2013 Global Shared Services survey results

Deloitte Consulting LLP
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About the survey
Deloitte’s 2013 Global Shared Services survey attracted 277 respondents…

What is your organization’s primary industry sector?

- Manufacturing, 59
- Consumer Products, 43
- Financial Services, 37
- Tech/Telecom, 35
- Retail, 28
- Energy, 16
- Health Care, 18
- Media, 14
- Public Sector, 12
- Travel & Hospitality, 11
- Others, 4

What are the annual revenues of your organization?

- Less than $1B, 29%
- $1B to less than $5B, 30%
- $5B to less than $15B, 18%
- $15B +, 23%

Respondent information

- Manufacturing and consumer products continue to be the top industries represented in the biennial survey
- The largest increase in participation over 2011 was in Financial Services
- Average revenue of participant organizations was approximately $10 billion
- 50% of respondents had organizations over 10,000 FTEs
- As in 2011, the percentage of respondents in the “less than $1B” category is significantly higher than in the past

What is the size of your total organization in FTEs?

- Less than 1,000, 13%
- 1,000 to 10,000, 37%
- 10,000 to 25,000, 17%
- 25,000 to 100,000, 20%
- 100,000 and above, 13%

...representing organizations headquartered in 38 countries across the globe...

**Where is your organization’s HQ located?**

- **W Europe**, 42%
- **US/Canada**, 32%
- **LATAM**, 17%
- **APAC**, 6%
- **E Europe**, 2%
- **Other**, 1%

**Respondent information**

- 70% of this year’s survey respondents were headquartered outside of the U.S.
- Respondents vary greatly in how many countries they operate in, but over half operate in less than 20 countries
- There is an increase in the number of Shared Services Centers (SSCs) located in Western Europe compared to the 2011 survey
- There was a decrease in the number of SSCs located in the U.S./Canada as compared to the 2011 survey

**How many countries does your organization operate in?**

- **1, 19%**
- **2 < 10, 25%**
- **10 < 20, 11%**
- **20 < 50, 16%**
- **50 < 100, 15%**
- **More than 100, 14%**

**Where are your organization’s SSCs located?**

- **W. Europe**, 32%
- **US/Canada**, 23%
- **LATAM**, 15%
- **APAC**, 12%
- **E. Europe**, 8%
- **India**, 7%
- **Other**, 2%
...providing data for 870 Shared Services Centers (SSCs)

How many SSCs does your organization have across all functions?

- One SSC, 42%
- Two SSCs, 12%
- Three SSCs, 11%
- Four SSCs, 12%
- Five SSCs, 4%
- More than five SSCs, 18%

Center information

- The average number of SSCs per company this year was 3.3 — an increase of nearly 15% over 2011
- The average number of centers increased with the size of the organization
- Over half of the SSCs in the survey had less than 100 employees
- ~ 60% of the organizations have been operating for less than five years
- The average age across all centers was 5.3 years

How many employees do your SSCs have?

- Less than 100, 52%
- Between 101 and 250, 20%
- Between 251 and 499, 7%
- 500 or more, 11%

How long have your organization’s SSCs been operating?

- Less than one year, 9%
- One year to less than three years, 24%
- Three years to less than five years, 25%
- Five years to less than ten years, 24%
- Ten years or longer, 19%
Geography
Where are your organization’s Shared Services centers located?

The number of SSCs in the U.S. is approximately the same, however, more were noted in Canada compared to 2011.

Significant increase in the number of centers in LATAM, especially in South America.

More SSCs represented from Scandinavian and Eastern subregions of Europe.

The number of centers reported in Asia remained relatively constant; however, a substantial increase was reported in India.

The number of SSCs in the U.S. is approximately the same, however, more were noted in Canada compared to 2011.
How have the locations of SSCs shifted over time?

Top 10 locations of SSCs three years or younger

- 60% of respondents’ centers that are 10 years or older are located in four countries, including the U.S. and UK (traditional “source locations”) and India (a one-time pioneer and now a mainstay), while newer centers have a greater dispersion across global theatres.
- The U.S. is the home to a substantial number of mature centers, but has seen a significant decline in the growth of new centers.
- Similar to the 2011 survey, India, Brazil, and China continue to be popular locations for newer centers, with the U.S. and UK still leading in share for newer openings.
What is the global reach of your centers?

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

- Decentralized, 33%
- Regional centers, 41%
- Hub and spoke, 26%

What is the geographical coverage of your SSCs?

- Provide services for a single country only, 36%
- Provide services across two continents, 13%
- Provide services across three or more continents, 18%
- Provide services for a single country only, but within a single continent only, 34%

Deployment and geography

- As in 2011, regional centers were the primary geographic deployment model for respondents with a marginal drop in share
- 64% of surveyed SSCs provide services to more than one country, similar to the results from 2011
- India, the U.S., and the Philippines were the top three center locations for respondents providing services across three or more continents
- The survey indicates 32% of newer centers (< one year old) serve more than one continent compared to only 15% in the 2011 survey

Geographies served based on maturity of center

<table>
<thead>
<tr>
<th>Maturity of Center</th>
<th>One continent</th>
<th>Two continents</th>
<th>Three+ continents</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; one year</td>
<td>68%</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>One year to three years</td>
<td>73%</td>
<td>16%</td>
<td>11%</td>
</tr>
<tr>
<td>Three years to five years</td>
<td>71%</td>
<td>16%</td>
<td>11%</td>
</tr>
<tr>
<td>Five years to 10 years</td>
<td>68%</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>10 years +</td>
<td>70%</td>
<td>10%</td>
<td>6%</td>
</tr>
</tbody>
</table>

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What locations are being considered for new centers or SSC relocations?

**Anticipated relocation**

- Over 50% of the locations identified by respondents as potential SSC locations are countries within Latin America and Eastern Europe.
- The survey indicates Latin America has moved from second to the top region being considered for new centers since 2011. Brazil, the top country being considered for new centers by respondents, moved from 2% in 2011 to 11% this year and is followed by Mexico and Argentina.
- Poland led Eastern European countries listed, followed by Hungary and Romania.
What were the most important factors in selecting the organization’s current SSC location(s)?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Extremely important</th>
<th>Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor quality</td>
<td>23%</td>
<td>56%</td>
</tr>
<tr>
<td>Labor cost</td>
<td>22%</td>
<td>35%</td>
</tr>
<tr>
<td>Labor availability</td>
<td>17%</td>
<td>53%</td>
</tr>
<tr>
<td>Language skills</td>
<td>17%</td>
<td>36%</td>
</tr>
<tr>
<td>Other</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Close proximity to current operations</td>
<td>14%</td>
<td>32%</td>
</tr>
<tr>
<td>Close proximity to headquarters</td>
<td>14%</td>
<td>24%</td>
</tr>
<tr>
<td>Risk profile (political, social, etc.)</td>
<td>7%</td>
<td>33%</td>
</tr>
<tr>
<td>Regulatory/legal</td>
<td>7%</td>
<td>29%</td>
</tr>
<tr>
<td>Tax impacts/advantages</td>
<td>5%</td>
<td>19%</td>
</tr>
<tr>
<td>Cultural synergies (nonlanguage)</td>
<td>4%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Location factors

- As seen in prior surveys, labor factors continue to drive the decisions on location selection
- Labor cost continues to be an important consideration surpassing labor availability this year
- Proximity to current operations increased in importance over the last two years, but remains a lesser driver
- Other reasons for location selection included existing facilities and synergies with existing technology infrastructure
From where are your SSCs providing services for China, India, and Brazil?

### From where are you serving China?
- China: 53%
- United States: 9%
- Malaysia: 9%
- Philippines: 6%
- Singapore: 6%

### From where are you serving Brazil?
- Brazil: 48%
- Argentina: 12%
- United States: 9%
- India: 7%
- Mexico: 6%

### From where are you serving India?
- India: 65%
- Malaysia: 7%
- Philippines: 7%
- United States: 7%
- Finland: 5%

### Countries serving Brazil, Russia, India, and China (BRIC) and Japan
- 43% of respondents have SSCs that service Japan, Brazil, Russia, India, and/or China
- China and Brazil are nearly equally serviced by SCCs within and outside of the country
- The top cities in China with SSCs serving China are Shanghai, Beijing, Chengdu, Dalian, Guangzhou, and Tianjin
- The top cities in Brazil with SSCs serving Brazil are Sao Paulo, Rio de Janeiro, and Itajai
- India is predominantly serviced by SSCs within the country located in Bangalore, Gurgaon, Chennai, New Delhi, Kolkata, and Pune
From where are your SSCs providing services for Japan and Russia?

From where are you serving Japan?
- China: 23%
- Philippines: 15%
- India: 13%
- United States: 13%
- Malaysia: 8%

From where are you serving Russia?
- Russia: 19%
- Finland: 8%
- Hungary: 8%
- India: 8%
- Poland: 8%

Countries serving BRIC and Japan
- Both Japan and Russia are predominantly serviced from SSCs outside of the country according to respondents
- Although the top country servicing Japan is China, the top city listed servicing Japan is Manila
- Top cities with SSCs in China that are serving Japan are Dalian, Beijing, Tianjin, Hangzhou, and Hong Kong
- Russia is primarily serviced by SSCs in EMEA
- Top cities with SSCs in Russia that are serving Russia are Moscow, St. Petersburg, and Voronezh
- India plays a role in servicing both Japan and Russia
Trends in geography

• Organizations appear to be developing the ability to service multiple continents from one center—and driving towards making global centers a reality

• Newer entrants, across company size, are learning from the lessons of others and are increasingly more adventurous in functional scope, alternative delivery, and locations considered

• Organizations have become more open in their location selection for SSCs as compared to 10 years ago; the dispersion of centers across the world is much greater than it was 10 years ago with newer centers opening across a greater array of countries and cities in the global theatres

• Latin American and Eastern Europe have seen a significant growth in SSCs represented in the survey and show the greatest interest as locations for new centers

• Of the BRIC countries serviced by SSC’s, China and Brazil are serviced equally by in-country and out-of-country SSCs. India is predominantly serviced by SSCs within the country and Russia from SSCs outside of the country.

• Labor factors continue to drive location selection for SSCs — and cost remains a perennial top driving factor
Organization and governance
How is Shared Services organized and managed across your organization?

How are your SSCs organized and controlled?

- 20% SS for one function only
- 24% Multiple functions, Co-located, Separately controlled
- 34% Multiple functions, Managed as a single Shared Services organization (SSO)
- 75% Multiple functions, Physically separate, Separately controlled

What have been the benefits of housing multiple functions in one location?

- Lower management cost: 75%
- Shared governance structure: 75%
- Shared continuous improvement initiatives: 74%
- Lower overhead expenses: 69%
- Ability to share staff: 62%
- Improved career models: 44%
- Ability to use single SLAs: 39%
- Combined vendor management: 33%
- Other: 7%

Shared Services organization

- Over 50% of respondents have Shared Services for multiple functions that are at least co-located if not managed as a single SSO
- While more mature organizations had multiple functions in Shared Services, the functions were still physically separate and separately controlled
- Respondents with newer centers had a higher percentage of functions combined and managed as a single organization
- Co-location has driven lower management and overhead costs while enabling shared governance and continuous improvement

Do organization and control vary by maturity?

- Orgs with SSCs < five years: 38% A, 21% B, 17% C, 7% D
- Orgs with SSCs > five years: 31% A, 21% B, 33% C, 15% D
What is the predominant reporting relationship for your SSCs?

What is the predominant reporting relationship for your SSC?

When multiple functions are in Shared Services, where do they report?

What have been the benefits of housing multiple functions in one location?

• Over 50% of respondents cited reporting relationships to either the function or in-country leadership. However, almost 25% of respondents have transitioned to an independent SSO

• The percentage of respondents with SSCs reporting to an independent SSO increases as you start to manage multiple functions as a single organization
Who has responsibility for your SSCs?

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

- Yes, 44%
- No, 56%

Is a position more likely to be created if you have multifunctions co-located?

- For one function only:
  - Yes: 37%
  - No: 63%
- For > one function, physically separate, separately controlled, & managed:
  - Yes: 37%
  - No: 63%
- For > one function, physically combined, separately controlled, & managed:
  - Yes: 50%
  - No: 50%
- For > one function, physically combined, managed as a single SSO:
  - Yes: 49%
  - No: 51%

To whom does the most senior leader of your Shared Services organization report?

- CFO, 48%
- CEO, 16%
- Other, 6%
- COO, 7%
- Controller, 9%
- CHRO, 5%
- CAO, 5%
- CIO, 3%

SSC responsibility

- Similar to the 2011 survey, almost half of the respondents have created a formal position to manage their SSCs.
- CFO continues to be the primary top executive responsible for the Shared Services organization according to respondents.
- 50% of the organizations surveyed that had multiple functions co-located created a leader for the overall Shared Services organization.
How are Shared Services primarily being charged back to the locations/divisions serviced by the Shared Services Organization?

**Chargeback models**

- Services charged based on volume continue to be the primary chargeback model used by respondents, up from 42% in 2011.
- The survey indicates there are minimal differences in chargeback models between those that mandate and those that utilize an opt-in model.
- The primary difference with a mandated model is that a higher percentage of organizations do not allocate costs at all — 29% versus 16% of those with an opt-in model.
Are Service Level Agreements (SLAs) a common and effective tool for governance?

Does your Shared Services organization leverage SLAs to drive governance?

- Yes, 77%
- No, 23%

How effective do you find SLAs?

- Very effective, 29%
- Somewhat effective, 67%
- Not effective, 4%

SLAs

- Over 75% of respondents use SLAs to drive governance
- 96% of respondents find SLAs at least somewhat effective
- For those respondents that find SLAs very effective, 95% revisit them at least annually if not more frequently

How often are they revisited?

- Annually, 55%
- Biannually, 18%
- Quarterly, 12%
- Every five years, 3%
- Rarely, 13%
- Rarely, 13%
Who is driving end-to-end process efficiency and effectiveness for your SSCs?

Governance roles

- The survey indicates global and regional process owners are the most common roles used to drive efficiency and effectiveness across an organization’s SSCs.
- Global process owners play the largest role in driving policy, process, and technology changes and continuous improvement.
- Respondents indicated a wide variety of responsibilities for regional process owners with issue resolution being a primary role.
Trends in organization and governance

• As organizations move from single function to multifunction, there is a movement away from functional or country reporting relationships towards reporting into an independent Shared Services organization.

• Even if organizations are not managing the functions in Shared Services as a single Shared Services organization, they are seeing numerous benefits from co-locating the functions.

• Chargeback mechanisms vary widely, however, there is an increasing number of organizations that are not billing or allocating costs at all — specifically those organizations that mandate Shared Services.

• Organizations are also using penalty pricing as a means to drive behavior between the SSC and its customers.

• SLAs continue to be an important tool in governing the relationship between the SSC and the business, however, they require at least annual monitoring to remain effective.

• Organizations are increasingly using global process owners to drive process efficiencies and standardization across the Shared Services organization.
What is the scope of your Shared Services Organization?

Which functions are in your organization’s SSCs?

- Finance: 93%
- Human resources: 62%
- Information technology: 52%
- Procurement: 41%
- Customer: 39%
- Tax: 35%
- Real estate/Facilities: 27%
- Legal: 20%
- Sales/Marketing: 18%
- Supply: 17%

What percentage of the SSCs are multifunctional?

- One function, 57%
- Two functions, 15%
- Three functions, 8%
- > Three functions, 20%

Overall scope

- The traditional back office functions, Finance, HR, and IT, continue to be those most often moved into Shared Services according to respondents.
- There was an increase in the number of respondents with Legal and Real Estate in Shared Services.
- 43% of the SSCs represented in the survey have more than one function in their center.
- 85% of respondents have at least one multifunctional center.
- The more mature the center, the higher number of functions per center.

Average number of functions by SSC maturity

- Less than one year: One function (60%), Two functions (22%), Three functions (16%), > Three functions (9%)
- One year to less than three years: One function (60%), Two functions (14%), Three functions (13%), > Three functions (9%)
- Three years to less than five years: One function (58%), Two functions (14%), Three functions (13%), > Three functions (10%)
- Five years to less than 10 years: One function (58%), Two functions (14%), Three functions (13%), > Three functions (10%)
- 10 years or longer: One function (41%), Two functions (13%), Three functions (9%), > Three functions (13%)
When Shared Services is leveraged within a function, what percentage of full time equivalents (FTEs) are outside of the local businesses?

<table>
<thead>
<tr>
<th>Function</th>
<th>Local</th>
<th>Nonlocal (Corporate, COE, SSC, outsourced)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax</td>
<td>12%</td>
<td>88%</td>
</tr>
<tr>
<td>Real estate/Facilities management</td>
<td>15%</td>
<td>85%</td>
</tr>
<tr>
<td>Information technology</td>
<td>16%</td>
<td>84%</td>
</tr>
<tr>
<td>Procurement</td>
<td>24%</td>
<td>76%</td>
</tr>
<tr>
<td>Finance</td>
<td>25%</td>
<td>75%</td>
</tr>
<tr>
<td>Legal</td>
<td>27%</td>
<td>73%</td>
</tr>
<tr>
<td>Human resources</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>Customer service/Support</td>
<td>35%</td>
<td>65%</td>
</tr>
<tr>
<td>Sales/Marketing</td>
<td>36%</td>
<td>64%</td>
</tr>
<tr>
<td>Supply chain/Manufacturing support</td>
<td>43%</td>
<td>58%</td>
</tr>
</tbody>
</table>

Local versus nonlocal

- For every function where Shared Services was leveraged, respondents were able to move more than 50% of the work out of the local business.
- The top five functions leveraging Shared Services have left less than a quarter of the work locally.
- The survey indicates functions that have a higher percentage of FTEs remaining local are more employee or customer-focused.

Note: Results displayed above are for respondents who noted the function as being in Shared Services.
Outside of the local business, how are FTEs distributed?

<table>
<thead>
<tr>
<th>Nonlocal FTEs</th>
<th>Local</th>
<th>Corporate</th>
<th>Knowledge-based SSCs/ COEs</th>
<th>Transactional SSC/Outsourced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax</td>
<td>12%</td>
<td>23%</td>
<td>14%</td>
<td>51%</td>
</tr>
<tr>
<td>Real estate/Facilities management</td>
<td>15%</td>
<td>6%</td>
<td>19%</td>
<td>60%</td>
</tr>
<tr>
<td>Information technology</td>
<td>16%</td>
<td>14%</td>
<td>23%</td>
<td>47%</td>
</tr>
<tr>
<td>Procurement</td>
<td>24%</td>
<td>14%</td>
<td>21%</td>
<td>41%</td>
</tr>
<tr>
<td>Finance</td>
<td>25%</td>
<td>13%</td>
<td>8%</td>
<td>54%</td>
</tr>
<tr>
<td>Legal</td>
<td>27%</td>
<td>12%</td>
<td>13%</td>
<td>47%</td>
</tr>
<tr>
<td>Human resources</td>
<td>30%</td>
<td>17%</td>
<td>9%</td>
<td>44%</td>
</tr>
<tr>
<td>Customer service/Support</td>
<td>35%</td>
<td>8%</td>
<td>8%</td>
<td>48%</td>
</tr>
<tr>
<td>Sales/Marketing</td>
<td>36%</td>
<td>8%</td>
<td>26%</td>
<td>8%</td>
</tr>
<tr>
<td>Supply chain/Manufacturing support</td>
<td>43%</td>
<td>8%</td>
<td>12%</td>
<td>38%</td>
</tr>
</tbody>
</table>

**Nonlocal FTEs**

- The survey indicates Real Estate/Facilities and Finance have the largest percentage of FTEs with a transactional SSC or outsourced model.
- IT and Procurement have the largest percentage of FTEs leveraging knowledge-based SSCs or centers of excellence (COE).
- Although 25% of Tax FTEs remain in corporate, organizations have transitioned over 50% to transactional SSCs or outsourcing.

Note: Results displayed above are for respondents who noted the function as being in Shared Services.
Which financial processes does your organization perform in Shared Services?

<table>
<thead>
<tr>
<th>Financial processes</th>
<th>Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>55%</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>50%</td>
</tr>
<tr>
<td>General accounting</td>
<td>48%</td>
</tr>
<tr>
<td>Fixed asset accounting</td>
<td>48%</td>
</tr>
<tr>
<td>Travel &amp; entertainment</td>
<td>44%</td>
</tr>
<tr>
<td>Payroll</td>
<td>38%</td>
</tr>
<tr>
<td>Collections</td>
<td>36%</td>
</tr>
<tr>
<td>Billing</td>
<td>35%</td>
</tr>
<tr>
<td>Cash management</td>
<td>33%</td>
</tr>
<tr>
<td>Freight payable</td>
<td>29%</td>
</tr>
<tr>
<td>Revenue accounting</td>
<td>28%</td>
</tr>
<tr>
<td>Financial management reporting</td>
<td>28%</td>
</tr>
<tr>
<td>Credit management</td>
<td>28%</td>
</tr>
<tr>
<td>Treasury</td>
<td>28%</td>
</tr>
<tr>
<td>Cost accounting</td>
<td>25%</td>
</tr>
<tr>
<td>Project accounting</td>
<td>24%</td>
</tr>
<tr>
<td>External reporting</td>
<td>20%</td>
</tr>
<tr>
<td>Internal audit</td>
<td>16%</td>
</tr>
<tr>
<td>Budgeting</td>
<td>15%</td>
</tr>
<tr>
<td>Business analytics</td>
<td>14%</td>
</tr>
<tr>
<td>External audit</td>
<td>14%</td>
</tr>
<tr>
<td>Financial planning and analysis</td>
<td>14%</td>
</tr>
<tr>
<td>Forecasting</td>
<td>13%</td>
</tr>
<tr>
<td>Financial risk management</td>
<td>13%</td>
</tr>
<tr>
<td>Function management and strategy</td>
<td>8%</td>
</tr>
</tbody>
</table>

**Financial processes**

- Transactional processes continue to be the top processes denoted as Shared Services
- Business analytics was the top process noted as being considered for future inclusion in Shared Services
- Payroll, accounts payable, and external audit were the top financial processes outsourced

Note: Percentages are based on respondents who indicated they had the function in Shared Services
Which human resource processes does your organization perform in Shared Services?

**HR processes**
- Consistent with previous surveys, payroll administration continues to be the #1 HR process in Shared Services
- Payroll/Time Administration and Call Center Management are the top HR processes outsourced
- The largest areas shifting to Shared Services are Talent Management and Expat Administration

Note: Percentages are based on respondents who indicated they had the function in Shared Services
Which technology processes does your organization perform in Shared Services?

- **Application Development and Enhancements**: 36%
- **Security and controls**: 36%
- **IT service desk**: 34%
- **Application maintenance and support**: 34%
- **IT customer relationship/account management**: 34%
- **Vendor management**: 33%
- **Disaster recovery**: 30%
- **Service integration**: 30%
- **Network (data)**: 30%
- **End-user device provisioning and support**: 30%
- **Data governance**: 29%
- **Application hosting and support**: 28%
- **Network (voice)**: 28%
- **Data center**: 26%
- **Mobility/Mobile device support**: 25%
- **Litigation technology**: 14%

**Technology processes**

- Consistent with previous surveys, Payroll Administration continues to be the #1 HR process in Shared Services
- Payroll/Time Administration and Call Center Management are the top HR processes-outsourced
- The largest areas shifting to Shared Services are Talent Management and Expat Administration

*Note: Percentages are based on respondents who indicated they had the function in Shared Services*
Which procurement processes does your organization perform in Shared Services?

- Create and issue purchase orders/process PO change orders: 37%
- Process approvals: 34%
- Negotiate and contract with suppliers: 33%
- Manage and assess supplier performance: 29%
- Manage RFIs and RFPs: 28%
- Manage prices: 28%
- Create requisitions: 28%
- Conduct spend analysis and external benchmarking: 26%
- Create commodity strategies: 21%
- Assess supply markets: 21%
- Create and/or participate in supplier innovation programs: 20%

**Procurement processes**

- Purchase Order processing continues to be the top procurement process in Shared Services
- Spend Analysis and Benchmarking is the top process outsourced
- The largest areas shifting to Shared Services are Management of Supplier Performance and Supplier Innovation programs

Note: Percentages are based on respondents who indicated they had the function in Shared Services
Which customer service/support processes does your organization perform in Shared Services?

**Customer Service/Support processes**

- 39% of respondents have Customer Service/Support processes in their SSC’s organization
- Customer Service/Contact Center management is the most common process in both Shared Services and outsourced
- The largest area shifting to Shared Services is Complaint Management

Note: Percentages are based on respondents who indicated they had the function in Shared Services
Which tax processes does your organization perform in Shared Services?

<table>
<thead>
<tr>
<th>Tax processes</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax reporting and analysis</td>
<td>48%</td>
</tr>
<tr>
<td>Tax data collection</td>
<td>46%</td>
</tr>
<tr>
<td>Statutory accounting</td>
<td>37%</td>
</tr>
<tr>
<td>Local GAAP/STAT/US GAAP/IFRS account reconciliation support</td>
<td>32%</td>
</tr>
<tr>
<td>Tax return preparation: Non-U.S. Tax - direct</td>
<td>25%</td>
</tr>
<tr>
<td>Tax return preparation: Non-U.S. Tax - indirect</td>
<td>25%</td>
</tr>
<tr>
<td>Tax planning</td>
<td>24%</td>
</tr>
<tr>
<td>Tax return preparation: U.S. Tax – direct</td>
<td>16%</td>
</tr>
<tr>
<td>Tax return preparation: U.S. Tax – indirect</td>
<td>16%</td>
</tr>
<tr>
<td>Other tax-related processes</td>
<td>2%</td>
</tr>
</tbody>
</table>

Note: Percentages are based on respondents who indicated they had the function in Shared Services

Tax processes

- 35% of respondents indicated that they have Tax processes in Shared Services
- Non-U.S. Tax return preparation and tax planning were the processes most outsourced
- Statutory accounting is the most likely candidate for future Shared Services
Which real estate processes does your organization perform in Shared Services?

Real estate processes

- 27% of respondents indicated real estate processes were in their SSCs, up from 23% in 2011
- The top real estate process outsourced is managing Travel services
- The largest area shifting to Shared Services is Assets and Leases Management

Note: Percentages are based on respondents who indicated they had the function in Shared Services
Which legal processes does your organization perform in Shared Services?

**Legal processes**

- 20% of respondents indicated that legal processes were in Shared Services, up slightly since 2011
- Legal Opinion and Contract Drafting were the most commonly outsourced processes
- The largest areas shifting to Shared Services are Contract Drafting, Negotiation Support, and Legal Counsel

Note: Percentages are based on respondents who indicated they had the function in Shared Services
Which sales/marketing processes does your organization perform in Shared Services?

Sales/marketing processes

- 18% of respondents have sales and marketing processes in Shared Services
- Customer Database Management is the most common process in Shared Services
- As compared to 2011, Sales Promotion Management is up from 4%
- The largest area shifting to Shared Services is Web/Creative

Note: Percentages are based on respondents who indicated they had the function in Shared Services
Which supply chain/manufacturing support processes does your organization perform in Shared Services?

Supply chain (SC)/manufacturing processes
- 17% of respondents have their SC/manufacturing processes setup in their SSC organization
- Order processing is the top process in Shared Services and outsourced
- The largest areas shifting to Shared Services are processing of Returns and Recalls and Demand and Production Planning

Note: Percentages are based on respondents who indicated they had the function in Shared Services
How do you expect your organization to change their use of Shared Services and outsourcing in the next three to five years?

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

- **# of transactional processes in SSCs**: 82%
- **# of knowledge-based processes in SSCs/COEs**: 82%
- **% of internal business units being served by SSCs**: 81%
- **# of geographies/regions being served by SSCs**: 73%

**Future direction for Shared Services**
- Similar to the 2011 survey, the majority of survey participants plan on expanding the scope and reach of their SSCs
- There was a large jump in respondents planning to expand the # of knowledge-based processes in SSCs from 66% in 2011 to 82%

**How do you expect your organization to increase the use of outsourcing?**

- **# of transactional processes being outsourced**: 49%
- **# of knowledge-based processes being outsourced**: 24%
- **% of internal business units being served by outsourcers**: 35%
- **# of geographies/regions being served by outsourcers**: 33%

**Future direction for outsourcing**
- As compared to 2011, respondents indicated an interest in expanding the use of outsourcing across all areas
- Respondents continue to expect to increase the use of outsourcing for transactional processes
Trends in scope

• SSCs continue to expand outside of traditional back office functions

• Organizations leveraging Shared Services are moving upwards of half to three quarters of their FTEs to an alternate service delivery model

• Even traditional corporate functions, such as Tax, Real Estate/Facilities, and Legal are moving towards a transactional SSC or outsourced model

• The capabilities of transactional SSCs and outsourcers are moving up the value chain such that knowledge-based SSCs/COEs make up a smaller portion of FTE distribution

• Organizations are beginning to leverage Shared Services as a way to manage customer relationships with contact centers and customer service desks

• Processes that are being considered future Shared Services candidates centered around managing data and driving business insights regardless of functions
Operations
Does your organization mandate Shared Services?

Does your organization mandate participation in Shared Services or use an opt-in model?

Mandate versus opt-in
- 78% of organizations mandate participation in Shared Services — consistent with the 2011 survey
- Higher quality increased as a reason business units/segments opt in from 35% in 2011 to 45% according to the survey
- Some of the “other” reasons that business units/segments choose to opt out is lack of transparency and regulatory concerns

Why do business units/segments choose to opt in?
- Lower costs: 77%
- Expertise: 57%
- Flexibility in staffing: 45%
- Higher quality: 45%
- Internal / political pressure: 39%
- Infrastructure / larger scale: 39%
- Higher talent: 14%
- Greater geographic reach: 11%
- Other: 11%

Why do business units/segments choose to opt out?
- Not being able to support the business remotely (from a SSC): 38%
- Lack of service responsiveness: 32%
- Poor quality: 29%
- Higher costs: 23%
- Not being able to drive/contribute to the mandate/scope/budget: 21%
- Other: 11%
Internal controls

What roles does your SSC play in management and oversight of internal controls?

- Owns controls activities: 65%
- Monitoring: 64%
- Communication: 46%
- Management evaluation and reporting: 39%
- Risk assessment: 38%
- No role: 11%

Controls

- Over 90% of respondents indicated that their SSCs play a role in internal controls
- For those surveyed with SSCs that play a role in internal controls, financial reporting and operational were the primary roles
- The survey indicates complying with financial regulations provided the top benefit for internal controls
- Over 50% of respondents indicated that management oversight of internal controls leads to improved operations

What is the scope of internal control activities within your SSC?

- Financial reporting: 75%
- Operational: 72%
- Regulatory compliance: 58%
- Other: 3%

Management and oversight of internal controls has provided the following benefits:

- Improved ability to comply with financial regulations: 76%
- Improved operations: 53%
- Improved ability to comply with nonfinancial regulations: 51%
- Lowered costs of internal controls: 46%
- Other: 3%
Which of the following internal processing technologies/enhancements has and/or will be implemented in your Shared Service Center(s)?

**Currently implemented * **
- Electronic funds transfer (EFT) 75%
- Workflow 73%
- Electronic data interchange (EDI) 67%
- Payroll services / Direct deposit 67%
- Financial consolidation/reporting 66%
- Employee self-service 62%
- Data warehousing 60%
- Imaging 57%
- Automated three-way matching 57%
- E-invoicing 55%

**Future/planned implementation * **
- Data analytics tool 39%
- Vendor self-service 35%
- E-procurement 34%
- E-invoicing 32%
- Business process management systems 32%
- OCR 30%
- Cloud computing – public 27%
- Cloud computing – private 26%
- Demand forecasting / capacity management 26%
- Asset tracking 22%

* Top 10

**Internal processing technologies/ enhancements**
- Respondents indicated that 75% of technology spend was allocated to improving productivity within center operations
- The top 5 technologies currently implemented remain the same since 2011
- Employee self service increased substantially since 2011 (48%) to 62% this year according to respondents
- Survey results indicate a significant increase in Software as a Service (SaaS) implementations (from 18% to 28% since 2011), and large increased in planned investments in cloud computing
Which of the following customer facing technologies/enhancements has and/or will be implemented in your Shared Service Center(s)?

Customer-facing technologies/enhancements

- Respondents indicated that 18% of technology spend was allocated to improving customer interactions
- The top 10 technologies are consistent since 2011, however, a higher percentage of respondents have implemented each one
- PDA access and social media have moved into the top 10 technologies respondents are considering implementing in the future
What is important to your business unit customers?

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

- Timeliness of response
- Cost of services
- Providing routine services
- Reacting to business unit requests
- Staff knowledge of multiple SSO processes
- Staff knowledge of business unit objectives
- Providing nonroutine services
- Anticipating unidentified business unit needs

**SSC customer needs**

- Timeliness of response remains the most important service that SSCs can provide to customers since 2007 according to respondents
- Cost of services has increased in rank since 2011 from #4 to #2
- Anticipating business unit needs or providing nonroutine services remain the least important services to customers, however, providing nonroutine services has increased in importance since 2011
What people-related challenges do you anticipate within your organization's SSC(s) over the next three years?

Challenges

• Operationally focused people-related challenges continue to top the list with maintaining high quality moving up from #2 in 2011 to #1 this year

• Maturity of the respondents' SSCs did not impact what people-related challenges were anticipated

• Anticipated challenges with recruiting and retaining both management and clerical staff have gone down since 2011
How do you attract and retain talent in your Shared Services organization?

What is your annual percent in employee turnover by center?

![Pie chart showing employee turnover percentages]

- Greater than 20%: 8%
- 16% to less than 20%: 12%
- 10% to less than 15%: 15%
- 5% to less than 10%: 35%
- Less than 5%: 36%

What benefits do you use to attract and retain talent?

- Focus on strong culture: 63%
- Job rotation outside of the SSC into other areas of the business: 55%
- Job sharing / flexible work practices: 55%
- Financial support for continuing education: 51%
- Performance based pay (e.g., variable bonuses): 45%
- Other: 9%

Methods used to motivate employees

- Respondents indicate their SSCs faced an average of 8% employee turnover, down from 9% in 2011.
- The focus on strong culture remains a top way to attract and retain talent while job rotation outside of the SSC has increased in importance.
- Other ways organizations attract and retain talent within the SSC is by expanding responsibilities to include ad hoc projects.
Trends in operations

• Higher quality has become an important reason for business units to opt in to Shared Services signifying that cost is not the only consideration

• There is an opportunity for Shared Services to move from an execution to a management-based role in internal controls for the broader organization

• While technology spend is primarily allocated to productivity, there is a growing trend to build enabling technologies to improve the customer experience

• As SSCs expand their breadth of services, they should consider continue to deliver on the basics such as timeliness of response and cost containment

• Challenges with attracting and retaining talent have decreased as SSCs find innovative ways to make Shared Services a career destination
Journey and value
How did your Shared Services journey begin?

What was the primary driver or business event that led to your original decision to implement a Shared Services organization?

- Business restructuring / cost reduction program: 25%
- Platform for scalable growth: 23%
- Economy / recession: 11%
- ERP / technology change: 10%
- Need for internal controls: 9%
- Competition / external market pressure: 8%
- Shareholders / stock price pressure: 7%
- Integrate acquisitions: 6%

What approach did your organization initially take to design and implement Shared Services?

- Single function within a single geography: 25%
- Multiple functions across multiple geographies: 21%
- Single function across multiple geographies: 22%
- Multiple functions within a single geography: 32%

Starting the journey

- A variety of business events led participants to pursue Shared Services with a quarter of respondents noting restructuring / cost reduction as their primary driver.
- The initial approach respondents took to implement Shared Services varied greatly with a slightly larger proportion pursuing multiple functions within a single geography.
- Respondents with newer centers primarily took one of two approaches: a single function across multiple geographies or a single geography across multiple functions.
How has process standardization and technology impacted your move to Shared Services?

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

Process migration

- As in 2011, nearly half of the respondents standardized processes after shifting them to Shared Services
- Compared to 2011, 15% fewer respondents moved processes after the technology change versus at the same time
- The survey indicates the most popular approach to implementing SSCs continues to be to move processes prior to standardization and technology changes

### Timing of process move to SSC

<table>
<thead>
<tr>
<th>Timing of process standardization</th>
<th>Prior to move to SSC</th>
<th>During move to SSC</th>
<th>After move to SSC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior to technology change</td>
<td>2%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>During technology change</td>
<td>10%</td>
<td>19%</td>
<td>6%</td>
</tr>
<tr>
<td>After move to SSC</td>
<td>30%</td>
<td>13%</td>
<td>7%</td>
</tr>
</tbody>
</table>
How did you typically address the organization and talent changes needed at the local level when shifting to SSCs/COEs?

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete new organization chart, job descriptions, etc., provided by implementation team(s)</td>
<td>64%</td>
</tr>
<tr>
<td>Issued communications regarding changes</td>
<td>55%</td>
</tr>
<tr>
<td>Target headcount reductions provided from corporate to local management</td>
<td>51%</td>
</tr>
<tr>
<td>Conducted training</td>
<td>46%</td>
</tr>
<tr>
<td>Reevaluated job levels</td>
<td>38%</td>
</tr>
<tr>
<td>Associates reapplied for remaining positions</td>
<td>29%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
</tbody>
</table>

Retained organization

- Over half of the respondents took a hands-on approach in addressing the retained organization by providing new organization charts and job descriptions.
- On average, respondents focused on at least three of the above to address the retained organization.
- Other responses included moving people over time into new roles.
Which of the following tax considerations were taken into account prior to or in connection with the formation of the SSC?

- Location of SSC: 48%
- Legal entity type: 40%
- Tax considerations were not taken into account: 31%
- Availability of federal, state, and/or local credits and incentives: 20%
- VAT considerations: 16%
- Employee benefits: 14%
- Accounting method: 13%
- Planning to reduce global tax burden (e.g., transfer pricing, etc.): 11%
- Other federal, state, or international considerations: 8%
- Other: 3%
- Unclaimed property: 2%

Impacts of tax

- 31% of respondents did not take tax considerations into account as part of the formation of their SSCs.
- Similar to the 2011 survey, location of the center and legal entity type were the primary considerations taken into account — location of the SSC is up 9% and legal entity type is up 21%.
- For those that saw a positive impact due to tax considerations, location of the SSC and legal entity type drove the largest impacts.
Where has Shared Services had a positive impact?

Positive impacts of SSCs

- The top five benefits remain consistent since 2011
- Respondents indicated a wide variety of benefits with cost reductions being the top
- An increased number of respondents are finding that Shared Services enables M&A synergies as compared to 2011
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?

Financial Impact

- 55% of respondents indicated an initial headcount savings of 10% or more
- The survey indicates average initial headcount savings is approximately 13%
- Average annual increase in productivity is 8%, consistent with the last four years
- Over the last 10 years, the average payback period has decreased from three to 2.6 years according to respondents

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

What was the payback period for your Shared Services implementation?

- Less than one year after implementation: 10%
- Between one and two years after implementation: 34%
- Between two and three years after implementation: 28%
- Over four years after implementation: 12%
- None: 9%
- Less than 5%: 25%
- 5% to less than 10%: 37%
- 10% to less than 15%: 16%
- 15% or more: 12%
To what degree has your organization achieved its objectives for Shared Services?

### Short of meeting objectives

- Technology automation: 41%
- Technology standardization: 31%
- Time to implement – fully deployed: 28%
- Size of retained organization: 27%
- Headcount reduction: 20%
- Time to implement – center set up: 17%
- Number of business units served: 16%
- Number of processes in scope: 15%
- Number of geographies served: 15%
- One-time costs: 15%

### Exceeded objectives

- Service quality: 30%
- Headcount reduction: 26%
- Number of processes in scope: 24%
- Types of processes in scope: 19%
- Number of business units served: 19%
- Technology standardization: 18%
- One-time costs: 18%
- Time to implement – center set up: 17%
- Technology automation: 17%
- Number of geographies served: 16%

### Achieving objectives

- At least 50% of respondents met or exceeded all of their objectives.
- Service quality was the area most cited for exceeding objectives followed by headcount reduction, which was the top answer in 2011.
- Similar to 2011, technology automation and standardization were the top areas cited for being short of meeting objectives.
How could you have improved your Shared Services journey?

<table>
<thead>
<tr>
<th>Improvement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased change management</td>
<td>59%</td>
</tr>
<tr>
<td>Better alignment between process change and tech</td>
<td>47%</td>
</tr>
<tr>
<td>Stronger executive support / alignment</td>
<td>43%</td>
</tr>
<tr>
<td>Stronger governance</td>
<td>39%</td>
</tr>
<tr>
<td>Better team / resources</td>
<td>38%</td>
</tr>
<tr>
<td>Faster decision making / issue resolution</td>
<td>29%</td>
</tr>
<tr>
<td>Better reporting</td>
<td>26%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
</tr>
</tbody>
</table>

Changes to journey

- Similar to 2011, over half of respondents indicated the need for increased change management
- Respondents continue to struggle with aligning process change and technology change
- Other included improved analysis around location selection and not allowing an opt-in strategy
How can Shared Services be leveraged as a strategic asset?

How are you leveraging Shared Services as a strategic asset at your organization?

- Demonstrating cost competitiveness (e.g., lower cost/unit): 63% Achieving today, 31% Future goal
- Providing flexibility to ramp up/down with business demands: 55% Achieving today, 36% Future goal
- Offering heart of the business / core centers of expertise: 36% Achieving today, 43% Future goal
- Increasing ease of facilitating acquisitions: 32% Achieving today, 36% Future goal
- Performing analytics for business units/corporate: 27% Achieving today, 55% Future goal

What role(s) is your SSC(s)/organization currently playing, or you anticipate it playing, in analytics?

- Using analytics to identify / improve Shared Services performance within the center: 63%
- Providing analytics services to the business: 45%
- Using analytics to provide business insights: 40%

SS as a strategic asset

- The survey indicates demonstrating cost competitiveness is a main focus in SSCs today
- Moving into analytics was noted as the top future goal by over half of the respondents
- Of the 82% of respondents who are/or plan on performing analytics for their organization, 63% are focused on improving performance within the center
In what areas do you think Shared Services will evolve in the future?

Future trends

- 95% of respondents believe that SSCs will continue to provide critical and high-value processes for their organizations
- The survey indicates SSCs serving external organizations and becoming profit centers is the lowest agreed-upon trend followed by the emergence of virtual SSCs
Trends in journey and value

• Organizations are effectively achieving benefits regardless of the order of implementation across functions and geographies

• More recent adopters of Shared Services are moving directly to multifunction as part of their initial implementation strategy

• Organizations continue to leave money on the table and increase their risks by not including Tax implications as part of their business case for Shared Services

• A multifaceted approach to addressing the retained organization is required to realize the intended benefits

• Shared Services continues to strive to be seen as a valuable partner to the business versus just a lower-cost alternative; SSCs see analytics as an important lever to increase their value

• The true value of analytics is leveraging the data, people, and technology infrastructure within the SSC to provide business insights to the broader organization

• Although Shared Services is a mature concept, the next generation includes higher value processes, new geographies, and a higher utilization of hybrid models, including SSCs, COEs, and outsourcers
Contact information
To discuss the survey results and trends, contact:

<table>
<thead>
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<th>EMEA</th>
<th>APAC</th>
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<tbody>
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<td>Susan Hogan</td>
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