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2015 Engineering & Construction Conference

Shared Services: Turning Ideas into Actions

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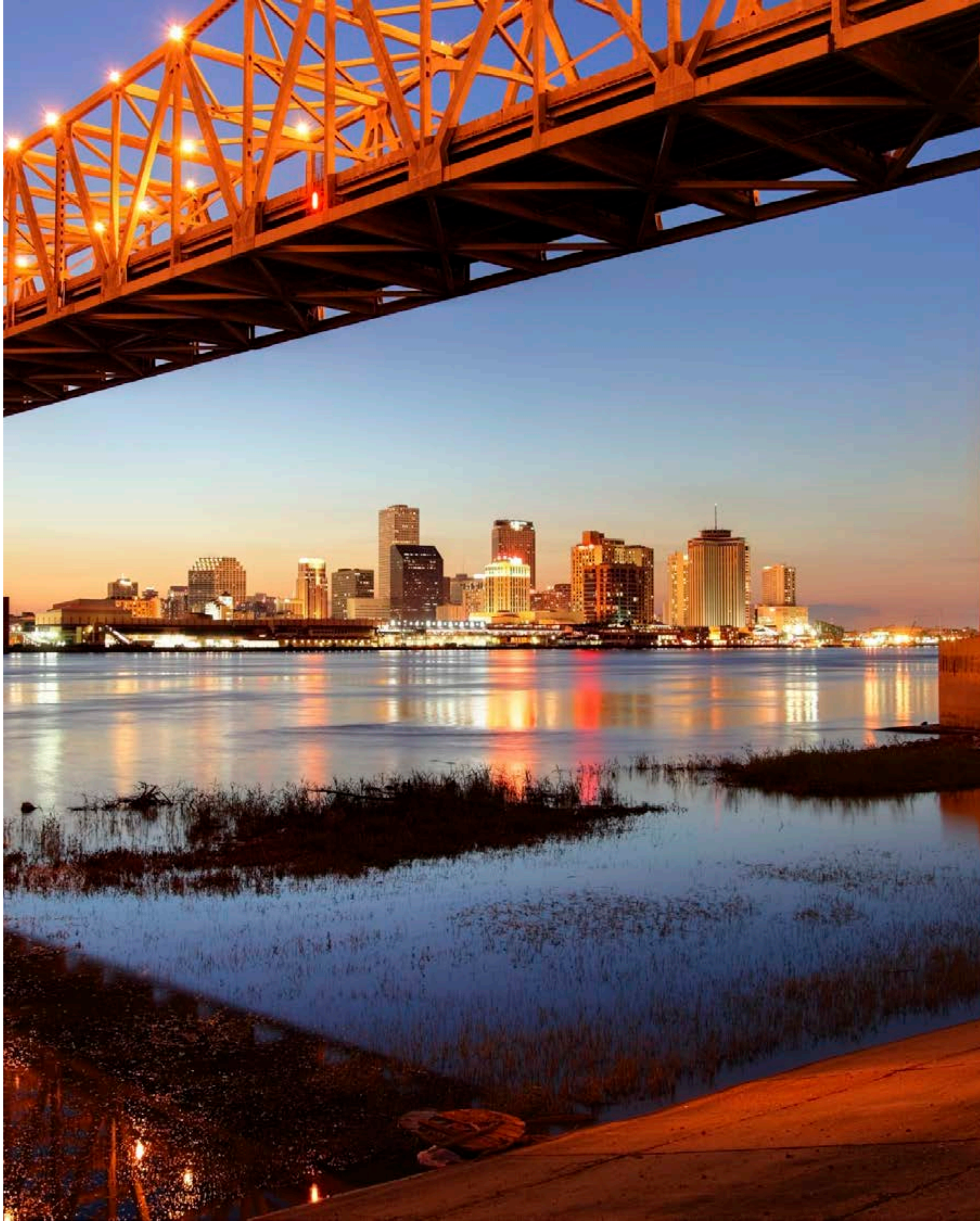
June 1, 2015



Agenda

Global Shared Services Survey Results

Trends for the Future

Open Discussion

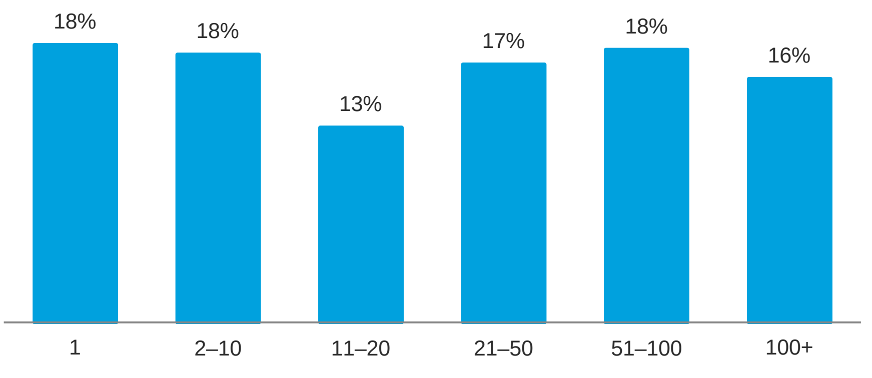
Global Shared Services Survey

Diverse set of over 300 respondents

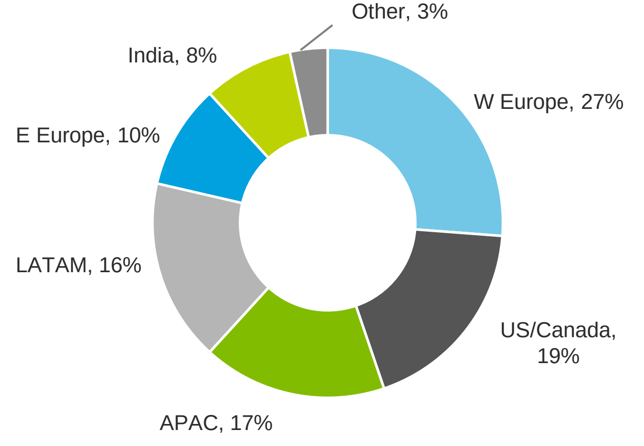
Respondent information

- Manufacturing continues to be the top industry represented in the biennial survey, accounting for approximately 27% of respondents
- Tech/Telecom, Financial Services, and Consumer Products are the next most represented industries accounting for 13%, 11%, and 10% of respondents, respectively
- Average revenue of participant organizations was approximately $11 billion
- More than 50% of respondents had organizations over 10,000 Full Time Equivalents (FTEs)

In how many countries does your organization operate?



In which region are your organization's SSCs located?



[1] Headquarters is based on the country that the respondent provided

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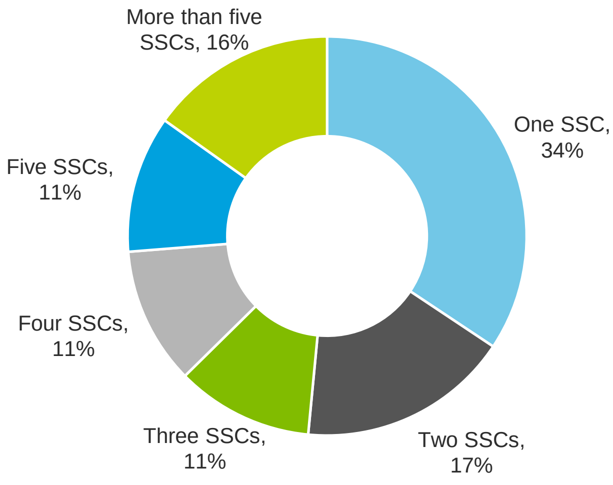
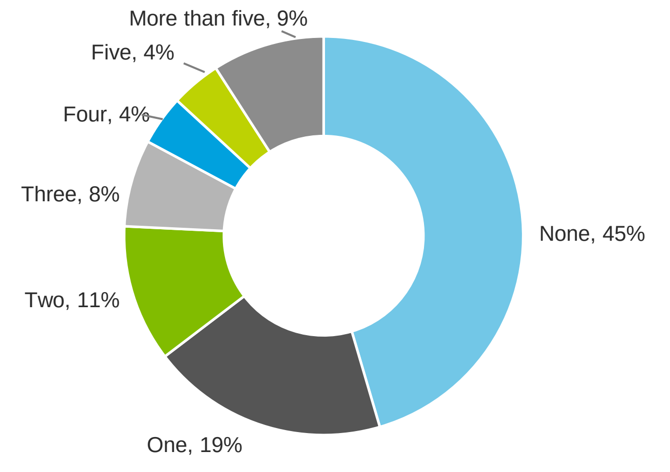
Participants provided data for more than 1,000 Shared Services Centers (SSCs)

How many SSCs does your organization have across all functions?



How many outsourced locations does your organization have across all functions?

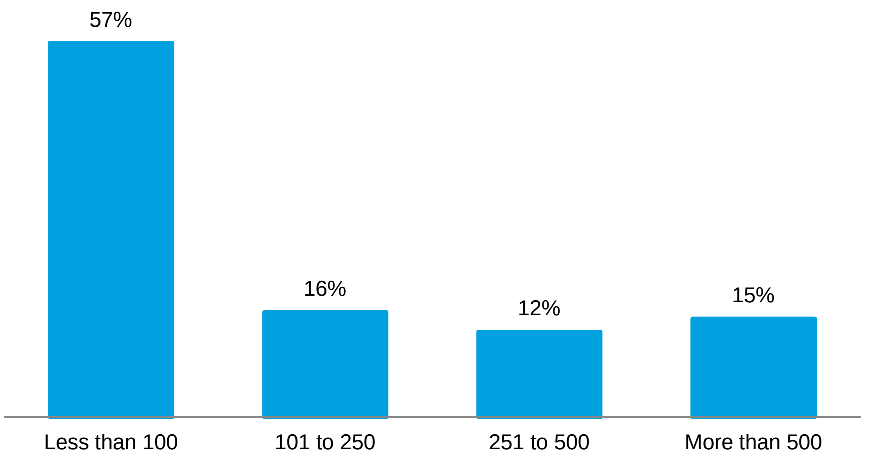


SSCs and outsourced locations

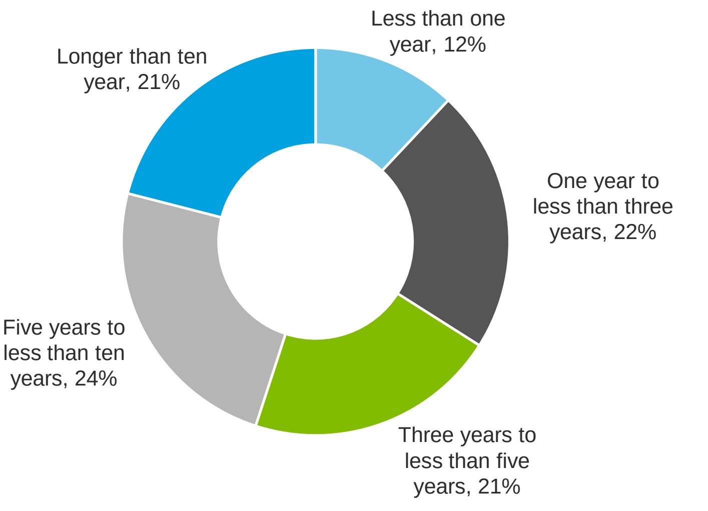
- Of the respondents who currently have SSCs, the average number of SSCs per company was 3.3 which is similar to 2013
- As compared to 2013, there was a decrease in respondents who indicated they had one SSC, whereas there was an increase in respondents with two SSCs and five SSCs
- More than half of all the respondents indicated that they had outsourced centers, with one vendor location being the largest configuration, with another 19% reporting two or three outsourced centers
- Of the respondents who indicated they have outsourced locations, the average number of outsourced locations per respondent was 3.9

SSCs represented in this survey have varying sizes and different levels of maturity

How many employees do your SSCs have?



How long have your organization's SSCs been operating?



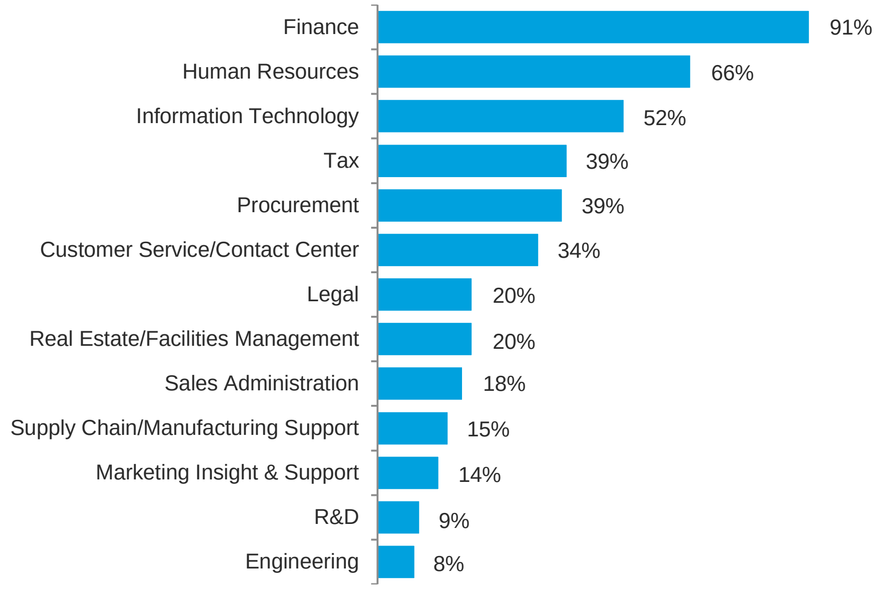
Employees and maturity

- Similar to previous years, smaller centers are the most common deployment method with 57% of the respondents indicating that they have less than 100 employees in their SSCs
- The average age of all SSCs was 5.5 years
- Of the SSC organizations that have been operating for less than three years:
  - More than 70% have less than 100 employees
  - More than half have one SSC
  - More than 60% have multi-function SSCs

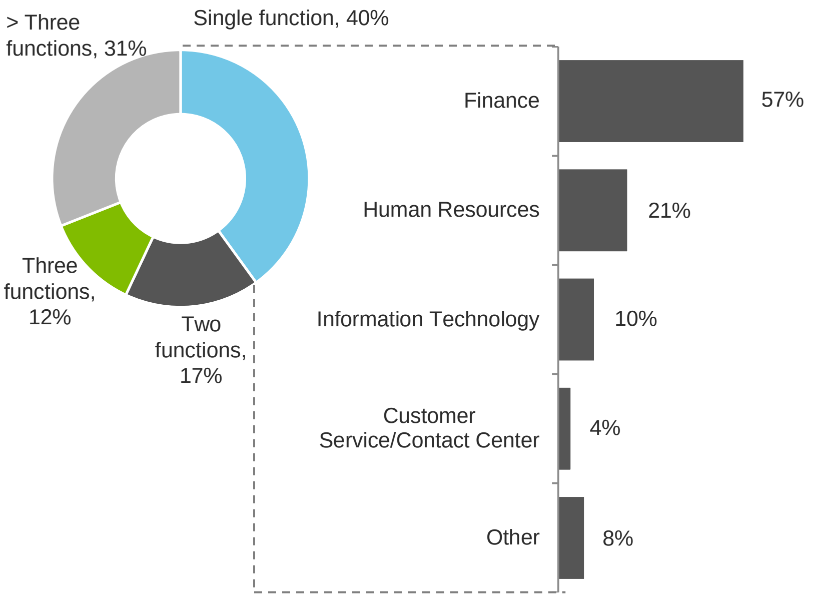
Scope of services

Scope of services for SSCs

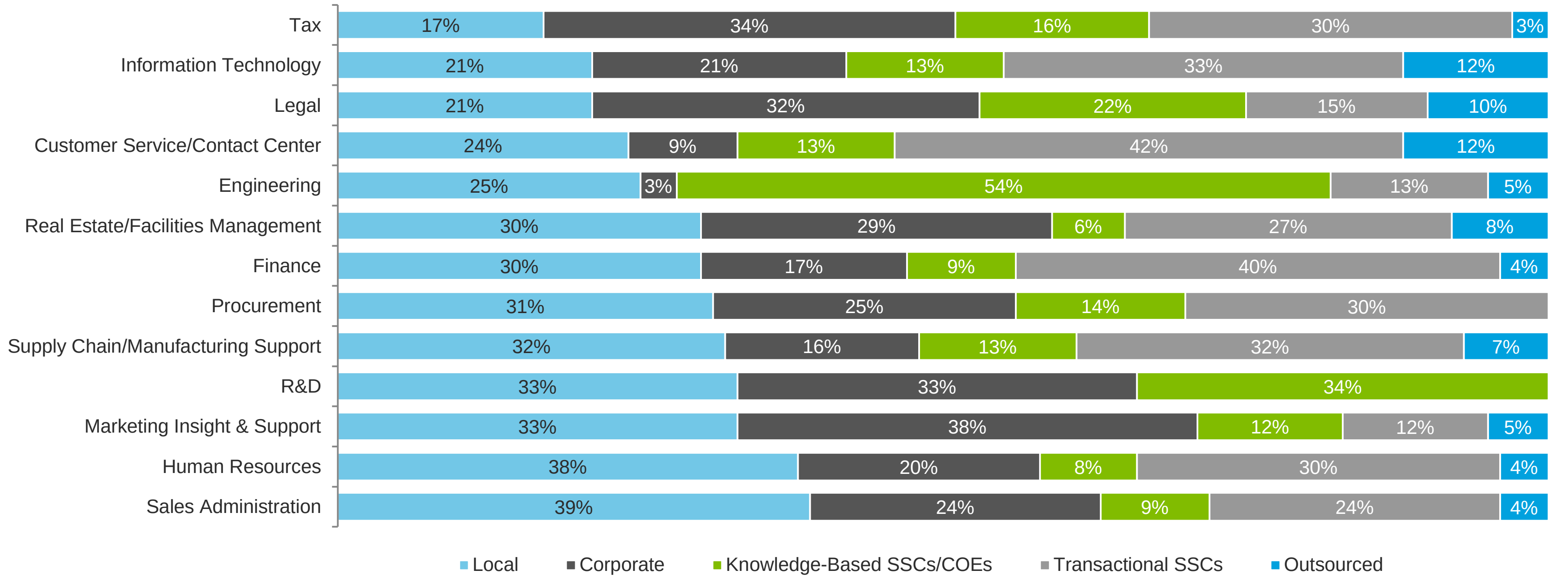
Which functions are performed in your organization's SSCs?



What percentage of the SSCs are single function?

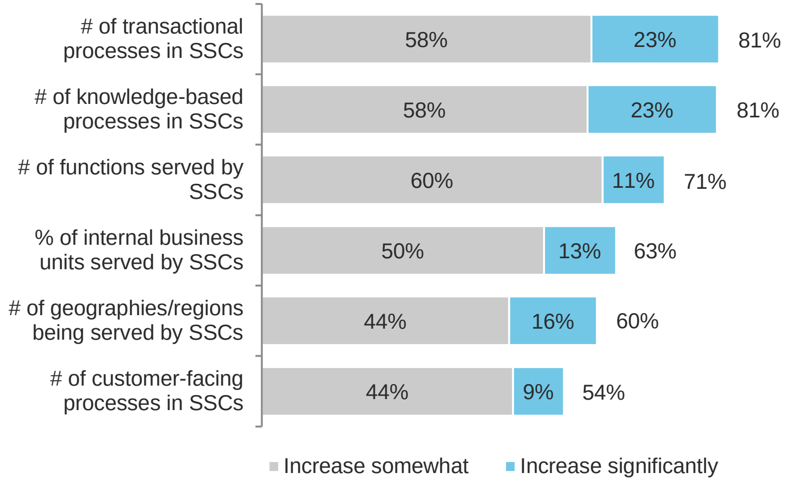


Distribution of full time equivalents (FTEs)

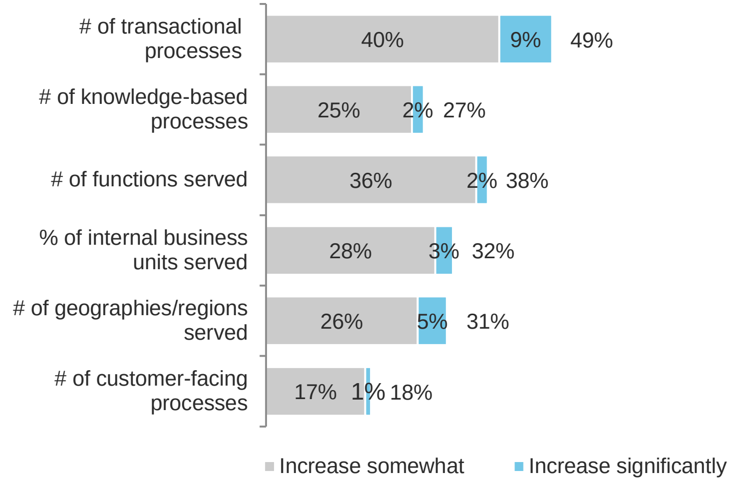


Future scope of services and the role of outsourcing

How do you expect your organization to increase its use of Shared Services/COEs?



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



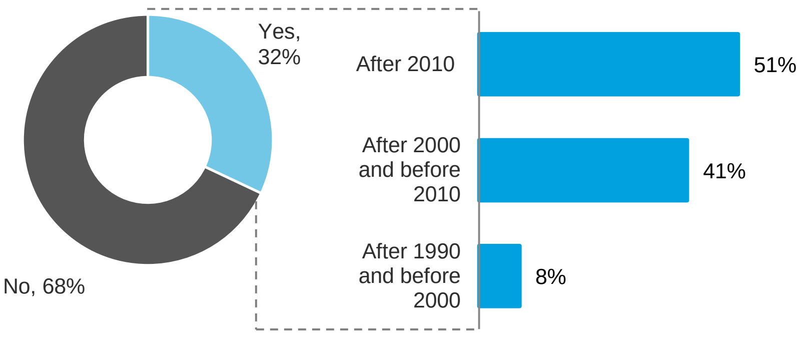
Summary

- Organizations are skipping the single-function concept and pursuing multi-function SSCs at the start of their shared services journey
- There is a drastic increase in the number of SSCs with more than three functions creating a greater need for centers to be located in areas which can support multi-function work
- Organizations are adopting hybrid shared service models and customizing their delivery models by function
- Organizations that are pursuing new SSCs are more aggressive about including a broad scope of functions in their SSCs and are working to consolidate that work more quickly
- The role of the Corporate function is growing in importance, as organizations centralize higher-value activities in Corporate
- Although Marketing Insight & Support continues to be consolidated within organizations, it is only serving limited portions of the organization. As a result, an opportunity exists to drive effectiveness and improve investment levels when this capability becomes more shared enterprise wide

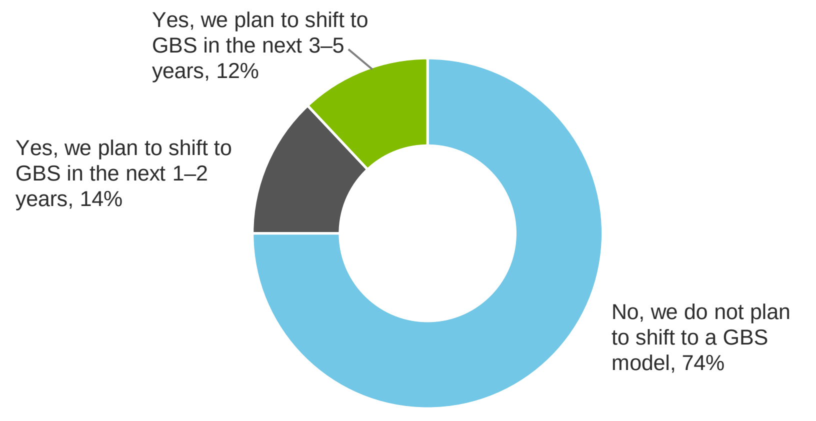
Organization, operations and governance

Shared Services versus Global Business Services

Do you consider your collection of SSCs and outsourcing to be a Global Business Services (GBS) organization? If yes, when did you shift to GBS?

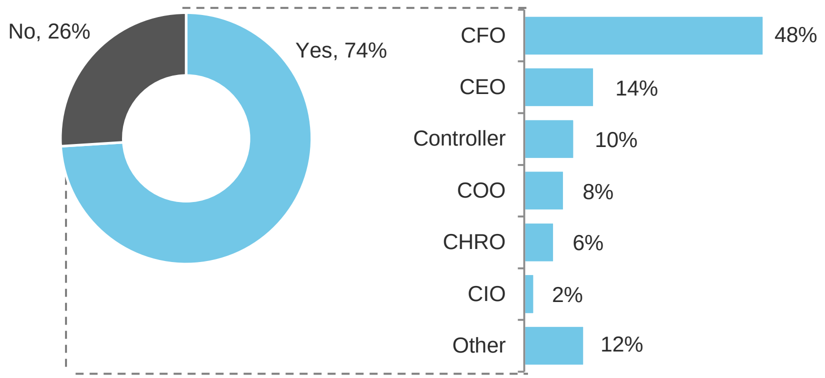


If you do not have a GBS organization, do you plan to shift to a GBS model and if yes, when?

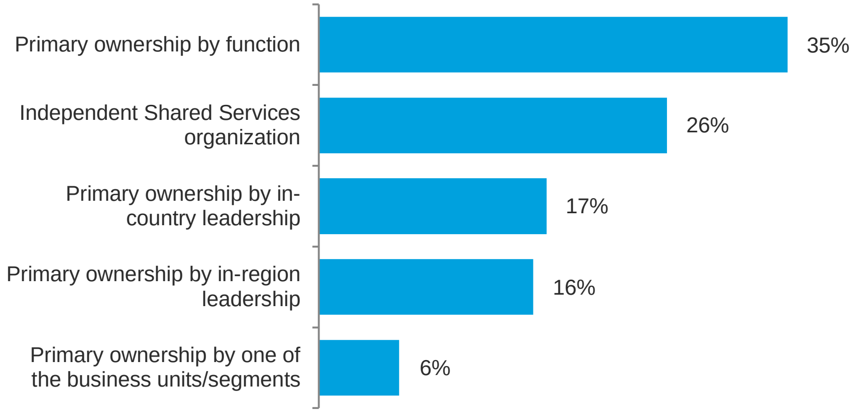


Reporting relationship

If you have a GBS organization, do you have a GBS leader or equivalent, and if yes, to whom do they report?

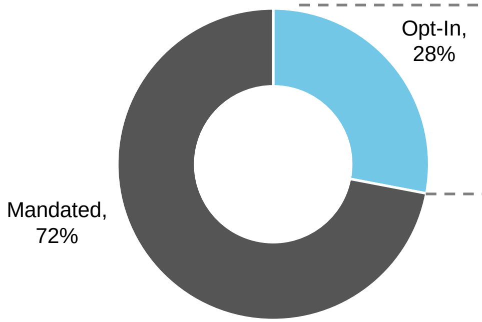


If you do not have a GBS organization, what is the predominant reporting relationship for your SSCs?

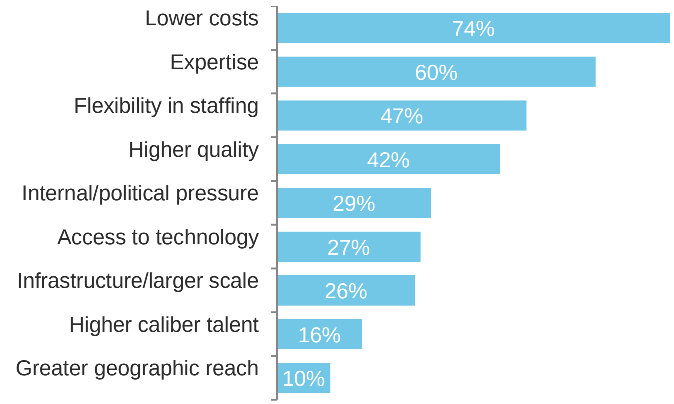


Governance model

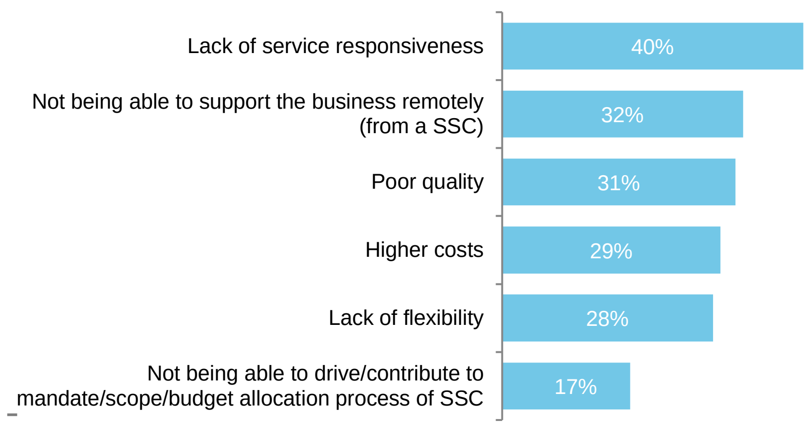
Does your organization mandate participation in Shared Services or use an opt-in model?



Why do business units/segments choose to opt in?

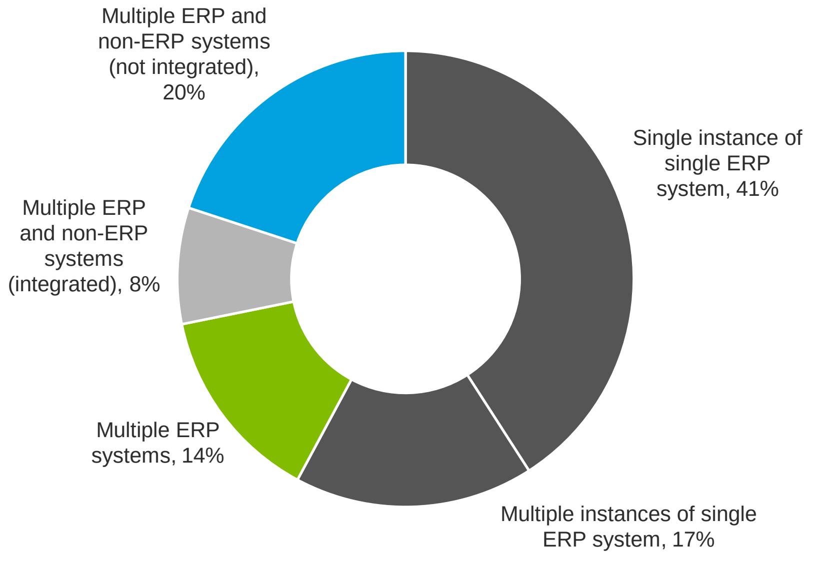


Why do business units/segments choose to opt out?

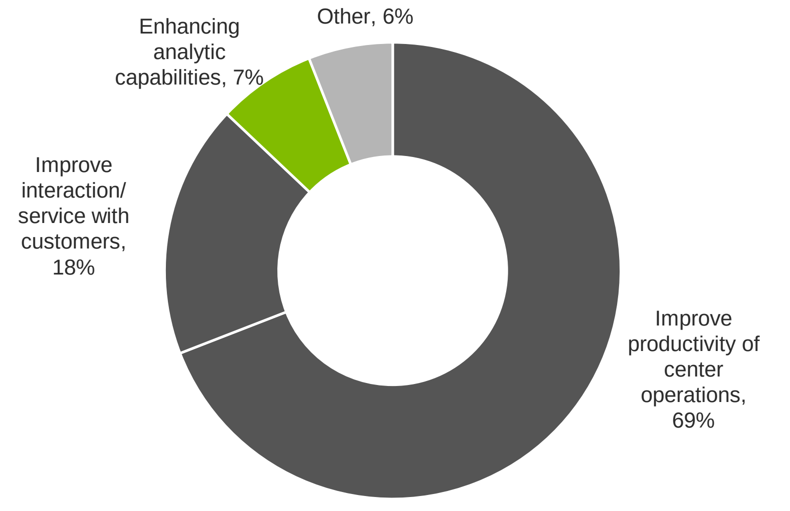


Technology

What is your SSC technology platform?



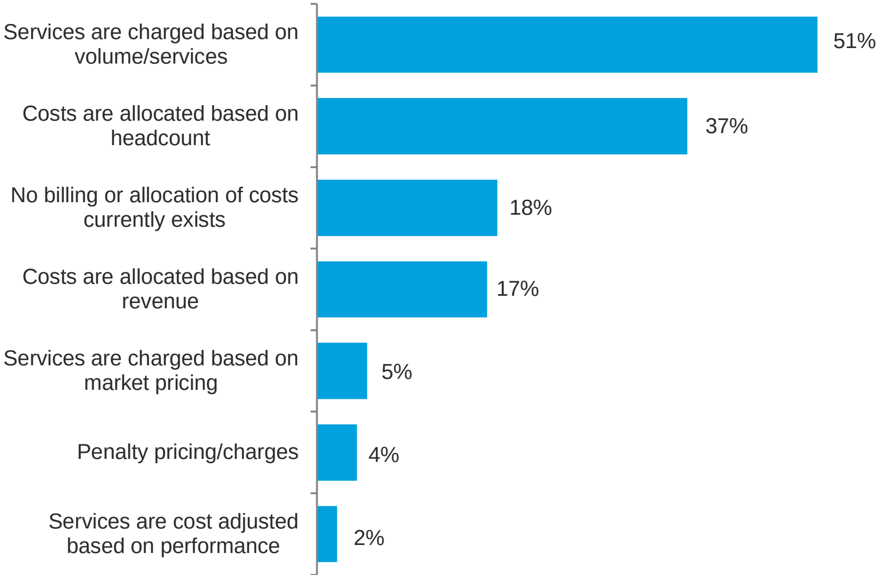
How are you allocating spend on technology for your SSCs?



Managing and charging for services

What is included in your SLAs?

How are services primarily being charged back?

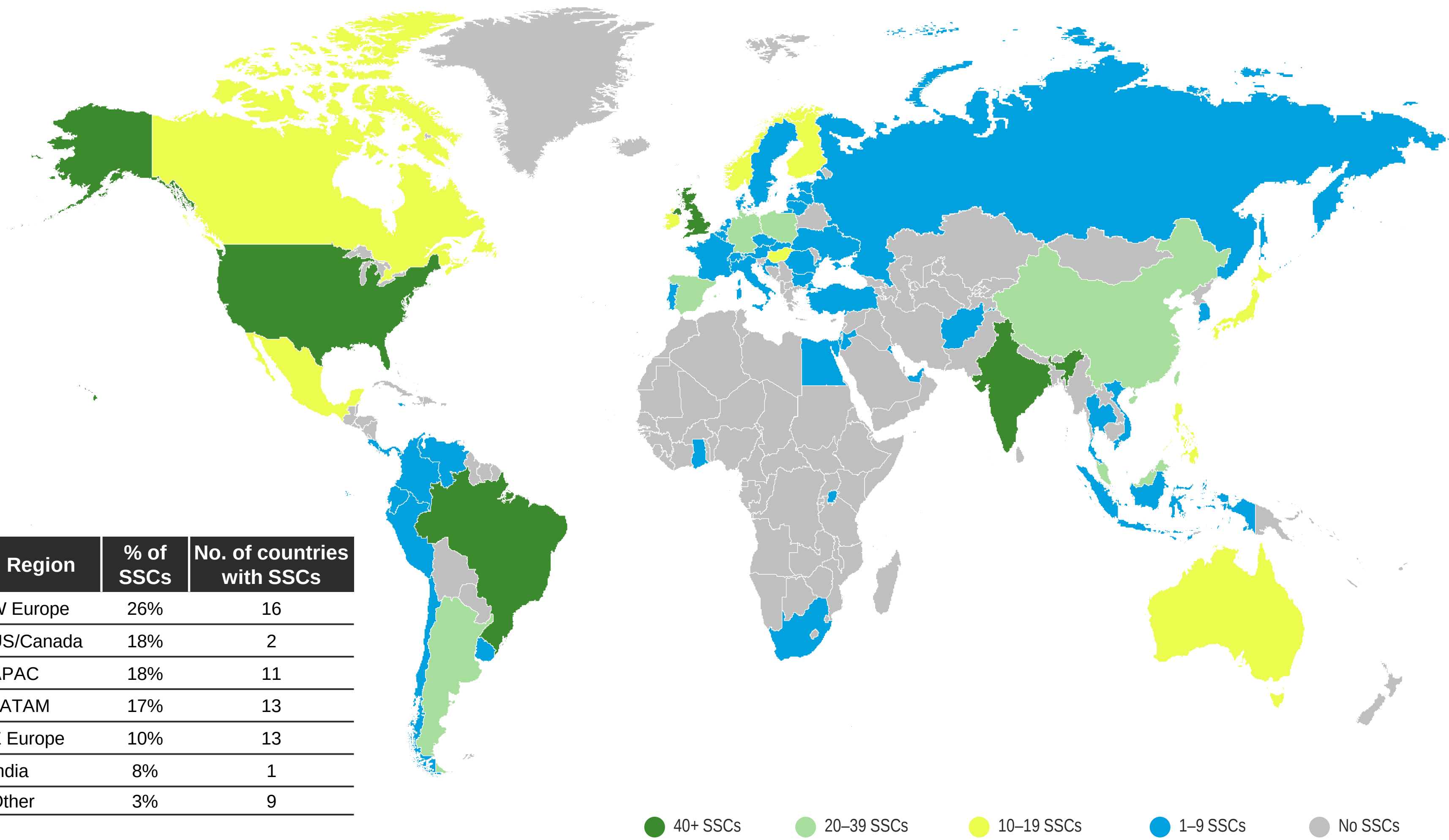


Summary

- By leveraging lessons learned from mature SSCs, new SSCs are more likely to start with GBS, leapfrogging the mature SSCs; mature SSCs are facing resistance to shift towards a GBS model—similar to the resistance originally faced during initial SSC transitions
- Although the definition of GBS varies in the marketplace, organizations are moving towards GBS and adopting models that incorporate a mix of multi-function, multi-location, multi-region, multi-business, and multi-sourced
- Hybrid service delivery is a typical tenant of GBS, however, few organizations are co-managing the Shared Services and outsourcing platforms
- While independent GBS organizations are now starting to report directly into the CEO, many continue to be managed by functional leaders, such as the CFO
- Business unit customers want SSCs to continue focusing on the basics, such as timeliness of responses and cost of service; however staff knowledge of business unit objectives is becoming increasingly important to facilitate the movement of SSCs into higher value-added activities
- Organizations are still struggling with technology, but are finding ways to overcome those challenges; SSCs are operating across a variety of technology platforms
- As SSCs become more global in nature, organizations should implement charge-back methodologies and leverage transfer pricing to effectively address tax implications and regulatory requirements

Geography

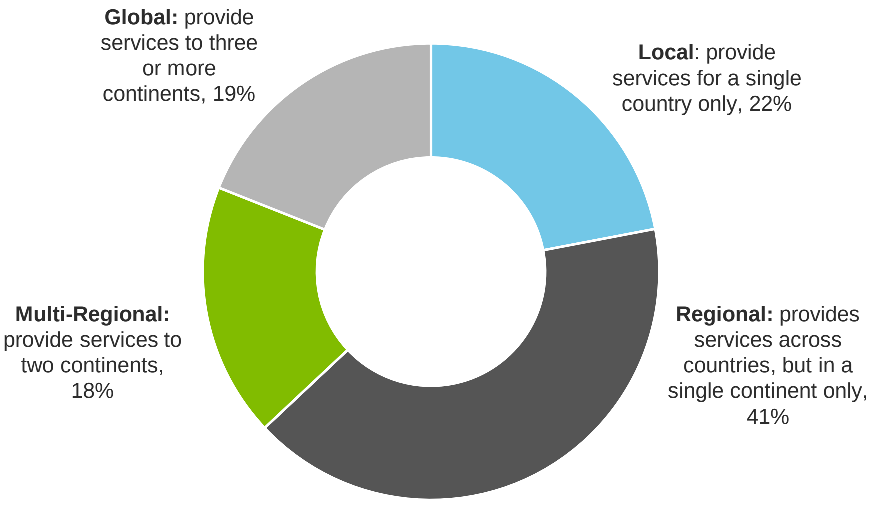
Current location of SSCs



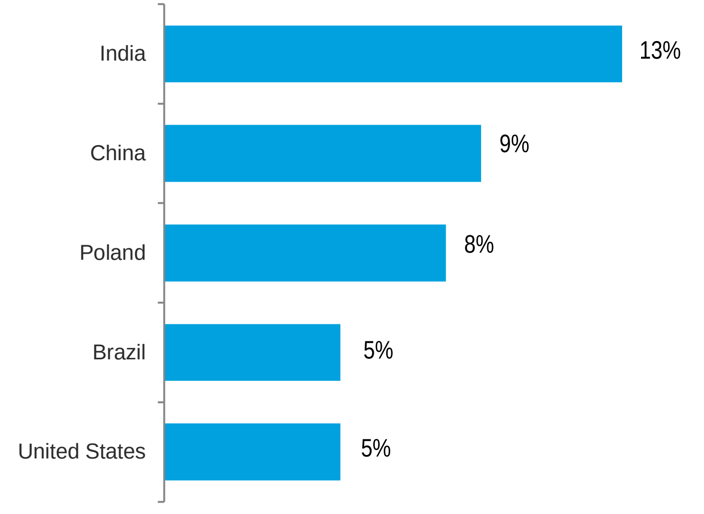
Region	% of SSCs	No. of countries with SSCs
W Europe	26%	16
US/Canada	18%	2
APAC	18%	11
LATAM	17%	13
E Europe	10%	13
India	8%	1
Other	3%	9

Global reach and future locations

What is the geographical coverage of your SSCs?

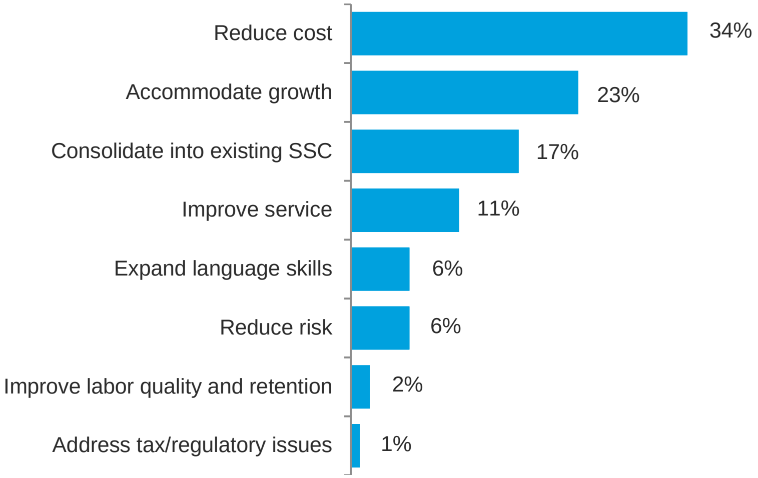


What are the top locations you are considering for a new or relocated SSC?

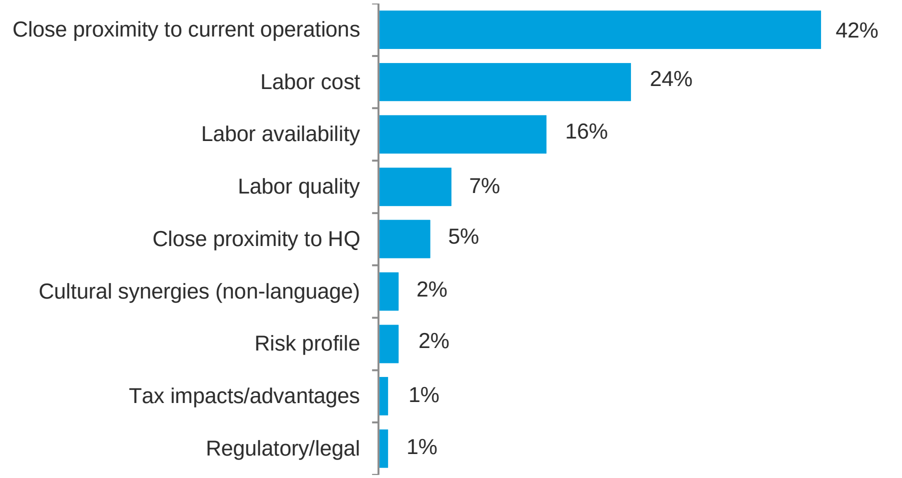


Drivers for new SSC and location factors

What are the primary reasons for opening a new SSC or relocating a SSC?



What are the most important factors in selecting a future SSC location?



Reasons for new centers and relocation

- The primary reasons for opening or relocating a new SSC are to reduce cost and to accommodate growth
- Although labor factors, such as cost, availability, and quality, continue to be some of the most important, close proximity to current operations increased in importance for respondents considering a new, future SSC location

Summary

- Geographic barriers are decreasing
- Organizations are now also considering proximity of their existing operations when standing up new centers
- Significant increase in APAC centers along with a continued growth in LATAM
- United States share of global SSC activity is decreasing over time but the US continues to be a predominant location for regional and global delivery
- Geographic scope is expanding as evidenced by the inclusion of markets, such as Greece, Africa, and the Middle East, which were once considered 'riskier' transitions
- India, counter to common fears of rapidly increasing costs, is still a relatively low-cost location
- In addition to South Africa and Egypt, other countries in Africa are being positioned for shared services investments to service Africa and other regions
- Non-traditional markets, such as Venezuela, Ecuador, and Colombia, are now being considered viable SSC locations within the LATAM region

Trends for the future

What the future holds…

- There is an increase in growth of SS/GBS organizations because its benefits as a delivery model have been tested over time
- There are now a myriad of successful examples of SS/GBS models in the marketplace for organizations to follow or adopt as they pursue their SSC journeys
- As SS/GBS organizations aspire to become advisers and collaborators to the business, they will be challenged to become more familiar with the business to be able to deliver higher value activities (e.g., predictive analytics)
- Intimate knowledge of the business, which is required to become an 'true' adviser, is often better facilitated via a GBS model because it enables cross-functional visibility and end-to-end process ownership, both of which allow for better information gathering and insight development
- Given the high value derived from continuous improvement activities, organizations are focusing on enhancing continuous improvement in their organizations by dedicating teams and training resources to find and implement such opportunities
- Although challenges in driving greater analytics remain, organizations are prioritizing and shifting their focus towards growing these types of analytic capabilities

Open discussion

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