



2009 Global Shared Services Survey Results

Deloitte Consulting LLP

March 2009



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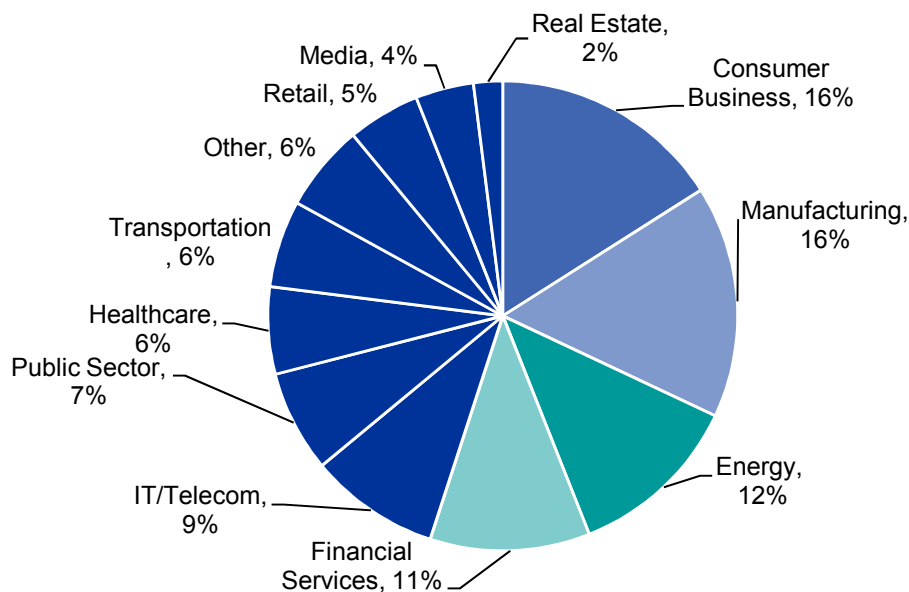
About the survey

What was the purpose of the survey?

- Identify emerging trends in Shared Services by comparing and contrasting responses from past Deloitte Global Shared Services surveys completed in 1999, 2003, 2005, and 2007
- Share concepts and insights from multiple geographies, industries, and revenue bases
- Provide insight to organizations implementing Shared Services regardless of where they are in their journey
 - Help organizations that are beginning their Shared Services journey learn from others
 - Infuse fresh ideas into more mature Shared Services operations
- Highlight best practices in the creation and delivery of Shared Services
- Capture the aggressive shifts organizations are making as a result of their past success with Shared Services

This year Deloitte's Global Shared Services survey attracted 265 participants which is more than double the response rate of the 2007 study

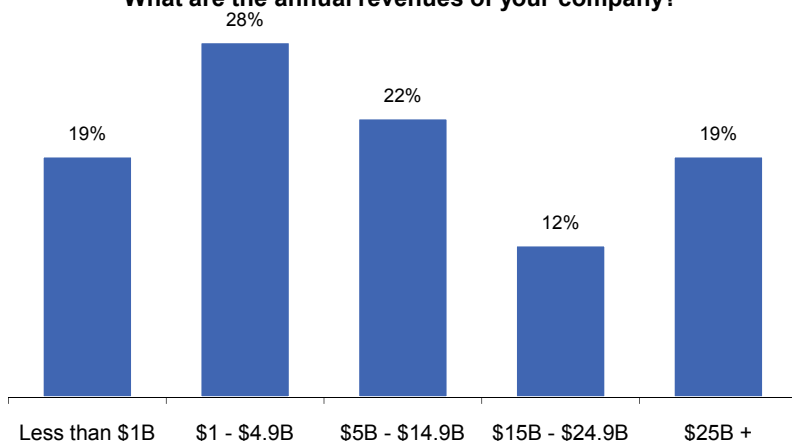
What is your company's primary industry?



Industry Representative

- Participants represented 12 industry segments and were distributed across all major industry groups, resulting in a greater diversity of industries than our past surveys
- As in previous surveys, manufacturing was the top industry represented
- The largest increases in participation over 2007 were in the Financial Services, Transportation and Public Sector industries

What are the annual revenues of your company?

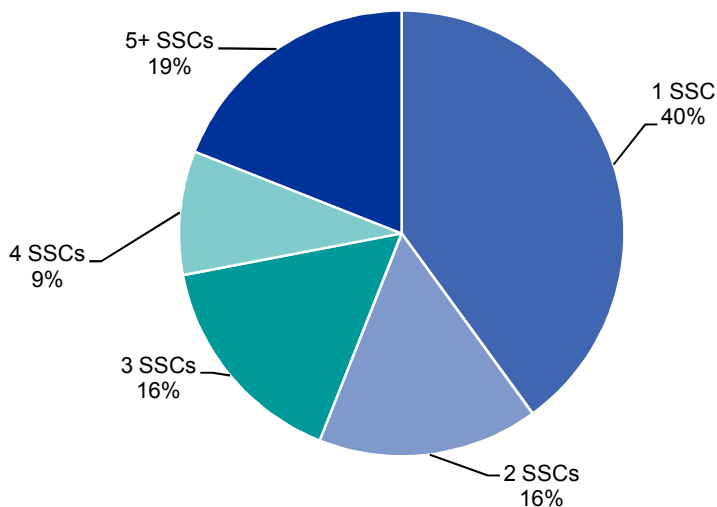


Participant Size

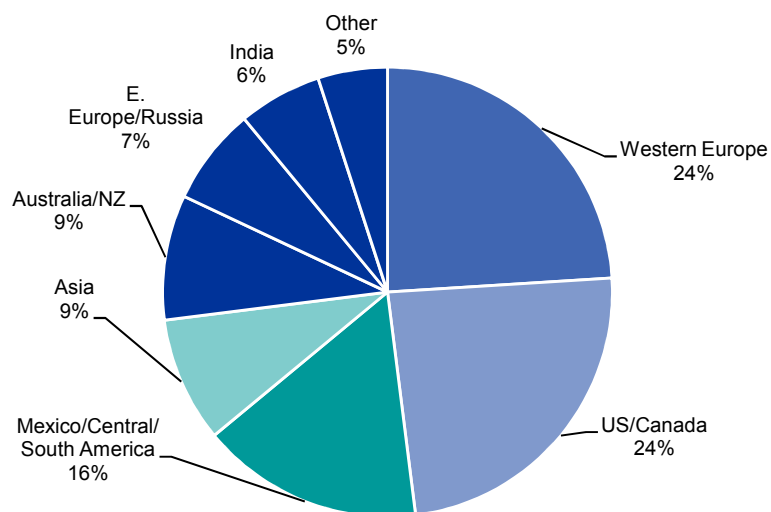
- There was a wide range of participant organizations in terms of size – revenue ranged from less than \$1 billion to over \$100 billion
- Median revenue of participant organizations was \$10.5 billion which is double that of our 2007 survey

The survey respondents provided data for 702 Shared Service Centers (SSCs) in total

How many SSCs does your company have?



Where are your company's SSCs located?



Number and Maturity of Centers

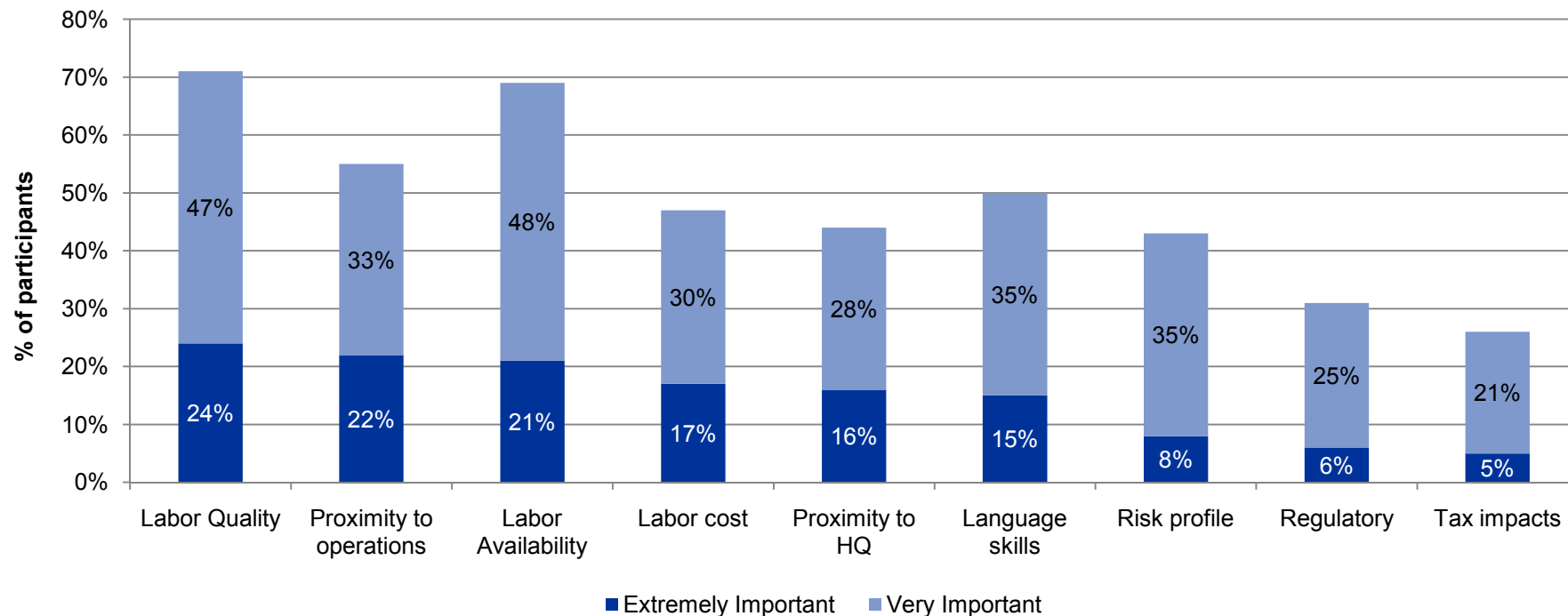
- The number of SSC per company remained consistent with 2007 findings with an average of 2.6 centers per organization
- The average number of centers did vary with organization size:
 - Less than \$5B had an average of 2.3 SSCs
 - \$5B – less than \$15B had an average of 2.7 SSCs
 - \$15B – less than \$25B had an average of 3.1 SSCs
 - \$25B + had an average of 5.0 SSCs
- 63% of respondents have been operating SSCs for more than 3 years

SSC Locations and Size

- Survey respondents come from all regions of the world
- There was a significant increase from 2007 in the number of SSCs represented in Mexico, Central America and South America
- The number of associates in the SSCs ranged significantly:
 - Less than 100 people: 52%
 - Between 101 and 250: 25%
 - Between 251 and 999: 17%
 - 1,000 or more: 8%

Geography

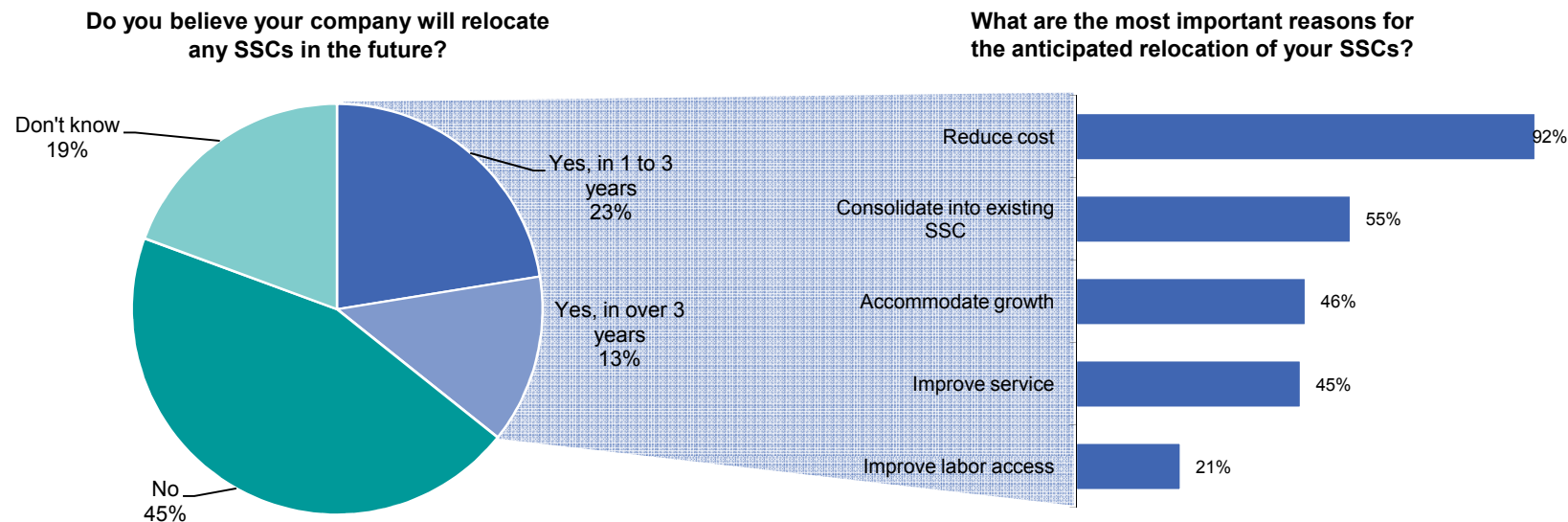
What were the key factors in selecting the organization's SSC location(s)?



Location factors

- Labor factors (quality, availability, cost, and language) and access to talent drive the selection of the location for shared services centers.
- Proximity to operations increased in importance, as it now ranks behind labor as an extremely important factor key factor – up from the 6th ranked factor in 2007
- Focus on language skills as a driver have decreased since 2007 – shifting from 3rd to 6th in rank

Do you believe your organization will be relocating any of its SSCs?



Anticipated Relocation

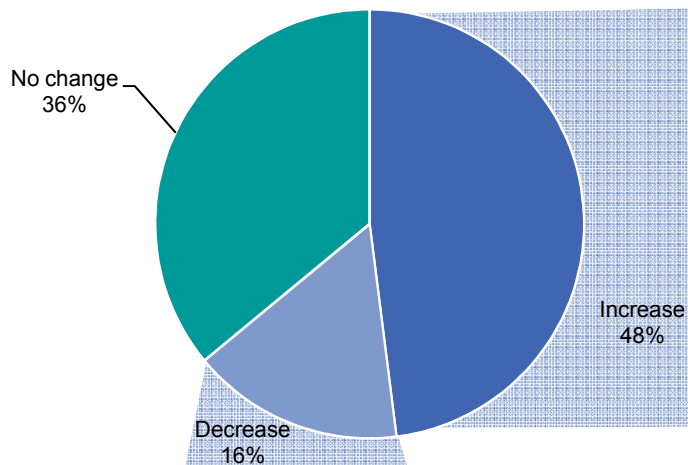
- 35% of the respondents indicated that they would be relocating some of their SSCs in the future, down from 40% in 2007
- The percentage of organizations planning on relocating in the near term is over twice that of 2007
- Approximately 30% of those planning to move a SSC currently have only one SSC

Reasons for Relocation

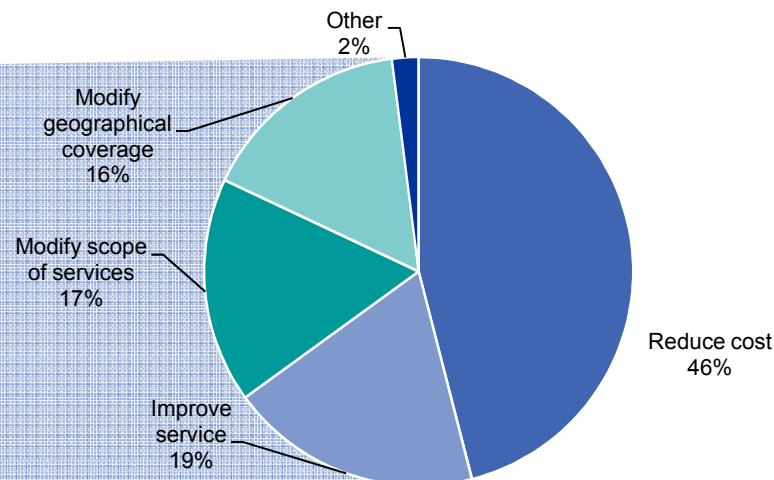
- Cost was the top reason that organizations are relocating; however when selecting a new location cost ranked fourth
- Almost all respondents who indicated “consolidating” also indicated “reduce cost” as the most important reasons
- While cost is the top driver, the respondents of this years survey showed more diverse reasons for relocation
- Additional reasons respondents noted were related to risk, tax, regulatory and language skills

Do you believe the number of SSCs in your organization will change?

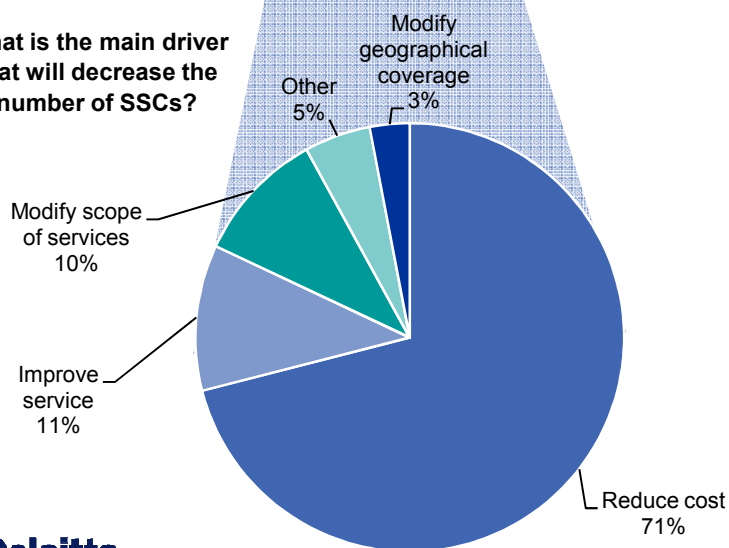
How do you believe the number of SSCs in your company will change over the next 5 years?



What is the main driver that will increase the number of SSCs?



What is the main driver that will decrease the number of SSCs?

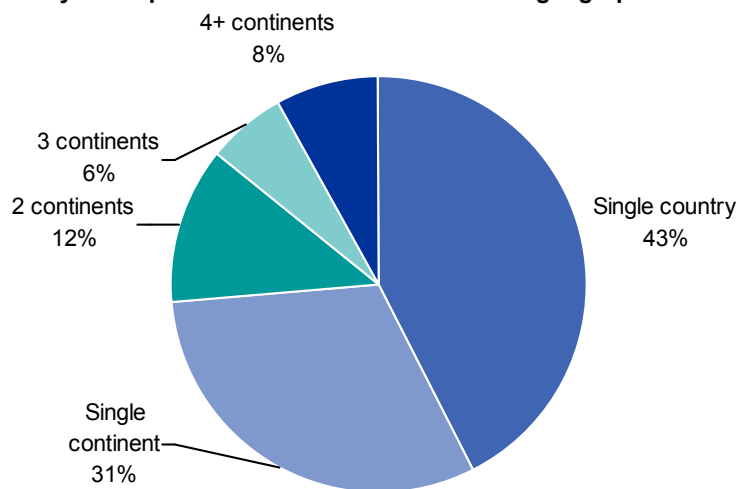


Expected Change in SSCs

- Nearly half of all respondents plan to increase the number of SSCs, which is a 41% increase over 2007
- The driver for increasing SSCs are varied – cost is the number one driver, however 54% of the respondents cited other reasons, distributed equally over three other factors
- Cost reduction continues to be the single most significant factor behind the reducing the number of SSCs

How many SSCs provide services across or within geographies?

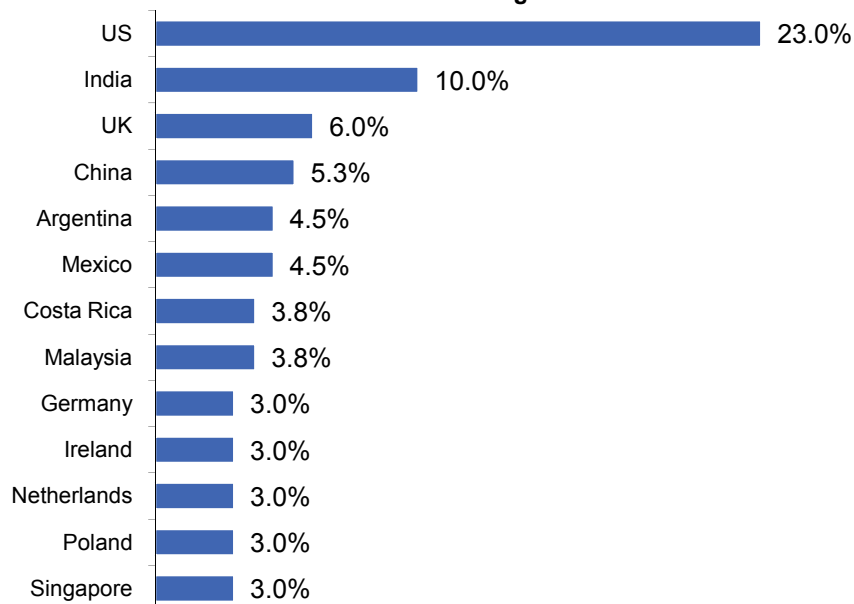
How many SSCs provide services across or within geographies?



Geographies Served by SSC

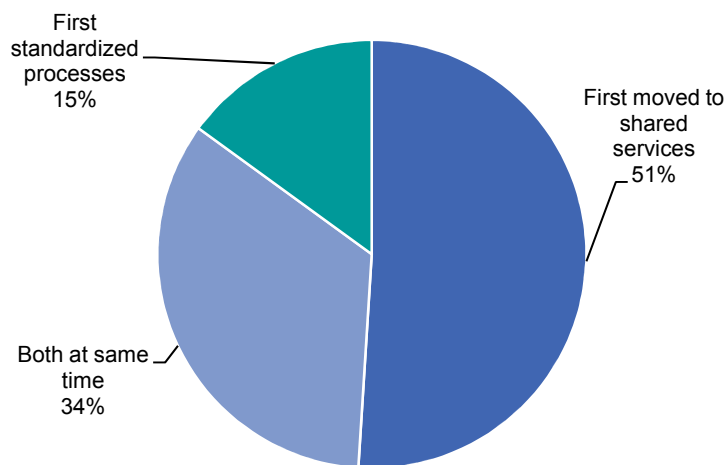
- Over 55% of SSCs provide services to more than one country
- 26% of the SSCs service two or more continents
- Larger companies (>\$15B) have more SSCs offshore than smaller companies
- India was the most common non-US country for SSCs serving US companies
- The United States and India were the most common locations for serving multi-continentals

Locations of SSCs serving 4 or more continents

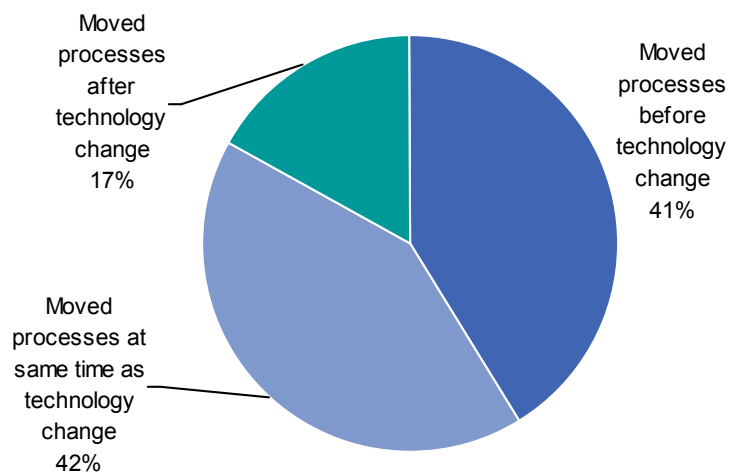


How has your company approached the implementation of it SSCs?

Did you standardize your processes before, during, or after they moved to Shared Services?



Did you move processes to Shared Services before, during, or after technology changes?



Standardizing Processes

- The majority of respondents completed a “lift and shift” consolidating decentralized processes into shared services prior to standardization
- There was little difference in the percentage of organizations that moved their processes before versus during their technology change
- The two most popular approaches to creating shared services were:
 - “Lifting & Shifting” the processes first and then making the technology change (31%)
 - Moving to shared services and making the technology change at the same time (21%)

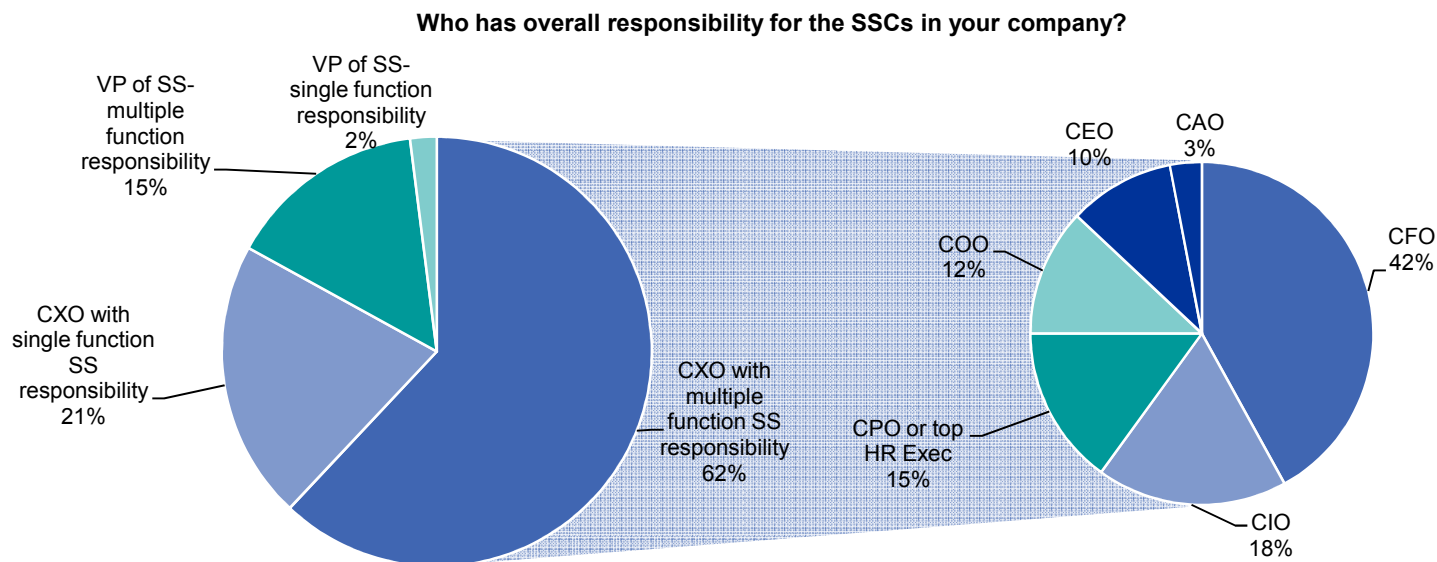
		Timing of Shift to SSC		
		Before technology change	During technology change	After technology change
Timing of Process Change	Prior to shift to SSC	4%	5%	6%
	During shift to SSC	5%	21%	3%
	After shift to SSC	31%	15%	10%

What is Deloitte's point of view on geography?

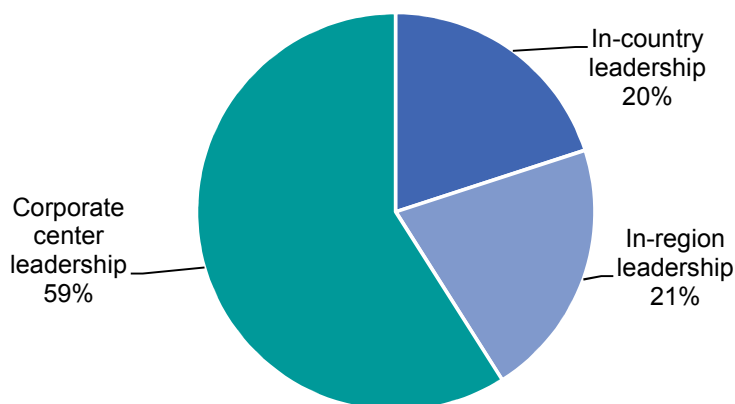
- Companies are continuing to expand their global footprint of Shared Services operations – we see the pace of shared services activity and global deployment of shared services at an unprecedented pace
- Labor factors, led by quality and availability, continue to be the most critical factors in SSC location selection followed closely by cost considerations especially as scope is expanded to advisory processes
- Maintaining competitive operating costs is critical, which is driving organizations to consider relocating and/or changing their number of centers
- As the number and complexity of processes move up the value chain, the skills required for shared services operations is altering the types of locations that will be most successful in the future
- A silver lining for shared services operations in the downturn is that the tight labor markets and rapid wage escalations in a number of the popular global locations have mitigated, at least for the short term
- Detailed analysis considering future scope and scale of operations should be done prior to locating shared service centers, especially offshore
- There is no one right way to approach your shared services journey – sequencing process and technology changes are unique to your situation

Organization

Who has responsibility for your company's SSCs?



Who do the leaders of your SSCs report to?

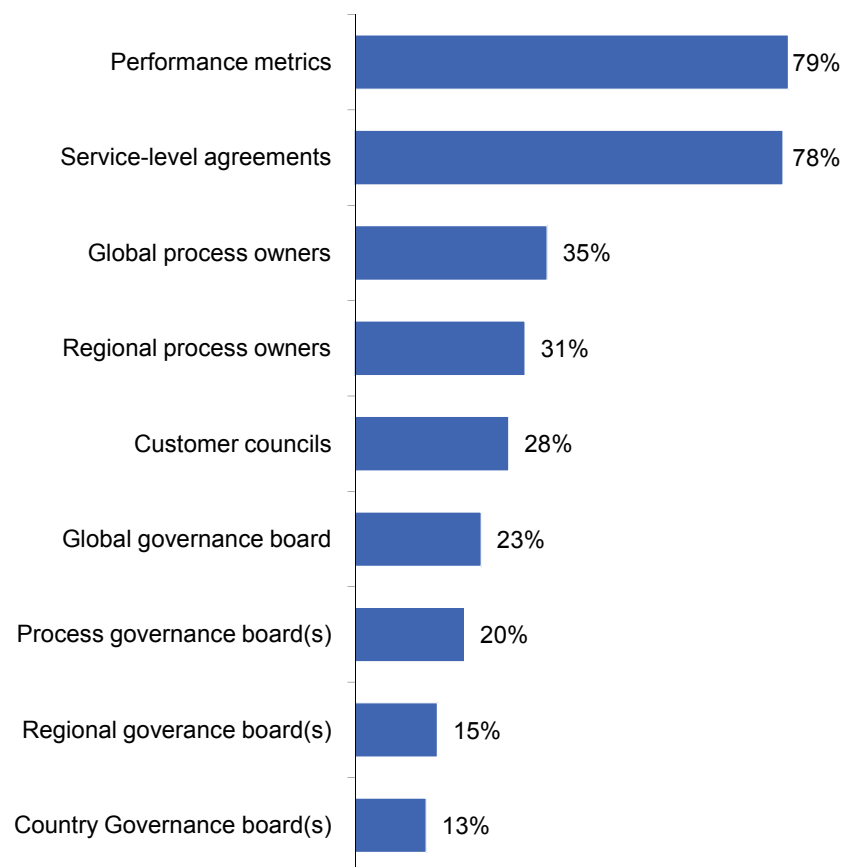


Overall Shared Services Responsibility

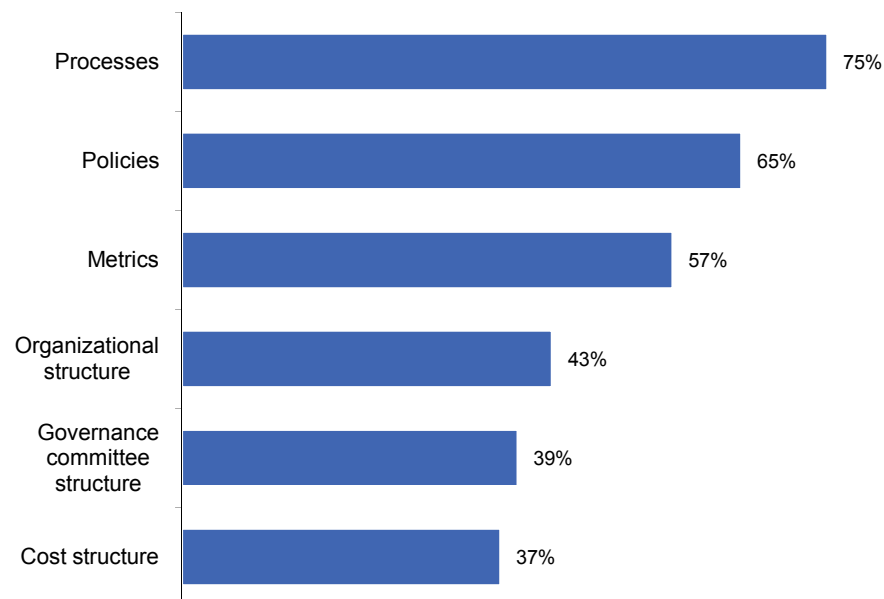
- Data remains consistent with past years with 62% of CXOs responsible for multi-function Shared Services
- In almost all organizations that have a VP of Shared Services the position has multi-function responsibility
- CFO continues to be the most typical top executive responsible for the Shared Services organization, however CIO and CPO have much larger representation than in 2007
- 80% of organizations with less than 3 SSCs had leaders reporting to corporate center leadership compared to 45% for organization with 3 or more SSCs

How do you drive governance and consistency across your SSCs?

What elements are part of your company's governance structure for its SSCs?



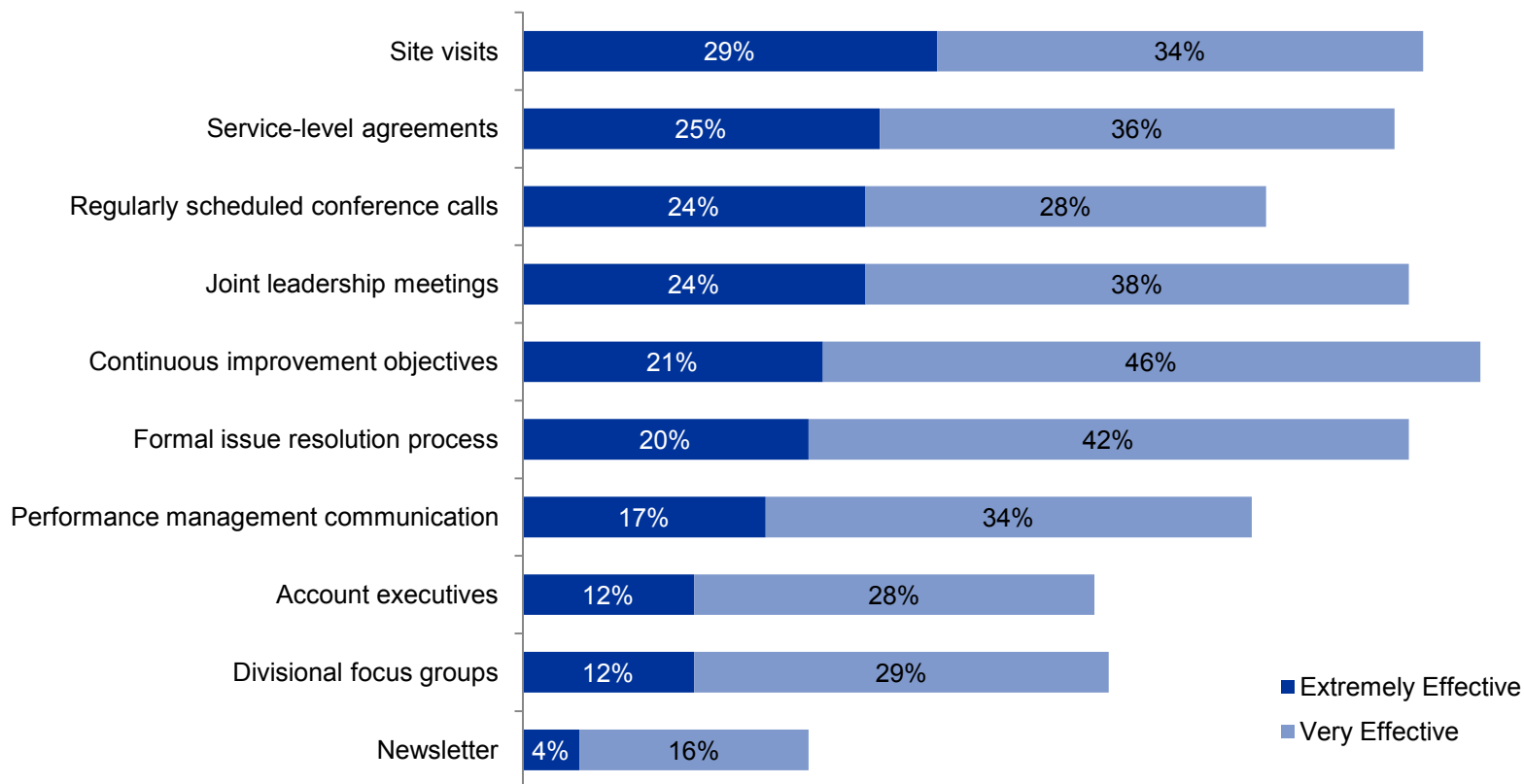
In what areas does your company attempt to drive consistency across its SSCs?



Governance and Consistency

- Performance measures and service level agreements are by far the most common elements of organization's governance structures
- 51% utilize regional and/or global process owners
- There was a significant increase in the use of various types of boards to drive SSC governance
- There continues to be a focus on driving consistency across SSCs in numerous areas

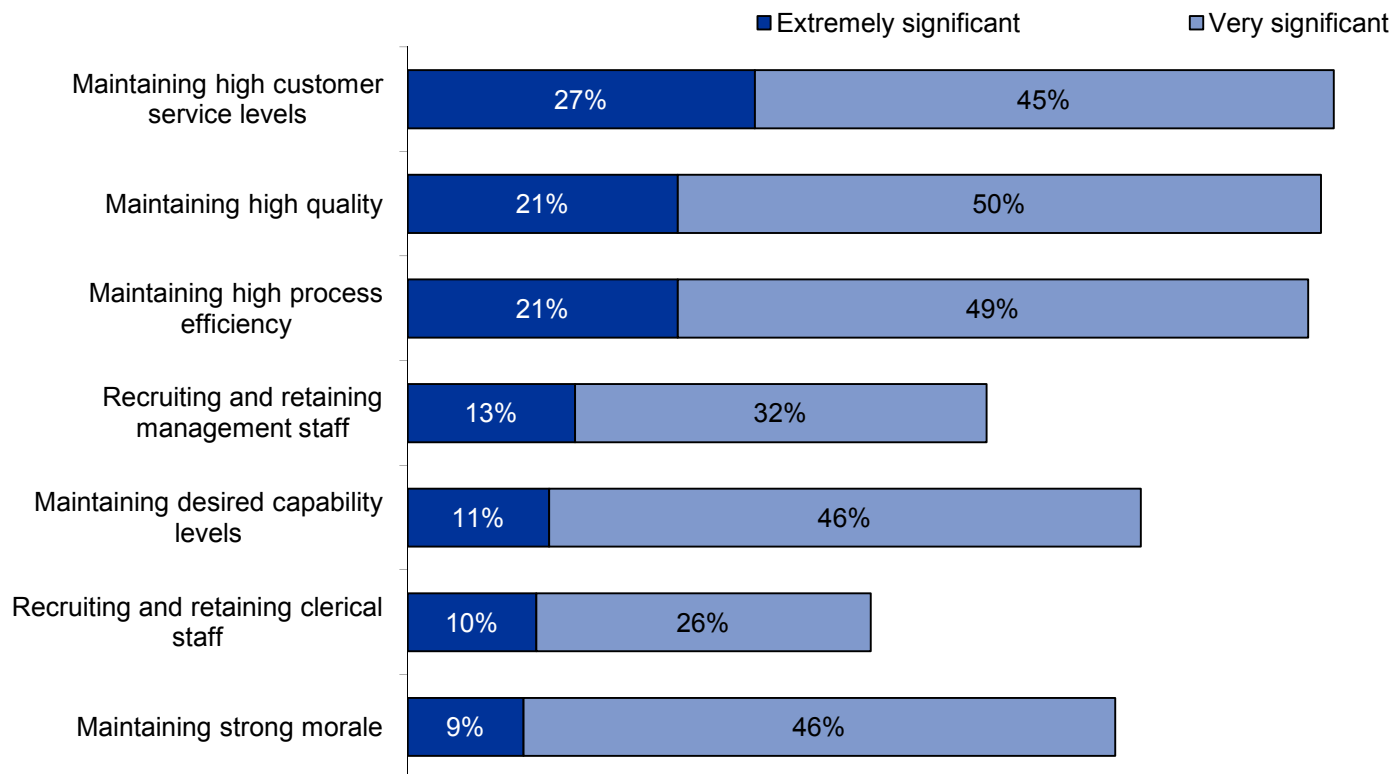
What mechanisms are used to most effectively keep SSCs connected to its customers?



Mechanisms to Stay Connected

- The 3 most effective governance mechanisms remain consistent with the 2007 survey when combining extremely and very effective responses
- Joint leadership meetings and regularly scheduled conference calls moved up in terms of rank when considering only categories receiving the “extremely effective” rating
- On average respondents indicated using 4 mechanisms that were extremely or very effective

What are the biggest challenges related to people within your SSCs?

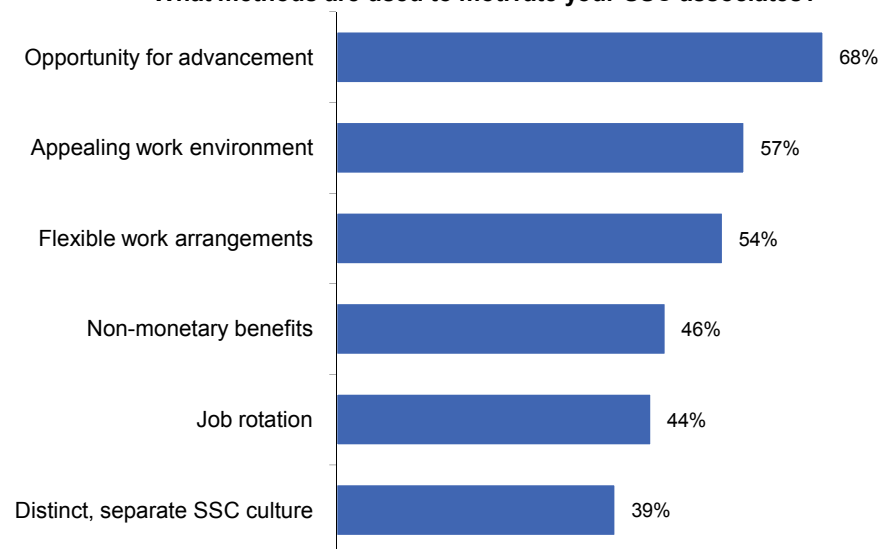


People-Related Challenges

- Maintaining high customer service levels became the number one people challenge over quality in 2007
- Maintaining strong morale had a significant drop in priority falling from number 3 in rank to last this year

How do you motivate and pay your SSC associates?

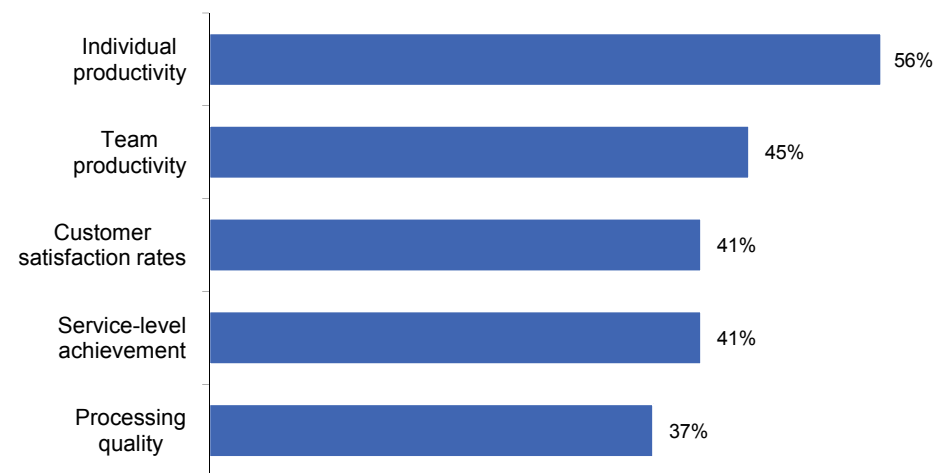
What methods are used to motivate your SSC associates?



Methods Used to Motivate Employees

- The respondents use a variety of methods to motivate their SSC associates with career advancement being the number one motivator
- Over 50% indicated that they move people “into the business” from shared services and an additional 12% indicate that it happens very frequently/often
- On average respondents indicated using a combination of three different methods noted to motivate their SSC associates

What factors drive pay increases for your SSC associates?



Factors in Pay Increases

- 76% of the respondents indicate that a combination of these factors are included when determining pay increases
- Participants indicated on average that they incorporate 3 factors into determining SSC associate pay
- Other factors included in pay increases are annual company results, adherence to company values and market data/ trends

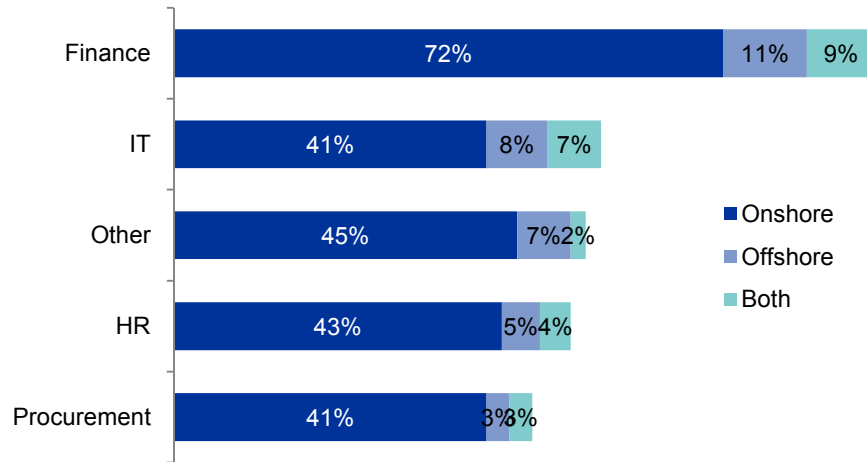
What is Deloitte's point of view on organization?

- Shared Service Centers are emerging as a source of talent for the businesses they serve which is providing broader opportunities for advancement
- Organizations that are putting in place Process Owners and implementing Governance Boards to guide their Shared Service Organization are increasing their levels of standardization resulting in lower overall costs
- Shared Service leaders have still not cracked the code on the best way to create the best connectivity with their customers and may be drifting back into being “centralized overhead centers” instead of true Shared Service Centers due to lack of governance and effective customer linkage
- Due to the economic downturn, organizations are not having the same level of trouble recruiting or maintaining staff as in the past. However, this temporary situation may just delay turnover until job prospects improve, creating a potentially large talent gap during the economic recovery.
- SSC leaders need to maintain focus now on the long term war for talent and take actions to prepare for the inevitable pick up in the job market
- With the shift to Shared Services, there is a significant change in skill set required for the retained organization. This need for higher level skills in the retained organization is often overlooked and the benefits expected from these local “business partners” are not achieved

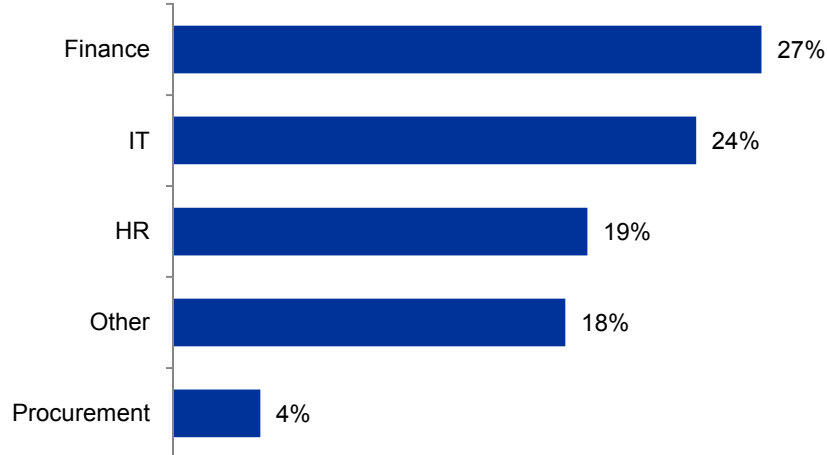
Scope

What processes have you placed in Shared Services or outsourced?

What processes are in your organizations SSCs?



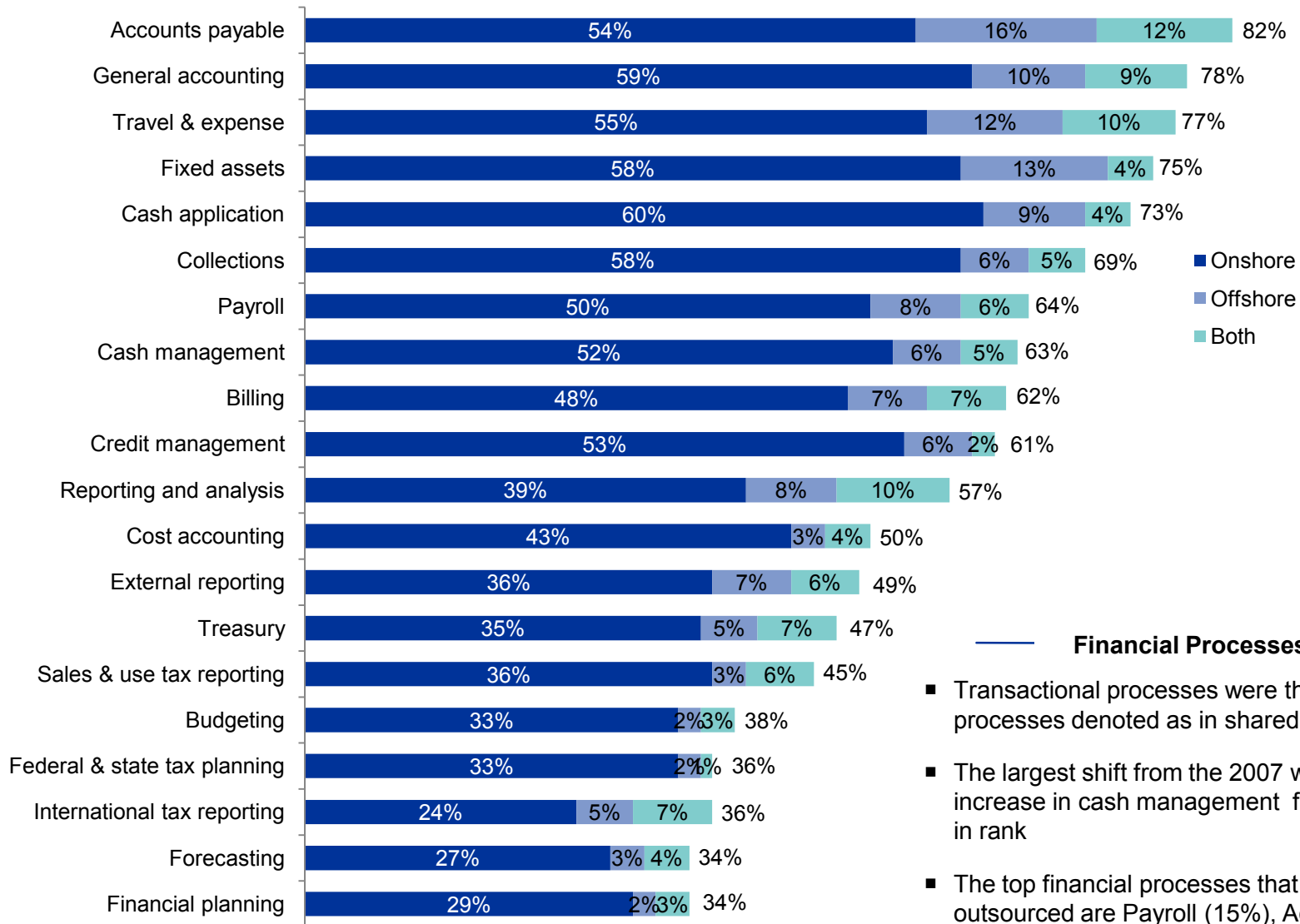
% of respondents that outsource processes in each function



Overall scope

- There was a significant increase in the number of participants that have offshored some of their shared services processes
- Finance was the most common to have processes offshored and outsourced
- Even though finance was the most popular process, over half of the organizations had processes from each of the other enabling areas in shared services (see later slides for details)
- The largest increase was in other enabling processes which grew 23% over the 2007 survey
- 34% of participants had at least one process offshored, 43% of the participants had at least one process outsourced
- The top support service processes are:
 - Claims processing
 - Customer support/call center
 - Fleet management
 - Facilities management

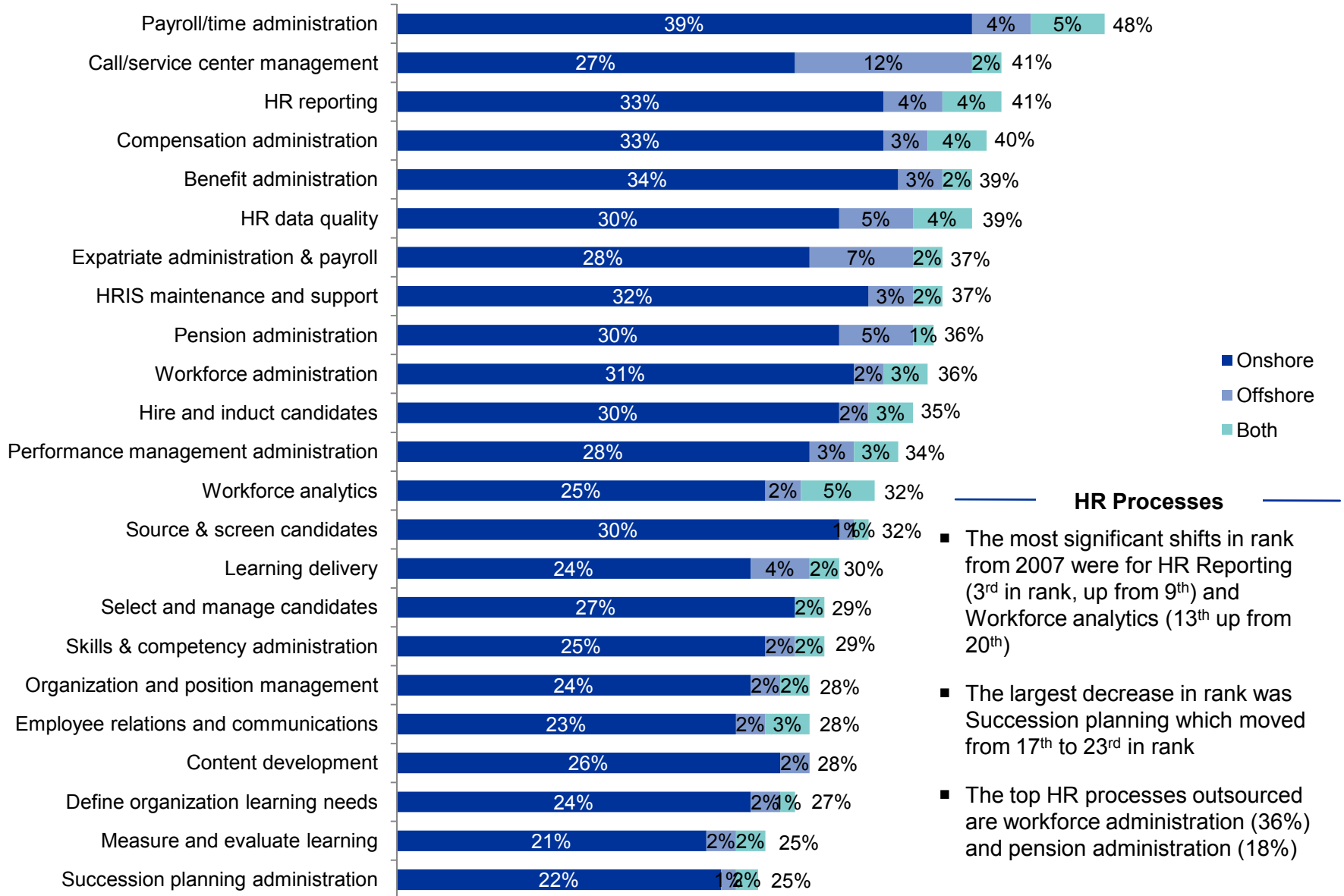
Which financial processes did your organization perform in its SSCs?



Financial Processes

- Transactional processes were the top processes denoted as in shared services
- The largest shift from the 2007 was an increase in cash management from 12th to 8th in rank
- The top financial processes that are outsourced are Payroll (15%), Accounts Payable (9%), and Travel & Expense (8%)

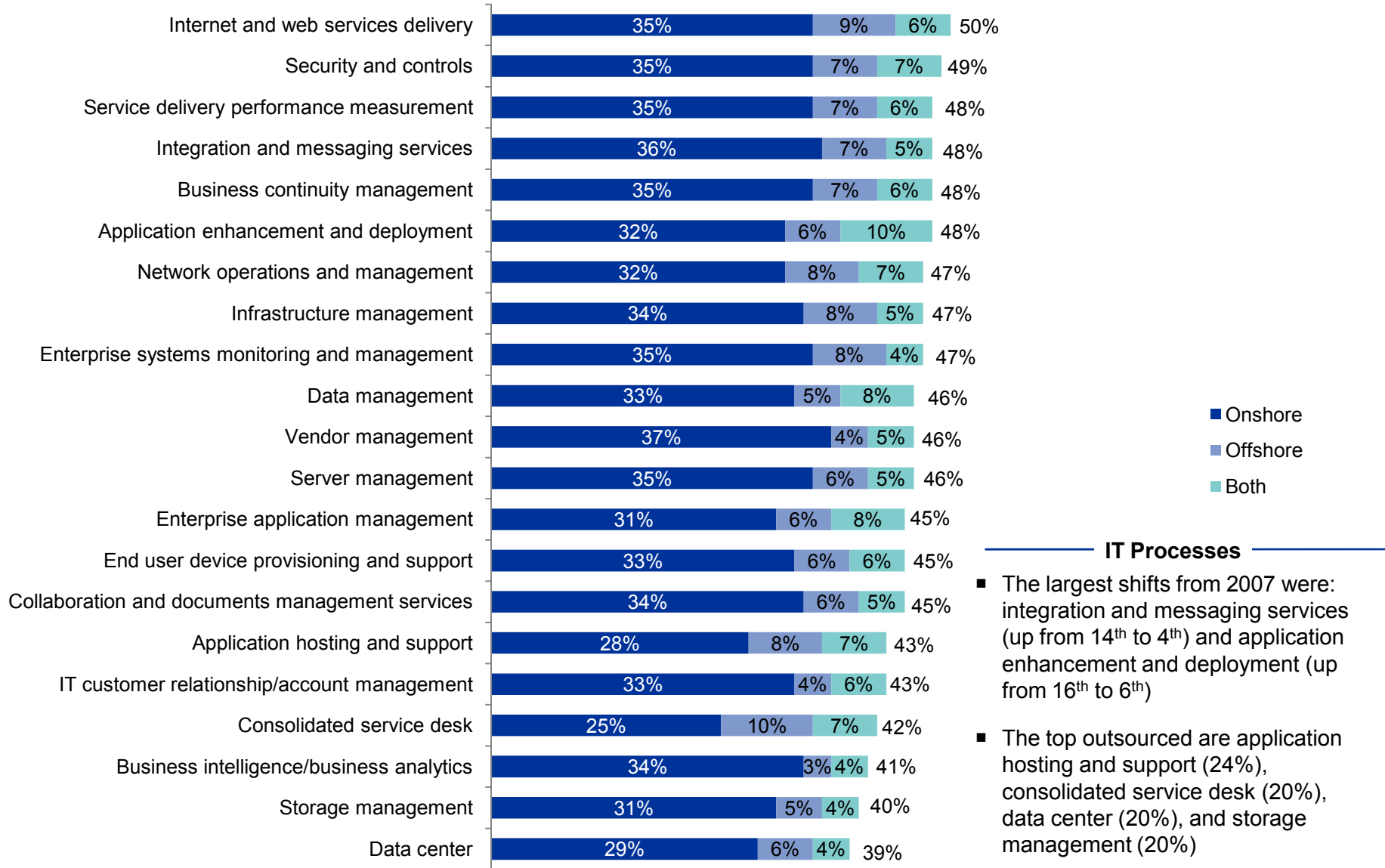
Which human resource processes did your organization perform in its SSCs?



HR Processes

- The most significant shifts in rank from 2007 were for HR Reporting (3rd in rank, up from 9th) and Workforce analytics (13th up from 20th)
- The largest decrease in rank was Succession planning which moved from 17th to 23rd in rank
- The top HR processes outsourced are workforce administration (36%) and pension administration (18%)

Which technology processes did your company perform in its SSCs?



IT Processes

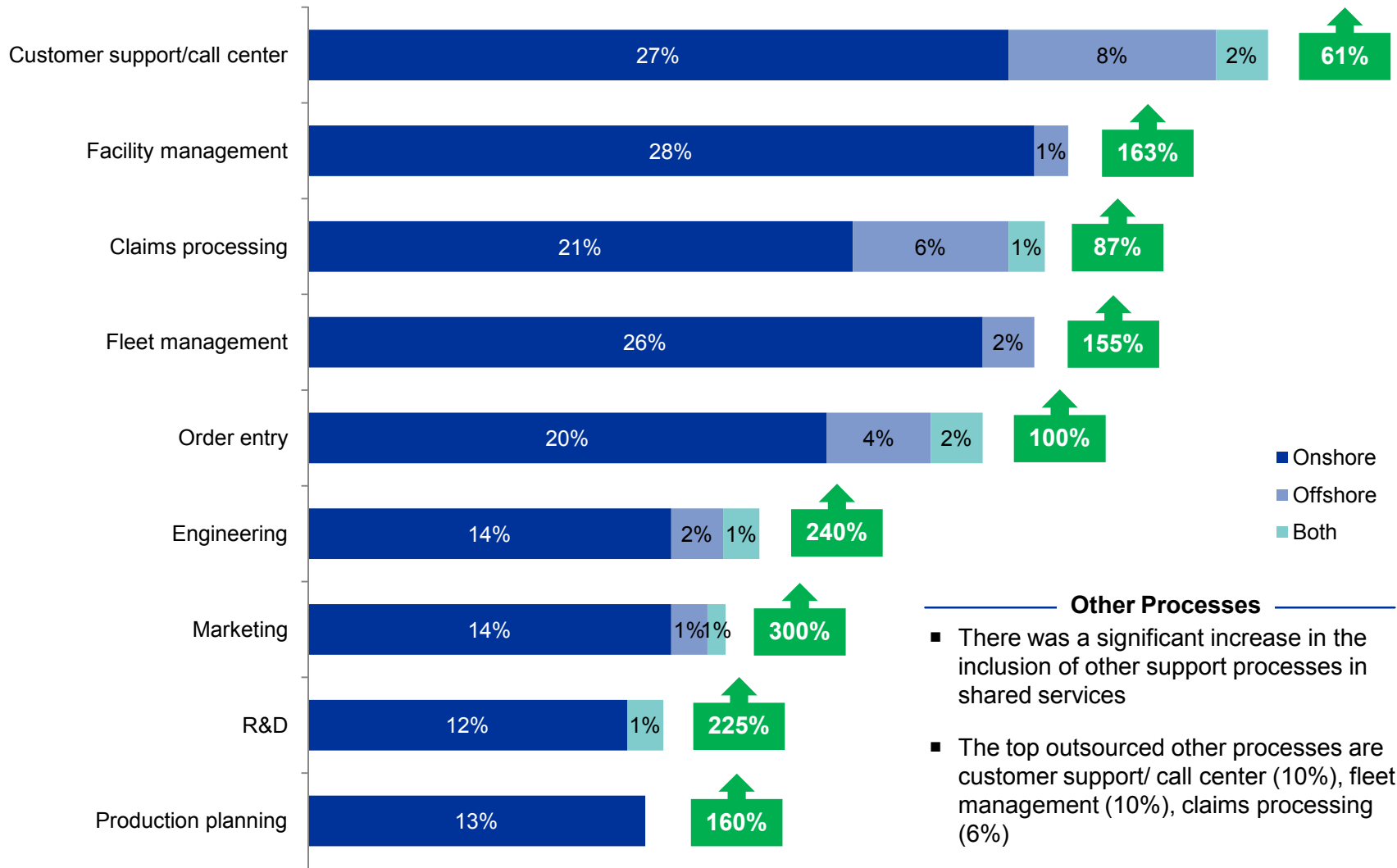
- The largest shifts from 2007 were: integration and messaging services (up from 14th to 4th) and application enhancement and deployment (up from 16th to 6th)
- The top outsourced are application hosting and support (24%), consolidated service desk (20%), data center (20%), and storage management (20%)

Which procurement processes did your company perform in its SSCs?



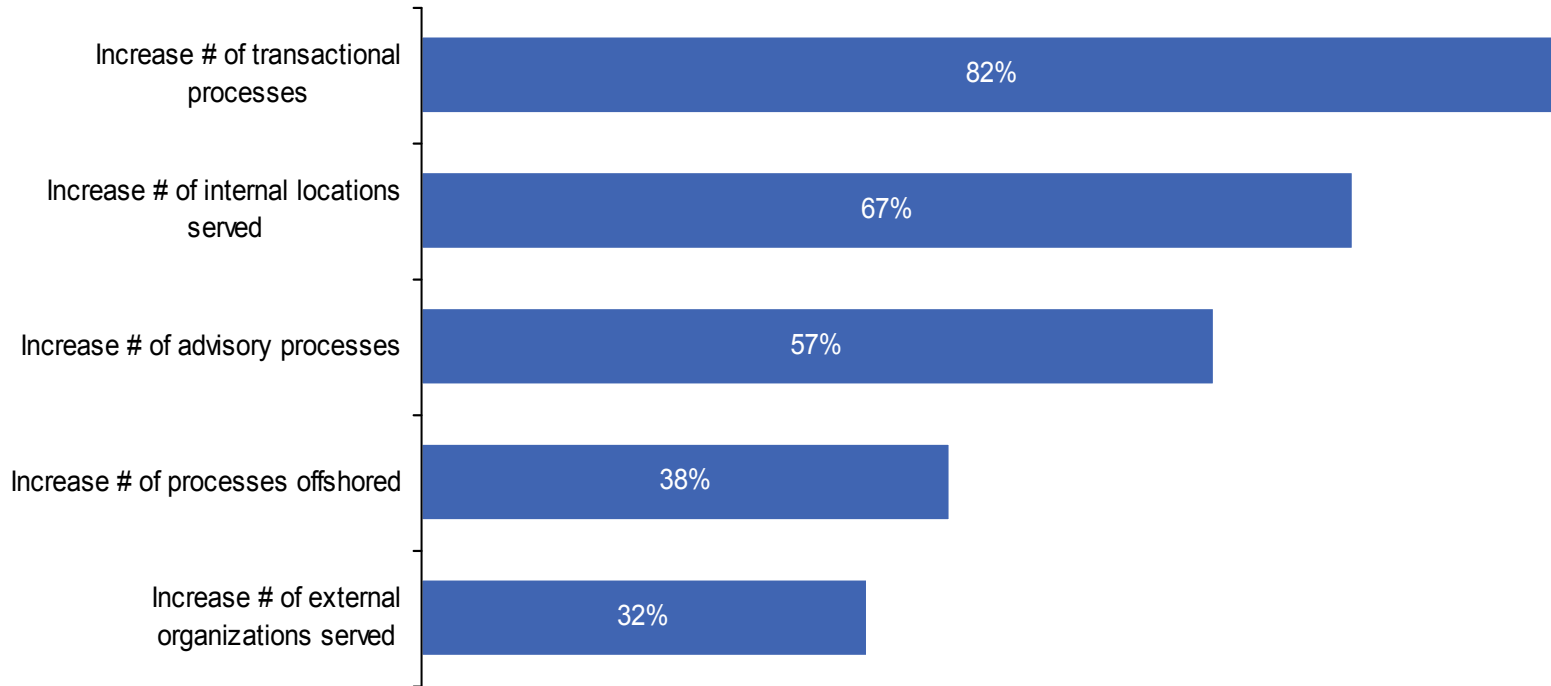
- Procurement Processes**
- The largest shifts from 2007 were Manage RFIs and RFPs and Conducting spend analysis, both moving up 5 spots in rank
 - Benchmarking and Supplier innovation programs increased in their inclusion, however they were the largest shift down in rank
 - The most frequent outsourced procurement processes was managing purchase orders (5%)

Which other processes did your company perform in its SSCs?



= % increase over 2007

What direction is your organization pursuing regarding its use of Shared Services?



Increased Activity in Shared Services

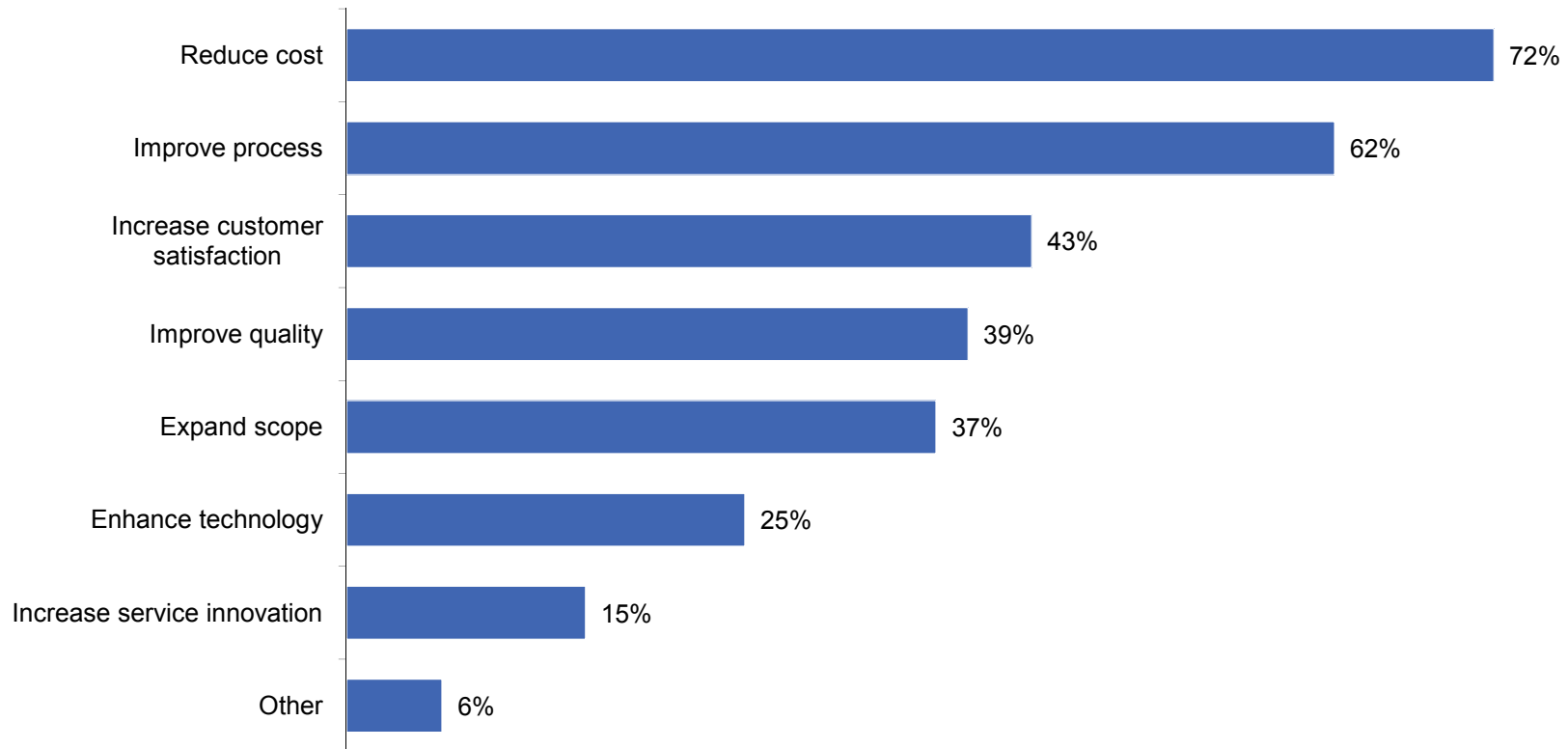
- The majority of participants are still expanding their scope and reach of their shared services centers
- The largest areas of growth over the 2007 survey was a 21% increase in plan to add advisory processes and a 60% increase in the plan to serve external organizations
- 5% of respondents indicated a plan to decrease process in Shared Services

What is Deloitte's point of view on scope?

- Many organizations that started their Shared Services journey with the typical and somewhat limited transactional scope for their SSCs are beginning to pursue a “second-wave” implementation with much broader scope
- The urgent need for cost reduction due to the current economic times are driving organizations to include processes in Shared Services that were originally “off-limits” by the business
- Over the past two years, more organizations have adopted a hybrid model for labor sourcing, combining outsourcing , captive offshoring, and traditional on-shore shared services to optimize service delivery and minimize cost
- The big question -- Multi-functional Shared Services or not?? The need and benefit of multi-functional shared services depends on a multitude of factors including scale, geographic reach, strategic objectives, cost synergies and change imperative – one approach does not fit all

Value

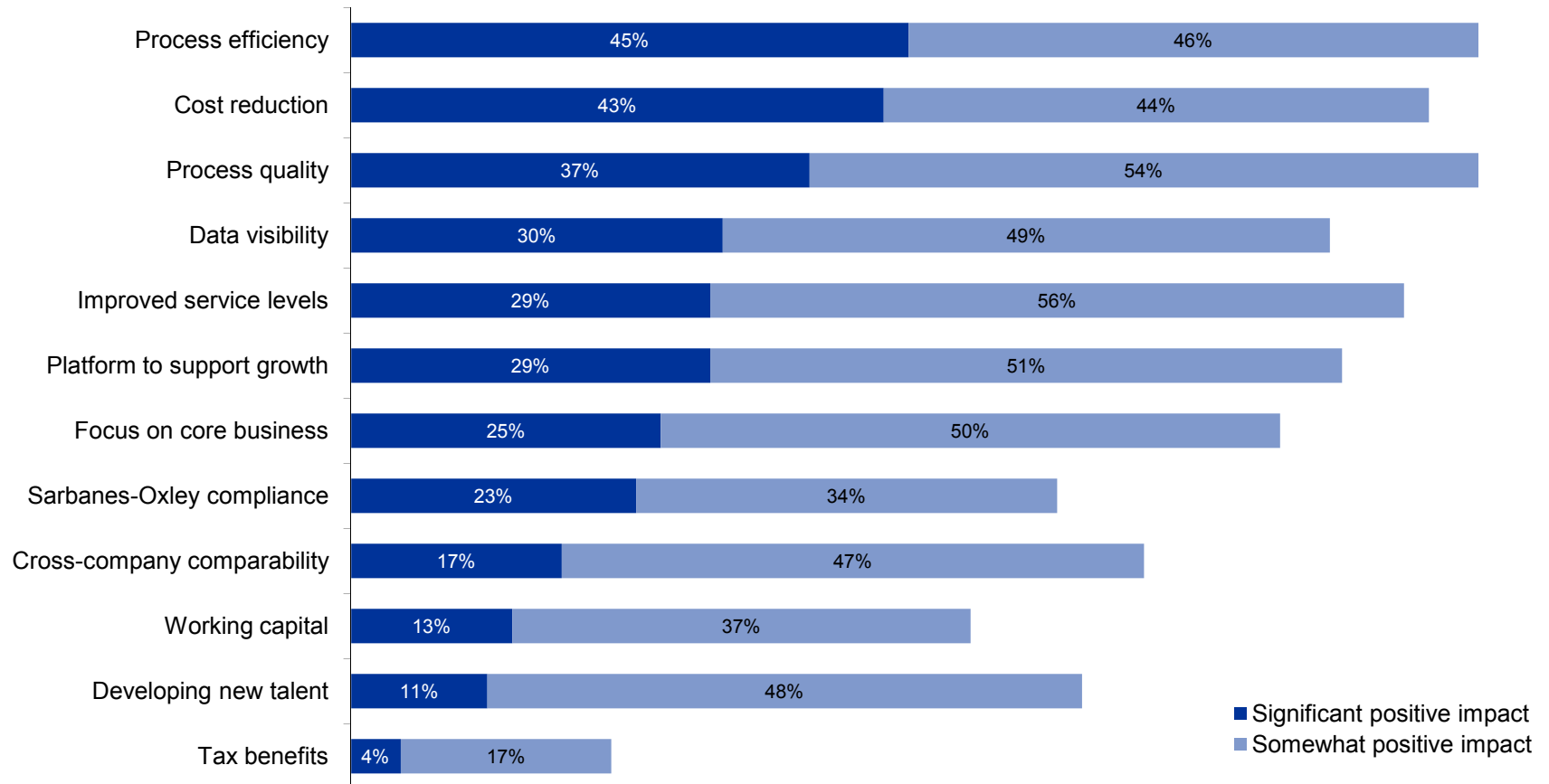
What are your company's top priorities to drive incremental value from its SSCs?



Top Priorities to Drive Incremental Value

- Cost reduction was overwhelming the top ranking SS priority for participants in 2009
- Customer satisfaction has become a much higher priority since 2007

In what areas has Shared Services made a positive impact?

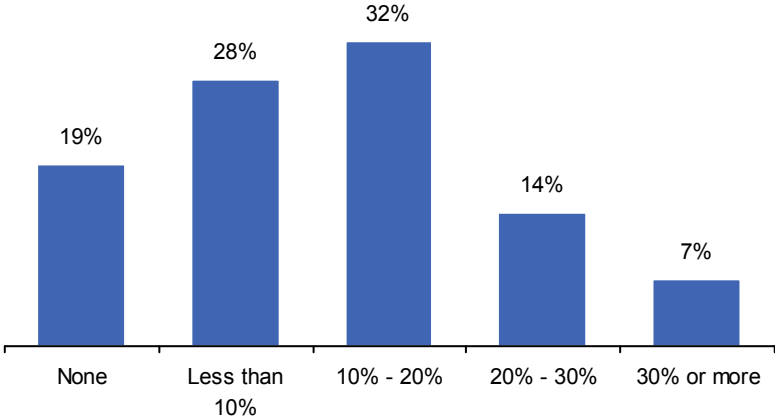


Positive Impacts of SSCs

- Top impacts from SSCs were process efficiency and quality, clearly contributing to the next most impactful categories of cost reduction and improved service levels
- Participants indicated a wide range of areas where they achieved significant positive impact

How quickly has implementing shared services contributed to labor savings?

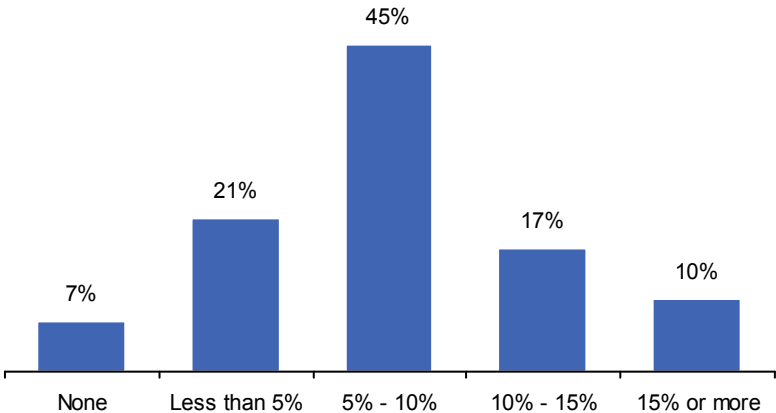
What was the headcount reduction achieved by implementing shared services during the first 12 months?



Headcount Reduction

- Headcount savings during the first 12 months varied greatly
- 53% of respondents achieved greater than 10% headcount savings within the first 12 months of implementation
- The average headcount reduction during the first year was 12%

After the first 12 months, what has been the average annual increase in productivity achieved by your company's SSCs?

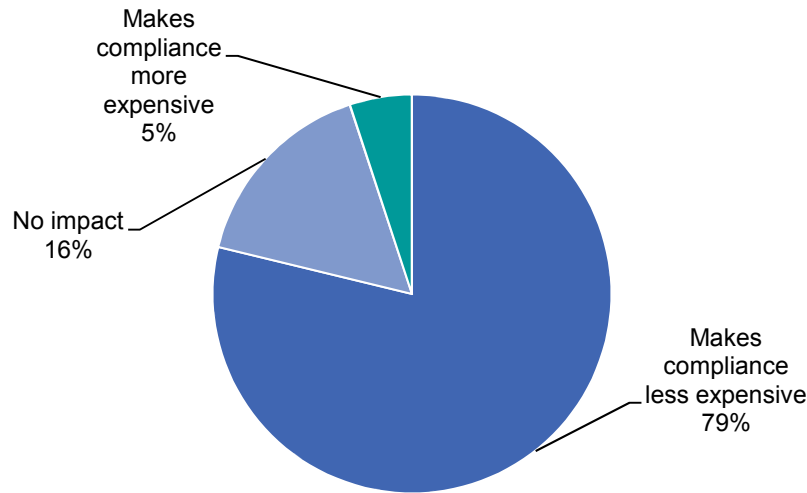


Productivity Improvement

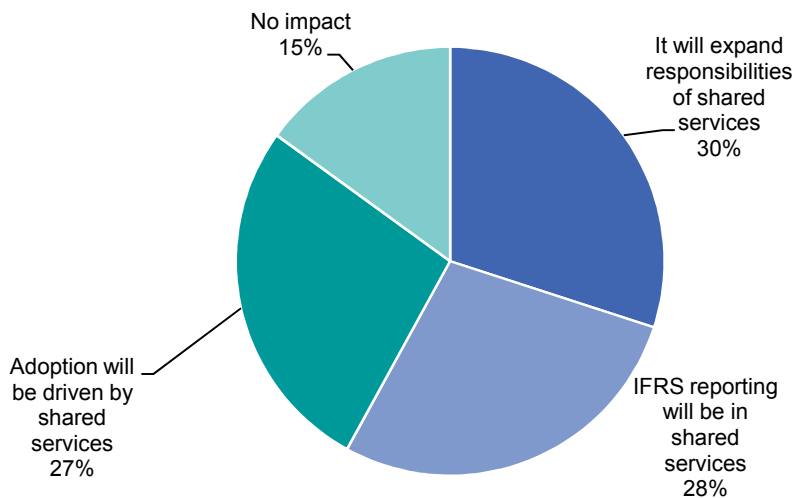
- Over 90% of the participants indicated they have achieved consistent annual productivity improvements from their SSCs
- Over 70% indicated they achieve at least 5% improvement each year and 27% indicated over 10% improvement
- The average annual improvement is 8%

What has been the impact of your SSCs on supporting controls and IFRS?

What impact does your SSC(s) have on the cost of control requirements?



How do you foresee your SSC(s) supporting IFRS?



Impacts of SSC on Controls

- The impact of shared services on controls continues to increase
- The percent of respondents that indicated that their SSCs reduce the cost of compliance increased 26% over 2007
- As in 2005 and 2007, there was a small percentage that indicated SSCs make compliance more expensive

Impact of IFRS on SSC

- Respondents believe that their SSCs will play a major role in the adoption of IFRS
- 85% of the respondents indicated that their SSCs would have an active role with IFRS

What is Deloitte's point of view on value?

- As part of the current economic times, Shared Service leaders top priorities are those that focus on driving cost out of their operation
- Organizations that treat their Shared Service Organization as a business and strategic asset are realizing the most value in terms of both tangible and intangible benefits
- In addition to the initial headcount savings shared services are known for achieving, a majority of centers continue to achieve incremental productivity each year thus reducing the need for additional staff to support expansion or organization growth
- Shared Service Centers continue to reduce the costs of Sarbanes compliance by increasing process standardization and reducing the number of locations performing accounting activities. With the continued adoption of IFRS, Shared Service Organizations will be able to employ the same concepts and reduce the cost of conversion to IFRS as well as the on-going costs of statutory reporting.
- In addition to Shared Service initiatives delivering bottom-line results in the short term, expansion of a Shared Services platform provides a solid cost efficient platform for growth that should deliver larger benefits when the economy turns around

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