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2019 Global Shared Services Survey Report

Executive Summary

11th biennial edition

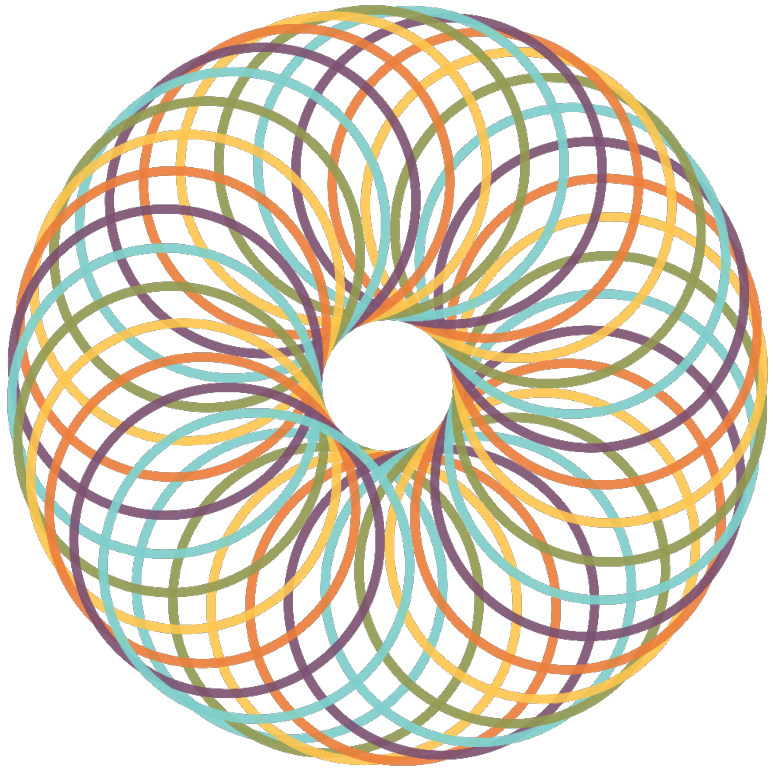
Foreword

Service delivery models are always evolving. For the world's largest companies, there's an increasing shift to more global, multifunctional models that are expected to provide higher value at lower cost. These shared and global business services constructs are creating an environment where digital capabilities can be rapidly adopted, positioning them as incubators for enterprise-wide digital and operating model transformation.

Results from the 11th biennial Global Shared Services Survey indicate that shared services centers (SSCs) are, in fact, shifting from being a "provider of what they ask for" to a generator of tangible business value—especially as SSCs are witnessing an increased penetration in strategic and interaction-heavy functions like customer, sales and marketing support, and procurement.

Companies indicate a new focus on countries like Costa Rica and Mexico—and implementation of on/near-shore models (closer proximity to HQ) are a notable part of companies' location strategy. When evaluating location decisions, the 2019 survey indicates a fivefold increase in respondents considering "labor quality" as a key metric.

Overall, what's clear is that SSC organizations are and will increasingly become more global, complex, and digital, as they seek to provide nimble and efficient services, stronger customer service, and high-impact business outcomes.



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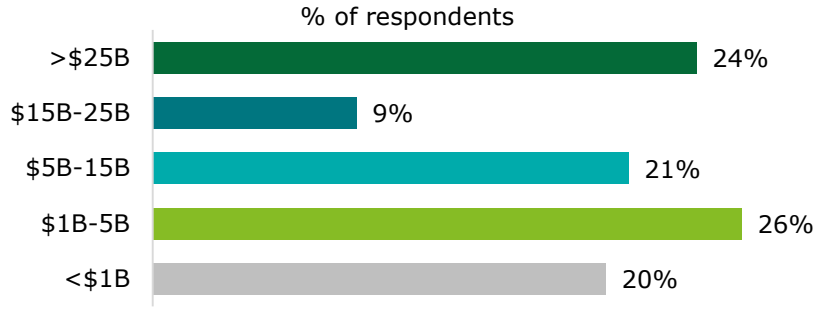
Deloitte's 2019 Global Shared Services survey engaged 379 respondents across nine industries

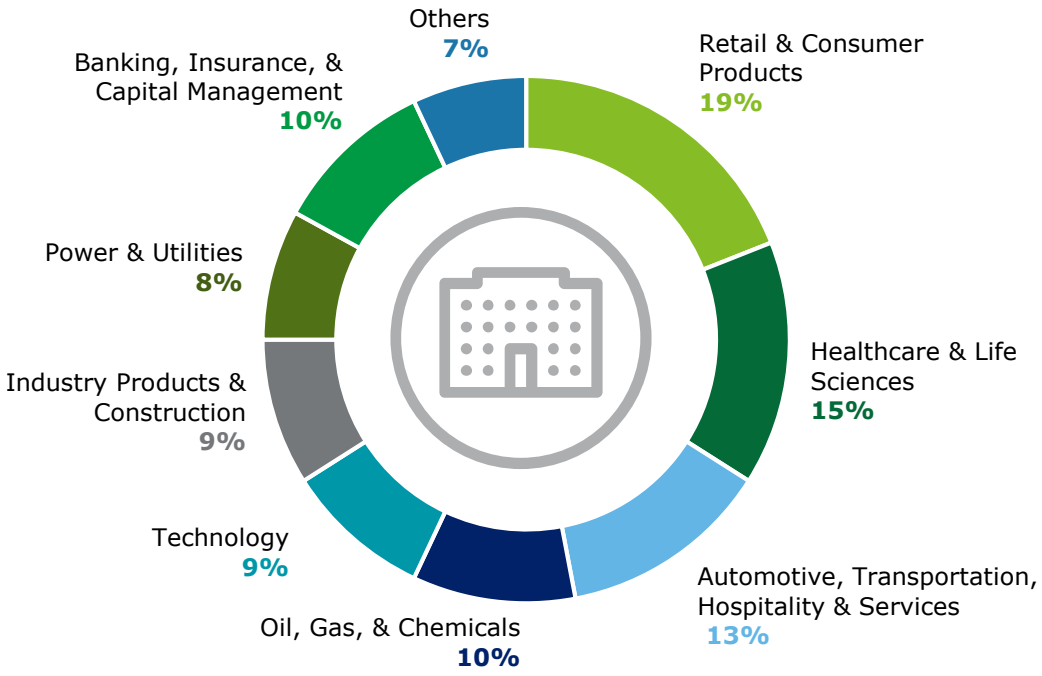
Respondent information

- Approximately **54%** of the respondents had **at least $5B in revenue**, an **increase of 20% from 2017**, while **24%** of respondents had revenues of **more than $25B**, an **increase in 8% points from 2017**
- Close to **50% of the respondents are new** to the survey this year
- **15%** of organizations are **Global Fortune 500** companies
- The top 3 representative sectors, **Retail & Consumer Products**, **Healthcare & Life Sciences,** and **Automotive, Transportation, Hospitality & Services,** accounted for over 47% of respondents

What are the annual revenues of your organization?



What is your organization's primary industry sector?



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Key findings from this year's survey

Digital Adoption

GBS organizations are **adopting digital** rapidly, thereby positioning themselves as catalysts for **enterprise-wide digital transformation.**

Cloud, RPA, or **Single-Instance ERP** have been employed by more than 85% of respondents but far less so in concert.

Top Digital Capabilities

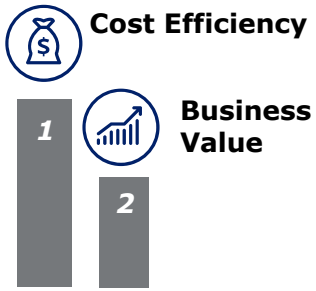
1. Cloud
2. Automation
3. Single-Instance ERP

Cost Efficiency

GBS organizations are increasingly expected to provide **higher values at lower cost.**

Being **cost efficient and driving business value** are top priorities for GBS strategy and investments.

Companies on average achieve **30% one-time and 10%** run-rate benefits.



GBS Organization Structure

As organizations scale up, **GBS organization structures** and **GPO implementations** become more prevalent.

The **largest organizations overwhelmingly leverage GBS** operating models.

Respondents considering their collection of SSCs/outsourcing partnerships as part of a GBS org

Respondents classified by revenue	% of such respondents
<$5 B	**40%**
Between $5 and $25 B	**57%**
>$25 B	**70%**

Location Strategy

The largest companies ($>25B) are seeking the greatest labor differential opportunities and scale as well as global delivery.

Top 2019 Sites

1	2	3	4	5
India	**Poland**	**Philippines**	**Malaysia**	**Costa Rica**

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Shared Services Scope

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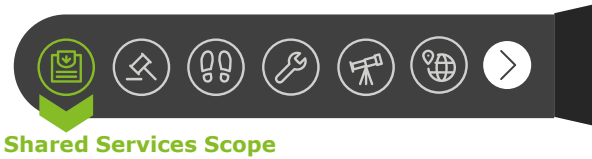
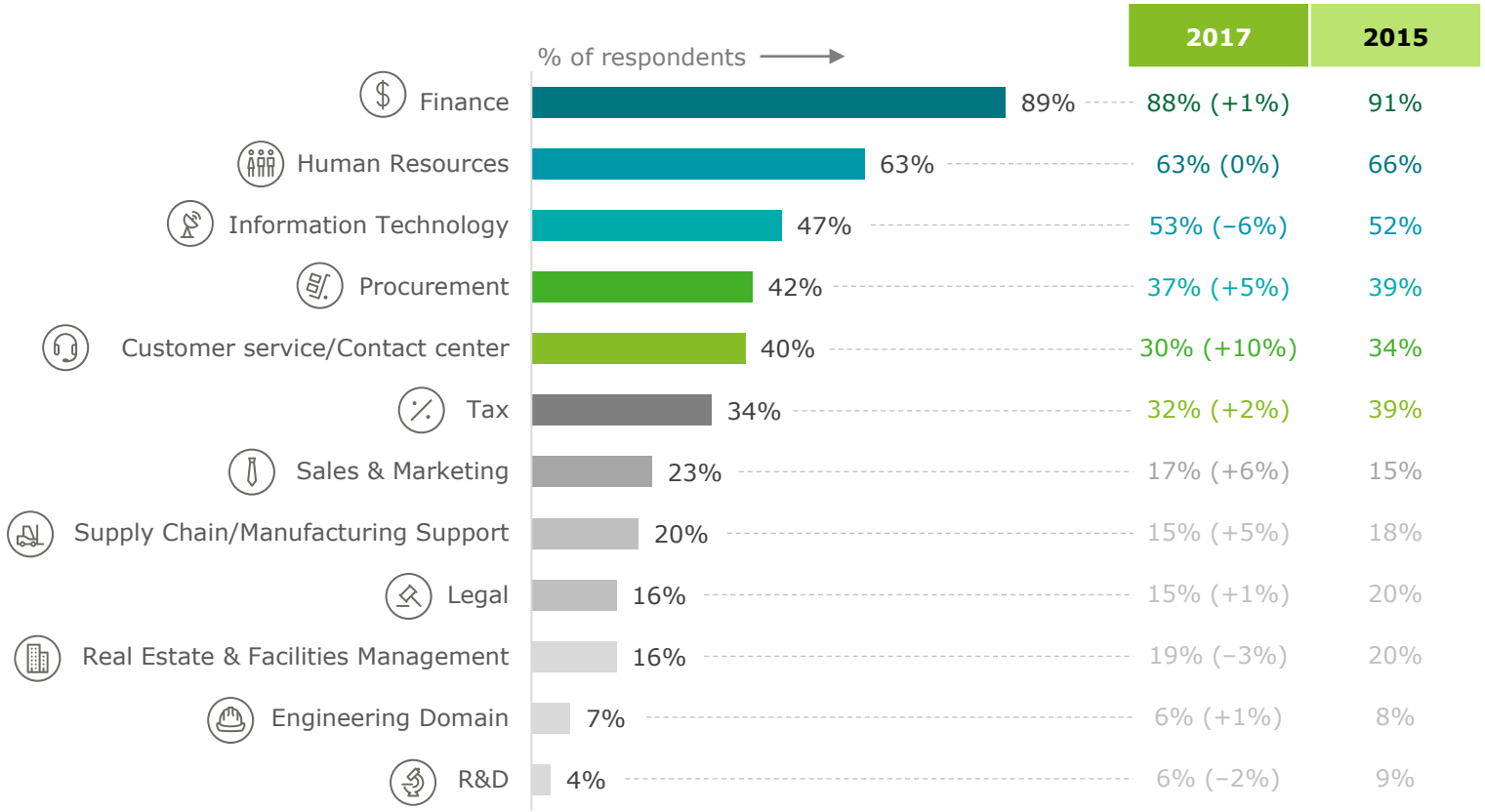
Which of the following functions are performed via shared services in your organization—including both transactional and knowledge-based centers (COEs)?





- Three GBS functions—**Finance, HR, and IT**—are the most predominantly deployed by survey participants, which is historically consistent with past results
- Deployment of **strategic and interaction-heavy functions** (such as procurement and customer service) demonstrates "upstream" growth in scope
- **Procurement** (14% increase over 2017), **Customer Service** (33% increase over 2017), **Sales & Marketing** (35% increase over 2017), and **Supply Chain/Manufacturing Support** (33% increase over 2017) have seen largest increases

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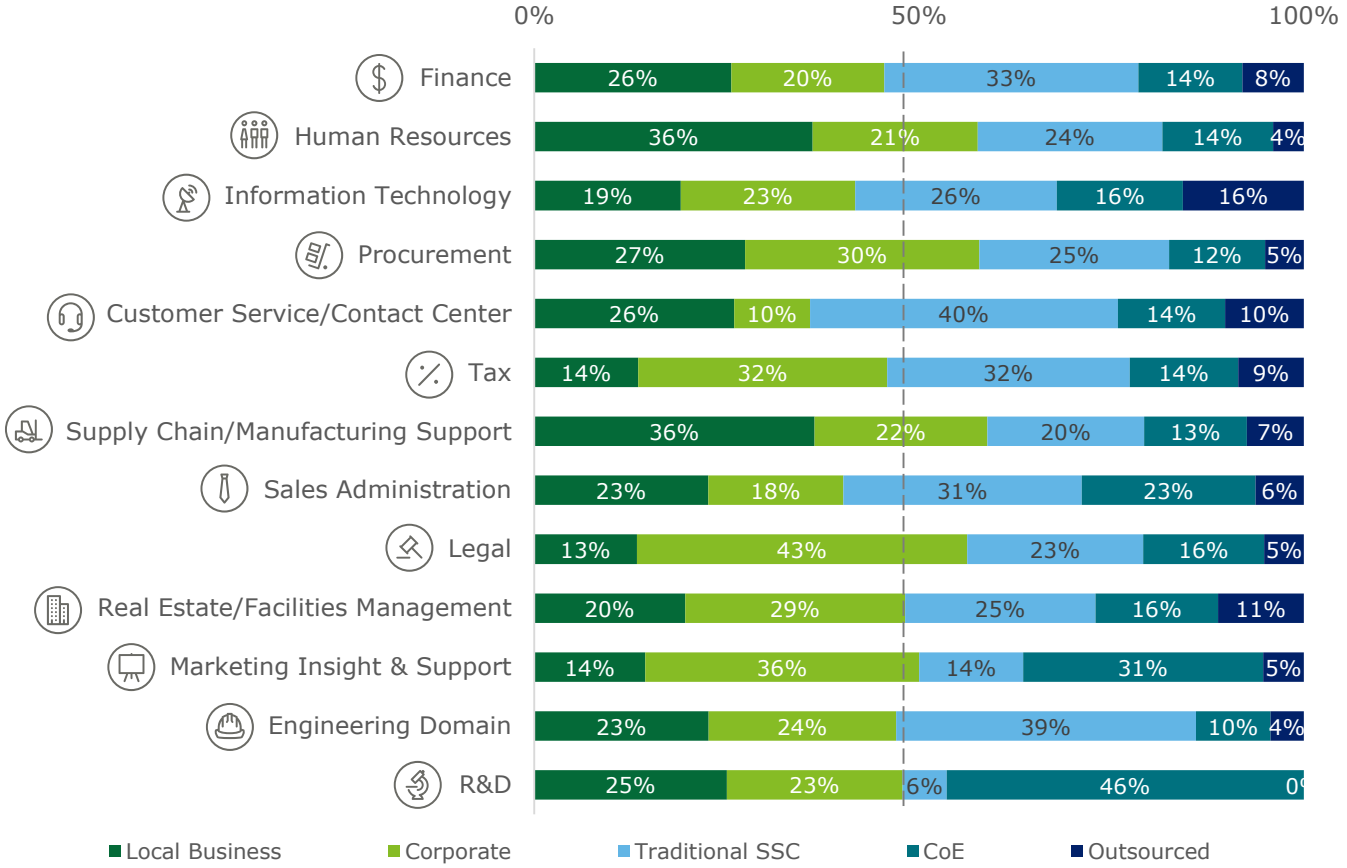
What percentage of the total FTEs (approximately) are located in the local business, at corporate, in low-cost SSCs, in high-cost SSCs, or outsourced?



- Maximum leverage of **SSCs/Outsourcing** is reported by respondents in the **Customer Service/Contact Center function**
- **R&D** has the highest percentage of FTEs deployed from **COEs**, among other functions
- As compared to 2015, the percentage of FTEs in **Marketing Insights and Support** located in CoEs has increased by **2.5 times**

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Global Shared Services Governance

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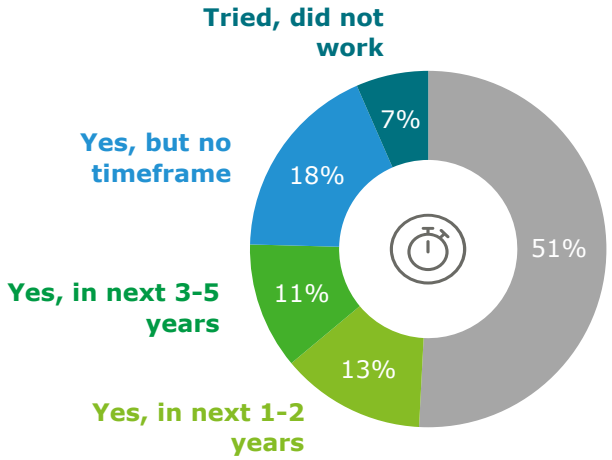
Do you plan to shift to a multifunctional model?

Do you have plans to shift to a multifunctional model? If so, when?*



*# of respondents are the ones who have not opted for multifunctional model (~30% of the total)

Why have you opted against using a multifunctional model?

52%

of respondents indicated they were **not ready for end-to-end process execution**

34%

said **lack of leadership support** was the major factor for opting against multifunctional model

25%

said **maintaining connections with functional priorities** was the major challenge

7%

said **difficulty in sourcing functional talent** impeded expansion of functional scope

- Of the organizations that have not yet opted for a multifunctional model, **51%** of the organizations do not plan to shift to a multifunctional model whereas **42%** of the organizations, across revenue sizes, plan to shift to a multifunctional model with more than half of them planning to shift within next 5 years
- **81%** of small/medium-size firms with revenue less than $15B have not deployed an **end-to-end multifunctional** model
- Other challenges faced by respondents in shifting to a multifunctional model are **absence of a scaled business offering** and **lack of resources**

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Shared Services Journey and Value

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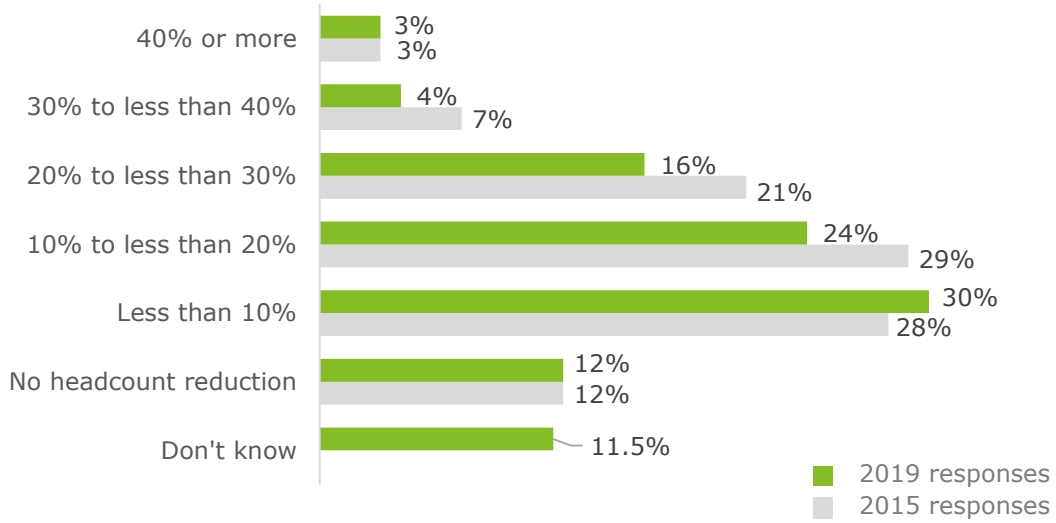
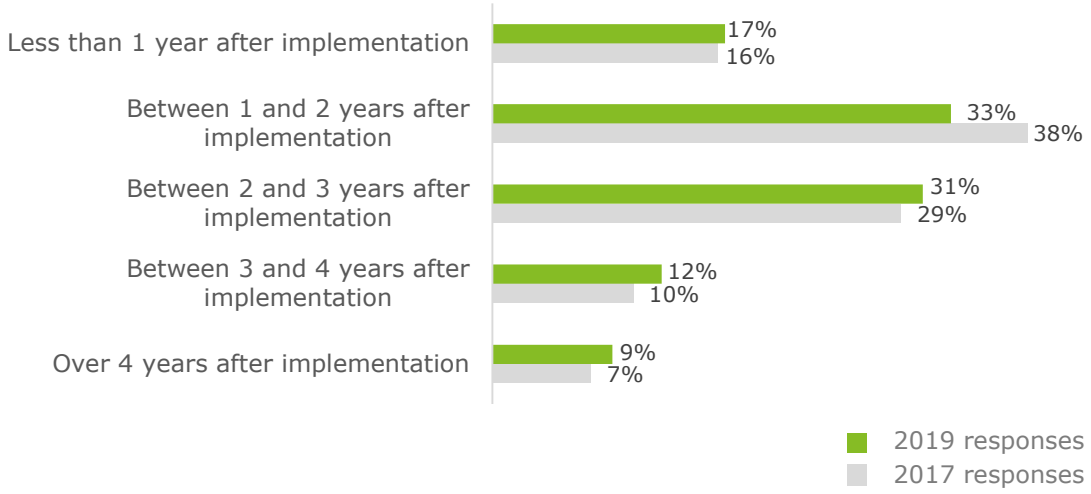
What is the headcount reduction and payback period experienced as a result of shared services?

What was the average headcount reduction achieved by your last significant SSC implementation over the first 12 months after full operations began?



- More than 45% of respondents were able to achieve a **headcount reduction** of more than **10%** within 12 months of SSC implementation
- **Similar results** were observed over the past three iterations of the Global Shared Services Survey

What was the payback period for your last significant SSC implementation?



- **80%** of the respondents recovered their investment **within first 3 years** of their significant SSC implementation; **50%** were able to achieve break-even within first 2 years

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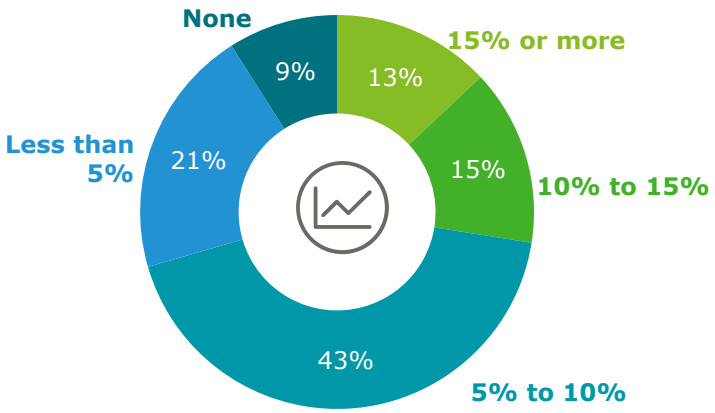
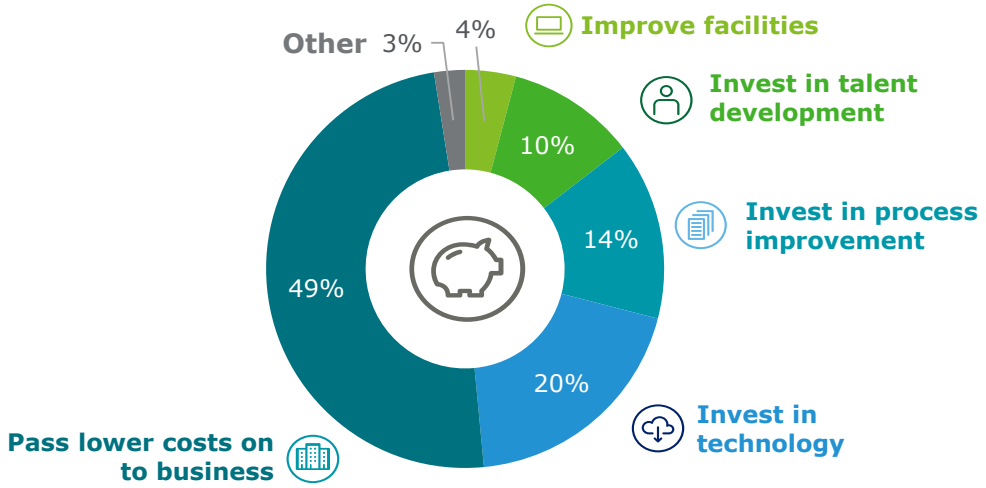
What productivity improvements have you experienced from shared services and how have you invested these savings?

What has been the average annual productivity improvement achieved by your organization's SSCs?



- The **majority of companies achieve up to 15%** annual productivity savings from their SSCs

How do you use the savings generated by SSC productivity improvements?



- **Majority** of SSC leaders aim to pass the **savings** generated due to SSC **on to the business**
- **48%** of respondents reinvest the cost savings in the SSCs, with **20%** reinvesting in **technology** and 14% in **process improvement**

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Shared Services Operations

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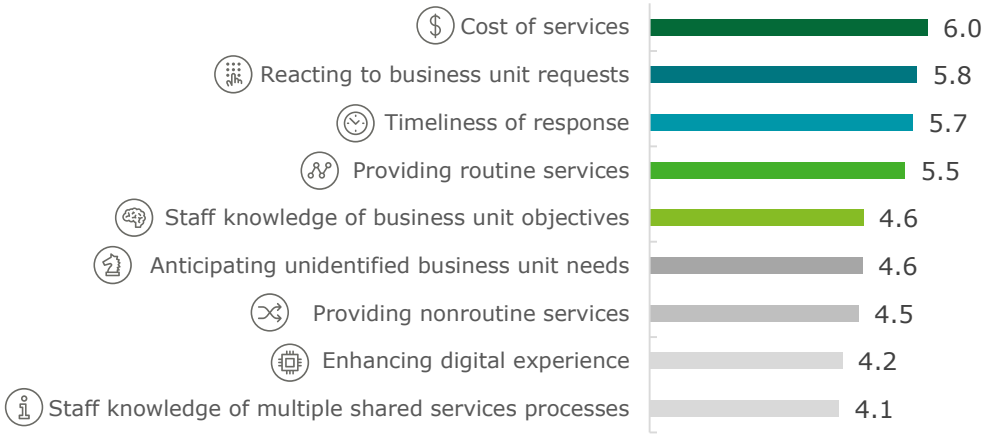
What matters most to internal business unit customers?

On a scale of 1 to 9, in ascending order, what is most important to your business unit customers?



Rank in the order of highest to lowest priority, what is most important to your business unit customers?

Attribute	2019 Ranking	2017 Ranking	2015 Ranking
Cost of services	**#1 (=)**	#1	#2
Reacting to business unit requests	**#2 (↑)**	#3	#3
Timeliness of response	**#3 (↓)**	#2	#1
Providing routine services	**#4 (=)**	#4	#4
Staff knowledge of business unit objectives	**#5 (↑)**	#6	#5
Anticipating unidentified business unit objectives	**#6 (↑)**	#8	#8
Providing nonroutine services	**#7 (=)**	#7	#7
Enhancing digital experience	**#8 (*)**	N/A	N/A
Staff knowledge of multiple shared service processes	**#9 (↓)**	#5	#6

(↑) (↓) (*) (=)
Movement from 2017 survey

- Although cost of services is of primary consideration (No. 1 ranking in 2017 as well), internal customers are placing increasing importance on SSCs' ability to **react to business unit requests** and **timeliness of response**
- **Anticipating unidentified BU objectives** has moved up two places in the rankings from the previous editions of the survey

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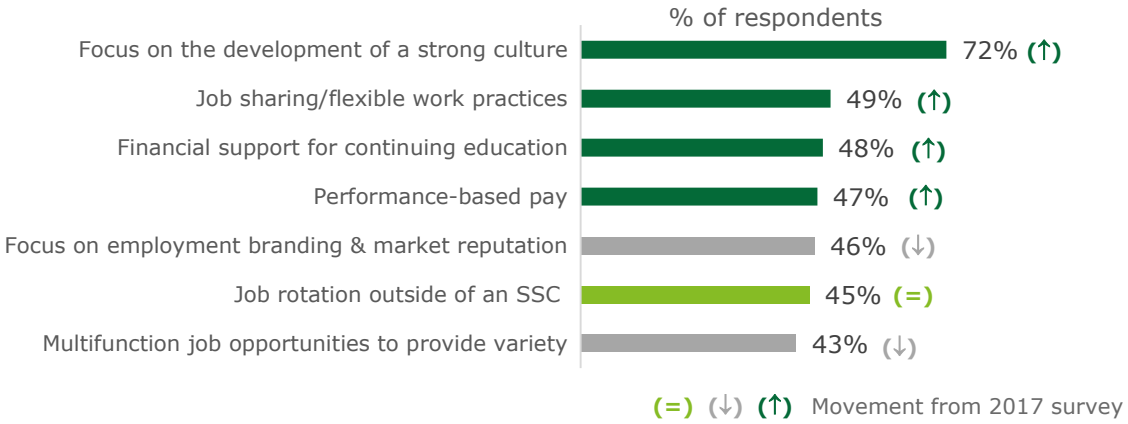
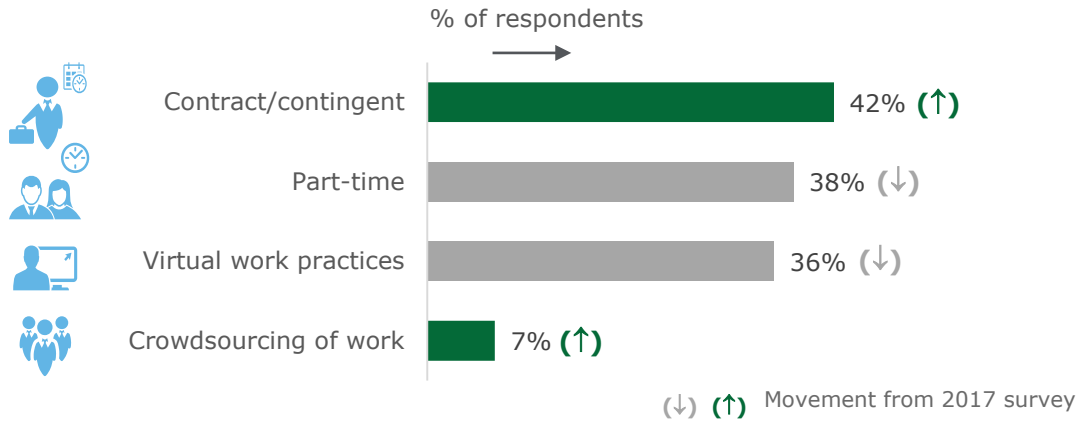
How do you attract and retain talent, and what nontraditional talent models have you considered?

What methods are adopted to attract and retain talent?



- More than two out of three respondents over the last four years have consistently rated **development of strong culture** as the top method to attract and retain talent
- ~50% respondents have adopted **job sharing/flexible work** practices such as working from home or other locations as a key strategy to retain talent

What are the nontraditional talent models within shared services?



- **75% of respondents** (in line with 2017) have considered **alternative talent models** in an effort to leverage new technology, increase productivity, and reduce costs
- **Contract/contingent workers** have become more preferred (increase of 5% points) to 42% as compared to 2017 survey
- 7% of respondents considered **crowdsourcing** in 2019, a 100% increase from 2017 survey

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Future of Shared Services

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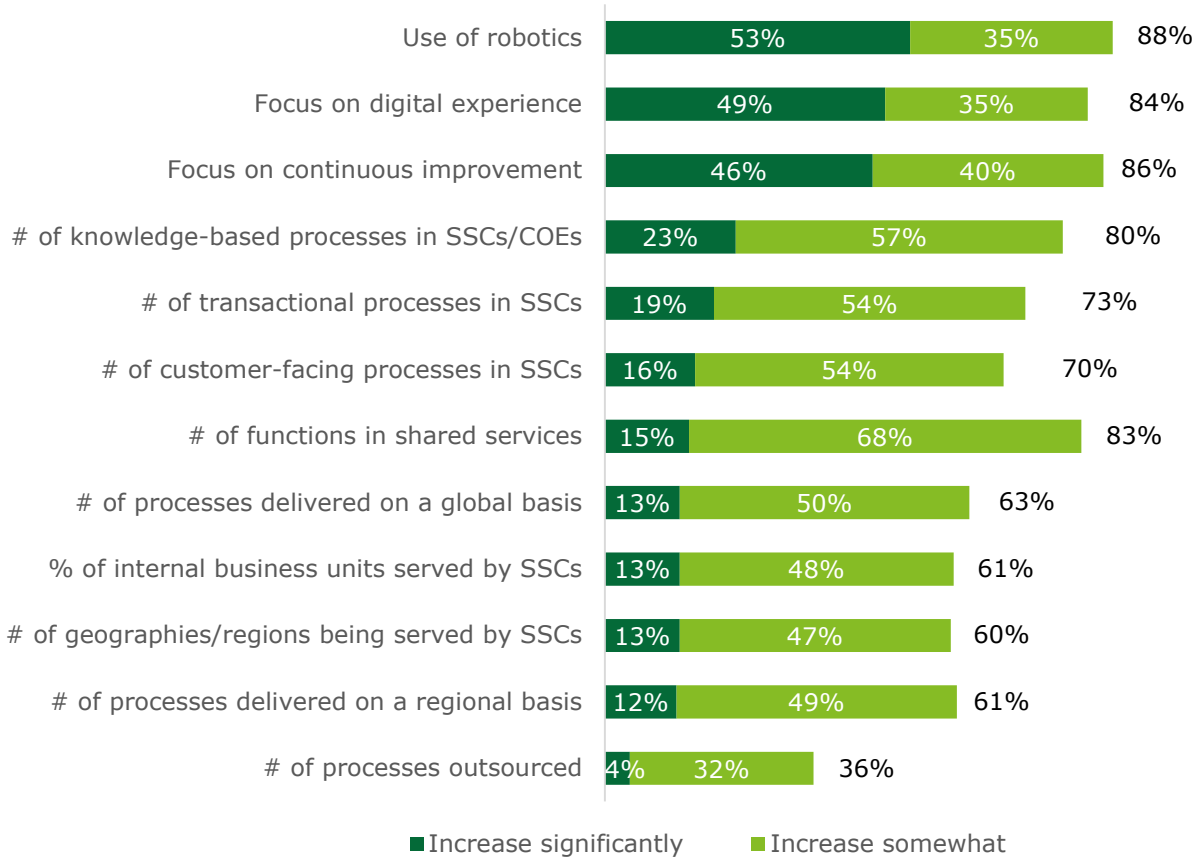
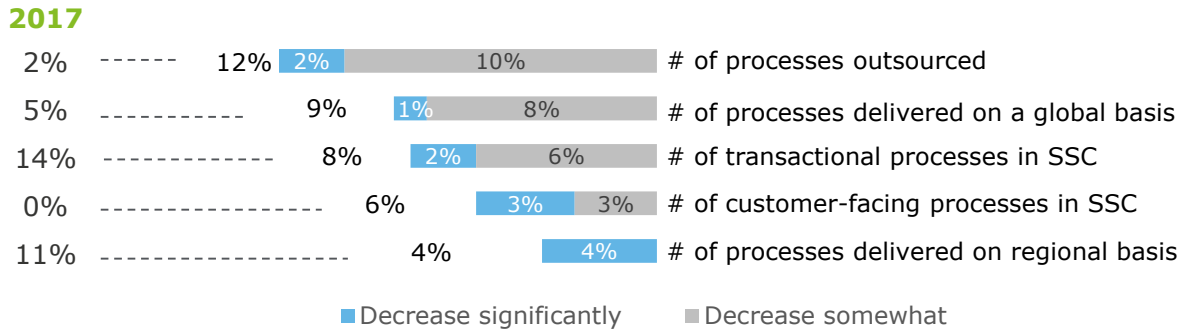
How do you expect use of SSCs to change?

How do you expect your organization to change its use of Shared Services in the next 3–5 years?



In which areas is your organization expected to reduce usage of Shared Services in the next 3–5 years?



- **More than 45% of respondents** expect a **significant increase** in use of robotics, focus on digital experience, and focus on continuous improvement
- **6 times** the number of respondents in 2017 expect a **decrease in number of processes outsourced**
- While a **decrease in processes outsourced** was the highest potential for reduction, respondents noted the **increased use of robotics** as the highest potential for expansion
- The planned **reduction in processes outsourced** is markedly different from 2017—from **2%** to **12%**

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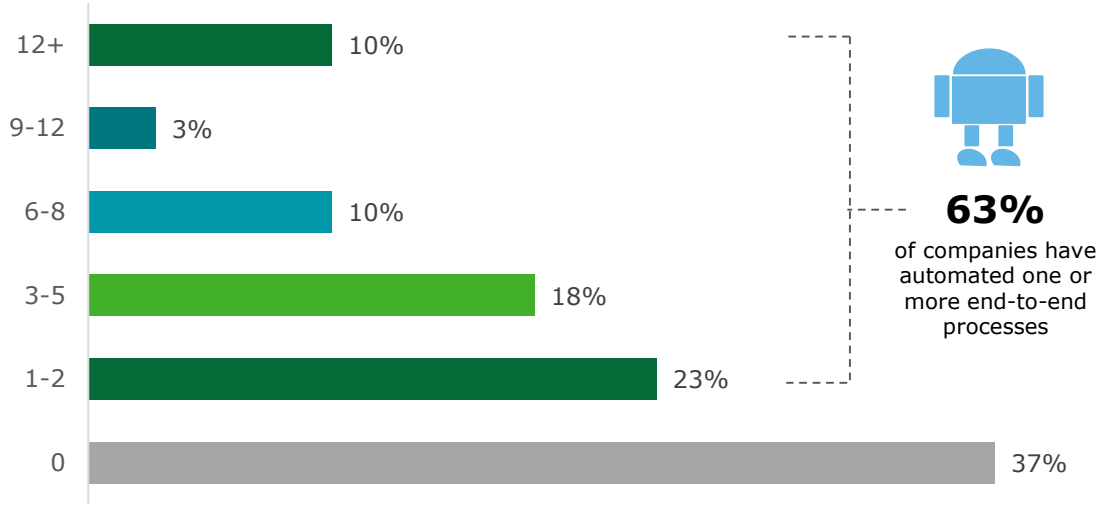
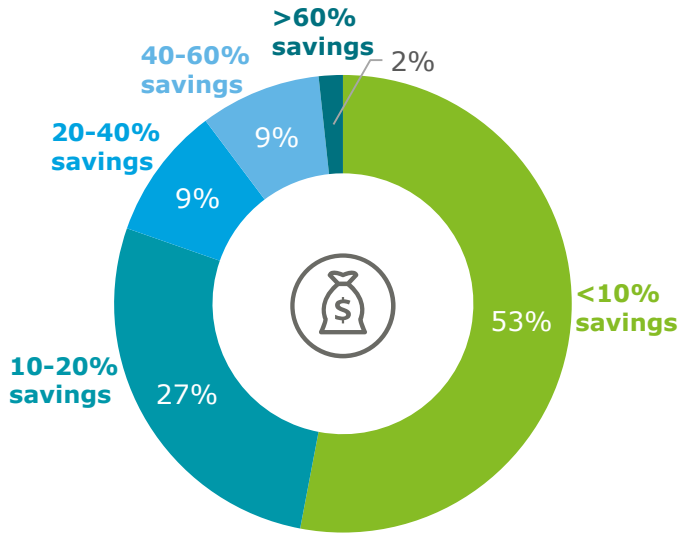
What is the level of automation employed by your SSCs, and what are the savings generated through RPA implementation?

How many end-to-end (process) automations does your GBS/SSC organization employ?



- **An increase of 8X –** from 8% of firms in 2017 to 63% in 2019 have implemented at least one end-to-end process automation
- **75%** of the large-size firms (revenue>$15B) have automated one or more end-to-end processes

Based on your Robotics Process Automation (RPA) experience thus far, what level (%) of savings have been achieved?



- **80%** have achieved up to 20% savings through their automation programs
- **62%** of respondents who have achieved >20% savings through RPA have also employed **single-instance ERP**
- **58%** of respondents who have achieved >40% savings through RPA have also employed **single-instance ERP**

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Geography and Organization

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What are the metrics used to evaluate locations for new or relocated SCCs?

What are the critical metrics to evaluate Service Delivery deployment strategy?

Labor arbitrage

Labor arbitrage still remains the top parameter to consider while deciding on an SSC location strategy.

Expertise/labor quality

A **fivefold increase** in respondents measuring **labor quality** as a metric in considering a location for setting up a new SSC (34 percent in 2019; 7 percent in 2015)

Regulatory/legal understanding

Familiarity with regulations & legal norms plays a vital role in an organization's preferred location strategy for setting up SSCs

Proximity to headquarters

Firms also consider **proximity to headquarters** while setting up new SSCs, to leverage **similar time zones** and **ease of travel**

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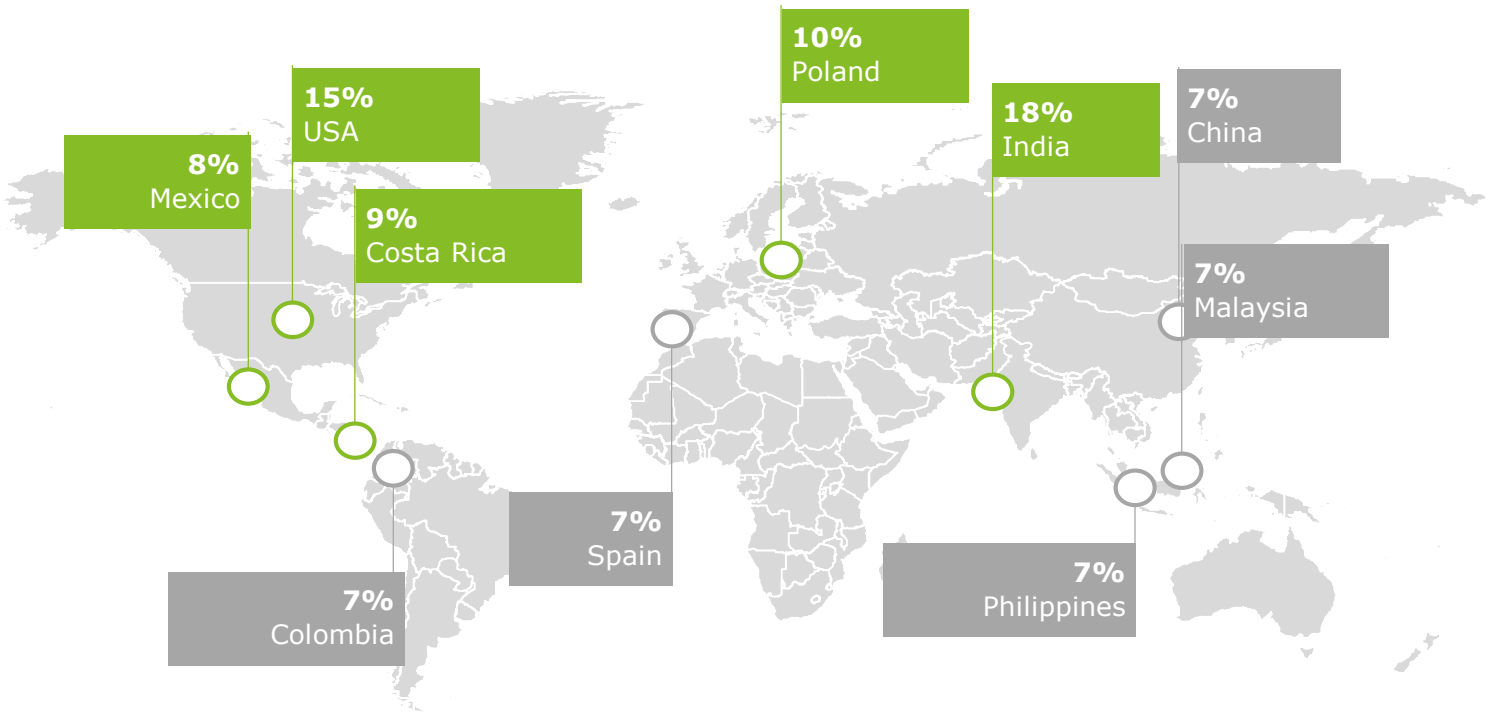
What are the preferred locations for new or relocated SSCs?

What are the top locations you are considering or would consider for a new SSC location or SSC relocation?



- **India** and **USA** are the preferred destinations for setting up new SSC's which is consistent with prior surveys
- **Costa Rica** and **Mexico** are new to the top 5 SSC location preferences in 2019; **Colombia** (LATAM) is another new entrant in the top 10
- Apart from labor cost, expertise is a critical metric to evaluate **Service Delivery deployment strategy**

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