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2011 Global Shared Services Survey Results

Deloitte Consulting LLP

March 2011

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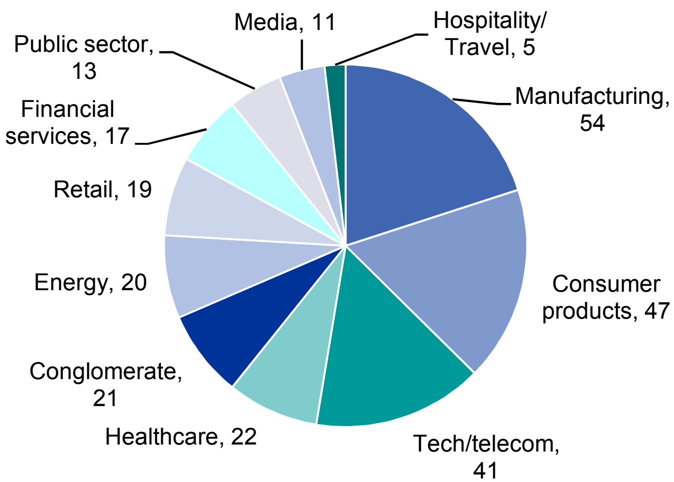
About the survey

This year's Deloitte Global Shared Services survey attracted 270 respondents

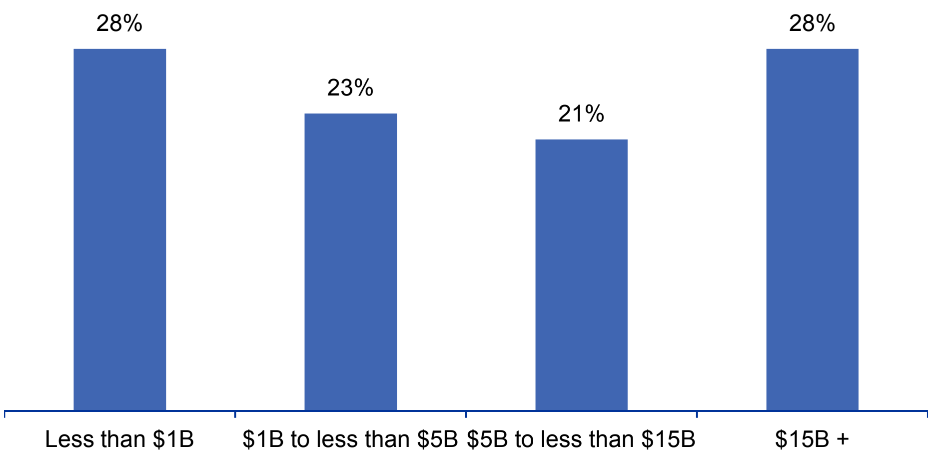
What is your organization's primary industry?



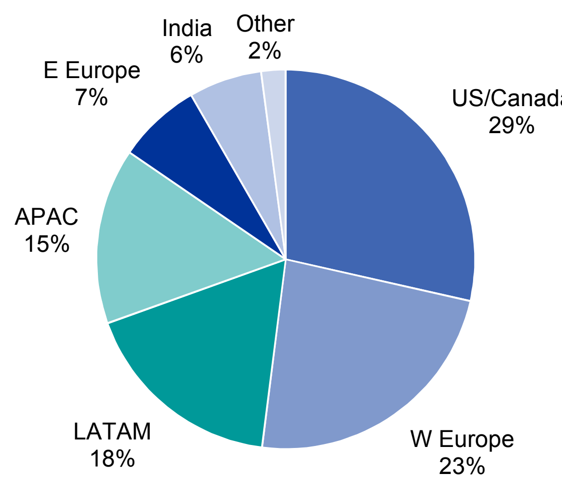
Respondent Information

- Overall, there was strong participation in the Shared Services survey across industry sectors
- As in previous surveys, manufacturing and consumer products were the top industries represented
- The largest increases in participation over 2009 were in the Manufacturing and Tech/Telecom industry sectors
- Median revenue of participant organizations was approximately $12 billion
- The number of participants with revenues under $1 billion increased significantly this year — up from 19% in 2009

What are the annual revenues of your organization?



Where are your SSCs located?



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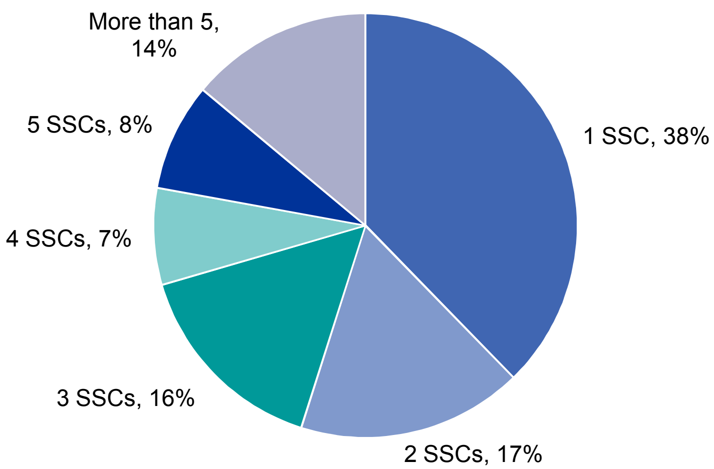
Survey respondents provided data for 718 Shared Services Centers (SSCs) in total

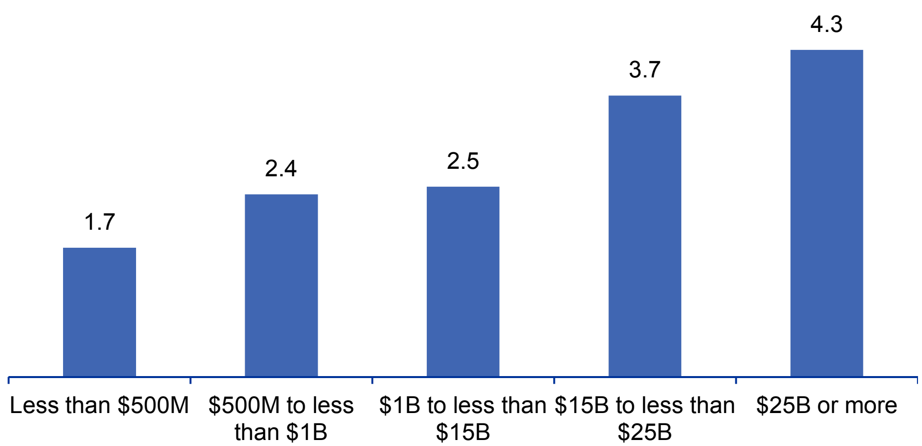
How many SSCs does your organization have?



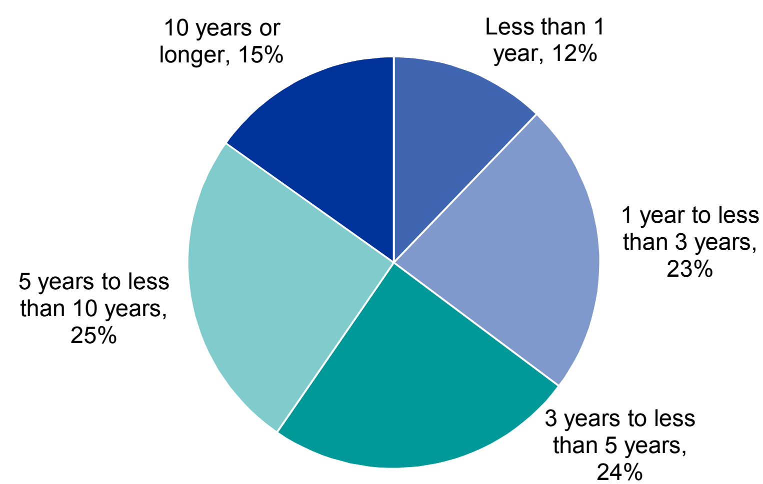
Center information

- The average number of SSCs per company this year was 2.9 — an increase of 11% over 2009
- The average number of centers increases with size of the organization
- The average age across all centers was 4.9 years with the majority being over 3 years old
- Over half of the SSCs in the survey had less than 100 employees
  - Less than 100 people: 51%
  - Between 101 and 250: 27%
  - Between 251 and 499: 12%
  - 500 or more: 10%

What is the average number of SSCs by size of organization?



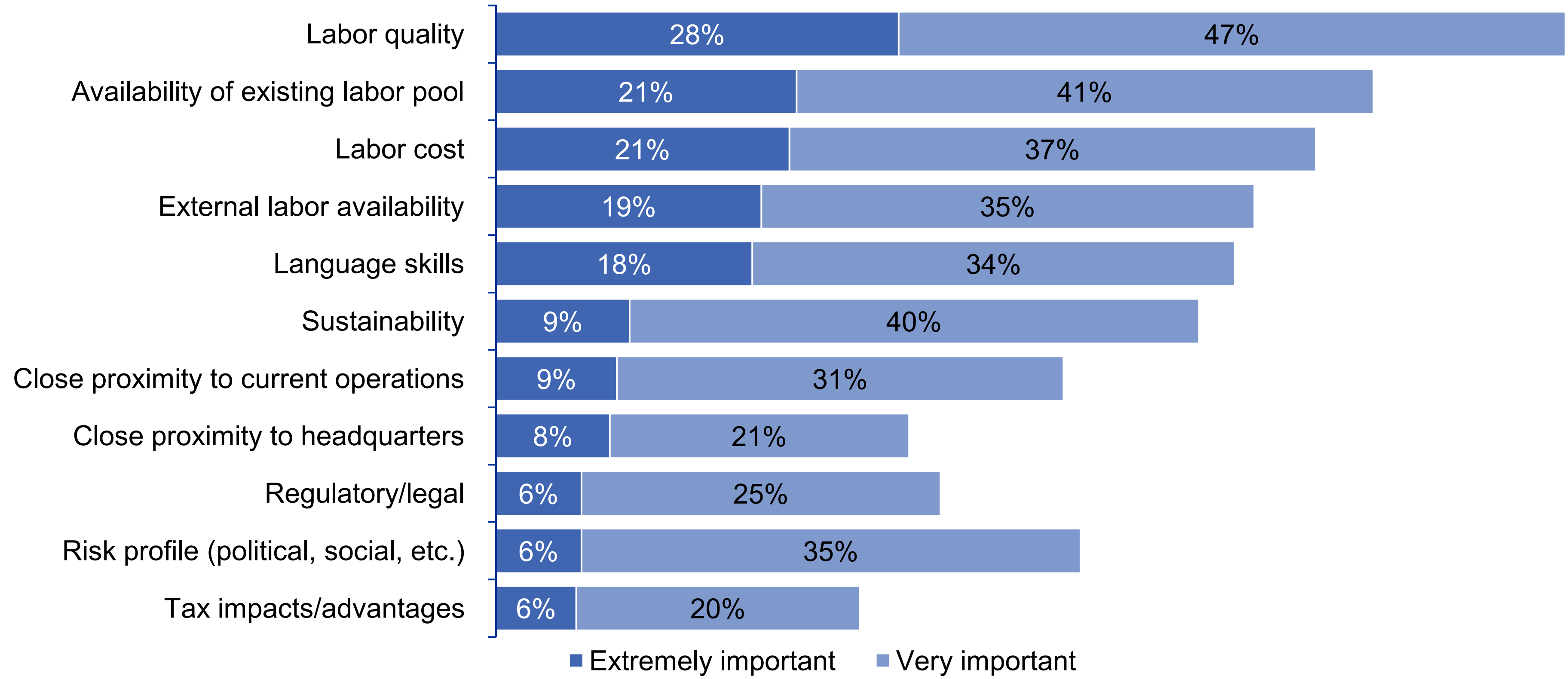
How long have your organization's SSC(s) been operating?



Geography

Where are your organization's Shared Service centers located?

What were the key factors in selecting the organization's current SSC location(s)?

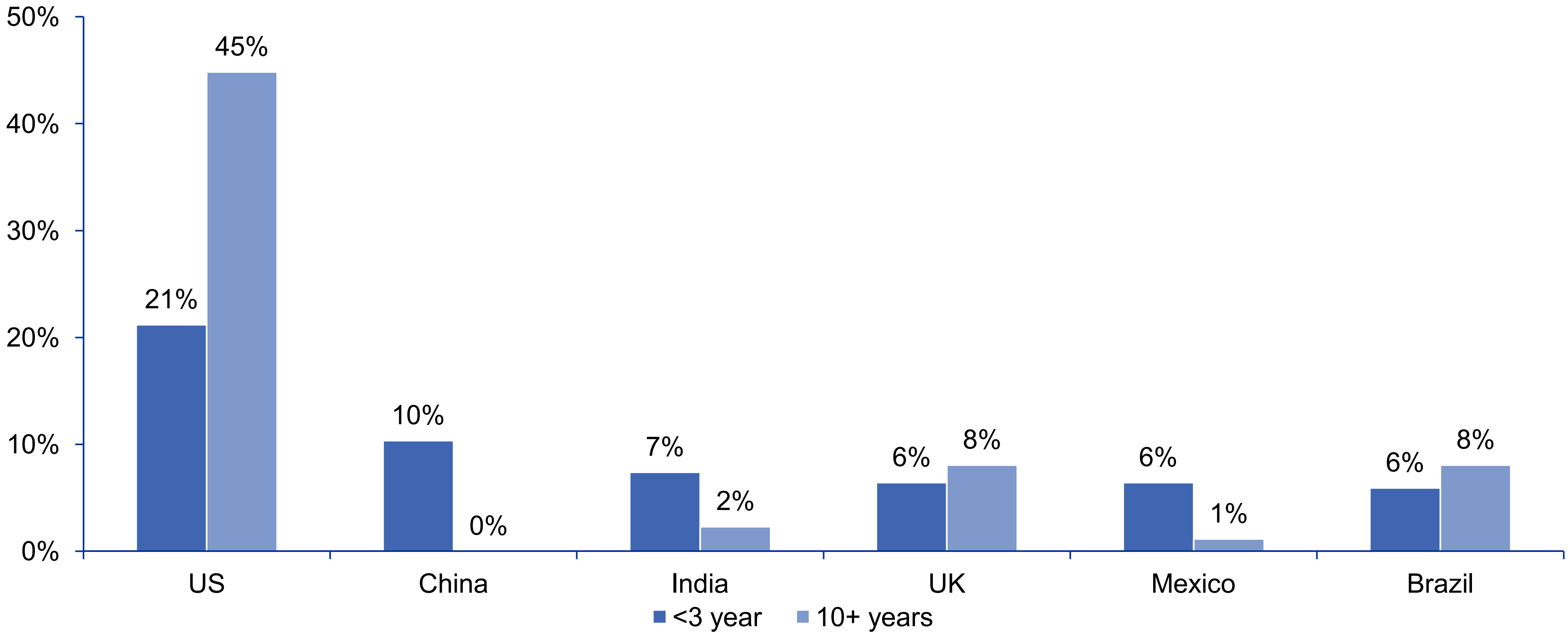


Location factors

- Labor factors (quality, availability, and language) continue to drive the location selection
- Labor cost increased in importance by 23% and moved back into one of the top three evaluation factors
- Proximity to current operations significantly dropped in importance falling to seventh from the second factor — a drop of 50% from 2009
- Sustainability factors are increasing in importance as a shared services site selection factor

How have locations shifted over time?

Top 5 locations by maturity of center

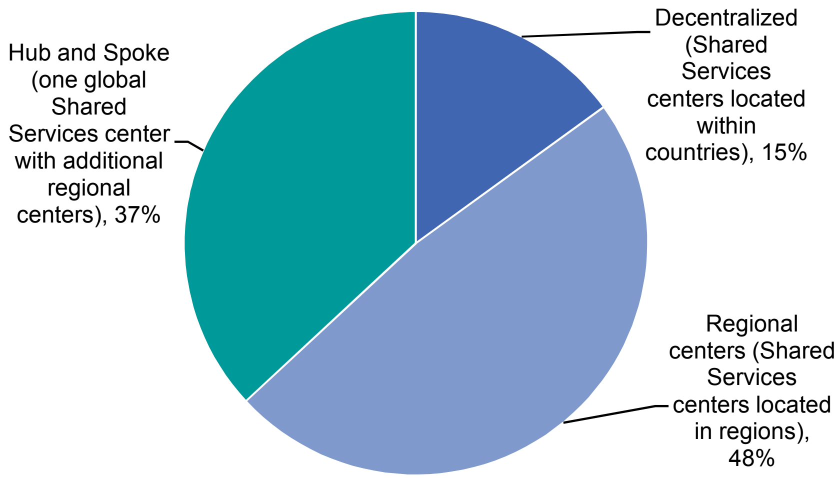


Location of SSCs

- The U.S. has the most well-established Shared Services market with over 44% of the centers that are over 10 years old
- Four of every five new centers (less than 3 years in age) have been set up outside of the United States

What is the global reach of your centers?

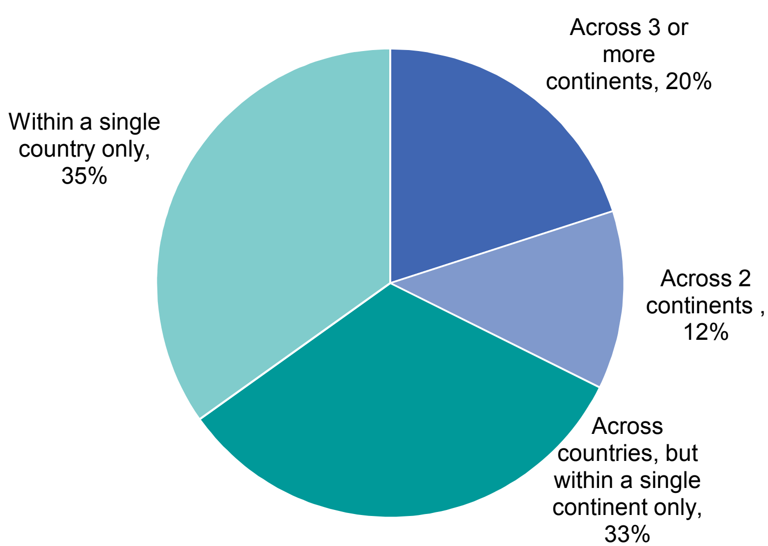
What is the predominant model of deployment of your Shared Services organization?



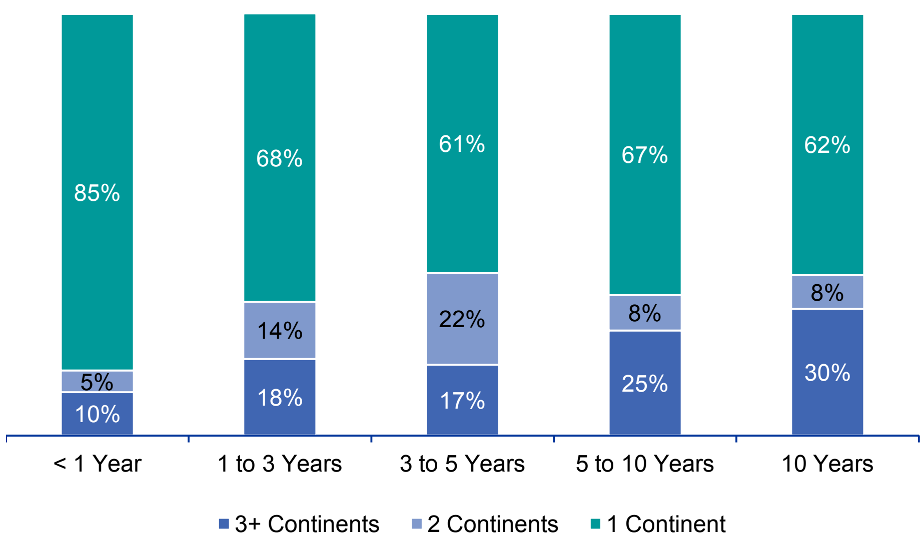
Deployment and Geography

- Regional centers were the most dominant geographic deployment model, though Hub and Spoke is in place in over a third of respondents
- 65% of respondents reported their SSCs to be providing services to more than one country
- The percent of SSCs serving 3 or more continents increased 43% from those reported in 2009
- More mature centers indicated that they serve more geographies than newer centers

How many geographies do your SSCs serve?



Geographies served based on maturity of center



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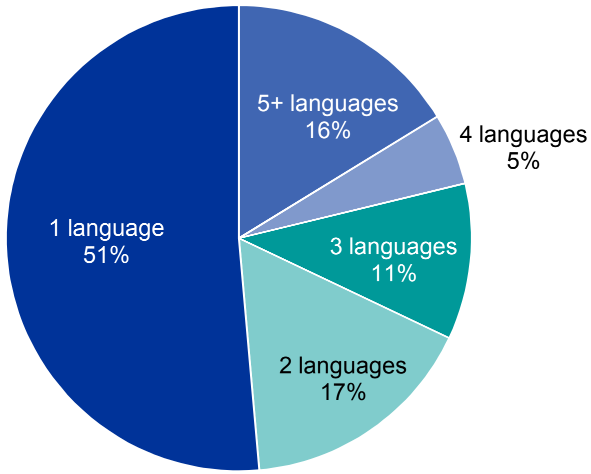
What is your SSC's ability to support multiple language requirements?

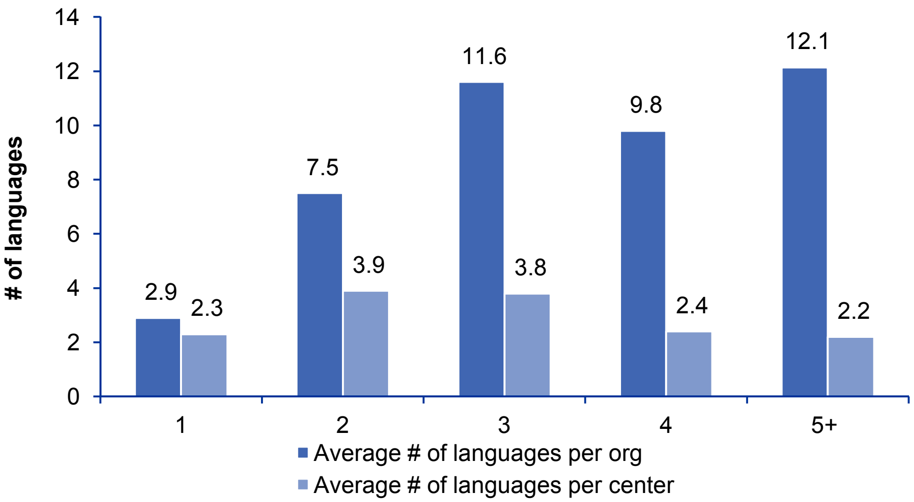
How many languages are supported by each SSC?



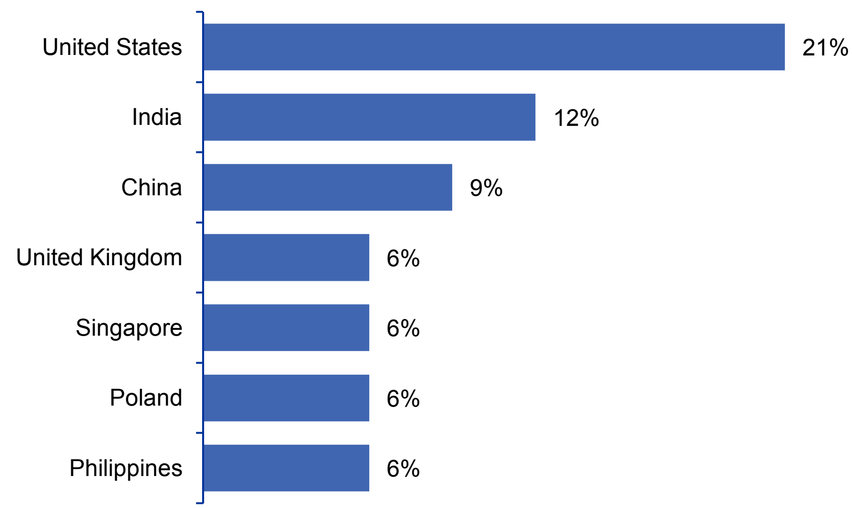
Language

- The European region contains the SSCs that support the highest number of languages and a majority of those only support that region
- The average number of languages supported by a single SSC is 3, however 7% of centers are able to support 10 or more languages
- The U.S. has the highest concentration of multi-language centers serving multiple continents

Is there a relationship between # of centers and # of languages?



Top countries with SSCs serving more than three continents and supporting more than four languages



Do you believe your organization will relocate any of its SSC(s) in the future?

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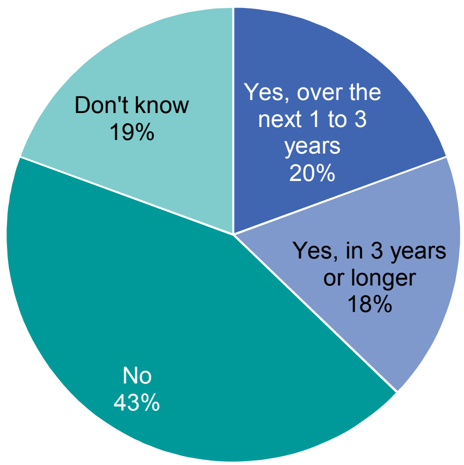
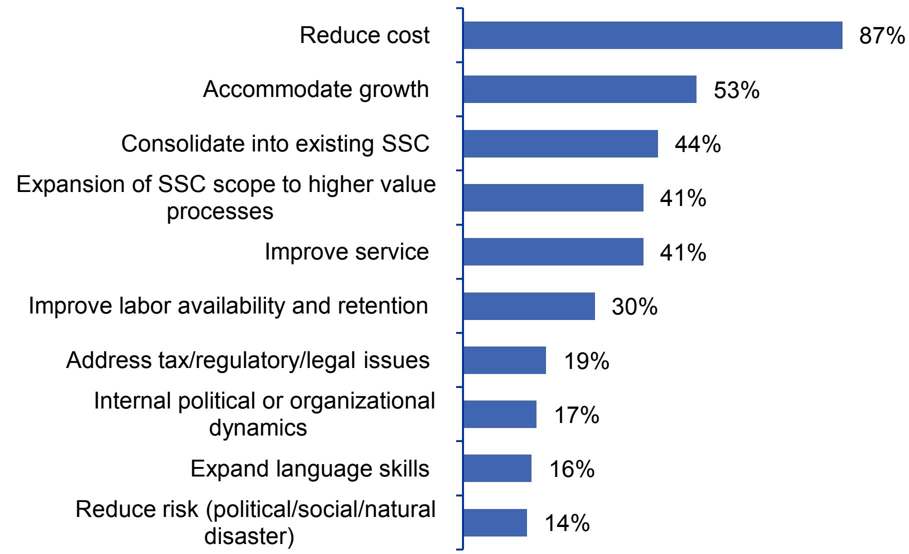
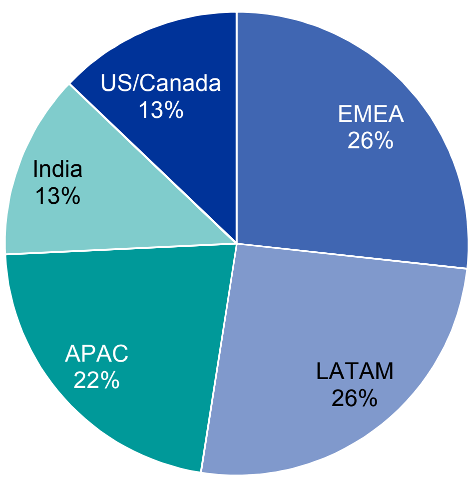


What are the most important reasons for relocation?



What locations are you considering for relocation?

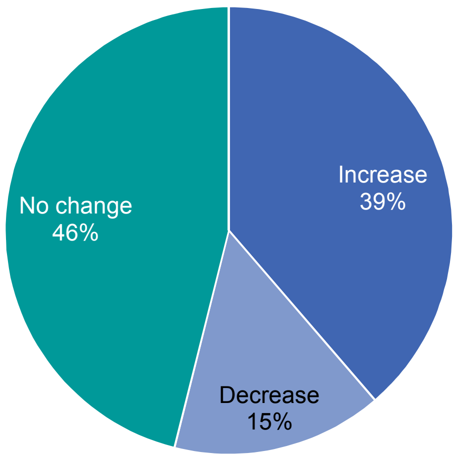


Anticipated relocation

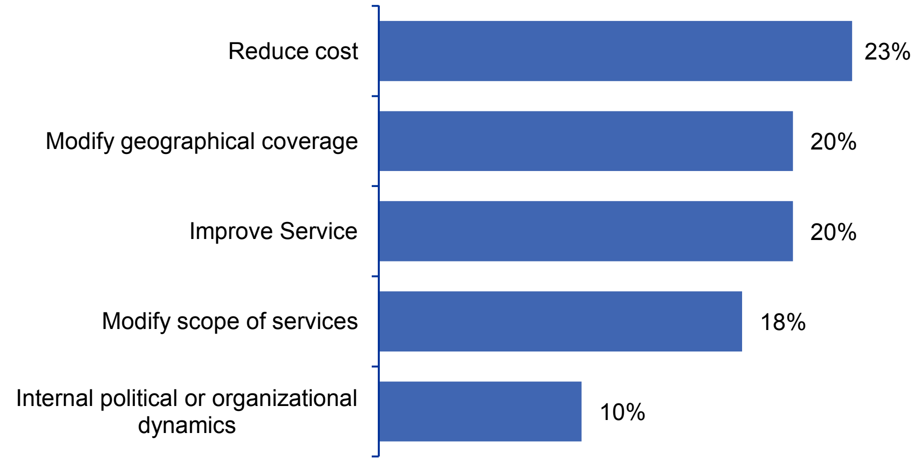
- 38% of respondents indicate plans to relocate their SSCs — approximately the same as in 2009
- Collectively, performance related factors (cost, service, and labor) were the drivers for relocation
- Accommodating growth became the second most important factor, increasing in importance by 15% since 2009
- 72% of respondents with plans to relocate said they would likely select a more established/mature location versus a pioneering location

Do you believe the number of SSC(s) in your organization will change?

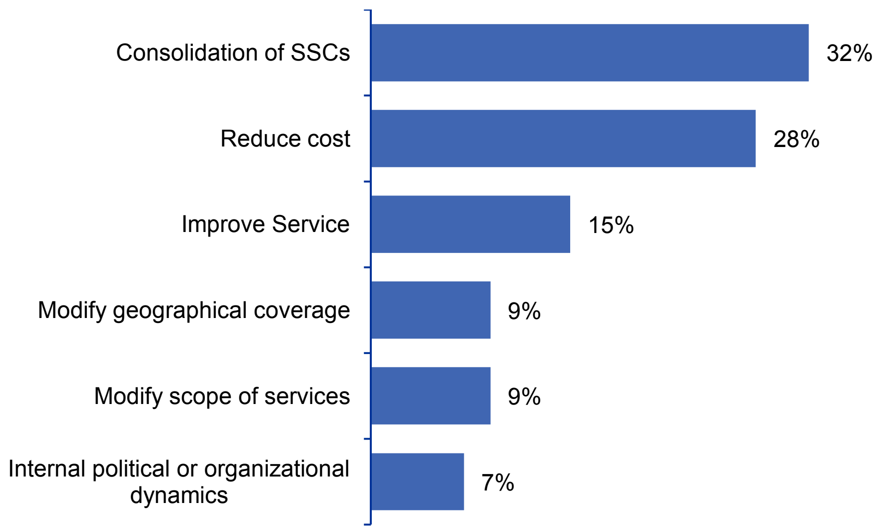
How do you believe the number of physical SSCs will change over the next five years?



What is the main driver for an increase in SSCs?



What is the main driver for a decrease in SSCs?



Expected Change in SSC(s)

- More participants indicated no change in the number of centers -- up 28% from 2009, with 19% fewer indicating a likely increase in the number of centers
- Cost reduction continues to be the primary driver for increasing the number of SSCs
- Improving geographical coverage and service levels have both increased in importance since 2009
- Almost all of the respondents that indicated consolidation of SSCs also noted reducing cost as a key driver

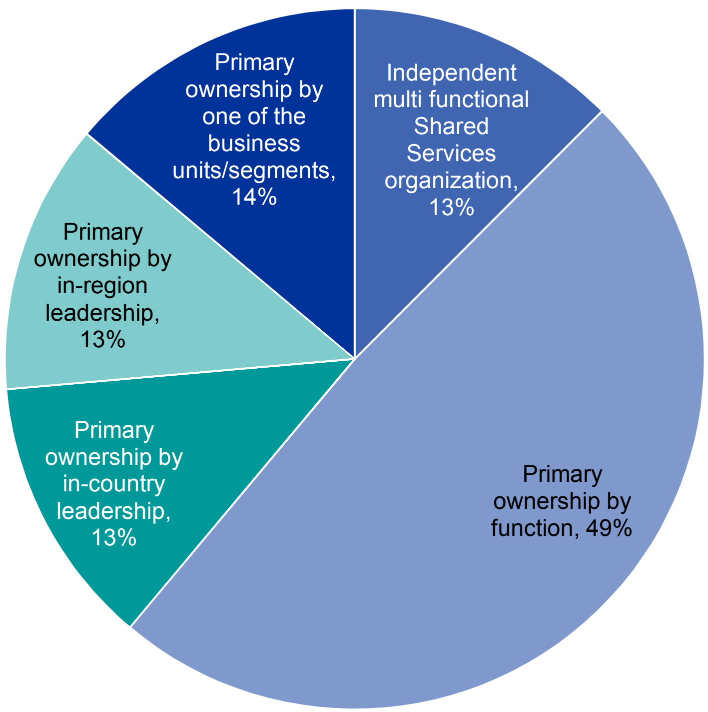
Key trends in geography

- Shared services is increasing its reach into the "middle market" — driven by the same needs as those of larger companies, and now viewed as a demonstrated platform for improving delivery and reducing costs
- Organizations continue to refine their SSC delivery model and are continuing to migrate from decentralized SSC delivery, to regional centers, to a global hub & spoke model
- Labor factors continue to drive location selection for SSCs — quality, availability, and language skills — while cost stays top of mind
- Numerous factors such as the need to support growth and improve performance is driving organizations to adjust where their centers are located and how many centers they operate
- New SSCs activity continues, a combination of new and redeployed SS operations, with particular focus on Latin America and Asia – both for regional centers and lower cost alternatives for serving the Americas and Western Europe

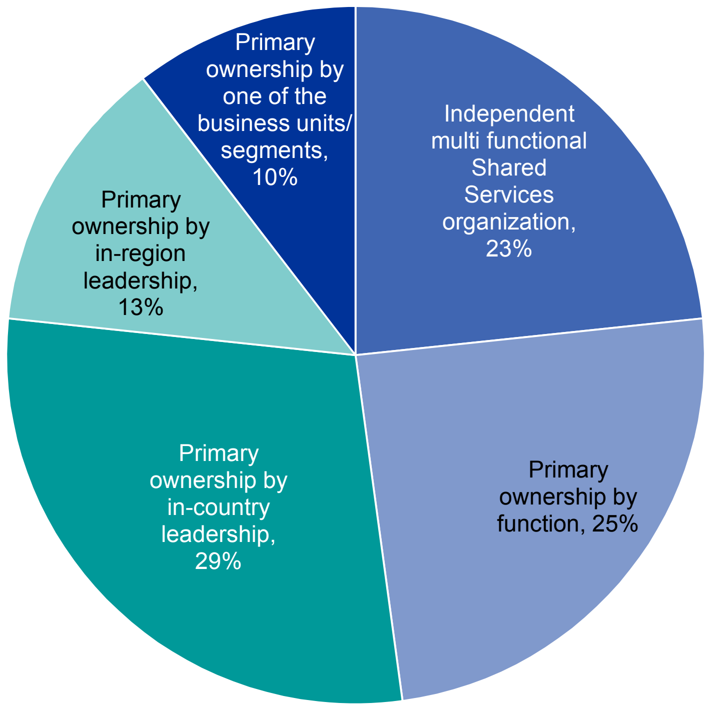
Organization

What is the predominant reporting relationship for your SSCs?

For organizations with single process areas in Shared Services, what is the predominant reporting relationship for SSCs?



For organizations with multiple process areas in Shared Services, what is the predominant reporting relationship for SSCs?

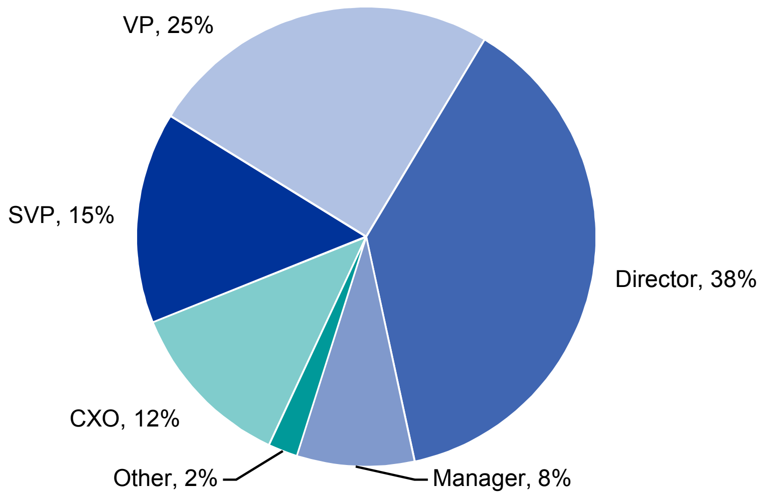


Reporting model

- The predominant reporting relationship for SSCs varied greatly and there was no relationship between geographic deployment model and reporting relationship
- There is an increase in reporting to independent Shared Services organization as well as in-country leadership as companies move from having a single process to multiple processes in Shared Services

Who has responsibility for your SSCs?

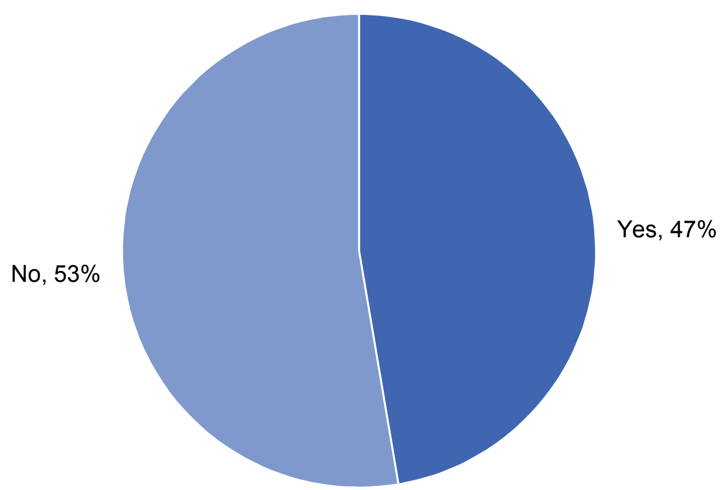
What level is leading your individual SSCs?



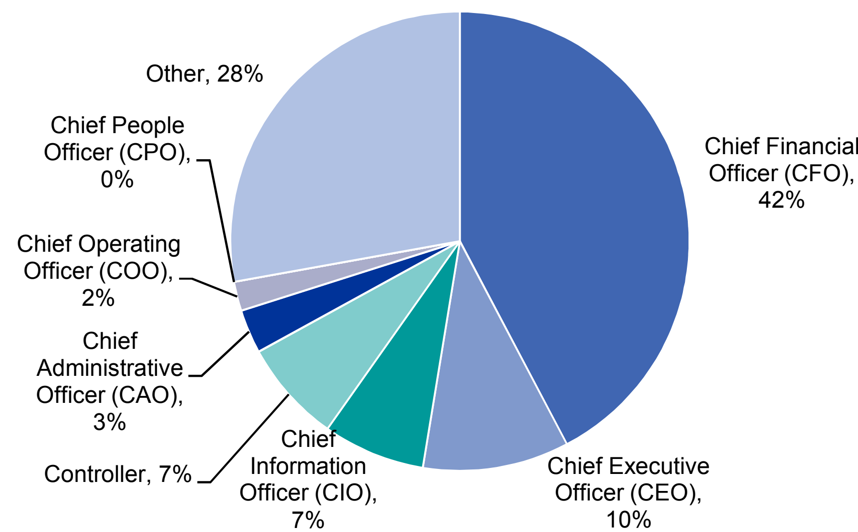
SSC responsibility

- Over half of respondents have VPs or higher leading individual SSCs
- Almost half of the respondents have created a formal position to manage their collection of SSCs
- CFO continues to be the most typical top executive responsible for the Shared Services organization
- Some organizations appear to have moved away from using the term Shared Services in favor of terms like “Global Business Services,” “Global Support Services,” and “Global Business Solutions”

Has a position been created to manage the collection of SSCs across the organization?



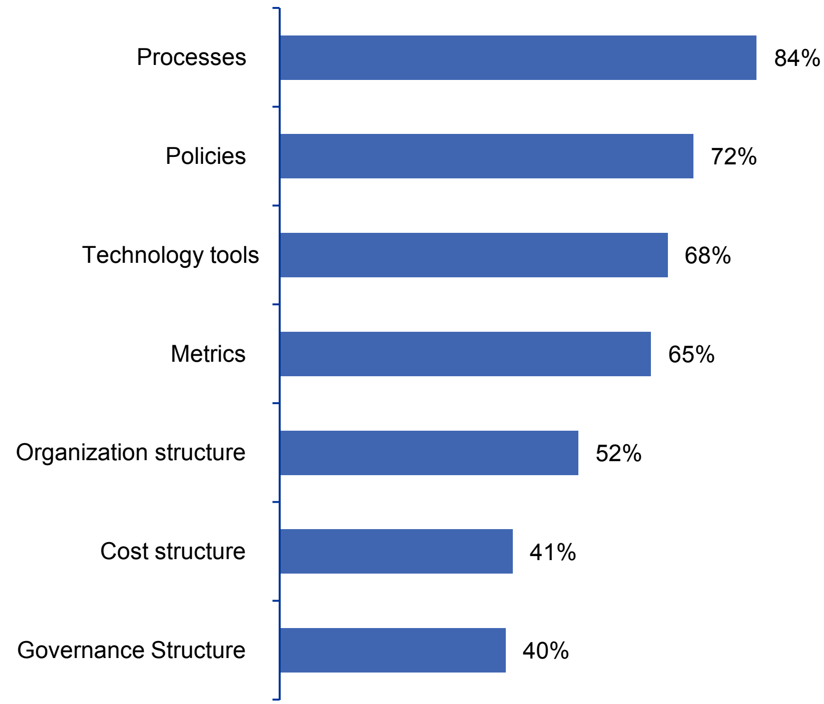
Who does that position report to?



How do you drive governance and consistency across your SSC(s)?

What elements are part of your company's governance structure for its SSCs?

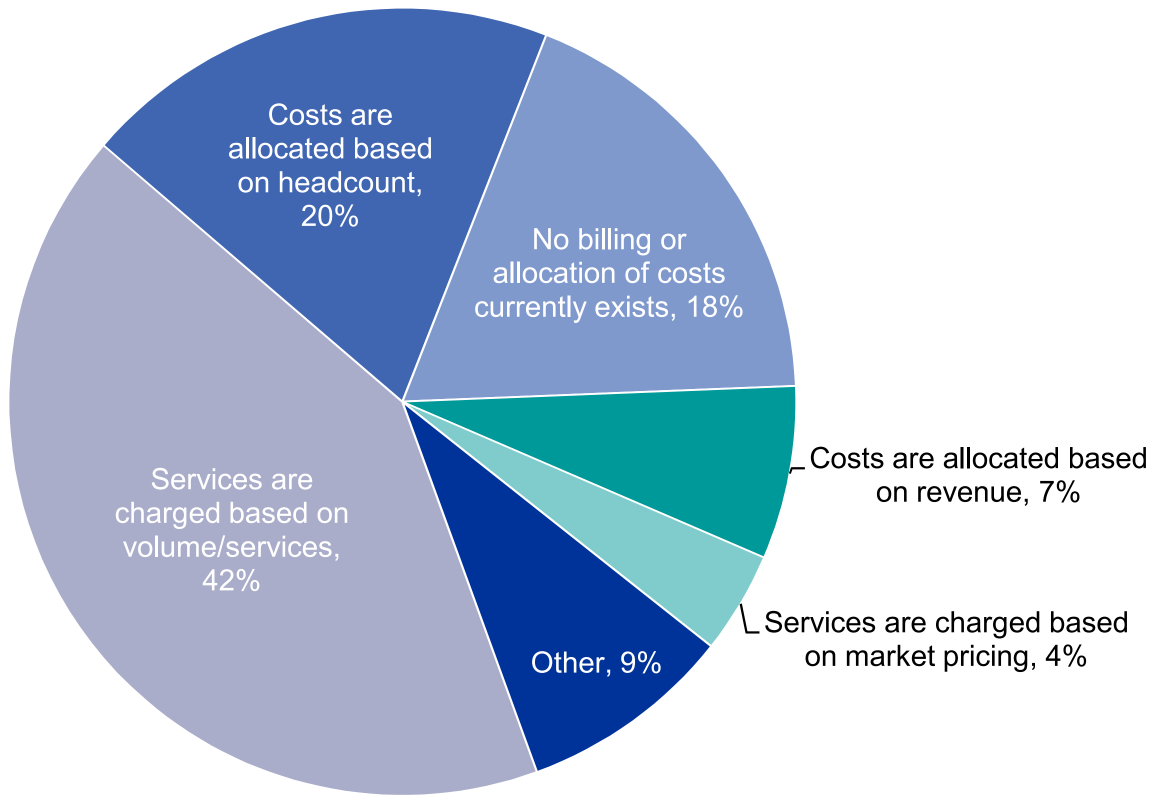
In what areas does your company attempt to drive consistency across its SSCs?



Governance and consistency

- Performance measures and service level agreements remain the most common governance elements
- There was a 17% increase in the number of companies utilizing global and/or regional process owners since 2009
- There continues to be a focus on driving consistency across SSCs in numerous areas — and processes is once again the top area
- The majority of companies responded that 50% or more of the processes in their SSCs are standardized for all customers

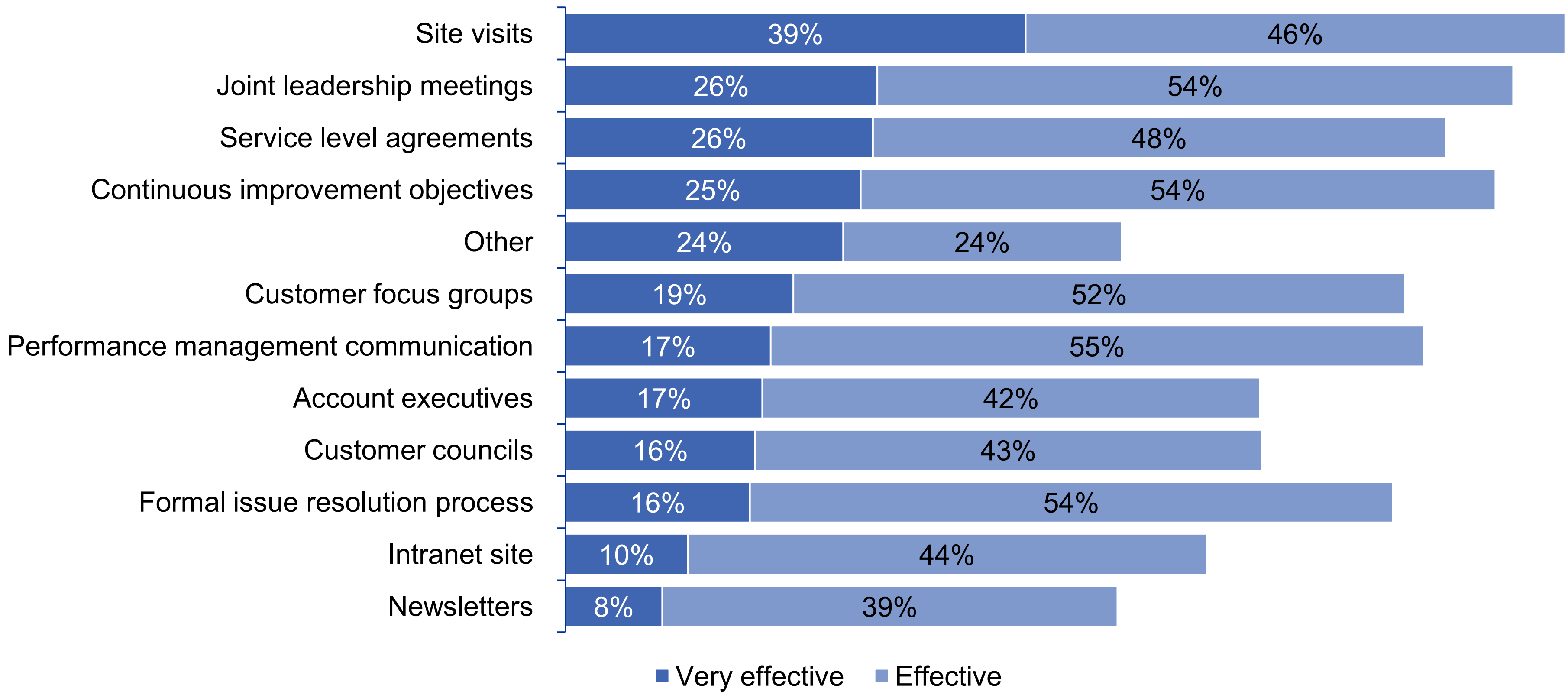
How are Shared Services primarily being charged back to the locations/divisions serviced by the Shared Services Organization?



Chargeback models

- Since 1999, services charged based on volume continue to be the primary chargeback model used by respondents
- For new SSCs, there is an equal distribution of the top three chargeback models (volume, headcount, no allocation)
- “Other” responses primarily included a combination of 2 or more of the other models

What mechanisms are used to most effectively keep SSC(s) connected to its customers?

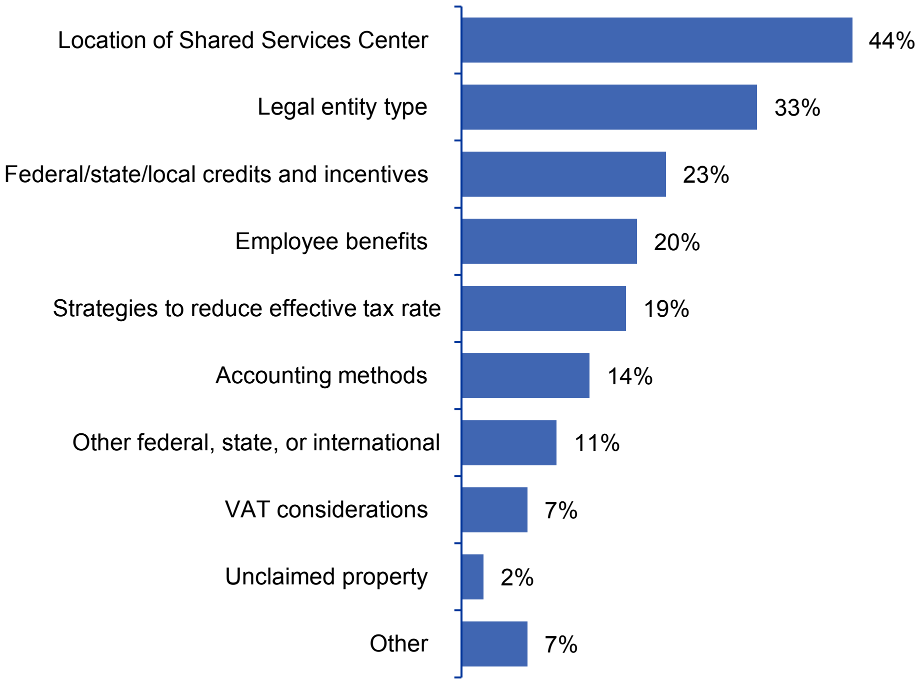


Mechanisms to stay connected

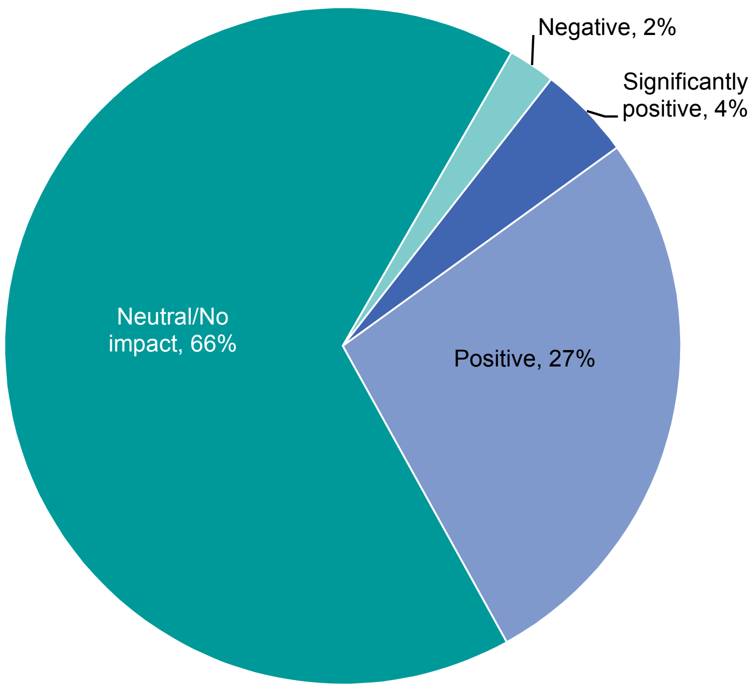
- Site visits have become the most popular mechanism to stay connected with customers — a 35% increase over 2009
- “Other” mechanisms reported include customer surveys and joint projects/initiatives
- The usage of newsletters has more than doubled since 2009, however it is still the least used mechanism to drive connection

How did tax considerations impact the formation of the Shared Services Center?

What tax considerations were taken into account prior to or in connection with the formation of the SSCs?



What were the tax impacts of moving to Shared Services?



Impacts of tax

- 30% of organizations did not take any of the above tax considerations into account during their Shared Services journey
- Location of the center and legal entity type were the primary considerations taken into account
- Those respondents who noted positive tax impacts took into account multiple tax considerations

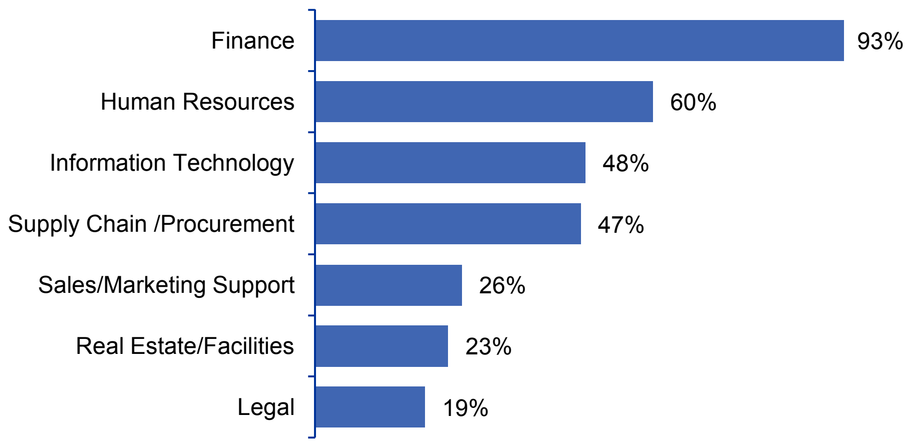
Key trends in organization

- As organizations increase their portfolio of offerings and geographies served, we see shared services reporting relationships mature to independence from former arrangements with local business units or functions
- As more organizations pursue global centers, an increasing number of governance elements must be put in place — particularly around regional and global process owners — to drive and maintain standardization
- There is no one right way to approach chargeback mechanisms, but clarity in calculation is a must in managing successful relationships
- SSCs are not only increasing their relationship management strategies but also putting some accountability back on the business units to remain connected through joint projects and initiatives
- Organizations are missing the opportunity for incremental savings if they do not include tax considerations in their overall business case; tax departments should be included in the Shared Services discussions

Scope

What is the scope of your Shared Services Centers?

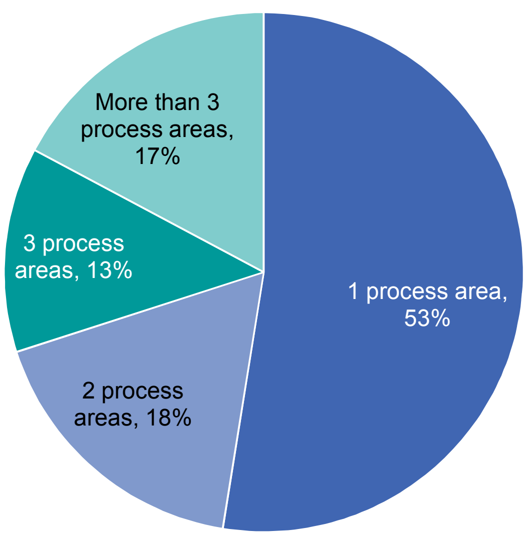
What process areas are in your organization's SSCs?



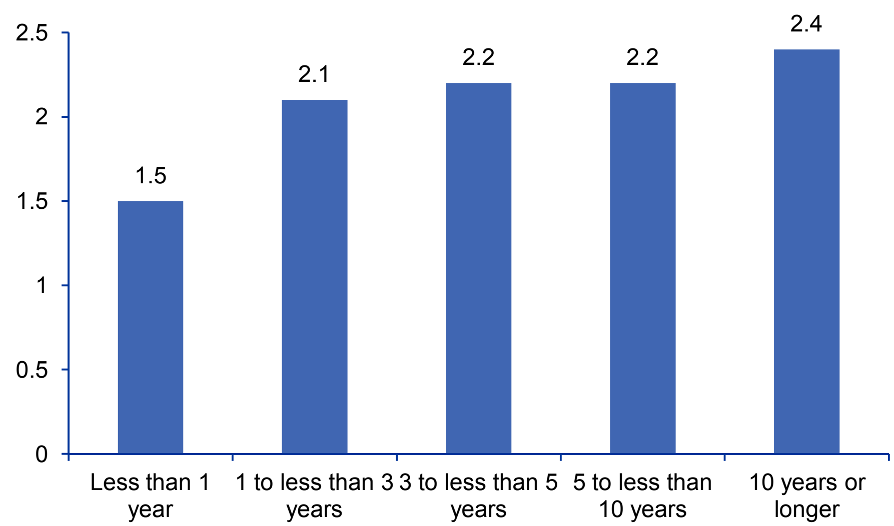
Overall scope

- Finance continues to be the process area most often moved into Shared Services
- 47% of the SSCs represented in the survey have more than one process area in their center
- Finance and HR were the most commonly paired process areas in a SSC
- The more mature the center, the higher number of processes per center

What percentage of the SSCs are multifunctional?

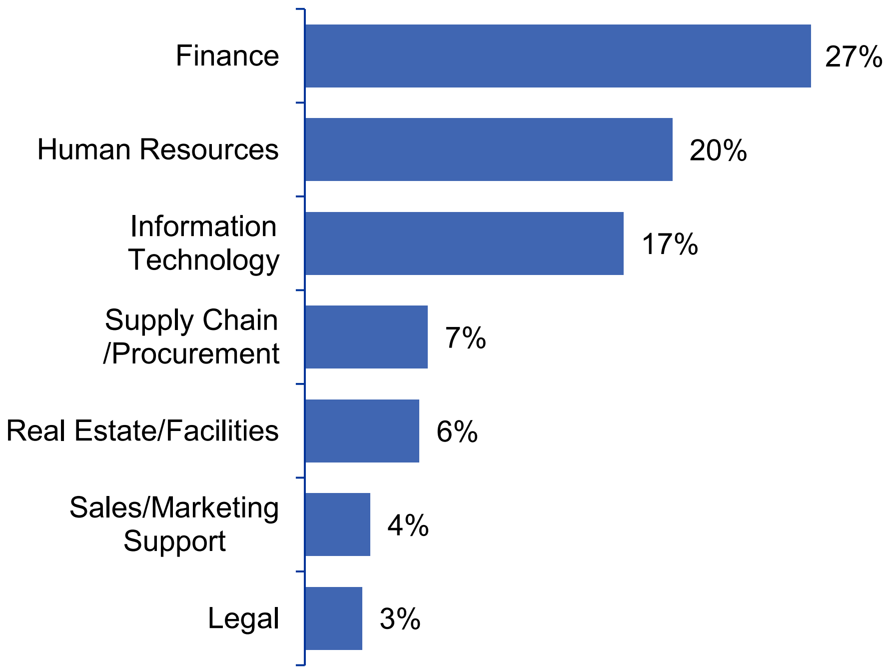


Average number of process areas by SSC maturity

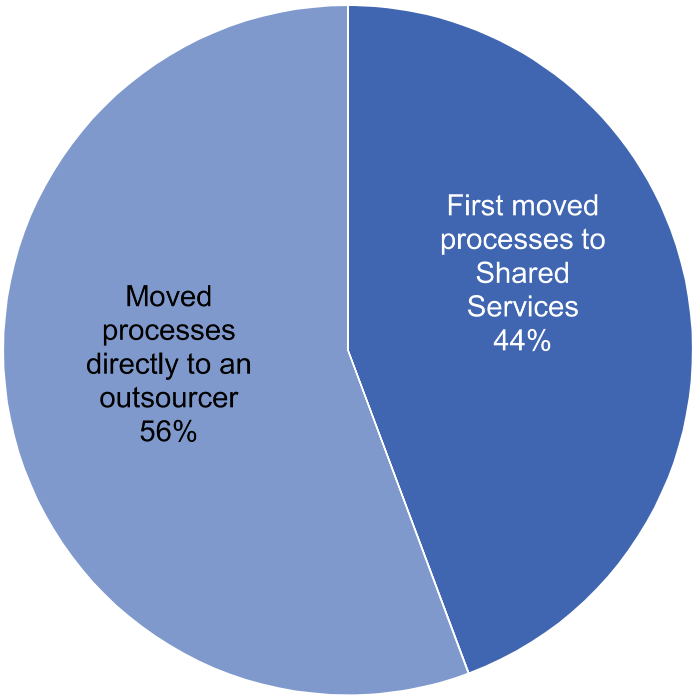


What process areas are most commonly outsourced?

% of respondents that outsource processes in each function



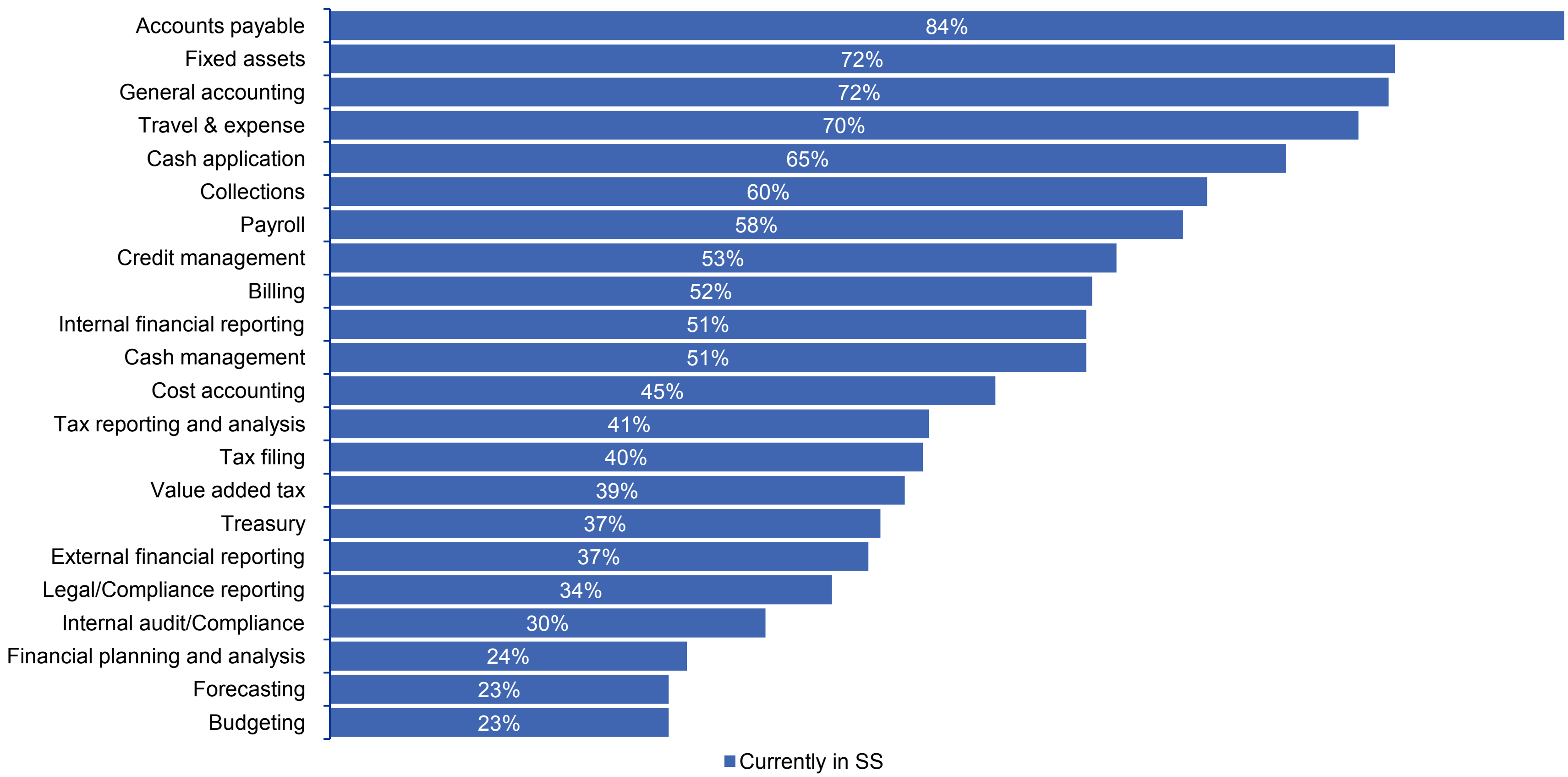
Have you typically outsourced processes directly, or used Shared Services as a step before outsourcing?



Outsourcing

- 44% of respondents indicated that they had at least one process outsourced
- Similar to the 2009 survey, Finance was the most common process outsourced
- There was an increase in the number of respondents since 2009 that have outsourced processes in HR
- Of the organizations that indicated they outsourced, over half moved directly to an outsourcer

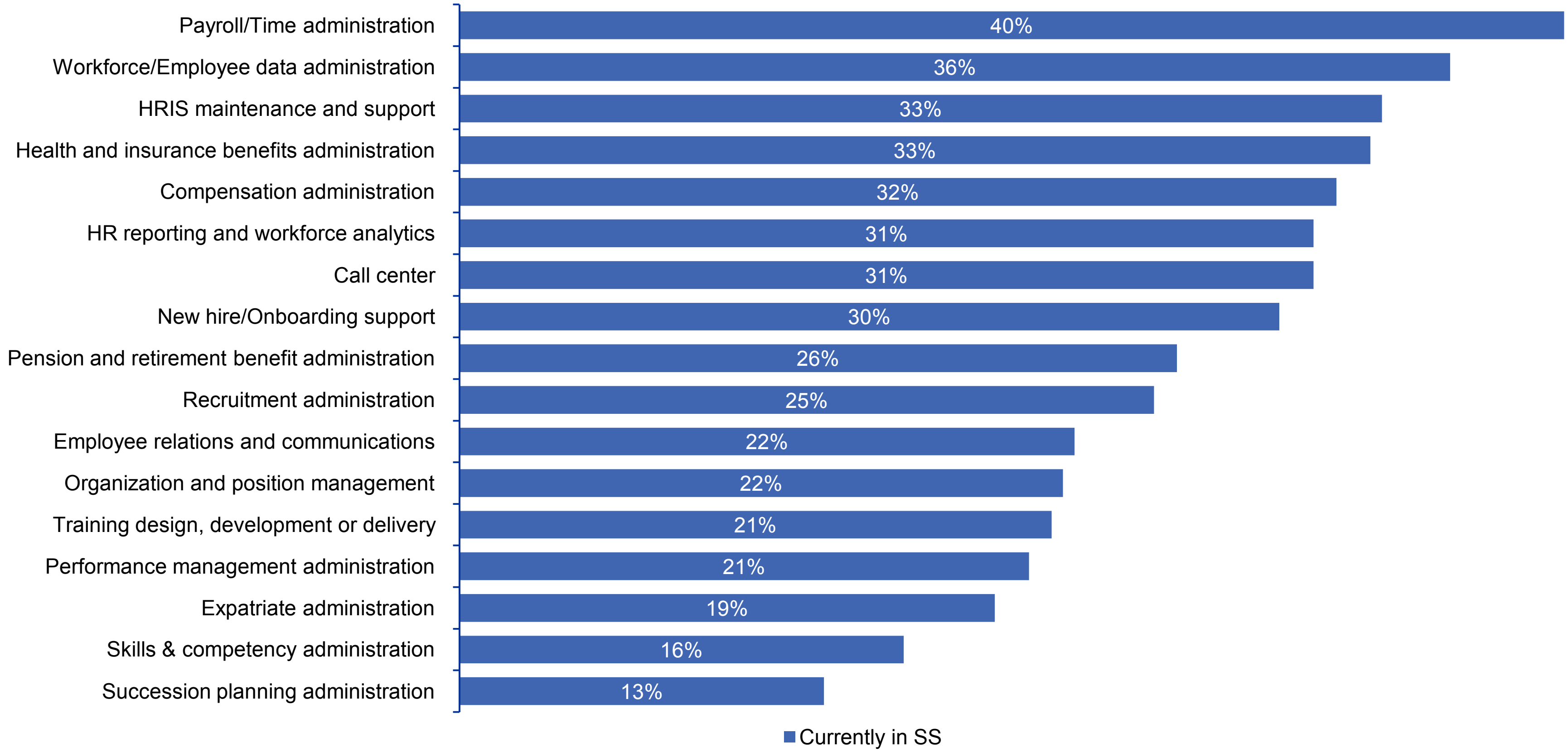
Which financial processes does your organization perform in its SSC(s)?



Financial processes

- Transactional processes continue to be the top processes denoted as Shared Services
- The top four processes in Shared Services have been the same since 2007
- Consistent with the 2009 survey, payroll, accounts payable, and travel & expense remain the top financial processes outsourced
- The largest planned shifts of financial processes to Shared Services include financial planning & analysis and forecasting

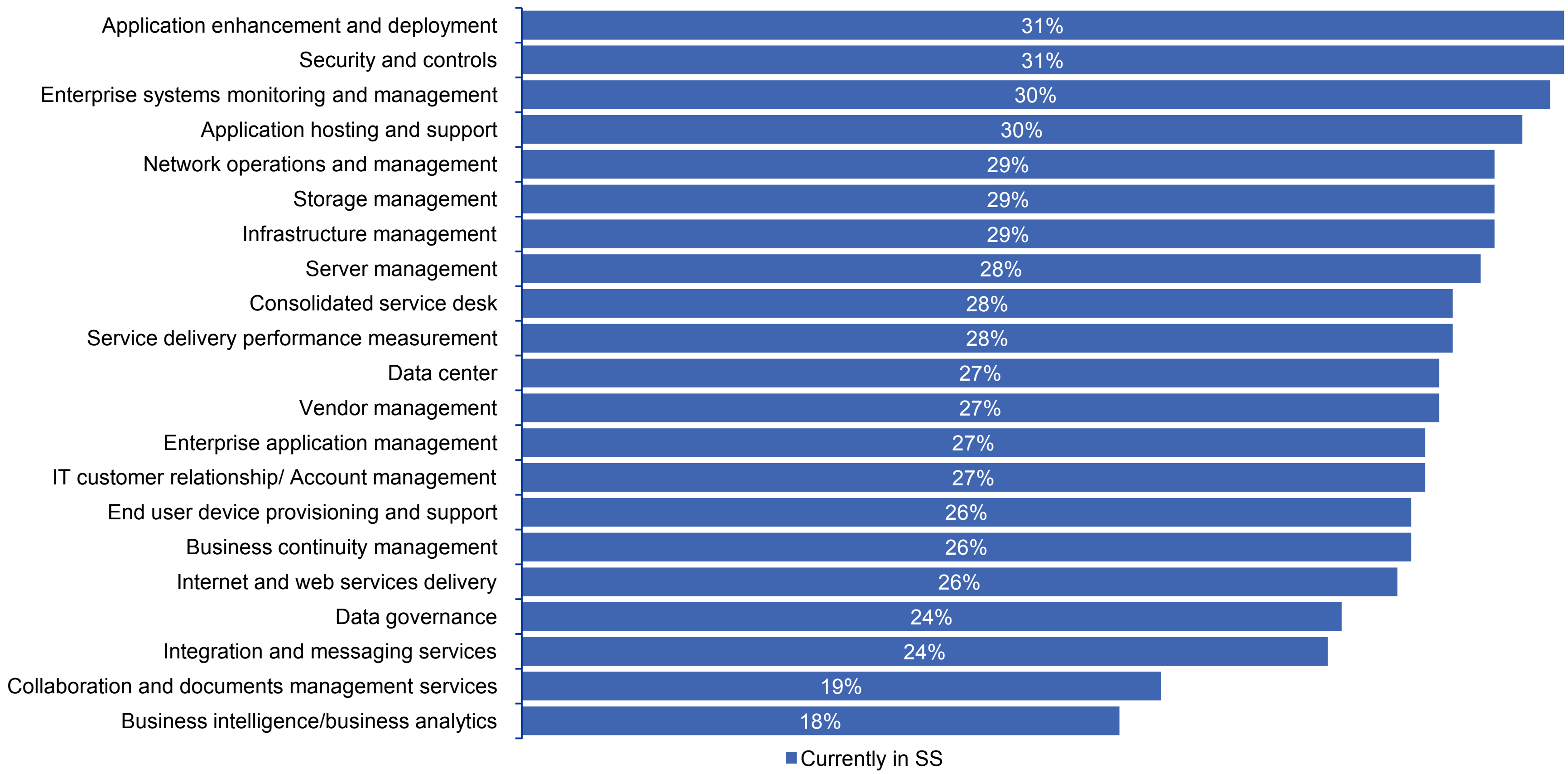
Which human resource processes does your organization perform in its SSC(s)?



HR processes

- Consistent with the 2009 survey, payroll administration continues to be the #1 HR process in Shared Services
- The most significant shift in rank from 2009 was workforce/employee data administration (2nd in rank, up from 10th)
- Pension & retirement benefit administration and health & insurance benefit administration are the top HR processes outsourced
- The largest planned shifts of HR processes to Shared Services is in training design, development or delivery

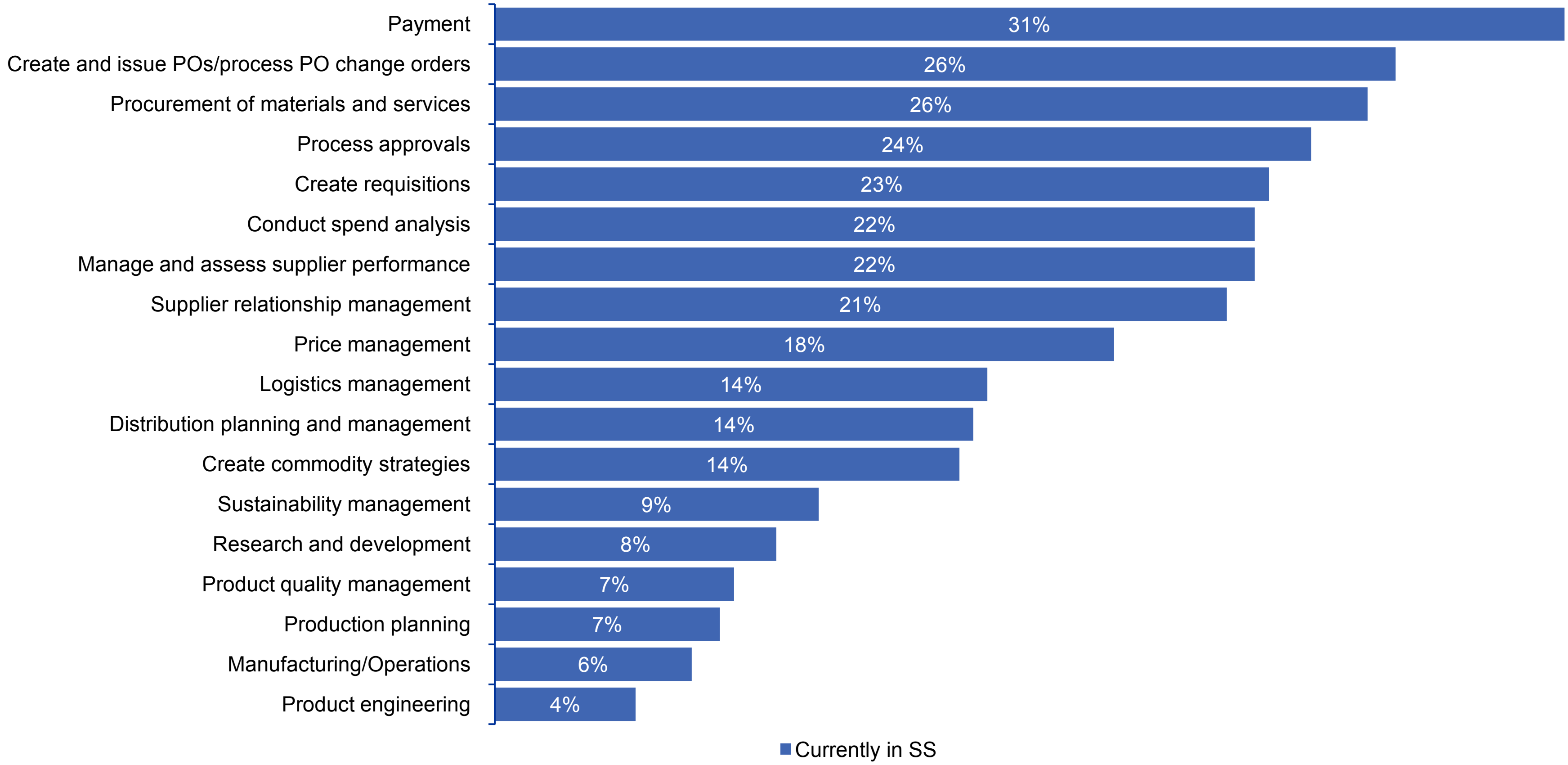
Which technology processes does your organization perform in its SSC(s)?



IT processes

- Application enhancement and deployment moved to the top ranking, up from 6th in 2009
- Data center is the top IT process outsourced
- The largest planned shifts of IT processes to Shared Services is in business intelligence / business analytics

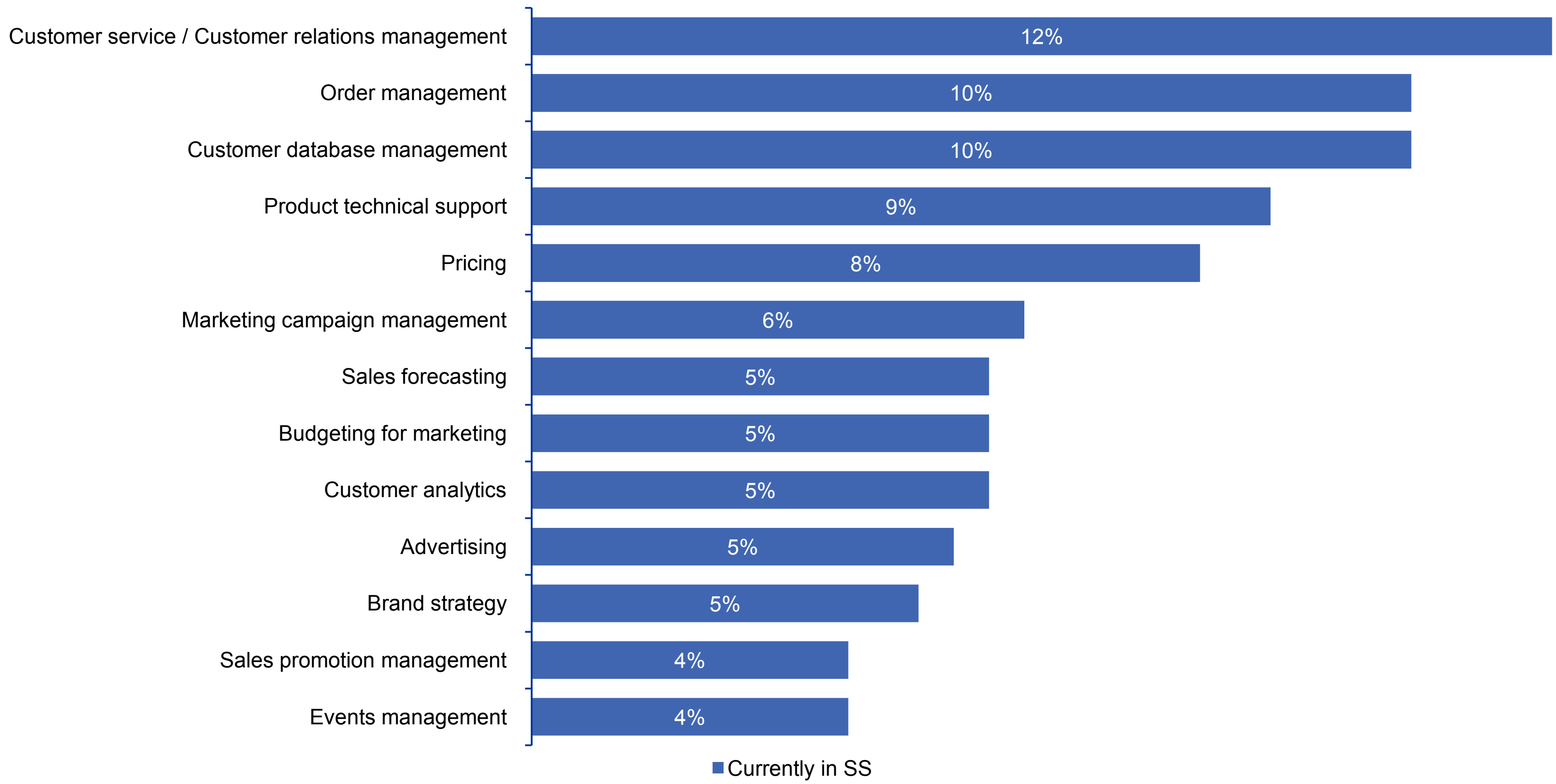
Which supply chain/procurement processes does your organization perform in its SSC(s)?



Supply Chain (SC)/Procurement processes

- Almost half of the survey respondents have supply chain/procurement processes in Shared Services
- The procurement of materials and services is the top process outsourced
- The largest planned shifts of SC/procurement processes to Shared Services involve increasing management of supplier performance and spend analysis

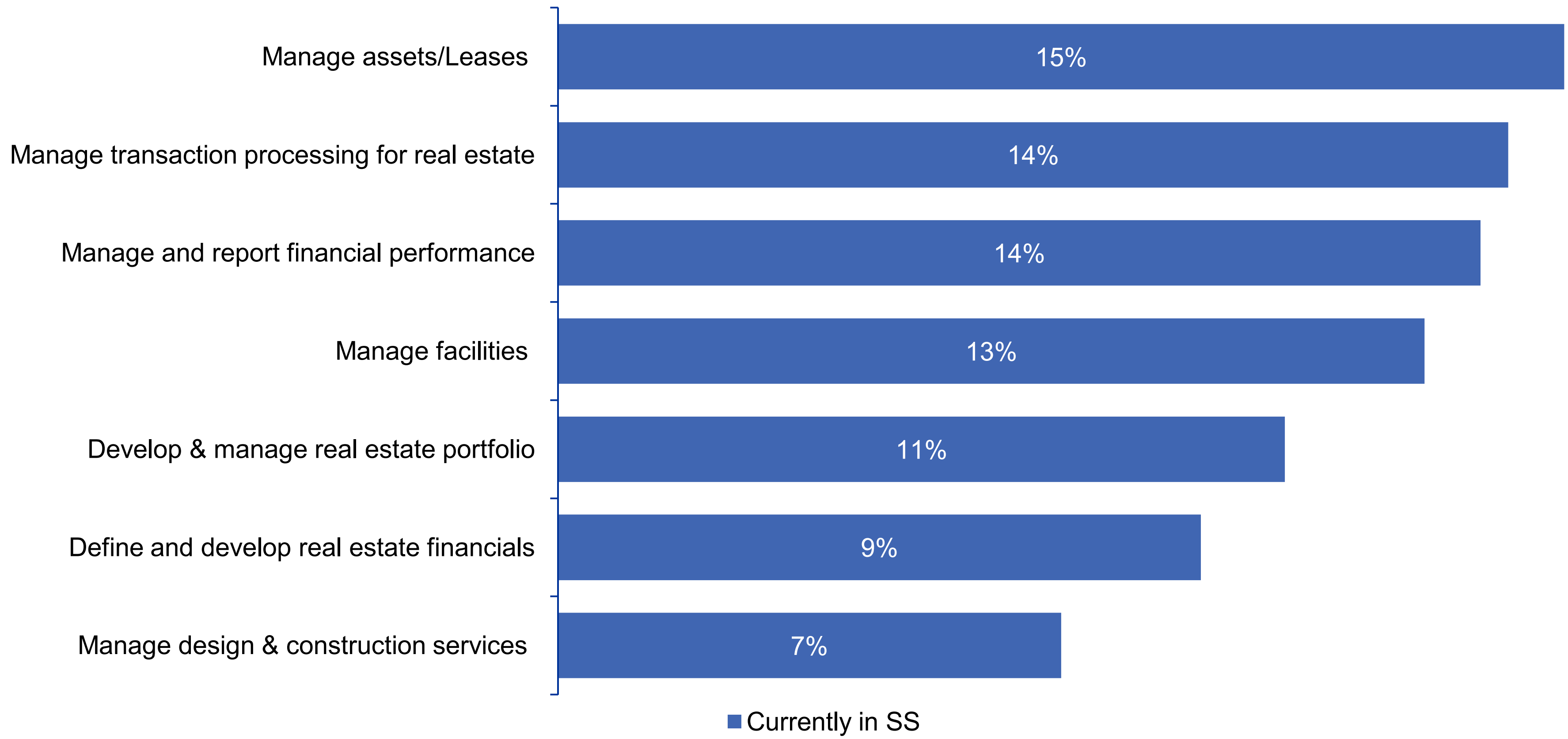
Which sales/marketing processes does your organization perform in its SSC(s)?



Sales/Marketing processes

- 26% of respondents have sales and marketing processes in Shared Services
- Customer service/customer relations management is the most common process in Shared Services
- On average, there is a planned increase of approximately 5% for all sales/marketing processes in Shared Services
- The largest planned increase in sales/marketing processes in Shared Services is for customer analytics

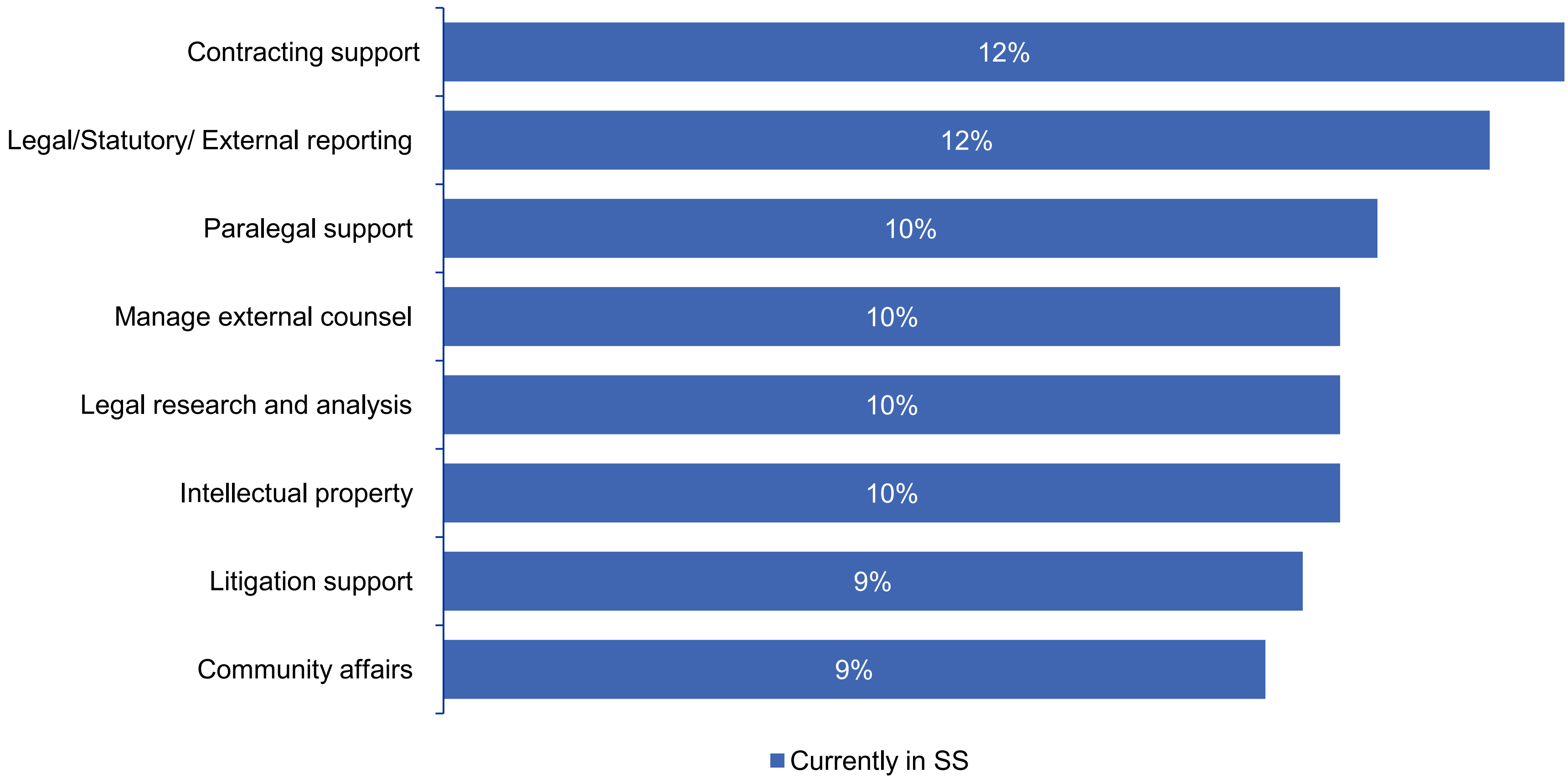
Which real estate processes does your organization perform in its SSC(s)?



Real estate processes

- 23% of respondents indicated real estate processes were in their SSCs
- The top real estate process outsourced is managing design and construction services
- Increasing real estate portfolio management is the largest planned shift to Shared Services

Which legal processes does your organization perform in its SSC(s)?

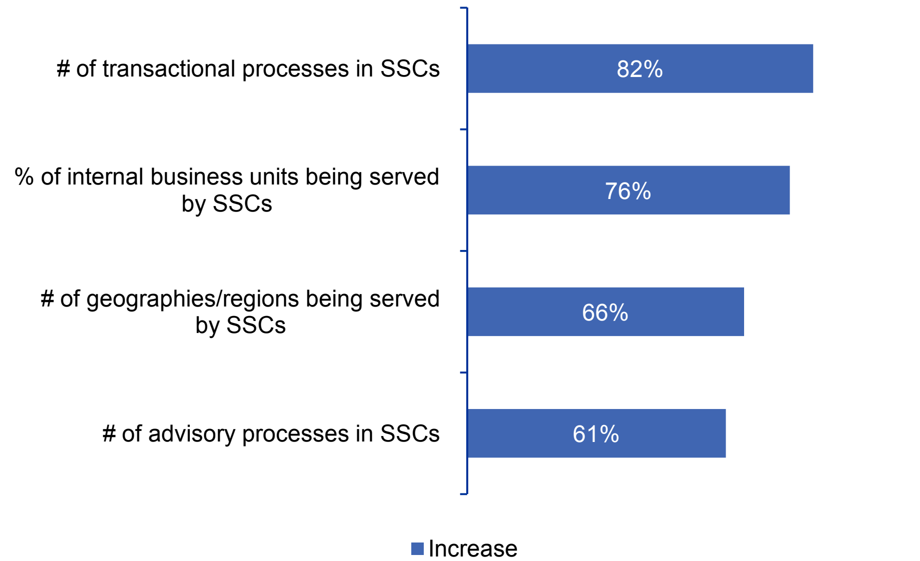


Legal processes

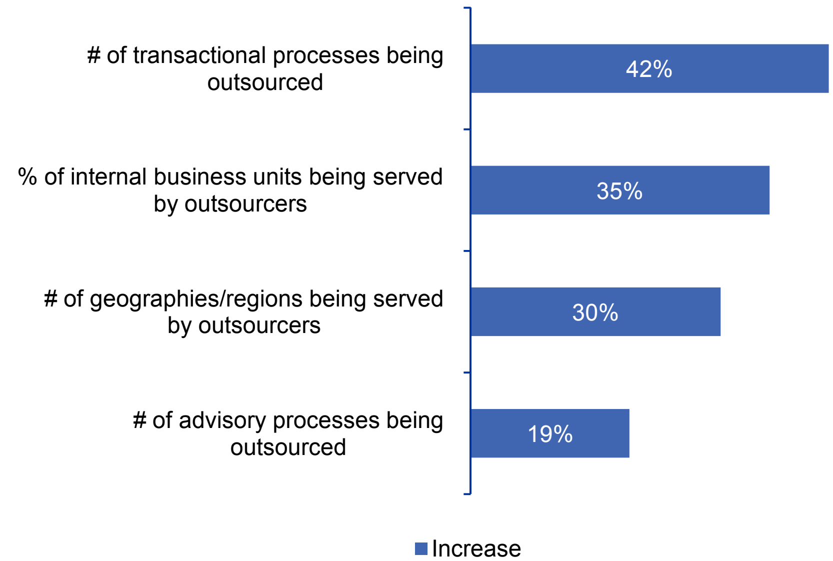
- 19% of respondents indicated that Legal processes were in Shared Services
- Legal research and analysis, intellectual property and litigation support were the most commonly outsourced processes
- Future implementations are planned for legal research, intellectual property, managing external counsel, community affairs, and contracting support

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

How do you expect your organization to change the use of Shared Services?



How do you expect your organization to change the use of Outsourcing?



Future direction for Shared Services

- The majority of survey participants plan on expanding the scope and reach of their Shared Services Centers
- There were no survey participants with plans to decrease the number of geographies or the percentage of business units being served by Shared Services
- 7% of respondents indicated a decrease in the number of transactional processes moving to Shared Services

Future direction for Outsourcing

- Over 40% of respondents are increasing the use of outsourcing
- Organizations are pursuing outsourcing for both transactional and advisory processes
- 5% of respondents had plans to decrease outsourcing

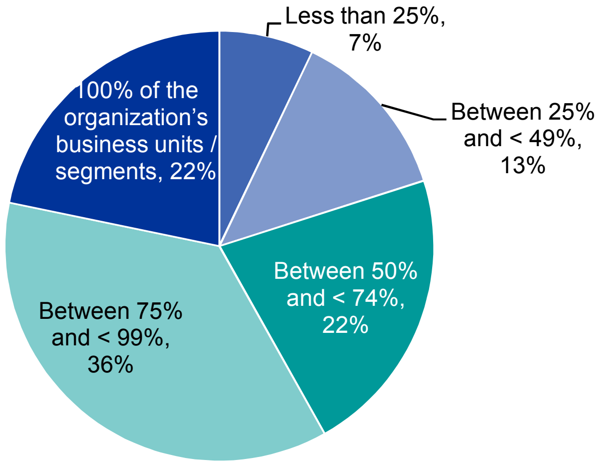
Key trends in scope

- As the more established transactional services in Finance, HR, and IT have matured and built credibility, SSCs continue to expand into more non-traditional functions such as Supply Chain, Real Estate, Marketing and Legal
- Organizations are shifting away from single function centers to multi-functional as their SSCs mature
- Executives are proactively blending Shared Services and Outsourcing to achieve the most cost efficient and flexible service delivery model for their organization
- Organizations frequently shift processes first to Shared Services in order to stabilize the linkage with the business prior to outsourcing
- Even though organizations have been shifting transactional processes into Shared Services for over twenty years, a majority are still finding more to shift
- In addition to scope expansion, organizations are continuing to deliver value through expanding across geographies and business units

Operations

How much of the organization is served by your SSCs?

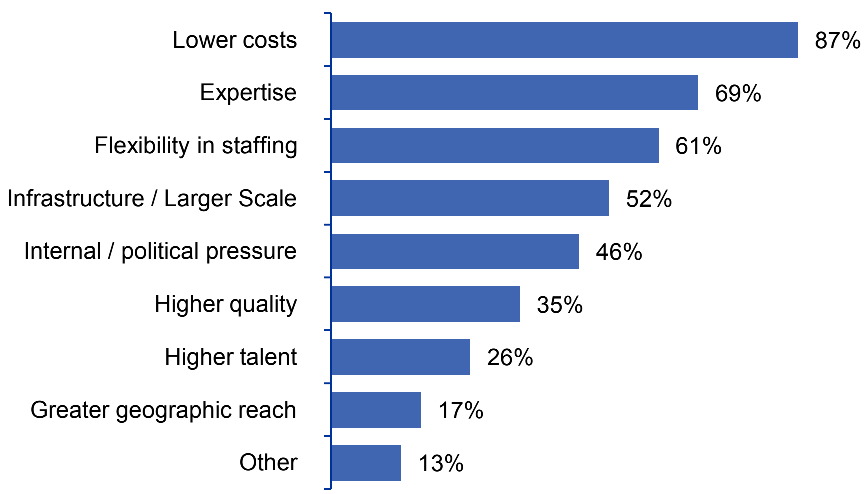
What percentage of the organization's business units/segments are served by your SSCs?



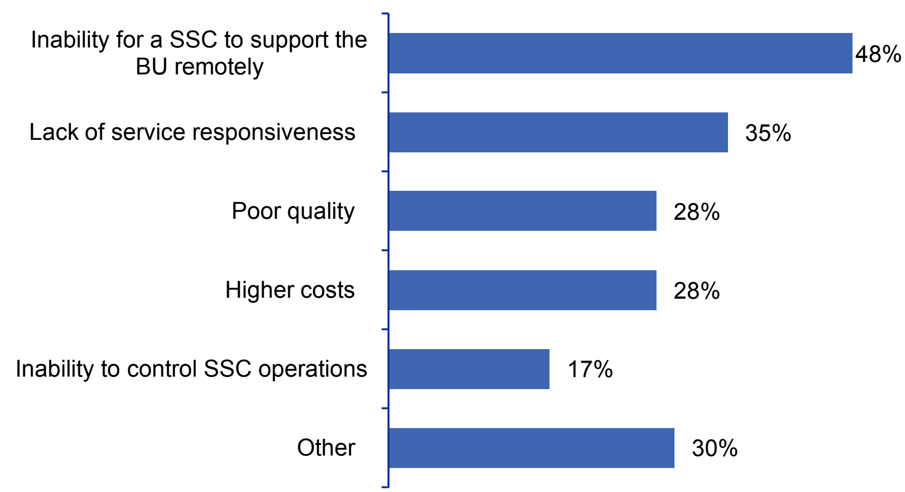
SSC scope of services

- 80% of SSCs represented in the survey serve at least half of the business units/segments of the organization
- 15% of respondents have SSCs that also serve external clients
- 77% of organizations mandate participation in Shared Services
- The top "other" reason that business units/segments choose to opt out is perceived loss of control

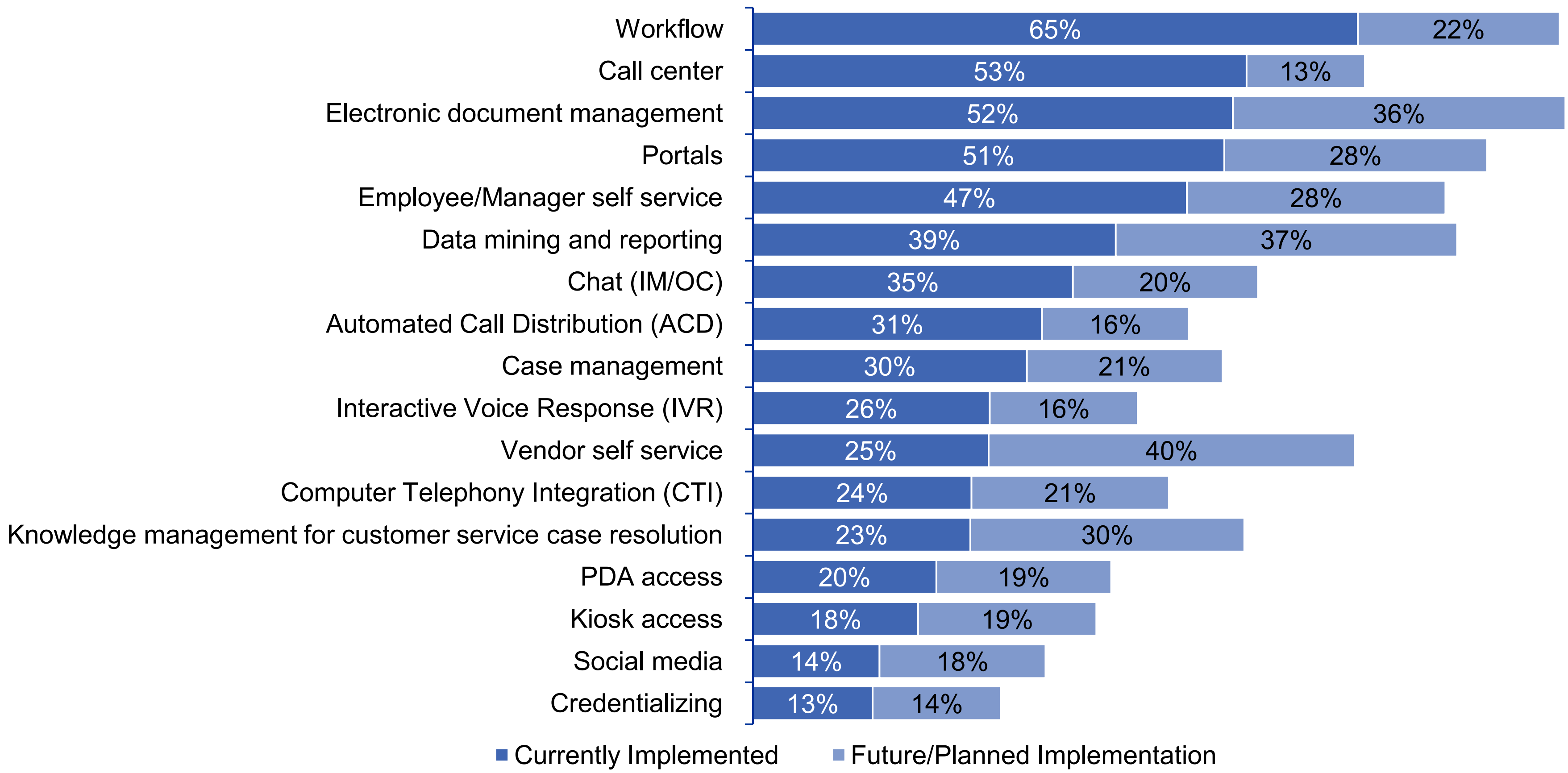
Why do business units/segments choose to opt-in?



Why do business units/segments choose to opt-out?



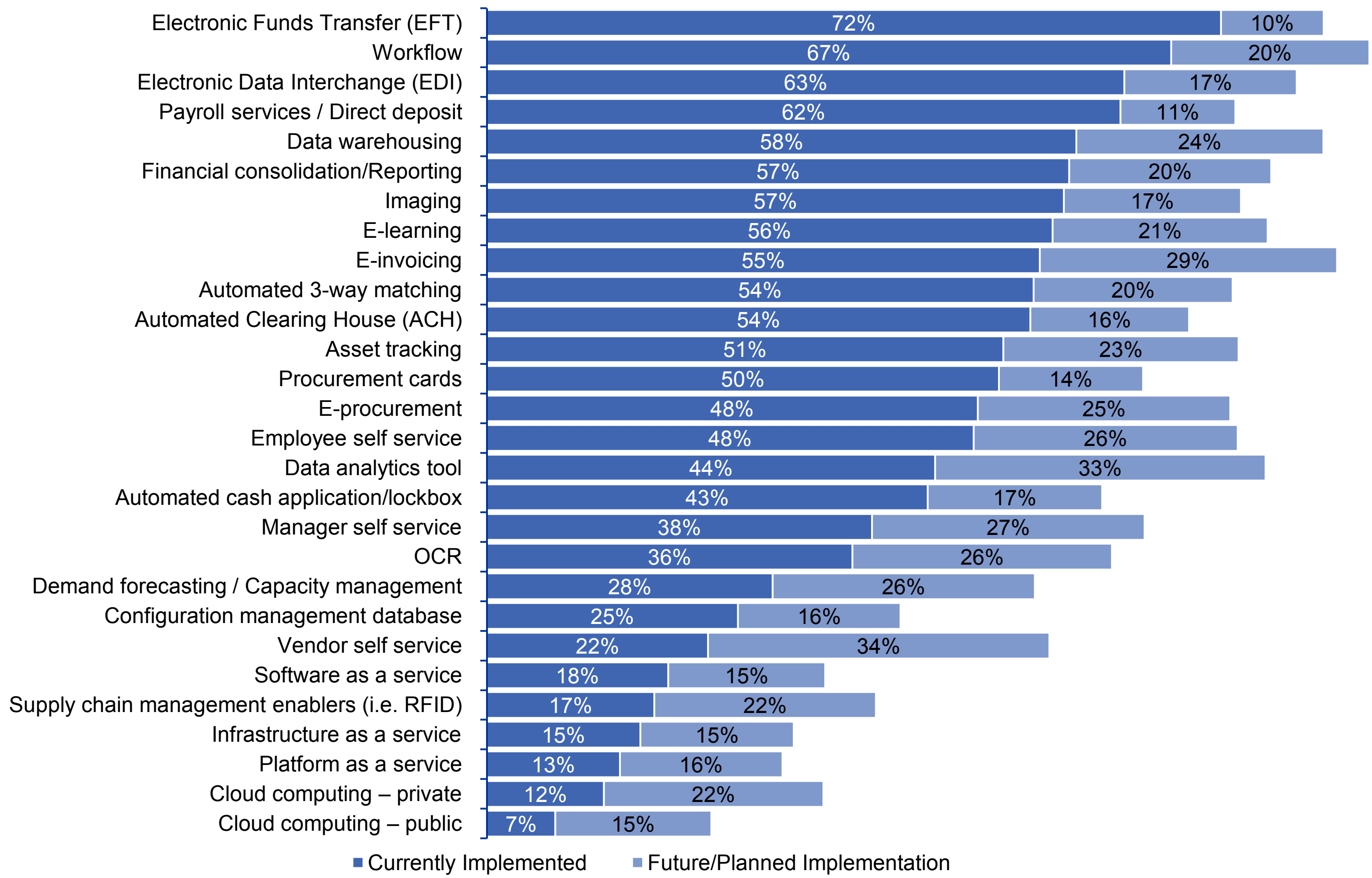
Which of the following customer facing technologies/enhancements has and/or will be implemented in your Shared Service Center(s)?



Technology/enhancements

- Respondents indicated that 6% of the annual SSC budget went to technology
- There was over a 35% increase in respondents that have implemented workflow and call center since the 2005 survey
- The top three future implementations are vendor self-service, data mining and electronic document management

Which of the following internal processing technologies/enhancements has and/or will be implemented in your Shared Service Center(s)?



Technology/enhancements

- Respondents indicating the use of E-invoicing increased 83% since 2005
- The use of data warehousing increased 53% since 2005
- The top three future implementations are vendor self-service, data analytics, and e-invoicing

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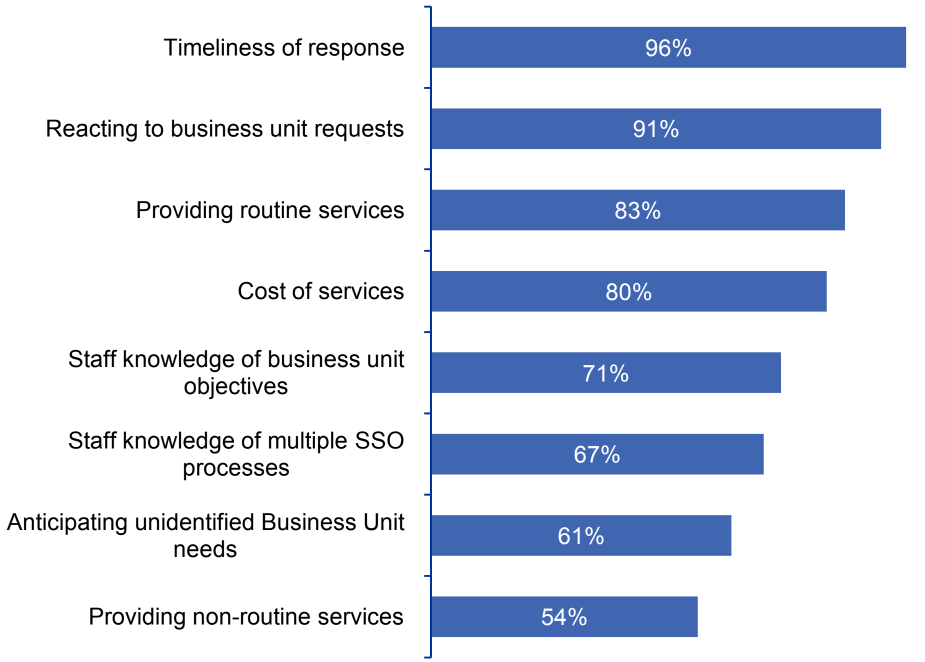
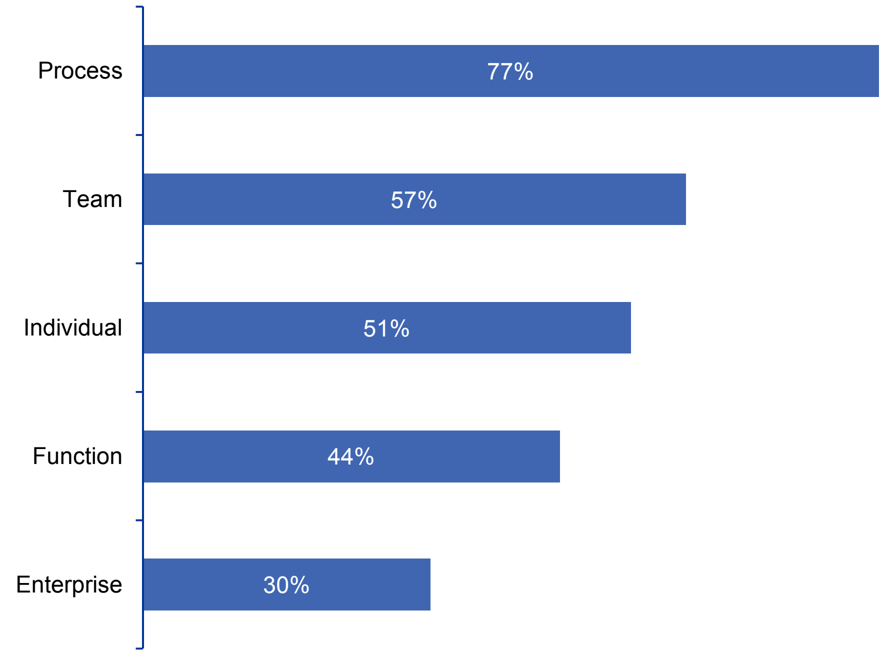
What objectives drive performance in your SSC?

How important is each of the following to your internal business unit customers?



What levels of KPIs do you use to measure performance within your SSCs?



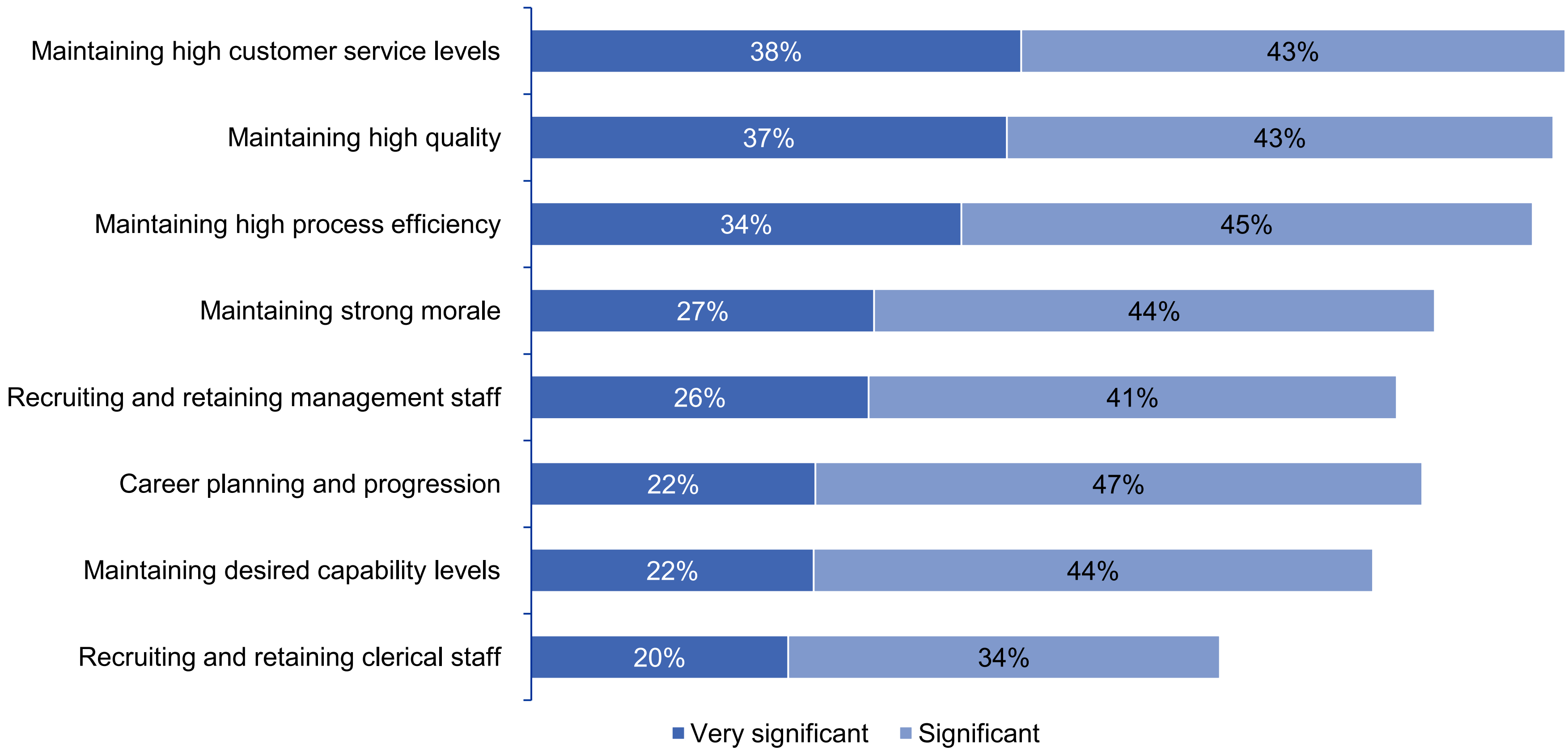
Performance objectives

- Business unit customers are still demanding quick turnaround on requests to the SSC
- Timeliness of response is still the most important thing to customers since 2007
- Reacting to business unit requests, providing routine services and cost of services have all increased in importance — over 20% since 2007

Methods used to measure performance

- Respondents ranked process KPIs as the most important factor in measuring SSC performance
- Over half of the respondents use 3 or more levels of KPIs to measure performance

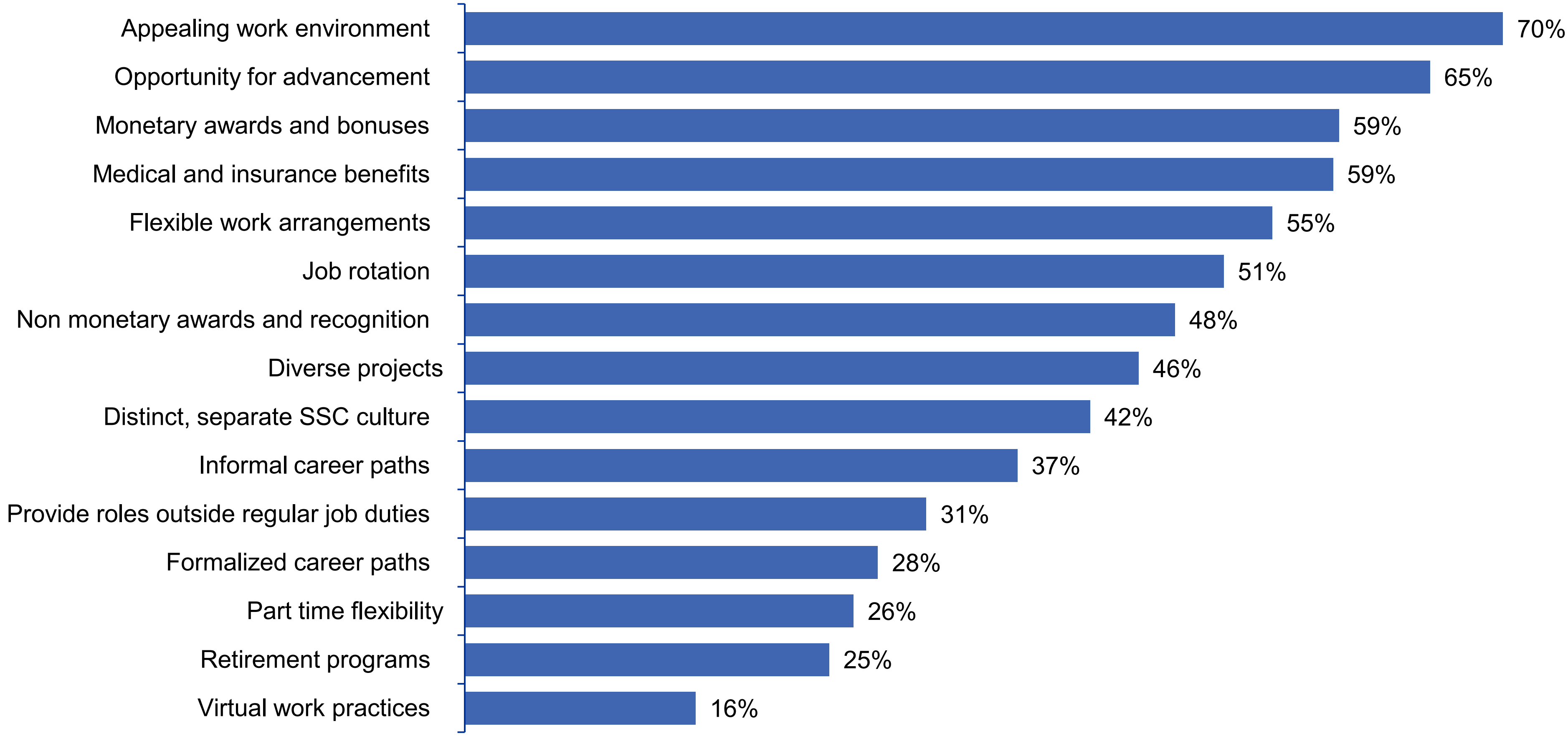
What are the most significant people-related challenges within your SSCs?



People-related challenges

- Maintaining high customer service levels and high quality remain the top two people-related challenges within SSCs
- Maintaining strong morale had a significant rise in rank from least important in 2009 to number four
- The number of respondents experiencing difficulty with recruiting and retaining management staff increased by 49% since 2009

Which of the following methods does your organization use to attract, motivate and retain its SSC associates?



Methods used to motivate employees

- Respondents motivating employees using an appealing work environment increased by 23% to become the number one employee motivator
- Average turnover across centers was 9% however, respondents who used a variety of motivators had lower turnover on average

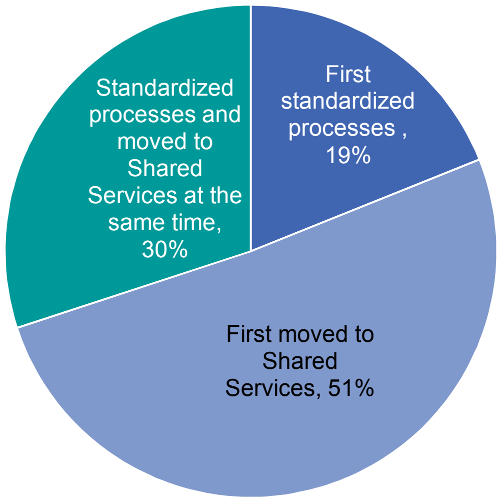
Key trends in operations

- For companies that make shared services an “opt in” strategy, cost reduction is table stakes, and quality of services is the most important selling point for long term satisfaction
- There is a continued focus on leveraging new technologies and enhancements to improve center operations and improve customer service
- In terms of technology enhancements, organizations are directing more money into initiatives that improving interaction with their customers
- As centers mature, Shared Services staff ability to anticipate business unit needs increases in importance
- Organizations that do not focus on creating strong morale and an appealing culture experience a significant negative impact on retention and productivity

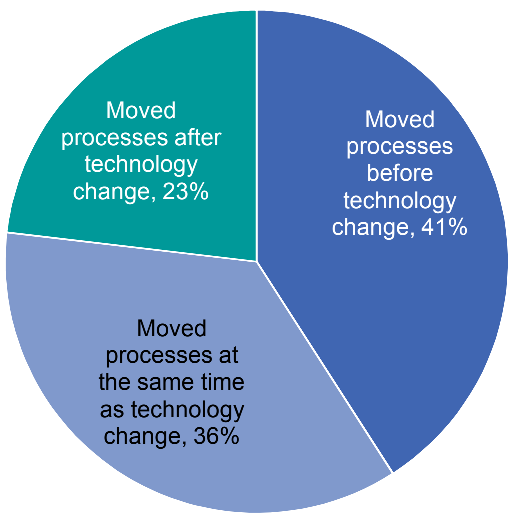
Journey and value

How has your company approached the implementation of its SSCs?

Did you standardize processes before, after or during the move to Shared Services?



Did you move processes to Shared Services before, during, or after technology change?



Process migration

- Consistent with our 2009 survey, over half of the respondents standardized processes after shifting them to Shared Services
- Over 2009, 35% more participants moved processes after the technology change versus at the same time
- Consistent with previous surveys, the most popular approach to implementing SSCs is to move processes prior to standardization and technology changes

Timing of process move to SSC				
		Prior to technology change	During technology change	After technology change
Timing of process standard-ization	Prior to move to SSC	5%	6%	8%
	During move to SSC	8%	17%	5%
	After move to SSC	**29%**	13%	9%

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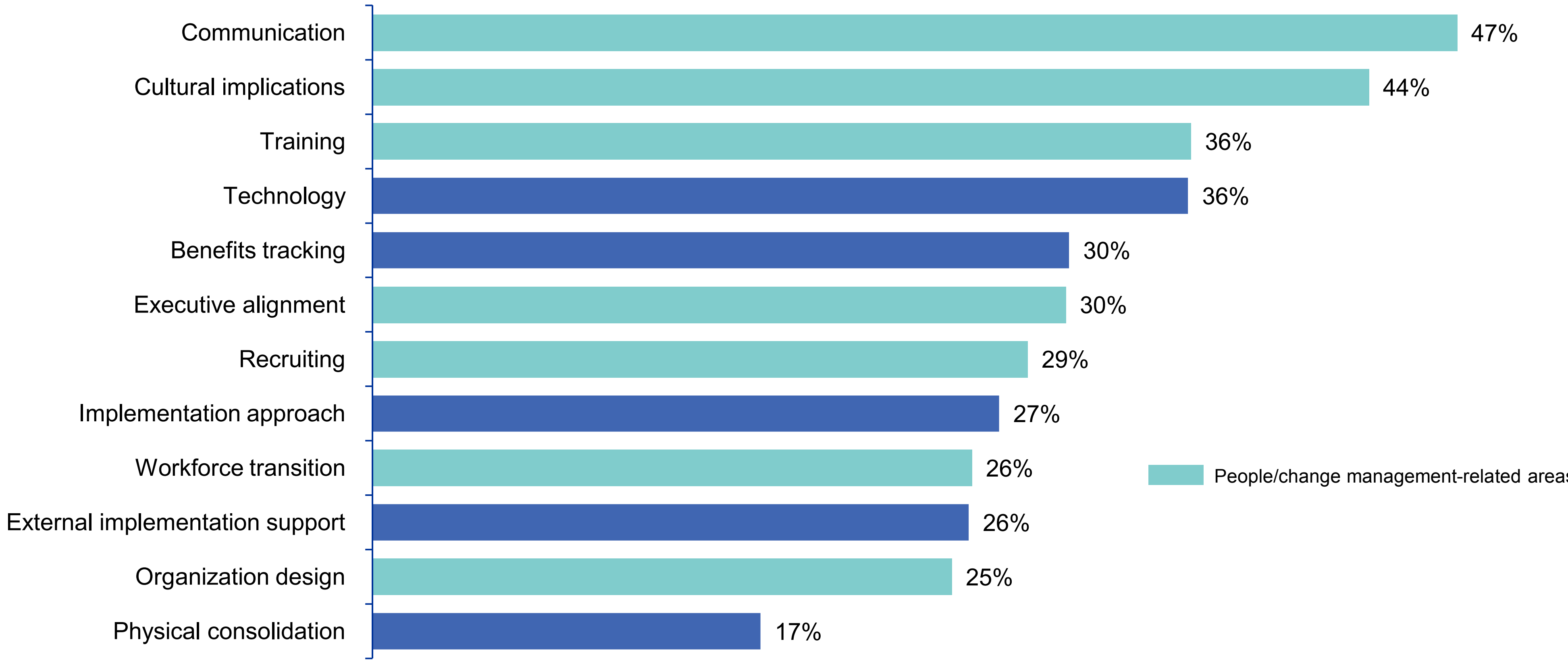
How well did your organization estimate the level of effort required for its SSC implementation?

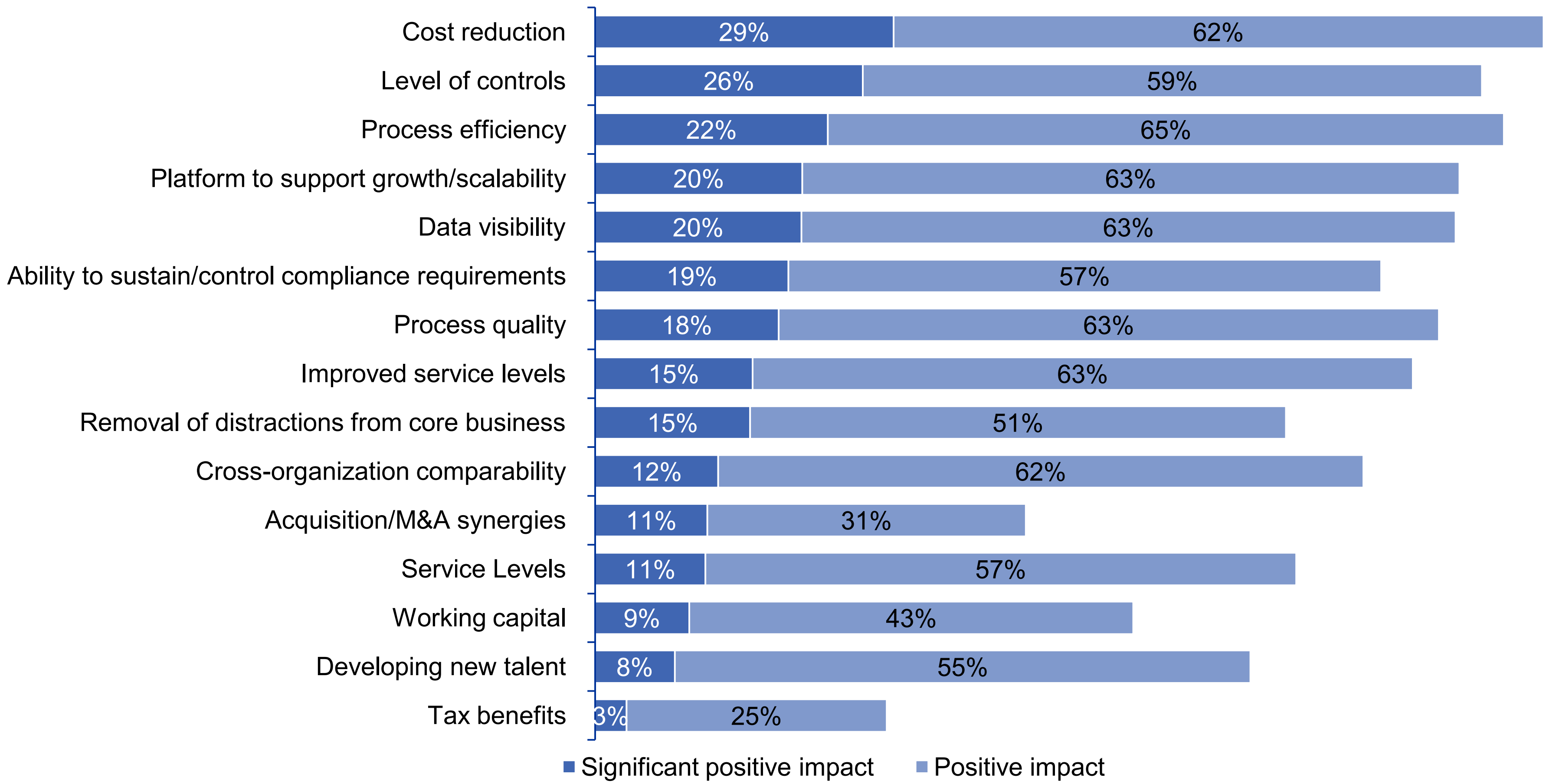
% of underestimating level of effort required for their SSC implementation



Level of effort

- Since 2003, people and change management related factors continue to be the most under-estimated aspects
- Communication moved from the 3rd to the top element that is underestimated during an implementation

Where has Shared Services had a positive impact?

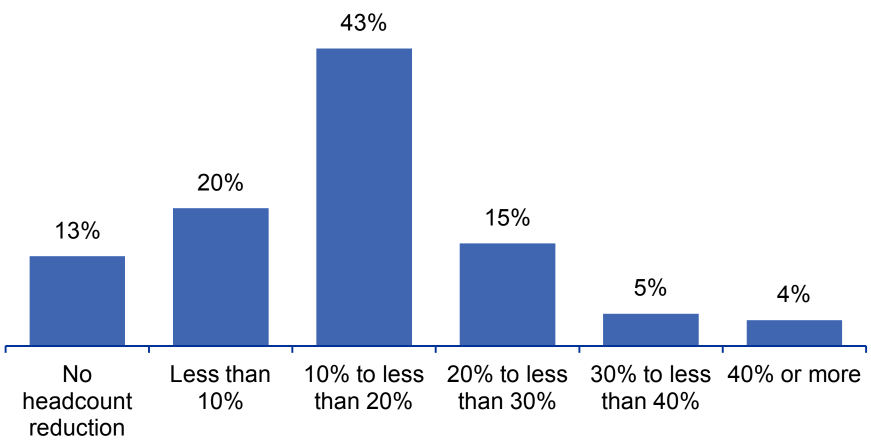


Positive impacts of SSCs

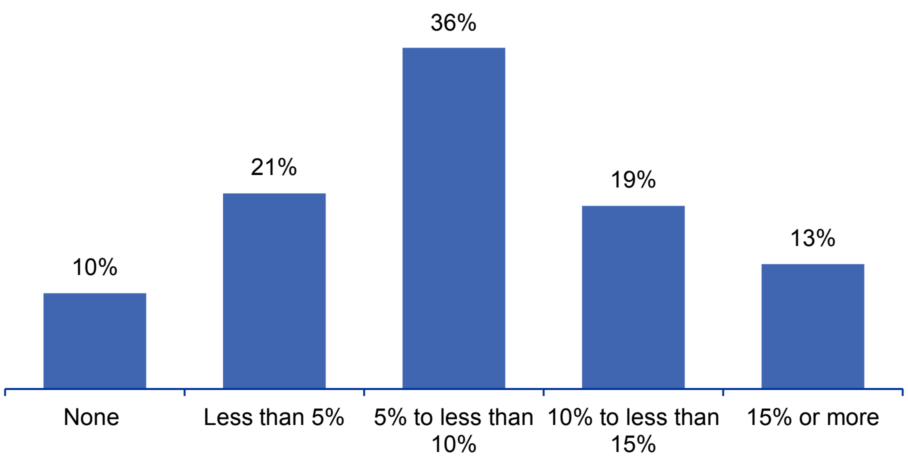
- Cost reduction re-claimed its top position this year as the top positive impact of Shared Services
- Participants noted controls as the #2 in terms of significant impact up from #8 in 2009
- The positive impact on the ability to support growth and scalability became one of the top five benefits of SSCs

What is the financial impact of Shared Services?

What is the average headcount reduction you achieved during the first 12 months after implementation of your SSCs?



After the first 12 months, what is the average annual increase in productivity (headcount reduction or cost avoidance) achieved by your SSCs?



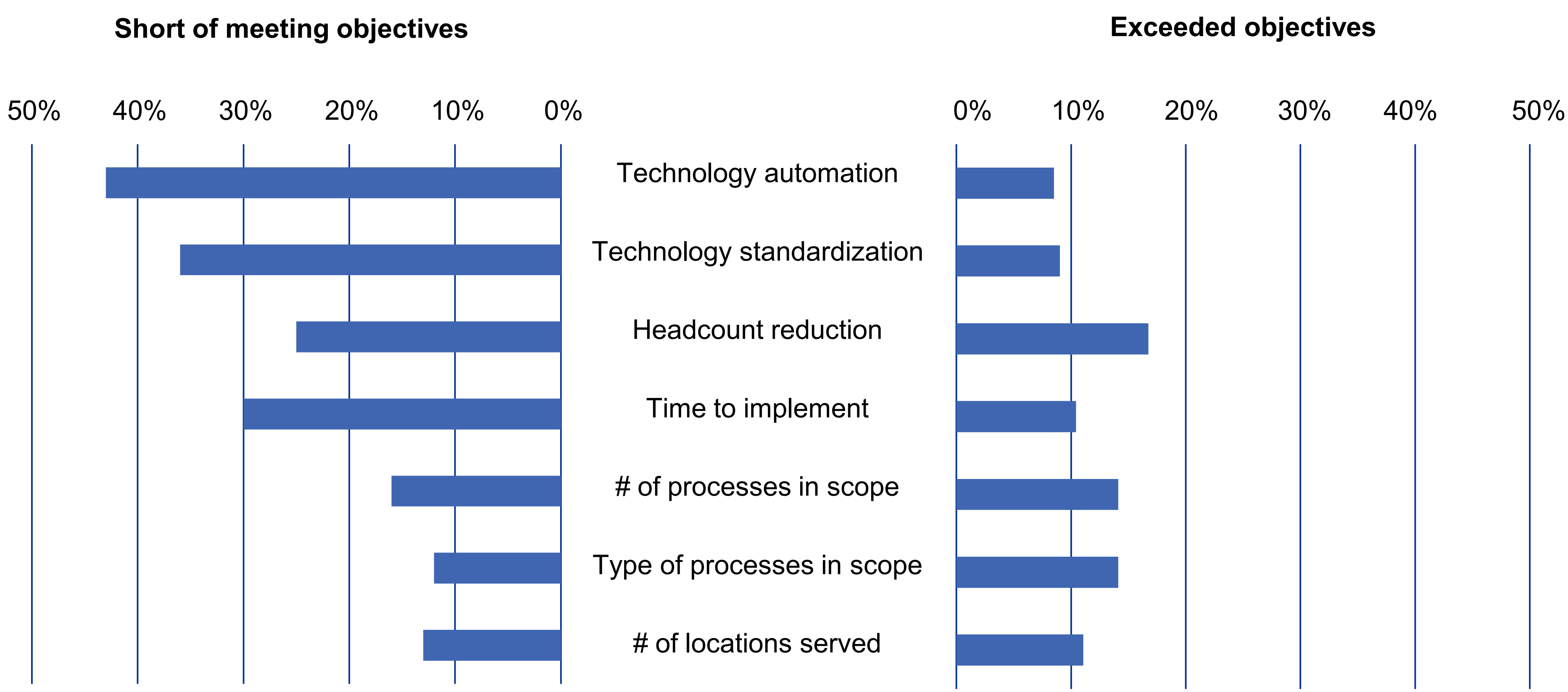
Initial impact

- 67% of respondents indicated initial headcount savings of 10% or more — a 26% increase over 2009
- Average initial headcount savings is 14% — up from 12% in 2009
- Organizations mandating participation in Shared Services and incorporating outsourcing achieve the highest financial results

Recurring savings

- Almost 20% more respondents indicated annual savings of more than 10% over 2009
- Average annual savings is 8% — consistent with our 2009 survey

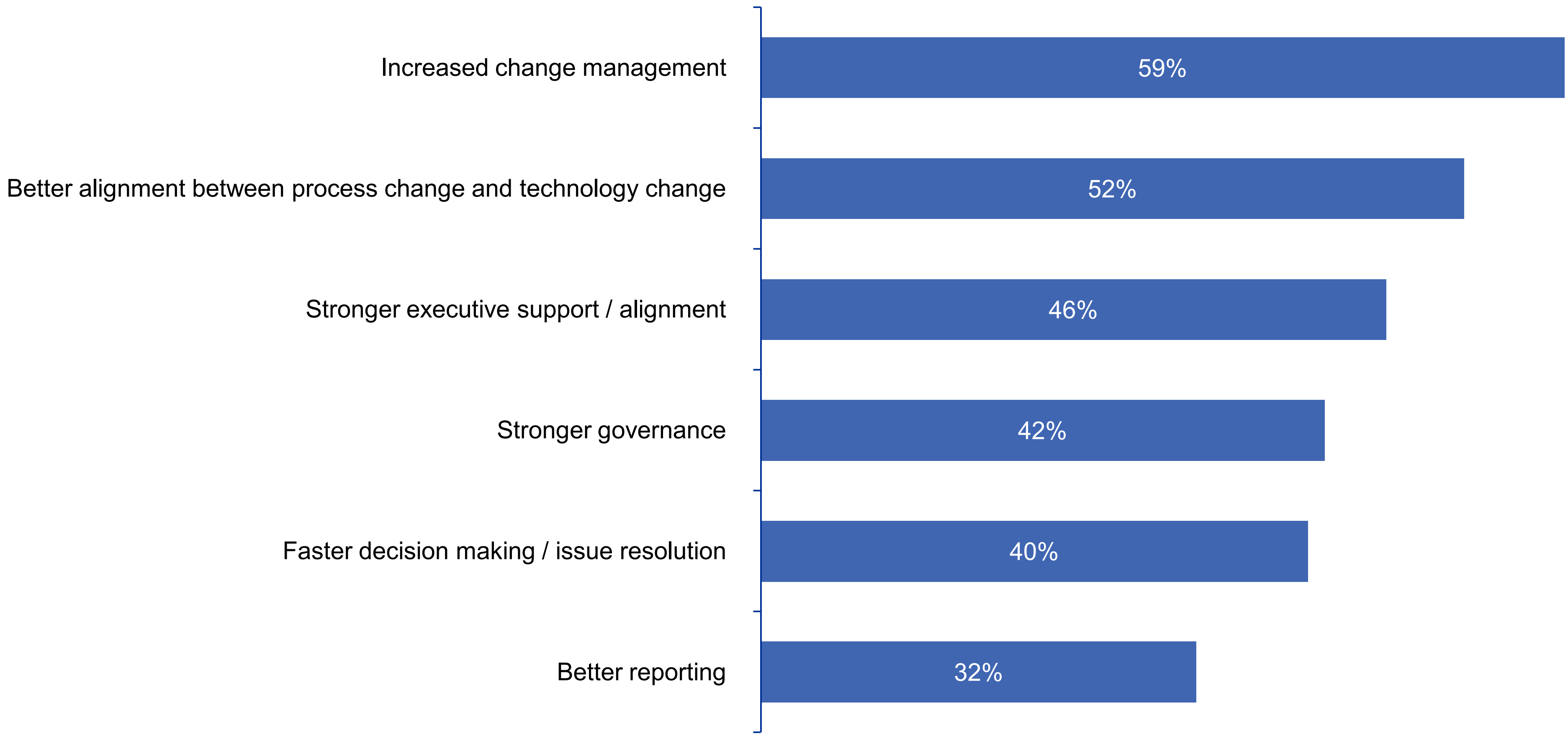
To what degree has your organization achieved its objectives for Shared Services?



Achieving objectives

- At least 50% of respondents indicated that they had achieved their objectives across most areas
- Headcount reduction was the area most cited for exceeding objectives
- Technology automation and standardization were the areas cited most for being short of meeting objectives followed by time to implement

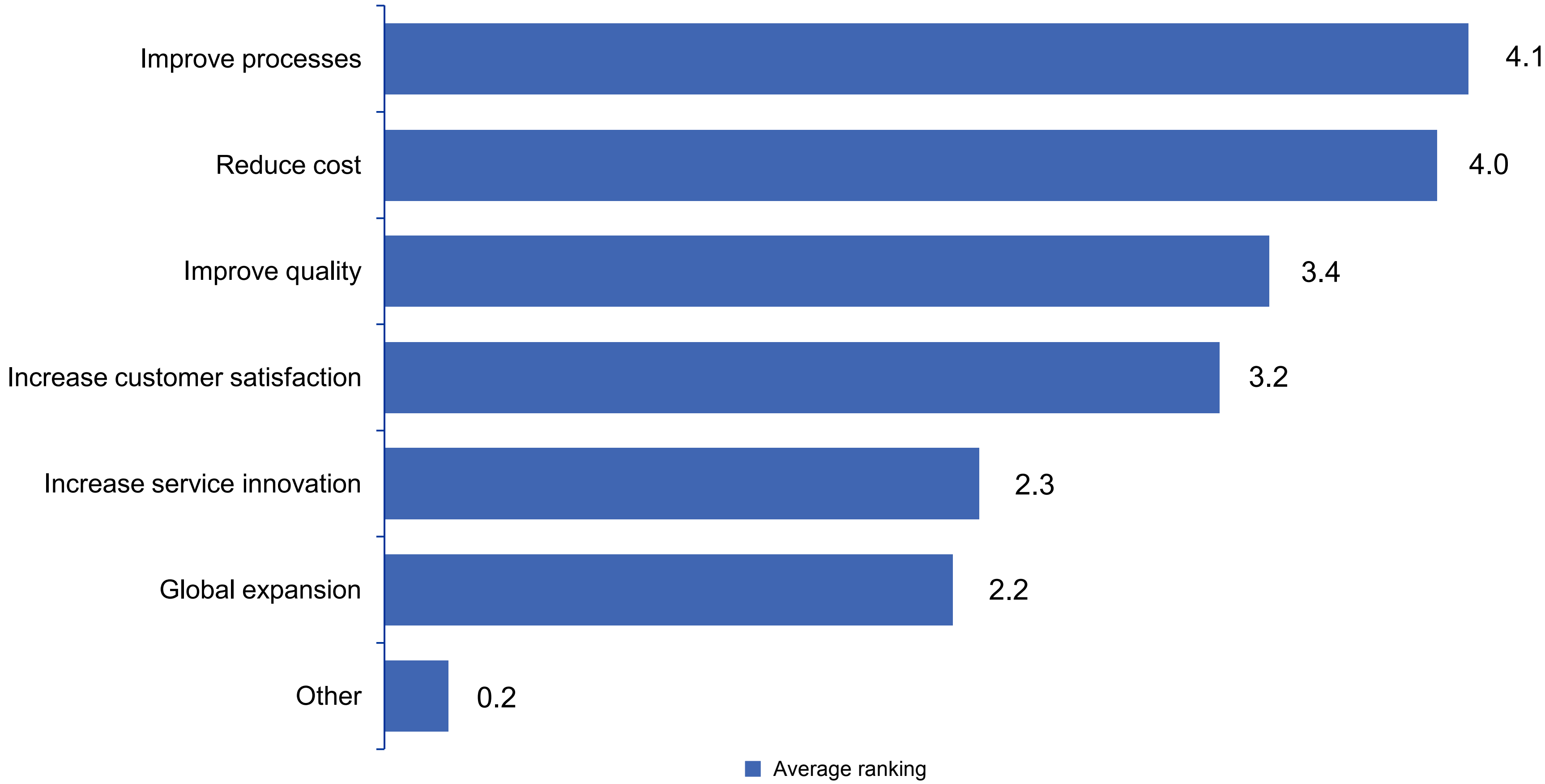
How would you have improved your Shared Services journey?



Changes to journey

- Over half of the respondents indicated that they would have increased change management during their Shared Services journey
- More respondents that did a lift and shift indicated a higher need for process and technology alignment

Please rank your company's priorities to drive incremental value from its SSCs in the next 2 years



Top priorities

- While cost reduction was the top priority in 2009, process improvement has moved up to become the #1 ranked priority to drive value in the next two years
- Top priorities moving forward for participants are threefold — reducing costs through improved processes; improved quality to drive increased customer satisfaction; and increased service innovation including expanding their global reach

Key trends in journey and value

- Every organization approaches Shared Services differently and regardless of the approach organizations are delivering year over year incremental value to their organizations bottom line
- Most organizations are being very thoughtful regarding how to “chunk” their SS implementation and/or expansion, carefully weighing the pros and cons of how to sequence and time the changes.
- Organizations continue to underestimate critical elements of the Shared Service journey required for a success--- many do not have the discipline to learn from and avoid the mistakes of others
- While cost reduction is a tried and true benefit of Shared Services, more and more organizations are recognizing that other benefits from Shared Services are just as much or more valuable than the cost reduction -- controls, data visibility, and creating a platform for growth, just to name a few
- To fully leverage the value of your Shared Services initiative, the power of the organization’s culture cannot be underestimated or ignored --- heavy focus on change management elements such as communication, training, and executive alignment are required

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