



# Selecting Sustainable GBS Locations

**Location Strategy Eminence GBS/Shared Services**

Authors: Tara Nicholson, Matt Highfield and Kevin Garrahan

Location selection for Global Business Services (GBS) organizations is not a one-time decision. According to **Deloitte's 2023 Shared Services & Outsourcing Survey**, three-quarters of GBS leaders are planning to refine their global footprint now or in the near future. The survey respondents are primarily seeking greater cost savings and expanded access to talent, as competition in many GBS markets has put increasing pressure on both factors.

As GBS leaders develop their footprint or reassess their existing sites, which locations will best support these objectives and offer a more attractive competitive environment within the GBS sector? After decades of sustained GBS growth around the globe, there are no simple answers to the question. Few markets have been left wholly untouched by GBS deployments.

The best approach today is to target a location that will be sustainable for the organization over the longer-term time horizon. In addition to the core location factors that we assess in our location strategy work, such as talent, risk, and cost, we have observed three strategic considerations for selecting a sustainable GBS location in recent years:



**Capability Expansion**

The ability to deliver potential future capabilities in addition to current scope, especially more advanced or value-add services.



**Market Expansion**

The proximity to Tier II or Tier III GBS markets, which offers expanded access to talent within the current GBS structure.



**Market Dynamics**

The GBS sector trends around growth, attrition and wage escalation rates, and talent attraction which serve as indicators of the market's future trajectory.



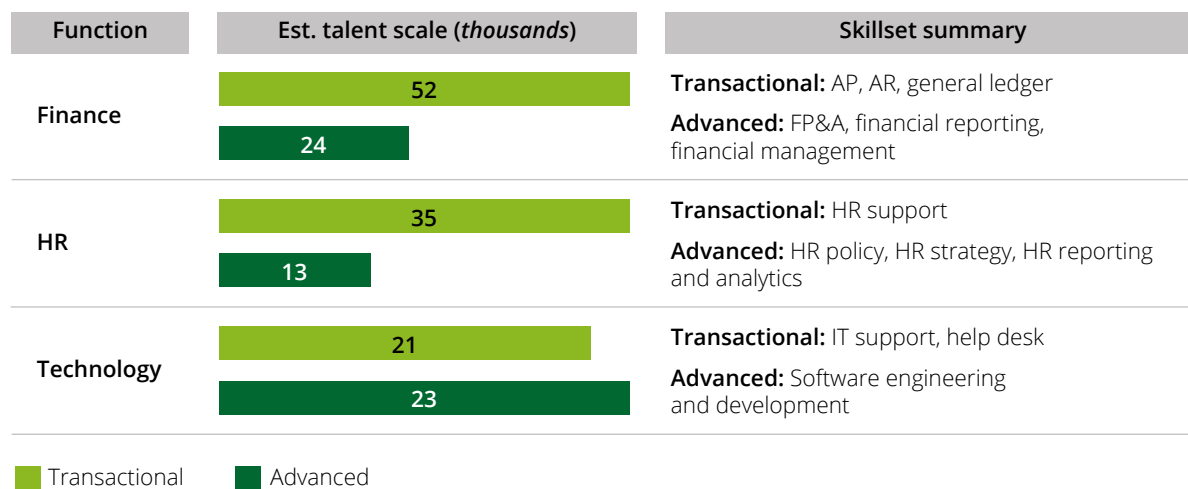
## Capability Expansion

As evidenced by results in the Deloitte survey, GBS centers continue to move beyond transactional-only services into more advanced capabilities. Centers often start with initial transactional back-office scope, and then incorporate additional functions and advanced capabilities as they prove value to the business. Client examples include starting with AP/AR activities and then adding Financial Planning & Analysis and upgrading from IT support to technical capabilities. For this reason, successful GBS centers tend to grow in scope and scale over time, even in parallel with efficiency gains.

To make a sustainable GBS center location decision, organizations should consider the market’s ability to support both the current defined scope and potential future opportunities. This includes analyzing the talent supply, labor cost, and the precedent in the GBS sector for each of the relevant capabilities. These varying inputs can be assessed across potential future state scenarios to inform the location decision. Planning for growth helps ensure the location can continue to meet business needs and deliver value for years to come.

### Capability Spotlight

Talent supply data can be analyzed by Transactional and Advanced GBS capabilities to ensure a selected location meets current and future needs for the organization. Example provided below for three core GBS functions in Bucharest, Romania.



## Market Expansion













For regional and global GBS centers delivering advanced services, more mature markets tend to offer the deepest talent pools, if at a higher cost point. But that doesn’t mean that GBS organizations should write off Tier II and Tier III locations entirely. In fact, considering these markets in conjunction with major hubs can be part of a sustainable long-term location strategy.

GBS organizations are increasingly expanding within current countries to Tier II and III markets. This has been an ongoing trend for large organizations in India, but it’s now occurring around the globe. In Europe, for example, Airbus expanded from its Lisbon GBS center into Coimbra and Deloitte has opened a satellite office for our Bucharest delivery center in Iasi, Romania. These sites offer increased access to talent, especially to recent graduates from local universities. They may also offer 10–25% cost savings, depending on the city, relative to major markets. Importantly these locations can leverage the existing GBS leadership, recruiting and legal infrastructure, and branding in-country, minimizing market entry costs and effort.

In a slight variation of this strategy, smaller or less well-known organizations may also consider entering directly into Tier II and III cities. The required talent is increasing in these markets due, in part, to the distribution of the workforce triggered by remote work. And they can avoid having to compete directly with the top-branded GBS centers in mature markets. Select examples include Materials Sciences Corporation’s recent entry in Queretaro, Mexico, and Primient’s new center in Lodz, Poland.

### Market Spotlight

GBS organizations are increasingly expanding to Tier II and III markets within their existing footprint. GBS market examples in Portugal and Mexico are provided below (non-exhaustive list).

Portugal	Population	Graduates	Mexico	Population	Graduates
 Lisbon	2.9M	29.5K	 Mexico City	21.0M	203K
 Porto	1.7M	22.5K	 Guadalajara	5.3M	85K
 Coimbra	435K	9.0K	 Monterrey	5.3M	80K
 Braga	417K	6.3K	 Querétaro	1.6M	36K
 Aveiro	369K	3.5K	 Merida	1.3M	32K
 Leiria	288K	2.0K	 Aguascalientes	1.1M	19K

 Tier I market       Tier II/III market

### Market Dynamics

Most mature GBS markets are competitive, but they are not all created equal. At the extreme end, some markets have experienced sustained talent competition and/or cost increases for many years. In our experience, though, many existing GBS markets still offer an attractive long-term trajectory for new entrants.

To assess the potential trajectory of the location, we typically target four variables related to market dynamics:

- **Sector Growth:** Number and type of recent GBS entrants, existing center expansion/ramp-up, and the perceived impacts on the market.
- **Attrition:** GBS center attrition rates, including within target functions, in recent years for similar operations.
- **Wage Escalation:** GBS wage escalation rates in recent years, mid-year adjustments (where required), and impacts to cost arbitrage opportunities.
- **Talent Attraction:** The market’s ability to supply talent in-line with GBS sector growth, either by retaining talent in the local market or attracting talent from within the country or region.

As these variables are based on in-market data and qualitative insights, we assess these trends with our clients during due diligence visits in prioritized markets to inform the final location decision.

### Conclusion

In today’s environment, GBS organizations can’t afford to invest in a GBS site that will only meet their talent and cost objectives in the short-term. Instead, they should assess and select sustainable GBS locations that support future scope and scale, provide expansion optionality, and offer balanced competitive dynamics in the longer term.

## Contact us



**Tara Nicholson**  
**Principal, Enterprise Services & Location Strategy**  
tnicholson@deloitte.com  
+1 206 930 2726



**Matt Highfield**  
**Managing Director, Enterprise Services & Location Strategy**  
kmahighfield@deloitte.com  
+1 612 659 2864



**Kevin Garrahan**  
**Manager, Enterprise Services & Location Strategy**  
kegarrahan@deloitte.com  
+1 312 505 8688



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