The Capgemini Consulting Shared Services Study 2013

Focus on Internationalization
Introduction

The Capgemini Consulting “Shared Services Study 2013 – Focus on Internationalization” confirms the trend towards internationalization of shared services and indicates a shift to digitalized processes and collaboration tools. While most large and mid cap companies have already implemented regional or business area focused shared services organizations, the full potentials of standardization, service quality and cost efficiency have not been reached yet: only 31% of study participants have been able to reduce their costs by more than 15%. Furthermore, our Germany oriented study sample indicates a rather small group of companies has truly international shared service structures in place, the Anglo-American peer group most likely tops that share.

Still, with further internationalized core businesses and the megatrends globalization and digitalization offering opportunities for global service delivery, respondents expect German and European companies to quickly take the next leap towards international, digitally enabled multi-tower support organizations.

The study focused on German DAX 30 companies, industries covered include: Automotive, Chemicals, Consumer Products & Retail, Distribution & Transportation, Energy / Utilities, High Tech, Financial Services, Life Sciences, Manufacturing, Telecom / Media & Entertainment.
Internationalization – A Global Trend for Shared Services

International core business activities are today’s reality with global players leveraging worldwide supply chains to produce and deliver their products all around the globe. However, so far German and European companies have had a reputation for being rather hesitant attention to internationalization of internal support processes. This study sample of industry leaders yet draws a different picture. 41% of participants see internationalized shared service structures as business critical and have them in place, while 35% of participants are currently working on internationalization plans. A high number of 71% plan to have international SSC structures in place by 2015, so these efforts need to be materialized within the next 2.5 years (see figure 1). Another indicator for internationalization is the staff allocation planning. There is a clear trend for offshoring – taking the accounting function as an example, 64% of participants plan to employ less than 50% of their accounting staff at onshore locations by 2015.

Figure 1: Need for SSC internationalisation

A strong increase in planned international SSCs by 2015 indicates an apparent need for internationalisation.

Internationalization of captive shared service organizations is agreed to be an opportunity and a challenge at the same time.

Opportunities include:
- Global resource availability and accessibility allowing for global labor arbitrage
- Digital innovation to enable cross-border collaboration and business control
- Thus, expansion of service scope towards multi-tower services that even reach into core business processes

Challenges include:
- Necessity to serve globally acting business units with a globally standardized service model
- Business demand to cover regional / country specifics at the same time
- Complexity to manage international service delivery of equally affordable high quality
- Declining market prices for business services
The reasoning for internationalization is closely linked to its benefits. One of the foremost mentioned reasons for Shared Services is cost reduction, but only 31% of study participants have been able to reduce their costs by more than 15% during the last three years. Further cost reduction via labor arbitrage opportunities in low cost countries is therefore a reasonable expectation on internationalization. However, study participants consider quality improvement and standardization to be of even higher priority (see figure 2). Implied benefits such as lower process complexity and error susceptibility are seen as important enablers for internationalization and at the same time will lead itself to a reduction in cost.

**Figure 2: Priorities for SSC operations**

![Figure 2: Priorities for SSC operations](image_url)

**Implications of Internationalization for Shared Services Design**

**Delivery Model and Sourcing Approach**

Internationalization requires fundamental adaptations to organizations. 45% of participants prefer a global hub and regional spoke delivery model for their future, as opposed to the currently predominant delivery model of separate on-shore SSCs within the company’s country/ies of action (see figure 3). The hub and spoke model combines a central hub, preferably located in a low-cost, offshore country, with several regional spokes. The latter provide services adapted to regional and country specifics which require business partner interaction. This way, companies create the international infrastructure and broad acceptance for standardized global service delivery, being able to globally support business activities wherever they will emerge.
With regards to sourcing, the study sample indicates no clear preference for a particular approach, neither for hybrid sourcing (45%) nor for a captive solution (45%). This can be explained with the general skepticism regarding outsourcing, due to e.g. strategic and security-related concerns, as well as to anticipated political hurdles that emerge with any outsourcing discussion. This skepticism is clearly underlined by only 5% of participants opting for a pure BPO (Business Process Outsourcing) solution by 2015 (see figure 4).

**Figure 3: Preferred delivery model for Shared Services**

There is a strong preference for the global hub and regional spokes delivery model as the basis for international Shared Services.

**Figure 4: Preferred delivery model for Shared Services**

Hybrid sourcing or solely captive SSC structures are and will be the preferred sourcing options for the near future.
Sustainable Shared Services Organization (SSO) governance: Professionalized service management with SLAs/KPIs and clear role-split.

Governance
The right governance is of pivotal importance for effective shared service provision, especially in the international context. Besides the operational interfaces to internal customers that are fixed by SLAs an often forgotten focus should be on the relationship between the sovereignty and the service function. The sovereignty function sets the framework for service delivery by defining standards and rules. At the same time it needs to ensure control and compliance with given standards by the service function. A mix of sovereignty and service function leads to complexity in control processes and prevents the existence of global standards for e.g. service levels and pricing rules. In practice, local or regional internal standard setters are difficult to align on the requirements of globally acting business units. In addition, mixing sovereignty and service function leads to a misallocation of resources in terms of allocating tasks to either over or under qualified personnel. In this respect, the study results indicate a healthy and necessary development towards clear separation of sovereignty function and service function, with 71% of participants planning to do so in 2015.

Figure 5: Priorities for SSC operations

A clear separation of sovereignty function and service function will be the predominant governance approach by 2015

© Capgemini Consulting 2013
Process Standardization and Process Management Approach

Current process standardization is perceived as poor and not operational by 64% of all respondents. Though, in the context of internationalization, process standardization, is not only important for its apparent benefits, but essential for effective and efficient global service delivery. The study indicates that process standardization on business unit level or regional level is highly aspired in 2015 by 63% of participants. Only 32% plan to standardize their processes by 2015 on a global level. An explanation for that is the high level of complexity in globally standardizing processes and the questionable value of global alignment of important local requirements. Experience shows that a global process framework that allows for business unit or regional detailing is the most efficient and rewarding approach.

Process management, on the other side, is preferably organized on a global level. 66% of participants opt for a global process management by 2015. Half of them also plan to integrate an end-to-end process view. This indicates a huge development potential since the currently predominant approach is characterized by functional silos or cross-function business unit / regional process management.

The global perspective on process management ensures the required level of standardization and comparability, compliance and control that is imperative for effective global service delivery.

Figure 6: Standardisation grade of process structures
Process Digitalization and Collaboration

Automation of processes will further proceed through workflows, digitalization of interfaces to business partners as well as between internal shared service teams. For 2015, 79% of participants plan to extend their digital outreach to integrate processes with their clients and suppliers. This indicates a major shift in digital maturity as currently only 21% integrate digitally with their business partners.

Figure 7: Preferred process management approach

Global process management will be the dominant approach for the future and is vital for effective international collaboration.

Figure 8: Digitalisation of shared services processes

Digitalised workflows and client interfaces will build the basis for internationalised Shared Services across borders.
Further digitalization will also find its way into the collaboration with internal and external business partners. Features such as mobile access and other digital tools for virtual teamwork will complement current standard collaboration tools. With 74% intending to implement it by 2015, digital client collaboration interfaces is the hot topic, followed by mobile access solutions (63%) and virtual teamwork solutions (42%).

Obviously these new technologies will support international collaboration and are thus equally important to global service delivery as is thorough process standardization.

**Figure 9: Digitalisation of collaboration in shared services**

<table>
<thead>
<tr>
<th>Digital collaboration with clients and colleagues, incl. mobile access</th>
<th>in 2012</th>
<th>in 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard tools: e.g. e-mail, pdf.</td>
<td>74%</td>
<td>63%</td>
</tr>
<tr>
<td>Live collaboration tools: e.g. video conferencing, live document sharing</td>
<td>63%</td>
<td>58%</td>
</tr>
<tr>
<td>Mobile access to collaboration tools via e.g. laptops, tablets</td>
<td>57%</td>
<td>63%</td>
</tr>
<tr>
<td>Digital collaboration interfaces with clients</td>
<td>53%</td>
<td>42%</td>
</tr>
<tr>
<td>Digital collaboration tools to enable virtual teamwork</td>
<td>42%</td>
<td>42%</td>
</tr>
</tbody>
</table>

© Capgemini Consulting 2013
Shared Service Center Internationalization Maturity

The global Digital Support Organization is the Capgemini Consulting vision for future shared service organizations and marks the highest development stage in our maturity assessment model. We believe that platform characteristics such as the multi-tower capability to provide synergetic all-round services based on common standards or the flexibility for fast and flexible client adoption and decoupling will provide strategic advantages in increasing a whole group’s agility. Complemented by increased automation and end-to-end integration through digitalized workflows and collaboration tools, automated IT architecture as well as location independent (mobile) access, a Digital Support Organization combines standardization and automation with great flexibility.

Figure 10: Participant’s self-perception vs. actual score of shared service centre maturity

Capgemini Consulting’s maturity assessment for shared services covers distinct design criteria along the dimensions organization and governance, processes, employees, IT/ Data, pricing and divides the maturity level in five stages.

Participants have been asked to state their self-perceived maturity score, before answering the assessment questions. Although self-perception and actual scores slightly diverge, both scores indicate an apparent need for action: by 2015 65% of SSC operations shall be internationalized, leveraging a global support platform (see figure 10).
Capgemini Consulting’s Expertise and Value-Added in SSC Internationalization

Creating lasting change in touch with the latest trends - our long experience in shared service projects shows that two factors in particular are critical to the continued success of your shared service project. Firstly, a holistic approach that does not only focus on the optimal end-to-end process model and IT system, but also considers the entire organization with its employees. Furthermore, a structured transformation of your organization is critical, e.g. the orchestration of top-down strategic targets and design features with bottom-up detailed design and implementation. Only a holistically structured transformation project can overcome organizational resistance to change. The typically applied project phases are:

- Maturity assessment and benchmark analysis
- Target picture design – Digital global support organization
- Implementation – Organizational Transformation

As a transformation consultancy we have extensive expertise and proven methods for control and monitoring of your change project. Our global presence provides assistance on all continents – including local know-how where necessary. Analysis, design and implementation methods such as BeLean™ or business process management (BPM) are worldwide constantly evolving and successfully applied with consideration for industry and function specifics.

Size matters: International multi-tower SSC organizations on the rise – more and more also including transactional operational services.
Contact

Thorsten Hieber
Principal
+49 151 4025 0815
thorsten.hieber@capgemini.com

Volker Darius
Managing Consultant
+49 151 4025 2497
volker.darius@capgemini.com

About Capgemini Consulting
Capgemini Consulting is the global strategy and transformation consulting organization of the Capgemini Group, specializing in advising and supporting enterprises in significant transformation, from innovative strategy to execution and with an unstinting focus on results. With the new digital economy creating significant disruptions and opportunities, our global team of over 3,600 talented individuals work with leading companies and governments to master Digital Transformation, drawing on our understanding of the digital economy and our leadership in business transformation and organizational change.

Find out more at:
www.de.capgemini-consulting.com

About Capgemini
With more than 125,000 people in 44 countries, Capgemini is one of the world’s foremost providers of consulting, technology and outsourcing services. The Group reported 2012 global revenues of EUR 10.3 billion (more than $13 billion USD).

Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want. A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

Find out more at:
www.de.capgemini.com

The information contained in this document is proprietary. ©2013 Capgemini. All rights reserved. Rightshore® is a trademark belonging to Capgemini.