companies struggle to attract and retain talent in a competitive labor market. Beyond which, bandwidth constraints as a consequence of competing priorities can and will lower the quality of the initiative.

Success calls for creating a detailed resource plan. Companies need to take advantage of experienced personnel who have a strong internal network and are subject matter expertise. Rather than hiring a transition staff, companies can count on temporary resources through experienced consulting firms that can flex up and down in accordance with the needs of the project.

Fragmented Systems and Lack of Operational Hygiene

Organizations that have grown through acquisitions or have long histories, often operate with disparate systems, processes, products and customers. This fragmentation can result in poorly documented or misunderstood processes, which makes standardization an unbearable challenge. Difficulties in aligning and integrating these diverse systems can lead to inefficiencies, rework and delays.

The complexity of integrating people, processes and technology further complicates adoption. Effective standardization requires simultaneous changes to roles, workflows and technology systems, which can be daunting. It takes careful planning, communication and dedicated change management to coordinate these elements.

Companies often counter this risk by first migrating their strongest processes and systems into a centralized environment before converting the remaining processes.

Balancing Speed and Quality

Balancing speed and quality is critical and challenging. The pressure to realize cost savings quickly and enhance valuations can lead to hasty implementation. Companies will usually opt for quality within a set, but flexible, timeframe, typically one calendar quarter. Several complex subinitiatives need to come together in short order. The likelihood of delay is almost inevitable. Vendor contracts, Standard Operating Procedures (SOP), employee hiring and technology readiness can cause significant delays if not pushed with aggressive project management and governance.

Business Process Outsourcing (BPO) Selection and Management

PortCos often have limited experience with BPO selection and management. Poor vendor diligence or inadequate governance, resulting in service quality issues, cost overruns and misaligned expectations, usually deter companies from exploring such partnerships. What's more, concerns about long-term contracts and potential inflexibility can discourage companies from engaging external providers in the first place. By establishing a navigable roadmap, a trusted, experienced consulting partner can help create a successful partnership. Our research indicates that PortCos should consider 18-20% of the operating costs in the area of governance. An underinvestment in this area could dilute the investment thesis of GBS.

Conclusion

As the uptick in PE M&A deal-making starts, Mid-Market deal makers could proactively consider incorporating the GBS and GCC levers in their value creation strategy, incorporating the large-scale transformation benefits in the deal thesis.

Launching early post-close ensures benefits that accrue throughout the holding period. Further, GBS can become a foundation on which multiple platforms that enable business can be built. For example, GBS and GCCs can create an innovation platform that incubates innovation internally or through collaboration with startups and lead innovation adoption. Beyond that, they can build a strategic platform for further acquisitions and divestitures, for the PortCo, and maybe even the fund.

The PE funds in the market may opt to execute their GBS strategies in several different ways. Some will choose the Build-Operate-Transfer (BOT) model, while several may consider strategic stakes in emerging or Tier 2 service providers who have the skills and scale. In some cases, the fund may choose to set up its own captive operations with the requisite charge-back model for the PortCos. There are a multitude of models to execute from, and success of each one varies depending on management focus, investment thesis, and most importantly, the ability to govern effectively.

The key to success will be a clearly defined purpose for GBS and GCC aligned with the leadership backed by choice of the right operating and execution model orchestrated by the right talent.

Process design and technology will play a central role in the success of any GBS and GCC business case, with the advancing of platforms and the role of hyperscalers, will act as an enabler to drive even larger benefits and shorter time horizons to realizing them. The platform players will act in concert to build industry-specific solutions, specifically in areas such as AI-based applications using large language models, to perpetrate the need for centralized operating structures such as GBS.

Appendix

Research Methodology

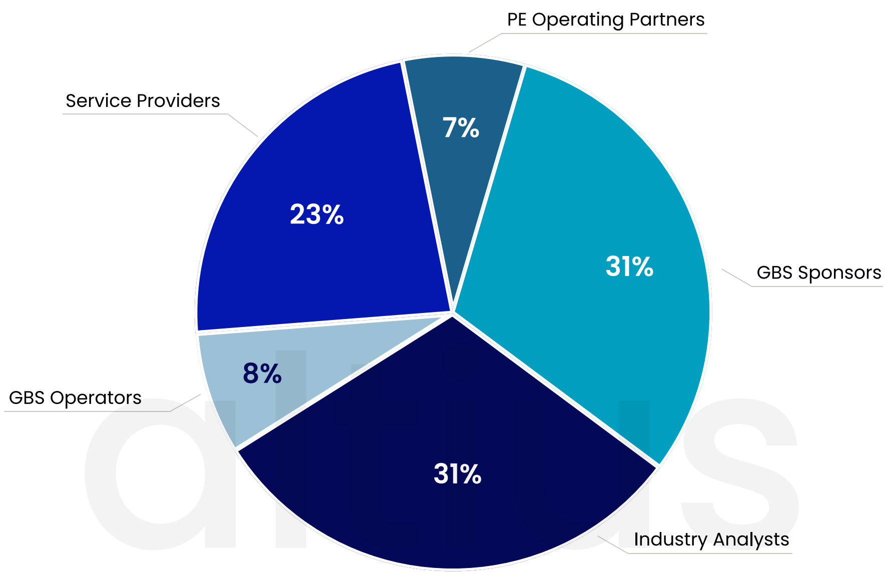


Figure 3: Participant Profile (n=26)

Between May and August, 2024, Altius conducted phone and video interviews with twenty-six leading practitioners who represent all major segments in GBS to gather their perspectives. They fell into the following categories.

1. **GBS Sponsors** – Typically C-suite or those who directly report to the CEO of the PortCo. They are seen as thought leaders who shape strategic agendas of the organization. In our experience, they sponsor, drive adoption and scale the GBS model within their organization.

2. **GBS Operators** – These individuals run GBS on a day-to-day basis. They are involved in innovating the service delivery of GBS by adopting contemporary methods and practices.

3. **PE Operating Partners** – Lead investors in global PEs, including sovereign wealth funds. They're laser-focused on managing value creation in PortCos, including operations in a GBS structure.

4. **Service Providers** – Including large, global IT and Business Process Outsourcing (BPO) service providers with well-developed GBS operations offerings, as well as niche suppliers serving Mid-Market companies.

5. **Industry Analysts** – This category encompasses influencers from some of the Big Four firms, smaller consulting firms, as well as long-time industry analysts and experts. They coach executives across all these categories.

Having assured them of the anonymity of their responses, we had an engaging fireside chat with the participants. We posed a series of similar questions to each of them. The questions were tailored to their specific roles in GBS. We aggregated their responses and layered them with our perspective, based on our collective knowledge and experience, to create this report. Interviewees included executives in the US, Europe and Japan from a variety of industries.

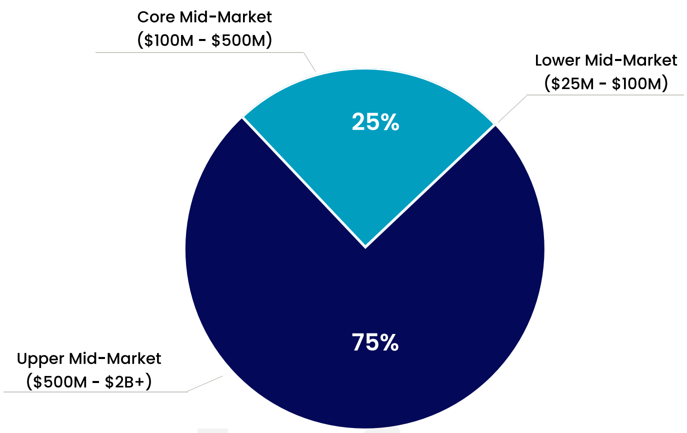


Figure 4: Mid-Market Portfolio Company Revenue

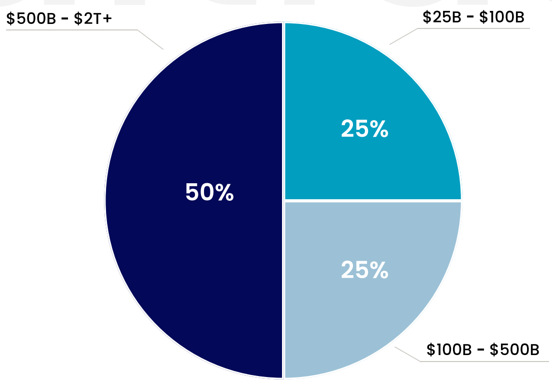
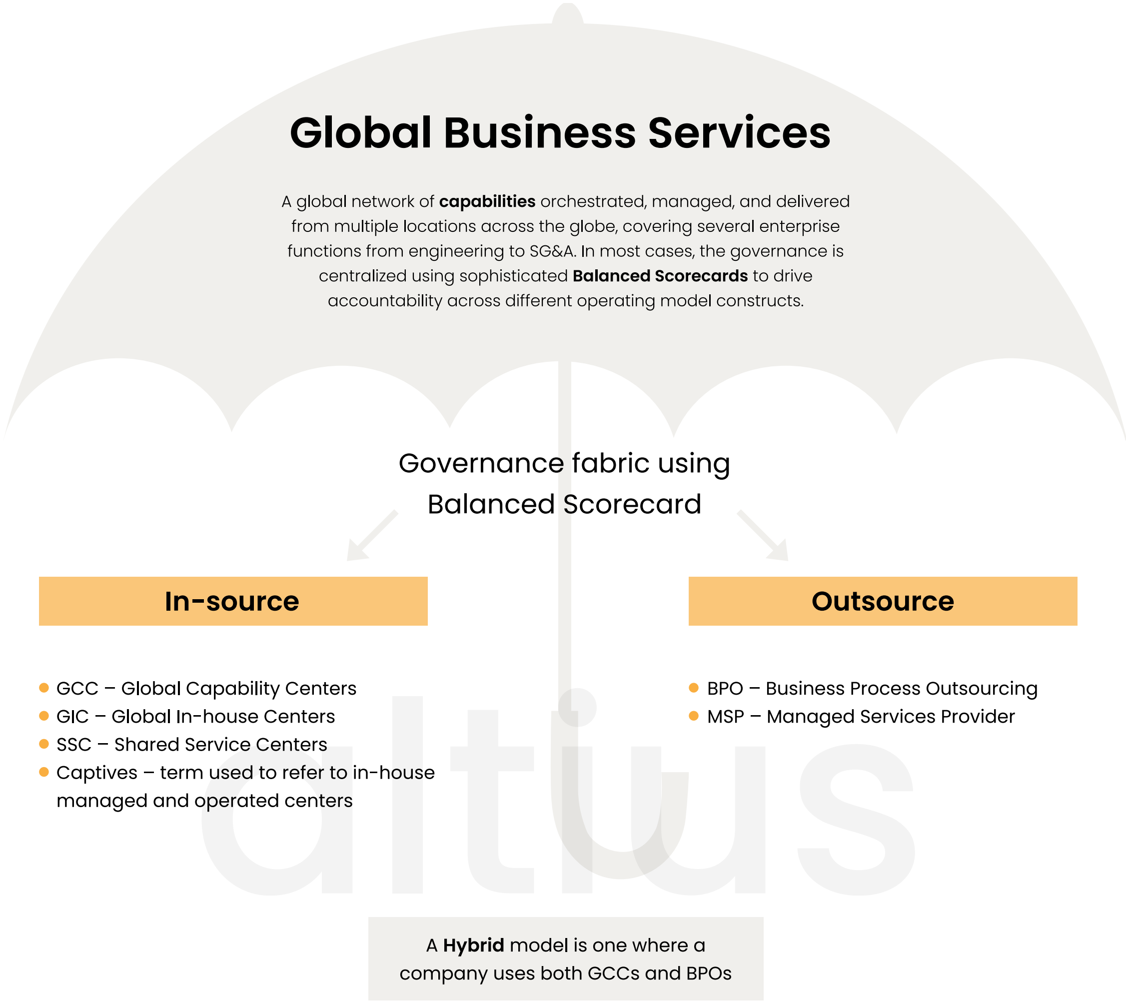


Figure 5: Private Equity Assets Under Management (AUM)

Definition of Mid-Market

- Globally, the Mid-Market segment is categorized based on the annual revenue of portfolio companies, with three distinct tiers.
  - The Lower Mid-Market (LMM) comprises companies with revenues between $25 million and $100 million
  - The Core Mid-Market (CMM) ranges from $100 million to $500 million
  - The Upper Mid-Market (UMM) ranges from $500 million to $2 billion

Global Business Services Operating Model



* BOT – Build-Operate-Transfer, which is a more recently used model to accelerate deployment of GCC's or Captives using a BPO or MSP partner.

Figure 6: Global Business Services Operating Model

Acronyms

AI: Artificial Intelligence – Simulation of human intelligence processes by machines, especially computer systems.
BOT: Build-Operate-Transfer – A project delivery model where a service provider builds, operates and eventually transfers operations to the client.
BPO: Business Process Outsourcing – Contracting business processes to an external service provider.
CMM: Core Mid-Market – Companies with annual revenues ranging from $100 million to $500 million.
COE: Center of Excellence – A team or shared facility dedicated to providing leadership, best practices, and research.
DSO: Days Sales Outstanding – Average number of days a company takes to collect revenue after a sale.
DPO: Days Payables Outstanding – Average number of days a company takes to pay its bills.
DIO: Days Inventory Outstanding – Average number of days a company holds inventory before selling it.
EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization – Measure of a company's overall financial performance.
EVP: Employee Value Proposition – Unique set of benefits employees receive for their skills and contributions.
FP&A: Financial Planning and Analysis – Budgeting, forecasting and analyzing financial data to support decision-making.
G&A: General and Administrative expenses – Overhead costs related to the day-to-day operations of a business.
GBS: Global Business Services – Model for centralizing and managing enterprise-wide functions to drive efficiency and value.
GCC: Global Capability Center – Offshore or nearshore service delivery centers for specialized knowledge and operational support.
HR: Human Resources – Department responsible for employee management, recruitment, training and welfare.
IP: Intellectual Property – Creations of the mind, such as inventions and artistic works, protected by law.
IT: Information Technology – Use of computers and telecommunications to store, retrieve, and transmit information.
ITGC: Information Technology General Controls – Policies ensuring the integrity of systems and data.
LMM: Lower Mid-Market – Companies with annual revenues between $25 million and $100 million.
LP: Limited Partner – Investor in a Private Equity fund with limited liability, not involved in daily operations.

M&A: Mergers and Acquisitions – Consolidation of companies or assets through financial transactions.
ML: Machine Learning – Subset of AI focused on developing algorithms to learn and make predictions based on data.
OPEX: Operational Excellence – Strategies for improving efficiency and reducing operational costs.
PE: Private Equity – Investors in companies not listed on public exchanges.
PortCo: Portfolio Company – Company owned, or invested in, by a Private Equity firm.
REIT: Real Estate Investment Trust – Company that owns, operates, or finances income-generating real estate.
RPA: Robotic Process Automation – Technology for automating repetitive tasks using software robots.
R&D: Research and Development – Activities focused on innovation and improvement of products or processes.
SAAS: Software as a Service – Software distribution model where applications are hosted by a provider and accessed online.
SG&A: Selling, General and Administrative expenses – Fixed overhead costs, not relating to production, incurred by a company. Also known as operating expenses.
TSA: Transition Services Agreement – Temporary services provided by a seller to a buyer post-acquisition.
TTV: Time-to-Value – Time required to realize the benefits or value from an investment.
UMM: Upper Mid-Market – Companies with annual revenues ranging from $500 million to $2 billion.
USD: United States Dollar – Official currency of the United States.

Reporting Currency

- All financial data in the report is denominated in US Dollars (USD). Data aggregated from international sources, and reported in non-USD currencies have been converted using spot rates to equivalent USD.

Sources

- McKinsey, "Detailing the New Landscape for Global Business Services", 2018[4]
- Business Standard, "70% of Fortune 500 firms will expand reach to India by 2030: Report", 2024[5]
- ZoomInfo[6]

[4] McKinsey, Detailing the New Landscape for Global Business Services, 2018
[5] Business Standard, 70% of Fortune 500 firms will expand reach to India by 2030: Report, 2024
[6] ZoomInfo

About Altius

Founded in 2019, by Big Four management consultancy professionals, Altius is a premier global advisory firm to Private Equity funds and their portfolio companies in the Mid-Market. From due diligence to value creation and from strategy through execution, Altius delivers sustained impact with velocity, precision and expertise at every stage of the M&A lifecycle. We are thought leaders in carve-outs, integration and value creation using levers such as Global Capability Centers, Global Business Services, Zero-Based Design and Digital Transformation. We support PE Deal and Operations teams from due diligence to exits, across asset-intensive and information-intensive industries in America, Europe, and Asia with a global footprint of practitioners.