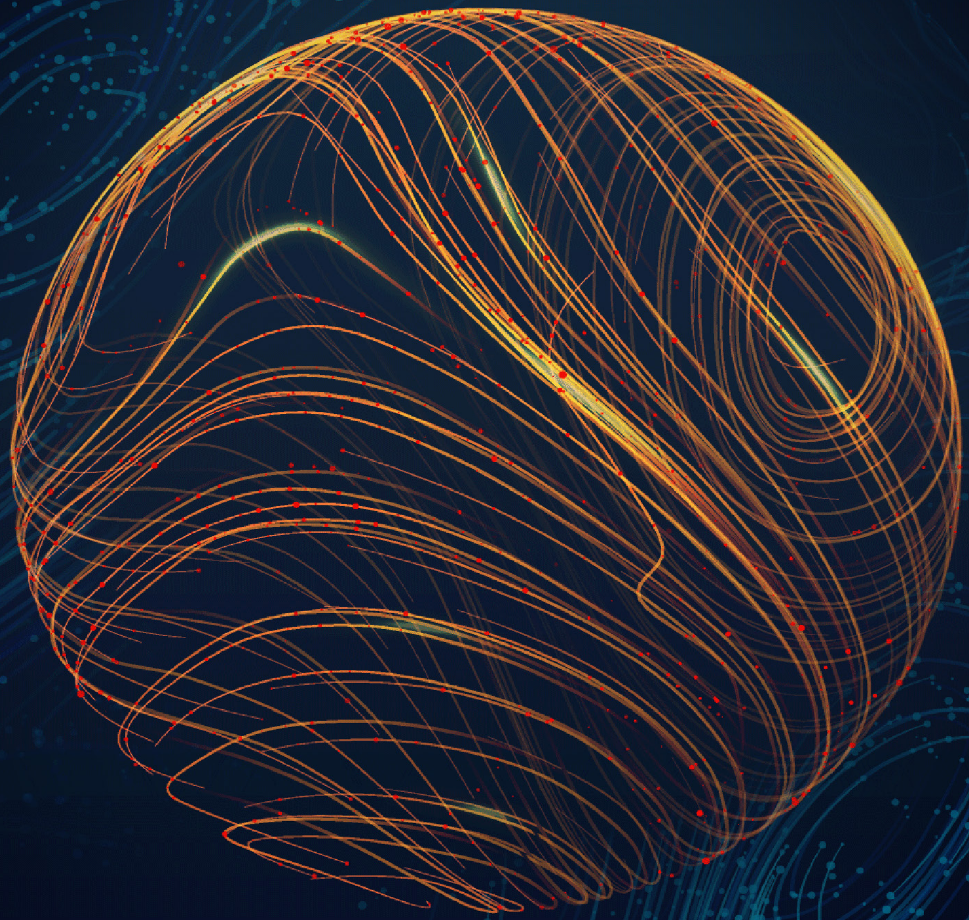
2021 Global Shared Services and Outsourcing Survey Report



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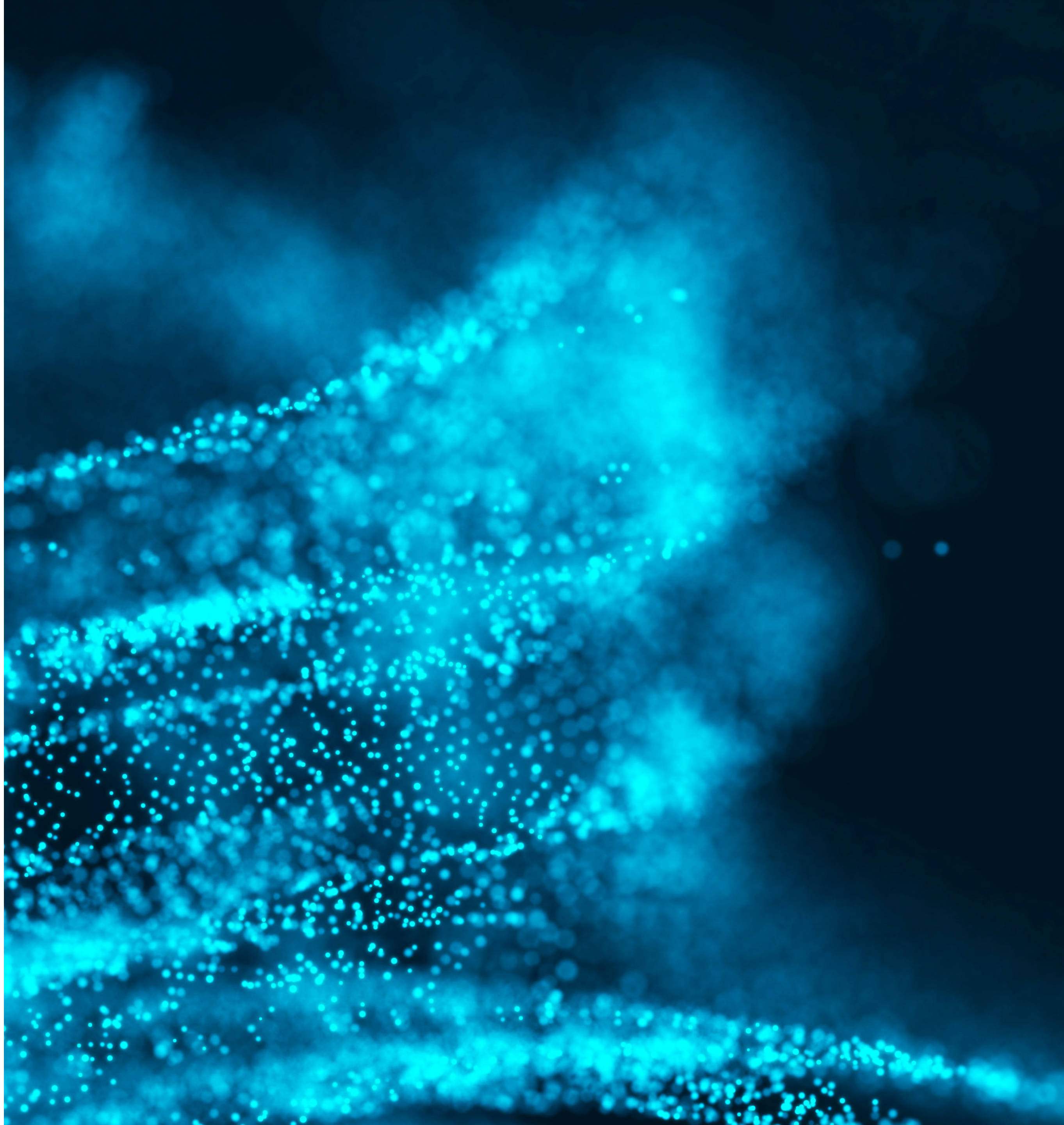


Foreword

Service delivery models are always evolving. For the world's largest companies, there's an increasing shift to leverage global, multifunctional, and virtual or remote models, especially driven by learnings from COVID-19. These organizations are prioritizing areas across work, workforce, and workplace to be successful in furthering the value which shared services and outsourcing models bring: increasing efficiency, reducing costs, and driving greater business value. Apart from expanding the traditional functional scope, they are developing specialized capabilities such as analytics, reporting, digital, and enhancing the customer experience. These shared and global business services (GBS) constructs are creating an environment where new capabilities can be rapidly adopted to position their customers for success.

Organizations are changing the way they look at talent, incorporating diversity within their leadership, driving better employee experience and culture, and focusing on work/life balance and flexible practices as key strategies for retaining talent.

Overall, what's clear is that shared services centers (SSCs) and GBS model's are increasingly evolving and adapting effectively to rapidly changing geopolitical conditions (e.g., COVID-19 and Brexit) as they seek to provide nimble and value-added services, a better customer experience, and high-impact business outcomes.

2021 survey witnessed record participation

~600 respondents—a **58%** increase from 2019

Survey had responses from leaders in **45 countries**, with SSC locations across **~75 different countries**

Survey included leaders based not only in **parent organizations**, but also in **SSC organizations** across global center

About **56%** of the respondents represented companies that had at least **$5B in revenue**

Consumer and **energy, resources, and industrial products** showed leading participation, contributing more than **50%** of respondents

Consumer	29%	15% *Retail and consumer products*; 10% *Hospitality*; 4% *Automotive*
Energy, resources, and industrial products	29%	15% *Industrial products*; 10% *Oil and gas*; 4% *Power*
Technology, media, and telecom	13%	9% *Technology*; 4% *Telecom and media*
Life sciences and health care	13%	9% *Life sciences*; 4% *Health care*
Financial services	11%	11% *Banking*; 3% *Insurance*; 3% *Real estate*
Government and public services	4%	4% *Government, incl. higher education*

Key themes from this year's survey

Functions and capabilities scope

Finance, HR, and IT remain as the top three functions performed in shared services centers across industries and continue to **grow "upstream"** ... and they have moved beyond the back office to include more specialized industry areas

GBS footprint for **procurement** and **customer service and call centers** has increased the most since 2019

GBS organizations are looking at implementing capabilities such as **analytics, process excellence, program management, reporting, and RPA**

SSC

1. Finance
2. HR
3. IT

Outsourcing

1. IT
2. Finance
3. Payroll

Benefits

Organizations are beginning to realize greater benefits from **RPA implementation,** with **20%** realizing between 20% and 40% savings (up from 9% in 2019)

Process efficiency and standardization has overtaken cost reduction as a primary objective for investing in GBS, and more organizations have adopted the digital agenda

Cost reduction and **process efficiency and standardization** have been the most tangible and attainable benefits achieved

Objectives achieved:

88% Cost reduction

78% Standardization and process efficiency

63% Business value

Organization structure and talent

Multifunctional (more than three functions) continues to be the most prevalent SSC model across industries

Organizations are increasingly emphasizing development of **strong culture, well-being, and flexible work practices** in the fight for talent, with financials being table stakes

Contingent workforces, part-time employees, and **remote work practices** remain the top three nontraditional talent model

Future of GBS

Building **analytics and reporting capabilities** in order to position GBS to drive higher value

Enhancing the focus on better customer experience with user-centric design and self-service capabilities

Furthering savings achieved through RPA and automation by employing more coordinated, less siloed approaches

Shifting workplace and workforce strategy to more hybrid delivery models with a focus on developing virtual/remote work strategies and leveraging location agnostic hiring

Top enablers:

1. Automation
2. Single-instance ERP
3. Case and service management
4. Cloud

About the survey

Key attributes of successful GBS organizations

More than 50% of organizations are achieving their objectives. These successful GBS organizations are:

Implementing both shared services and outsourcing models

~65% of successful organizations include outsourcers in their delivery model

Incorporating diversity into their leadership roles

>80% have about a third of their leadership team composed of minorities and women

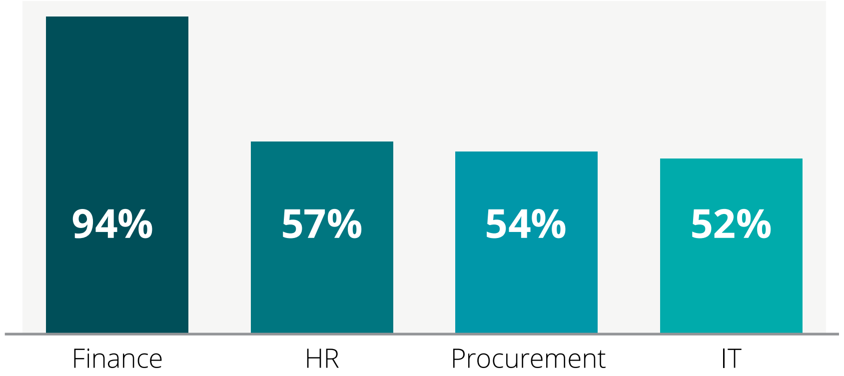
Embracing digital transformation as a strategic agenda

Adopting new approaches to talent

67% are building continuous improvement and innovation into talent programs

59% are leveraging contingent workers

Multifunctional in scope, with Finance the most commonly implemented in SSCs



Scope and capabilities

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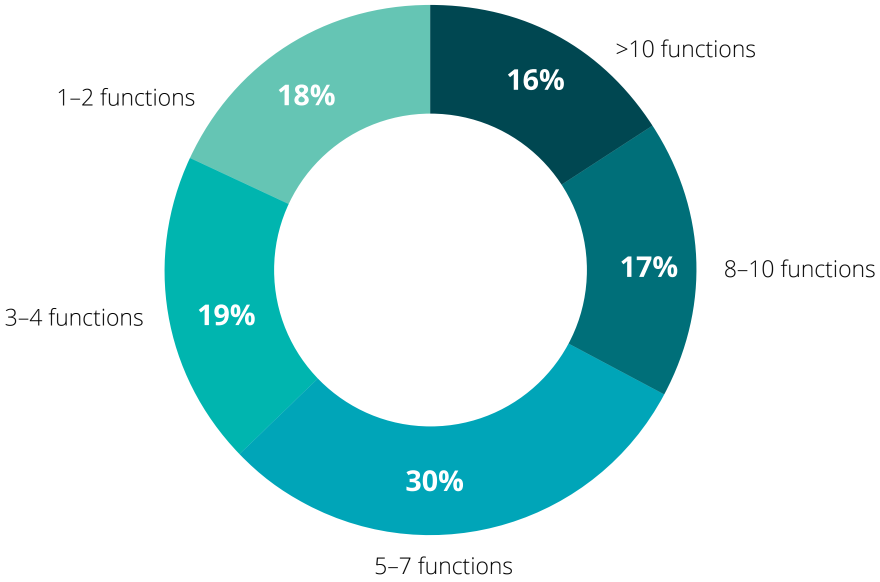
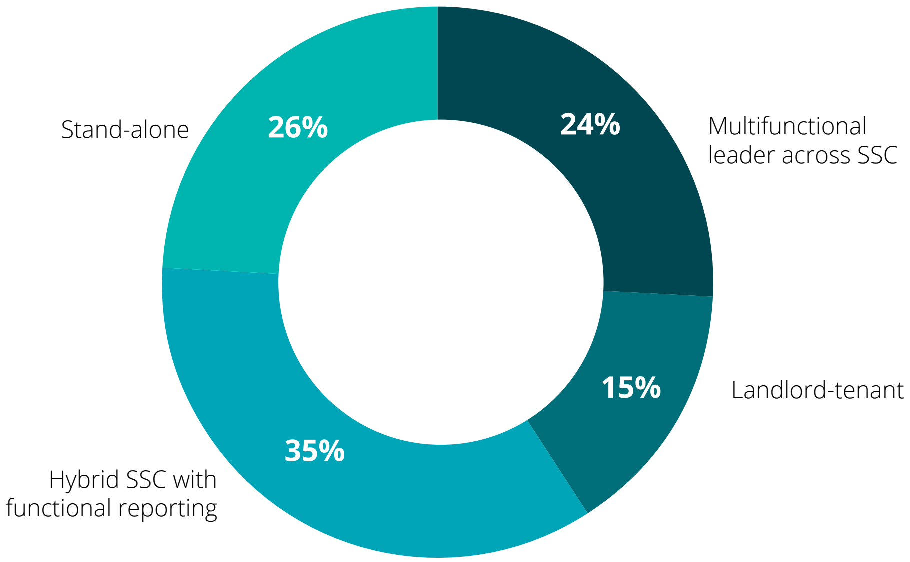
How many functions are performed and what is the preferred governance model?

How many functions are performed in your SSC or GBS?

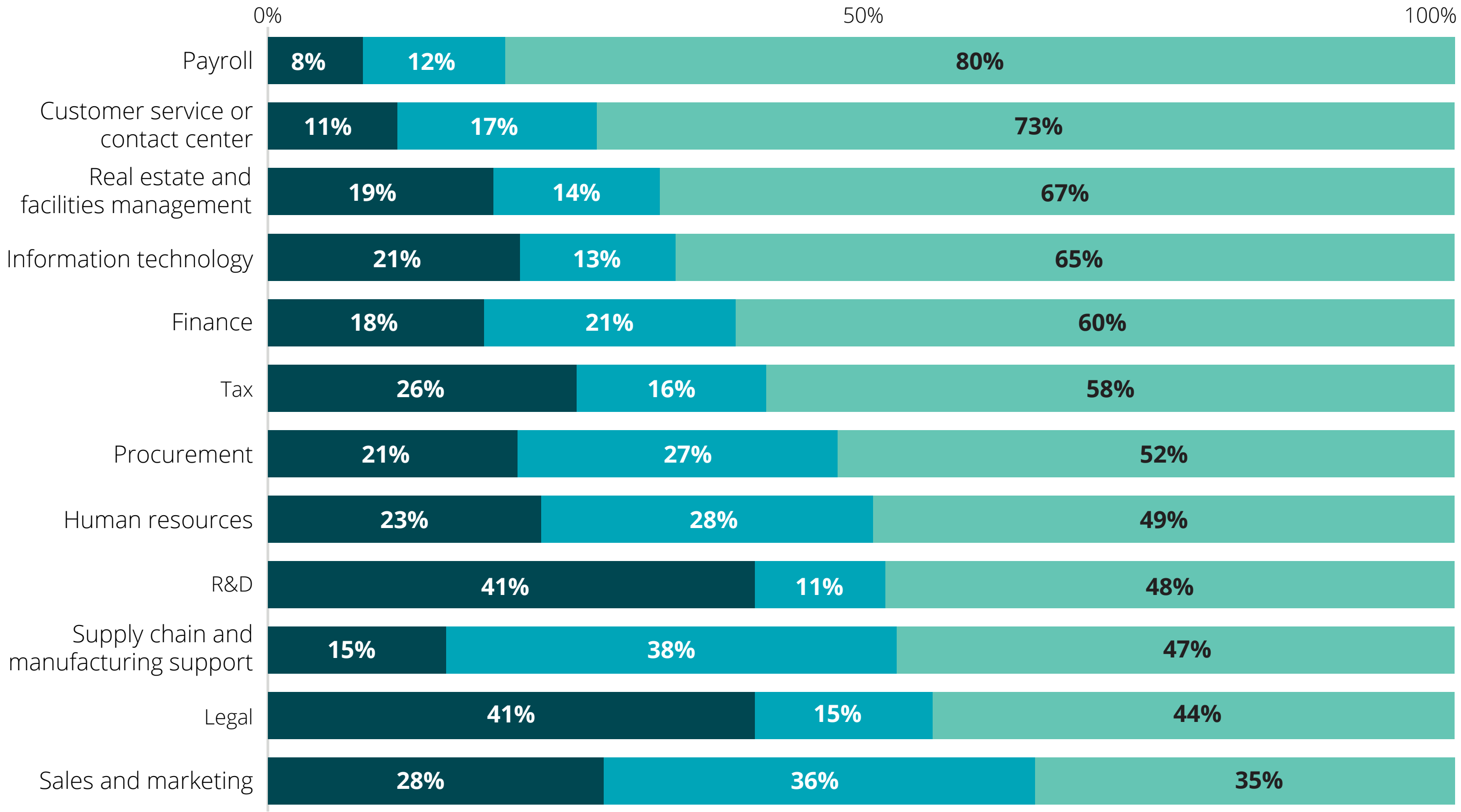


What is the governance model in your SSC or GBS?



- **Multifunctional organization** continue to be **most prevalent** within the survey, with **~82%** of total SSCs supporting three or more functions; this trend remains consistent for all organizations, irrespective of revenue size
- Organizations that established their SSCs in earlier years (1991–2000) prefer a **hybrid governance model,** which has remained a preferred model, while other models like **multifunctional leader across SSC** and **landlord-tenant model** have also gained traction in organizations that established SSCs in later years (2001 onward)

What percentage of the total FTEs (approximately) are located in the local business, at corporate, or in a GBS model?



2021		2019
80%	⊕	N/A
73%	↑	64%
67%	↑	52%
65%	↑	58%
60%	↑	55%
58%	↑	55%
52%	↑	42%
49%	↑	42%
48%	↓	52%
47%	↑	40%
44%	=	44%
35%	↓	60%

Corporate

Local business

GBS (Outsourcing and shared services)

↑ Increase from 2019

↓ Decrease from 2019

⊕ New addition from 2019

= No change from 2019

- **SSCs or outsourcing** is most leveraged by the **payroll function,** followed by the **customer service or contact center function,** which was the highest in 2019
- **Customer service or contact centers** and **Procurement** have each increased about 10% from 2019
- Usual suspects of **IT, Finance, Tax, and HR** continue to grow year over year

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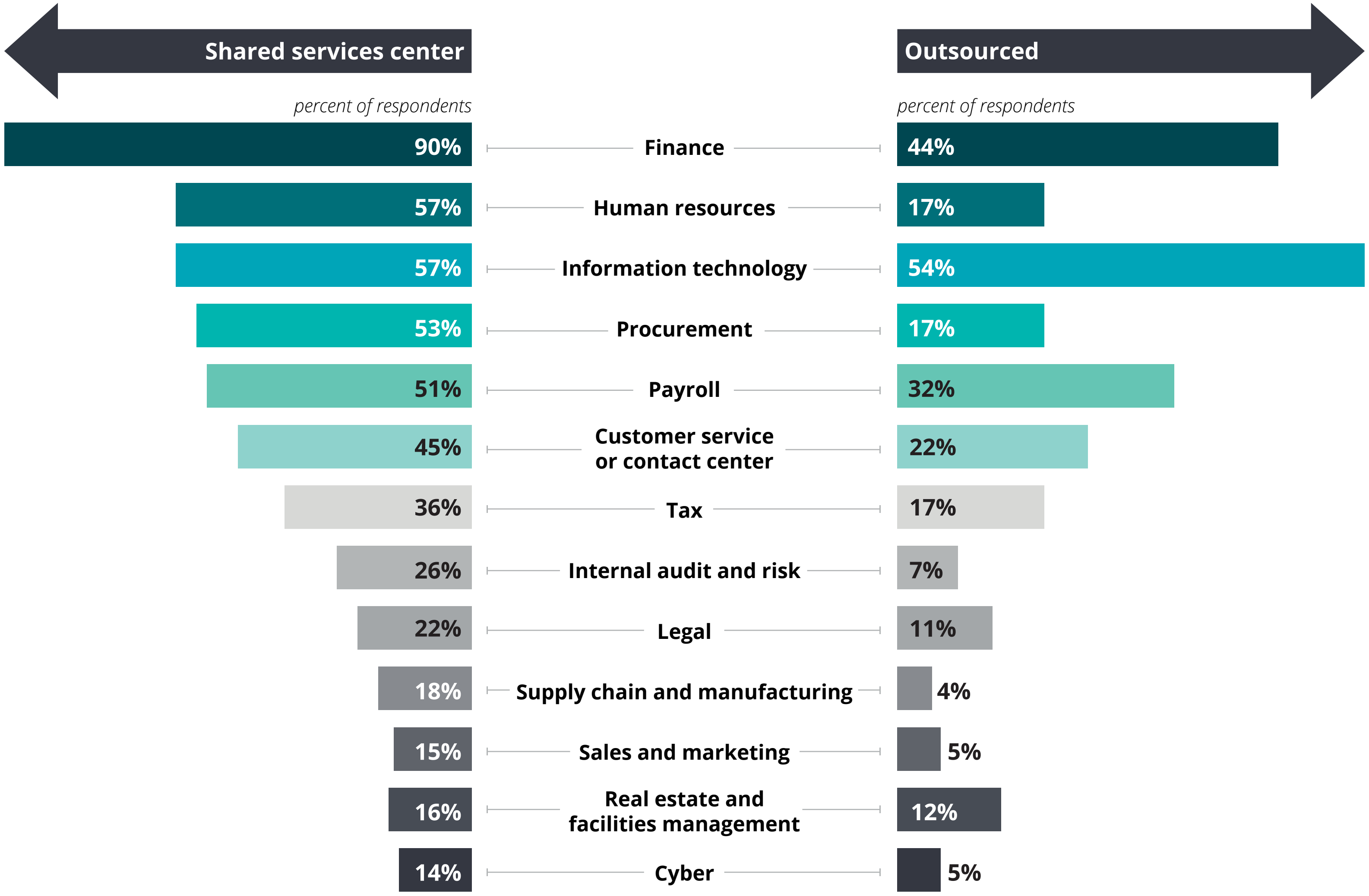
What functions are performed by both SSCs and outsourcing providers?



Different industries are now delivering specialized focused capabilities. Examples include:

Consumer
- Manufacturing and plant accounting
- Asset protection and retail loss intelligence

Energy, resources, and industrials
- Product engineering
- Health, security, environment, and quality

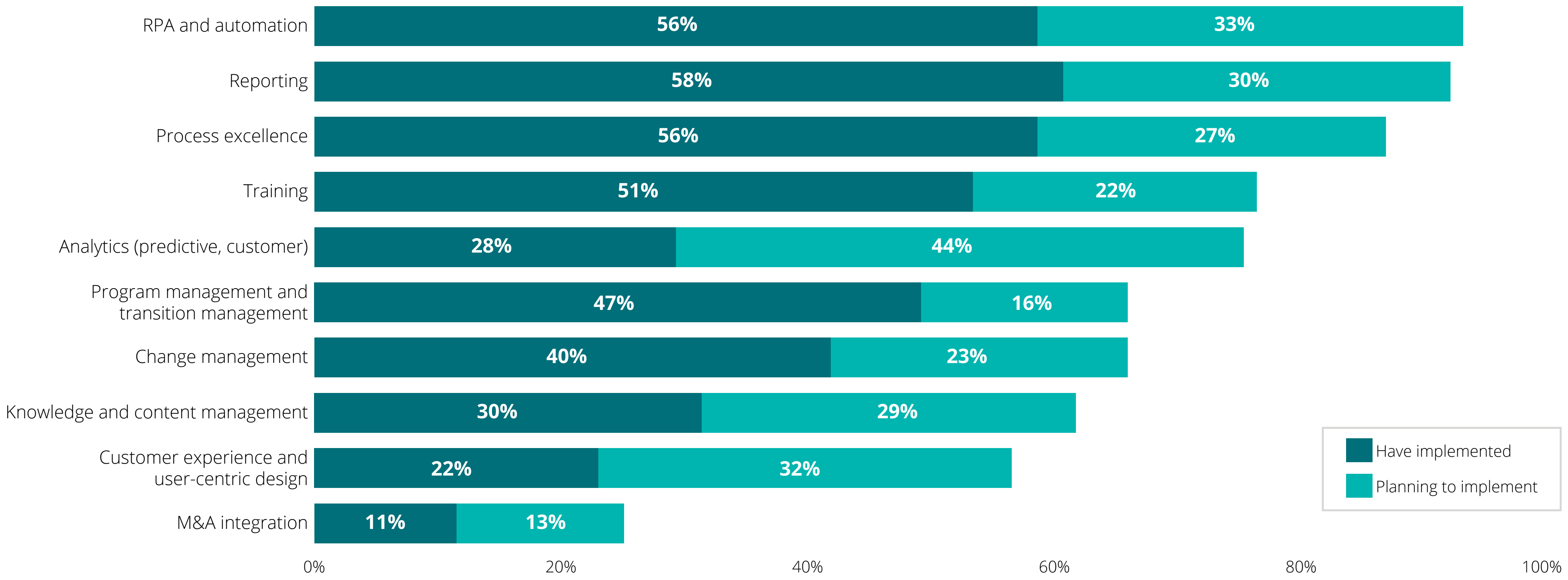
Financial services
- Claims
- Anti-money laundering

Life sciences and health care
- Clinical trials
- Medical management

Technology, media, and telecom
- Manufacturing and plant accounting
- Operationalized transfer pricing

[1] Organizations responding to this question are primarily shared service center–focused.

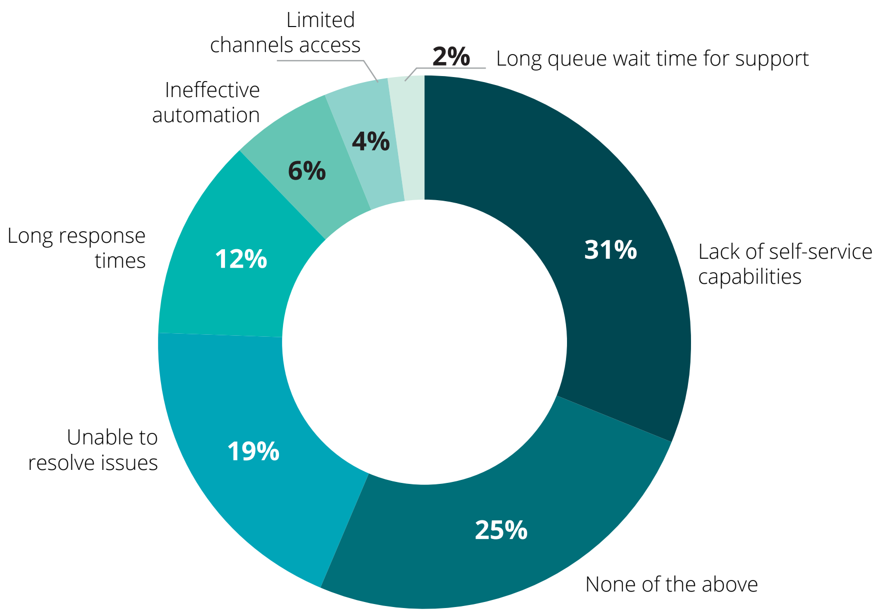
What are the capabilities implemented or planned to be implemented in GBS organizations?



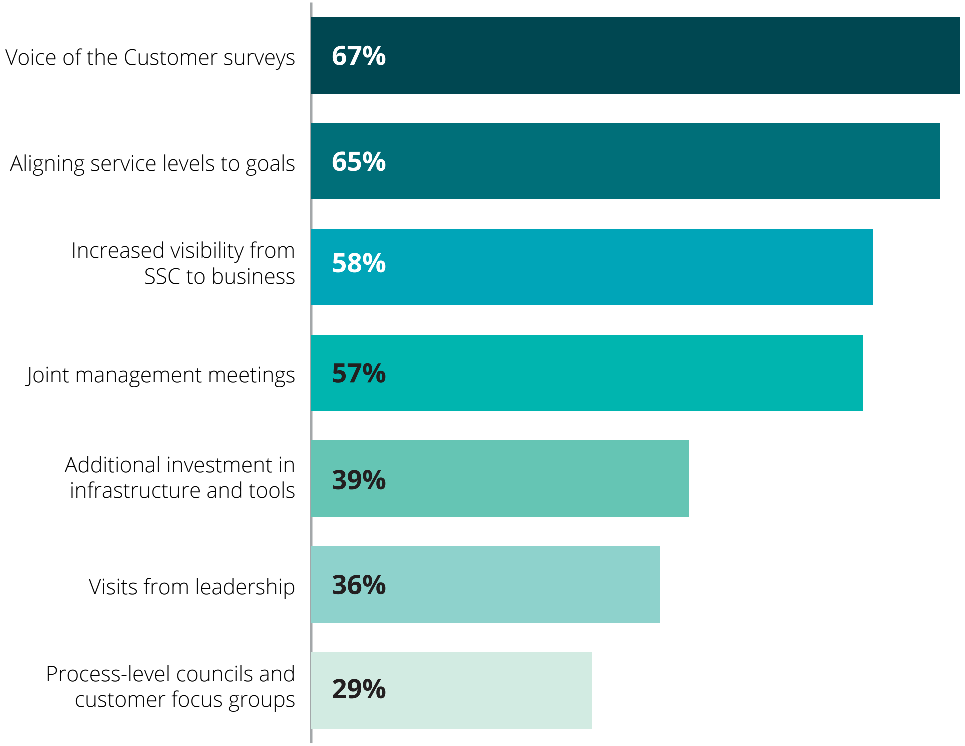
- **RPA and automation, reporting,** and **process excellence** are now part of at least 50% of GBS organizations
- **Reporting, analytics, customer experience,** and **user-centric design** are the top capabilities that GBS organizations are looking to invest in

How are you driving a better customer experience?

Which of the following is the most challenging for your end users and customers when interacting with your center?



What steps is your organization currently taking to drive a better customer experience?

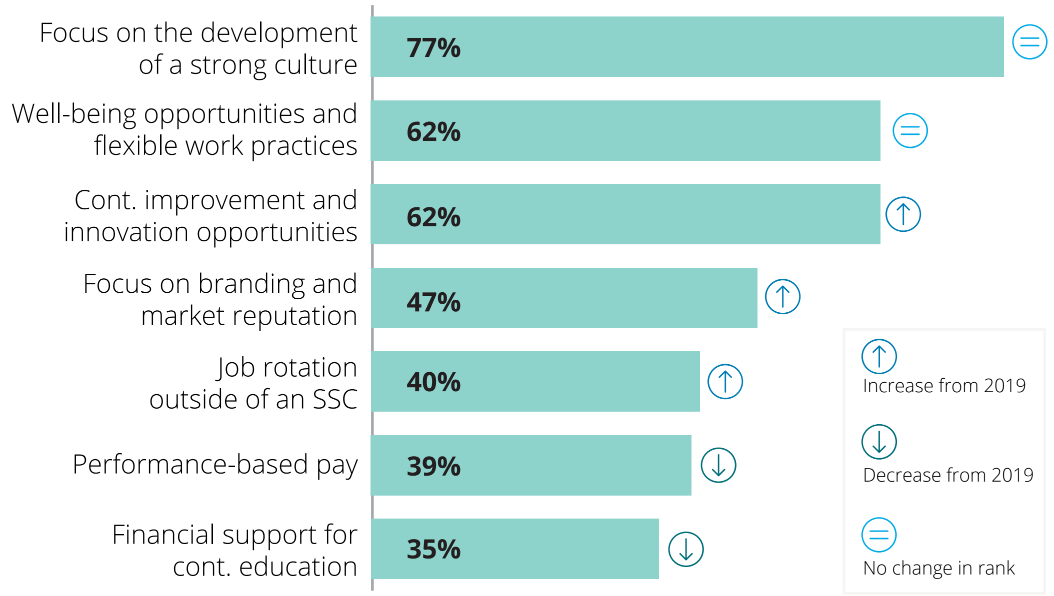


- More than 50% of GBS organizations have either implemented or are planning to implement **customer experience** and **user-centric design** as a capability
- Of the 31% respondents who indicated "lack of self-service" as a top challenge, only **29% listed "self-service" as a solution that they have employed in their organizations**
- Organizations are proactively taking steps to drive a better customer experience through customer surveys, alignment of service levels to goals, and and increased visibility from SSC to business
- A quarter of organizations did not identify any challenges for their end users in interacting with their centers

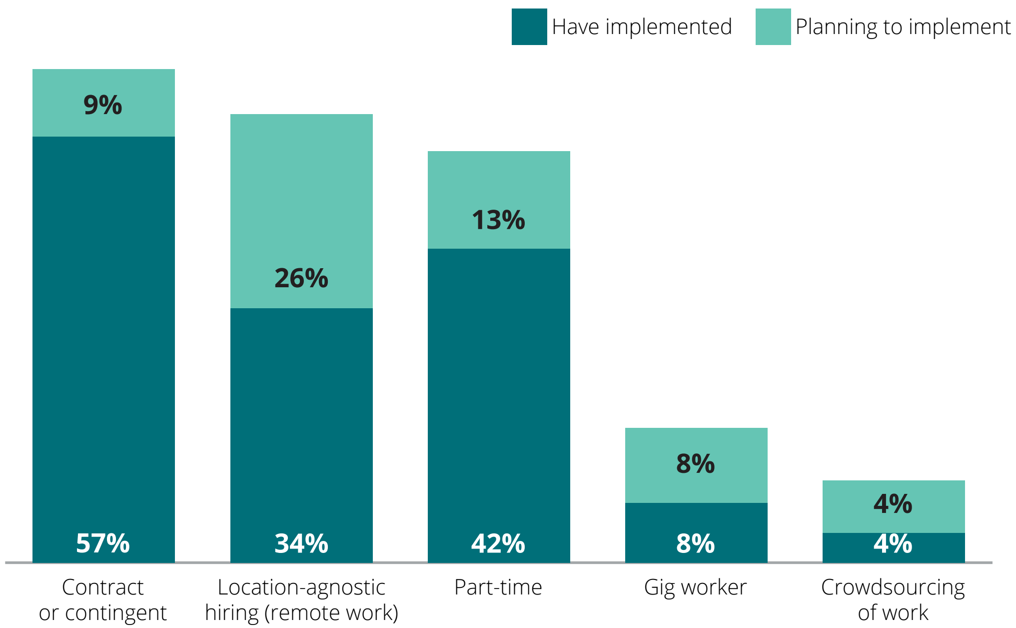
Talent models

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

What are the approaches you have used in the past to try and retain your shared services employees?

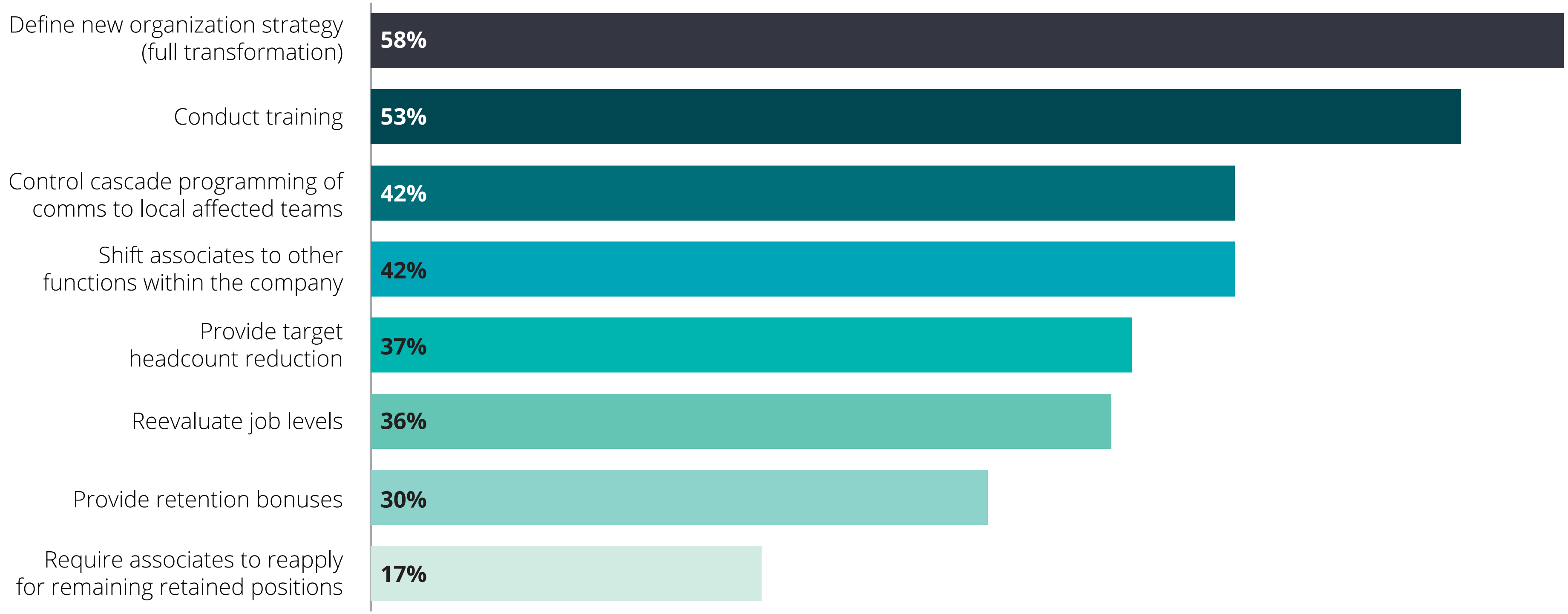


What are the nontraditional talent models within shared services?



- **Development of strong culture, well-being,** and **flexible work practices** continue to be top priorities in talent strategies, with financial incentives being table stakes
- Respondents also reported practices like **job rotation outside of SSC, job-sharing,** and **multifunction opportunities** to retain talent
- A majority of respondents (in line with 2019 survey) have considered **alternative talent models**
- A majority of respondents indicated that they have already implemented **contract and contingent workers in their organization,** an increase from 2019 survey, where 42% of respondents indicated that it was a preferred model

How have you prepared the retained organization for talent and management changes when shifting work to a GBS model?



- A **clearly defined organization strategy, trainings for upskilling, and monetary incentives** are some of the leading methods implemented by organizations to retain talent in the retained organization

Geography

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What are preferred locations for SSCs (based on industry)?

Decreasing order of preference

Industry			
Consumer	India	United States	Poland
Energy, resources, and industrial products	India	United States	China
Financial services	India	United States	Poland
Life sciences and health care	United States	India	Costa Rica
Telecom, media, and entertainment	India	United States	Philippines

India continues to be the **top preferred location** across most industries

While not making the top list, **Portugal** and **Lithuania** continue to receive attention and secure GBS investments

Hungary, although an established hub, is a new entrant in the top 10

Colombia, previously ranked in the top 10 in 2019, continues to see interest, but has dropped from the list in 2021

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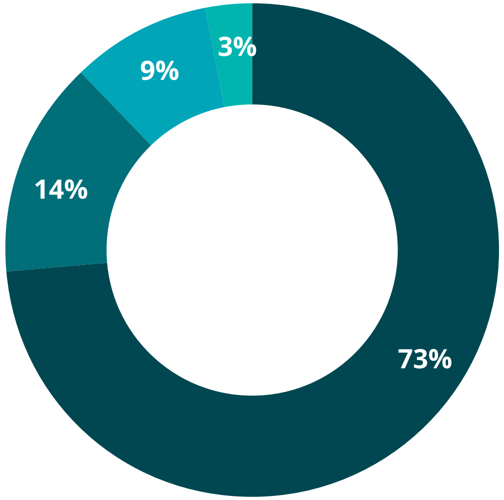
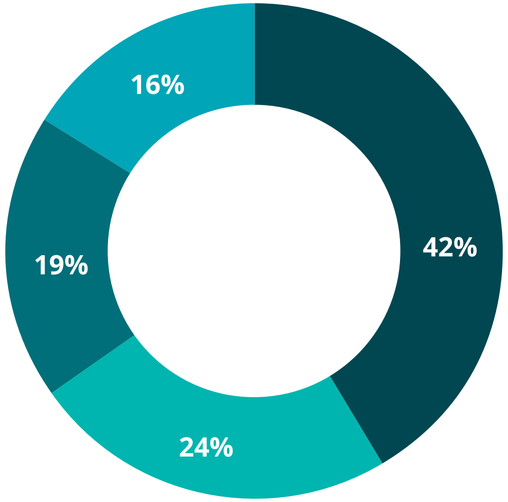
What role will remote or hybrid models play in the future of GBS location strategy?

Which model is being considered for your <u>shared services</u> organization for the next three to five years as we emerge from COVID-19?



Which model is being considered by your <u>outsourcing</u> organization for the next three to five years as we emerge from COVID-19?



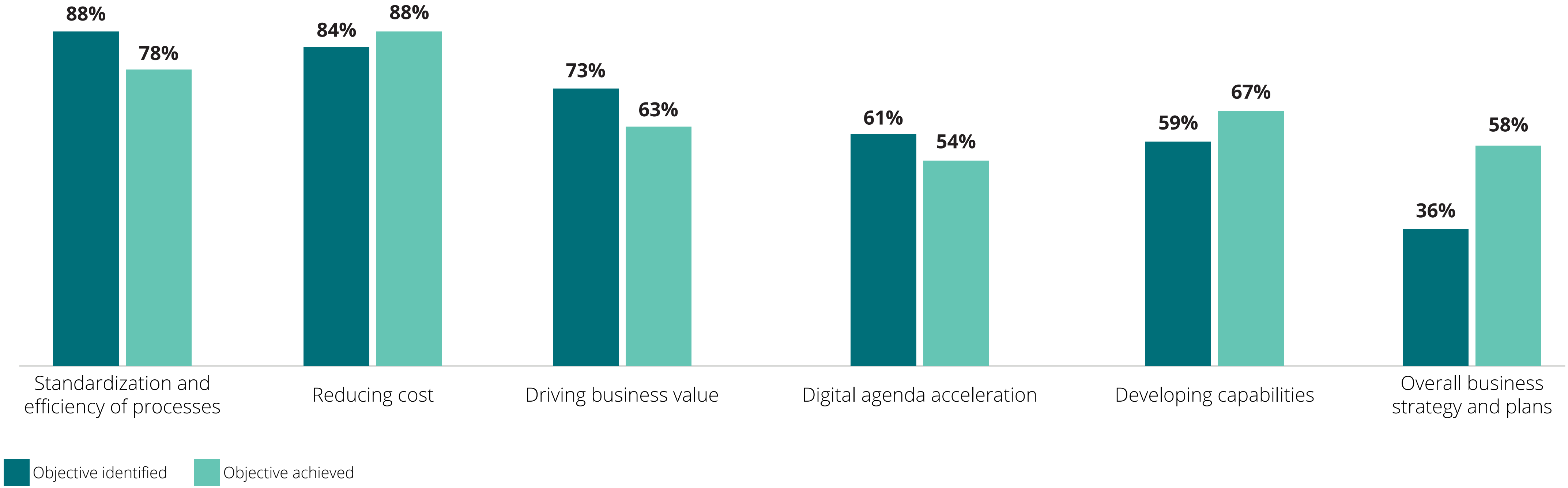
Hybrid | Mostly remote | Brick-and-mortar | Unknown

Definitions

- *Brick-and-mortar* – organization working in physical buildings four to five days a week
- *Hybrid* – organization centered around an office or hub and required to come in two to three days a week
- *Mostly remote* – In-office only a few days a month (predominantly work from home)
- *Fully virtual* – 100% virtual or work from home and not centered around a physical office or city, leveraging talent agnostic of location

Future of GBS

What are the objectives of investing in GBS and SSC capabilities, and what has been achieved?



- Standardization and efficiency jumped ahead of reducing costs as an objective this year
- Respondents considered **standardization and efficiency of processes** as the top factor, compared with **achieving speed** from previous iterations of the survey
- **"Reducing cost"** and **"driving business value"** follow closely and have remained immediate and tangible benefits of establishing an SSC

What are the key transformation enablers employed by GBS organizations?

2019 ranking	2021 key enablers	%	2021 ranking	Focus areas in next one to three years
2	Robotic process automation	69%	Increase from 2019	1
4	Global standard processes	59%	Increase from 2019	2
3	Single-instance ERP	54%	No change in rank	3
1	Cloud-to-cloud (i.e., AWS)	51%	Decrease from 2019	7
-	Service enablement for case management (e.g., ServiceNow)	47%	New addition from 2019	8
7	Agile	41%	Increase from 2019	10
6	Instilling a culture of innovation	36%	Decrease from 2019	5
-	Self-service	35%	New addition from 2019	6
5	Centralized analytics reporting	31%	Decrease from 2019	4
-	Virtual assistant (chatbots, conversational AI, etc.)	24%	New addition from 2019	9

2021 ranking

- Increase from 2019
- Decrease from 2019
- New additionfrom 2019
- No change in rank

- Over the years, **RPA has remained the most desirable digital enabler** for GBS organizations and is expected to be the key focus area in next one to three years
- **Cloud as an enabler** has moved from first position in 2019 to fourth position in 2021; **47% of respondents whose No. 1 focus area is RPA already have cloud**
- Innovation, self-service, and analytics and reporting have risen as focus areas in the next one to three years

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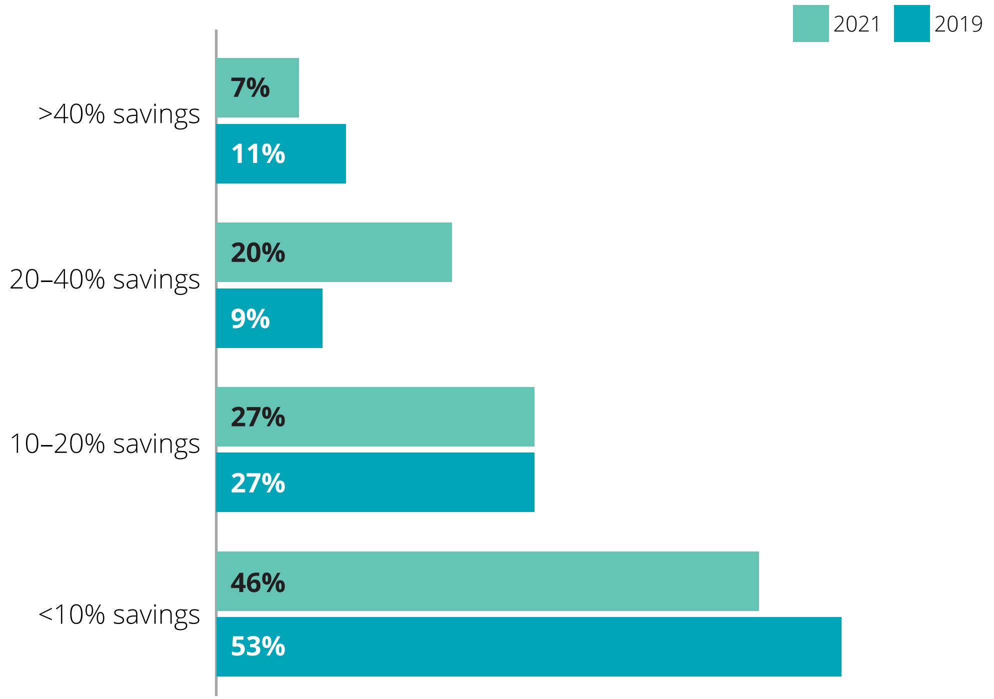
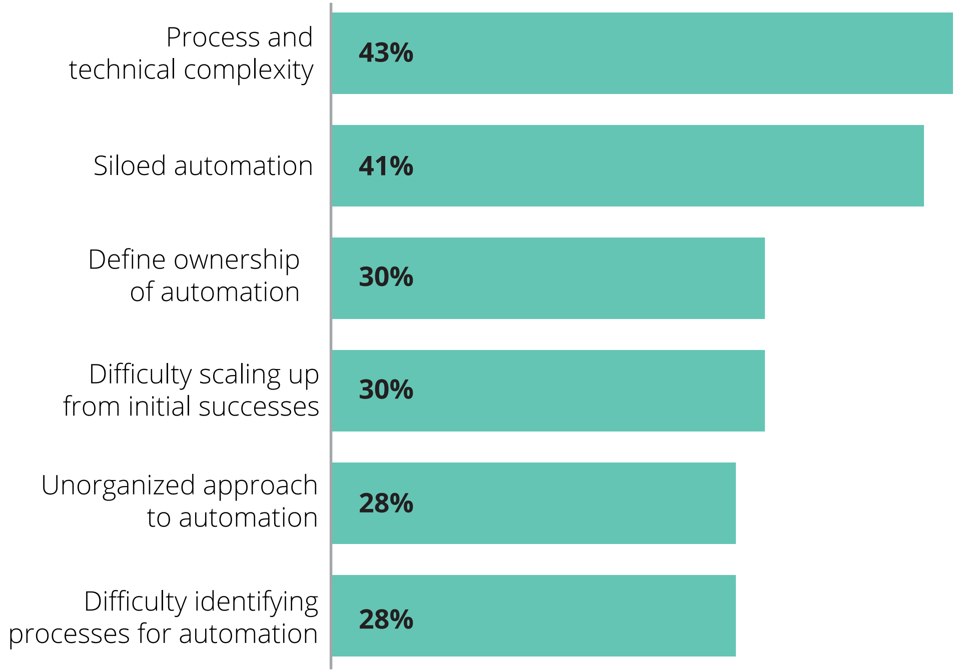
What are the savings and challenges of RPA implementation?

Based on your robotics process automation (RPA) experience thus far, what level (%) of savings have been achieved?



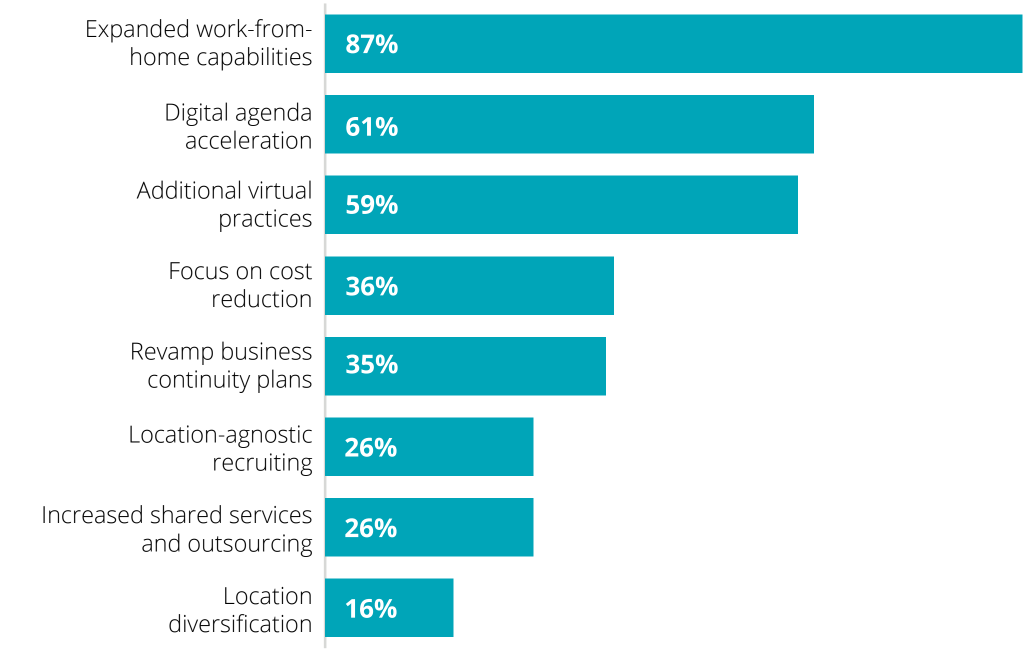
What are the biggest challenges you face today with deploying automation?



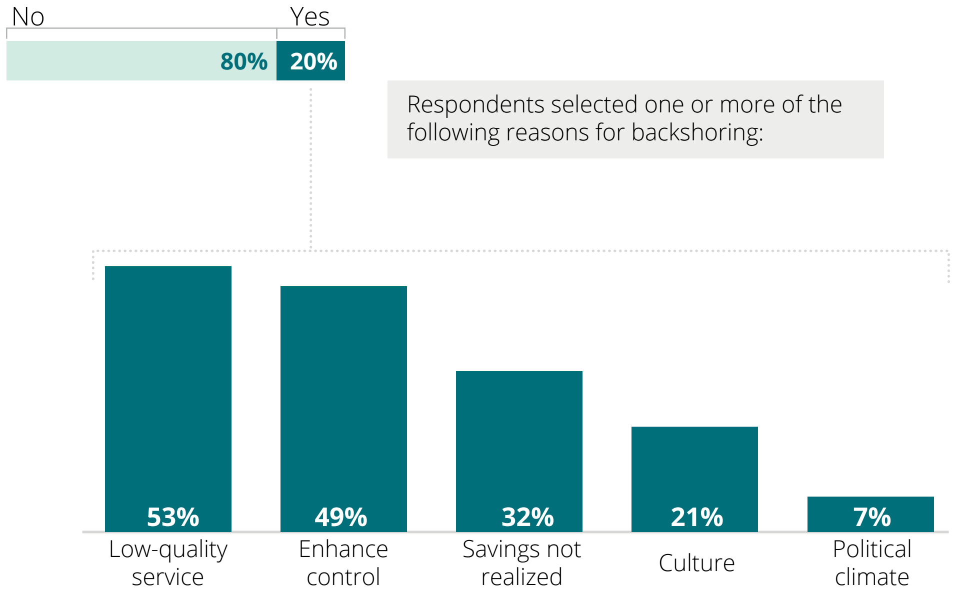
- **70%** of respondents who have achieved greater than 40% savings through RPA have also **employed single-instance ERP**
- Most respondents (62%) stated that RPA capabilities are **owned either by IT** or **the SSCs;** 15% state that **RPA ownership is fragmented** across business units
- For respondents who achieved less than 10% savings, their biggest challenges were **siloed automation** and **process technical complexity**

How are current geopolitical events affecting the path forward for organizations?

As a result of COVID-19, what's been the greatest impact on your plans for the next two to five years?



Are you planning to backshore in the next one to three years, and if yes, why?



- Due to the impact of COVID-19, a majority (87%) of organizations are focusing on expanding remote working capabilities to ensure business process continuity
- Accelerating digital agenda (61%) and increasing virtual practices (59%) are other key areas of focus

Conclusion

GBS organizations are prioritizing areas across work, workforce, and workplace to drive impact and value

Build analytics and reporting capabilities

A significant proportion of organizations plan to **increase traction in reporting and analytics (including predictive, customer, regulatory, and stress testing),** where GBS is well-positioned to drive value

Enhance focus on better customer experience

With more expectations on providing better customer experience, GBS organizations will be looking to build **user-centric design and self-service capabilities**

Further savings achieved through RPA and automation

As RPA and automation remains a priority, GBS organizations can increase savings by **simplifying the processes and technology and employing a more coordinated, less siloed approach**

Incorporate flexibility and well-being practices in the fight for talent

In a competitive talent environment, retention strategies are emphasizing **development of strong culture, well-being, and flexible work practices,** with financials being table stakes

Shift delivery models to be more remote and virtual

As model shifts to be less focused on location, organizations plan to **develop more virtual and remote work strategies** and **leverage location-agnostic hiring** to get the benefits of increased productivity and reduced costs

AU Contacts

Richard Keany
Partner
rkeany@deloitte.com.au

Justine Waddick
Partner
jwaddick@deloitte.com.au

Paul Wensor
Partner
pwensor@deloitte.com.au

Amrish Bhatia
Partner
amrishbhatia@deloitte.com.au

Laura Rennie
Partner
larennie@deloitte.com.au

Kate McLean
Partner
kamclean@deloitte.com.au

Allan Mills
Partner
allmills@deloitte.com.au

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