Emerging Trends in Shared Services

CFO Forum 27 February & 6 March 2015

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Directions of Shared Services & Outsourcing

Acronym speak

SSC = Shared Service Centre(s)

OS = Outsourcing

COE = Centre of Excellence

BPO = Business Process Outsourcing

GBS = Global Business Services

MNC = Multi-national Companies

JMNC = Japanese MNCs

APAC = Asia Pacific

BRIC = Brazil, Russia, India, China

Executive Summary (1 of 2)

The SSC and Outsourcing market continues to grow and mature globally….

The 2015 Survey shows that, globally, Shared Services and Outsourcing has continued to mature and evolve as predicted in previous surveys

The following are they key trends:

- Maturity of the Service Delivery Model: growth in multi-functional, multi-regional centers - "GBS" - with service models blending SSC, CoE, Outsourcing and Retained Organization

- Maturity of "western" proven locations and evolution of new unproven locations

- Continued strong evidence of positive impact on cost savings (91% of respondents)

- Average payback of less than 2.5 years, with average annualized savings of more than 20%

- The level of transactional processes being moved to SSCs has now peaked

- The level of outsourcing continues to grow, still focused on transactional processes

Shared Services and Outsourcing are a globally proven model used to drive significant benefits and process improvements for most organizations

Executive Summary (2 of 2)

….and Japan is no longer considered an exception

We now have evidence that Japan is no longer considered an exception – organizations are now asking "when, where and how", rather than "if":

- Well-known challenges remain e.g. language, culture, resource changes

- However, JMNCs and MNCs operating in Japan / APAC, are actively looking to include, expand and optimize Japanese operations into existing or new SSC / Outsourcing models – often Japan being the final major market to go live with the model. Labor arbitrage of up to 50% can be achieved through offshore locations.

- Regionalization and globalization of operations, amongst other factors, is creating a more favorable picture

- Increase in evidence of onshore SSC serving Japanese operations

Let us now analyze and discuss the trends and Japan challenges in more detail – we welcome your experience and views, in order to make this knowledge-sharing more meaningful

Japan remains (and will probably always remain!) different, but is no longer being left out of the SSC / OS models adopted by most MNCs

Summary of 2015 survey

This year we can rely on more significant responses from Japan and therefore reasonably compare to the global trends
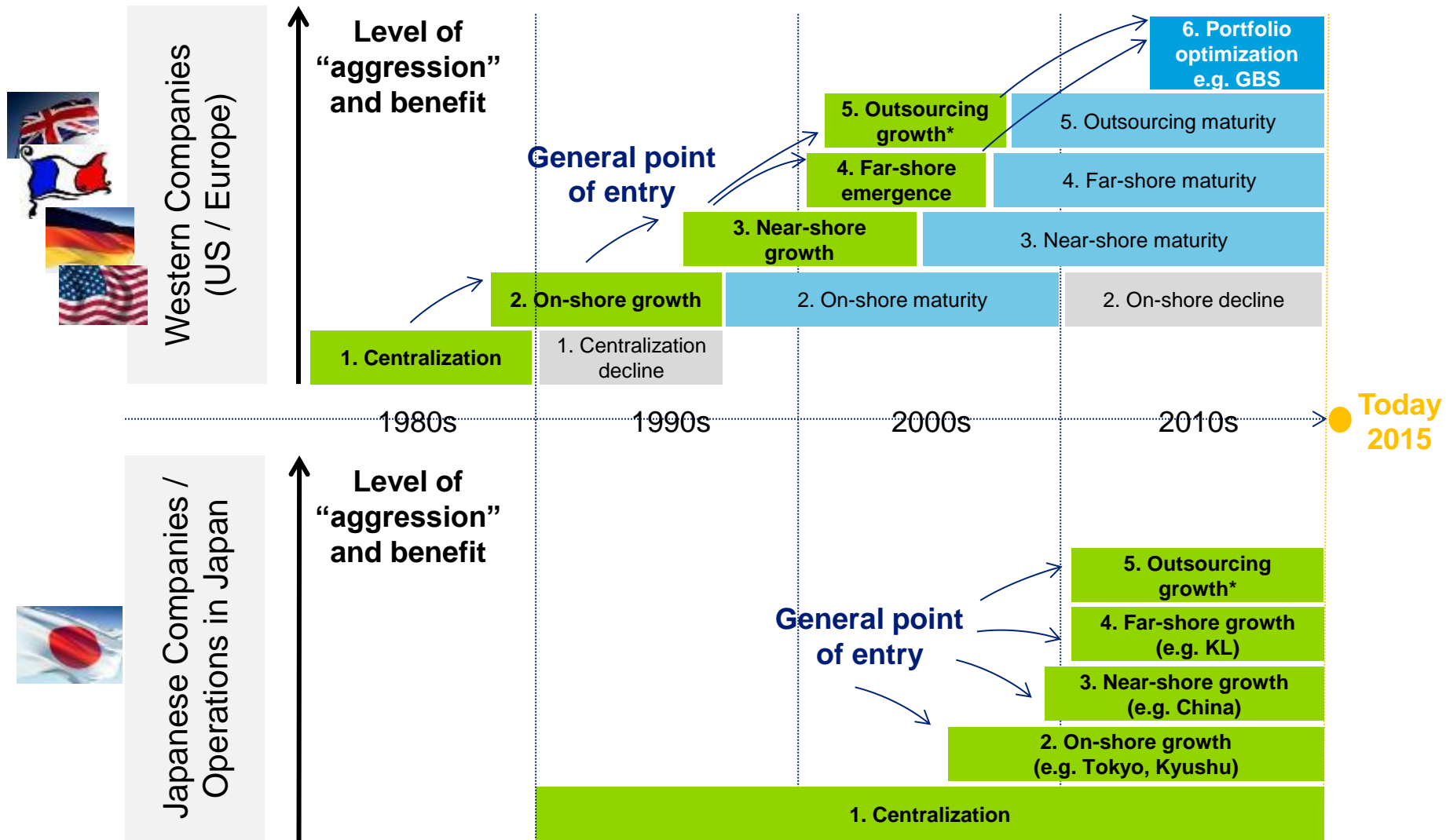
Global Respondents

>300 organizations

Average revenue $11bn

Over 50% of respondents had organizations over 10,000 FTEs

All major industries

35 countries

Japan Respondents*

22 organizations*

Average revenue $10bn

Over 50% of respondents had organizations over 10,000 FTEs

LifeSciences, Auto, Financial Services, Consumer Business, Oil & Gas, Media, Business Services, Construction, Transportation, TMT

1 country!

*Most of our respondents of MNCs operating in Japan/APAC classified as Japan for improved data analysis. The analysis presented today has been supplemented by Deloitte research and knowledge to provide a fuller picture for Japan (making a total of 27 organizations). It is predominantly based on the trends for Finance SSC.
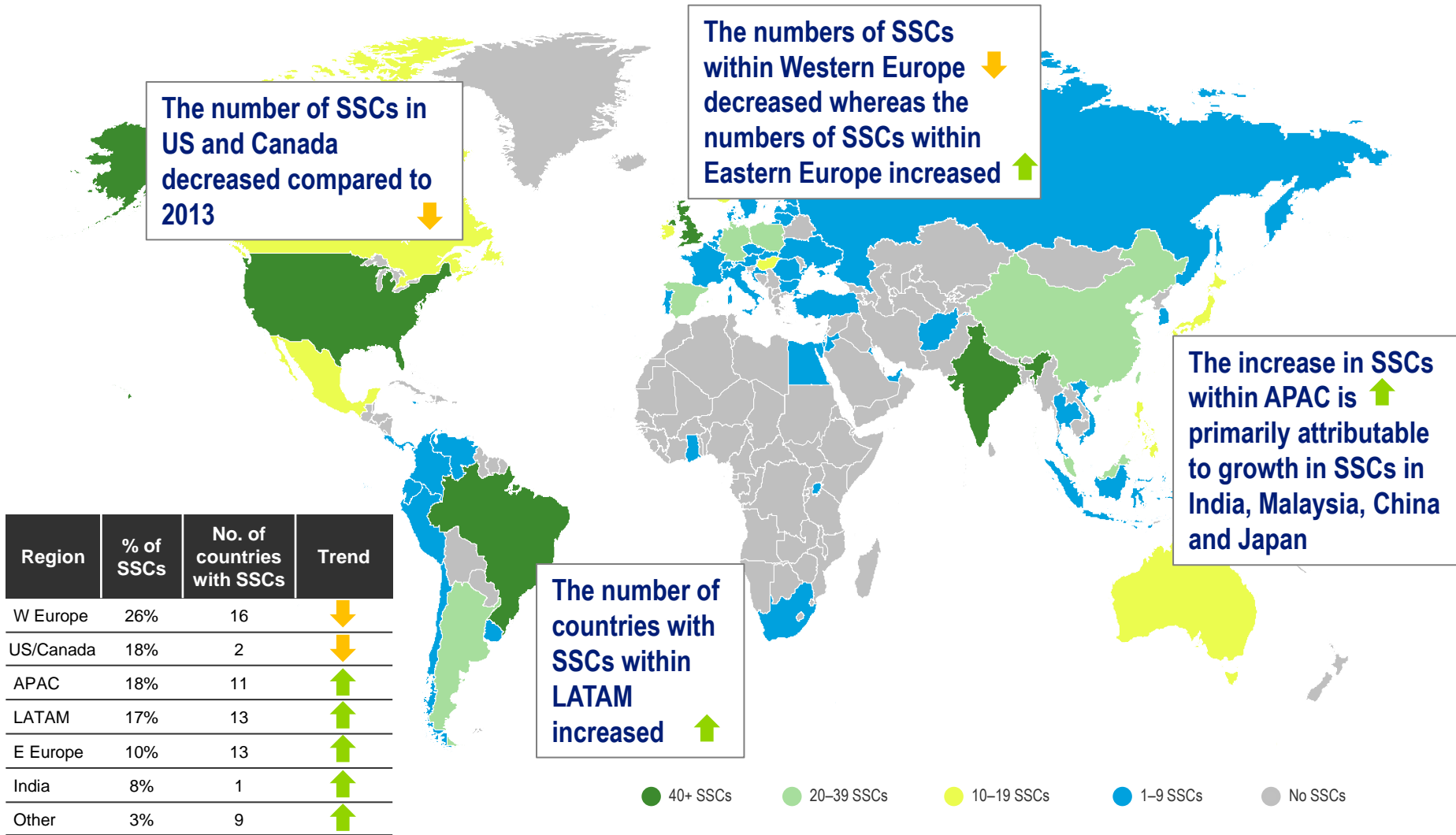
The Big Picture: Global and Japan Trends

Japanese MNCs / MNCs operating in Japan have lagged significantly behind Western MNCs, but are now being more aggressive and trying to catch up

Western Companies (US / Europe)

Level of "aggression" and benefit

General point of entry

			6. Portfolio optimization e.g. GBS
		5. Outsourcing growth*	5. Outsourcing maturity
		4. Far-shore emergence	4. Far-shore maturity
	3. Near-shore growth		3. Near-shore maturity
2. On-shore growth	2. On-shore maturity		2. On-shore decline
1. Centralization	1. Centralization decline		

1980s   1990s   2000s   2010s   **Today 2015**

Japanese Companies / Operations in Japan

Level of "aggression" and benefit

General point of entry

- 5. Outsourcing growth*
- 4. Far-shore growth (e.g. KL)
- 3. Near-shore growth (e.g. China)
- 2. On-shore growth (e.g. Tokyo, Kyushu)
- 1. Centralization

NOTE: the above is illustrative only and is based on viewpoints on Finance SSC/OS. *Notably, IT BPO is generally considered to be more mature than depicted above, with the market started / grown in 2000's

The Big Picture: Global and Japan Trends
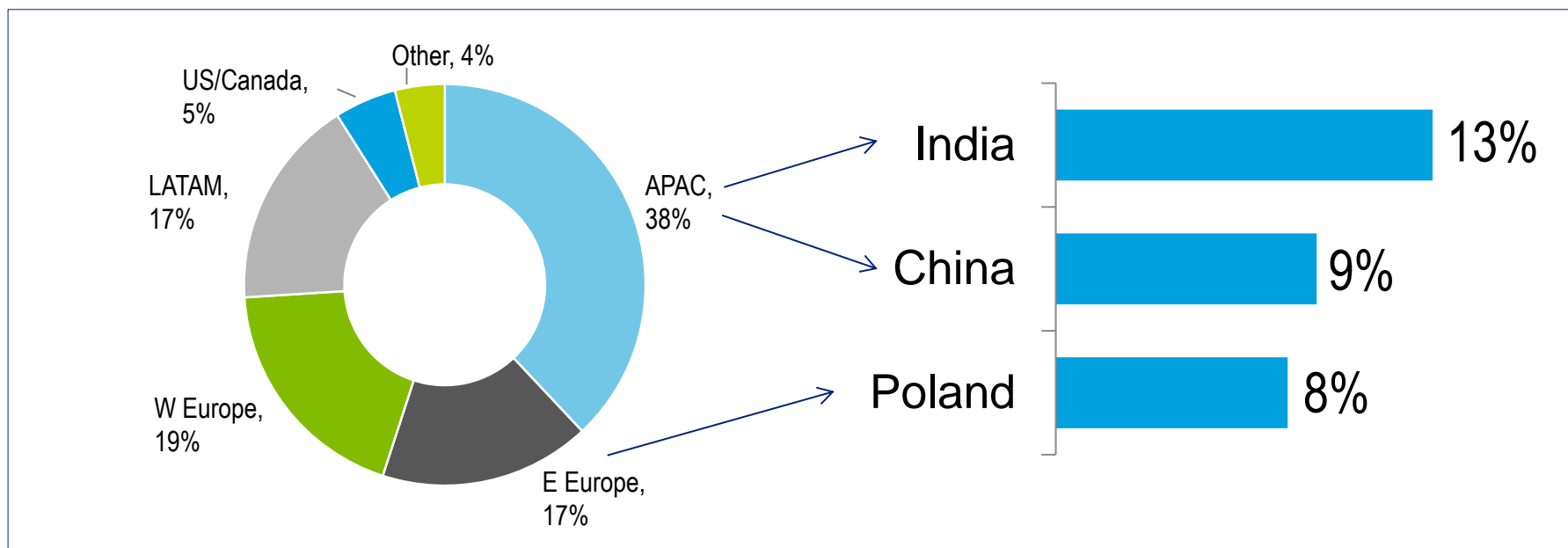
From 311 organizations, the following global picture emerges of their SSC locations, with LATAM and APAC being the main growth areas

The number of SSCs in US and Canada decreased compared to 2013

The numbers of SSCs within Western Europe decreased whereas the numbers of SSCs within Eastern Europe increased

The increase in SSCs within APAC is primarily attributable to growth in SSCs in India, Malaysia, China and Japan

The number of countries with SSCs within LATAM increased

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

● 40+ SSCs   ● 20–39 SSCs   ● 10–19 SSCs   ● 1–9 SSCs   ● No SSCs

What are the top regions and countries globally?

Within APAC, India and China are considered the top locations for new or relocated SSC. Poland remains the leading country in Eastern Europe.

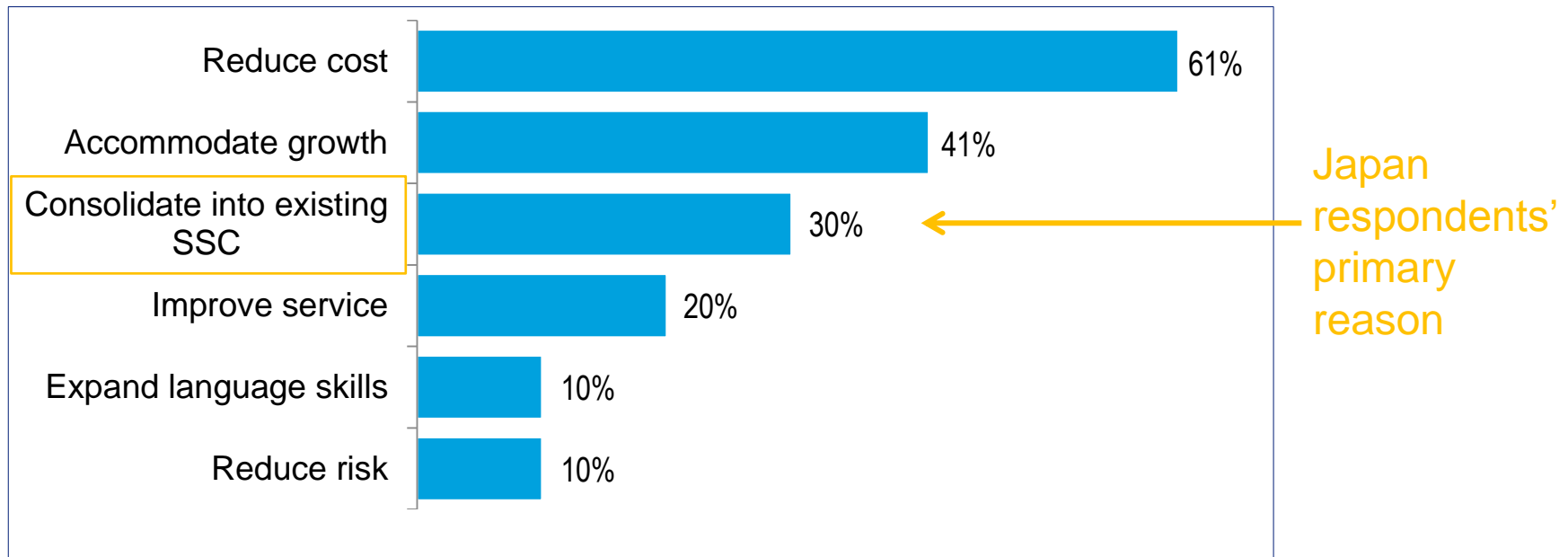**What regions and countries are being considered for a new SSC?**

Other, 4%

US/Canada, 5%

LATAM, 17%

W Europe, 19%

E Europe, 17%

APAC, 38%

India — 13%

China — 9%

Poland — 8%

As compared to 2013, the number of respondents that identified APAC as a future location doubled, from 19% to 38% in 2015 – with over half of that in India and China alone

This represents a significant opportunity for Japan/APAC – the trend towards China in particular will make a transition to a SSC in APAC easier from many perspectives

What drives organizations to set up/ relocate SSCs?

Cost is still king, although in Japan the principal driver appears to be in order to consolidate into existing SSC rather than cost

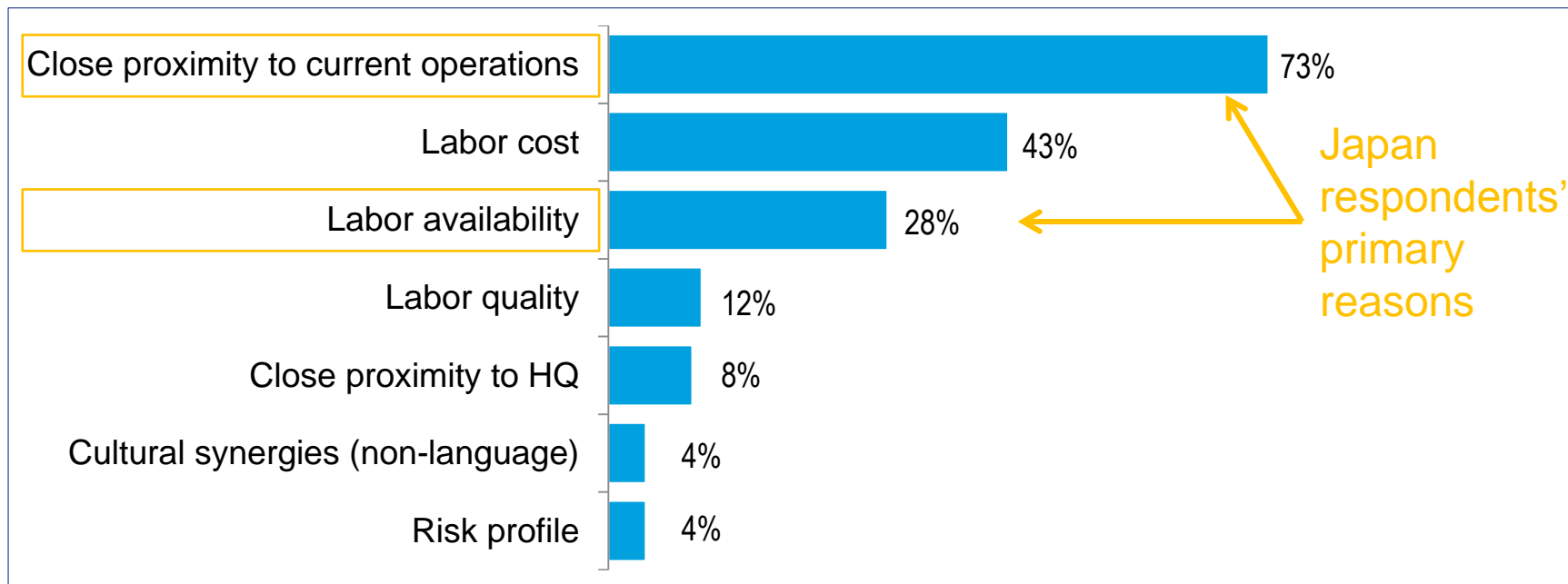**What are the primary reasons for opening a new SSC or relocating a SSC?**

Reason	Percentage
Reduce cost	61%
Accommodate growth	41%
Consolidate into existing SSC	30%
Improve service	20%
Expand language skills	10%
Reduce risk	10%

Japan respondents' primary reason

Globally, the primary reasons for opening a new SSC are to reduce cost and accommodate growth.

For Japan, the primary reason is "Consolidating into existing SSC". This is in contrast to the global trend.

What are the key considerations in choosing a location?

The leading factor for selecting a SSC location is now proximity to operations rather than labor cost

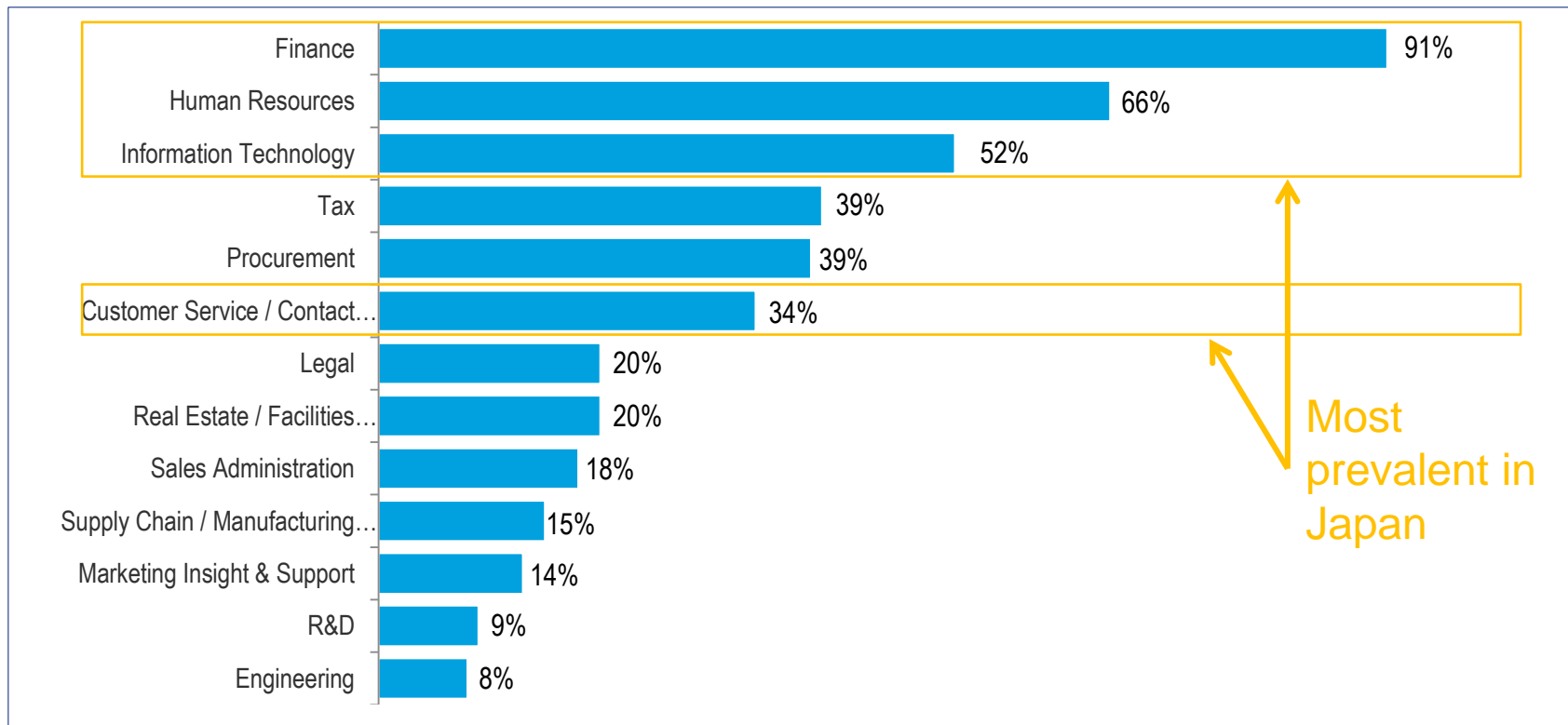**What are the most important factors in selecting a SSC location?**

Factor	Percentage
Close proximity to current operations	73%
Labor cost	43%
Labor availability	28%
Labor quality	12%
Close proximity to HQ	8%
Cultural synergies (non-language)	4%
Risk profile	4%

Japan respondents' primary reasons

As opposed to prior years, the primary factor in selecting a future SSC location is the proximity to current operations, which advanced over labor factors such as cost, availability and quality. The picture is similar for Japan although there is greater emphasis on Labor availability.

Which functions are most common?

As with recent surveys, Finance, HR, IT and Procurement remain the most common

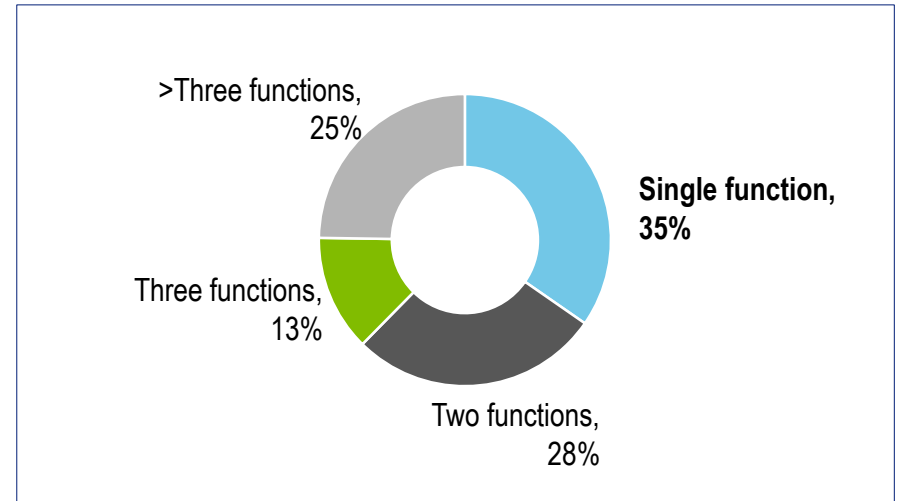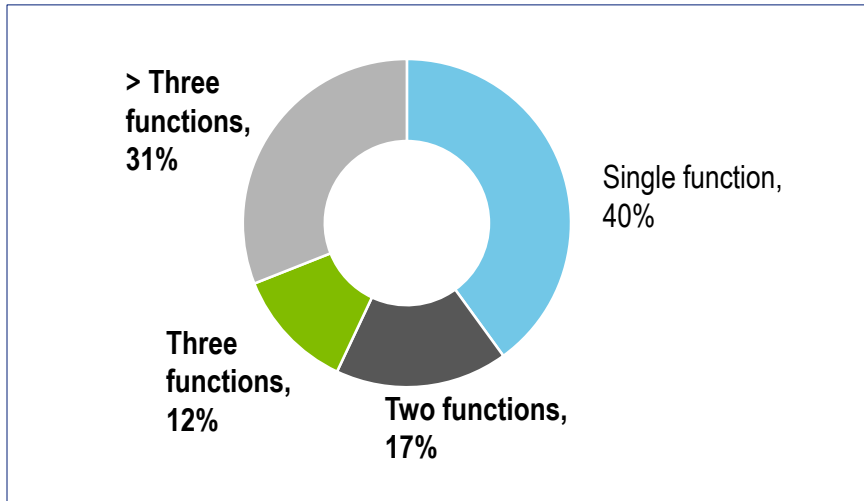## Which functions are performed in your organization's SSCs?

Function	Percentage
Finance	91%
Human Resources	66%
Information Technology	52%
Tax	39%
Procurement	39%
Customer Service / Contact…	34%
Legal	20%
Real Estate / Facilities…	20%
Sales Administration	18%
Supply Chain / Manufacturing…	15%
Marketing Insight & Support	14%
R&D	9%
Engineering	8%

Most prevalent in Japan

There is no change in the trends: Finance is by far the most popular function for moving processes to a SSC, followed by HR and IT. The situation appears to be similar in Japan, although with less variety of functions represented in SSCs.

How common are multi-functional SSCs now?

60% of the respondents confirmed they have more than one function in the scope of their SSC organizations

What percentage of the SSCs are single or multi-function?

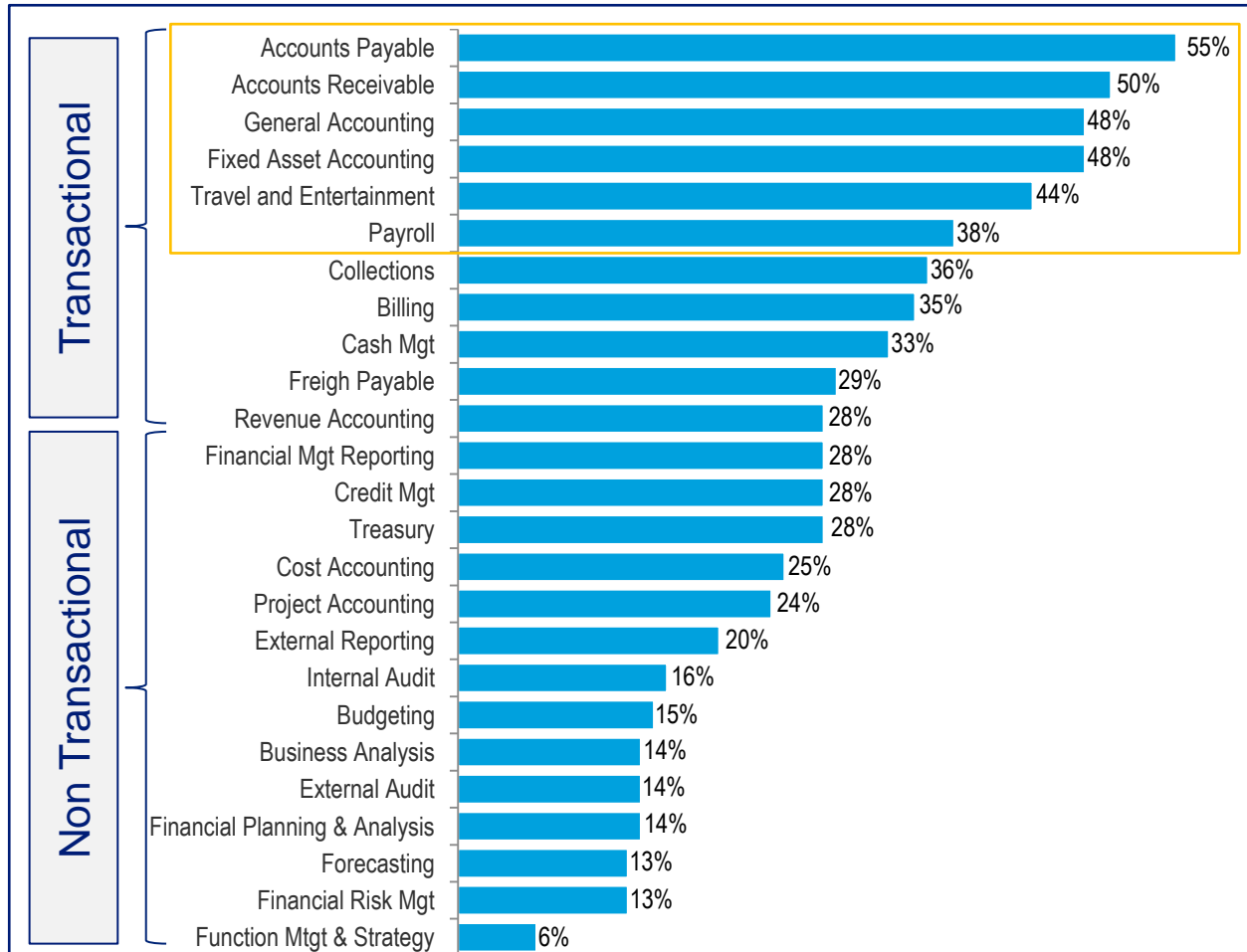**For Japan, the picture is similar despite a less mature market**

> Three functions, 31%

Single function, 40%

Three functions, 12%

Two functions, 17%

>Three functions, 25%

Single function, 35%

Three functions, 13%

Two functions, 28%

As compared to 2013, single function SSCs have declined whereas SSCs with more than three functions have increased

For Japan, we have found that the trend mirrors the global picture. All respondents included at least Finance in their SSC

Finance processes most commonly performed in a SSC

Transactional processes remain most common, but there is an ongoing trend to include more "value-add" activities
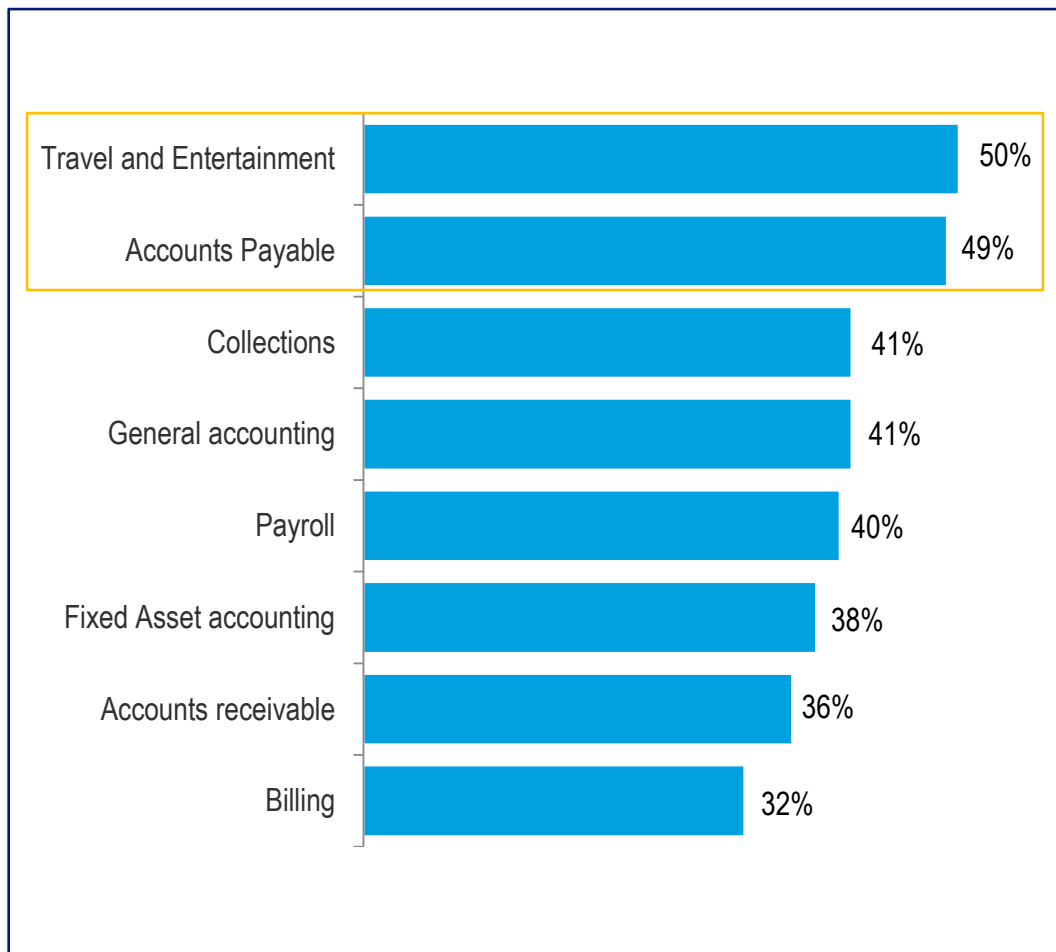
Transactional

Process	%
Accounts Payable	55%
Accounts Receivable	50%
General Accounting	48%
Fixed Asset Accounting	48%
Travel and Entertainment	44%
Payroll	38%
Collections	36%
Billing	35%
Cash Mgt	33%
Freigh Payable	29%
Revenue Accounting	28%

Non Transactional

Process	%
Financial Mgt Reporting	28%
Credit Mgt	28%
Treasury	28%
Cost Accounting	25%
Project Accounting	24%
External Reporting	20%
Internal Audit	16%
Budgeting	15%
Business Analysis	14%
External Audit	14%
Financial Planning & Analysis	14%
Forecasting	13%
Financial Risk Mgt	13%
Function Mtgt & Strategy	6%

Transactional processes continue to be the most commonly shared processes, but there has been an increase in sharing non-transactional "value-add" process such as Financial Management Reporting and Business Analysis

For Japan, we have found evidence that organizations are focusing on AP, GA, FA and T&E – with fewer examples of more "customer-oriented" processes such as AR, Collections and Billing

*Note, the above data is from the 2013 Global SSC Survey

Finance processes most commonly outsourced

Organizations are continuing to outsource transactional processes, but there is no marked increase in any one specific process
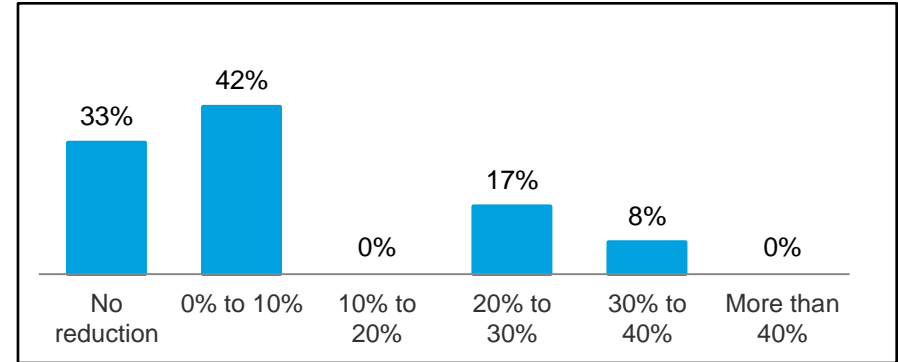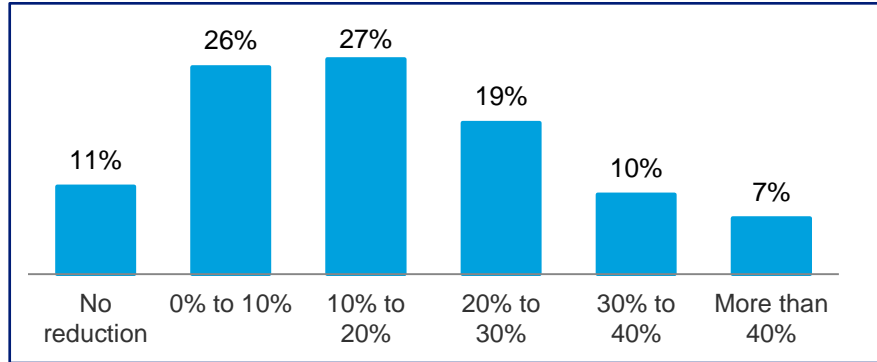
Process	Percentage
Travel and Entertainment	50%
Accounts Payable	49%
Collections	41%
General accounting	41%
Payroll	40%
Fixed Asset accounting	38%
Accounts receivable	36%
Billing	32%

Globally, organizations continue to outsource transactional processes, pointing to a continuation of assumed reduced risk associated with outsourcing

For Japan, there is less evidence of outsourcing, although more organizations are considering it for processes such as AP, T&E and Fixed Assets. There is evidence showing growth of the onshore outsourcing market in the next 3 years

*Note, the above data is from the 2014 Global Outsourcing Survey

What is the financial impact of Shared Services?

Globally, organizations continue to achieve significant and rapid cost savings. For Japan, the benefits are reduced and the payback period is longer

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

Left chart:
- No reduction: 11%
- 0% to 10%: 26%
- 10% to 20%: 27%
- 20% to 30%: 19%
- 30% to 40%: 10%
- More than 40%: 7%

Right chart:
- No reduction: 33%
- 0% to 10%: 42%
- 10% to 20%: 0%
- 20% to 30%: 17%
- 30% to 40%: 8%
- More than 40%: 0%

What was the payback period of your Shared Services implementation?

Left donut chart:
- Over four years after implementation, 10%
- Between three and four years after implementation, 11%
- Between two and three years after implementation, 29%
- Between one and two years after implementation, 35%
- Less than one year after implementation, 16%

Right donut chart:
- Less than one year after implementation, 30%
- Between one and two years after implementation, 10%
- Between two and three years after implementation, 20%
- Over four years after implementation, 40%

Average cost reduction of 20%, payback of 2.4 years

Average cost reduction of 10%, payback of 4 years

Where has Shared Services had a positive impact?

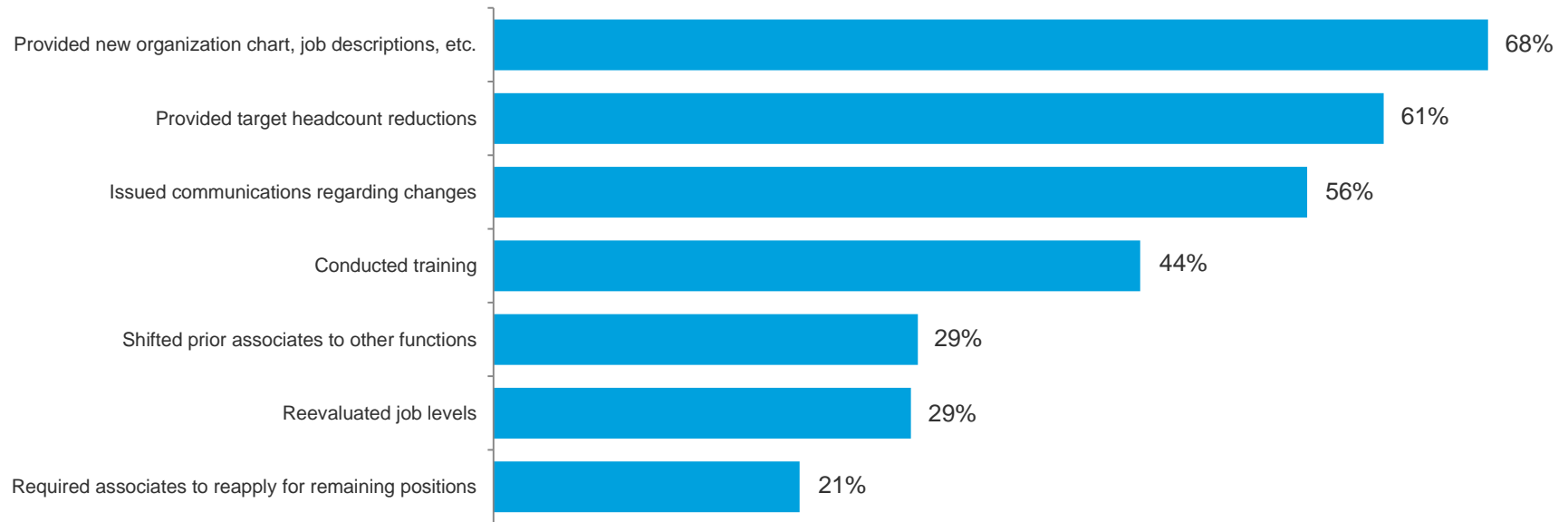It is not just cost reduction – many other areas have been improved through SSCs

	Significant positive impact	Somewhat positive impact
Cost reduction	49%	42%
Process efficiency	39%	51%
Internal controls	42%	44%
Process quality	31%	53%
Data visibility and comparability	31%	51%
Support of growth/scalability	28%	53%
Cross-organization comparability	25%	51%
Service levels	21%	52%
Removal of distractions from core business	24%	45%
Compliance with regulatory requirements	28%	39%
Talent and capability development	11%	53%
Acquisition integration	16%	32%
Working capital	7%	37%
Effective tax rate	3%	15%

Globally, many factors are improved when implementing SSC – from process to service to control

Our Japanese respondents indicated that process standardization and control are the key reasons and benefits for implementing SSCs

Addressing the Retained Organization challenge

Plan in the changes required within the Retained Organization and don't neglect it

How have you typically addressed the organization and talent changes needed at the local level when shifting to SSCs/COEs?

Category	Percentage
Provided new organization chart, job descriptions, etc.	68%
Provided target headcount reductions	61%
Issued communications regarding changes	56%
Conducted training	44%
Shifted prior associates to other functions	29%
Reevaluated job levels	29%
Required associates to reapply for remaining positions	21%

Consider key change management activities such as providing new organizational charts and job descriptions. As opposed to 2013, more respondents provided target headcount reductions to the retained organization. Communicate clearly and from the top!

The Japan Challenge

How common is SSC / OS for our Japan respondents?

Our respondents from Japan indicate that the majority have established SSC, and the majority of those now serve Japan

Summary of statistics for JP respondents:

Chart data:
- Number of respondents from JP: 27 (100%)
- Number with SSC / OS in JP / APAC: 19 (70%)
- Number servicing JP operations: 16 (60%)
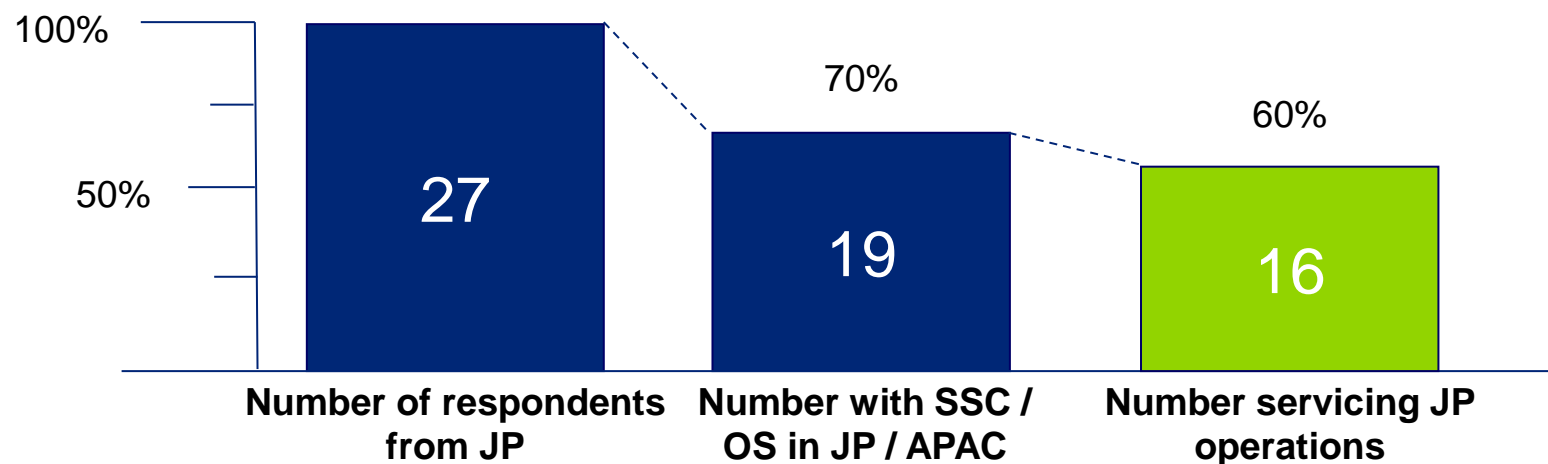
A large majority - 70% - of organizations in the survey have already set up SSCs or OS arrangements in Japan or APAC. Most of those are serving Japan operations (60% of total). For those not yet serving Japan, our respondents indicated that they were looking to include Japan in the near future.

The picture for Japan for SSC and Outsourcing

For all companies, including those responding from Japan, the following picture emerges

From where are you serving Japan?

Location	%
Japan	19%
China	17%
India	14%
Philippines	14%
Malaysia	12%
Singapore	10%
Other Asia	5%
US	9%
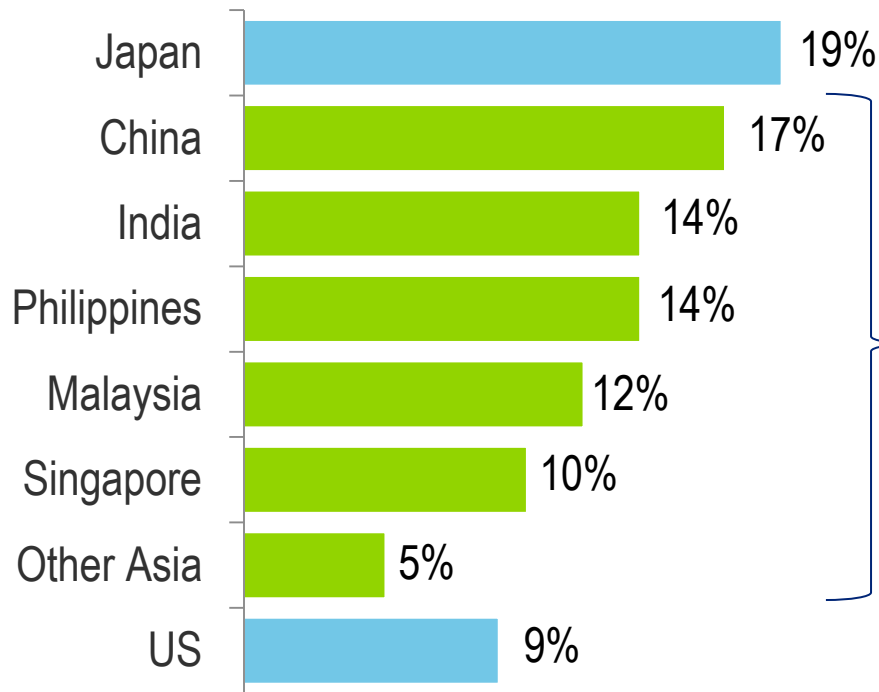
Almost ¾ (72%) of respondents' Japanese operations are served from other APAC locations

With the level of respondents this year, we can confirm that "Japan serving Japan" is a key theme, with almost 20% of operations servicing Japan located onshore

However the majority of operations servicing Japan are located offshore, with China, India and the Philippines being the most common locations

Does not include 10% of data – which respondents' confirmed to serve Japan from numerous other locations e.g. Denmark / Spain / Colombia

Which specific locations are the proven destinations?

The geographic spread is now broad, with a variety of locations being used, but with some clear preferred locations

Onshore: 19% located in Japan

More established **on-shore** locations are:

- 🟡 **"Major Metropolitan Areas"**: Tokyo, Osaka
- ⚫ **"Minor Metropolitan Areas"**: Hokkaido, Shikoku, Kyushu
- ⚫ Other research points to Okinawa being a common location for TMT organizations establishing **Customer Services Centers**

Near-shore: 34% located in China SK, Taiwan and the Philippines

More established **near-shore** locations are:
- 🟡 Manila
- 🟡 Dalian
- ⚫ Shanghai/Wuxi

Far-shore: 38% located in India, Malaysia, Thailand & Singapore

Established **far-shore** cities servicing Japan from within Asia are:
- 🟡 KL
- 🟡 Singapore
- ⚫ **India** - no specific locations disclosed

(Very) Far-shore: 9% located in US

No specific locations disclosed

How can you overcome the challenges in Japan? (1 of 2)

The following are the top challenges that MNCs or JMNCs face – for discussion

Challenge	Detail	Comments
Japanese language	• Lack of available Japanese speakers in offshore locations • Complexity of systems' language • Many suppliers / customers still operate primarily in Japanese	• Focus on simple processes with minimal external impact, manage any change with external suppliers / customers carefully • Increase in availability of Japanese-speaking resources in cities like Dalian and Manila, and increase in use of English in Japan in general • "Olympics effect" will no doubt accelerate this trend in next 3-5 years
Lack of process standardization / customization	• Processes tend not to be harmonized and are highly customized, in particular systems processes	• Consider standardization and simplification first, either before or after putting activities into a shared team or outsource, although this goes against the global trend • Avoid outsourcing non-standardized processes: experience shows for Japan that these processes are very hard for the Outsourcer to manage successfully
Unable to release resources	• Making resource lay-offs / changes is very challenging	• Consider all resource options – temps, part-time, retirees • Top-down sponsorship and communication is critical • Set more conservative business case savings
Corporate risk aversion	• Especially JMNCs tend to be more risk-averse, needing strong evidence of existing success	• Prove the concept initially – share / outsource / offshore low risk processes such as Fixed Assets accounting or Travel and Entertainment processing. • Take advantage of MNC's culture of being less risk averse. Adopt a more "mandated" approach to SSC rather than "opt-in" • Compare to other companies who have made the leap and been bold
Lack of scale for MNCs	• MNC operations in Japan may lack scale	• SSC can still be achieved on a smaller scale • Consider outsourcing as an option • Note – average SSC size is around 100 FTE (Japan = 50)
Lack of investment and governance	• Most JMNCs do not invest sufficient budget, resource and authority to SSCs and board members of SSCs	• Reduces the likelihood of success of the project • Develop clear business case for investment and manage expectations carefully. Develop clear governance model as part of transition • Communicate achievements within the organization

How can you overcome the challenges in Japan? (2 of 2)

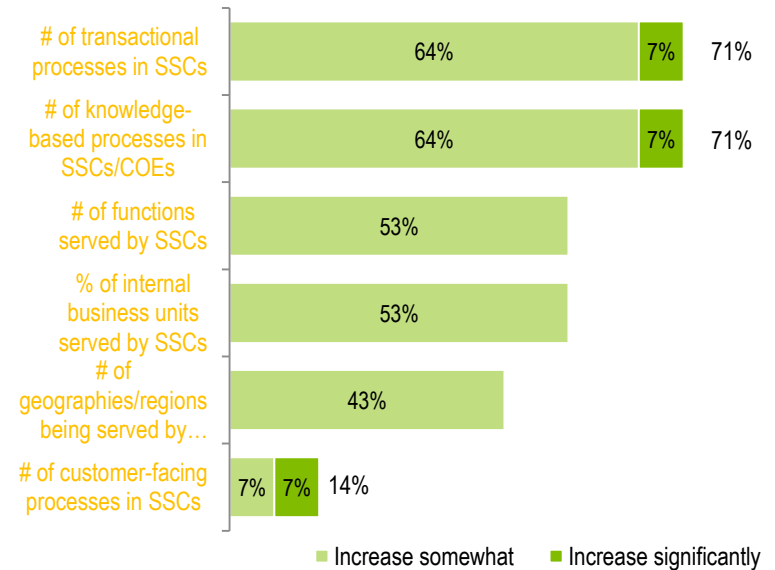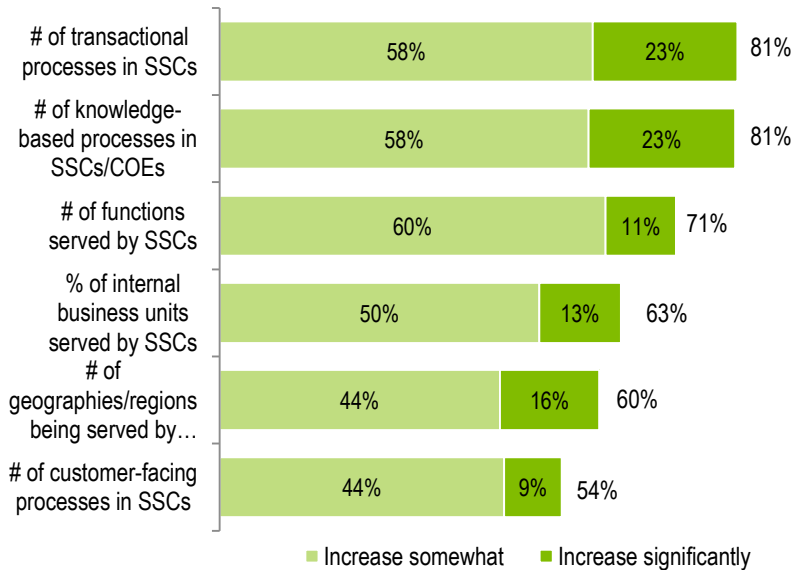The following are the top challenges that MNCs or JMNCs face – for discussion

Challenge	Detail	Comments
General & organizational culture	• Concern over delivery quality • Tendency to over-customize and control • Desire for "100% accuracy"	• MNCs can take advantage of top-down cultural ways of working to help influence decision-making in Japan • Incremental change required • Leading examples are now numerous – the level of acceptance is growing • Manage expectations carefully – things will go wrong, especially at the start, but will gradually improve and service and quality have been proven to have continuously improved in SSCs
Higher change resistance	• Achieving any change in Japan is slow and difficult	• Change management is rated highest as things organizations wish they had done better • Consider carefully the change mgt. needs: training, knowledge transfer, communication, career changes required. You cannot over-communicate
Perceived lack of flexibility with SSC/OS	• Concern is generally high amongst Japanese management that the SSC or OS provider will not be flexible enough	• Our experience is that due to lack of standard operational procedures, non standard requests to the back office are frequent. There is a concern that the SSC / OS provide cannot be flexible enough • Manage as part of a smooth transition and plan additional resource to manage expectation to new service levels
Service and contract uncertainty	• JNMCs have an aversion to signing a contract / SLA with SSCs and BPO vendors	• In general, roles and responsibilities are more vague in JMNCs, therefore it is difficult to clarify the scope and tasks of the SSC or the OS • In addition, many Japanese organizations have an aversion to negotiate a contract / SLA with a third party • Start small with low risk scope, then move into other scope
Brand challenge	• Skilled and available resources outside of major metropolitan areas difficult to source especially for less well-known brands	• Carefully consider process and resource availability – some processes will not need highly skilled resources (e.g. AP, T&E) • Consider ways to up-skill and motivate staff: training, knowledge transfer, shadowing from existing resources to help transition (bed this into the plan)

Looking Forward, Closing Thoughts

Change over the next 3-5 years for SSCs

SSCs will continue to mature on a global level

How do you expect your organization to increase its use of Shared Services / COEs in the next 3-5 years?

Category	Increase somewhat	Increase significantly	Total
# of transactional processes in SSCs	58%	23%	81%
# of knowledge-based processes in SSCs/COEs	58%	23%	81%
# of functions served by SSCs	60%	11%	71%
% of internal business units served by SSCs	50%	13%	63%
# of geographies/regions being served by…	44%	16%	60%
# of customer-facing processes in SSCs	44%	9%	54%

■ Increase somewhat   ■ Increase significantly

Category	Increase somewhat	Increase significantly	Total
# of transactional processes in SSCs	64%	7%	71%
# of knowledge-based processes in SSCs/COEs	64%	7%	71%
# of functions served by SSCs	53%		
% of internal business units served by SSCs	53%		
# of geographies/regions being served by…	43%		
# of customer-facing processes in SSCs	7%	7%	14%

■ Increase somewhat   ■ Increase significantly

Majority of the respondents are planning to increase the number of transactional and knowledge-based processes

Over 70% of the respondents want to increase the number of functions within their SSCs

Our Japanese respondents indicated that their intentions are in line with the overall survey, except they will be less aggressive with scope

Change over the next 3-5 years for Outsourcing

Outsourcing will continue to focus on transactional processes

How do you expect your organization to increase its use of Outsourcing in the next 3-5 years?
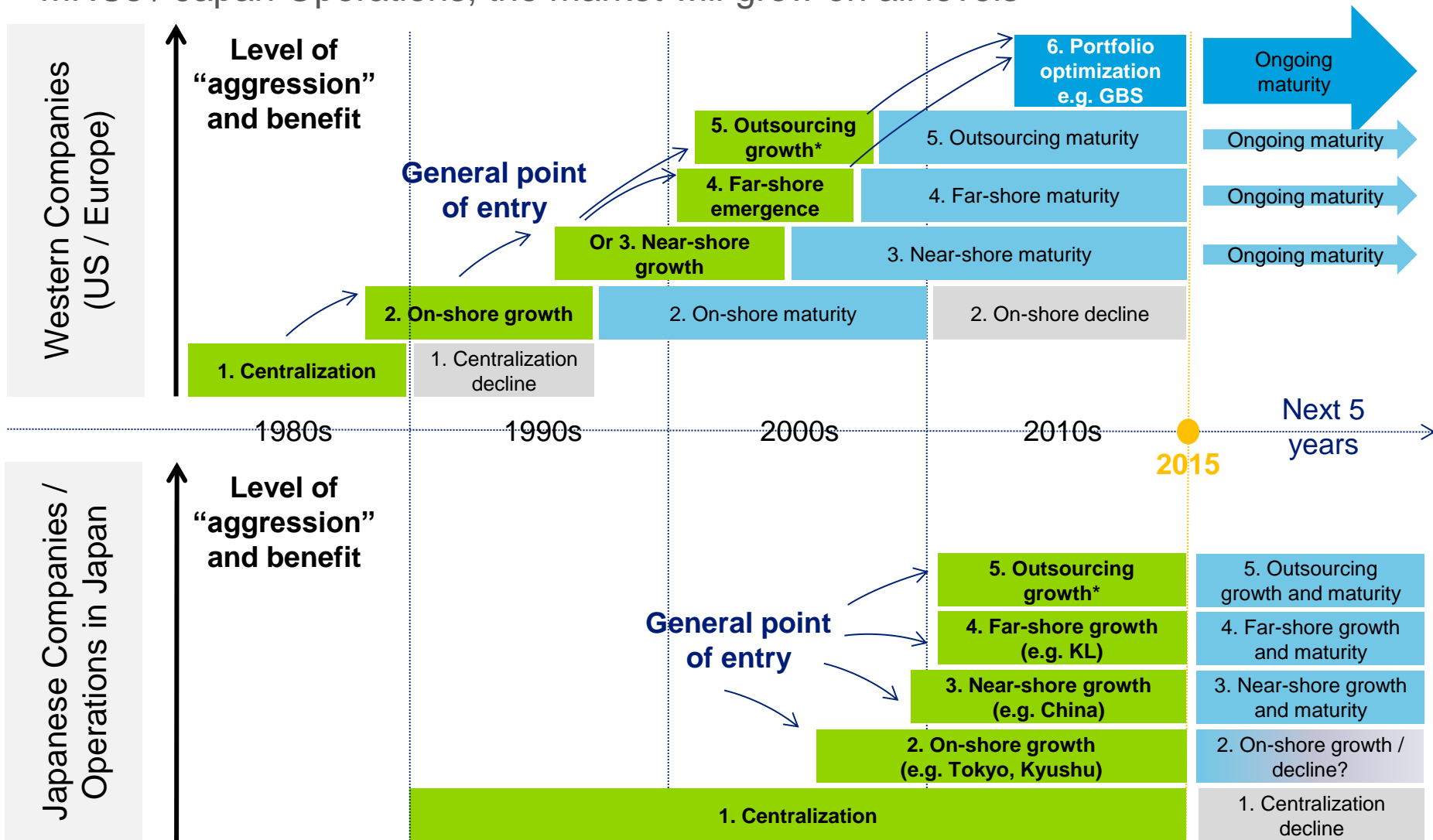

Left chart:

Process	Increase somewhat	Increase significantly	Total
# of transactional processes	40%	9%	49%
# of knowledge-based processes	25%	2%	27%
# of functions served	36%	2%	38%
% of internal business units served	29%	3%	32%
# of geographies / regions served	26%	5%	31%
# of customer-facing processes	17%	1%	18%

Right chart:

Process	Increase somewhat	Increase significantly
# of transactional processes	29%	7% (35%)
# of knowledge-based processes	7%	
# of functions served	21%	
% of internal business units served	7%	
# of geographies / regions served	7%	
# of customer-facing processes	14%	

■ Increase somewhat ■ Increase significantly

Generally, fewer respondents indicated that they were planning to increase their use of Outsourcing as compared to their use of Shared Services/COEs

We anticipate some strong growth in the use of outsourcing for transactional processes in Japan

The Big Picture: 2020 Predictions

The Western market will continue to mature, with GBS evolving. For Japanese MNCs / Japan Operations, the market will grow on all levels

Western Companies (US / Europe)

Level of "aggression" and benefit

			6. Portfolio optimization e.g. GBS / Ongoing maturity
		5. Outsourcing growth*	5. Outsourcing maturity / Ongoing maturity
General point of entry		**4. Far-shore emergence**	4. Far-shore maturity / Ongoing maturity
	Or 3. Near-shore growth		3. Near-shore maturity / Ongoing maturity
2. On-shore growth	2. On-shore maturity	2. On-shore decline	
1. Centralization	1. Centralization decline		

1980s 1990s 2000s 2010s **2015** Next 5 years

Japanese Companies / Operations in Japan

Level of "aggression" and benefit

General point of entry

5. Outsourcing growth*	5. Outsourcing growth and maturity
4. Far-shore growth (e.g. KL)	4. Far-shore growth and maturity
3. Near-shore growth (e.g. China)	3. Near-shore growth and maturity
2. On-shore growth (e.g. Tokyo, Kyushu)	2. On-shore growth / decline?
1. Centralization	1. Centralization decline

NOTE: the above is illustrative only and is based on viewpoints on Finance SSC/OS. *Notably, IT BPO is generally considered to be more mature than depicted above, with the market started / grown in 2000's

Closing thoughts

The following are closing pieces of advice to our CFOs in the room

- Consider Shared Services / Outsourcing as a long-term journey, from initiation through to Optimization

- Consider Shared Services / Outsourcing within your full Operating Model - don't forget what and who will remain ("Retained Organization"), what skills to they need to succeed

- The market is only going to grow from here for Japanese operations

- "If you can't beat them, join them" – make use of onshore/offshore outsourcing

- Plan from a Regional perspective – but be involved from a Global perspective to enhance your choices for the Japanese market

- Treat any SSC as a separate governance model, providing a service under an agreement

Case Studies

Case Study 1

Company A is moving towards a SSC in Tokyo serving the Japan market. It is establishing a SSC in China. It has established SSC in SEA, Europe and North America.

Summary picture for Company A (Electronics industry)

China：
Centralizing operations, where no legal restrictions

North America：
Centralized operations to one SSC on West Coast and moving to BPO vendor

Europe：
Centralized operations to existing SSCs by business and moving to BPO vendor

Japan：
Centralizing approx. 100 companies' operations into one SSC in Tokyo

Asia：
Centralized some SEA operations into 1 SSC, now moving to lower cost location

Case Study 2

Company B has established a Finance SSC in both Japan and China and uses a BPO vendor in India for processing, which it is growing. It has an established SSC in Singapore serving SEA.

Summary picture for Company B (manufacturing industry)

China：
SSC in operation + BPO vendor

North America：
TBD

Europe：
Undergoing integration of accounting systems into SSC operations

Japan：
One SSC supporting Finance functions for BUs + BPO vendor

India：
BPO vendor – increase in scope and scale

Asia：
Established SSC in Singapore, and uses BPO vendor in India
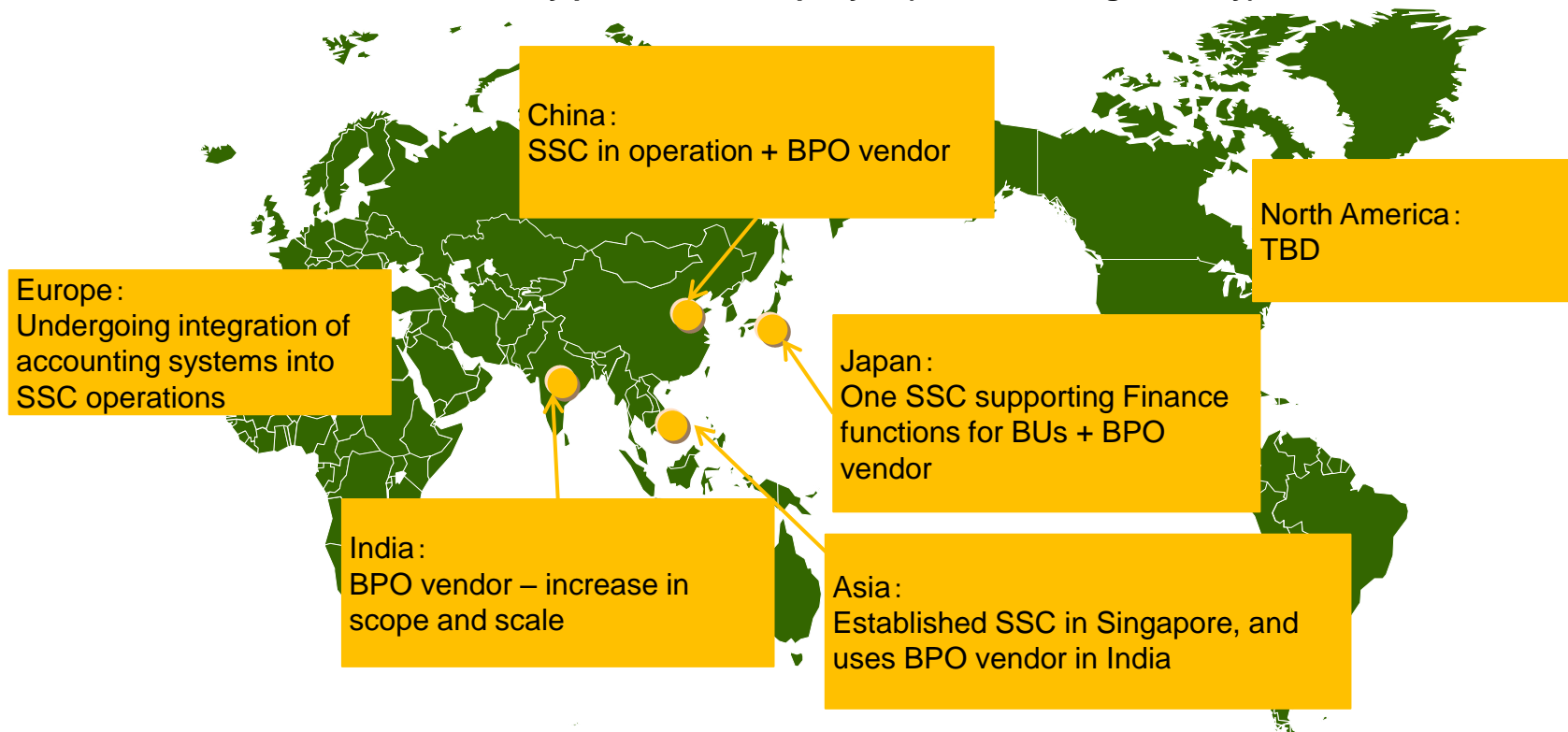
Case Study 3

Company C has SSCs in Japan and China. It acquired a company with a legacy SSC in India which covers North America, and is now expanding that to serve as a global SSC to EMEA and APAC.

Summary picture for Company C (Service industry)

China：
SSC for Japan

Japan：
2 SSC across multiple functions for 60 companies

India
SSC for legacy company acquired by Company C. Considering using for core operations / company.
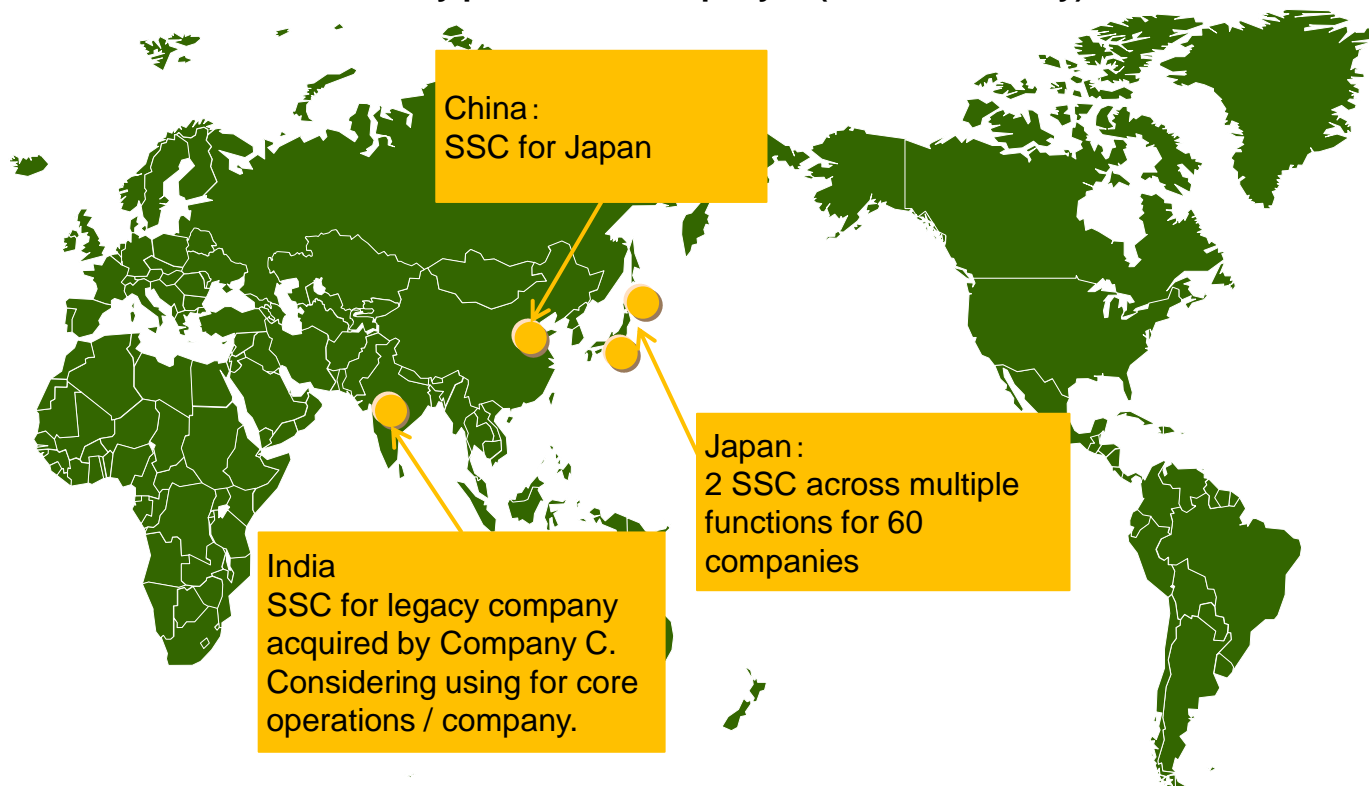
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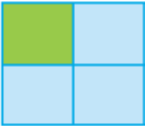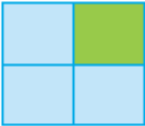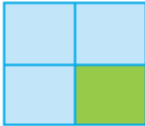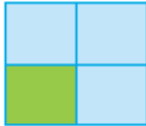
Deloitte's SSC and Outsourcing Process Model (1 of 2)

This can be used to help determine the split between SSC/OS and how to deliver the remainder of the model

Method of adding value		
	Low cost/defined service level	**Knowledge-based/management involvement**
Specific (site, unit, region)	**Site support** • Distributed to location(s) for local service needs • Required for local input/data capture or local programs • Manual or end user-intensive	**Business partner** • Aligned with function/unit • Line/management focus • Knowledge and know-how transfer • Decision/action-intensive
Generic (company-wide)	**Transaction processing** • Consolidated organization • Operational focus • Standardized services • Process-intensive • Could cover countries or region	**Center of Expertise** • Expertise focus — ability to leverage • "Best practice" development • Issue/knowledge-intensive • Organized by region

Relationship to the business

Retained organization

Transactional SSO

Deloitte's SSC and Outsourcing Process Model (2 of 2)

This can be used to help determine the split between SSC/OS and how to deliver the remainder of the model

	Site support	Business partner	Center of Expertise	Transactional SSO
Questions to ask	• What activities are inextricable from each location?	• What services need to be close to each operating unit's management team?	• What knowledge-based activities require specialized skills, but can be applied across multiple operating units?	• What rules-based processes can be delivered independently of business location?
Typical attributes	• Requires local interaction or data capture • Manual processes	• Requires interaction with line managers • Decision-making or support services	• Requires specialized knowledge and skills	• Requires little or no local input • Transactional, process-intensive
Representative services	• Cost accounting • Inventory accounting • Employee relations • HR generalist services	• Financial planning and analysis • HR executive support • Regional hiring	• Tax planning • Treasury • Consolidation and external reporting • Compensation/benefits design	• Accounts payable • General accounting • Payroll processing • Compensation/benefits administration
Location	• Local sites	• Local sites, regional service centers, and/or corporate headquarters	• Virtual organization, regional service centers, or global service center	• Regional service centers or global service center

Does your organization mandate SSC?

The majority mandate the use of existing SSCs in order to lower costs. In Japan, it is used more as an "opt-in" solution

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

Opt-In, 28%

Opt-In, 47%

Mandated, 72%

Mandated, 53%

Why do business units/segments choose to opt in?

Lower costs	71%
Expertise	58%
Flexibility in Staffing	45%
Higher Quality	40%
Internal/political pressure	28%
Access to technology	26%
Infrastructure/larger scale	25%
Higher caliber talent	15%
Greater geographic reach	10%

Why do business units/segments choose to opt out?

Lack of service responsiveness	36%
Not being able to support the business remotely (from a Shared Service Center)	29%
Poor quality	28%
Higher costs	26%
Lack of flexibility	25%
Not being able to drive/contribute to the mandate/scope/budget allocation process of the SSC	15%

Mandate vs. opt-in

- Over 70% of the organizations mandate participation within Shared Services – consistent with the 2011 and 2013 surveys
- Primarily businesses are opting out due to a lack of service responsiveness, whereas in 2013 the primary concern was that SSCs would not be able to support the business remotely

Outside of the local business, how are FTEs distributed?

	Local	Corporate	KnowledgeBased SSCs/ COEs	Transactional SSCs	Outsourced
Tax	17%	34%	16%	30%	3%
Information Technology	21%	21%	13%	33%	12%
Legal	21%	32%	22%	15%	10%
Customer Service/Contact Center	24%	9%	13%	42%	12%
Engineering	25%	3%	54%	13%	5%
Real Estate/Facilities Management	30%	29%	6%	27%	8%
Finance	30%	17%	9%	40%	4%
Procurement	31%	25%	14%	30%	
Supply Chain/Manufacturing Support	32%	16%	13%	32%	7%
R&D	33%	33%	34%		
Marketing Insight & Support	33%	38%	12%	12%	5%
Human Resources	38%	20%	8%	30%	4%
Sales Administration	39%	24%	9%	24%	4%

■ Local   ■ Corporate   ■ KnowledgeBased SSCs/ COEs   ■ Transactional SSCs   ■ Outsourced

- Knowledge-based SSCs or Centers of Excellence (COEs) are mostly leveraged for non-traditional functions such as Engineering and R&D
- Customer Service/Contact Center, Finance, and Information Technology have the largest percentage of FTEs within transactional SSCs
- Information Technology, Customer Service/Contact Center and Legal have the highest percentage of Outsourced FTEs

What is important to your business unit customers?

Many factors are now considered important according to SSC customers
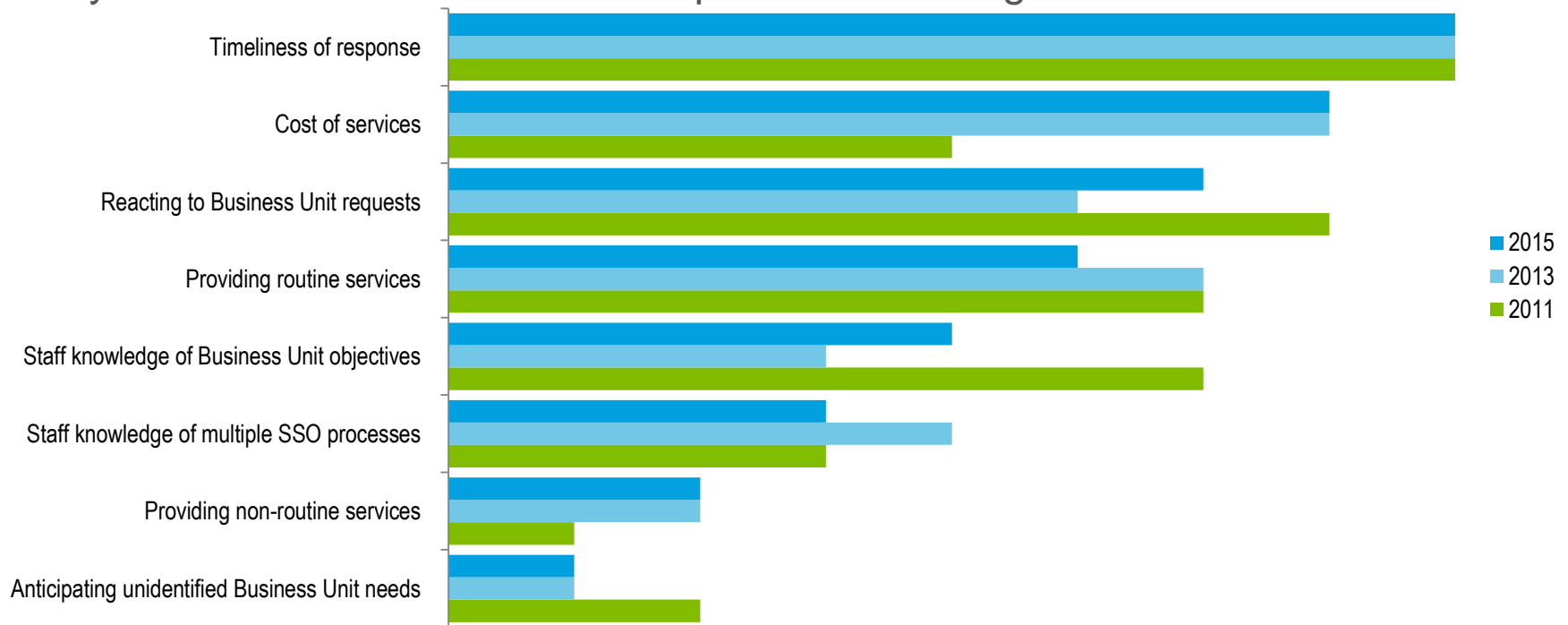
- Timeliness of response continues to be the most important service that SSCs can provide to customers since 2007
- Although reacting to business unit requests and having a greater understanding of the business unit objectives have increased in their importance to business unit customers since 2013, they are still considered less important than they were in 2011
- Ad-hoc and non-standardized requests, such as providing non-routine services and anticipating unidentified business unit needs, continue to be of least importance to business unit customers
- Overall: cost is the one variable vs. other factors which are now "standard / assumed" as part of moving to SSC

Process standardization and technology

How has process standardization and technology impacted your move to Shared Services? Standardizing and implementing new technology after moving to a SSC is the more common approach

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

Standardized processes prior to move to SSC, 17%

Standardized processes and moved to shared services at the same time, 21%

Standardized processes after move to SSC, 62%

Process migration

- Respondents' preference for moving processes via the 'lift and shift' method increased

- In comparison to 2013, there was a reduction in the number of respondents who followed the 'big bang' approach

- Moving processes prior to standardization and technology changes continues to be the most popular approach and is actually gaining popularity

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

Moved processes after technology change, 21%

Moved processes before technology change, 45%

Moved processes at the same time as the technology change, 34%

		Timing of process move to SSC		
		Prior to technology change	During technology change	After technology change
Timing of process standardization	Prior to move to SSC	5%	7%	5%
	During move to SSC	6%	13%	3%
	After move to SSC	35%	13%	13%

How could you have improved your Shared Services journey?

What changes would you have made along your SS journey?

Change	%
Better change management	51%
Better alignment between process change and technology change	42%
Stronger executive support/alignment	42%
Stronger governance	41%
Better team/resources	35%
Faster decision making/issue resolution	31%
Better reporting	24%
Faster transition to GBS	18%
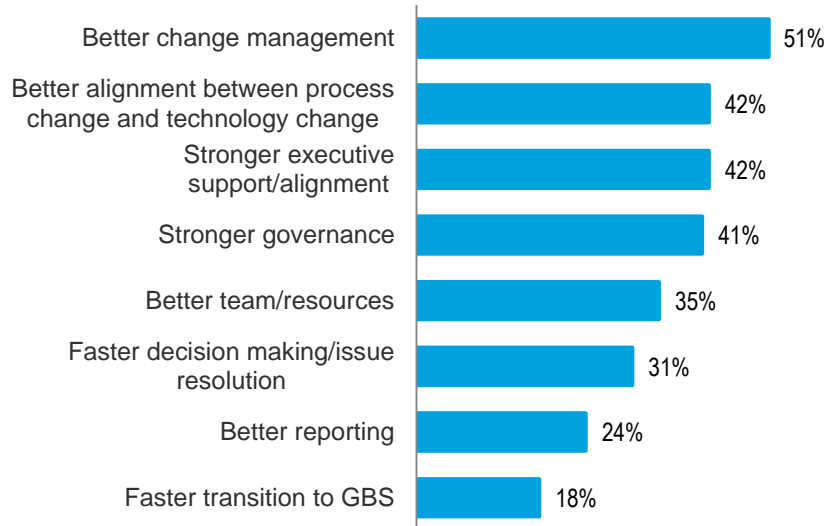
How do you use the savings generated by SSC productivity improvements?

Use	%
Pass lower costs onto the business	54%
Invest in technology	13%
Invest in process improvement	12%
Invest in talent development	6%
Improve facilities	3%
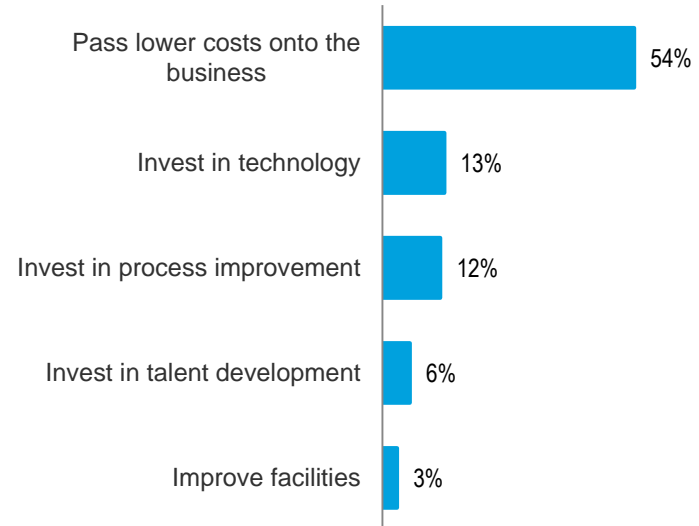
Shared Services improvements

- Since 2011, better change management continues to be the primary improvement respondents would make to their SS journey

- Although the top three areas for improvement remain consistent from 2013, fewer respondents are indicating those as their improvement areas

- 18% of the respondents indicated that their SS journey would have improved with a faster transition to GBS

- Over half of the respondents indicated that the savings generated by SSCs productivity improvements are passed onto the business

How will the strategic priorities for SS/GBS organizations shift?

Today
In Five Years
In Ten Years

Focusing on continuous improvement
Increasing level of automation
Increasing functional scope (functions served)
Increasing degree of functional process integration
Developing analytics capabilities
Increasing geographic scope (geographies served)
Developing a GBS model
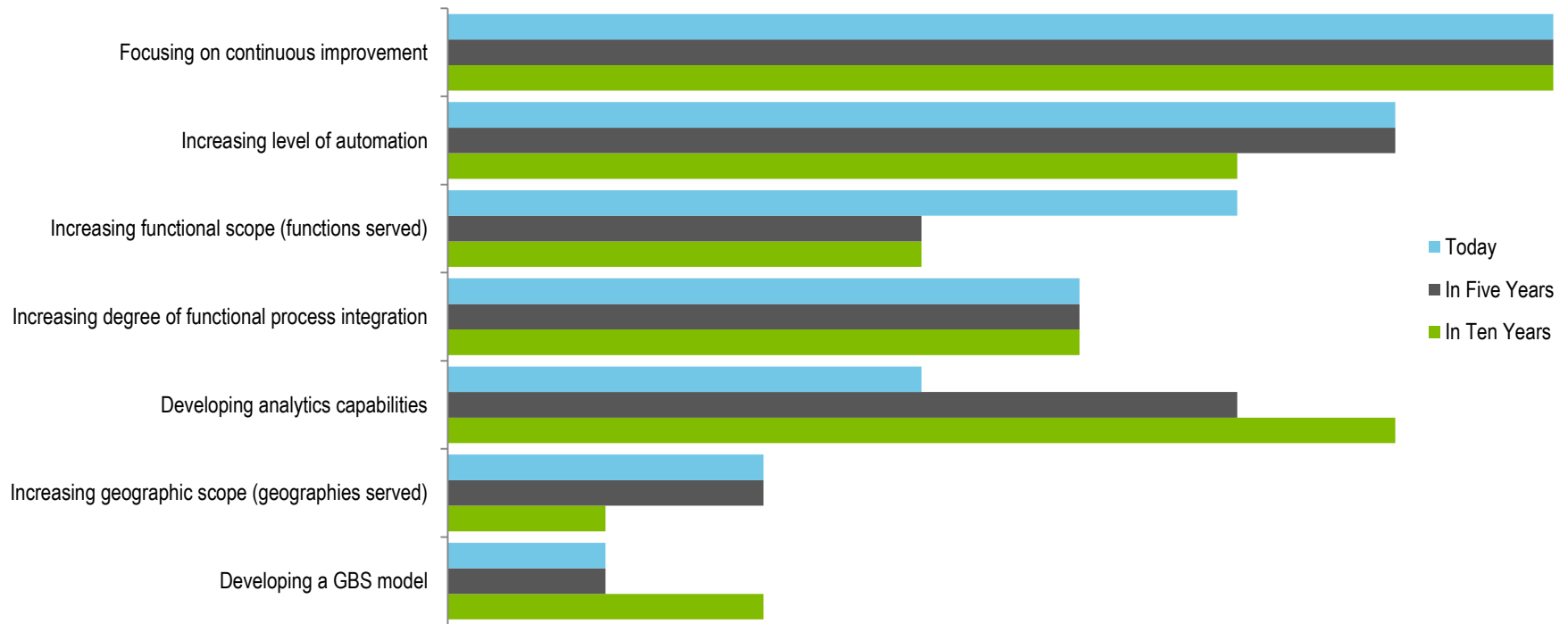
Shift in priorities

- Continuous improvement will continue to be the primary focus of the SS/GBS organizations over the next ten years

- Although increasing functional scope is one of the top priorities for organizations today, developing analytics capabilities is a main priority for five years and ten years out

- Over time, the SS/GBS organizations will focus less on increasing geographic scope and more towards developing a GBS model…

Contacts

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