



## Going Glocal for Building Efficiencies is the 'New Normal' in the Hospitality Industry

A WNS Perspective

It's clear and sharp as a trend – going global to leverage cost and process efficiencies is the 'New Normal' in the hospitality industry. Glocal, going global while retaining a 'local' flavor of business, using Shared Services Organizations (SSO) or third-party approach (outsourcing) is the centerpin of most business strategies. A glocal approach influences the manner in which a hospitality company manages its human capital, financial capital and technology – undisputedly its three most important components.

When implemented with the right approach and in the right manner, glocal organizations (SSOs / outsourcing as in Business Process Outsourcing [BPO]) bring in significant benefits, including:

- Reduction in costs: Compared to a distributed model, an average savings of 25-30 percent are not unusual by making use of economies-of-scale
- Accumulation of intellectual and capital assets
- Service-oriented focus on internal clients: An efficient shared services organization helps optimize the internal client experience, focusing on service output, thereby allowing the front-line departments to enhance the end-customer experience
- Alignment with external competition: Using active data throughout a customer journey and passive data through different geographies and departments, the shared services center can gather valuable strategic information, including that of competition. It can use that data to align itself to the external environment by analyzing its own strengths and weaknesses and setting the right benchmarks.

### Taking Glocal Organizations to the Next Level When You Already Have One

With the business environment in the hospitality industry becoming more competitive, the next generation of glocal organizations are expected to be flexible, collaborative and technologically nimble to keep up with rapidly shifting business dynamics.

This calls for a significant change in the perception and utility of a shared services unit. The benefits — lower cost, efficiency, standardization and better governance — are now *de rigueur*. The senior management should now encourage the heads of their functional units to create a list of three to five value-creating initiatives focused on generating a return above the company's cost of capital.

#### Questions that can help you deliberate on what you have:

- Is our glocal function adding value to the organization beyond mundane processing and tactical tasks?
- Do business units view the glocal model as a strategic partner?
- Do we have a roadmap to move up the value chain?
- Are we equipped with best practices and automation?
- Are we tracking the efficiency and effectiveness of our glocal model?
- Is our glocal unit enabling our organization to become fact-based and insight-driven?



The next generation of glocal organizations should exhibit the following characteristics:

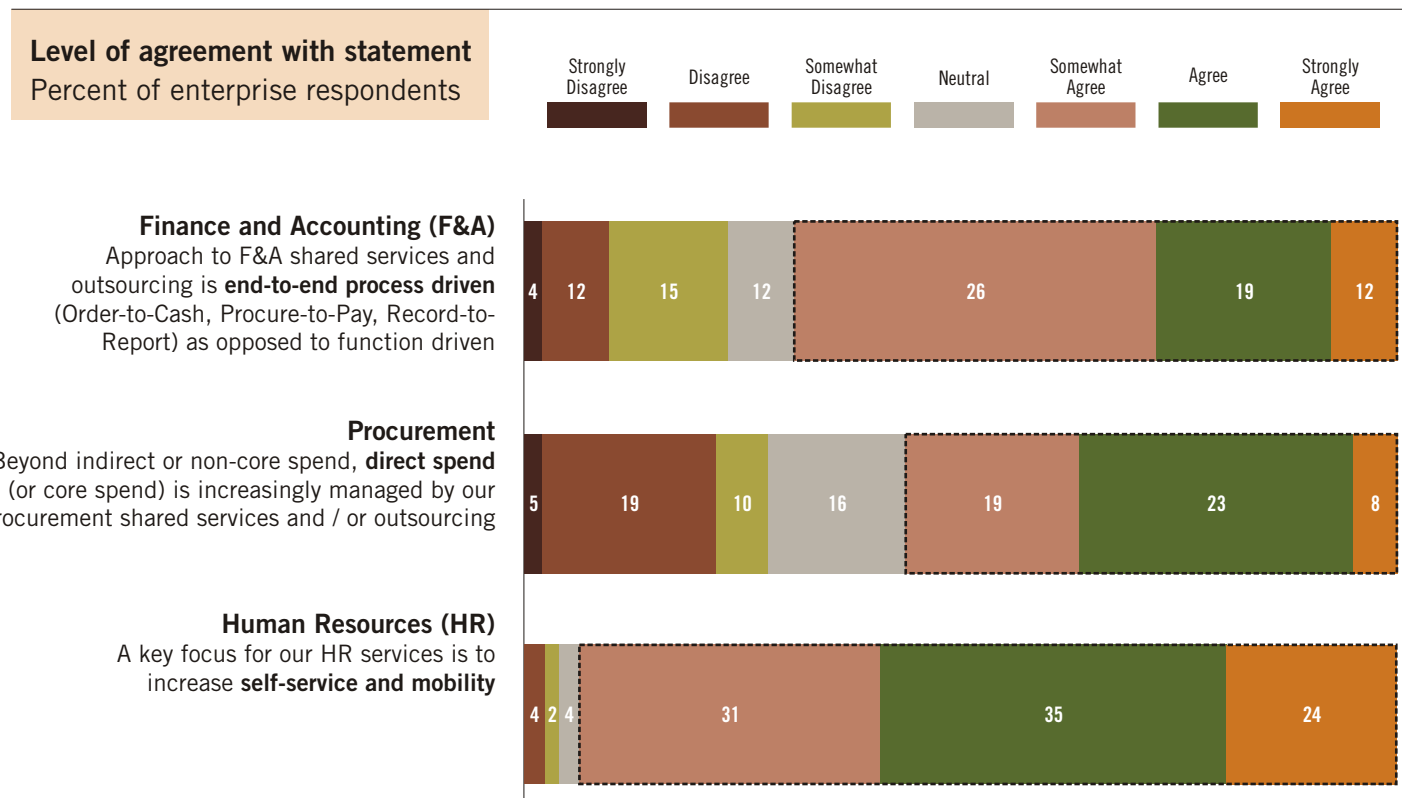
#### Location Agnostic

Glocal organizations are now shifting to global service delivery models with regional hubs and Centers of Excellence (CoE). There has been significant growth lately in Latin America, Eastern Europe, China and the Philippines. These centers have shown a specific cultural alignment to developed geographies and have adapted themselves to support new regions / languages. Also with the advent of technology, information across multiple centers can be exchanged in nanoseconds.

#### New Services and New Operating Models

Glocal organizations are blending their offerings into hybrid models (Shared Services and BPO) providing back-office, transactional services through third-party setups. Consider a scenario where a BPO provider has established operations in a specific location where the SSO and its business units are looking to grow. By leveraging the BPO's existing infrastructure, the SSO can improve speed-to-market, avoid start-up costs and still take advantage of labor arbitrage savings.

As per a joint survey conducted by Everest Group and Shared Services Outsourcing Network (SSON), enterprises showed a higher propensity for pursuing new sources of value through changes in the delivery model. The survey further reveals that enterprises are pulling advanced value levers to further optimize horizontal functions:



The most common improvement initiatives for capturing more value (for example, centralization / consolidation, standardization / re-engineering, offshoring / nearshoring, tools and technologies) are also pursued more frequently in horizontal functions than vertical functions

Source: Vertical Industry Strategies in Shared Services and Outsourcing Survey, Jan.-Feb. 2012

The experience of managing similar operations remains a key point though, as glocal organizations need to act as a seamless support structure to the business unit.



## Advanced Analytics and Enterprise-wide Data Management

It's conventional to think that only support services and non-strategic activities should be bundled into the glocal model. While this has been the trend so far, glocal models, especially BPO setups have moved up the value chain significantly in terms of offering innovation and highly automated process solutions bundled with analytics. BPOs are also up the curve in terms of aligning themselves to the industries they cater to. Building a glocal model can be invaluable when a hospitality company is trying to acquire, serve, grow or retain a new / existing set of customer base.

With the right experience and tools, hotels can now look to identify customers with high buying propensity, and also identify drivers for satisfaction and their impact on loyalty and repeat purchases.

Business leaders in the hospitality industry, who aspire to create new levels of business value, should view the second generation of glocal organizations as an opportunity to deliver even greater value-added services on an enterprise-wide basis. As the world gets smaller and more accessible each day, implementation of an efficient glocal model can help create a platform for profitable business growth and better organizational structure.

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