

Shared Services – the Edge Over

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delivering more than
expected?*



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Preface

In today's economy, shared services are no longer a yes or no question. And, with regard to standard services, it is sometimes not even a question of how, given that many companies have already successfully implemented shared services and gained valuable experience in the process.

Rather, shared services is now a question of what:

- What do shared services organisations deliver? Is it more than expected?
- What kind of additional services can shared services provide?
- What is the next step in my company with regard to shared services?

The current survey "Shared Services – the Edge Over" is the third of a biennial publication. Its intention is not only to collect data on shared services and make it available to a broader audience, but also to discover and document the best practices in setting up and running shared services. There is more than one right way.

Between April and September 2013, one-hundred companies representing 377 service centres worldwide took part in the survey. Almost 40% of the participants had already taken part in the 2011 survey. This time, we included blue-chip companies as well as companies in the middle market.

Based on experience from the 2011 survey, we enhanced parts of the questionnaire and discarded other parts, but it is mainly the same to ensure comparability.

We would like to thank all of the companies, organisations and individuals that took the time and effort to contribute to this survey and for providing extremely valuable input.

Finally, we hope that you enjoy reading this report and gain useful insights for the development of your organisation.

Stuttgart and Düsseldorf, January 2014



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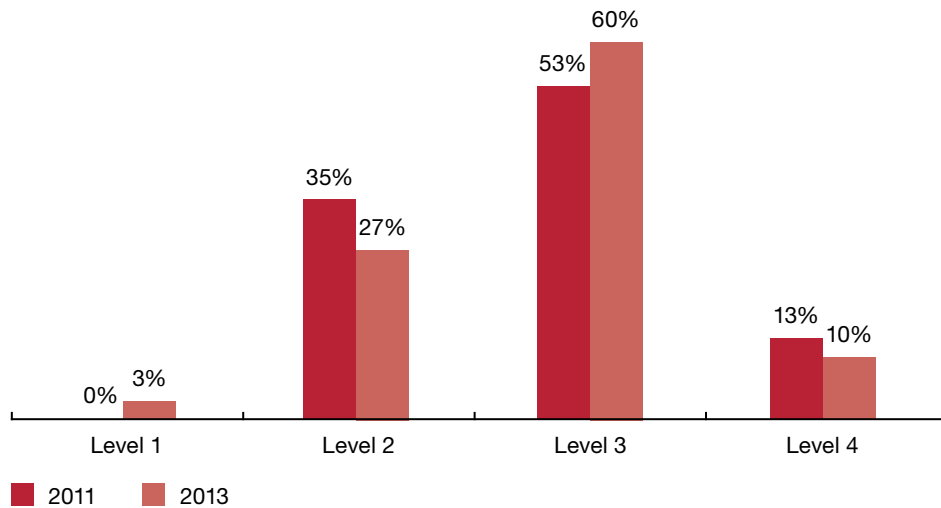
A Management summary



This year’s shared services survey “Shared Services – the Edge Over” ran from April to September 2013. One-hundred companies from all over the world took part in the survey, representing a total of 377 shared service centres (SSCs) worldwide. Using the PwC maturity model that we introduced in the 2011 survey, we have evaluated the performance of all SSCs against eight criteria. These criteria have been aggregated to form an overall evaluation of the respective SSC’s maturity. The overall distribution of maturity levels among all participants in comparison to the last survey is shown in Figure 1.

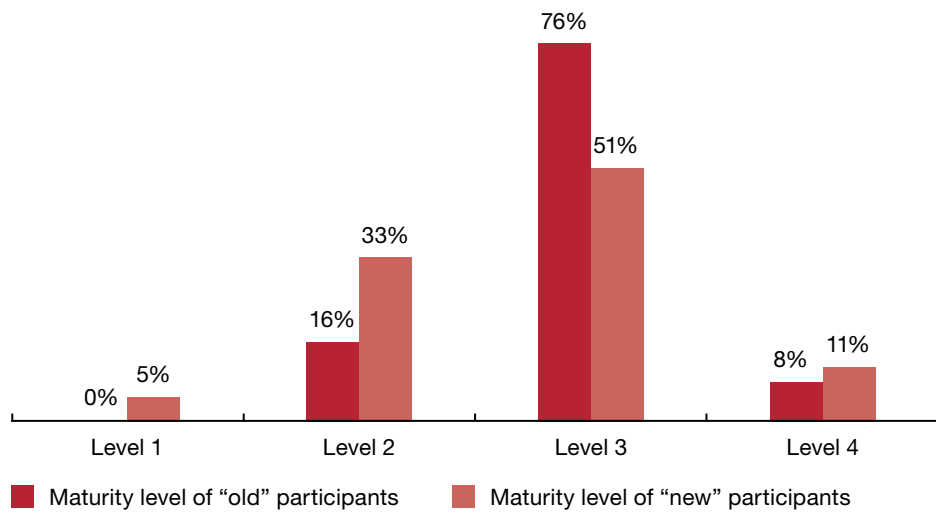
The results show an increase in levels I and III and a decrease in levels II and IV, assessing the majority of companies surveyed in the two medium-maturity levels. In our opinion, the increase in level I, in particular, is due to the fact that the majority of this year’s participating companies represent the middle market, having only had their SSCs in place for a short period of time.

Fig. 1 Distribution of maturity model results



This phenomenon is clearly demonstrated when comparing the maturity model results of those who had already taken part in 2011 (“old” participants) and those who took part for the first time (“new” participants). Figure 2 shows that 84% of the “old” participants achieved either maturity level III or IV, while only 62% of the “new” participants attained such levels. So on average, the “old” participants achieve a higher maturity level than the “new” ones. This observation allows for the remarkable assumption that most companies do not keep their SSCs as is, but rather continue developing them to achieve better levels of service and quality.

Fig. 2 Comparison of the achieved maturity levels of “old” and “new” participants



B Key findings



The following are the top ten key findings in this year's survey:

1. SSCs have arrived in the middle-market sector

As the distribution of this year's participants shows, shared services gained importance among small and medium-sized enterprises (SMEs) in the last year. There are many reasons for this development, eg, the competition in the market is growing, thereby prompting companies to identify optimisation potential within their organisation. SMEs were also faced with issues such as cost optimisation and re-organisation.

2. The favourable implementation strategy is to transfer first and optimise in the centre (ie, "lift and shift")

When implementing their SSCs, most companies decide to transfer processes to the SSC first and then standardise them in the new location later. This decision is mainly based on the potential cost savings realised through labour arbitrage as well as time. While other strategies, such as those that standardise processes before transferring them to the SSC, ie, "shift and lift", turned out to be quite lengthy, the "lift and shift" strategy proved quickest in most cases.

3. SSC location – Central and Eastern Europe (CEE) is by far the most popular SSC location in Europe for companies with headquarters located in Europe as well as for those from overseas

Locations in CEE are by far the most popular SSC location followed by Western Europe. On the one hand, this preference for this location is likely due to the good conditions regarding cost and, even more importantly, the quality of staff. On the other hand, it was shown that smaller companies, which were well represented among the participants, were less likely to set up an offshore SSC. Thus, as the majority of companies surveyed have their headquarters in Europe, many decided to set up their SSC close by.

4. Qualified employees – workforce availability is an important criterion when choosing an SSC location; finding the suitable staff is not as big of a challenge

Workforce availability is the most important criterion when choosing an SSC location, followed in importance by labour costs and legislation. While we know from our experience that recruiting the suitable staff is often seen as one of the biggest challenges beforehand, the results of this survey have confirmed our impression that this is not true in the case of the majority of SSCs. Other challenges, eg, the harmonisation of the IT and process landscape, were reported as being bigger obstacles by far.

5. Customer orientation is gaining in importance, and process standardisation helps increase customer satisfaction

As previously demonstrated in 2011, there was no result indicating that a higher level of process standardisation would cause a decrease in customer satisfaction. On the contrary, this year's findings indicated a positive correlation between the two. One reason could be that a high standardisation level results in lower cycle times and error rates – a positive effect which outweighs the risk of standardisation neglecting customer-specific requirements.

6. Complex, non-transactional services are now increasingly provided by the SSCs

Simple mass transactions, such as accounts payable/receivable and travel expenses, are still the focus of the surveyed SSCs. Nevertheless, non-transactional services, such as external reporting, tax services and especially controlling, are becoming more important in SSCs' service portfolios.

7. Turnover rate of employees is increasing – with the highest rate in CEE

The staff turnover rate shows an increasing tendency, with the highest rates in CEE followed by Asia Pacific. This might be caused by the highly competitive labour market as both regions are popular SSC locations.

8. Continuous improvement and process standardisation and automation – although high levels have been achieved, there is, still optimisation potential

We can observe from the survey that the participants have already achieved very high levels of standardisation and automation. Nevertheless, based on the continuous improvement results, the vast majority stated that they still saw room for optimisation.

9. End-to-end process view becomes more important

The management of multi-functional SSCs shows a strong tendency to have functional team leaders in place instead of having only one SSC head. More than one-half of participants stated that they have their SSC managed by additional functional team leaders or end-to-end team leaders. This development has been mainly observed in bigger SSCs with more than 500 full-time equivalents (FTEs), but we assume that this trend will reach smaller SSCs in the near future.

10. SSC organisations are becoming more and more professional – delivering more than expected

Overall, this year's results confirm our impression that existing SSCs are becoming more and more professional. As mentioned earlier, more participants stated that they provide complex, non-transactional services which are difficult to standardise and therefore require specially qualified staff and SSC management. Furthermore we can observe that SSCs are very pro-active regarding the area of continuous improvement. They are always on the lookout for optimisation potential in all processes for which the SSC is responsible as well as upstream and downstream processes.

C Description of the SSC maturity model



This edition of our SSC survey aims to evaluate the progress that SSCs have made in the last couple of years. Therefore, the SSC maturity model has been adapted and extended in some parts. The SSC maturity model allocates SSCs to one of four levels of development with the “2nd-generation SSC” being the highest level. The four maturity levels are differentiated based on the following eight evaluation criteria.

The eight evaluation criteria

1. Strategy

- Criteria used to select the SSC location, and their respective ranking
- Implementation strategy chosen
- Evaluation of objectives from today’s perspective/at the time of the SSC implementation and the extent to which the initial objectives have been achieved

2. Organisation/governance/compliance

- Centre concept of the SSC (cost centre vs profit centre)
- Cost allocation method for services provided
- SSC management (head of SSC vs. functional/end-to-end team leader)
- Scope and revision cycle of service-level agreements (SLAs)
- “Process owner” approach for managing processes
- Responsibilities for business development/process improvements
- SSC governance

3. Continuous improvement

- Systematic and regular analysis of costs and quality
- Continuous search for and implementation of optimisation measures
- Deployment of quality improvement tools
- Approach to measure whether an SSC is meeting its objectives

4. Business processes

- Degree of standardisation and automation of processes within the SSC
- Degree of standardisation and automation of processes in upstream and downstream processes outside the SSC
- Level of process documentation

5. Customer relations

- Customer structure (share of internal and external customers)
- Service structure within the SSC
- Customer orientation in the SSC
- Deployment of tools for customer management

6. Performance management

- Sophistication of performance management systems in place
- Transparency of the performance measurement process
- Availability of information related to operational and strategic management
- Definition of measurable performance targets and monitoring of achievement of targets
- Extent of financial control systems within the SSC

7. Human resources management

- Use of different training tools and training types by staff group
- Quality of communication between management and staff in the SSC
- Approach used to link the performance evaluation of employees to the definition of development measures
- Use of employee satisfaction surveys

8. Systems and technology

- Degree of process automation and standardisation of IT systems
- Continuous optimisation of IT systems
- Extent to which electronic workflow and integrated ERP systems are deployed
- IT governance supporting financial control processes

The specific performance levels used to categorise an SSC into one of four maturity levels are shown for each of the evaluation criteria in the table below:

Fig. 3 Maturity levels of evaluation criteria

Evaluation criteria	Phase I: Start-up	Phase II: Growth	Phase III: Expansion	Phase IV: 2nd-generation SSC
1. Strategy	<ul style="list-style-type: none"> • no SSC-specific targets, strategies, measures or implementation plans set 	<ul style="list-style-type: none"> • some SSC-specific targets, strategies, measures or implementation plans set 	<ul style="list-style-type: none"> • SSC-specific targets, strategies, measures or implementation plans set 	<ul style="list-style-type: none"> • SSC-specific targets, strategies, measures or implementation plans set • regular review of implementation and introduction of countermeasures if required
2. Organisation/ governance/ compliance	<ul style="list-style-type: none"> • SSC run on cost-centre basis • allocation of costs based on FTEs • SSC managed by head of SSC only • no SLAs in place • unclear process owner and no collaboration between customer and SSC 	<ul style="list-style-type: none"> • SSC run on cost-centre basis • allocation of costs based on FTEs/ transactions • SSC managed by head of SSC only/ functional team leader • some SLAs in place • multiple process owners and intended collaboration between customer and SSC 	<ul style="list-style-type: none"> • SSC run on cost-centre basis • allocation of costs based on transactions • SSC managed by head of SSC and additional functional team leaders • comprehensive SLAs in place • single end-to-end process owner and collaboration between customer and SSC 	<ul style="list-style-type: none"> • SSC run on profit centre basis or as a separate legal entity • services allocated based on market prices • SSC managed by head of SSC and additional end-to-end team leaders • comprehensive SLAs in place that are regularly adjusted • single corporate end-to-end process owner and collaboration between customer and SSC
3. Continuous improvement	<ul style="list-style-type: none"> • no improvements made in relation to costs, quality or time • Six Sigma, TQM not deployed 	<ul style="list-style-type: none"> • slight improvements made in relation to costs, quality and time • Six Sigma, TQM in process of implementation 	<ul style="list-style-type: none"> • some improvements made in relation to costs, quality and time • Six Sigma, TQM in process of implementation 	<ul style="list-style-type: none"> • major improvements made in relation to costs, quality and time • Six Sigma, TQM in continuous use

4. Business processes	<ul style="list-style-type: none"> not standardised, harmonised or automated little or no standard process documentation simple mass transactions 	<ul style="list-style-type: none"> mainly standardised and harmonised little or no standard process documentation simple mass transactions and some expert services (centre of expertise) 	<ul style="list-style-type: none"> optimisation and automation of business processes documentation guidance provided but insufficient regarding risk and compliance requirements simple mass transaction and expert services (centre of expertise) 	<ul style="list-style-type: none"> optimisation across the organisation optimised documentation reflecting risk total services in terms of holistic processes
5. Customer relations	<ul style="list-style-type: none"> internal clients non-standardised structure and management no implementation of customer support tools 	<ul style="list-style-type: none"> mostly internal clients standardised routine processes and transactions ongoing implementation of customer support tools 	<ul style="list-style-type: none"> internal and external customers focus on efficiency and effectiveness within SSC ongoing implementation of customer support tools 	<ul style="list-style-type: none"> mostly external customers focus on contributing value to the whole company implemented and regularly updated customer support tools
6. Performance management	<ul style="list-style-type: none"> PM tools (BSC, benchmarking) not deployed/used infrequently no ICS (internal control system) implemented no quality/performance targets 	<ul style="list-style-type: none"> PM tools (BSC, benchmarking) being developed ICS implemented quality/performance targets introduced 	<ul style="list-style-type: none"> PM tools (BSC, benchmarking) being implemented ICS in place extensive quality/performance targets defined 	<ul style="list-style-type: none"> PM tools (BSC, benchmarking) in continuous use comprehensive ICS and continuous optimisation continuous adjustment of quality/performance targets
7. Human resources management	<ul style="list-style-type: none"> non-standardised structure and management relation of employee development to performance evaluation unsupported no training/advanced training system introduced 	<ul style="list-style-type: none"> combining existing expertise and focus on professional expertise relation of employee development to performance evaluation not standardised introduction of training/advanced training system 	<ul style="list-style-type: none"> professional expertise and management development relation of employee development to performance evaluation extensively designed comprehensive training and advanced training system 	<ul style="list-style-type: none"> service and leadership culture established relation of employee development to performance evaluation continually reviewed continuous improvement to training and advanced training system
8. Systems and technology	<ul style="list-style-type: none"> multiple systems, no standardisation of ERP platform no workflow systems introduced no IT governance set up 	<ul style="list-style-type: none"> partially standardised ERP platform workflow systems implemented low level of IT governance 	<ul style="list-style-type: none"> standardised ERP platform extensive deployment of workflow systems average level of IT governance 	<ul style="list-style-type: none"> optimised modular ERP systems organisation-wide workflow systems high level of IT governance

D Detailed analysis of the SSC evaluation



1 Strategy

This section deals with objectives, target-setting and challenges. The maturity level of the surveyed participants' SSC strategy was relatively high compared to the other evaluation criteria. More than three-quarters achieved level III or IV.

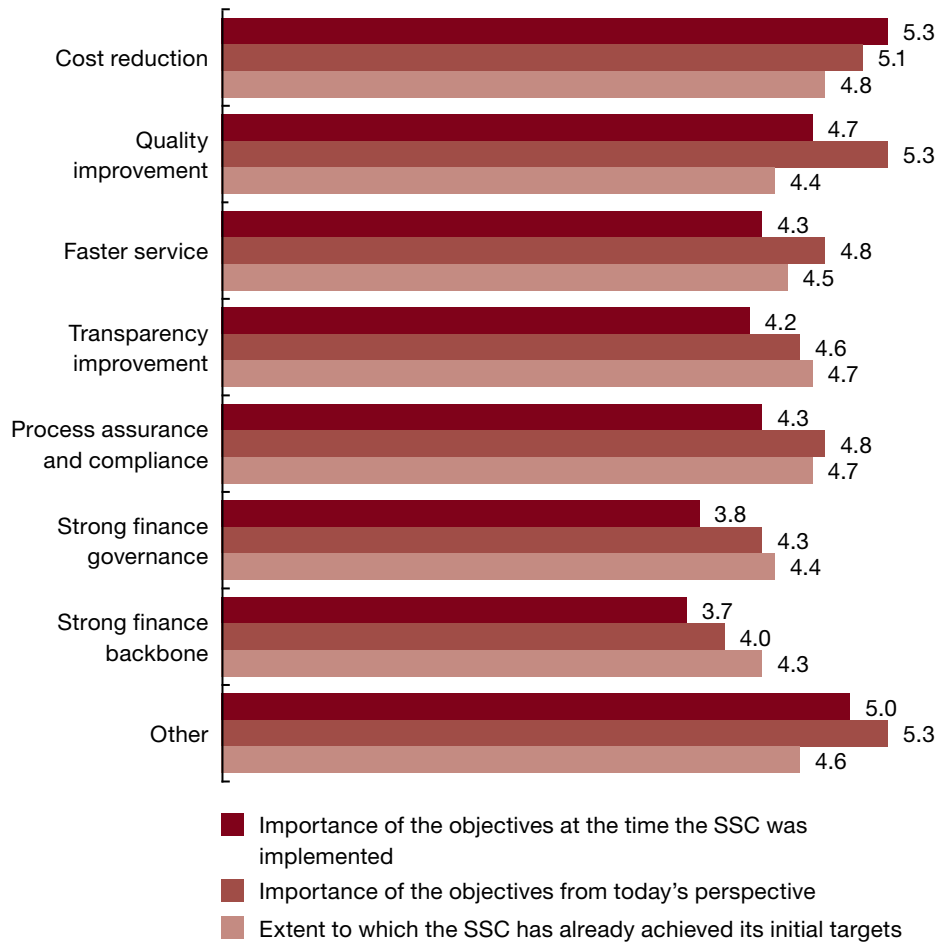
The most important objective for the participants to set up a SSC was, by far, cost reduction, followed by quality improvement and faster service through standardisation as well as process assurance and compliance.

Implementing a strong finance governance and backbone is getting more and more important

The survey indicated that quality improvement, faster service, and process assurance and compliance have become even more important since the last survey. These areas show additional room for improvement given that, in most cases, the extent to which SSCs have already achieved their initial targets lies behind the expectations. Objectives like implementing a stronger finance governance and the set-up of a strong finance backbone were not assessed being as very important at the time of implementation, but are now becoming increasingly important. Furthermore, we can see that the extent to which the initial targets in these areas have already been achieved exceeds the initial forecast.

Fig. 4 Comparison of the importance given to objectives before implementing the SSC

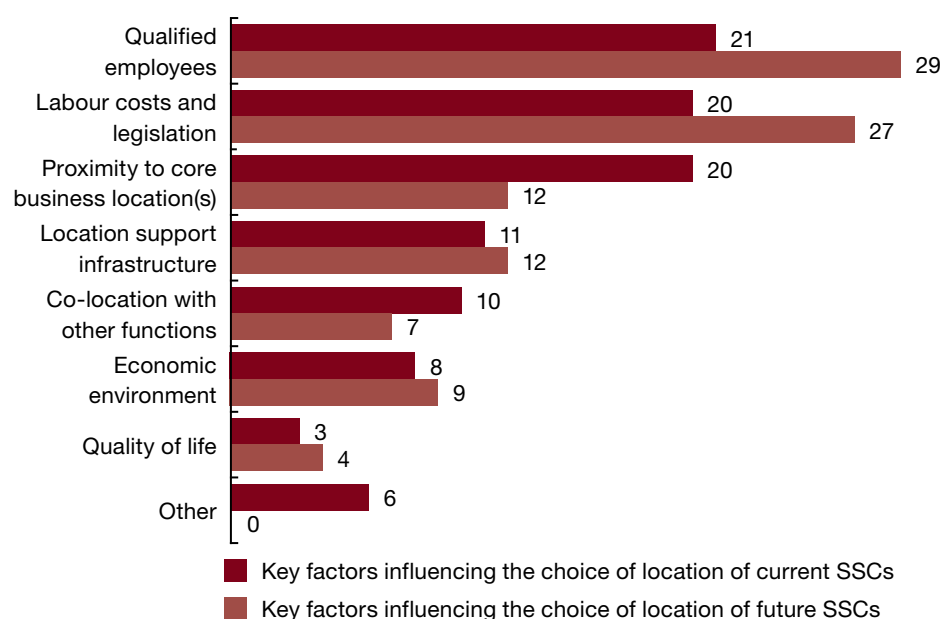
1 = low importance, 6 = high importance



As assessed in the previous survey, the availability of qualified staff regarding professional and language skills is still seen as the most important criterion when choosing an SSC location – and is predicted to gain in importance in the future. In line with this, labour costs and legislation are considered almost as important as workforce availability, which shows that staff qualification and topics close to HR are considered crucial criteria in deciding where to set up the SSC.

All in all, qualified employees and labour costs will be even more important in choosing a location for future SSCs than they were for the current SSCs, whereas the proximity to core business locations is becoming less important for future SSCs. In line with our experience, companies set up their first SSC close to their core business location as they are sceptical regarding the performance of the SSC and want to wait and see how the SSC organisation develops. Once the SSC or SSC concept is established and accepted, the criterion of cost becomes more important and the companies set up subsequent SSCs in locations with lower (labour) costs. Consequentially, cost reduction was rated as the most important objective for implementing the SSC (see Fig. 4).

Fig. 5 Criteria used to select current/future SSC locations
(a maximum of 100 points could be distributed between the criteria)



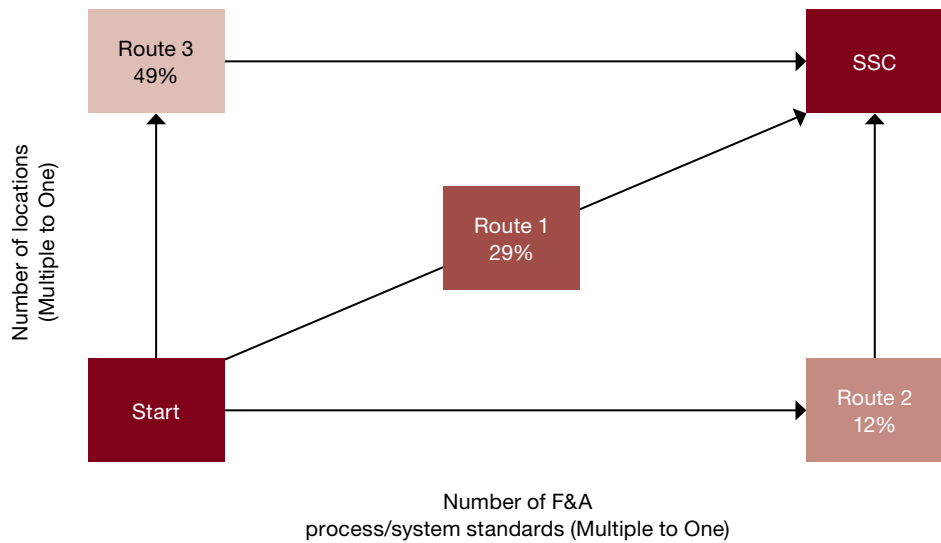
One of the most interesting questions in the discussion of shared services is which path to take to get to tomorrow's SSC organisation as well as the ideas surrounding the concept of 'shift and lift'. To achieve a better understanding of how companies have approached this question, we evaluated their implementation strategies. PwC sees three basic strategies to implement shared services.

- **Route 1**
Simultaneous standardisation and transfer of processes to the SSC
- **Route 2**
Standardisation of processes at the "old" location before migration to the SSC
- **Route 3**
Migration of non-standardised processes to the SSC where they are then standardised

A share of 49% makes standardizing processes after the go-live of the SSC the most popular implementation strategy

With a 49% of companies using route 3 – or transferring non-standardised processes to the SSC and standardising them there – it is still the most popular implementation route. This year’s survey showed this even more clearly than the previous, where 42% stated that they had also used route 3. Reasons for this are usually based on cost and time: our experience shows that 40% of the costs saved by implementing an SSC result from labour arbitrage. In other words, shifting processes to the SSC at an early stage and optimising them there helps to achieve cost savings, as the process optimisation strategy usually turns out to be quite lengthy. Of course, when taking a closer look at what happened in practice, we will find mixed strategies, too.

Fig. 6 Implementation strategy



A trend of applying a hybrid sourcing strategy can still be observed even though the amount of participants already using a combined SSC and outsourcing strategy is slightly smaller than in the previous survey (36% compared to 41% in 2011). Consequently, more than half of the surveyed companies have an SSC-only arrangement installed.

Fig. 7 Sourcing arrangement currently performed

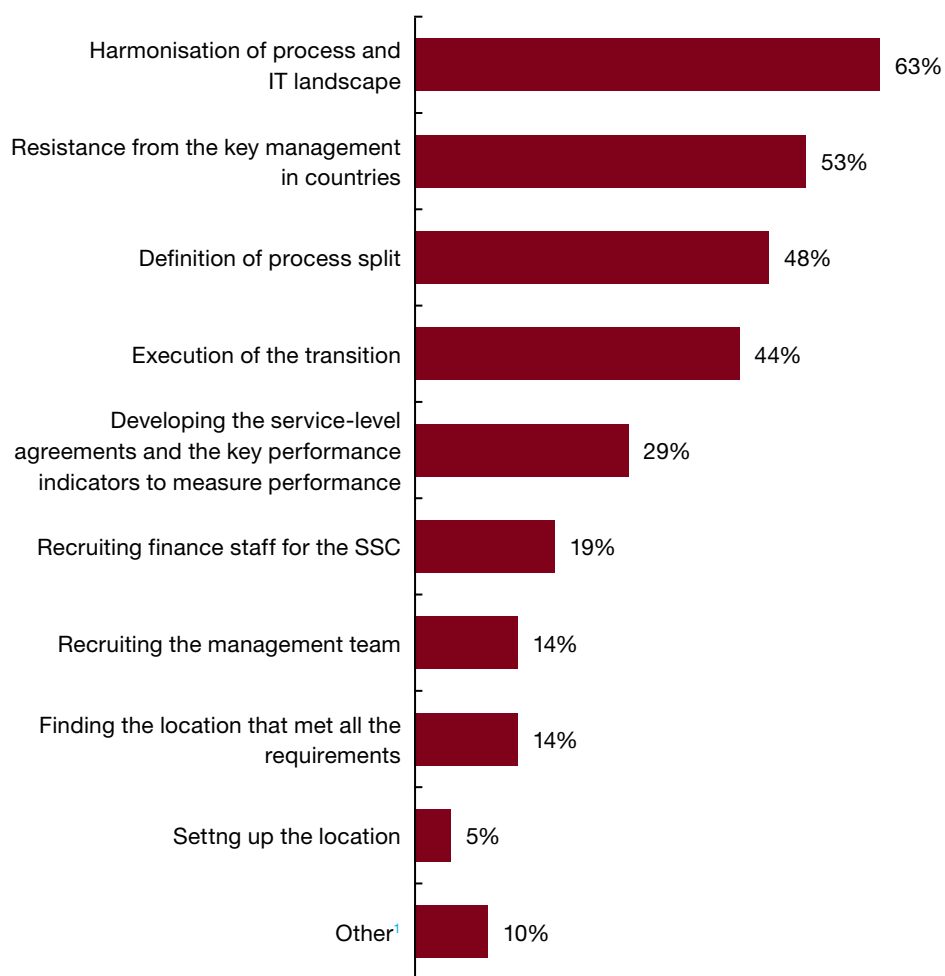


An analysis of the greatest challenges that companies faced when setting up their SSCs shows that harmonising the process and IT landscape was by far the greatest obstacle. This underlines the necessity of analysing the topics surrounding business processes and IT in more detail, which we have done in Chapter D 4 and Chapter D 8.

Harmonising of processes and the IT landscape was the greatest challenge when setting up the SSC

These results reflect our project experience. On the one hand, the design of the SSC – including process harmonisation, negotiations with the local key management, the definition of process split, etc – presents some obstacles that must be dealt with. On the other, the construction and implementation phase where the transition is executed and the SSC organisation is set up usually results in fewer problems than expected. The recruitment of qualified SSC employees, which is often perceived as a great challenge beforehand, is not considered as big of an obstacle as our results show.

Fig. 8 Greatest challenges when setting up an SSC



2 Organisation, governance and compliance

The results reveal large optimisation potentials in the field of organisation

The maturity model results regarding the field of organisation, governance and compliance in SSCs reveal large optimisation potential, as only 14% have reached level III or IV, with the vast majority categorised in level I or II.

A detailed analysis of the SSC organisation shows that more than half of the SSCs are run as cost centres while only 7% are run as profit centres (it is assumed that these centres act as a separate division within the organisation, not as a separate legal entity). It is worth noting that more than one-third of the SSCs are organised as a separate legal entity within their group. The decision about whether to set up the SSC as a division or a separate legal entity strongly depends on the intention of making profit. This is usually assumed as soon as an SSC has implemented a strong service philosophy, which is typically the case for SSCs set up abroad.

Fig. 9 SSC concepts

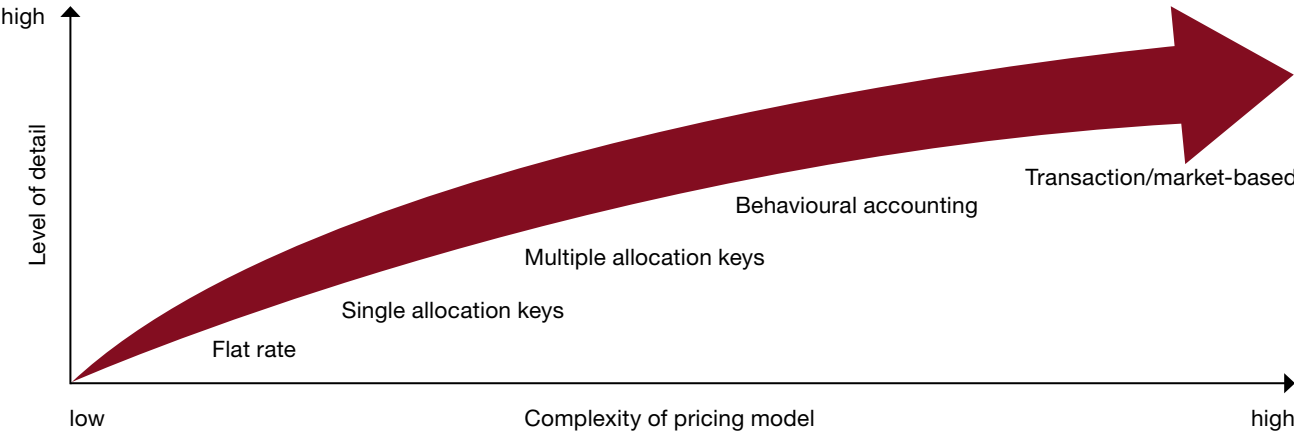


Considering the way the service pricing is organised, the results show that the allocation of costs based on either FTEs or transactions is the most common method in all the forms of organisation. Market prices based on transactions are seldom used (5% of the participants) as the basis for service pricing. The reason for this is the use of various transfer pricing models in SSCs. As the processes covered by the SSCs are usually standardised to a high degree, the allocation of costs based on transactions or FTEs is the most feasible alternative.

Fig. 10 Organisation of service pricing



Fig. 11 Pricing models



	No assignment	Flat rate	Budgeted cost	Budgeted cost with multiple allocation keys	Budgeted cost with contract penalties	Direct accounting	Market-based
Description of pricing approach	No allocation to business units, cost are recorded below budget line	Based on a general measure which does not necessarily reflect the reason for cost incurred (eg, revenue, headcount)	Based on an allocation key which roughly represents the reason for cost incurred. Cost allocation based on planned budgets	Based on multiple allocation keys to reflect different kind of services. Cost allocation based on planned budgets by service	Similar to budgeted costs but with implicit incentive mechanisms to reflect behaviour of business units	Related to specific utilisation time or intensity of work. Specific transaction-based allocation	Market-based cost allocation based on service times and volume

Taking a look at how the SSC concept influences customer satisfaction, no big differences are evident. One reason might be that SSCs run as cost centres have to meet the same unambiguous performance targets as profit centres or separate legal entities and are frequently reviewed as well.

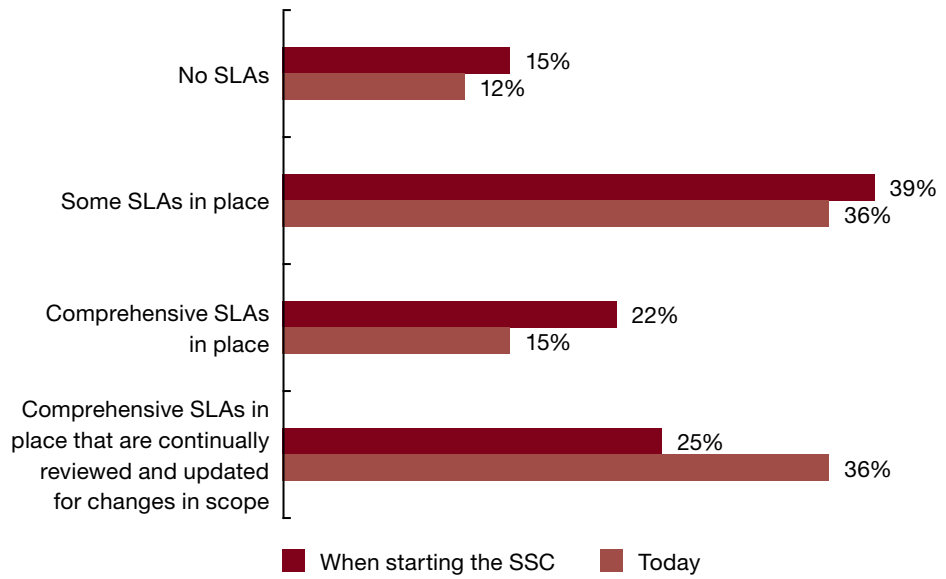
Fig. 12 SSC concepts and customer satisfaction

Percentage of customers that rate the SSC's services rated as "good" or "very good"



Today more than half of the surveyed SSCs have comprehensive SLAs in place and the majority of them also review and update their SLAs regularly. This result indicates the importance of a continuous SLA development for the performance of the SSC. At the time their SSCs began operating, less than 50% of the participants had comprehensive SLAs in place, while the majority only had a few or none.

Fig. 13 Level of use of SLAs between the SSC and the retained organisation – when starting the SSC and today



The management of multi-functional SSCs shows a strong tendency to have functional team leaders in place instead of only one head of SSC. A 51% majority of participants stated that they managed their SSCs by additional functional team leaders, another 12% indicated that they had end-to-end team leaders. Conversely, 38% of participants managed their SSCs by a single head of SSC. Some optimisation potential is revealed as end-to-end team leaders are only installed by a small minority of SSCs. It is remarkable that 44% of the SSCs that established an end-to-end team leader reached the highest maturity level regarding continuous improvement. This indicates that many SSCs with advanced management have reached a high degree of optimisation in the field of organisation, governance and compliance.

The installation of additional team leaders shows significant benefits

Of the SSCs with more than 500 FTEs employed, 64% have established functional or end-to-end team leaders, whereas only 52% of small SSCs with less than 100 FTEs have done so. This result shows that the percentage of SSCs that have established functional or end-to-end team leaders rises with the size of the SSCs. This observation leads to the assumption that SSCs need to reach a certain size in order to be able to afford greater management capacities.

Fig. 14 Maturity level in continuous improvement with regard to the method of multifunctional SSC management

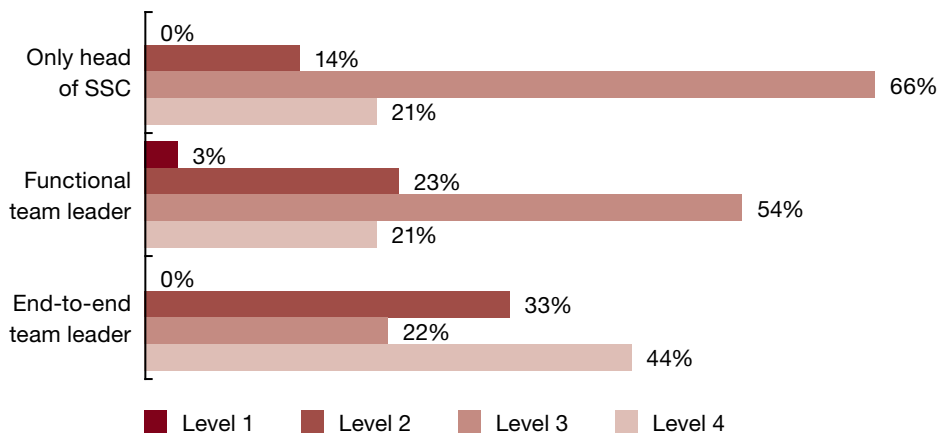
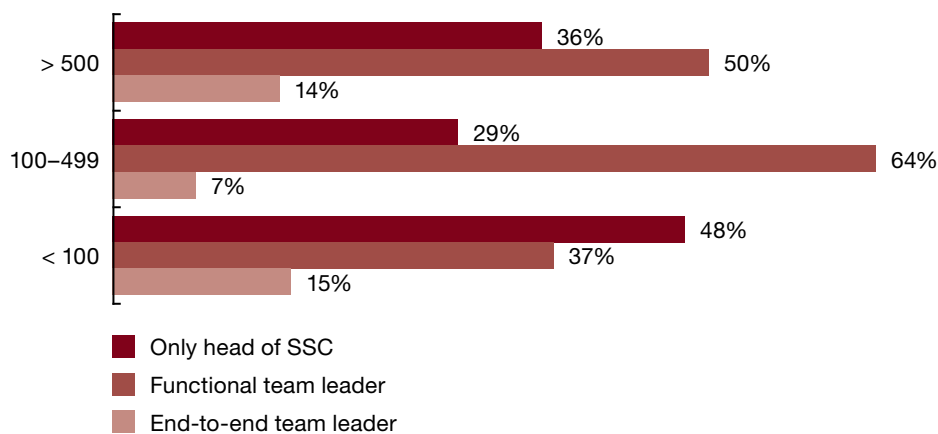
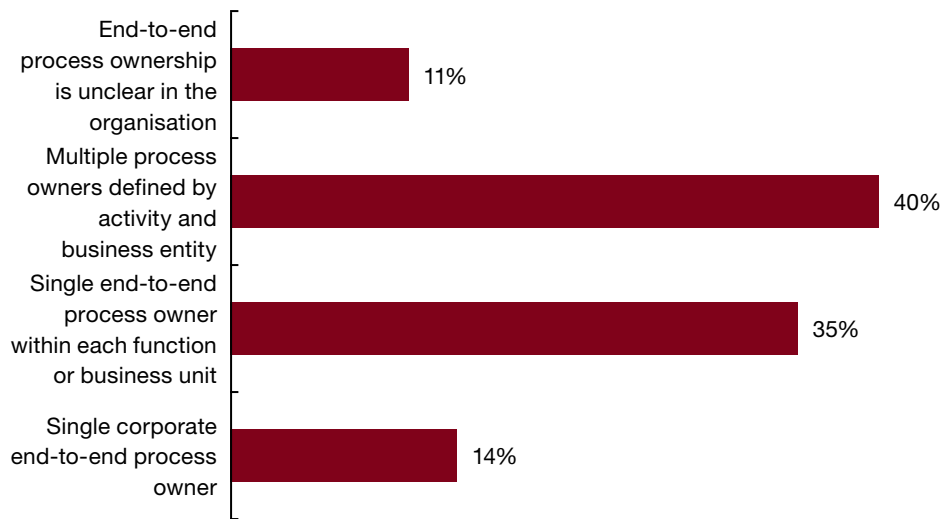


Fig. 15 Management of the SSC depending on SSC size with regard to number of FTEs



The results regarding the governance of each end-to-end process are slightly better than in 2011. The share of participants that introduced single end-to-end process ownership rose from 45% to almost 50%. Of these SSCs, 35% have either single end-to-end process owners within each function or business unit who are accountable for the end-to-end process spanning multiple functions or a single functional owner; 14% even installed single corporate end-to-end process owners where a single owner is responsible for the entire organisation's end-to-end process. The majority have at least established multiple process owners who are responsible for clearly defined activities. Only 11% stated to have an unclear end-to-end process ownership in their organisation.

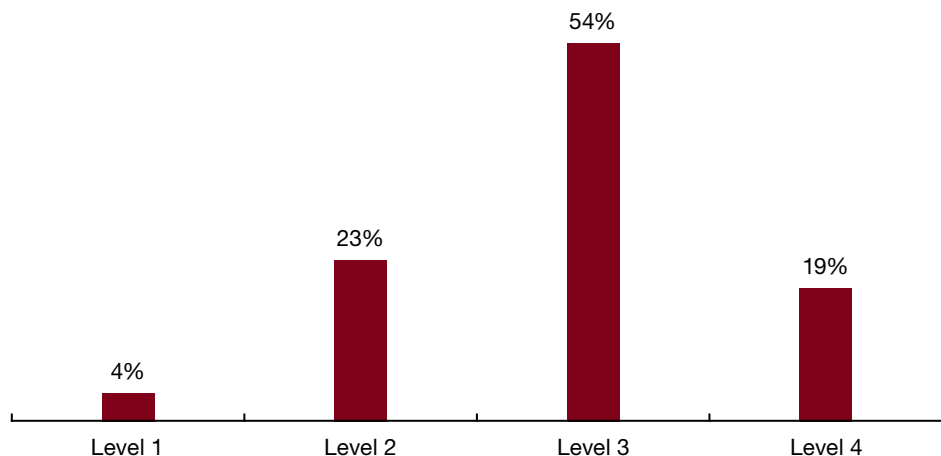
Fig. 16 Governance of end-to-end process ownership in the SSC organisation



3 Continuous improvement

The maturity levels achieved in continuous improvement are quite high among the participants: more than a half of them reached level III and 19% even achieved level IV. Taking into account that more smaller companies (turnover < 5,000m/€, < 5,000 FTEs) participated this year, we can conclude that the quality or the target of continuous improvement does not correlate with the size of the SSC.

Fig. 17 Maturity level regarding continuous improvement



The vast majority stated that they were always on the lookout for potential optimisation in all processes for which the SSCs are responsible; 83% even do so in up- and downstream processes which are not the SSC’s responsibility. About 70% regularly carry out in-depth cost and quality analyses as well.

The majority of SSCs shows a high initiative to reveal further optimisation potential

This initiative shown by the majority of participants is one reason why most of them are convinced that their SSC contributes to the optimisation and success of the company as a whole. Additionally, almost three-quarters of participants regularly analyse the value the SSC contributes to the organisation to ensure quality and efficiency.

Fig. 18 Statements on costs and quality in the SSC

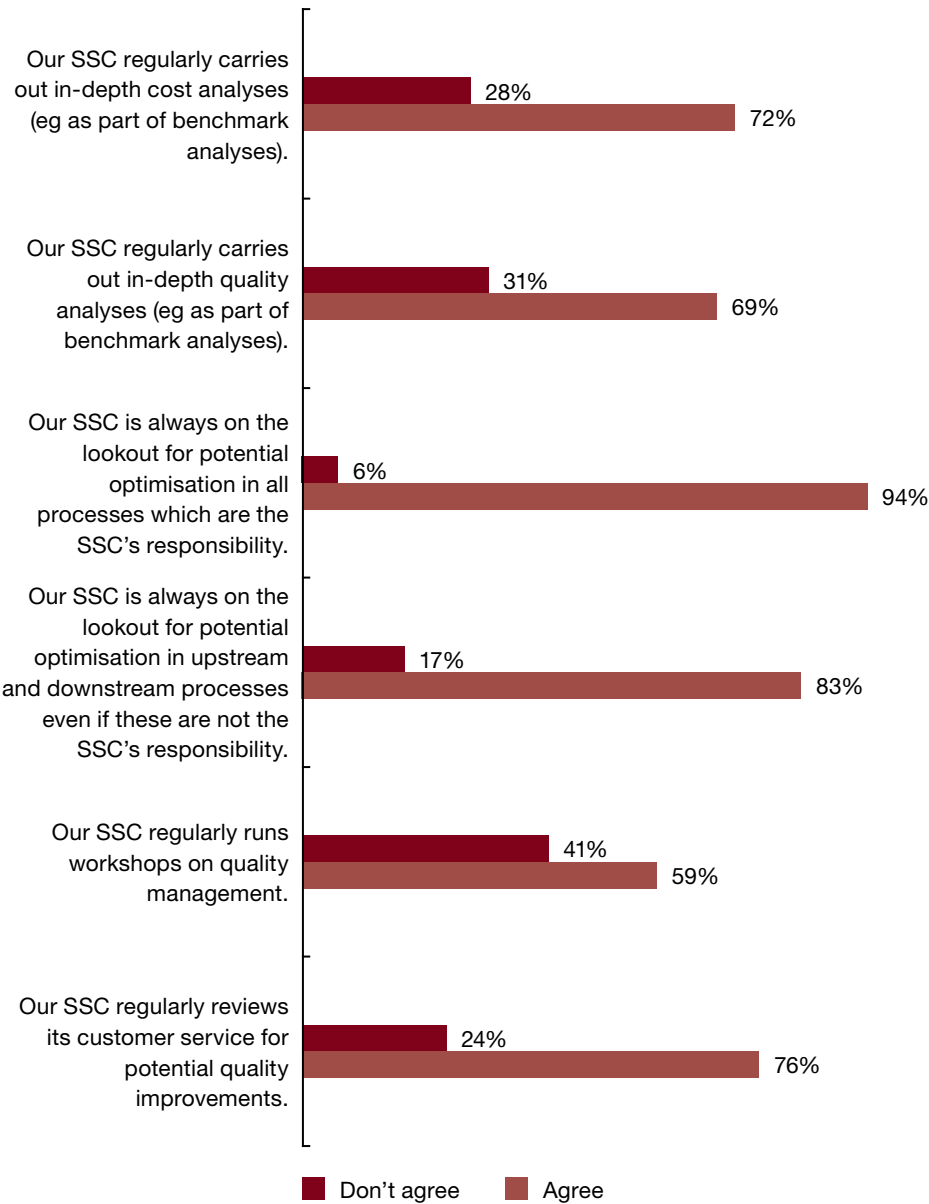
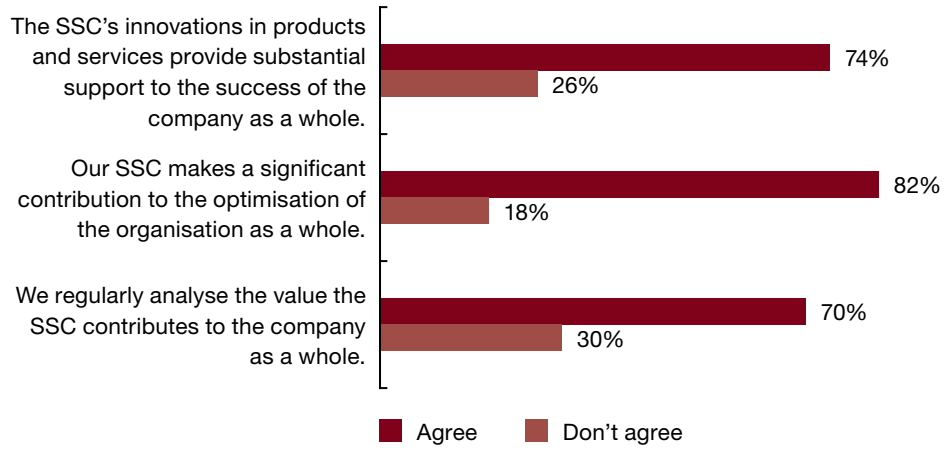
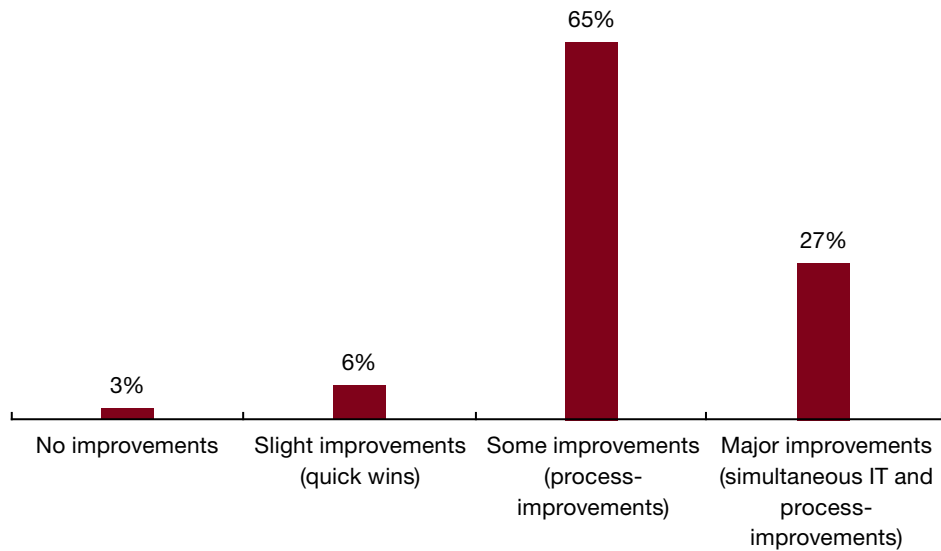


Fig. 19 Contribution of the SSC to the company as a whole



Regarding the improvements of in-scope functions and associated business processes, over 90% stated that there have been at least some improvements (compared to 80% in 2011). Taking into account the high maturity levels in continuous improvement, the fact that only 27% stated major improvements might indicate that many participants have already achieved a very high optimisation level regarding cost, quality and time, and now only realise smaller improvements.

Fig. 20 Improvement of in-scope functions and associated business processes in relation to cost, quality and time



The other results are in line with the maturity model evaluation findings in continuous improvement: 82% of participants indicated that they have installed a challenging environment for employees to discover improvements and are thus underlining their initiative for continuous improvement. In this context, tools such as company-specific “improvement pools” and target setting were mentioned.

More than 50% stated that change projects impacting finance have clearly defined and communicated objectives and benefits, which is important for continually reviewing and finally realising the goals set. Only 38%, on the other hand, agreed that the communication and co-operation between departments across the organisation have been strong during past change efforts. This uncovers optimisation potential regarding the realisation process of change projects.

The distribution of the two most common tools, Six Sigma and TQM, has been evaluated separately. Whereas TQM is more abstract, Six Sigma provides a set of concrete strategies, techniques and tools for process improvement.

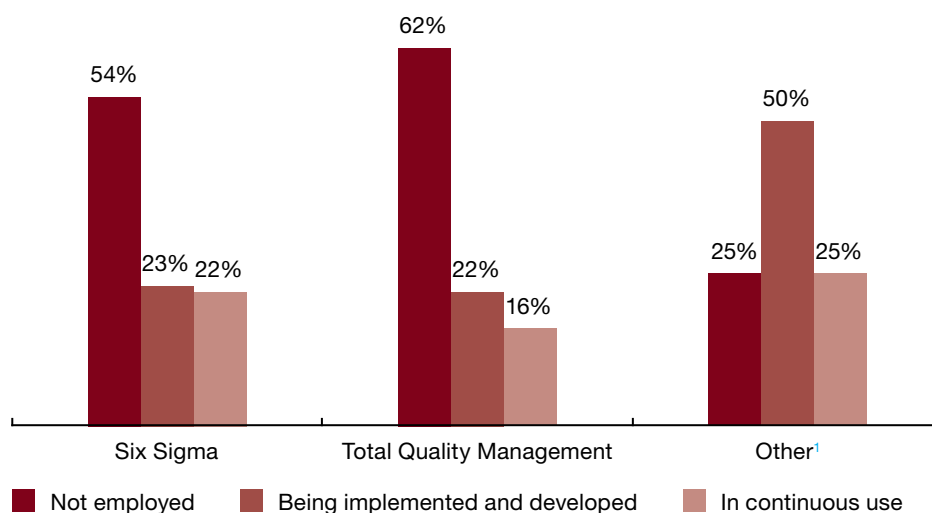
While a similar share of participants indicated that they used or implemented Six Sigma, TQM can record a rise of 10% in its continuous use or implementation (today: 38%, 2011: 28%).

Other continuous quality improvement tools that have been listed very often were lean management approaches and company-specific tools. Compared to 2011, where 38% stated that they implemented and developed other tools, there are now 50% planning to implement other tools.

A reason for the small percentage of participants using Six Sigma or TQM could be the lengthy and costly implementation. Lean approaches or benchmarking might be seen as more effective with respect to cost and time. Furthermore, our consulting experience shows that companies benefit strongly from a regular exchange of experiences with other organisations from the same industry (eg, round tables).

Most participants prefer to concentrate on lean approaches or company-specific tools than implementing Six Sigma or TQM

Fig. 21 Deployment of tools for continuous improvement

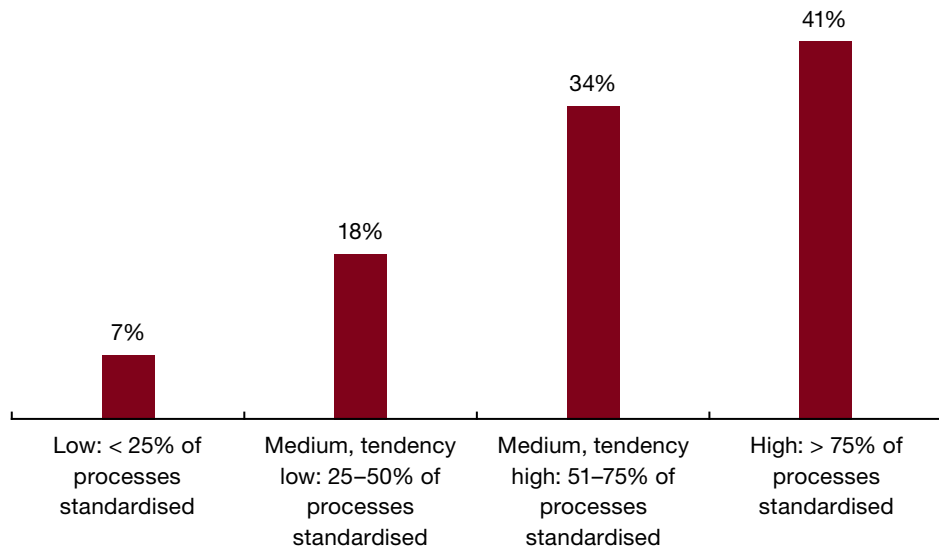


4 Business processes

The degree of process standardisation is the most important measure for performance within this field as well standardised processes build an important base for achieving high ratings with regard to productivity and quality improvements. The fact that 31% of participants achieved maturity level IV in the area of business processes indicates that companies have become aware of the importance of business process standardisation and automation.

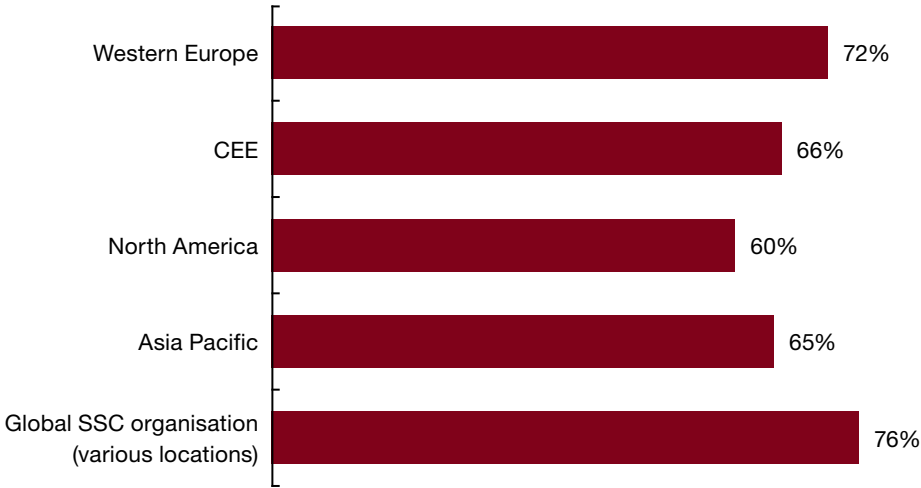
Three-quarters of the participating SSCs had more than 50% of their processes standardised, with 41% reaching a high level of process standardisation, ie, with more than 75% of its processes standardised (compared to 2011, when only 31% reached that high level).

Fig. 22 Extent to which processes are standardised and follow a common core process without exception



Even though there are no significant differences in process standardisation rates between the SSC locations, companies that have a global SSC organisation or SSCs in Western Europe reach slightly higher levels of process standardisation. As the SSCs based in the Middle East and Africa are only represented by a mere 1%, there is no information about them included in Figure 23 below due to data security. Locations in Middle East and Africa are, from today’s point of view, not typical SSC locations and can be sooner described as tier-3 locations. However, several African countries are currently building up and investing in infrastructures and advertising themselves as the next top location for SSCs.

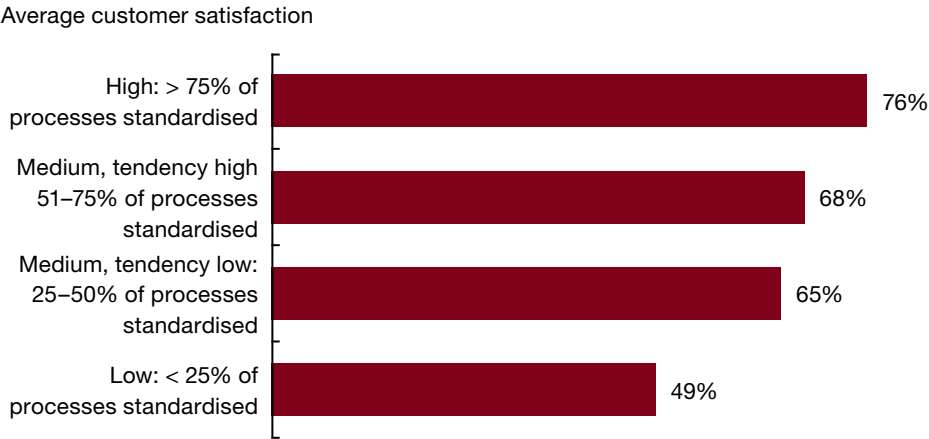
Fig. 23 Weighted average percentage of standardised processes depending on the SSC location



As in 2011, there was no result indicating that a higher level of process standardisation would cause customer satisfaction to decrease. In fact, this year’s findings indicate a positive correlation between the two. This implies that the challenge of process harmonisation, which was identified to be the biggest issue when deciding to implement an SSC (see Fig. 8), pays off eventually and has no negative impact on customer satisfaction at all. One reason could be that a high standardisation level results in lower cycle times and error rates – a positive effect which outweighs the risk that standardisation neglect customer-specific requirements.

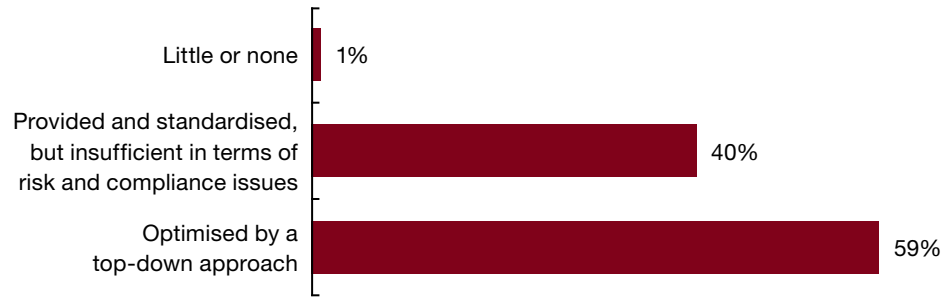
Contrary to our expectations, a high level of process standardisation seems to have a positive impact on customer satisfaction.

Fig. 24 Weighted average percentage of customers who rated SSC services as “very good” or “good” with regard to process standardisation



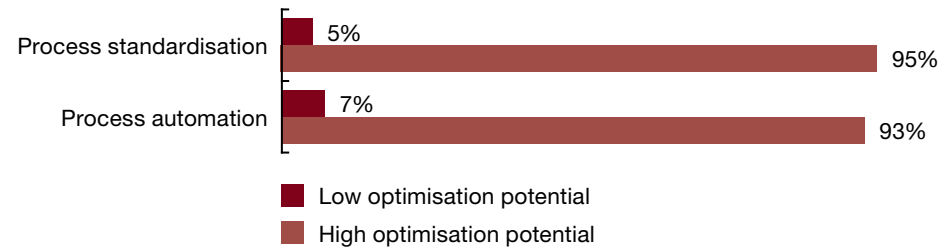
The percentage of companies having little or no process documentation decreased from an already relatively low number of 6% in 2011 to an even lower 1% this year. However, still more than one-third of all participating companies lack sufficient documentation in terms of risk and compliance issues. As these topics are of increasing importance, this reveals a clear need for action and improvement within many organisations.

Fig. 25 Level of process documentation in the organisation



Little has changed in terms of optimisation assessment since the previous survey: more than 90% of the participating companies still see large optimisation potential regarding both process standardisation and automation.

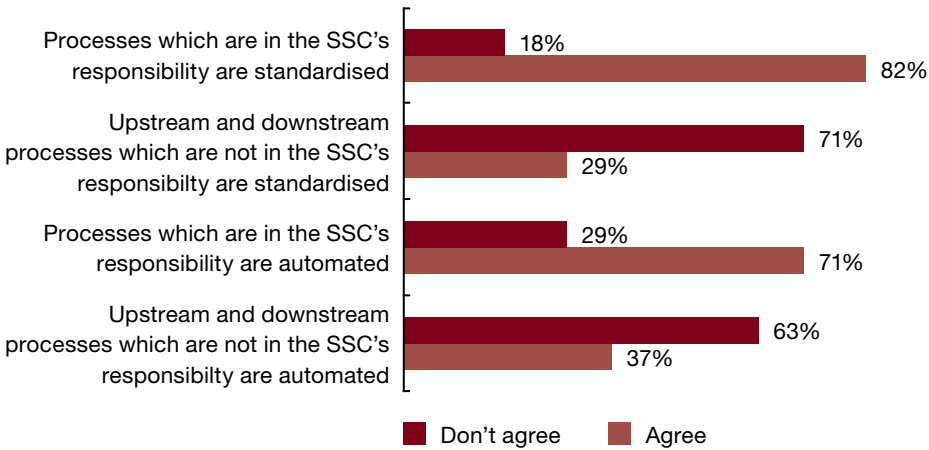
Fig. 26 Assessment of optimisation potential in relation to process standardisation and process automation



The fact that the participants already indicated a high standardisation and automation level for processes covered by the SSC, and stated a high optimisation potential in both fields at the same time, emphasises the SSCs' initiative for further optimisation that we observed in the area of continuous improvement (see Chapter D 3).

As seen in 2011, the percentage of standardisation and automation of processes for which the SSCs are not responsible is still significantly lower than that of processes for which the SSC is responsible. Arguably, this phenomenon could be explained by the fact that the up- and downstream processes are too heterogeneous and that end-to-end process view is not as common as it should be.

Fig. 27 Assessment of process standardisation and automation depending on SSC's process responsibility

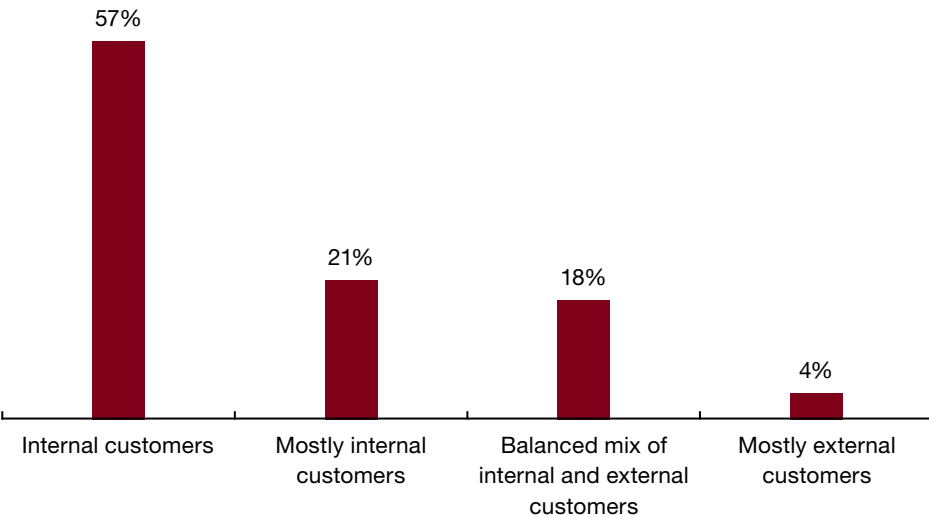


5 Customer relations

In this year's survey, only 5% of all participants achieved the highest level of maturity in the criterion of customer relations, revealing a large potential for improvement within this area.

The vast majority of the participants named internal customers as the main customer base of their SSCs. In fact, only 18% indicated a balanced mix between internal and external customers and only 4% said that their SSC customer base mainly comprised external customers. This indicates a strong tendency towards internal customers; the previous survey showed comparable results.

Fig. 28 Customer base for SSC services



More complex tools to ensure customer orientation are being implemented

Shared service centres continue to name customer satisfaction surveys as the most important tool for assessing customer satisfaction and thus to strengthen customer orientation. Of the participants, 76% indicated that they performed a survey at least once a year. However, the percentage of companies that considered the surveys the most important tool for assessing customer satisfaction declined from 90% to 78%. More than half of the participants this year (59%) also named the help desk as a tool to ensure customer orientation (compared to 45% in 2011). The largest part of companies that stated that they used help desks was in the industrial products sector and the TMT sector. Of the surveyed companies, 42% reported having an automated complaints management and tracking tool; in the previous report, it was only 31%. This may indicate that companies tend to implement more complex tools to ensure customer orientation.

Fig. 29 Deployment of tools to ensure customer orientation

Multiple selections were possible

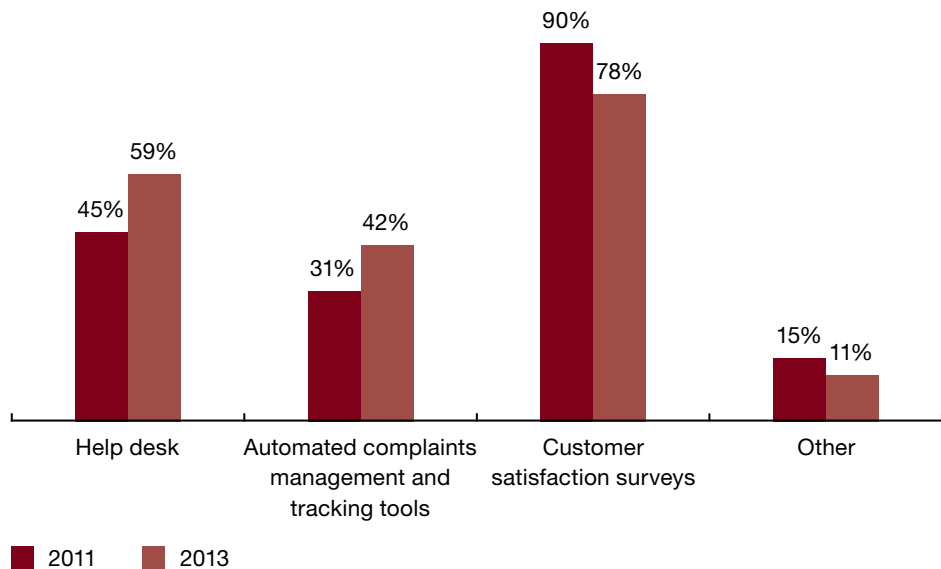
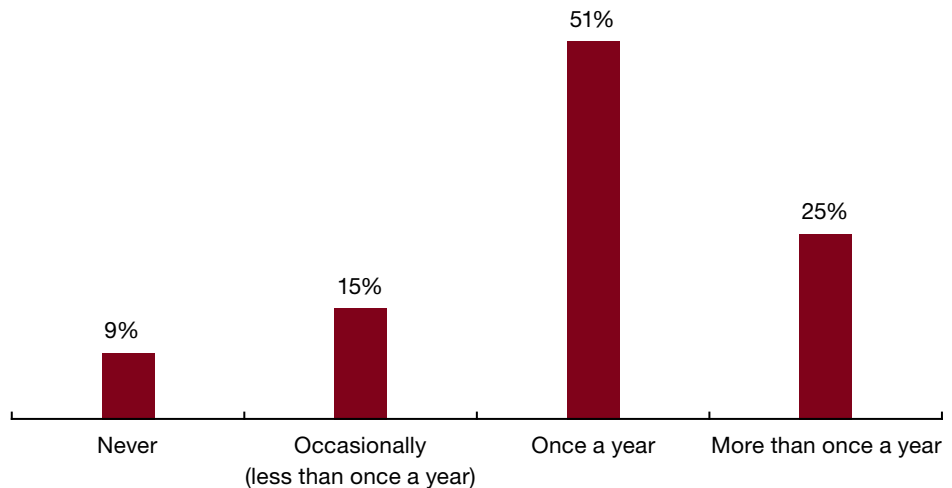
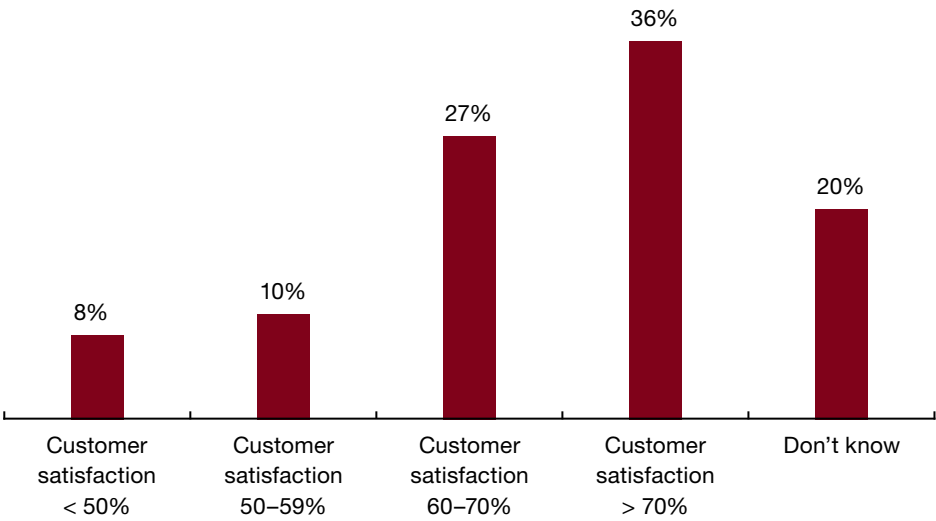


Fig. 30 Frequency of customer satisfaction surveys



Assuming that customer satisfaction can be described as “good”, when it reaches 70% or higher, more than one-third of the participants rate their SSC services as good or very good. However, 20% of the participants were not aware of their customers’ satisfaction level. This is surprising, as almost three-quarters of the participants conducted customer satisfaction services at least once a year. Some surveys most likely do not contain a specific question to judge overall customer satisfaction.

Fig. 31 Percentage of customers that score the SSC services as “very good” or “good”

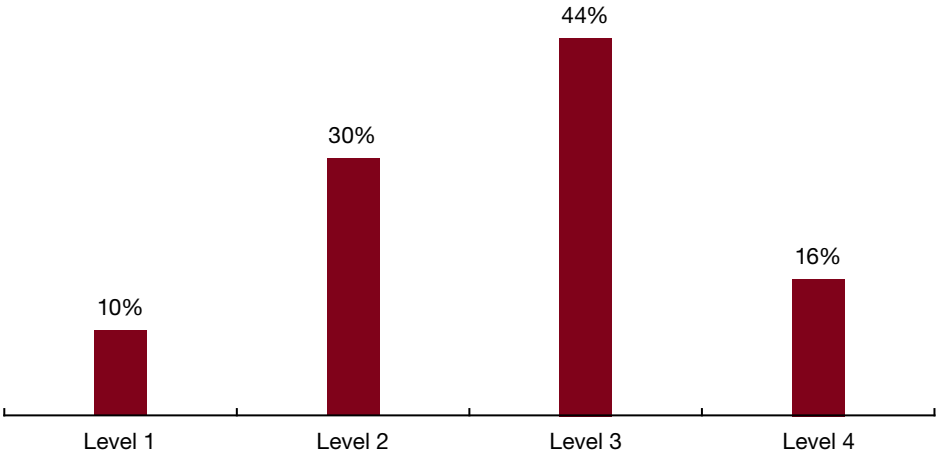


In 2011, participants already achieved high levels in the areas of service provider culture and client orientation. However, this year’s results still improved slightly, showing that companies managed to get better in terms of customer relations.

6 Performance management

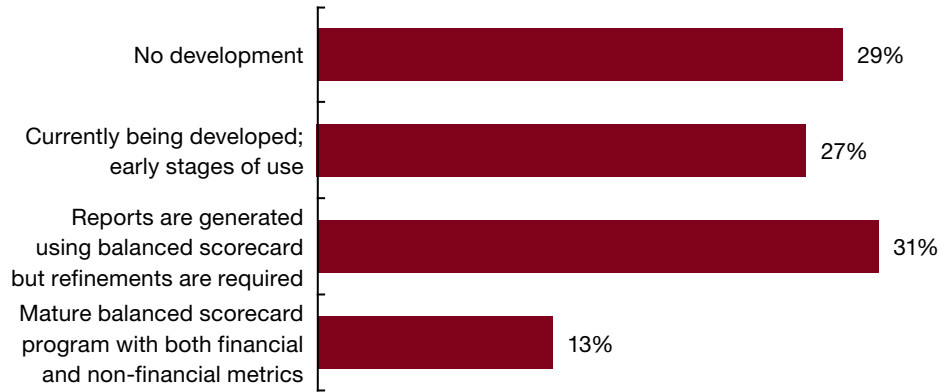
The survey shows that more than half of the participating SSCs are categorized in maturity levels III and IV. A total of 16% achieved the highest maturity level versus 29% in 2011. This decline may be caused by the higher amount of small companies that participated in this year’s survey, which have fewer resources to measure performance.

Fig. 32 Distribution of maturity levels with regard to performance management



Of the companies surveyed, a total of 70% used a balance scorecard (BSC) to some degree. However, only 13% of all participants have a mature balanced scorecard program. Moreover, only 50% stated that they used a defined balanced scorecard. This indicates a great potential for optimisation in the development of integrated balanced scorecards.

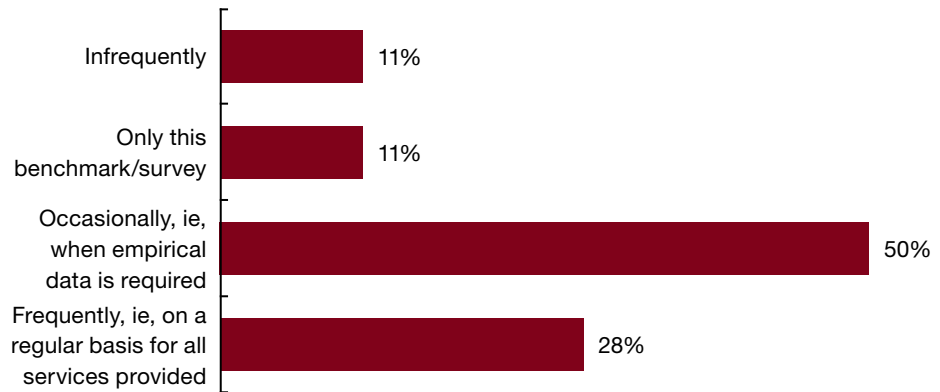
Fig. 33 Extent to which an integrated balanced scorecard or a similar process combining operational and financial measures has been developed



Benchmarks were only used occasionally by most SSCs surveyed

The results show that only slightly more than a quarter of all participants frequently use benchmarks to evaluate the SSC's performance. Most participants reported that they only benchmarked performance when empirical data was required (eg, by the management).

Fig. 34 Extent to which benchmarks are used to evaluate SSC performance



In our questionnaire, we also asked participants to name the most important performance indicators they used to evaluate and manage their respective SSC. The following gives an overview of the most popular key performance indicators (KPIs) named by the participating companies, which are very similar to the indicators named in the previous survey:

Costs

- Total costs vs budget (cost efficiency)
- Costs per head/FTE
- Costs per transaction (eg, invoice)

Efficiency/time

- Transactions processed per FTE
- Number of transactions
- Response time
- Cycle time

Quality

- Errors and delays

Customer/employee

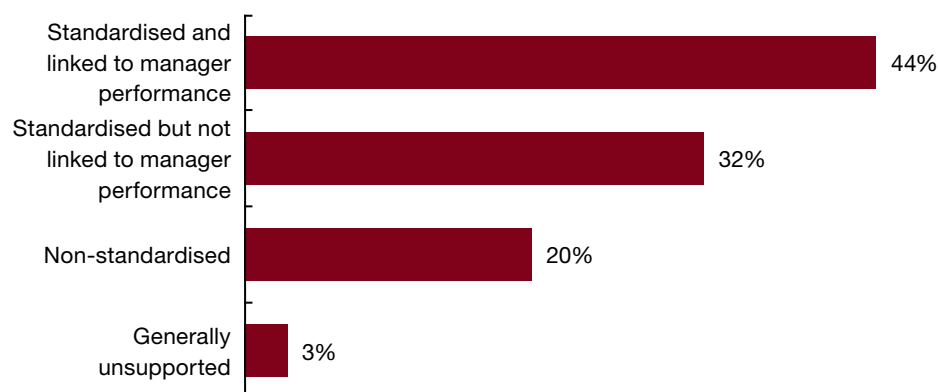
- Customer satisfaction
- Employee satisfaction

7 Human resource management

In the area of human resource management, the participants showed the strongest results, as a total of 41% reached maturity level IV and 43% reached level III. The majority of participants stated that they had some kind of employee development plans in place. However, the percentage of standardised plans that are also linked to manager performance slightly decreased from 46% in 2011 to 44% this year.

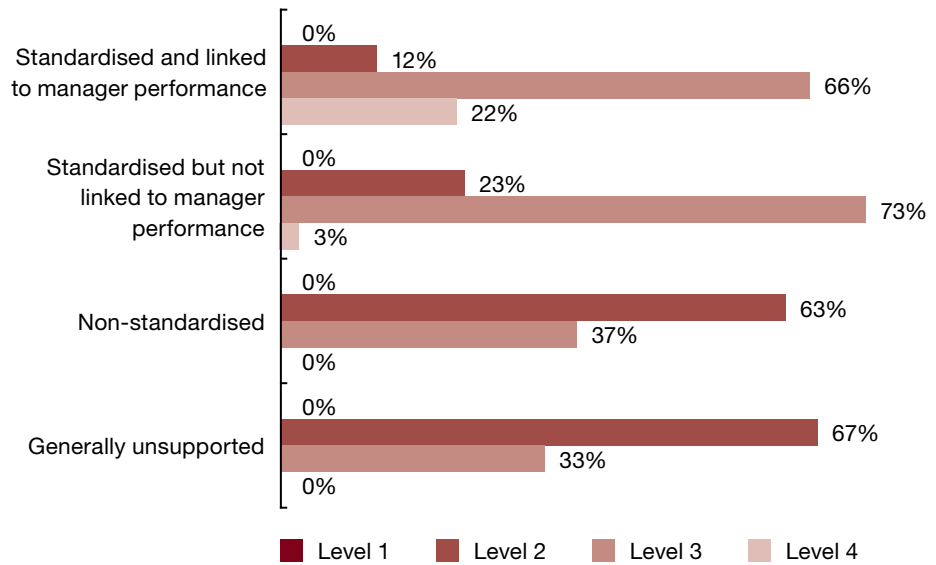
The best maturity model partial results were achieved in the area of HR management

Fig. 35 Characterisation of employee development plans as they relate to performance evaluations in the organisations



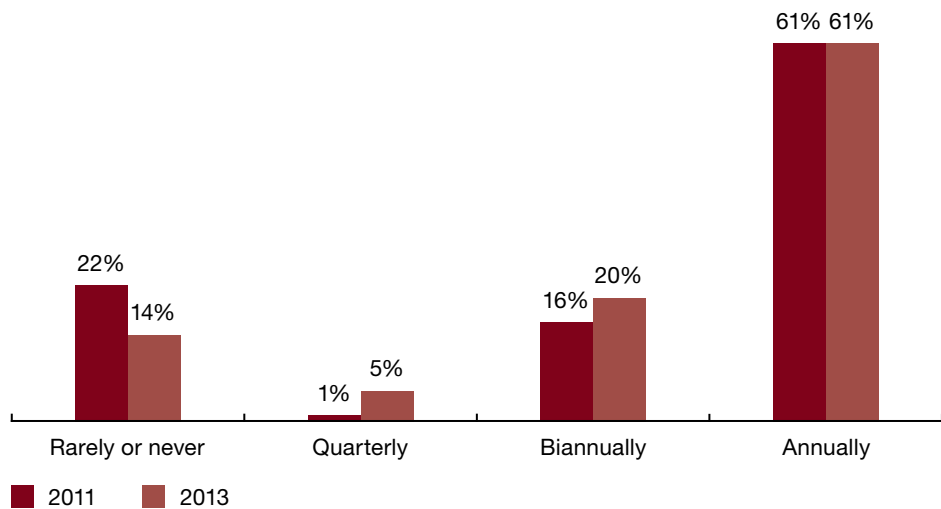
As Fig. 36 clearly shows, there is a positive correlation between the characterisation of employee development plans and the achieved maturity level. The participants that achieved high maturity levels often reported using standardised employee development plans linked to manager performance. This clearly shows the importance of qualified employees for the success of an SSC. Especially in tier-1 SSC locations, there is a strong competition for qualified employees, and companies have to offer good prospects for the employees in order to stay competitive and keep qualified staff.

Fig. 36 Maturity level with regard to the characterisation of employee development plans



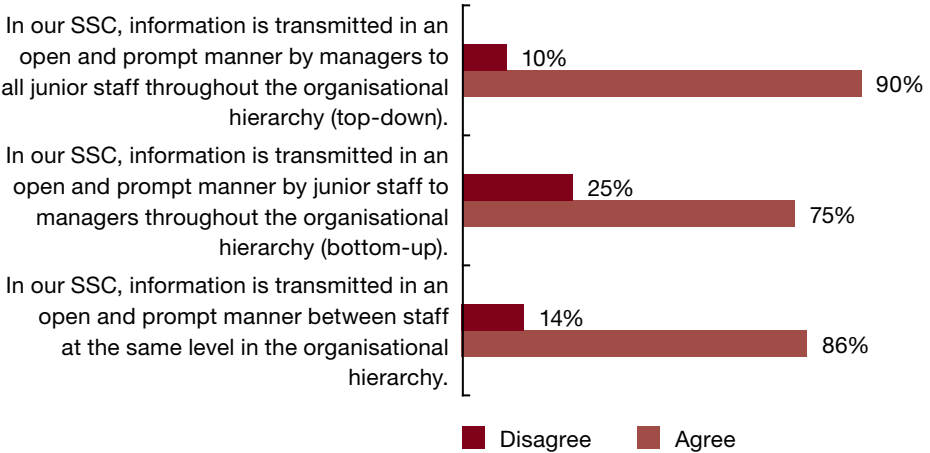
One factor that could explain the high maturity levels achieved within the area of HR management could be the fact that, compared to 2011, a slightly higher amount of companies stated that they had conducted employee satisfaction surveys regularly, as it is a tool that strengthens the employees' influence on working conditions. The percentage of participants who rarely or never conducted such surveys declined significantly from 22% in 2011 to 14% in 2013.

Fig. 37 Frequency of employee satisfaction surveys



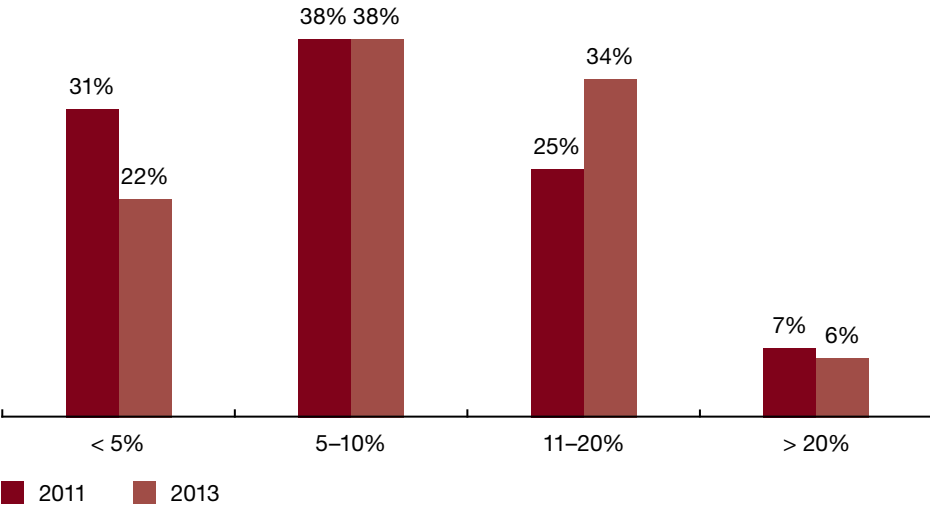
The vast majority of participants stated that they have an open and prompt manner of communication throughout all hierarchy levels. Hence, the results supported the assumption that this communication manner contributes to a high developed HR management.

Fig. 38 Statements on communication in the SSC



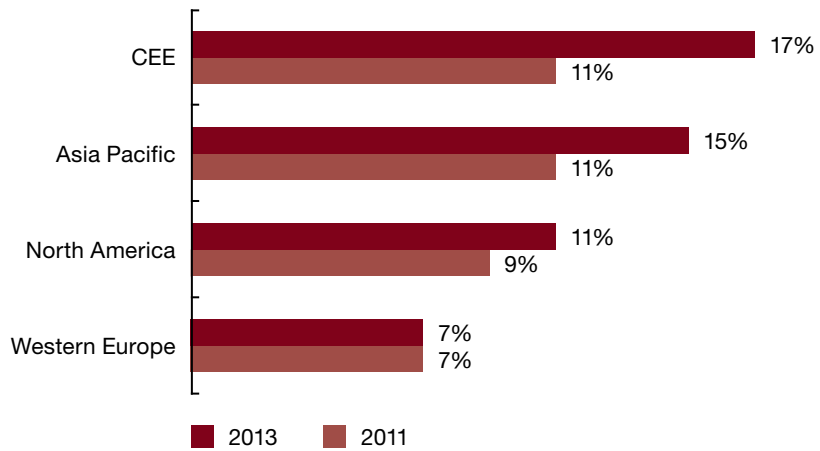
Compared to the previous survey, average staff turnover rates increased slightly. Still, more than 60% of the participants indicated that they had a staff turnover rate of less than 10%. Only 6% stated to have a rate of 20% or above.

Fig. 39 Average annual staff turnover rate over the last 3 years



Comparing average staff turnover rates by region, CEE and Asia Pacific continued to show the highest rates, which is in line with the results found in the previous survey. The rise of staff fluctuation in CEE and Asia Pacific might be caused by the highly competitive labour markets for SSC staff in these regions. Both, CEE and Asia Pacific are very popular SSC locations. The high staff turnover rate might also be an indication for the migration of employees from smaller towards larger SSCs as they are more likely to pay higher salaries. In fact, to our experience compensation is one of the main factors for employees to change their employer. As the SSCs based in the Middle East and Africa are only represented by a mere 1%, there is no information about them included in Figure 40 below due to data security.

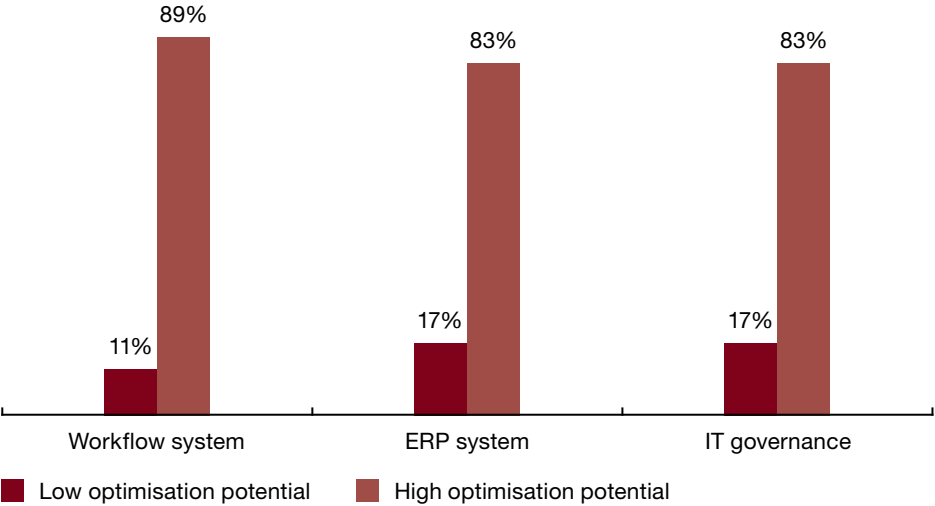
Fig. 40 Weighted average staff turnover rate over the last 3 years by region



8 Systems and technology

When asked about optimisation potential, the majority of surveyed SSCs stated that they saw a high potential for their IT. Almost 90% saw high optimisation potential, especially for their workflow systems, and some 83% saw high potential for their ERP system and IT governance. Nevertheless, 21% reached a systems and technology maturity level IV, indicating that their systems are already highly developed. These results are in line with our observations in Chapter D 3, where the majority of participants showed a strong initiative in identifying optimisation potential in the SSC, even if they have already achieved a high maturity level.

Fig. 41 Assessment of optimisation potential in relation to electronic workflow systems (EWSs), enterprise resource planning (ERP) systems and IT governance



As shown in the figures below, process standardisation correlates positively with the level of development of both workflow and ERP systems. This means that SSCs that are already well developed in these fields achieve, on average, a higher rate of process standardisation.

Fig. 42 Weighted average process standardisation rate with regard to the development of the EWSs



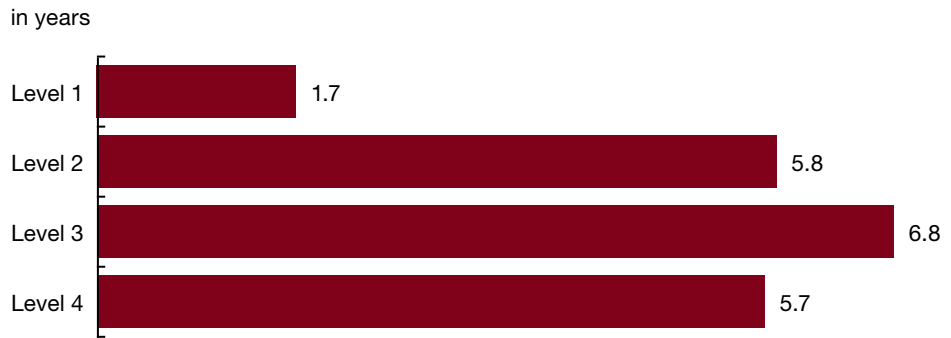
Fig. 43 Weighted average process standardisation rate with regard to the development of the ERP system



Age positively affects the maturity level assessment

On average, SSCs reaching the upper maturity levels in the area of systems and technology have been operating for a longer period of time than those at level I or II. This leads to the assumption that SSCs can benefit from experience curve effects over time.

Fig. 44 Operating time of SSCs with regard to the systems and technology maturity level



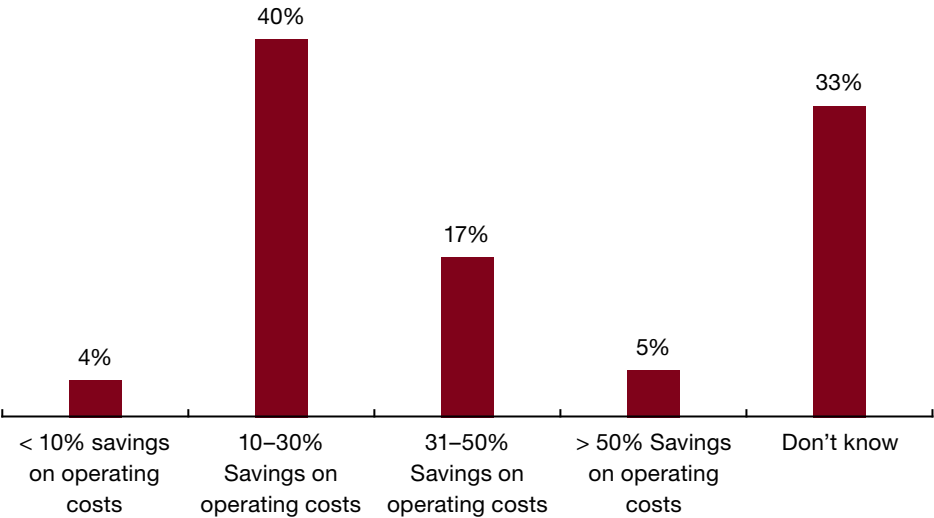
A closer look at the implementation strategy reveals that choosing route 1 (standardisation and SSC implementation in one go) or route 2 (standardisation before SSC implementation) leads to overall better results regarding the systems and technology maturity level than route 3 (SSC implementation prior to standardisation). In fact, 42% of participants who chose route 2 achieved the highest maturity level in the area of systems and technology. This can potentially be explained by higher savings due to synergies: having standardised processes in place before starting operations helps to achieve a higher performance regarding systems and technology.

9 KPIs and evaluation of maturity model

The performance of a shared service centre is measured by qualitative and quantitative KPIs. These KPIs were used to evaluate the performance of existing SSCs.

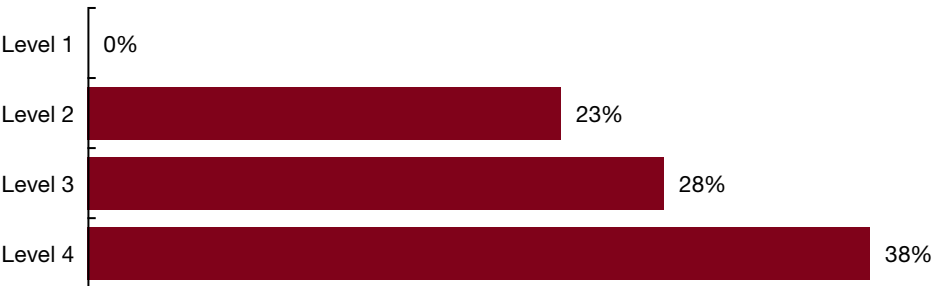
One factor might be the cost savings achieved after implementing an SSC. More than half of the participants indicated that they achieved more than 10% of operating cost savings after implementing the SSC. However, 33% of the surveyed SSCs were not able to provide any information regarding their savings. From our perspective, it is absolutely crucial to set up an initial business case to be handed over to the operating entity later. This plays an important role in the overall benefits management when implementing a shared service centre.

Fig. 45 Savings on operating costs as a result of SSC implementation



Overall, SSCs reaching higher maturity levels indicate higher levels of average cost savings. However, maturity levels II and III show very similar average cost savings.

Fig. 46 Savings on operating costs with regard to the total maturity level

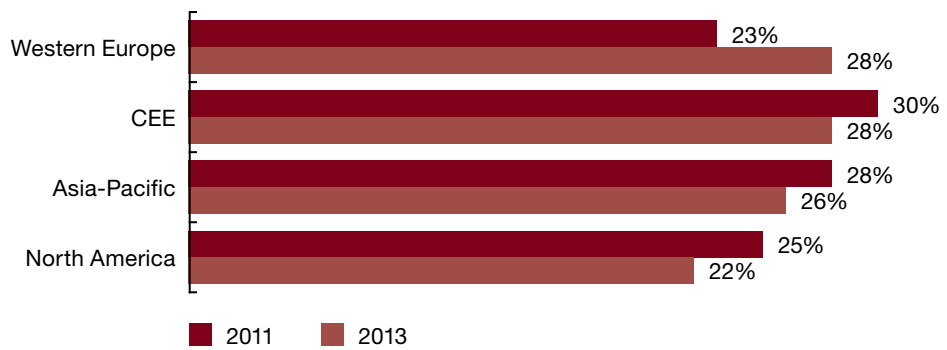


Compared to 2011, SSCs located in Western Europe showed higher savings on operating costs, which could indicate rising process efficiency and SSC experience in Western European locations. Savings on operating costs in CEE and Asia Pacific remain constant compared to the previous survey's results.

CEE and Western Europe are the SSC locations with the highest savings on operating costs

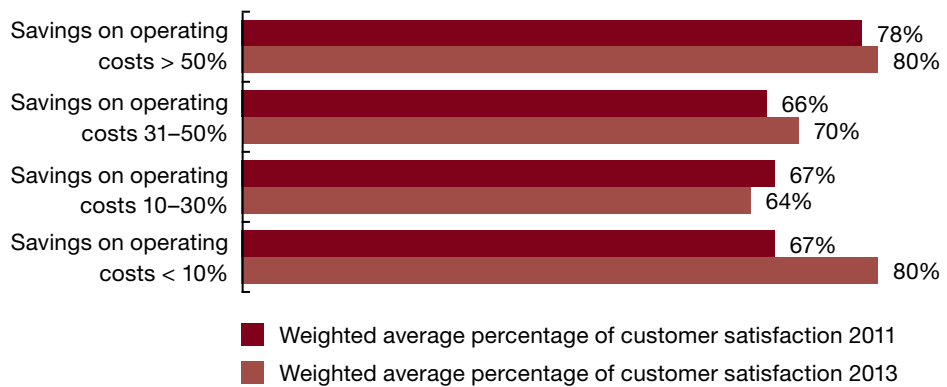
It is worth mentioning that Western Europe and CEE are at the same level in this year's survey when it comes to cost savings. From current experience, we can say that this is not a surprising result, as our clients rank both locations in Eastern Europe, like Wrocław and Bratislava, as well as Western European locations, like Berlin and Barcelona, as tier-1 locations. As the SSCs based in the Middle East and Africa are only represented by a mere 1%, there is no information about them included in Figure 47 below due to data security.

Fig. 47 Savings on operating costs depending on the region the SSC is located



In 2011, the survey showed a positive correlation between the customer satisfaction rate and operating cost savings. However, this relation cannot be proven by this year’s survey: SSCs that indicate cost savings of higher than 50% and those that indicated cost savings below 10% achieved the same customer satisfaction rate of 80%.

Fig. 48 Percentage of customers that rate the SSC’s services as “very good” or “good” depending on operating cost savings



More than a quarter of this year’s participants stated that they needed more than three years to amortise their investment costs for the SSC. Another quarter (26%) was not able or did not want to state the amortisation time they needed. Of the participants that were not able to state the amortisation time needed, 65% were not able to report operating cost savings, either. These results supported the 2011 findings that a well developed plan for the time after the SSC goes live is essential for its success.

When comparing the influences of the implementation strategy on the amortisation time, it seemed like choosing route 3 helped to reduce the amortisation time: more than 50% of the participants who chose route 3 managed to amortise their investment costs in less than 25 months.

It is worth mentioning that route 2 does, on average, show a lower amortisation time than expected. This may be due to the fact that implementation costs of the SSC are not fully attributed to the respective SSC, which then leads to lower costs, which causes a shorter amortisation time.

Fig. 49 Amortisation time for the SSC implementation

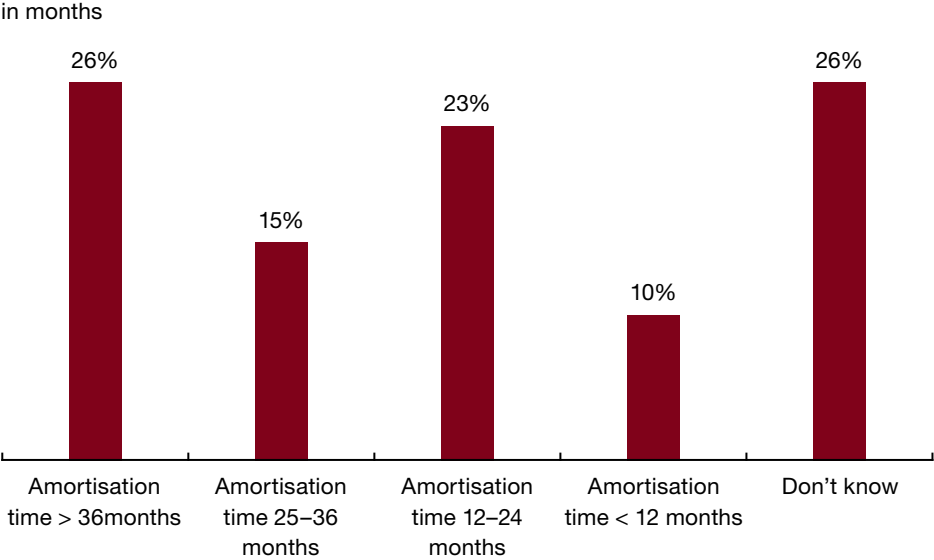
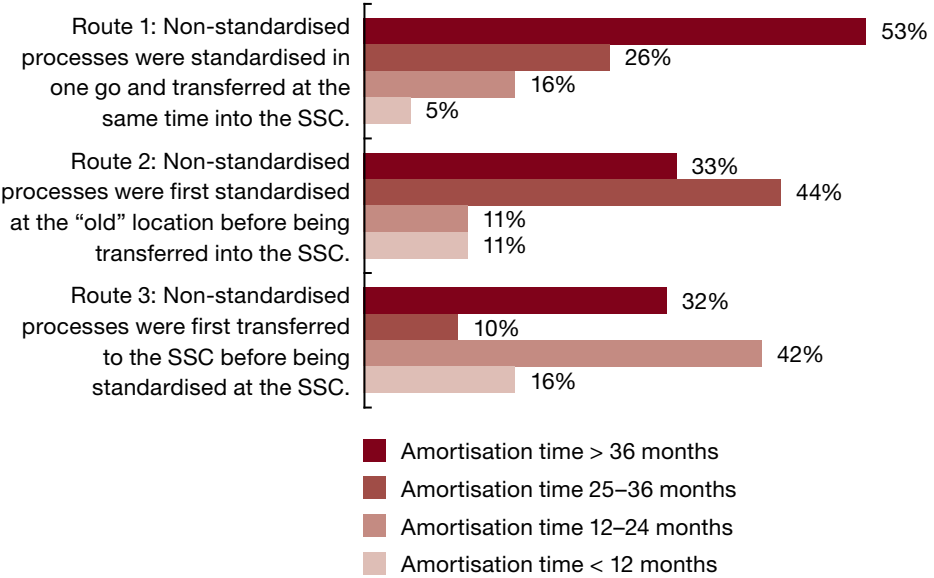
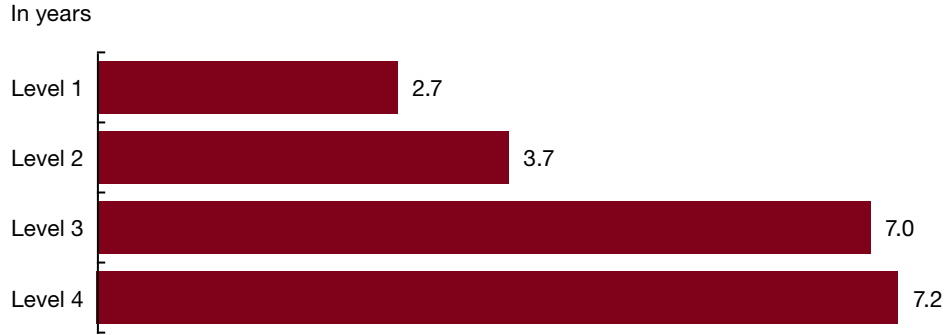


Fig. 50 Amortisation time depending on the implementation strategy



The evaluation shows that a higher maturity level correlates positively with the operating time of the respective shared service centre, as those SSCs reaching level III or IV operated on average for seven years or longer. At the same time, level II SSCs were operating for only 3.7 years on average.

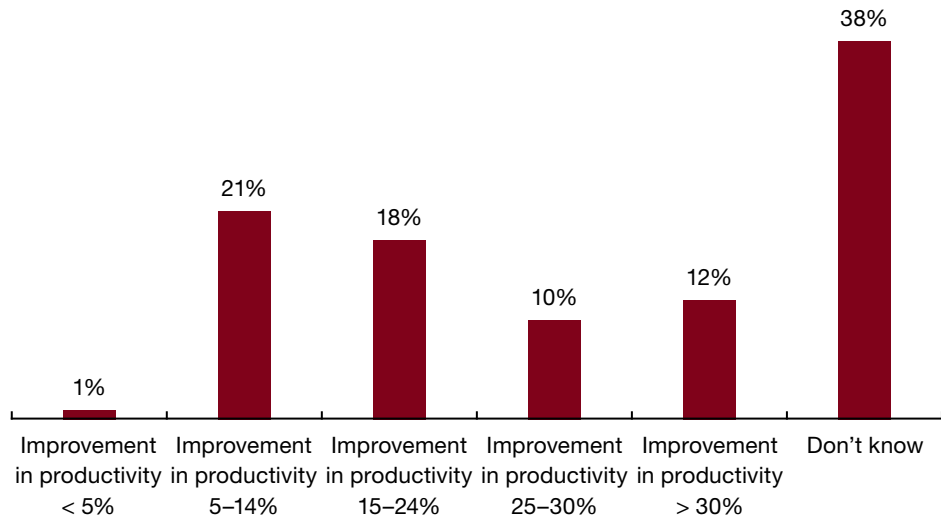
Fig. 51 Maturity model results with regard to the average operating time of SSC



Improvement in productivity after SSC implementation

One-fifth of this year's participants indicated that they achieved productivity improvement of 25% or higher following the implementation of an SSC. However, the same amount of participants stated that their productivity improvement was less than 15% following the SSC implementation, which indicates the need for optimisation. Of all the participants, 40% even stated that they were not able or did not want to track their productivity improvement, which again reveals the importance of an initial business case to ensure a proper tracking of the improvements following the implementation of the SSC.

Fig. 52 Improvement in productivity as a result of SSC implementation

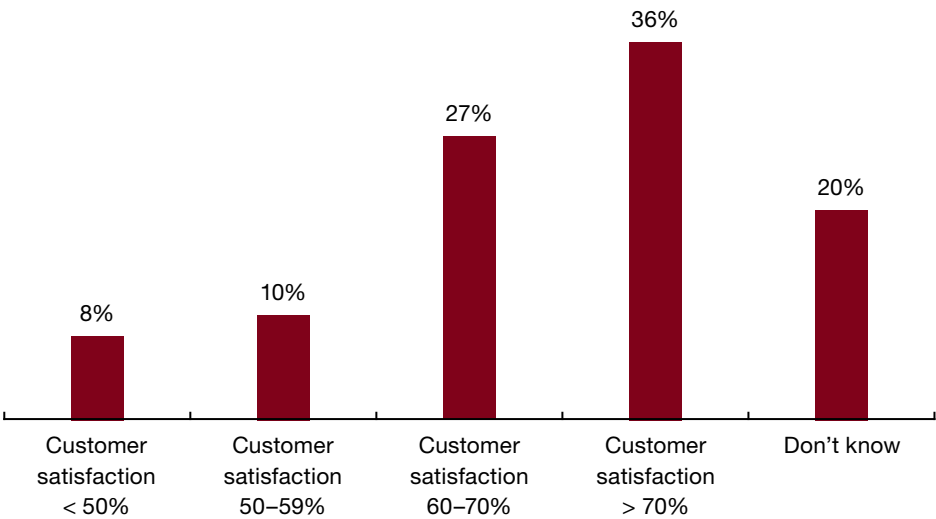


Customer and staff satisfaction

The majority of this year’s participants stated that more than 60% of their customers were very satisfied with their SSC. The portion of surveyed SSCs that could not provide a customer satisfaction assessment declined from 26% in 2011 to 20% this year. This underlines the increasing importance that companies ascribe to their customer satisfaction.

Additionally, as the results show, a high customer satisfaction correlates positively with the maturity level for the criterion of customer relations as well as on the total maturity model level achieved.

Fig. 53 Percentage of customers that rated the SSCs’ services as “very good” or “good”



Shared service centres in Western Europe and North America reported the highest customer satisfaction rates among the surveyed companies. This may indicate that SSCs in developed countries are able to provide higher quality services than those in less developed regions of the world. Again as the SSCs based in the Middle East and Africa are only represented by a mere 1%, there is no information about them included in Figure 54 below due to data security.

Fig. 54 Percentage of customers that rated the SSCs’ services as “very good” or “good” by region



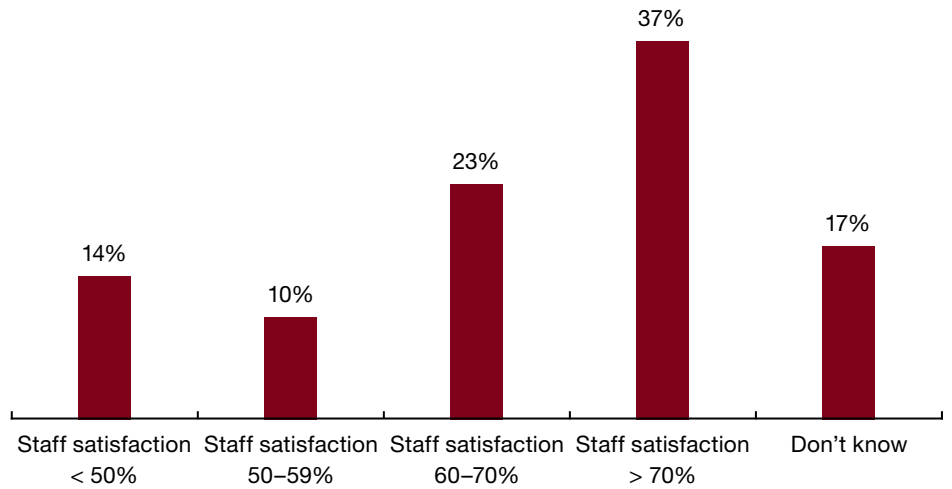
At the same time, results showed that a high level of employee satisfaction also had a strong impact on customer satisfaction: the SSCs that indicated staff satisfaction rates above 70% achieved an average of 75% customer satisfaction, while those with lower staff satisfaction rates also reported lower customer satisfaction rates.

Fig. 55 Average percentage of customers that rated the SSCs' services as "very good" or "good" with regard to staff satisfaction



Even though the majority of participants indicated high staff satisfaction levels, as at least 60% of the employees described their working conditions as "good" or "very good", and the percentage of SSCs indicating a staff satisfaction rate lower than 50% rose significantly from 3% in 2011 to 14% in 2013. This reveals a clear need to exploit optimisation potentials more efficiently, as the positive correlation between employee and customer satisfaction has been proved.

Fig. 56 Percentage of staff that rated working conditions as "very good" or "good"



Staff satisfaction rates were additionally shown to have a strong impact on the participants' maturity model results in the area of human resources management: interviewed SSCs who reached maturity level IV within the HR management show the highest average staff satisfaction, with 70% of their staff rating working conditions as "good" or "very good".

Fig. 57 Average percentage of staff that rated working conditions as “very good” or “good” with regard to the maturity model level in HR management



When it came to staff turnover, results clearly showed that lower staff turnover rates can cause higher staff satisfaction rates and vice versa. In the SSCs with fluctuation rates lower than 20%, almost 70% of the employees stated that they were satisfied with the working conditions, while this only applied for 51% of the employees in SSCs with a fluctuation rate higher than 20%.

Fig. 58 Percentage of staff that rated working conditions as “very good” or “good” with regard to the staff turnover rate

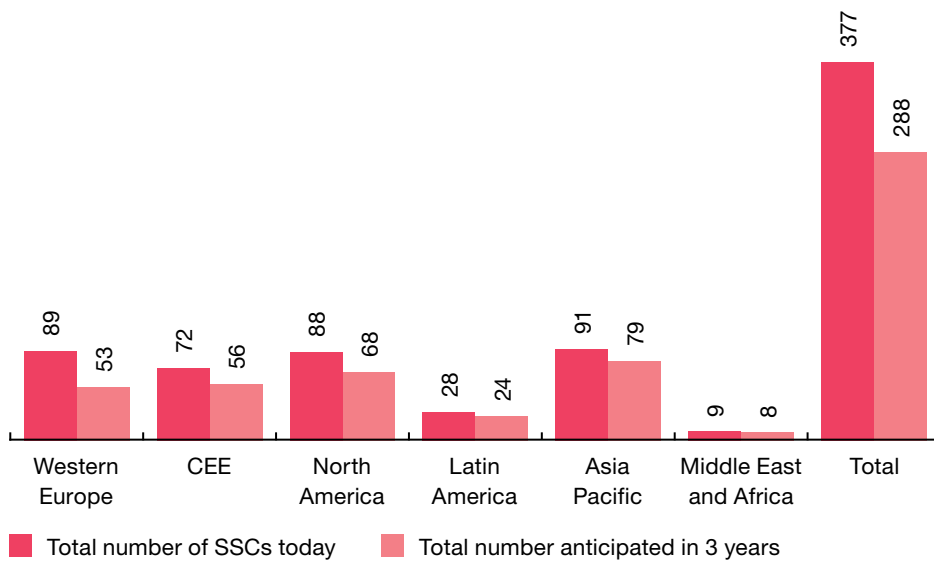


E Outlook



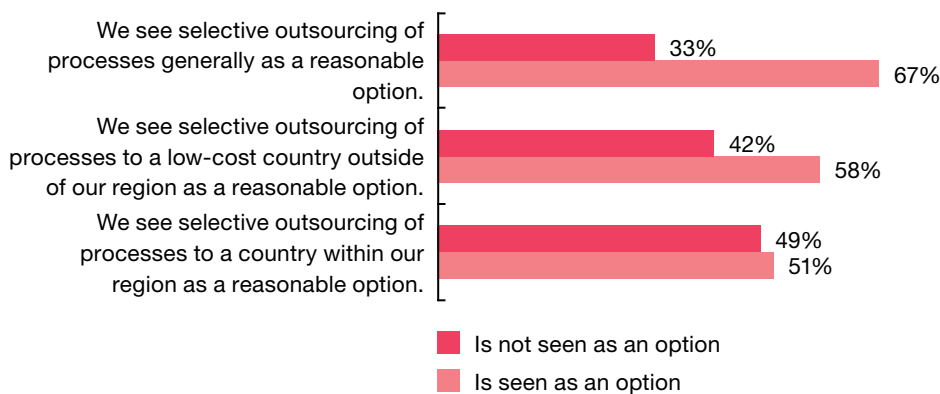
Even though almost all participants indicated that they implemented new SSCs, it did not outweigh the consolidation of existing SSCs, which 36% of the participants were planning on implementing, and the outsourcing of activities to external providers, which 34% were planning on implementing. This results in a decrease in the total number of SSCs. This is, however, not due to the diminished importance of SSCs, but to the plans to consolidate and close some SSCs, merging them to form bigger organisations that service a wider range of customers. This underlines our previous survey’s findings which showed comparable developments.

Fig. 59 Total number of SSCs today/total number of SSCs anticipated in the next three years by region



Additionally, the majority of surveyed companies see selective outsourcing as a reasonable option: 58% of respondents stated they would even transfer processes to a low-cost country outside the company’s region (offshoring) rather than to a country within its region (nearshoring). Nevertheless, the percentage of the companies considering nearshoring as a reasonable option rose from 42% in 2011 to 51% this year.

Fig. 60 Selective outsourcing of processes as a sensible option



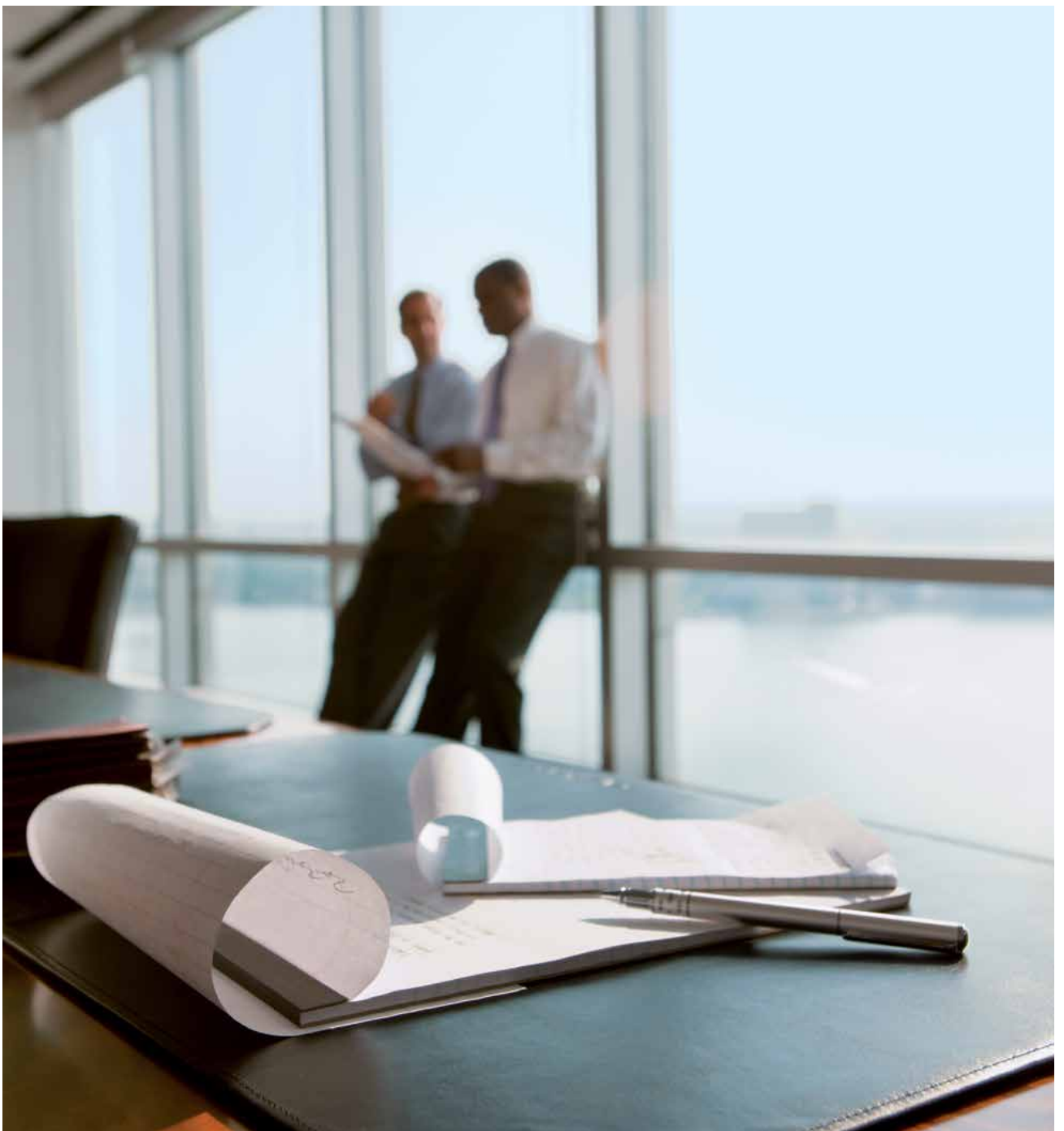
When asked about what upcoming challenges they expected within the next two years, companies most frequently named the following:

- Quality control/improvement
- Further automation/standardisation
- Retaining/attracting of qualified staff
- Consolidation of SSCs
- Cost reduction/savings
- Employee qualification
- Process harmonisation/improvement

When asked which initiatives the companies will most likely launch in the next two years to counteract these challenges, they named, among others:

- Process automation
- Continuous improvement
- Cost control
- ERP implementation
- Further standardisation/automation
- Process harmonisation
- IT harmonisation

Appendix: The company and SSC profiles



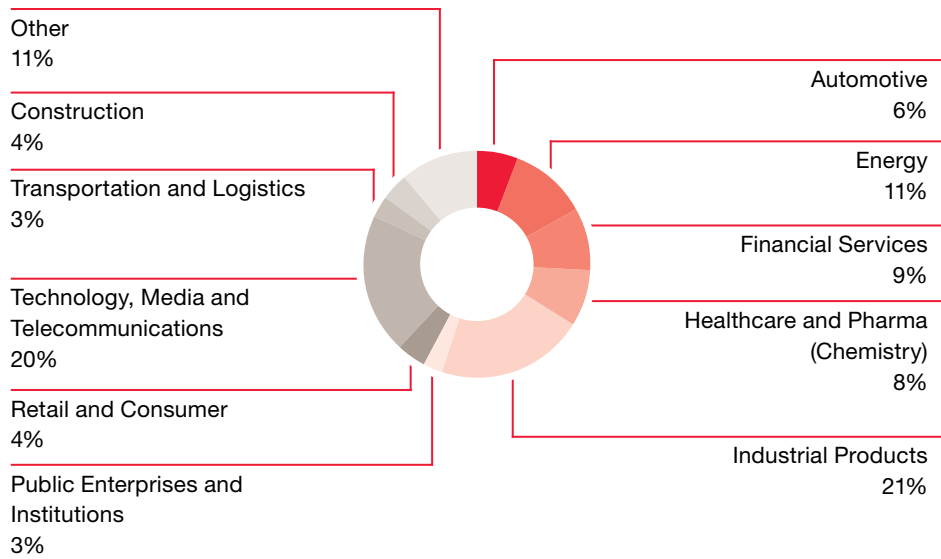
Company profiles of survey participants

A total of 100 companies representing 377 shared service centres took part in this year’s survey. The strongest participation was experienced from the following industries:

- Industrial Products
- Technology, Media and Telecommunications
- Energy

This year the public sector was also represented in the survey for the first time, accounting for 3% of all participants.

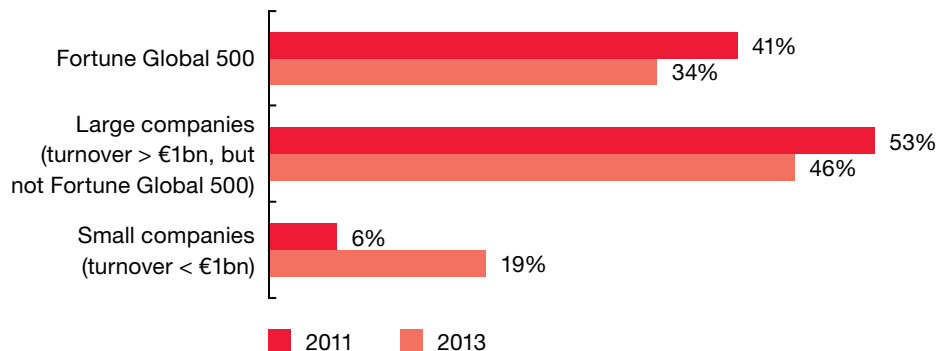
Fig. 61 Participation by industry



There were various notable changes regarding the participants and their sizes compared to 2011. While small companies represented 6% of the previous survey, their number increased significantly as small companies surveyed this year accounted for 19% of all companies. At the same time, the percentage of large companies (revenue above €1bn) participating remained relatively stable at 46% (2011: 53%).

Of all the companies surveyed this year, 38% also participated in the previous survey issued in 2011, a fact we should keep in mind when comparing the results of the two surveys.

Fig. 62 Listing of companies



A closer look at the turnover distribution shows that there have been significant changes in the upper and lower turnover ranges, as the part of participants with a turnover less than €5bn rose from 26% in 2011 to 47% this year. At the same time, the percentage of companies with revenues of €100bn or more rose from 3% in 2011 to 8% this year. This could be seen as an indicator of the increasing importance of shared service centres and sourcing topics among smaller companies in general.

Since a notable amount of smaller companies can be assigned to the large group of new participants, this means that SSCs have reached the mid-cap market and become increasingly important for SMEs.

Fig. 63 Company turnover in millions of euro

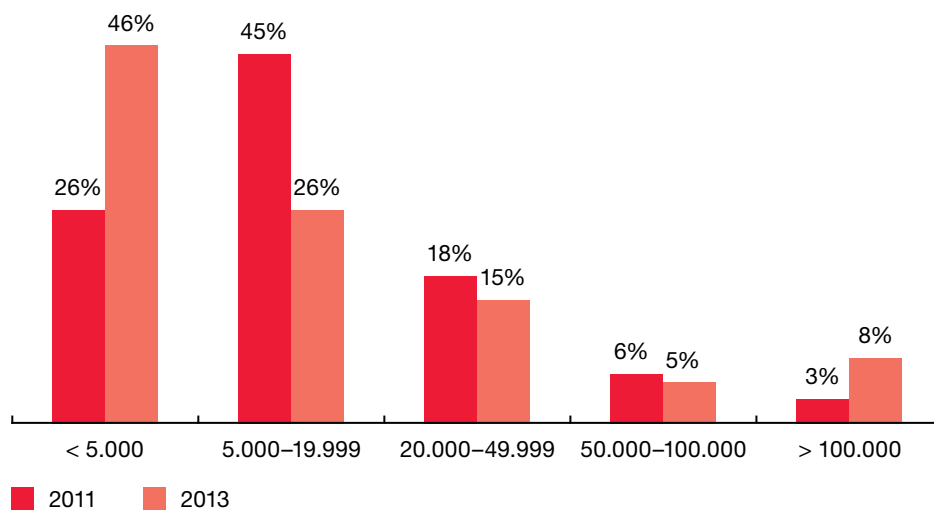
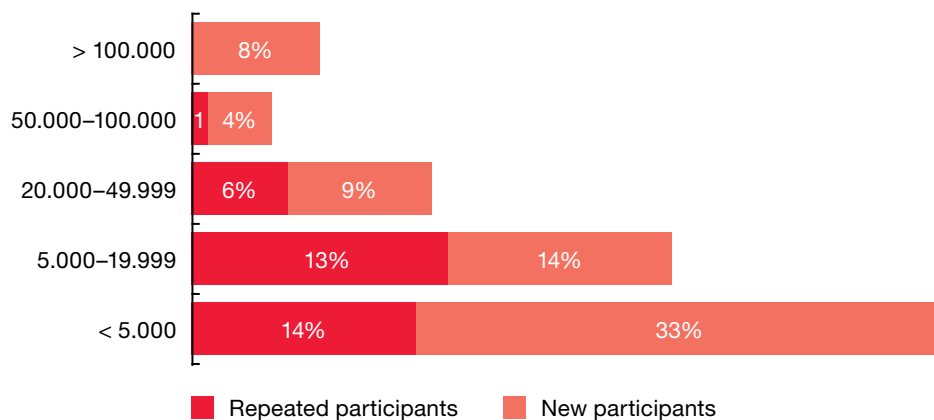
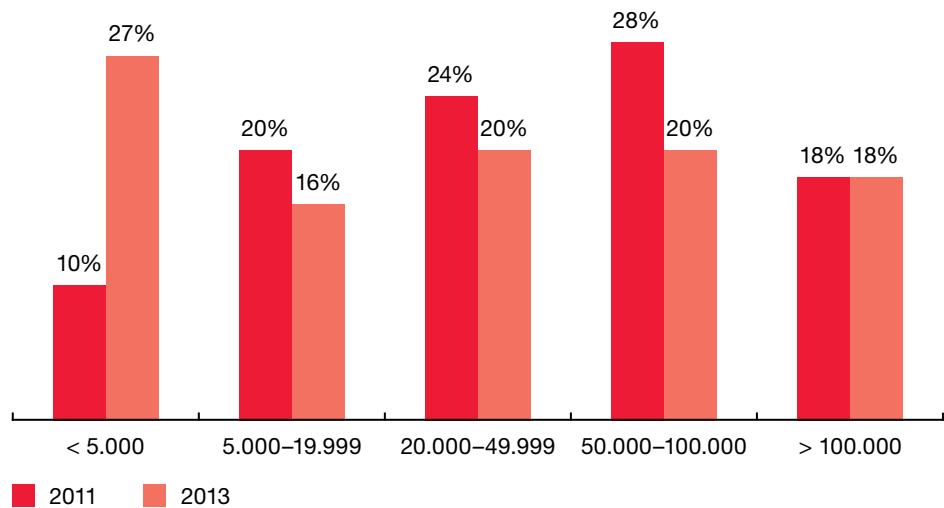


Fig. 64 Company turnover in millions of euro



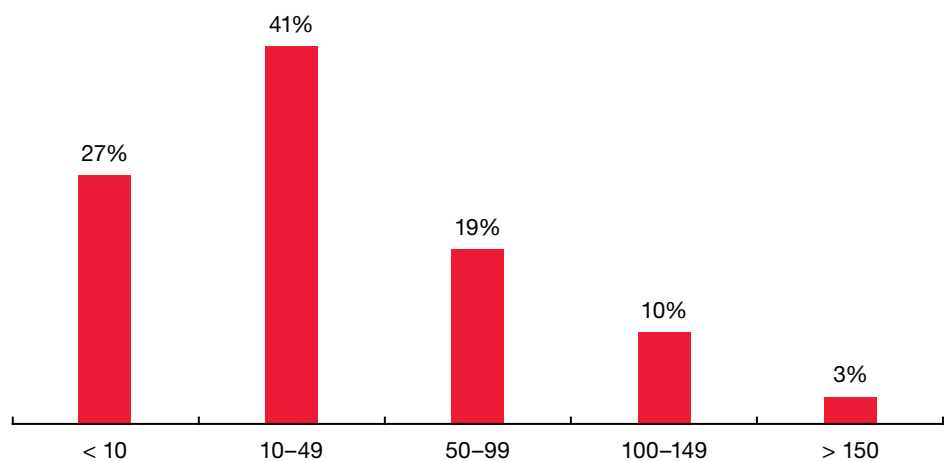
Comparing the size of companies measured by the number of FTEs, this also underlines the fact that the participation of SMEs has risen significantly. While more than half of all participating companies employ less than 50,000 FTEs, the majority of these smaller companies are new participants who did not participate in the previous survey.

Fig. 65 FTEs employed in the entire company



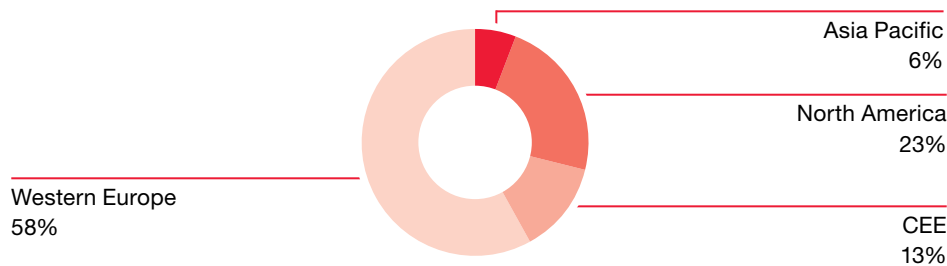
When analysing the globalisation level, which is indicated by the number of countries the participating company operates in, we see a picture that is very similar to that of the previous survey: more than half of the participating companies have operating locations in up to 50 countries. This shows that the level of globalisation is not dependent on the size of the company.

Fig. 66 Number of countries with international operating locations



The vast majority of the companies surveyed have their headquarters in Western Europe, which is in line with the geographic distribution of 2011's participants. Participation of companies based in North America and Asia Pacific stayed constant at 23% and 6%, respectively, while the percentage of companies with headquarters in the CEE region that participated rose from 6% in 2011 to 13% this year.

Fig. 67 Regional distribution of companies' headquarters



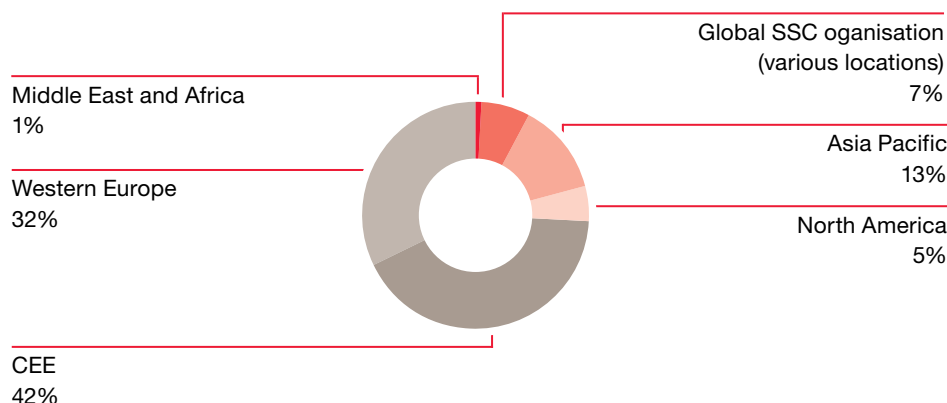
Almost three-quarters of this year's participants had their SSCs located in Europe, with CEE being the most popular SSC location in Europe. Moreover, the findings show that especially European-based companies (Western Europe and CEE) show a strong tendency to set up their SSC in their home region. By contrast, North American-based firms are more likely to set up the SSC at a different location. The most frequently mentioned location was the CEE region with 33% as well.

SSC profiles of survey participants

The most likely reasons for this circumstance are the good conditions regarding cost and quality of staff in this region. This makes Europe an attractive SSC location, especially for smaller companies (turnover < €5bn) who are less likely to set up their SSC at an offshore location like Asia Pacific.

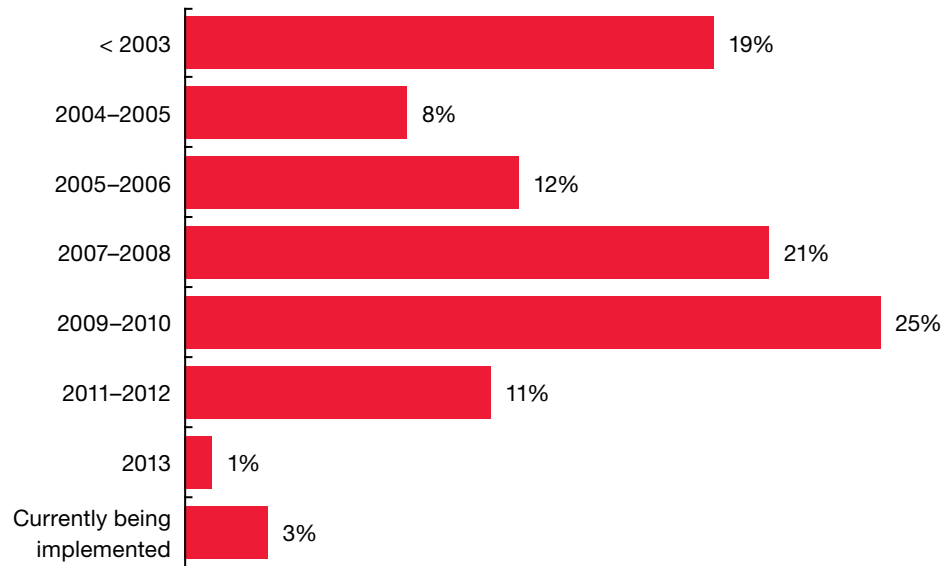
Participants who completed the questionnaire for more than a single location are referred to as 'Global SSC organisations' in Figure 68.

Fig. 68 Location of SSCs



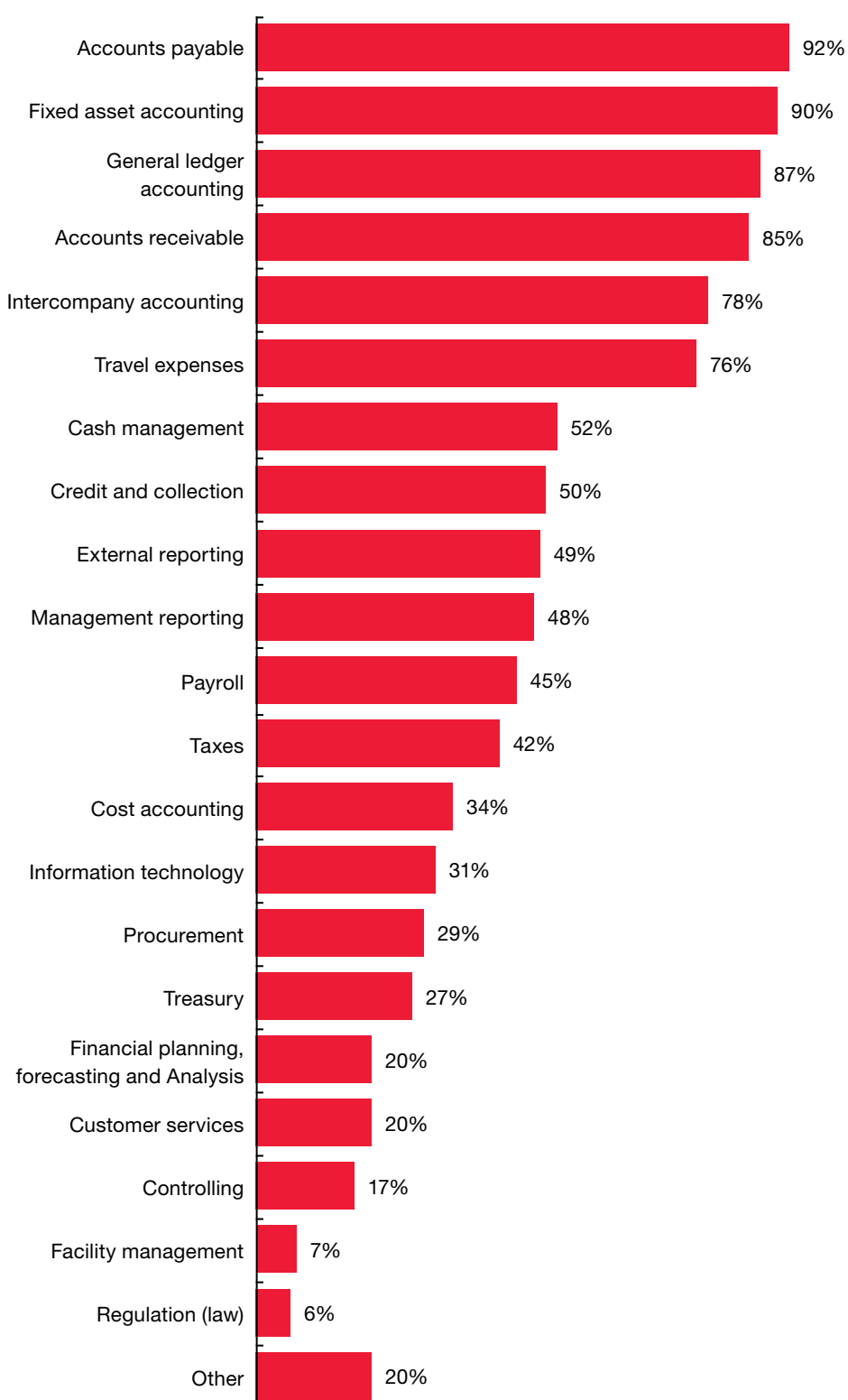
As the analysis below shows, more than half of the survey participants have been operating their SSCs for five years or longer. In fact, only 4% of the participants have only just implemented it or have been operating it for less than a year.

Fig. 69 Year the SSC started operations



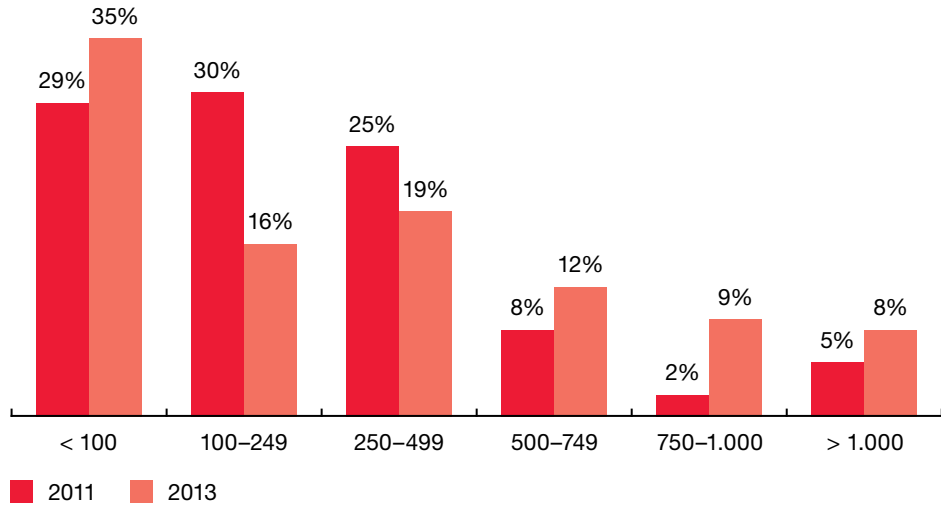
Companies are still putting emphasis on transactional processes provided by the SSC, such as accounts receivables and payables. However, non-transactional processes, such as external and management reporting or taxes and treasury, gain importance in the participants' point-of-view. More than half of the SSCs surveyed provide 10 or more processes.

The term "Other" in Figure 70 refers to processes like HR, IT, master data management, auditing, etc.

Fig. 70 Processes provided by the SSCs

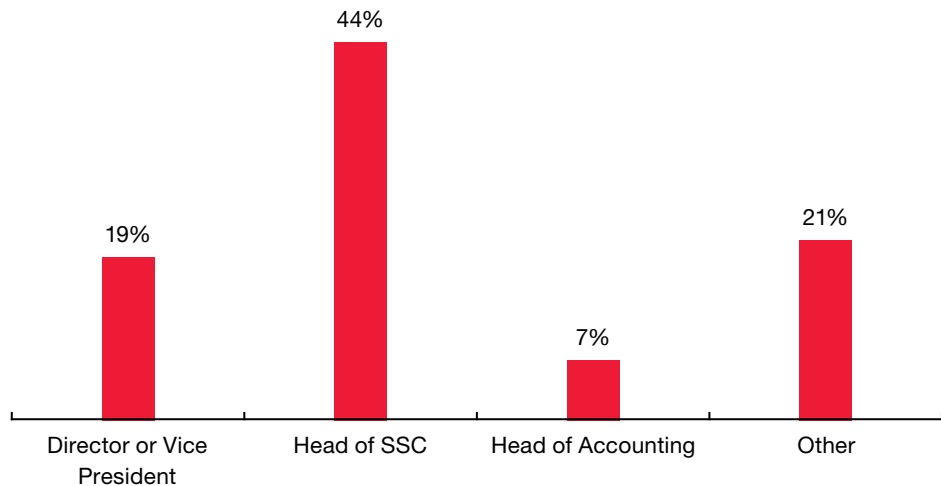
Even though the share of SSCs with a headcount of less than 100 FTEs rose in comparison to 2011, we can still see that the majority of SSCs are mid-sized with a total of up to 500 FTEs. The results show that, in general, the number of FTEs in SSCs seems to be growing, as SSCs with more than 500 FTEs account for almost one-third of all participating shared service centres, which is double the percentage observed in 2011.

Fig. 71 FTEs employed in the SSC



Almost half of the questionnaires were processed and answered by the respective heads of the SSC. The term “Other” in the Figure 72 refers to SSC project managers and heads of global services, etc.

Fig. 72 Position of staff that processed the questionnaires in the surveyed companies



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