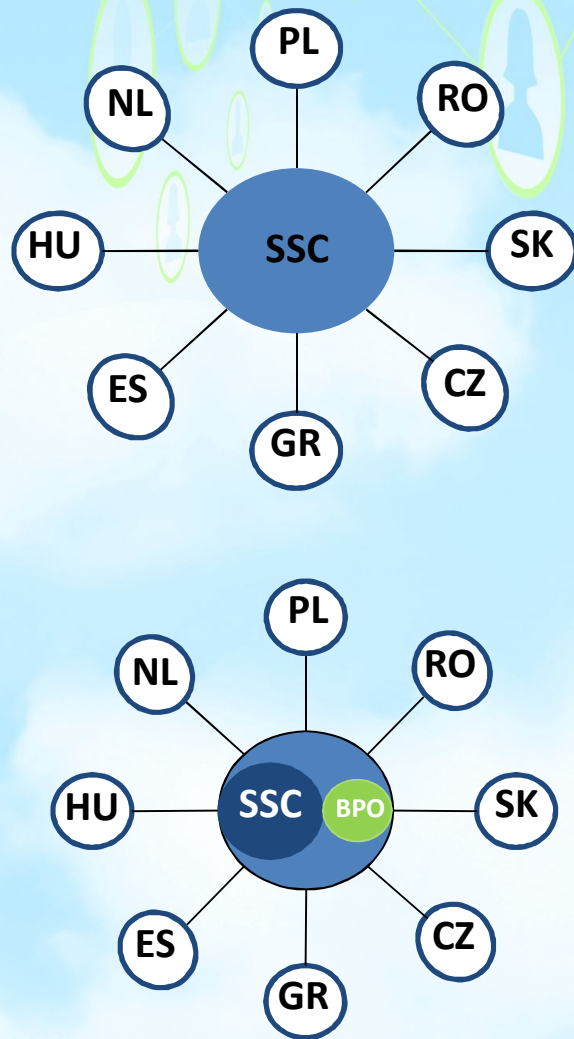# VII Annual Outsourcing Forum
The rise of outsourcing

September 20th, 2012
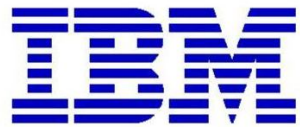
What is Shared services & Outsourcing?

Key Principles

- Run like a business

- Flat organization, organized around teams

- One leader for all shared services

- Service Level Agreement maintained between provider and customer
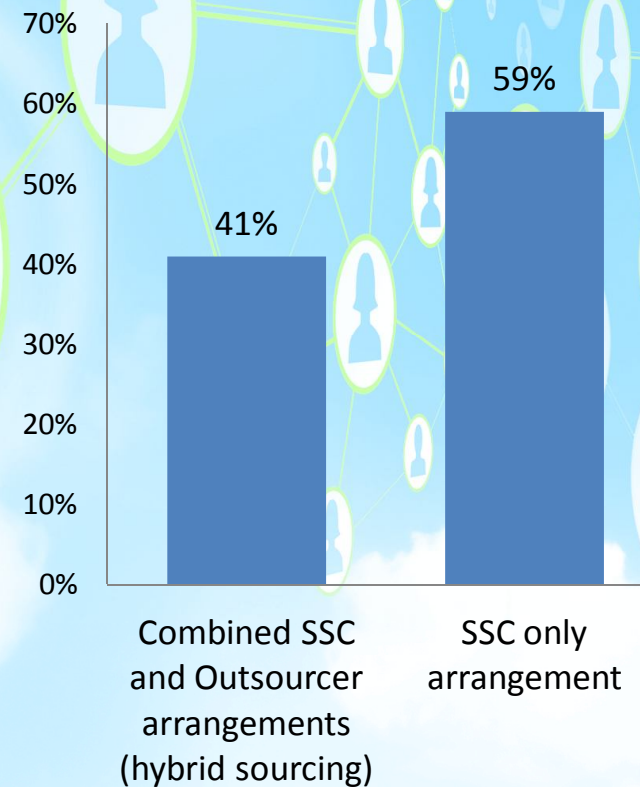
The difference between SSC and outsourcing?

Use of hybrid sourcing model

Chart showing:
- Combined SSC and Outsourcer arrangements (hybrid sourcing): 41%
- SSC only arrangement: 59%

What benefits does it bring?

Cost Savings

- **Elimination of duplicate activities** and **creation of economies of scale** across different subsidiaries and countries
- Optimized resource allocation through movement of work force to **best value locations**

Quality & Service Improvements

- Use of **best practice** and **specialisation** to increase efficiency and improving service levels
- Providing a better service through **unified process and technology**
- **Improved control**, **transparency and compliance** through consistency

Strategic

- Enabled for potential, **future acquisitions**
- Management team **focus on strategy** and not daily operational issues

Why have they been successful?

citibank

RUCH

bp

Coca-Cola

tp
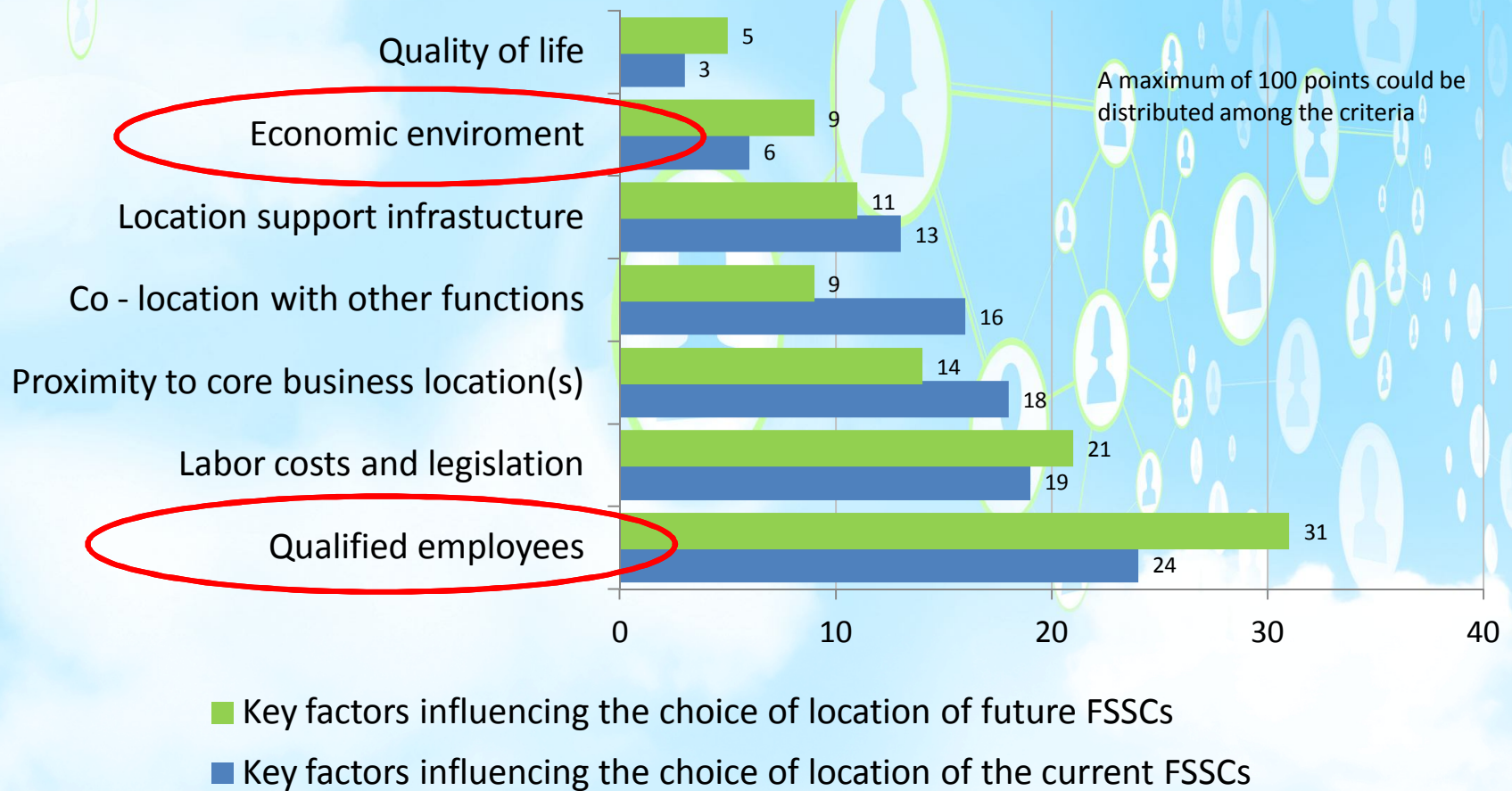
Amway

STATE STREET.

RBS
The Royal Bank of Scotland

Office DEPOT.
Taking Care of Business

IBM

Rockwell
Automation

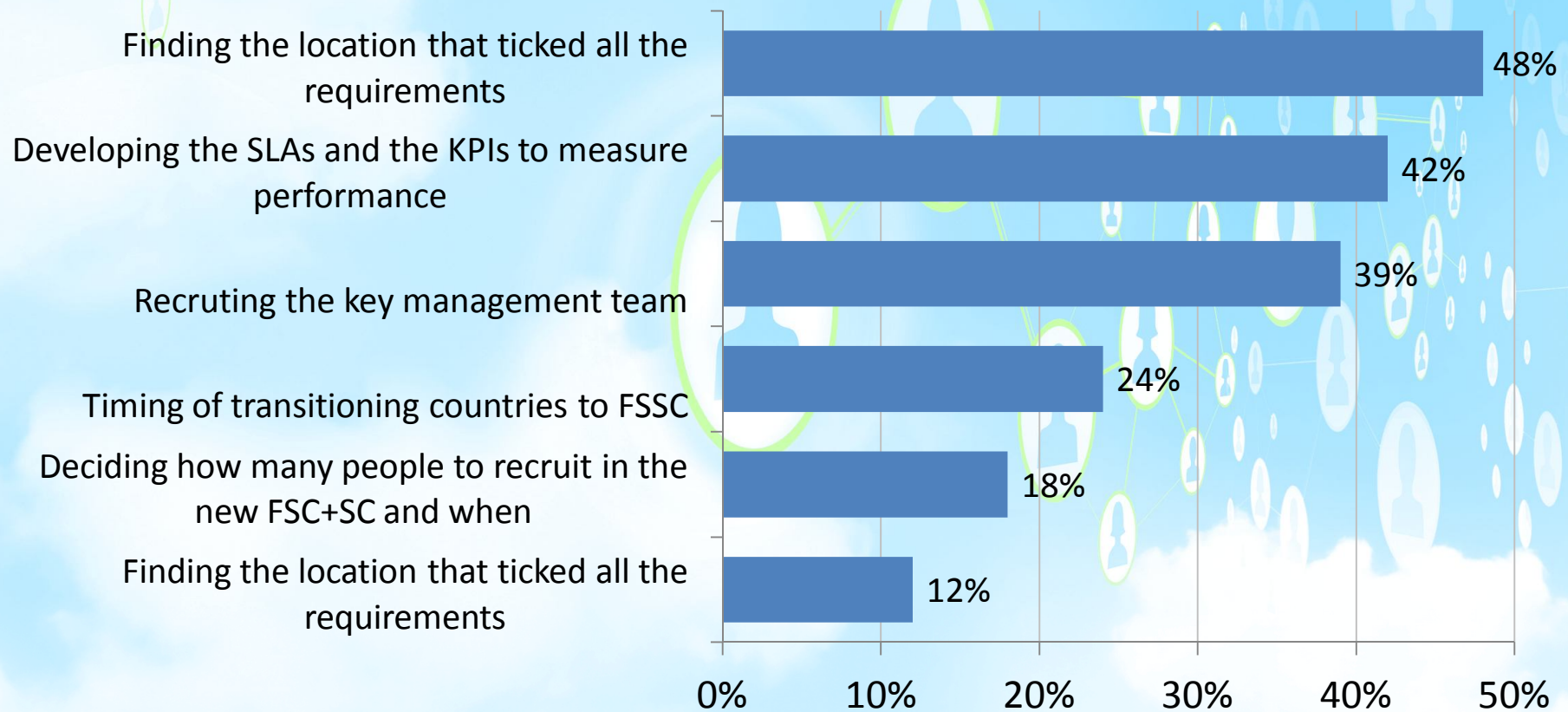# *Location also plays a huge part.....*

Criteria used to select current/future FSSC location

A maximum of 100 points could be distributed among the criteria

Chart data (future / current):
- Quality of life: 5 / 3
- Economic enviroment: 9 / 6
- Location support infrastucture: 11 / 13
- Co - location with other functions: 9 / 16
- Proximity to core business location(s): 14 / 18
- Labor costs and legislation: 21 / 19
- Qualified employees: 31 / 24

Legend:
- ■ Key factors influencing the choice of location of future FSSCs
- ■ Key factors influencing the choice of location of the current FSSCs

Greatest Challenges to overcome when setting up a SSC.....

Challenge	Percentage
Finding the location that ticked all the requirements	48%
Developing the SLAs and the KPIs to measure performance	42%
Recruting the key management team	39%
Timing of transitioning countries to FSSC	24%
Deciding how many people to recruit in the new FSC+SC and when	18%
Finding the location that ticked all the requirements	12%

Where are we heading.....

Operational benefits

- 40+%
- 20-40%
- 10-20%
- 5-10%

Decentralised

Coordinated In-House Practices

Shared Services In-House

Finance & HR SSC

Multi Function/BPO

Finance , HR IT

Global Business Services

GBS Finance, HR, IT, Procurement, R&D, KPO etc.

The move to GBS...

- Higher end processes to support evolving business needs and the company strategy

- Strong business intelligence capability (analytics) and measured on business value

- Emphasis on end-to-end processes across functions in scope

- Pricing and charging mechanisms in place (activity based costing)

- Seamless integration of internal and external outsourcing/SSC and centers of excellence

- Common services architecture across functions and businesses

- Enabling technologies, such as contact management, imaging and workflow

How does what's happening in the economy effect us....