

Shared Services: Multiplying Success

*From single- to multi-
functional and global
Shared Services.*

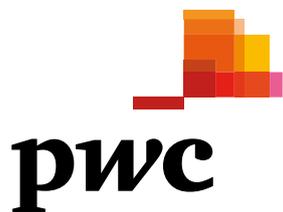
July 2016



Shared Services: Multiplying Success

*From single- to multi-
functional and global
Shared Services.*

July 2016



Shared Services: Multiplying Success

Published by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft

By Michael Suska and Arne Weuster.

With contributions from Friederike Schulz, Claudia Gaiser and Simon Reimers.

July 2016, 68 Pages, 37 Figures, Soft cover

All rights reserved. This material may not be reproduced in any form, copied onto microfilm or saved and edited in any digital medium without the explicit permission of the editor.

This publication is intended to be a resource for our clients, and the information therein was correct to the best of the authors' knowledge at the time of publication. Before making any decision or taking any action, you should consult the sources or contacts listed here. The opinions reflected are those of the authors. The graphics may contain rounding differences.

Printed in Germany.

Preface

Shared Service Organizations have continued to mature over the years. In response to global economic trends and social changes, Shared Service Business models have been further developed and continuously improved. In this context, our intention in producing this report was not only to assess how Shared Service Centers (SSC) are operating, and if they should be implemented at all, but also to find out what steps should be taken in order to strengthen your Shared Service Business for the future.

In addition, growing market competition calls for higher levels of efficiency and continuously increasing effectiveness. As the title of the survey already suggests, a main task for organizations will be to multiply the success of their Shared Service Centers by integrating multi-functional services with a global focus, by reaching higher activity splits between Shared Services and retained organization, and by achieving higher standardization and automation levels. We have therefore broadened our scope in comparison to our previous Shared Service Center surveys. This year's survey covers not only Accounting but various other functions such as Procurement, Human Resources and IT.

Moreover, we have adjusted the content of the present survey to provide a more detailed look at future challenges and how to tackle them instead of focusing solely on the status quo. In this respect, we give you specific benchmarking information that has been substantiated by a number of profound PwC points of view written by the respective PwC experts.

This study is the fourth in a series of biennial publications. The underlying survey was conducted from November 2015 to April 2016. A total of 75 companies from various industries in more than 20 countries worldwide participated in the survey, collectively representing about 300 Shared Service Centers. The participants thus form a solid basis to evaluate the current performance and future trends of Shared Service Centers.

We would like to thank all of the participating companies, organizations and individuals who took the time and effort to provide extremely valuable input, as well as our global PwC Network, which supported our team in producing the survey.

We hope that you enjoy reading this report and gain insights that will be useful to you for the further development of your organization.

Stuttgart, July 2016



Michael Suska

Partner
Stuttgart, Germany
Tel: +49 711 25034-3250
Mobile: +49 175 4370803
michael.suska@de.pwc.com



Arne Weuster

Senior Manager
Essen, Germany
Tel: +49 201 438-1204
Mobile: +49 151 15132717
arne.weuster@de.pwc.com

Table of contents

Table of figures.....	8
Abbreviations.....	9
A Key findings	10
B Current situation and changes in the Shared Service Business	12
1 Status quo.....	13
2 Recent developments in Shared Services	20
C Assessing the Shared Service landscape	24
1 Strategy	25
2 Governance and organization.....	32
3 Processes and services	33
3.1 Activity splits	34
3.2 Process management	43
4 Technology	44
5 People.....	50
6 Service management	52
D Shared Services in the age of global digitization	60
E Profile of the survey	63
Contacts.....	66



PwC expert insights

Administration Excellence and the middle market.....	17
Robotic Process Automation.....	22
The move to Global Business Services	30
Are Procurement Shared Services nearing their best-by date?	40
HR Shared Services in the digital age.....	46
Shared Services – trends and opportunities in Controlling.....	56



“As more organizations leverage Global Business Services strategies to align business objectives and obtain economies of scale, business services transformation has become an important tool to accelerate and complement business strategies.”

“A new generation of ‘digital native’ employees conquers Shared Service Center workplaces.”

“Robotic Process Automation, predictive analytics, cognitive platforms and smart contracts are not science fiction or buzzwords of the future anymore.”

Table of figures

Fig. 1	Business functions in the Shared Service Market clustered in benefits and maturity level1	13
Fig. 2	Extent to which objectives have been realized	14
Fig. 3	Time needed to stabilize Shared Service operations after implementation	14
Fig. 4	Comparison of anticipated and realized operation cost savings	15
Fig. 5	Comparison of planned and actual FTE reduction in the initial business case	15
Fig. 6	Comparison of planned and realized amortization time for implementing Shared Services Centers	16
Fig. 7	Progression/evolution of Shared Service Business	20
Fig. 8	Implementation strategy	25
Fig. 9	Organizational set-up by function	27
Fig. 10	Organizational strategy for the next two years	28
Fig. 11	Sourcing strategy	28
Fig. 12	Overview of upcoming challenges and typical initiatives	29
Fig. 13	Assignment of responsibility for process management and development	32
Fig. 14	Comparison of actual and targeted organizational structures	33
Fig. 15	Shift from transactional to knowledge-intensive processes	34
Fig. 16	Activity split – Accounting	35
Fig. 17	Activity split – Taxes, Treasury and Cash management	35
Fig. 18	Activity split – Controlling	36
Fig. 19	Activity split – Procurement	36
Fig. 20	Activity split – Sales	37
Fig. 21	Activity split – Human Resources	38
Fig. 22	Activity split – IT	39
Fig. 23	Level of process documentation	43
Fig. 24	Level of standardization with regard to the existence of a standard process model	43
Fig. 25	Level of process standardization with regard to the use of the ERP system	44
Fig. 26	Percentage of staff that rated working conditions as “good” or “very good”	50
Fig. 27	Annual staff turnover over the last three years	50
Fig. 28	Language profile of employees	51
Fig. 29	Relevance of selected service criteria across various hierarchy levels	52
Fig. 30	Selection of charging concepts for Shared Services	53
Fig. 31	Level of use of internal/external benchmarks to evaluate the Shared Service Center performance	54
Fig. 32	Extent to which a CIP approach is in use to improve business processes	54
Fig. 33	Typical KPI for Shared Services	55
Fig. 34	Participation by industry	64
Fig. 35	Company turnover in millions of Euro in 2015	64
Fig. 36	FTE employed in the entire company in 2015	65
Fig. 37	Number of countries with international operating locations	65

Abbreviations

Acc	Accounting	HR	Human Resources
AI	Artificial Intelligence	IT	Information Technology
BP	Business Partnering	KPI	Key Performance Indicator
BPM	Business Process Model	Mgmt	Management
BPMN	Business Process Model and Notation	OCR	Optical Character Recognition
CFO	Chief Financial Officer	O2C	Order to Cash
CIP	Continuous Improvement Process	P2P	Purchase-to-Pay process
CoC	Center of Competence	R&D	Research and Development
CPO	Chief Performance Officer	RPA	Robotic Process Automation
ERP	Enterprise Resource Planning	SCM	Supply Chain Management
F&A	Finance and Accounting	SG&A	Sales, General and Administration
FP&A	Financial Planning and Analysis	SLA	Service Level Agreement
FTE	Full-time equivalent	SMAC	Social, mobile, analytics, cloud
GBS	Global Business Services	SSC	Shared Service Center
G/L	General Ledger	SSF	SAP Shared Services Framework
GPO	Global Process Owner	TQM	Total Quality Management

A Key findings



Shared Services still are a key driver for efficiency increase and cost reduction

Implementing a Shared Service Center can enable companies to achieve cost savings in excess of 30%. At the same time Shared Services significantly improve the quality of services. We already know from our previous surveys that Shared Services for Accounting have reached a high level of maturity. However, full efficiency has not been attained yet, and there is still room for optimization as the levels of standardization and automation continue to rise.

Digitization and new business models have a significant influence on the service organization

Technological breakthroughs and the development of new business models have an increasing impact on the Shared Service Business. Newly developed expert services, such as predictive analytics, and the underlying IT solutions are a result of the more dynamic and flexible set-up of modern companies. In addition, those business models require a more customer and end-to-end oriented view on the business and increased flexibility in the provided services.

Companies are pursuing a multi-functional service strategy instead of operating various Single Towers

The traditional Single Tower concept is becoming obsolete as the prevalence of multi-functional or Global Business Services significantly increases. Organizations are expanding their process scope, consolidating their functions geographically and bringing them under one consistent conceptual framework. This enables them to achieve advanced efficiency and improve the effectiveness of services.

Continuous improvement has widely been adopted but most companies still have not realized its full potential

To meet customer needs regarding quality and costs, the majority of companies has adopted a Continuous Improvement Process (CIP) that aims to monitor, evaluate and improve service provision on a regular basis. In most cases the adoption of CIP leads to significant process improvements. However, in terms of efficiency, many organizations still see room for optimization.

Process automation is the next step to further optimize Shared Service operations

Advanced technology has a major impact on today's business environment and has significantly changed the Shared Service Business. Digitization is a strong lever to enhance service quality. A hot topic currently being discussed is Robotic Process Automation (RPA) which achieves a high level of automation in the area of transactional processes.

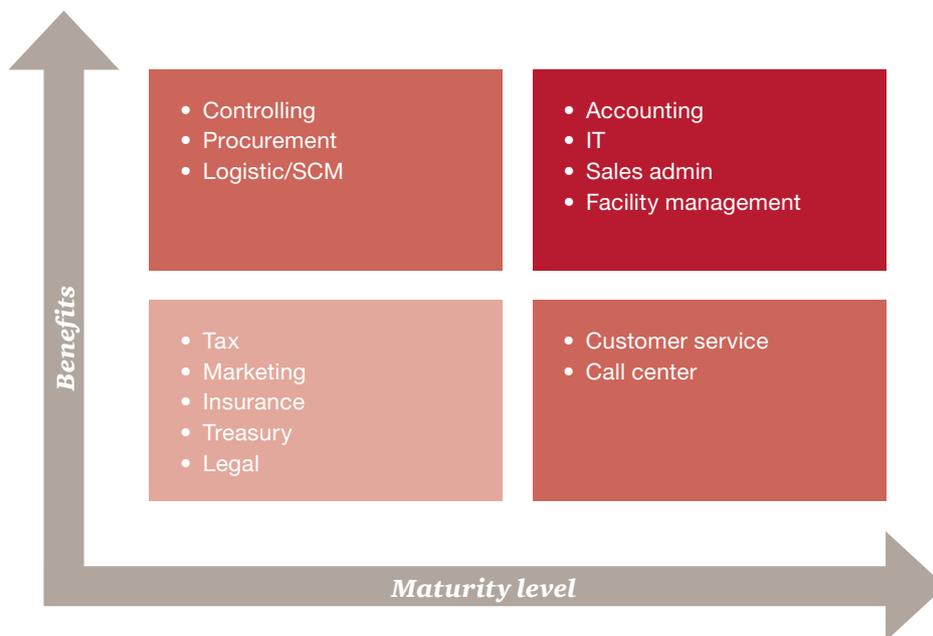
B Current situation and changes in the Shared Service Business



1 Status quo

The value of Shared Services has long been known and Shared Service Centers have achieved strong market penetration. Companies benefit from significant cost reductions due to labor arbitrage and economies of scale.

Fig. 1 Business functions in the Shared Service Market clustered in benefits and maturity level¹



Most of the participating Shared Service Centers were established between 2010 and 2012². A very impressive development is the sharp decrease in the number of new implementation projects for Accounting Shared Services in recent years. This indicates that Accounting Shared Service Centers are widely established. Due to the fact that activity splits, standardization and automation are on a low level, Accounting often focuses on corresponding optimization initiatives.

When setting up their Shared Services, most organizations consider cost savings as the most important objective, followed by quality improvement and increased transparency. Less important factors include time reduction or the creation of a strong governance framework.

Cost reduction and quality improvements are the most important objectives when setting up an SSC

¹ As assessed by PwC experts in the respective areas.

² This survey question focused on the period from 2000 until now. Therefore, there is no evaluation of the establishment of Shared Service Centers before 2000.

Fig. 2 Extent to which objectives have been realized

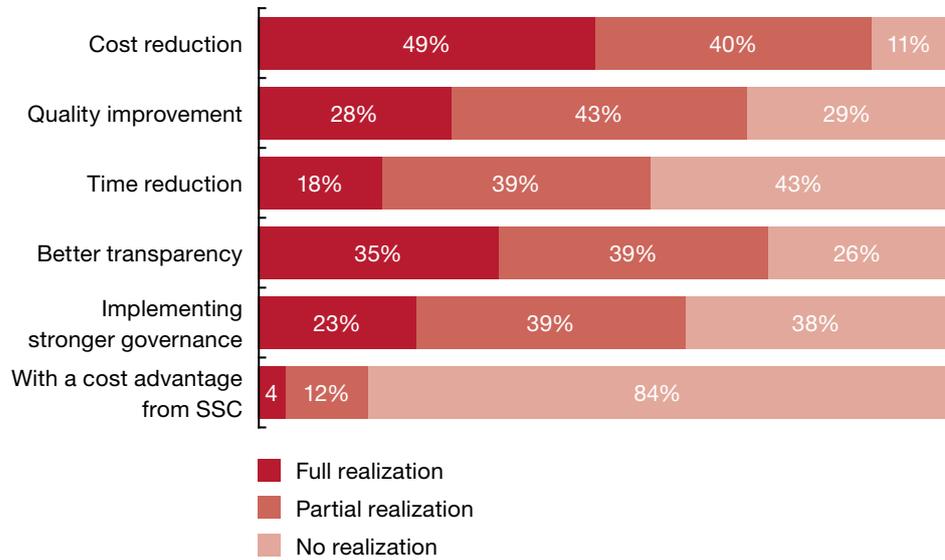
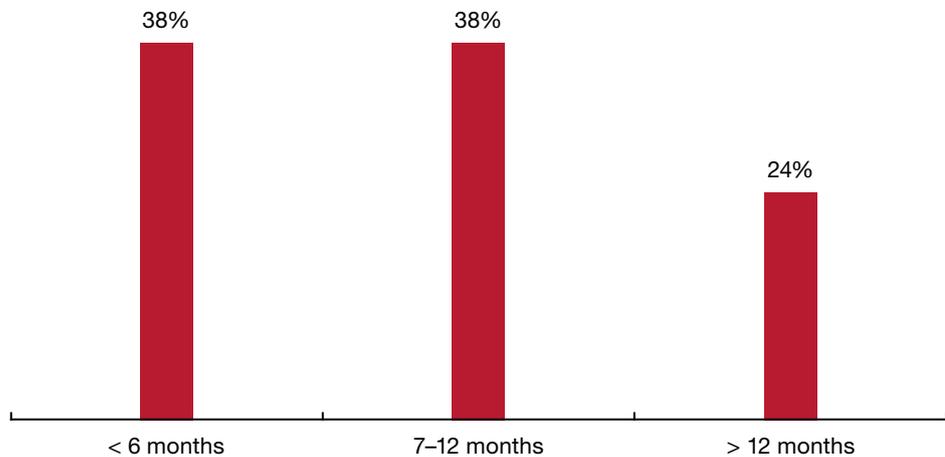


Figure 2 shows the extent to which the initial objectives have been met since Shared Services were implemented. On average, half of the participants reported having fully realized their cost reduction targets. Most of the remaining respondents stated to have at least partially reached their targets.

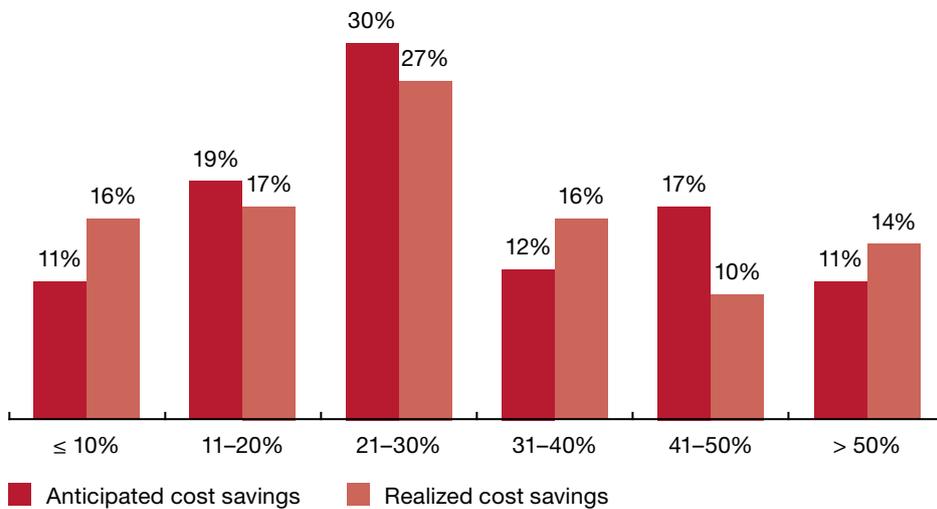
Fig. 3 Time needed to stabilize Shared Service operations after implementation



According to Figure 3, about 76% of the surveyed companies stabilized their Shared Service Center within one year after the center was implemented. Less than one third of companies reported a stabilization phase of more than one year.

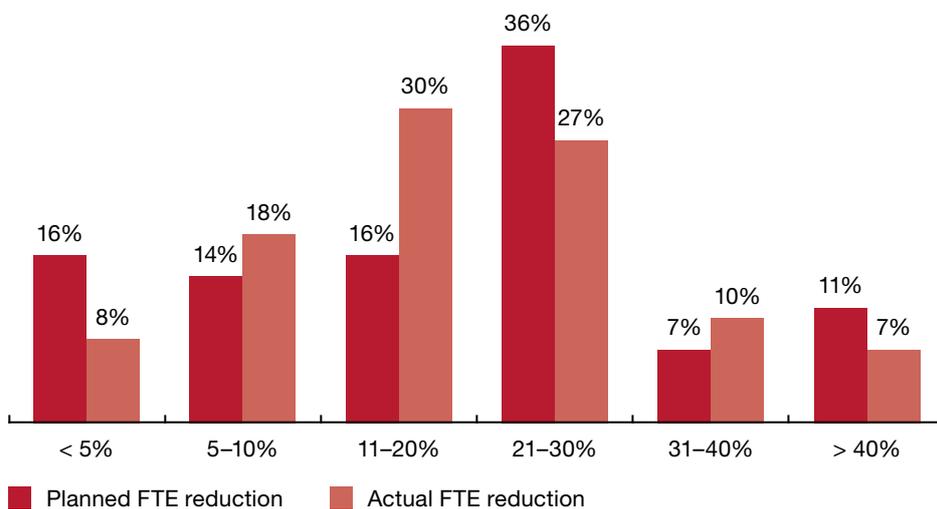
Furthermore, the survey shows similar findings for the time needed before starting with the transition into the Shared Service Center. The average time needed was less than one year, only a few companies reported a period before transition of more than 1.5 years.

Fig. 4 Comparison of anticipated and realized operation cost savings



As already shown in previous surveys, cost savings play an important role when implementing a Shared Service Center. The bundling and transfer of processes into a Shared Service Organization are aimed at realizing significant cost reductions. As shown in Figure 4, the majority of participating companies initially expected cost savings of more than 20%; given the realized savings reported, this target seems to be realistic.

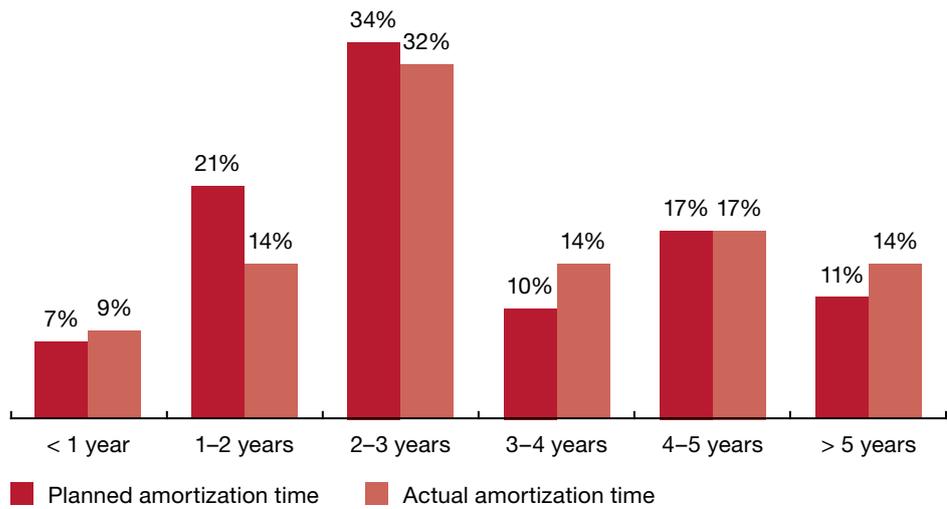
Fig. 5 Comparison of planned and actual FTE reduction in the initial business case



A large share of these savings is typically generated by the transfer of processes to low cost countries. Furthermore, the bundling of services leads to synergy effects and that often results in further reduction of capacities and corresponding cost advantages. Figure 5 shows that organizations generally have profound expectations regarding realistic capacity reductions. A good estimate lies between 10% and 30%. Some companies even achieve an FTE reduction of more than 30%.

Figure 6 provides information regarding the amortization time of a Shared Service Organization. In general, organizations tend to underestimate the payback period. For instance, less than one-quarter of survey participants were able to achieve amortization in less than two years. Therefore, it seems more prudent to plan for an amortization period of two to four years. In aid of achieving short amortization periods, a quick transfer to low cost countries appears to be a suitable and preferred approach.

Fig. 6 Comparison of planned and realized amortization time for implementing Shared Services Centers



All in all, the findings confirm that Shared Services are a suitable measure to achieve optimization potential. Organizations especially take advantage of labor arbitrage in low cost countries. The majority of participants reported achieving cost savings mainly through reduction of personnel costs due to capacity reduction and labor arbitrage effects. Compared to this, companies benefit less from an effective use of IT solutions or from a consistent infrastructure. However, as the wage difference gap between countries will decrease over time, there is a substantial need to generate benefits in other fields.

Administration Excellence and the middle market

Often shaped by rapid growth, high-performing family businesses and other companies in the middle market face increasing challenges within their administrative functions. Growing overhead costs, a lack of data transparency and low-quality information are just a few of the issues. So what is at the root of these problems and how can companies address and overcome them?

Earlier PwC studies on the middle market indicate that many organizations do not control their administrative functions across companies and countries.³ This leads to the conclusion that systems and processes are typically not integrated across the company. Acquisitions to increase market shares or to enhance the product portfolio usually also lead to separate solutions within the group.

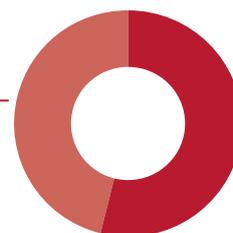
An administrative target operating model can help to overcome this and provide a strong framework.

However, setting up a target operating model for administrative functions can be a challenge in itself. Companies have to consider all departments as a whole instead of thinking in silos, and they need to monitor interfaces between departments with special care. End-to-end process thinking needs to be established along with process owners, who assume responsibility for process improvement and company-wide standardization.

Due to end-to-end thinking and a thus-reached critical mass for medium-sized companies, the target operating model recently includes functions which are not commonly regarded as applicable for Shared Services, such as R&D, Procurement, Sales, Marketing and Services.

Do you control your administrative functions across companies and countries?

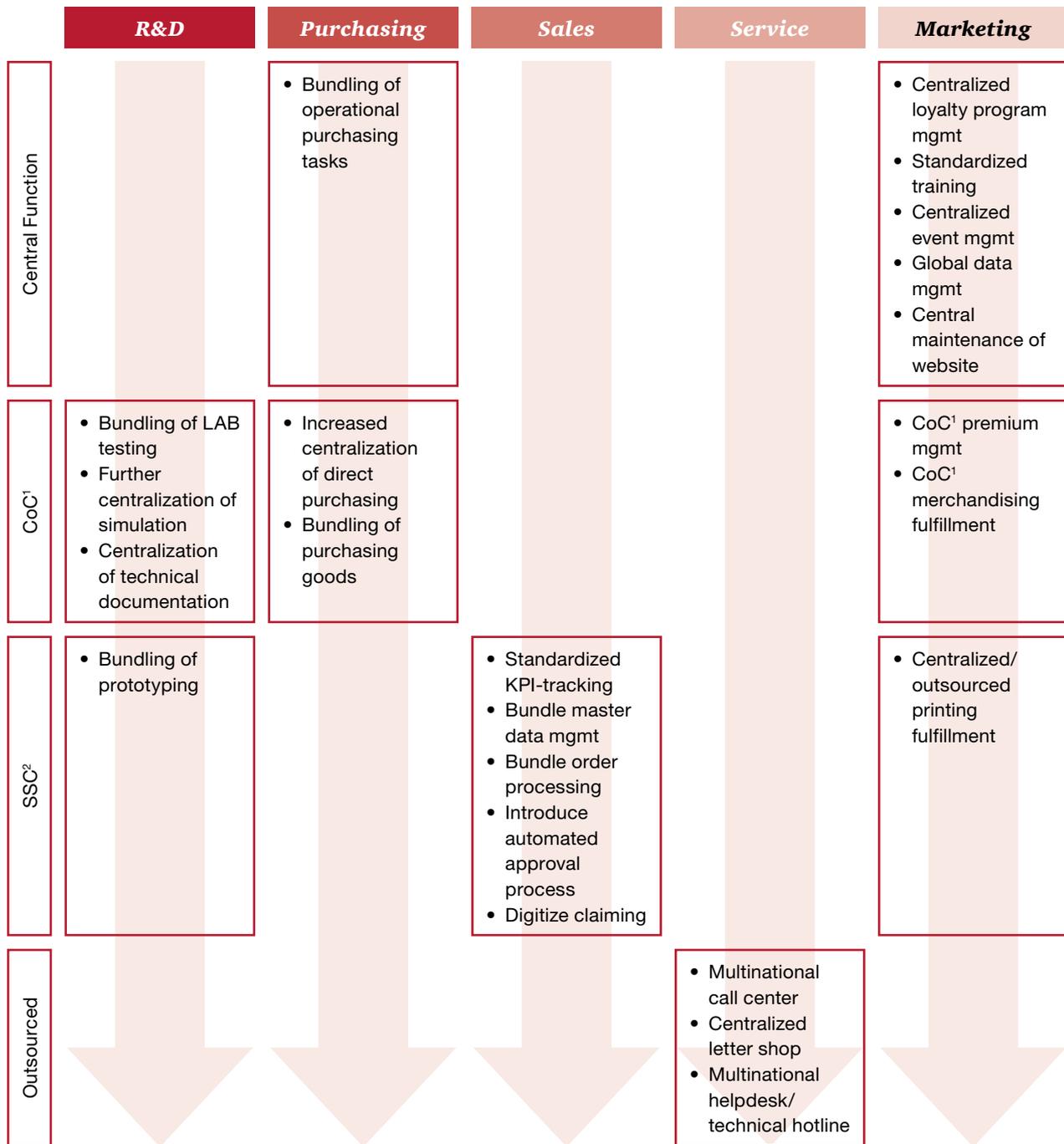
No
54%



Yes
46%

³ Cf. PwC, Quick survey – Are your administrative functions lean and flexible? 2013.

Exemplary sourcing mix



¹ Center of Competence

² Shared Service Center

For each function covered by the administrative target operating model, one of the next crucial steps is to define the right sourcing mix, taking into account both cost efficiency and quality. This of course includes Shared Services, but especially in the middle market, conventional ways of sourcing may not fit the companies' vision/ethics and long-term strategy. Instead of highly cost efficient Shared Service Organizations in low cost countries, our clients sometimes decide to set up the same structures near their headquarters to both strengthen the location within the group and to ensure the highest possible quality of services delivered.

Depending on the defined sourcing mix, a standardization of processes across companies within all administrative functions proves to be a challenging task for medium-sized companies, as business requirements may be different from country to country or even within the country due to different operational entities. However, the time and money invested is usually well spent, as clearly defined processes and adjacent roles and responsibilities are the only way to define strong Service Level Agreements (SLA) between business units and potential service organizations.

Once the general framework has been established, questions arise regarding the actual set-up of a service organization. While the preferred legal form of a service unit varies from company to company, we have observed good results in companies who appoint dedicated managers for cross-functional

transactional service tasks. Usually, the respective manager is the best resource for balancing the need for individuality created by the business and the pressure of cost efficiency created by the top management.

As resources to carry out improvement initiatives like this are always scarce in middle market companies, another trend we are witnessing is a step-by-step approach in order to establish hubs of centralization and consequently extend their scope to other functions or countries. Following this approach helps to both save resources and raise acceptance of projects, as the business units quickly notice the benefits. Initiatives like this require a certain amount of preparation as well as an analysis of current processes and structures.

For further information, please contact:



Christian Zitzen

Director
Düsseldorf, Germany
Tel: +49 211 981-1594
Mobile: +49 175 1880906
christian.zitzen@de.pwc.com



Christiane Mänz

Manager
Düsseldorf, Germany
Tel: +49 211 981-5256
Mobile: +49 160 97297913
christiane.maenz@de.pwc.com

2 Recent developments in Shared Services

93%

achieve cost savings by reducing personnel costs

33%

realize cost savings through IT and infrastructure

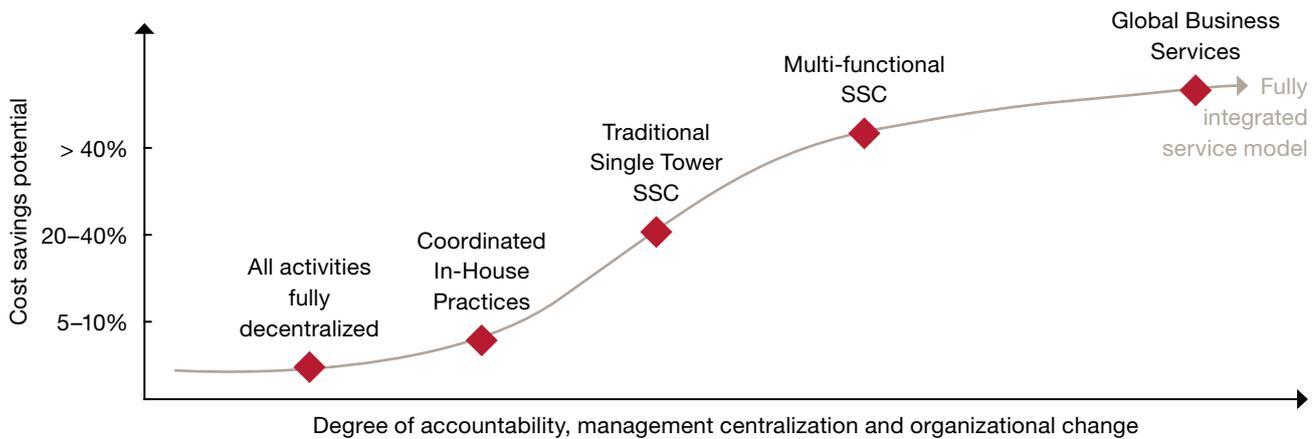
Shared Service Organizations are widely recognized as a promising way to reduce costs and to improve both efficiency and effectiveness. For more than two decades, it has been common practice to rely on single-function, stand-alone centers to achieve those targets. The single-function approach is promising as it often leads to cost reductions of up to 40%, driven, for example, by the following factors:

- global application of standards,
- economies of scale,
- labor arbitrage,
- reduced costs of quality and
- increased flexibility.

Most organizations achieve major cost savings when implementing Shared Services. However, many have not realized their full potential yet. Driven by growing competitive pressure, corporate leaders need to rethink their organizational structure with the overall aim of creating value beyond labor arbitrage.

As depicted in the chart below, the Shared Service Business is continuously on the move.

Fig. 7 Progression/evolution of Shared Service Business



Organizational structure: As shown in Figure 7, the traditional Shared Service Center approach becomes obsolete as the Shared Service Business moves towards a fully integrated Global Business Service model (GBS). An interim stage on the way to Global Business Services is a multi-functional approach which differs from the traditional Shared Service Center model regarding additional functions in its service scope. Global Business Services, however, is more than just a multi-functional Shared Service Center. It implies the full integration of non-core business activities into one consistent and independent service organization which has a special focus on end-to-end processes. This development again grants cost advantages, for example due to

- integrated demand and service management,
- global governance,
- common infrastructure,
- cross-functional synergies and
- elimination and consolidation of redundant IT systems/applications.

Furthermore, Global Business creates value that lies within more intangible factors. While traditional drivers such as cost efficiency remain important, the relevance of customer service, leanness and scalability increases. Global Business Services deliver highly standardized processes, policies and procedures and maintain a constant focus on continuous improvement. The concept requires an organization to develop process acumen and to adopt a customer-centric view. Instead of acting alone, corporate functions need to collaborate on an end-to-end basis.

Digitization: In order to meet the requirements of Global Business Services, it is essential to make effective use of technological platforms. The integration of specialized tools and systems accelerates process flows and significantly reduces error rates. Furthermore, it allows constant monitoring and controlling of workflows, which ensures not only improved quality but also high transparency. This standardized and technologically enabled environment provides the opportunity to create further savings, e.g., via Robotics Process Automation.

Robotic Process Automation

Robotic Process Automation (RPA) makes it possible to automate transactional processes without having to change the existing systems. Instead, RPA sits on top of the current systems and is deployed across various functions

and applications. Automation is implemented – in a very short timeframe – by replacing transactional processes performed by humans with a robot software. The efficiency, quality and control of these processes can thus be

significantly increased, resulting in cost savings of up to 75%. The financial processes that benefit the most from RPA implementation are likely to be found in a Shared Service Environment.

Benefits of Robotic Process Automation

Quality and accuracy

Improved quality with 100% accuracy on automated cases

Productivity

30% improvement in productivity and multitasking 24/7

Governance & compliance

Embedded rules, controls on processes, and data protection

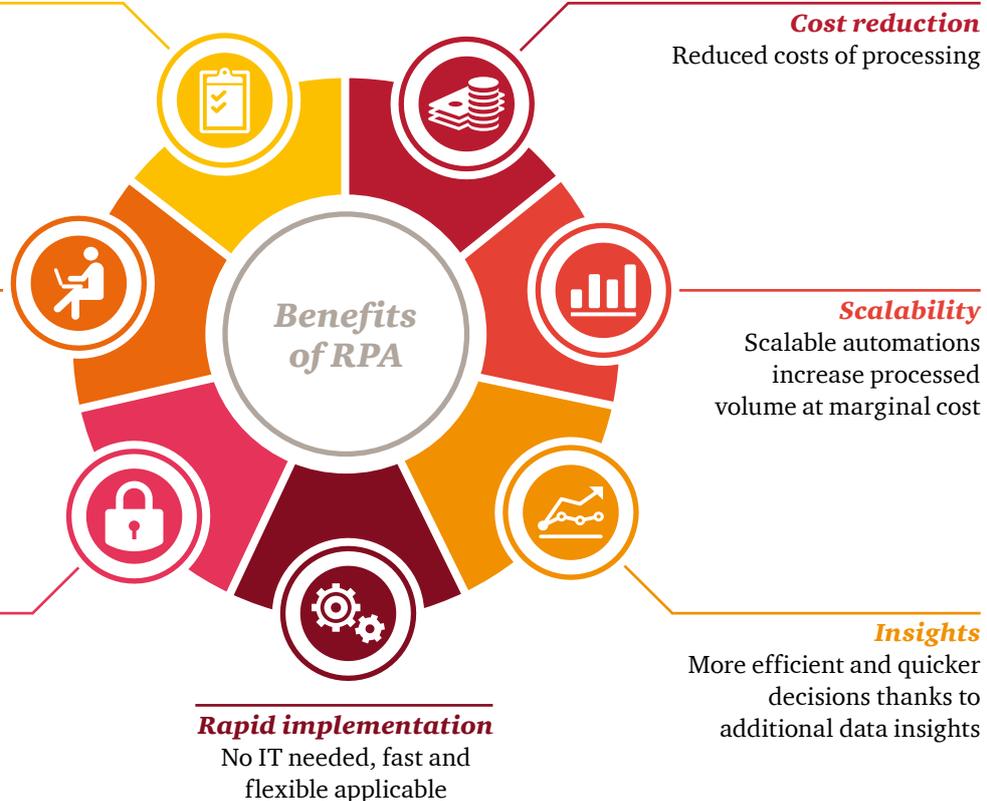
... the immense reduction in costs

- The cost reduction due to RPA implementation can outperform the cost reduction due to off-shoring.
- This is not only because of more efficient processing, but also because of lower operating costs.

RPA helps to substantially lower error rates and ensures 100% accuracy of automated cases. Beyond this, various examples exist which demonstrate other benefits of RPA implementation. For instance, a consumer bank with

high administrative costs was able to achieve savings by reducing the number of FTE. In another case, a large telecommunications company managed to significantly increase workforce efficiency by moving hundreds of FTE to value-adding

activities thanks to the increased handling of volumes at marginal costs and around-the-clock high-speed productivity provided by RPA. Also exemplary in the accounts payable process, RPA can provide support by automatically updating



vendor information, checking against different systems for invoice validation and checking for incorrect payments in payment runs. In summary, RPA focuses on business rule-based, standardized and repetitive processes that are labor intensive, high-volume and have multiple manual interactions, usually bundled in a Shared Service Center. It is important to point out the differences between RPA and other approaches for process automation like Enterprise Resource Planning (ERP) or Business Process Model and Notation (BPMN). Whereas automation focuses on activities within one system, e.g., SAP, robots are able to work cross system, e.g., download a SAP CO report, aggregate data in MS Excel and send the result to a human via email. Thus the robots are configured with a business user-friendly configuration tool. Another benefit resulting from this feature is the opportunity for the operations department to freely decide which processes and tasks

should be performed by a robot and in what way, as long as the process characteristics (e.g., level of standardization, automation ability, level of repetitiveness) are suitable for RPA. Additionally, scarce and valuable IT professionals, instead of supporting RPA implementation, can focus on more strategic tasks such as ERP roll-outs. These automation tools bring a huge return in the long run, whereby RPA shows immediate effects in cost reduction and increased efficiency. Thus it is not a decision of whether to implement an automation tool or RPA. Rather, the greatest results are achieved when using both tools in combination.

Processes that are suitable for Robotic Process Automation are typically located in Shared Service Centers, and thus RPA serves as an ideal supplement for increasing value. Taking into account the current speed of technological developments, in the long term smart tools like RPA may be a convenient

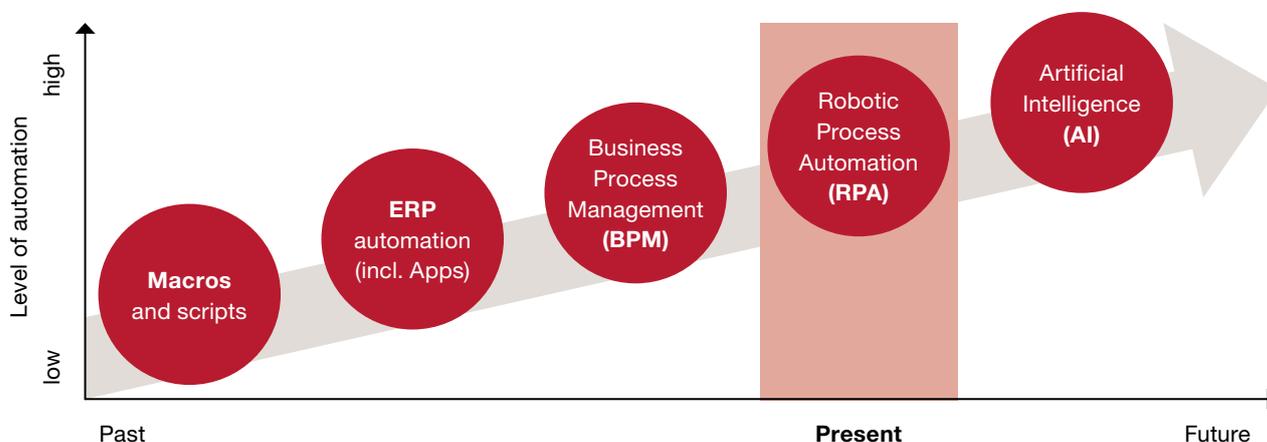
method for automating routine work and replacing traditional Shared Services or outsourcing.

For further information, please contact:



Oliver Ayoub
Senior Manager
Munich, Germany
Tel: +49 89 5790-5313
Mobile: +49 151 70615387
oliver.ayoub@de.pwc.com

Development of the level of automation



C Assessing the Shared Service landscape

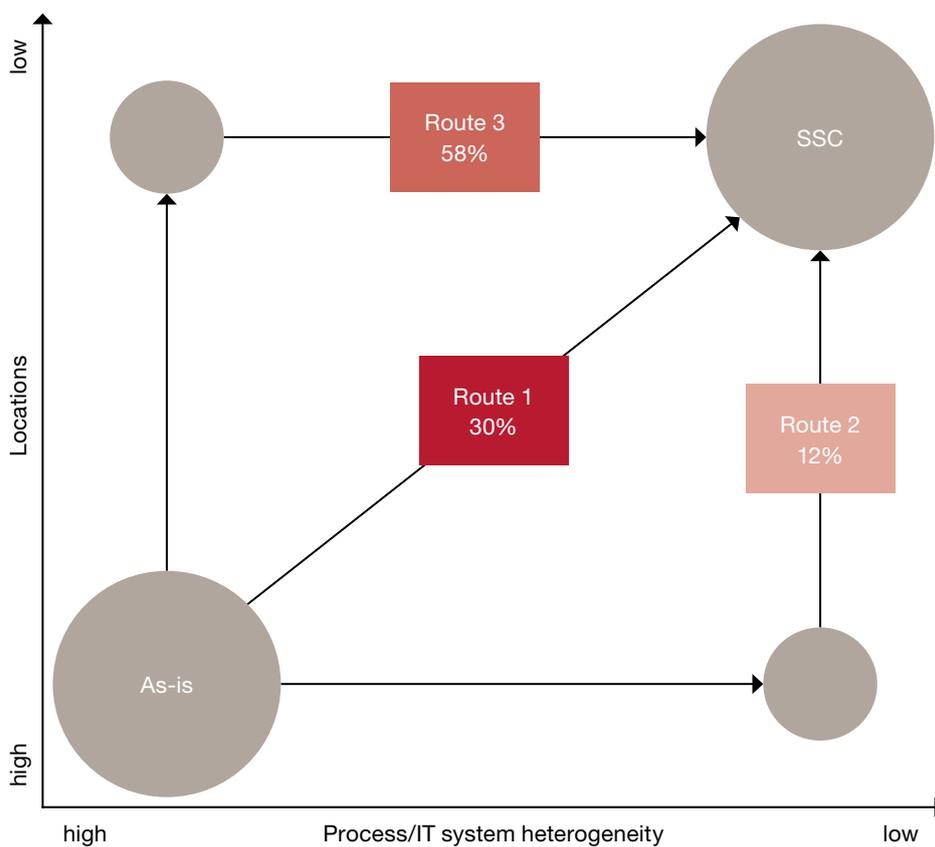


1 Strategy

Migration approach: A clearly defined strategy is an essential criterion for success in establishing a Shared Service Organization. An important issue in defining the strategy is how the implementation should take place. An appropriate implementation strategy can be a decisive factor for the success and development of the Shared Service project. Three different main strategies can be distinguished, whereby each strategy may be used on its own or in combination with one or more other strategies. Each strategy implies advantages and disadvantages which should be balanced against each other.

- Route 1 (lift – fix – drop): Non-standardized processes are first standardized at the “old” locations before being transferred to the Shared Service Center.
- Route 2 (fix – lift – drop): Non-standardized processes are first transferred to the Shared Service Center and subsequently standardized.

Fig. 8 Implementation strategy



Although there is no single “best” strategy, this year’s survey revealed a strong preference for Route 3 (lift – drop – fix). This result reflects findings from our survey in 2014, when half the respondents reported to follow a lift – drop – fix approach. This year’s survey underlines this preference and even shows a growing tendency towards Route 3. The greatest benefit of this strategy is the fast pace at which the transition takes place, which leads to the rapid achievement of cost savings. While other implementation strategies might turn out to be lengthy, Route 3 is the preferred way to benefit from quick wins (e.g., labor arbitrage).

Roll in sequence: Another important aspect of the strategy is the selection of an appropriate approach for the migration of processes. The underlying question is how processes and knowledge are best transferred to the service organization. An analysis of the results shows that most organizations prefer migrations by process, followed by location, entity and country. In contrast, migrations by business unit, department, business area and company code are used only rarely by the participants.

Workforce availability and labor costs are most crucial for the location choice

Many participants value proximity to the core business and existing infrastructure

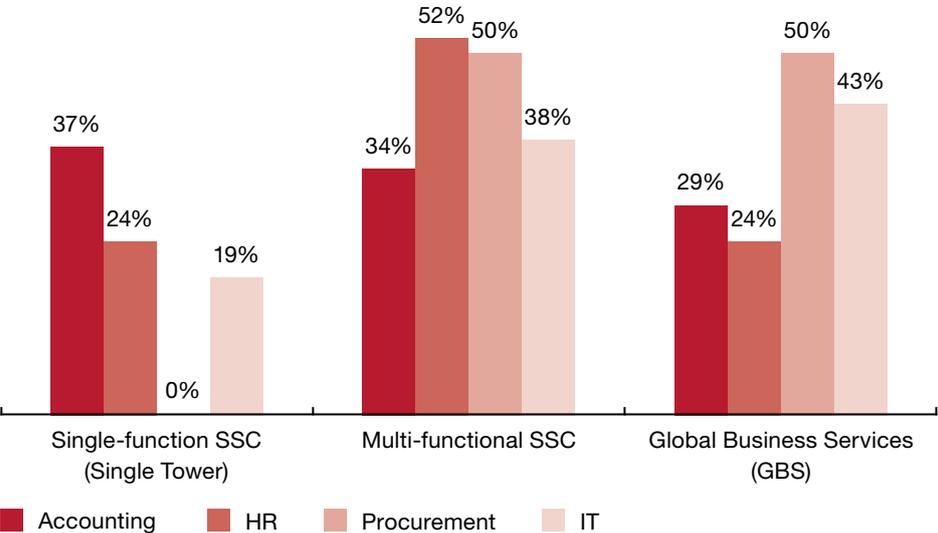
Choice of location: In line with previous surveys, this year’s edition provides similar results in terms of the criteria used to select Shared Service Center locations. The most crucial criterion is still the availability of qualified staff. More than 80% of companies have chosen their location based on factors such as skill sets and staff language skills. Besides citing workforce availability, more than two-thirds of respondents attributed high importance to personnel costs, which might not be surprising since achieving cost savings through labor arbitrage is evidently a major benefit of Shared Services. Although the previous survey suggested that proximity to the core business will become less important, this year’s results show that this criterion is still a significant factor for decision makers. Almost half of the companies considered close proximity to be one of three key factors that influenced the choice of location. About the same number of participants also mentioned that their decision was based on how the location would support the company-wide infrastructure.

Recruiting of employees: It takes up to four months to find qualified staff, depending on the position to be filled. The recruiting of junior employees with process skills typically does not take more than two months, while the selection of a qualified management often takes twice that time.

Staff recruiting time increases with the complexity of the position to be filled

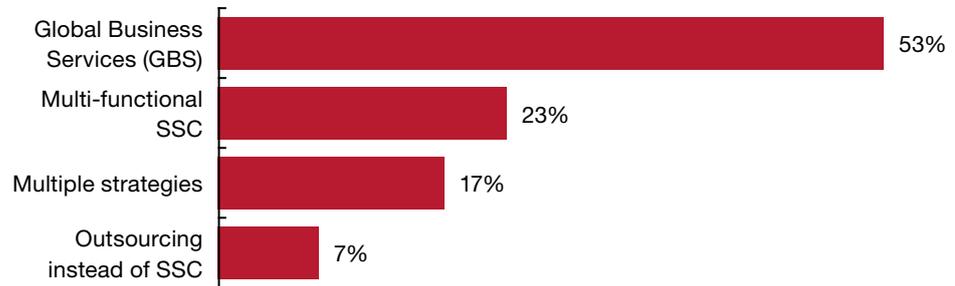
Degree of integration: For a long time, the majority of companies has been using Shared Service Centers with only one single-function (Single Tower) in order to reduce costs and improve business processes for that function. However, this year’s survey confirms a strong trend towards Global Business Services, a fully integrated and multi-functional approach. Looking at Figure 9, the vast majority of participants follow the trend of a Global Business Services model or at least a multi-functional Shared Service Framework.

Fig. 9 Organizational set-up by function



Furthermore, the survey shows that Single Tower Shared Service Center are not as prevalent as they were several years ago. It is worth noting that no organization was pursuing a Single Tower approach for Procurement. In contrast, almost 40% of participants in the area of Accounting still have not included additional functions.

Fig. 10 Organizational strategy for the next two years



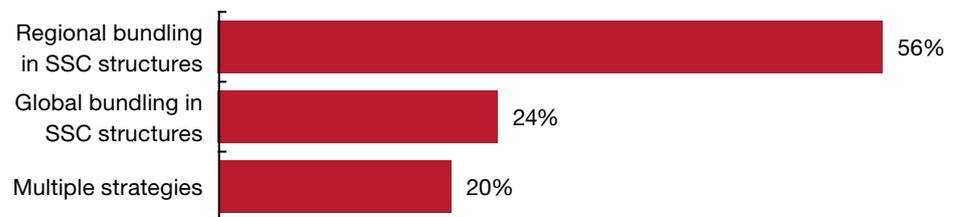
It is likely that the prevalence of multi-functional centers will grow in the coming years. Figure 10 shows clearly that organizations are moving towards multi-functional Shared Services and Global Business Services. More than half of the participants target a Global Business Services framework, while additional 23% plan to establish a multi-functional Shared Service Center platform. Some organizations are also pursuing a mixture of strategies depending on business functions. There were only few participants who consider an outsourcing strategy instead of a Shared Service approach.

69%

plan to include knowledgeintensive processes within the next two years

Shared Services will continue to evolve, embracing a broader set of processes. Instead of providing only transactional processes, companies will now include more complex processes. Almost 75% of participants stated that transactional processes remain a substantial part of their service scope. However, in terms of a strategy for the next two years, more than two-thirds of respondents indicated that they would focus on integrating knowledge-intensive processes.

Fig. 11 Sourcing strategy



A closer look at bundling strategies for the coming years in Figure 11 reveals that many organizations target a regional consolidation of services. Almost one-quarter of respondents even plan to bundle services globally. Furthermore, some participants stated that they were pursuing multiple strategies for different functions. These findings are in line with the overall trend towards multi-functional Shared Service Centers and Global Business Services. Instead of operating various Shared Service Centers per business unit for each region, companies are now targeting a geographic consolidation of services.

The Shared Service Business is clearly in a state of perpetual change: Shared Service Centers are subject to continuous developments and reorganization. Figure 12 shows three main challenges that were identified by this year's participants. Furthermore, we included typical initiatives that are launched in order to address these challenges.

Fig. 12 Overview of upcoming challenges and typical initiatives



The survey reveals that expanding the functional scope of Shared Service Organizations will be one of the biggest challenges in next years. This requires that companies not only decide which service should be integrated into the Shared Service Center, but also how to streamline processes best and how to bring them under one consistent governance. The functional scope enhancement also implies integrating new functions that have not yet been in scope as well as extending existing functions, with the goal of incorporating the whole end-to-end process. In order to pave the way for Global Business Services and to deliver end-to-end processes, the respondents often mentioned to foster further standardization and automation. Many companies are therefore pursuing a CIP approach that is aimed at streamlining business operations. Over the coming years, digitization will become even more important as organizations invest in advanced IT solutions to reduce the amount of manual processes. Although costs will remain in the focus of executives, other factors, such as staff qualifications, will become more important. The availability of skilled staff was often cited as a crucial factor for the next few years. Employees need to meet higher requirements, especially when it comes to language and process knowledge. High turnover rates and a lack of skilled employees were indicated as important issues that need to be addressed in the next years.

The move to Global Business Services

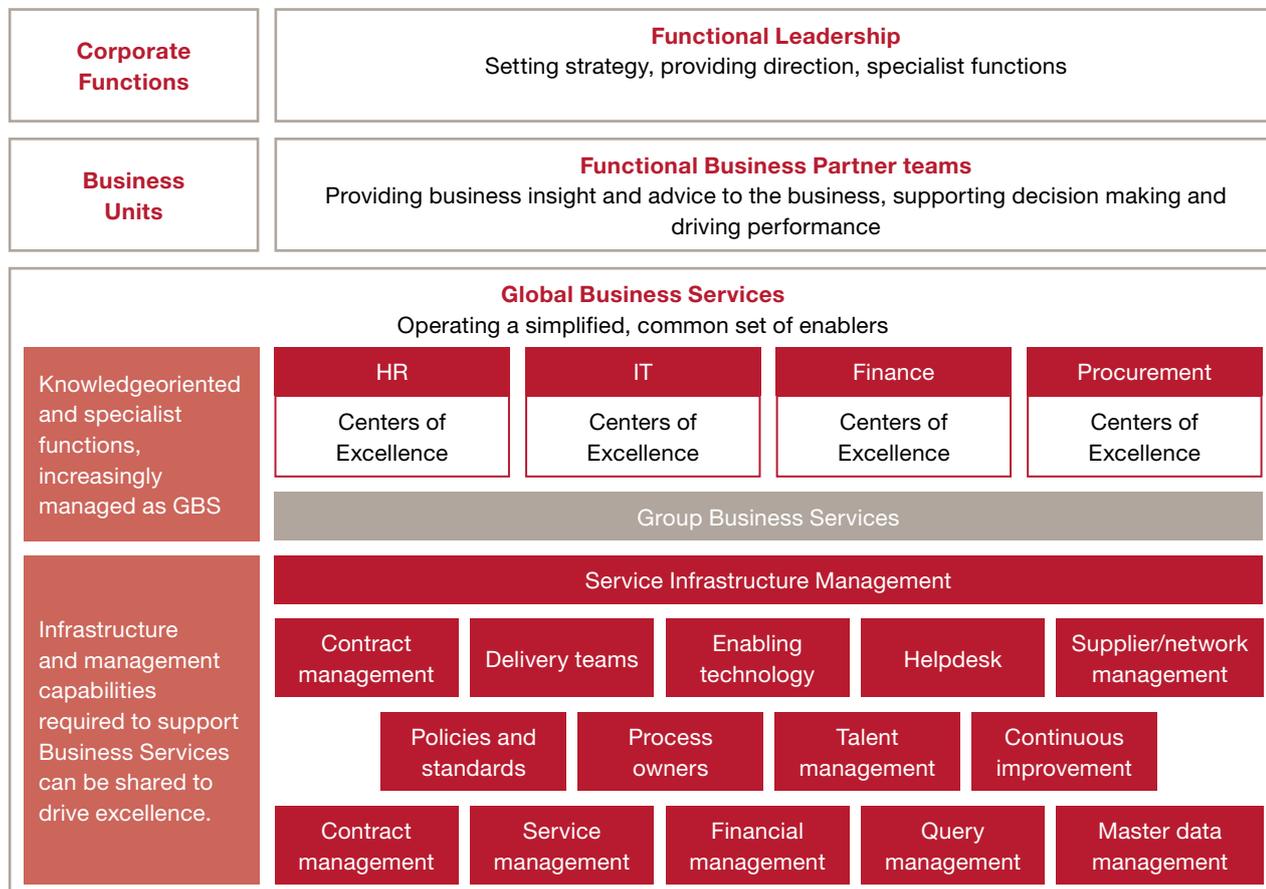
During difficult economic times, many companies come under pressure to contain and reduce Sales, General and Administration (SG&A). Globally, there is a significant shift in economic drivers, which is symptomatic of the evolution of global business strategies. In order to remain competitive in global markets, organizations still need to reduce costs and improve efficiency by executing Global Business Services strategies that will improve global operational effectiveness and enable them to meet increasingly complex global regulatory requirements.

Corporate executives struggle with competitive pressure to be aggressive in the market, but they often lack the required capital to develop important administrative and support processes. In too many instances, corporate functions act alone and fail to provide a convincing cross-functional business case. For example, IT organizations may attempt to invest in applications without close linkage to operations, marketing or other important functions. Other times, functions focus too much on their own operational efficiencies instead of their contributions to

broader corporate objectives. For instance, the Finance and Accounting organizations may implement Shared Services across existing processes to drive down administrative costs, but fail to build a business case that provides the compliance and controls for cost effectiveness to global operating units.

To accelerate business benefits such as lower costs of operations and improved business processes, the vast majority of organizations centralize some functions such as IT, F&A, HR, customer services

Example of a three-tier organizational model including Global Business Services



and indirect procurement into Shared Services and outsource various others to third-party service providers. While these initiatives are often singularly successful at providing benefits to the individual function, research shows that these initiatives have, in most situations, failed to comprehensively improve the broader corporate strategic objectives of these organizations.

Organizations need to focus on aligning corporate strategy, improving investment portfolio decisions and reallocating current spending. To this end, they are adopting integrated Global Business Services operating models. The executives at these enterprises are corralling their functional leaders and third-party service providers in order to assess common business practices to operationalize their companies' strategic global objectives. Then, they are collaboratively making three-to-five-year technology decisions to address the most challenging issues, such as the rationalization of ERP instances and establishment of common business processes. In order to accelerate these changes, these companies are leveraging economical Shared Services and third-party relationships to develop process acumen, reduce labor costs and consolidate operations. The advent of Robotic Process Automation into back office processing is starting to have a significant impact. The movement

to RPA may change the landscape for the location of delivery centers, as the automation of transaction processes reduces the need for labor arbitrage.

PwC assists companies in developing and implementing the business services transformation program and in the execution of Global Business Services. A well-executed Global Business Services strategy is distinctly different from the narrower focuses of Shared Services and outsourcing strategies. PwC can help clients to identify corporate objectives and encourage internal functions to collaborate with each other in order to create breakthrough, strategic operational capabilities that drive business outcomes that can result in real marketplace differentiation and competitive advantages.

When employing PwC's full-lifecycle Global Business Services framework, it is essential to ensure goal alignment, execution and ongoing governance. As more organizations leverage Global Business Services strategies to align business objectives and obtain economies of scale, business services transformation has become an important tool to accelerate and complement business strategies. However, executives will continue to be wary of relying too heavily on staff reduction. The goal of a Global Business Services strategy is not only to source globally but also to leverage efficiencies from

RPA to advance the objectives of the enterprise. It is a new approach to managing global sourcing.

For further information, please contact:



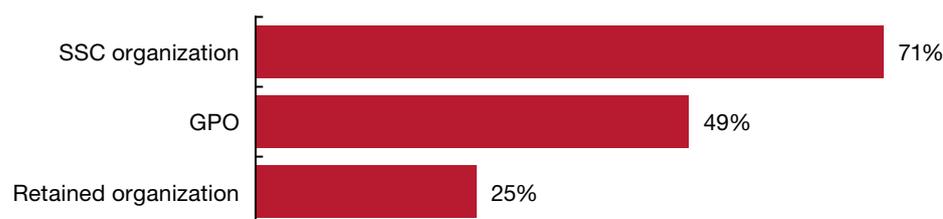
Charles L. Aird

Senior Managing Director,
Global Leader of Shared Services
and Outsourcing Advisory
Charlotte NC, USA
Tel: +1 704 344-7651
Mobile: +1 732 5987600
charles.l.aird@pwc.com

2 Governance and organization

A Shared Service Organization heavily relies on a well-functioning governance system. For a Shared Service Center to be both efficient and effective, it is necessary to develop a governance framework that provides detailed directions which are aligned with customer needs.

Fig. 13 Assignment of responsibility for process management and development



For the question regarding the responsibility for business development and process improvement, multiple answers and combinations were possible. As shown in Figure 13, in most cases the Shared Service Organization itself is in charge of managing and developing processes. About 37% of respondents stated that the Shared Service Center alone is responsible for process management. However, for another 33% of respondents, business developments and process optimizations are planned and carried out at least partly by the Shared Service Organization, i.e., mostly in cooperation with the Global Process Owner (GPO).

The biggest advantages of locating responsibility within the Shared Service Center are the direct responsibility for efficiency increase and the direct input from operational staff in order to improve the processes. Standardizing business development and process improvement enables synergies in the Shared Service Center and can, for example, be realized by establishing a Global Process Owner. As shown in Figure 13, in almost half of the cases, a GPO is in place to either support the Shared Service Center or retained organization or to be solely responsible for process development. Only a minority of respondents control and delegate their processes at the retained organization.

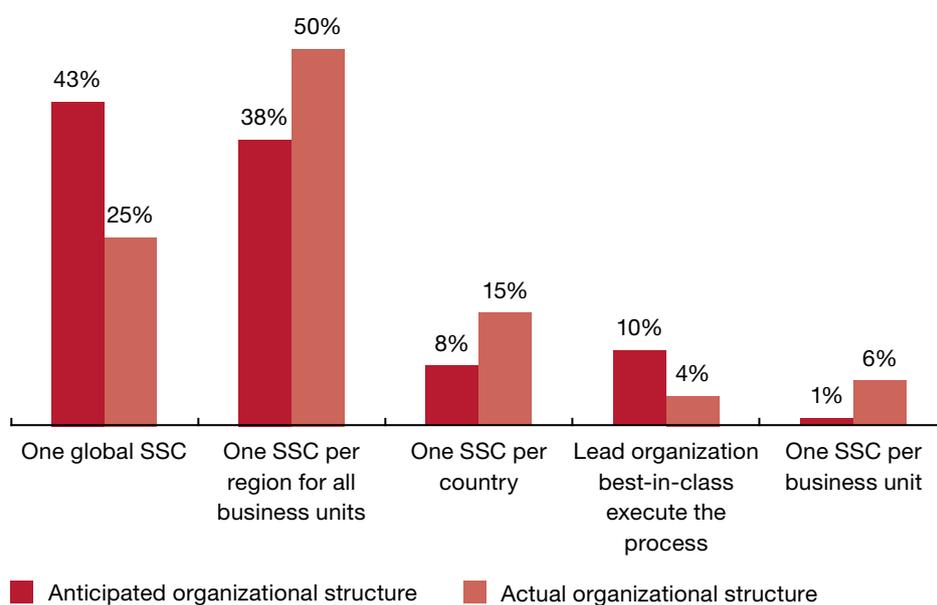
Fig. 14 Comparison of actual and targeted organizational structures

Figure 14 shows a comparison of the planned and actual organizational structures. Many organizations have realized the potential of an integrated service framework. About 80% indicated having targeted only one Shared Service Center that combines all business units globally or at least regionally. Half of the respondents are already operating one Shared Service Center per region. Another 25% have even gone a step further by implementing one global Shared Service Center. The findings highlight the increasing relevance of global, multi-functional and highly integrated service organizations. As this trend is expected to grow over the next years, companies are well advised to adapt to the situation and to develop individual plans and actions in order to implement such service organizations.

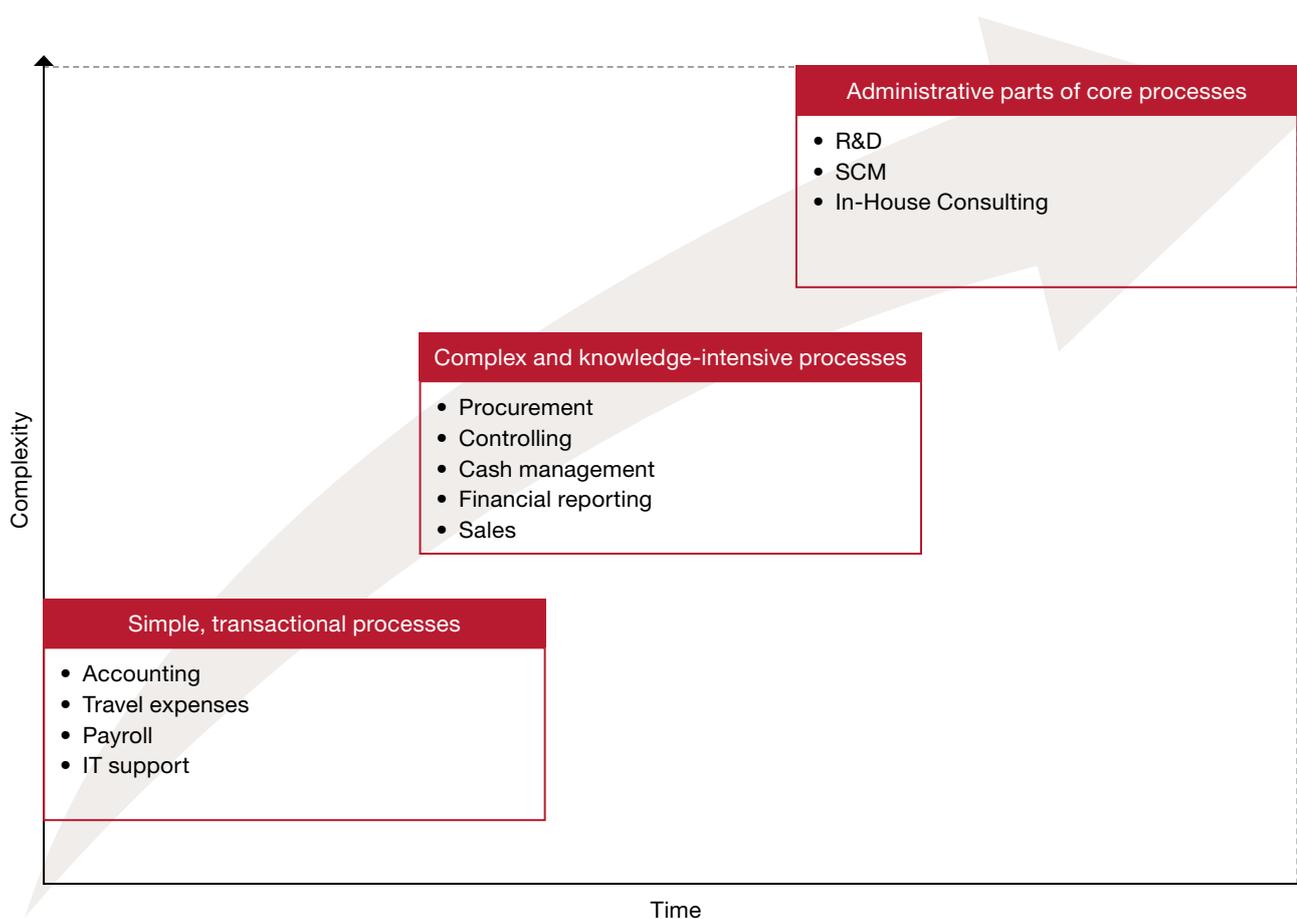
3 Processes and services

A well-conceived service scope is essential for every Shared Service Organization, especially during its establishment but also over the course of time. The service scope – a definition of services and activities provided by the Shared Service Center – is determined by the variety of functions (single-function/multi-functional) and the number of processes taken on by the Shared Service Center. Furthermore, the activity split defines the extent to which an individual process is provided by the Shared Service Center.

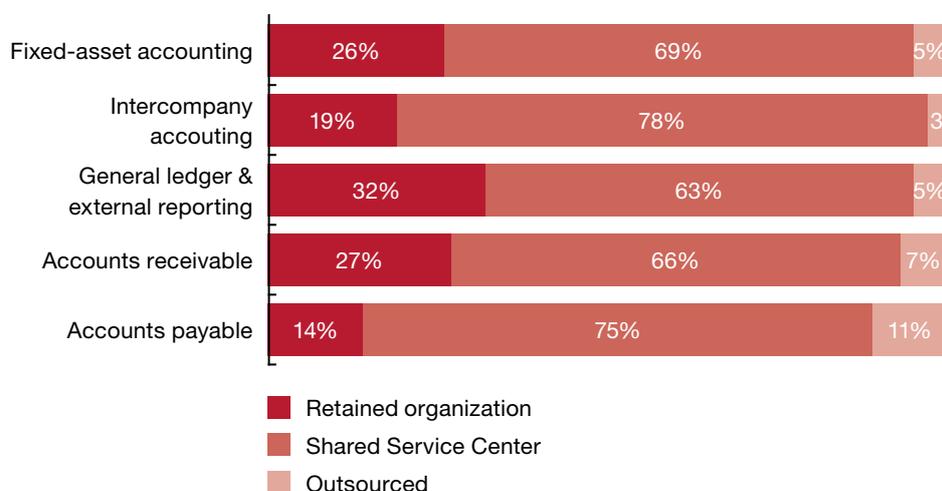
3.1 Activity splits

There are some generally accepted principles for deciding what sort of activities are ideally performed by whom and where. The traditional Shared Service approach mainly focuses on transactional processes such as Accounting or IT support, as they offer high potential for standardization and automation. However, companies are now moving towards a more integrated approach that includes more complex, knowledge-based activities. As time progresses, this will result in growing transfer rates for administrative parts of core functions to Shared Service Centers, as shown in Figure 15.

Fig. 15 Shift from transactional to knowledge-intensive processes



The survey asked participants about the individual activity splits of numerous processes. A distinction was made between processes in the functional areas of Accounting, Controlling, Taxes, Treasury and Cash management, Procurement, Sales, Human Resources, and IT. In general, the findings show higher split ratios for Accounting and IT functions than for other functions. Shared Services for Procurement, Controlling and Sales are mainly used only for transactional tasks and therefore show lower split ratios.

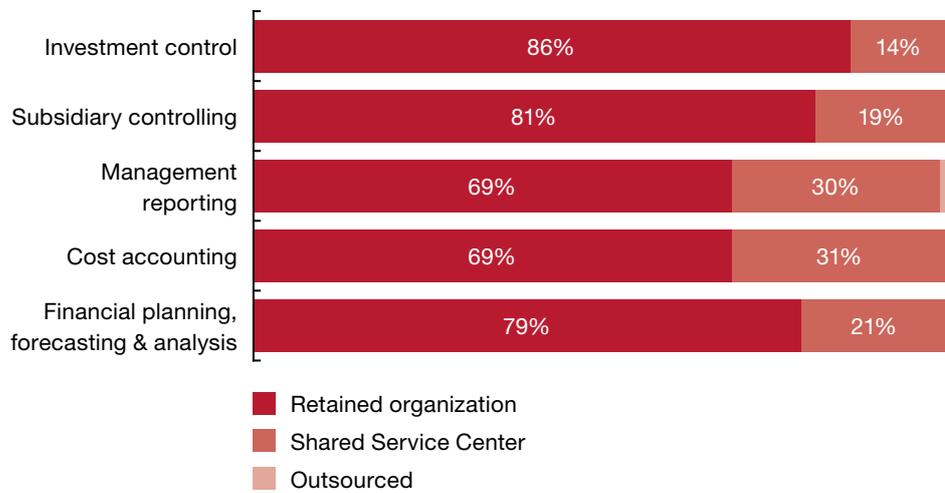
Fig. 16 Activity split – Accounting

As shown in Figure 16, Accounting shows a high maturity in bundling, as the majority of Accounting tasks is already transferred to Shared Service Centers or even outsourced. Especially highly transactional tasks such as fixed-asset accounting, intercompany accounting and accounts payables show very high activity splits. Looking at accounts payable and intercompany accounting, less than 20% of activities are performed in the retained organization. The results prove the potential of accounting services to be bundled to a high degree. General ledger and accounts receivable stay in the retained organization to a higher extend.

Fig. 17 Activity split – Taxes, Treasury and Cash management

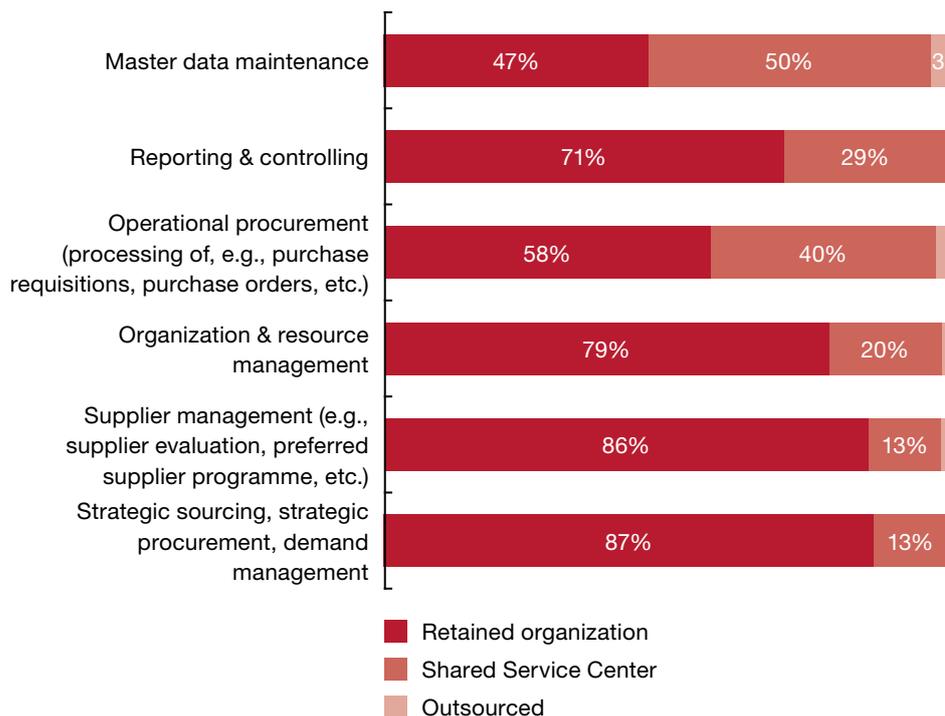
Besides typical Accounting activities, some organizations are already shifting their focus to more expert-based services such as Tax, Treasury and Cash management. Figure 17 shows the current activity split in these processes. Although activity splits above 50% are already reported in the evaluation, we expect the activity splits to increase in the upcoming years. Especially in Tax processes, PWC experts observe a trend to bundle more and more Tax functions either on a national or even on a regional basis. Transactional Tax services are typically transferred to the already existing Shared Service Centers, whereas expert services are set up in separate Centers of Competence. Besides the bundling of Tax services in these centers, we also recognize a quite specific development regarding the retained organizations: Remaining activities in the countries are not further carried out by the organization itself. We see a strong trend to outsource these activities to local or international Tax advisors.

Fig. 18 Activity split – Controlling



Controlling is one of the latest functions seen to be applicable for Shared Services. Figure 18 shows that the overall activity split is currently quite low. On the one hand, this relates to the more or less new trend to bundle Controlling activities in Shared Services. On the other hand, the low activity splits are caused by the historically more object-oriented task allocation in most Controlling departments. In order to increase the amount of sharable Controlling tasks, organizations need to reorganize their Controlling operation model. Positions can be reallocated to either Business Partnering or operational tasks. In a second step, organizations become able to bundle, standardize and transfer their operational Controlling tasks to a Shared Service Center. Based on this new operating model, we expect significantly increasing activity splits in Controlling.

Fig. 19 Activity split – Procurement



As shown in Figure 19, the Shared Services ratio for Procurement related activities is quite low, except for master data maintenance and operational Procurement. Most sovereign and strategic tasks remain in the retained organization. This might be due to a need of immediate proximity to core business and decision makers. Supplier management for example, asks for advanced interpersonal skills that cannot easily be provided by a Shared Service Center. Other functions appear to be too sensitive to be removed from the immediate reach of management.

As we know from PwC experience, Procurement offers much more potential concerning its suitability for Shared Services than currently exploited. Procurement includes several repetitive and rule-based processes that can be perfectly standardized and performed in a Shared Service Organization.

Fig. 20 Activity split – Sales

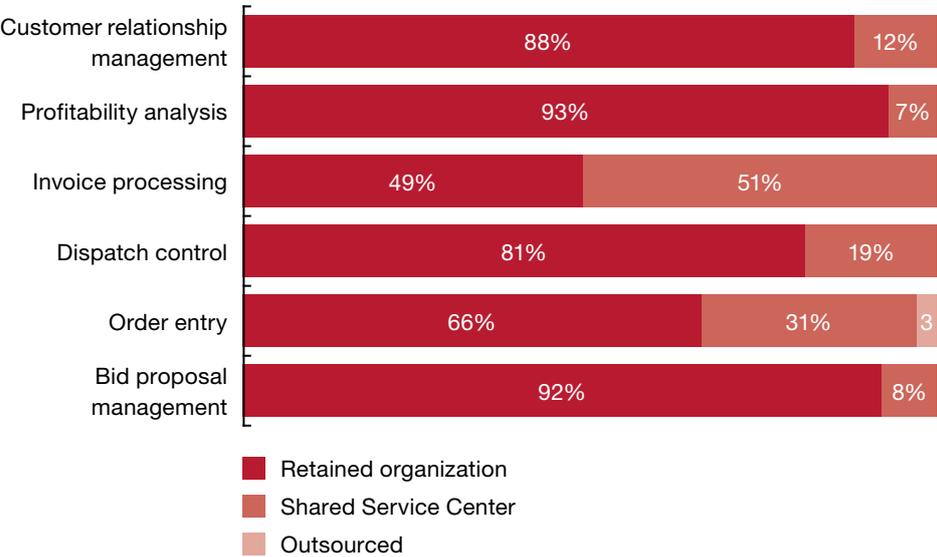
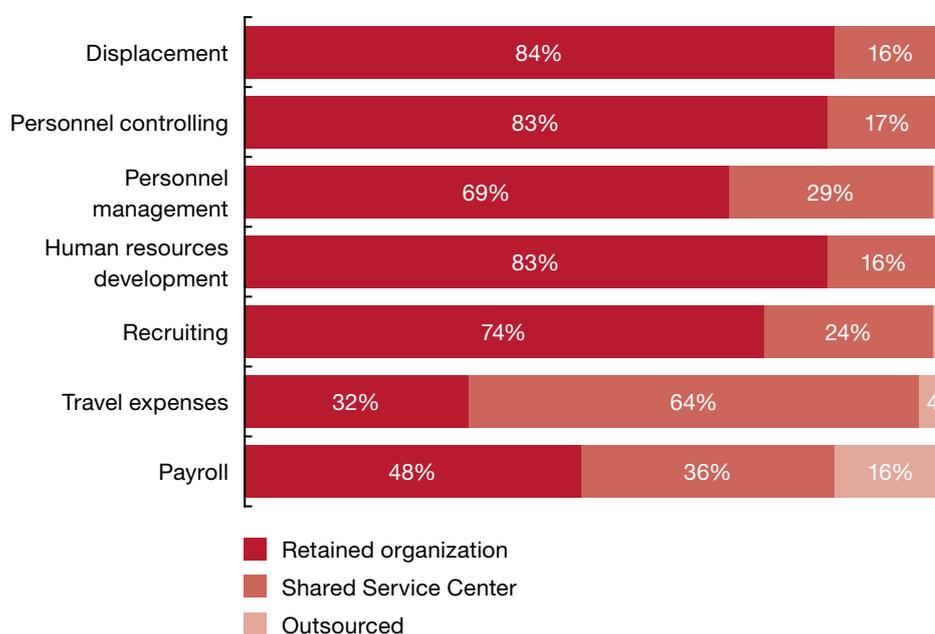


Figure 20 provides insights into current activity splits in Sales. Overall, Sales activity splits are on a relatively low level, as Sales is typically seen as one of the core competencies of each company. But also in Sales, several processes are suitable for Shared Services. The evaluation shows, rule-based processes such as invoice processing, order entry and dispatch control, are bundled in Shared Services to a higher extend. For the future, we also see expert services especially for Sales and Marketing analysis, forecasting and corresponding data management to become more and more relevant for Shared Services.

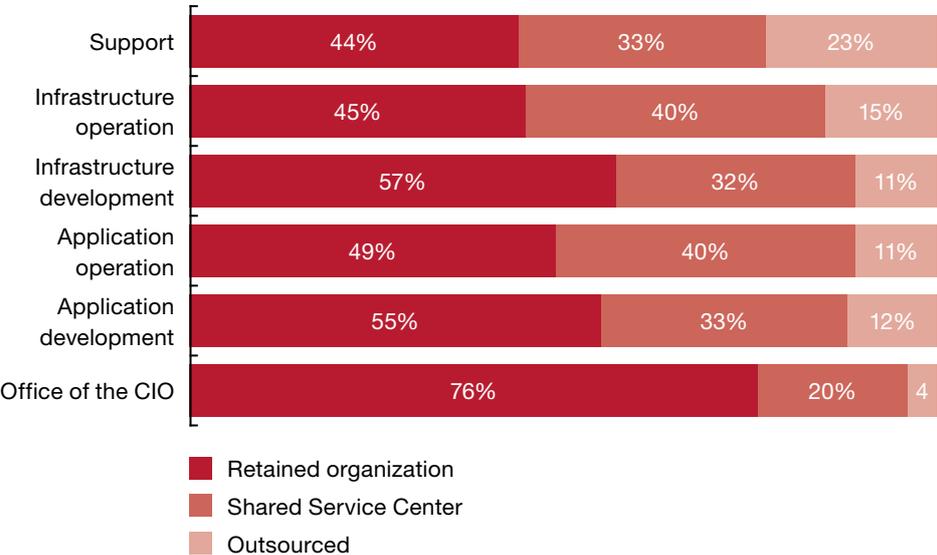
Fig. 21 Activity split – Human Resources



As shown in Figure 21, Shared Services for Human Resource (HR) mainly apply to transactional tasks such as travel expenses or payroll. Other, less transactional activities show very low split ratios. The rationale for this low degree of utilization of Shared Services or outsourcing solutions is the perceived need to work closely with corporate executives or the necessity of face-to-face conversations, e.g., for job or exit interviews. Nevertheless, a more detailed analysis reveals that large, multinational companies are already working with more aggressive activity splits and market trends indicate that companies in the middle market are rapidly catching up.

In our view, the results do not yet reflect the current changes and developments we detect in the HR Shared Service Business. PwC experience shows that HR, just like every other business function, has already arrived in the digital age. In order to leverage digitization, organizations are adapting new business models that go beyond the traditional HR Shared Service Approach. Robotic Process Automation, for example, enables companies to fully automate transactional processes, which reduces task times and error rates and thus improves efficiency. Moreover, we can observe that HR Shared Services are taking over more value-adding services, such as parts of the recruiting or talent management process. Thus organizations ensure not only high efficiency but also an advanced customer experience.

Fig. 22 Activity split – IT



Activities in the IT functions were the first ones to which Shared Service Center and Outsourcing concepts were applied. Over time, Shared Services have reached high maturity levels in the IT functions and outsourcing has become a common strategy to offset load peaks, especially in service support. As Figure 22 shows, about half of the IT activities are performed as Shared Services or by an external provider. The remaining services stay with the retained organization. A possible reason might be the necessity of interfaces with other functions or departments. However here you can find huge differences among industries and between single companies.

Are Procurement Shared Services nearing their best-by date?

Procurement Shared Service Center 2.0 in Industry 4.0

The idea for Shared Service Centers emerged in the 1980s. The concentration of Supply Chain Management caused a lot of hype, and a large number of Shared Service Centers were subsequently established, up until today. However, once introduced, the disillusion is very often quick to arrive. Off- and near-shore Shared Service Centers lose proximity to the customer, and they are inflexible and opaque. It becomes difficult to realize innovations due to the dependence on internal departments. Although Procurement, with its repetitive, standardized and rule-based processes, is the perfect fit for Shared Service Centers, scalability is often limited and the new digital world has not found its way into the old Shared Service Center Procurement world.

3-D printing, same-day delivery, and virtual and augmented reality are now part of everyday life. Amazon's Echo and Google Home seamlessly connect the real and the virtual worlds. Virtual shopping, automatic payments, and smart controls in apartments are no longer a vision of the future. Standardized and automated Procurement processes and digital assistants like self-steering vacuum cleaners and lawn mowers make our home lives easier everyday.

The revolution of Industry 4.0 has started and is unstoppable, but most digitization remains limited to the private sector.

Companies often continue to act as they have been since the introduction of computers. Most ERP programs are far from being intuitive. Employees operate the computer; they do not interact with it. Instead of smart apps, standard programs are common practice. Invoices in most companies are still processed manually. Paper invoices are mostly scanned but then checked and processed manually. The digitized private life has outdated the analogue professional life by far.

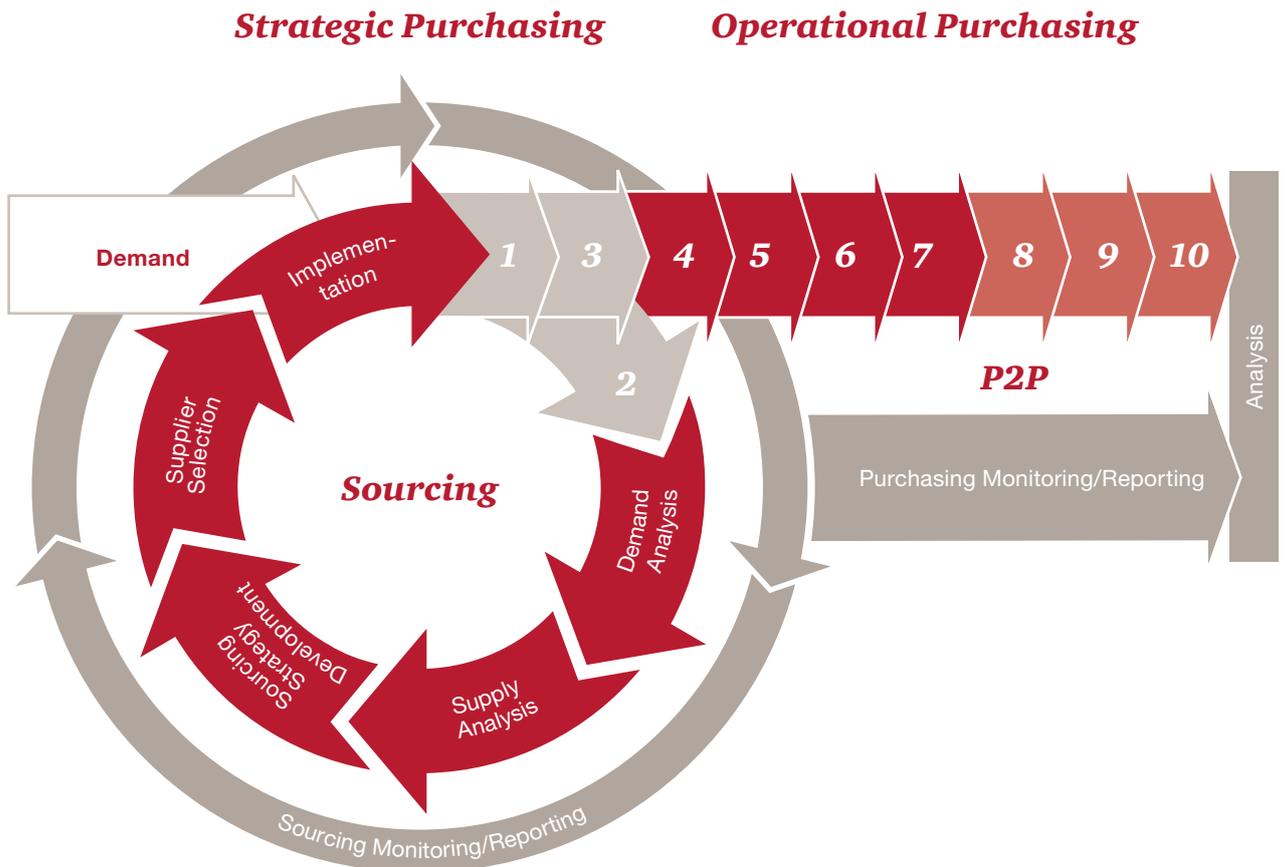
Robotic Process Automation, predictive analytics, cognitive platforms and smart contracts are not science fiction or buzzwords of the future anymore. They have arrived in the here and now and companies are more or less forced to explore all possible use cases.

But what do these innovations mean for Procurement Shared Service Center? Repetitive, standardized and rule-based processes belong to the job description of RPA. The bots are capable of accessing various systems in a non-invasive and fully automated way as well as executing work processes 24/7, completely error-free. The cost savings amount to one-third of the average outsourced FTE.

What does this mean, for example, for invoice processing? The bot opens the e-mail with the invoice automatically. Through sophisticated OCR programs, the bot automatically checks the invoice and stores it. If the invoice is correct, the bot automatically starts the payment process. Only if the specified parameters do not match, the bot will notify a person to intervene. Repetitive, low value-added and tedious work is transferred from human to bot. Shared Service Center employees will start to work with the bot instead of being the bot. The more sophisticated tasks which create value and demand a higher quality of work will remain with them.

The possibilities for the bot to support Shared Service Center employees are infinite. Today's demand forecasts, for example, mostly use historical data. Using intelligent programs, such as predictive analytics, not only enables the historical and actual data to be analysed but also allows real time-changes and future factors, such as the weather, to be fully integrated into the equation thanks to Big Data and intelligent applications. Through the support of bots along the purchasing processes, new Center of Excellence can be added to the standard Procurement Shared Service Center.

Strategic and operational Purchasing



- | | | |
|--|-------------------------|-------------------------|
| 1 Contract & Catalogue Management (Demand Identification) | 4 Requisition | 8 Invoice |
| 2 In Portfolio (SUM) | 5 Approval | 9 Reconciliation |
| 3 Not in Portfolio or Optimization | 6 Purchase Order | 10 Payment |
| | 7 Delivery | |

Nightmare scenario or a step towards success?

The first thoughts that spring to mind may seem disquieting: Will the world now be controlled by robots? Who needs buyers anymore? What will happen to my job? Will the robot be better than I am? If the bot works 24 hours, should I still work for 8?

However, the innovations can be seen from two points of view. Of course, if the goal is to reduce costs, there will be the possibility of redundancies. The nightmare scenario of higher unemployment rates is not impossible.

However, we should also acknowledge the positive elements of the innovation. There is immense potential for companies to design

their supply chains more effectively and to scale. Employees will be assigned to new value-added activities, thus expanding the quality of work and creating new services to increase customer satisfaction.

Procurement Shared Service Centers will change significantly but will not disappear. They need overhauling to be ready for the digital transformation. If the bot-human relationship can be realized in the best possible way, the Shared Service Centers will create fantastic new opportunities.

For further information, please contact:



Dr. Norbert Fischer

Partner
Frankfurt am Main, Germany
Tel: +49 69 9585-3898
Mobile: +49 173 6872872
norbert-f.fischer@de.pwc.com



Nina Leibel

Senior Consultant
Frankfurt am Main, Germany
Tel: +49 69 9585-3810
Mobile: +49 151 1779678
nina.leibel@de.pwc.com

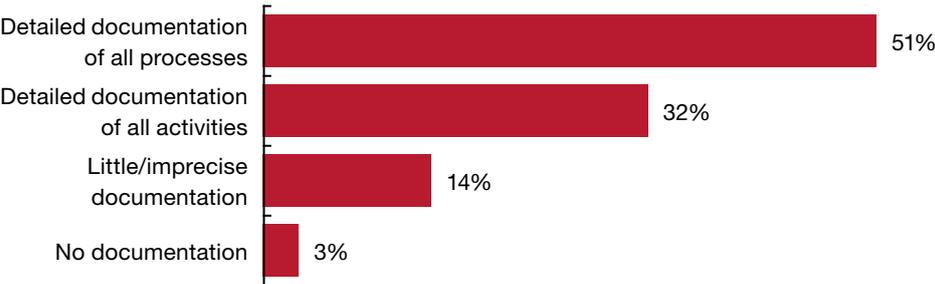
3.2 Process management

The major objective of process management is to ensure that processes run smoothly and efficiently. This requires the design of efficient process flows and enabling technology as well as the ongoing review of the compliance with the defined processes.

One core element of process management is the documentation of processes. Before starting Shared Service operations, processes need to be clearly defined and described so that everyone understands the workflows in order to execute the process properly. A detailed documentation is ideally broken down to activity level and includes a clear allocation of responsibilities. Documentation serves as basis for knowledge transfer, standardization and optimization and is therefore necessary to fully exploit the profit potential of a Shared Service Center.

According to Figure 23, results of the survey show that process documentation plays a relevant role and is addressed accurately in most cases. Only 3% do not have any process documentation in place.

Fig. 23 Level of process documentation



In order to exploit the full potential of Shared Services, it is essential to make use of the opportunity to configure processes to a common standard. The implementation of standard processes should therefore be a key element when establishing a Shared Service Organization.

Fig. 24 Level of standardization with regard to the existence of a standard process model

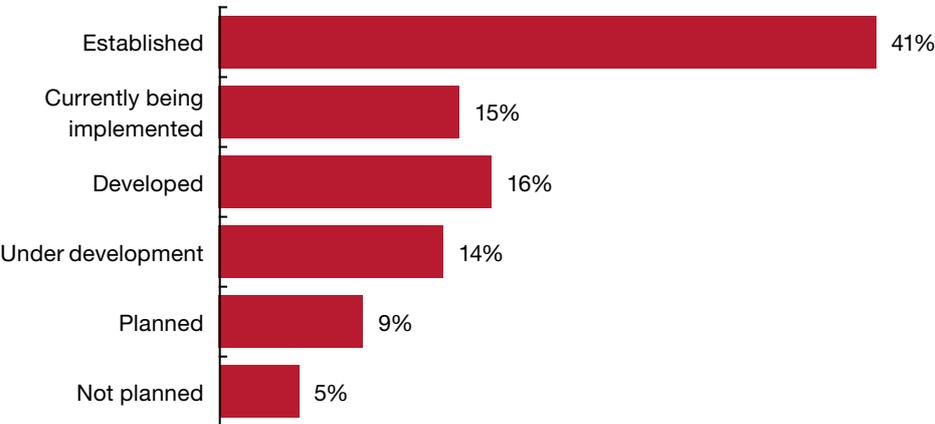


Figure 24 shows a trend in the direction of process standardization but it is still not common in most of the service organizations. The participants of the survey are currently either defining and developing (30%) or implementing (15%) a standard process library (30%) or already having established a standard process model (41%). About 9% of the remaining participants reported having at least planned a standard process model. In this case, the realization of concepts would be a major challenge in the upcoming years.

4 Technology

Technological breakthroughs are radically changing today’s business environment. The growing relevance of Big Data, the cloud and robotics marks a new wave of digital transformation. The emerging trend of digitization is a huge challenge, but at the same time it offers significant opportunities for any operating organization. In order to remain competitive, a Shared Service Organization must adopt new technologies and needs to make use of advanced IT solutions.

A key factor for success is the use of a consistent company-wide Enterprise Resource Planning (ERP) system, as it is essential to achieve a high level of standardization as well as smooth workflows.

Fig. 25 Level of process standardization with regard to the use of the ERP system

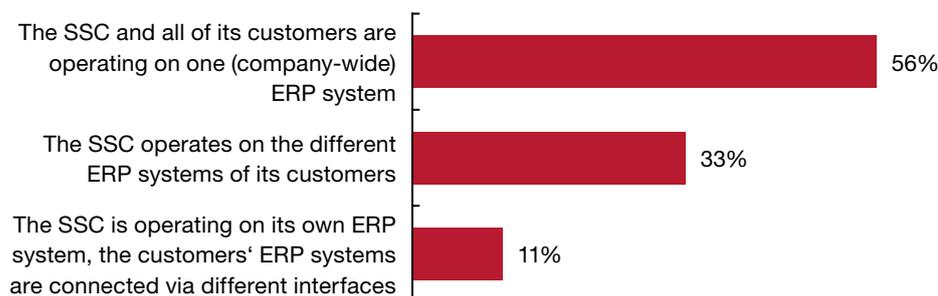


Figure 25 shows that a majority of participants already reaches a high level of standardization: more than half of the participants stated to operate on one company-wide ERP system. The others either operate on different systems of the customer or are working on a separate system that is connected to the customer’s system.

The integration of a consistent IT platform is essential for a successful service model. The market offers various solutions which not only help to optimize resource planning, but also lead to overall improvements in service capabilities and levels. To get an overview of current trends in the Shared Service Business, we asked the participants about which IT tools they currently use.

ERP system: A closer look at the specific systems that are currently in use reveals the leading and dominant role of SAP. The majority of respondents reported using diverse SAP applications, even outside of Europe. It is worth mentioning that many of those companies also use other systems to support the ERP process. Commonly used programs are Oracle, Navision and PeopleSoft. There are in fact many other tools that are in use but none of those systems is widely accepted.

The development of an optimized system landscape remain a crucial topic. For Finance and Controlling, SAP has developed an application that enables companies to consolidate and harmonize data from the different ERP systems that they are using. Central Finance, a SAP S/4 HANA deployment option, streamlines processes as it replicates the data from the different ERP systems in real time onto a Central Finance instance. It creates a single-system landscape that can ideally be used for Accounting and Controlling Shared Service Centers.

Management tools: Looking at management tools, the trend is moving towards cloud computing. In recent years, it has become common practice and the market offers different options that significantly simplify the document exchange process. However, many respondents stated that they use Microsoft SharePoint. In comparison to sharing systems, tools for knowledge management and process management are used only rarely. In order to design and develop their processes, a small number of participants make effective use of IT-based solutions using tools such as ARIS, Visio or Stages. For knowledge management, even fewer participants stated that they currently use an IT platform.

Communication tools: Effective communication is a key element of a successful organization. As a source of information, communication is essential in the decision-making process and improves workflows and productivity. Building relationships between staff members, both on a professional and interpersonal level, necessarily requires a well-conceived communication system. However, developing an effective communication concept is an onerous task, particularly in organizations with a complex organizational structure. Communication tools enable companies to address this challenge properly and to optimize their performance. Arguably, email is the most common communication tool in place. Using e-mail helps to communicate valuable information internally and externally and is therefore essential for every organization. Furthermore, the survey shows a trend towards private or group messaging. Chat tools such as Skype for Business and Lync help teams and groups to be more effective in the workplace. This is especially important when employees are spread across different locations in different time zones. Furthermore, there are many other communication tools that are currently in use. Some participants reported to make use of ticketing tools, such as SAP Shared Services Framework (SSF), Remedy and HP Service Manager. As Shared Services generally deal with high transaction volumes, using a ticketing tool is an excellent way to streamline communication and processes. Nevertheless, none of the tools above appears to have gained widespread acceptance so far.

Cloud computing is widely established on the Shared Service market

Chat tools are likely used for internal and external communication

Ticketing tools are in use but none has gained widespread acceptance yet

HR Shared Services in the digital age

During the past two decades, Shared Services for Human Resources have undergone an evolution from bundling and consolidation to integrated, value-adding and highly efficient service delivery. The emphasis of this evolution has been on delivering higher quality in terms of standardization, reliability, and consistency for lower unit costs. The latter aspect was driven by methodologies to improve process performance, such as Lean Six Sigma, through automation, portfolio optimization, and sourcing considerations.

A new paradigm for HR Shared Services

At a point where efficiency gains seem to have reached a peak with HR Shared Service Center staff ratios of more than 1:500 (with 500 employees served with the full scope of HR service offerings by one HR Shared Service Center employee), alternative strategies are gaining new importance. One of the most recognizable trends concerns adding further value-adding services to the “classic” service portfolio, leveraging tasks that were previously with HR Business Partners or HR Centers of Excellence. Examples include consultation on the interpretation of policies and directives, proactive involvement in talent management processes and support for managers in their role as supervisors, greater involvement in the recruiting process with responsibilities for pre-selection and first-level interviews, and value-adding reporting and analytics capabilities bundled in the Shared Service Centers. A second trend concerns the role of

HR Shared Service Centers to act as a business integrator through the modularization of services so that standardized modules of service offerings can be combined to offer a greater variety to meet specific local business demands.

The aforementioned trends have already anticipated the development that is mainly driven by a change in paradigm in HR Shared Service Centers – a change that shifts the emphasis from the supplier to the customer. While keeping the high quality and efficiency of the internal service delivery, the focus is on improving the customer experience for every HR transaction and touchpoint. Just as HR Shared Services have been the driver for HR transformation exercises in the past, we now see that this function will play a crucial role in implementing digital business models. HR and especially HR Shared Service Centers act in three dimensions to accelerate the digital agenda in a company.

Opportunities for HR Shared Service Centers to contribute to the digital agenda

HR Shared Service Centers can leverage digitization with the identification and implementation of new HR business models (one or a combination of several). These business models challenge the capability of HR in five distinct areas:

- **Technology enablement:** technology and data-centred value proposition of HR Shared Service Center services (e.g., with advanced and predictive HR analytics)

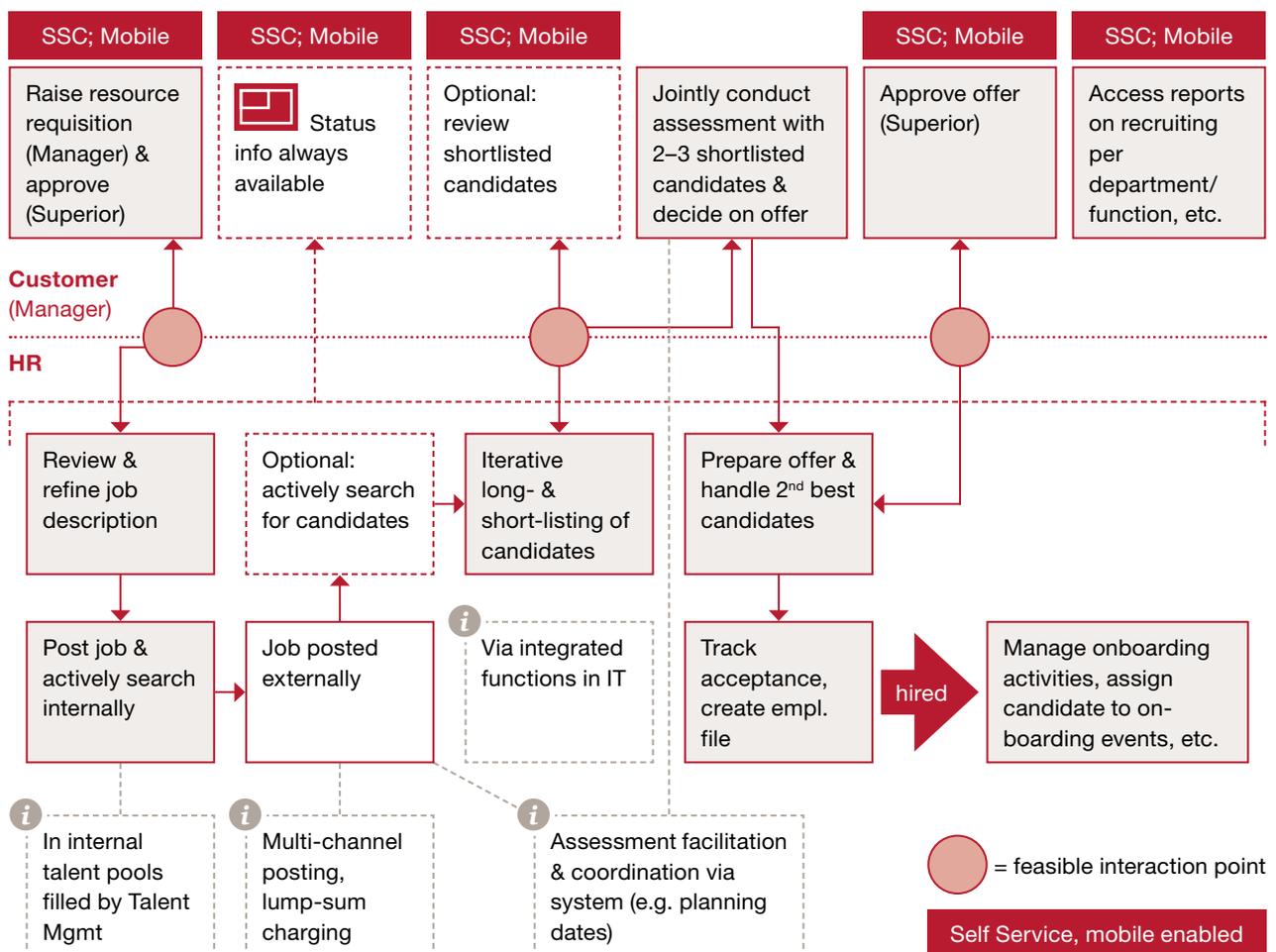
- **Transaction orientation:** this business model focuses on direct delivery in large volumes and on using automated transactions based on self-services or Robotic Process Automation.
- **Customer focus:** enabled through digital customer interfaces with very mature, positive customer experiences where managers are allowed to approve people management processes with smartphones or review their teams and performance in a highly digitized environment. A further application may help to create digital profiles and customized services that enable personalized HR service offerings in line with an employee’s qualification or area of expertise. Another improvement in customer experience can be identified in the delivery of aggregated employee data from connected devices during the full talent management cycle, thus integrating availability, flexibility, competency and motivation when choosing the right person for the right job.
- **Solution orientation:** digital services around customer environments and complex integrated end-to-end solutions to a broader customer situation. For example, when a manager asks to fill a position with a new candidate, the HR Shared Service Center directs efforts not only into external recruiting but also into succession management, internal workforce management, external networks of partners and temporary staff and project staffing.

- Open digital: flexible interfaces to employees, managers, HR staff, applicants, and partners with embedded services in a digital HR ecosystem for potential co-creation and additional value. This HR business model would leverage additional “on-top” HR systems and apps which are the best for the respective job to be done based on the foundational HR system (most likely cloud). This system

is, for example, closely linked to external social media applications with the ability to discuss talent topics, jointly breaking the barrier between internal and external labor markets.

The following case study of a highly digitized recruiting process leverages some of the aforementioned HR business models with an emphasis on customer experience.

Example HR Shared Service Center



A company was under pressure to improve external recruiting, and especially candidate experience, since the posted positions required a high affinity for technology and the respective candidates would not have been inspired or engaged by traditional sourcing channels and recruiting procedures. The solution comprised the digital redesign of the recruiting process with the aim of reducing and streamlining around touchpoints where the applicant interacts with the future prospective employer, but it also took into account the satisfaction of internal customers (line managers) with regard to the interaction with HR. Furthermore, the barriers between internal and external talents and managers were reduced. Future touchpoints were designed for a highly digital, immediate and personal interaction, delivering an experience of appreciation, speed and ease of use. The design took into account the preferred devices and social media applications of the target population and minimized the steps and effort needed to get in contact with the hiring manager.

Virtual Shared Service Center models

During the past decade, HR Shared Service Centers (like all other Shared Service initiatives) were in most cases locally bundling their service delivery activities,

allowing employees to work closely and effectively together to achieve economies of scale, supported by enabling Shared Service Center technologies. Nowadays in the digital age – as the technological and organizational maturity of organizations is usually more advanced and a new generation of “digital native” employees conquers Shared Service Center workplaces – organizations can establish Shared Service environments with Shared Service technologies that are independent from local bundling and the high set-up costs of Service Centers. This creates a variety of potential new Shared Service Center design models and transition paths as technologies become more independent from locations, flexible workplace models increase and working in virtual teams based on advanced technologies becomes easier and more sophisticated than ever before. Especially small- to medium-sized companies can benefit from this trend, as Shared Service Center models become more feasible with smaller subsidiaries as well, but it may also reduce potential conflicts with the workers’ council as well as set-up costs and time frames. However, change needs to be managed carefully, and effective people management becomes more “tricky” in these virtual Shared Service Organizations.

Digital readiness and enablement

On top of offering digital business models, HR Shared Services also act as drivers in implementing a digital agenda in a company. The two main aspects are developing digital competence and fostering a digital culture.

Digital competencies are mainly concerned with the ability of the whole organization to deploy capabilities around social, mobile, analytics, and the cloud (SMAC). HR Shared Services are predestined to act as facilitator for internal social media platforms and hence to create, understand and improve literacy in using these kinds of technologies and techniques. Culture is even more broadly faceted and concerns the topics of

- agile collaboration: working in interdisciplinary teams, sharing knowledge, rewarding mistakes,
- cooperation and co-creation: fostering the variety of experience in the company and supporting role-based leadership,
- digital culture development: proactive change management and cultural surveys and trend monitors,
- digital work places: designing space for alternative ways of working and enhancing creativity.

Those two dimensions of digital capability are best evaluated using a digital readiness assessment and matching it to the digital roadmap and business model. Most companies can already tap into some experience which needs to be prioritized and developed for future application. The HR Shared Service Center is the ideal incubator for the development of the digital strategy, as it brings together some of the most critical assets for this task: the knowledge of the workforce, the access to a large quantity of HR data, the experience in technical enablement of HR transactions and the fact that the HR Shared Service Center is the preferred and established point of employee interaction.

For further information, please contact:



Till R. Lohmann

Partner
Hamburg, Germany
Tel: +49 40 6378-8835
Mobile: +49 151 17463260
till.r.lohmann@de.pwc.com



Jens Vorbeck

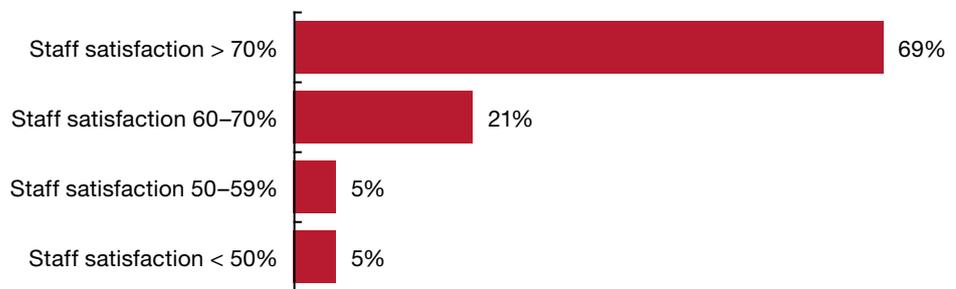
Senior Manager
Berlin, Germany
Tel: +49 30 2636-4317
Mobile: +49 170 2227734
jens.vorbeck@de.pwc.com

5 People

For Shared Service Organizations, one of the most valuable and important resource is their human capital. The success of a Shared Service Center depends to a large extent on the performance of its staff. Because they carry out the services that the customer requires, employees are essential for reaching high levels of service orientation and customer satisfaction.

In order to achieve operational excellence, it is important to create a pleasant business environment. As shown in Figure 26, the majority of participants indicated high levels of staff satisfaction: 69% of respondents stated that their employees describe their working conditions as “good” or “very good”. Only 5% of respondents indicated a satisfaction rate of less than 50%.

Fig. 26 Percentage of staff that rated working conditions as “good” or “very good”



However, this year's survey shows that high staff satisfaction does not necessarily lead to low turnover rates. Although most employees seem to be content with their working conditions, Figure 27 proves that most Shared Service Centers report annual staff turnover rates of more than 10%. Evidently, a comfortable working environment is not sufficient to retain employees. A possible reason might be that extrinsic incentives, such as salary, location, and career opportunities, play an important role when choosing the workplace, coupled with the fact that it is relatively easy to change employers in most of the Shared Service locations (e.g., no legal restrictions and lots of opportunities in hot-spot locations).

Fig. 27 Annual staff turnover over the last three years

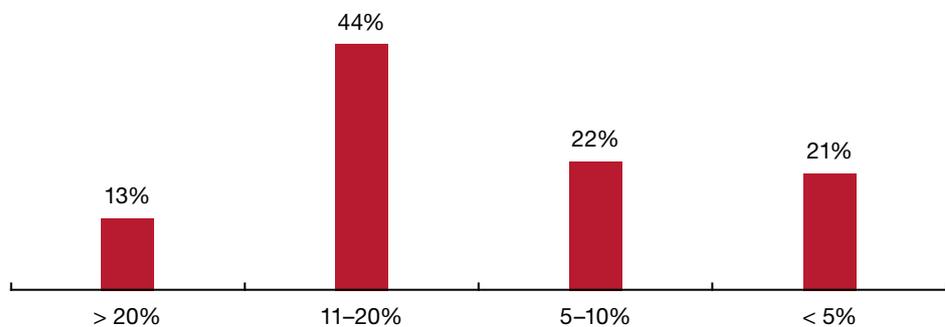
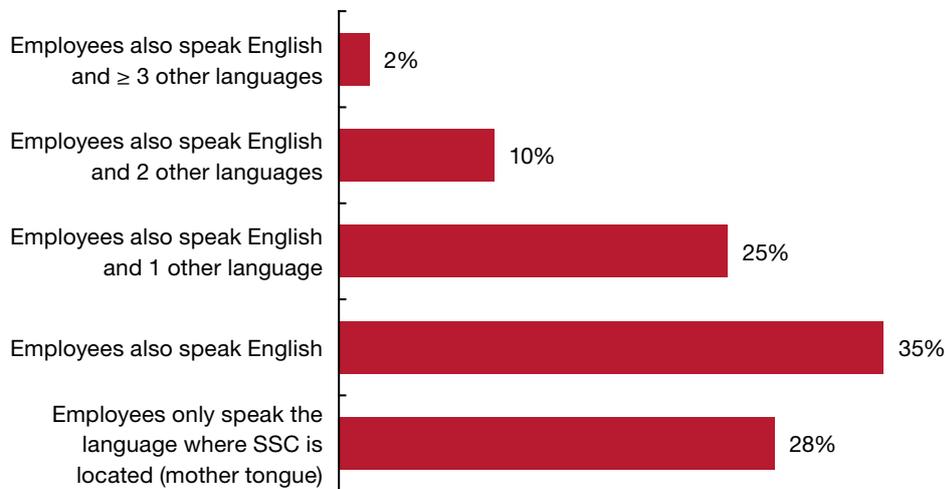


Fig. 28 Language profile of employees

As already mentioned, the availability of qualified staff is a key reason when choosing the location. The qualifications of an employee depend on different factors, such as their level of knowledge and practical experience. Moreover, communication skills are an important factor regarding service orientation and customer satisfaction. Their relevance increases as business becomes more global and multi-functional.

In our survey we gathered information on the availability of language skills among staff. On the one hand, Figure 28 shows that the majority of employees speaks more than just the language of where the service organization is located. In addition to their mother tongue, more than 70% also speak English. Thereof 25% are able to speak one additional language, and 12% of working staff speak at least two other languages.

On the other hand, 28% only speak their mother tongue. This is absolutely sufficient to perform highly transactional activities, such as scanning invoices, that do not require knowledge of additional languages. Nevertheless, foreign-language skills are preferable for activities with customer contact. In those cases, the availability of English-speaking staff is indispensable, whereas additional languages can be seen as a further improvement to the service quality.

Fig. 29 Relevance of selected service criteria across various hierarchy levels

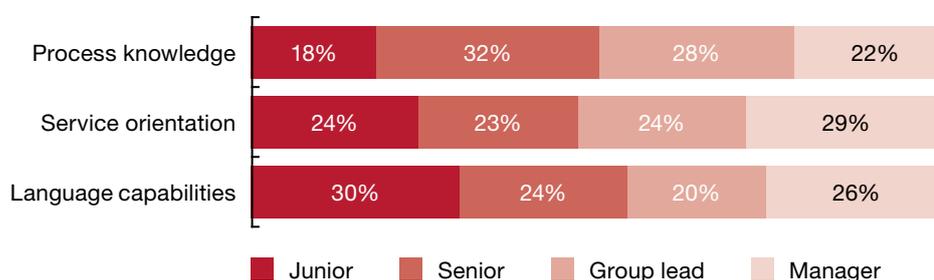


Figure 29 depicts how the participants evaluate the importance of process knowledge, service orientation and language across different grades. Process knowledge seems to be relevant especially for seniors and group leads (together 60%) in order to have an overall understanding of the end-to-end process as they are responsible for the correct performance of the process activities. Service orientation is typically highly important for all grades, especially for managers (29%), as the business of Shared Services – as the name already says – is to provide services to their customer and therefore to focus on good service provision and high customer satisfaction. Language capabilities is rated slightly more important for juniors (30%) than for higher grades as operational activities often require direct contact to customers and therefore the ability to speak and understand their language. All in all, the survey shows only slight differences in the importance of the mentioned criteria across different hierarchy levels.

6 Service management

Service management refers to the economic performance of Shared Service Centers as well as to the efficient and effective service provision to their customers. The main task of service management is to set up, maintain and control the relationship between the service provider, i.e., Shared Service Center and the customer and therefore to define and agree on rights and duties of each party. In order to maintain a good service relationship, performance indicators are defined for both service provider and receiver. Furthermore, performance indicators are also used for measuring the performance of the service provider and therefore for managing the Shared Service Center itself.

Besides the definition of the mentioned relationship including service scope or times, service management also includes the development of a charging model. The charging model addresses the question of how the Service Center is financed under consideration of all legal and Tax requirements. This leads to the urgent need of a good working collaboration model. All in all, a well-performing service management results in a strong service relationship with good service quality and high customer satisfaction. It helps to realize corporate targets regarding sustainability, operational efficiency, cost reduction and productivity.

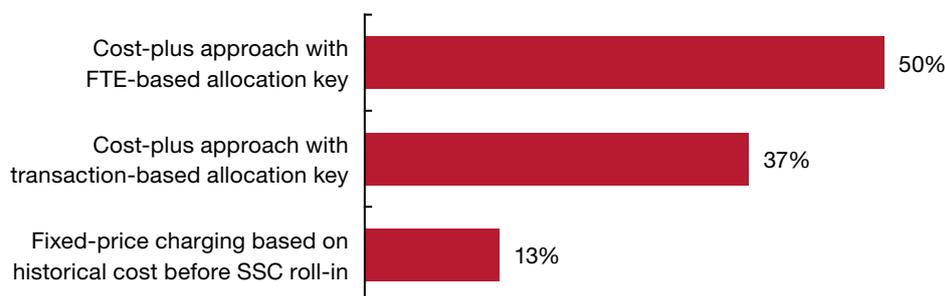
Service Level Agreements (SLA) are an important tool in effectively managing the Shared Service Center. A Service Level Agreement defines the relationship between the Shared Service Center as a service provider and the customer as a service recipient and is mostly used as the legal contract between the parties. It defines the services to be provided and sets expectations between the center and the customer. The survey shows that the use of Service Level Agreements is pervasive. Today, almost every surveyed Shared Service Center (95%) has a Service Level Agreement in place. However, the majority uses process-oriented Service Level Agreements (61%) and only 21% of surveyed companies define and agree on prices and savings in their Service Level Agreements. Furthermore, about half of the companies review and update their agreements continually for changes in scope so that they ideally reflect the relation to the customer and remain a valid contractual basis.

21%

of participants define prices and savings in the SLA

Besides specifying the service scope, Service Level Agreements also include agreements regarding the charging model for provided services. An analysis of charging methods shows that the vast majority of companies uses the cost-plus approach, which is based on effort (FTE- or transaction-based) and seems to be a fair charging methods. As shown in Figure 30, half of the participants charge according to FTE as it may be easy to determine. Another 37% choose a transaction-based allocation key to charge their cost which offers a good opportunity for transactions which are recorded directly in the system, e.g., number of invoices posted automatically.

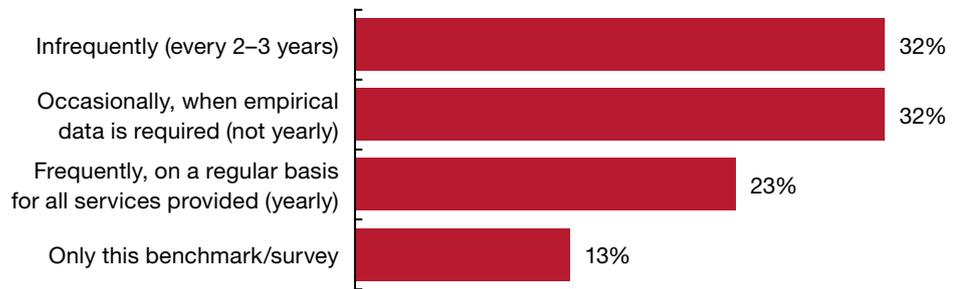
Fig. 30 Selection of charging concepts for Shared Services



As already mentioned, service management takes responsibility for managing service quality. The market offers a number of approaches and concepts that shows that Continuous Improvement Processes (CIP) are widely established. Our previous survey stated Six Sigma and Total Quality Management (TQM) to be common tools. Both concepts are aimed at achieving process improvements. However, while TQM is more abstract, Six Sigma offers a set of concrete strategies and techniques to improve service quality. The survey also pointed out that most organizations have adapted lean approaches and company-specific tools. Compared to the findings in 2014, this year's survey shows a decreasing trend for TQM, while Six Sigma remains a widely accepted CIP approach. Most participants also implement a mixture of different approaches or make use of self-developed solutions.

Most participants prefer to use a mixture of approaches or self-developed tools rather than Six Sigma or TQM

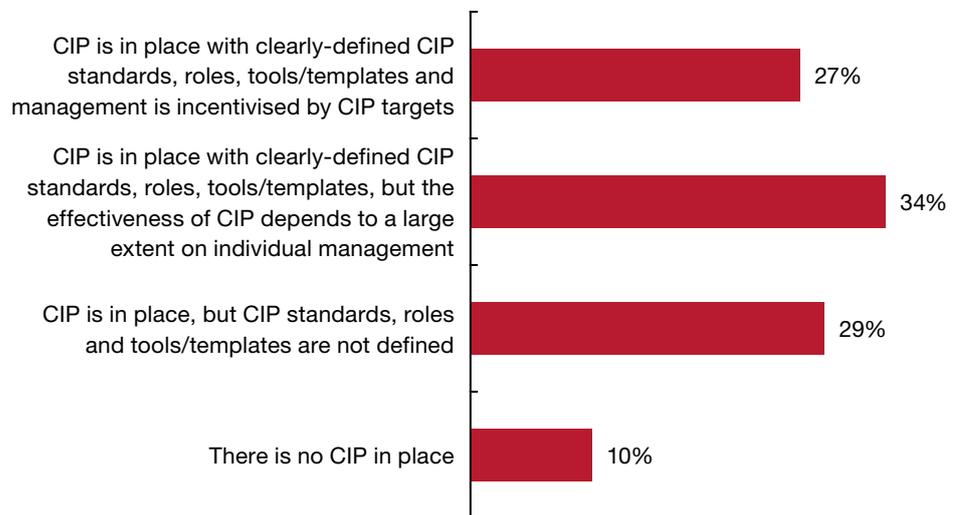
Fig. 31 Level of use of internal/external benchmarks to evaluate the Shared Service Center performance



As the name implies, CIP requires a continuous evaluation of service quality. In order to ensure competitiveness and high efficiency, it is advisable to integrate benchmarks as an overall performance check. As shown in Figure 31, however, when asked about the extent to which benchmarks are used to evaluate the performance of the Shared Service Center, only 25% of respondents stated to make frequent use of it. The remaining 75% use benchmarks occasionally at most.

Figure 32 reveals that many organizations have a CIP approach in place but only few exploit the full potential. Only 27% of the respondents have fully developed their approach so that management is incentivized by CIP targets. The remaining participants claim that the effectiveness of continuous improvement depends too much on individual performances or have not even defined CIP standards yet.

Fig. 32 Extent to which a CIP approach is in use to improve business processes



Although most organizations see much room for optimization, CIP already had a substantial impact on the quality of services. About one-third of the participating companies have already achieved huge improvements, while 43% of respondents stated that CIP had improved Shared Service Center processes at least to some extent.

Shared Services are aimed at creating added value for their customers. The survey shows that most customers are satisfied with their Shared Service Center. The majority indicated that more than 70% of customers rate their center's services as "very good" or "good".

However, customer satisfaction is not the only indicator that proves the utility of services. In order to measure continuous improvement, additional Key Performance Indicators (KPI) are used to evaluate the performance of the Shared Service Center on a regular basis. In general, KPI can be classified according to the following three categories:

- quality,
- costs,
- time.

Figure 33 shows some examples for typical Key Performance Indicators stated by the participants across all functions, used for measuring the performance of Shared Service Centers and clustered into the categories mentioned before.

Fig. 33 Typical KPI for Shared Services

Overall	Quality	Costs	Time
Customer satisfaction (in %)	Correctly processed documents (in %)	Total costs per FTE	Response time
Associate satisfaction (in %)	Error rate (in %)	Costs per invoice/transaction	Processing on time (in %)
Number of transactions per FTE/day	(First time) Matching rate (in %)	FTE rate per SSC	Cycle time e.g., for invoice processing
Number of automated posted invoices	Payment to terms	Cost reduction rate (in %)	On time payments and overdue

The participants also listed more process-specific KPI that are aligned with the individual characteristics of a business function. The degree of automation, for example, was often mentioned especially for accounting-related tasks. Compared to other functional units, Accounting includes many transactional tasks that offer high potential for automation. In comparison to that, for HR or IT services, automation is less important nowadays but that may change in the future. Other factors that are crucial for customer satisfaction and operational excellence (e.g., SLA compliance and high accuracy rates) become more relevant.

32%

have achieved huge improvements with CIP

70%

rate services as "very good" or "good"

Shared Services – trends and opportunities in Controlling

1. Background

A modern and powerful Controlling function aims to continuously improve effectiveness and efficiency to better support decision-making, evolving from more of a support function towards a true Business Partner role with a significant impact on management decisions. This entails providing business insights with high management relevance, for example, commenting on reports and possessing an in-depth understanding of current business development. About 25% of overall resources within the finance function are already devoted to achieving a thorough understanding

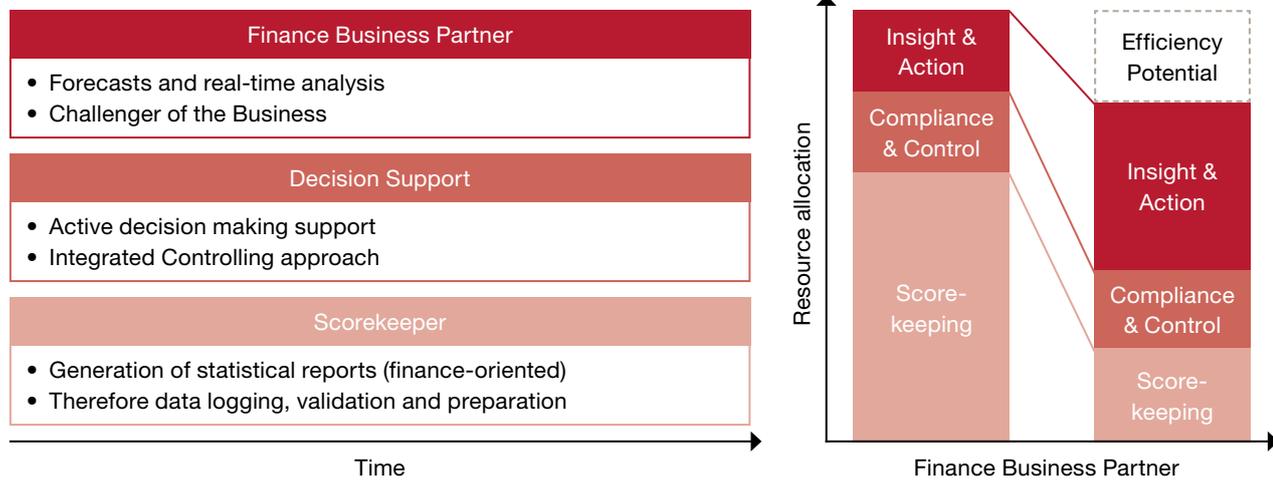
of the business development. This represents an increase of 40% since 2009.⁴

Recently emerging challenges have enforced this development and increased the pressure on Controlling. The requirements made of the function are rising: businesses demand information which actively supports decision-making and is underpinned by in-depth analyses. However, these rising expectations cannot be met as long as data-gathering and consolidation still tie up a high portion of resources (on average: 64% of Controlling FTE).⁵ Furthermore, there seldom

exists a process-oriented allocation of tasks with defined roles and responsibilities. The set-up of the function often follows the “everybody does everything” approach without a defined split of tasks by type of activities.

Thus, it has become necessary to reconsider the traditional distribution of tasks and organizational structures. In this context, other functions – such as Accounting, HR, Procurement and IT – have already established Shared Services as cross-industry standard, while Controlling started such initiatives just a few years ago.

From Scorekeeper to “Finance Business Partner”



⁴ Cf. PwC, Unlocking Potential: Finance effectiveness benchmark study 2013, 2013.

⁵ Cf. PwC, Unlocking Potential: Finance effectiveness benchmark study 2013, 2013.

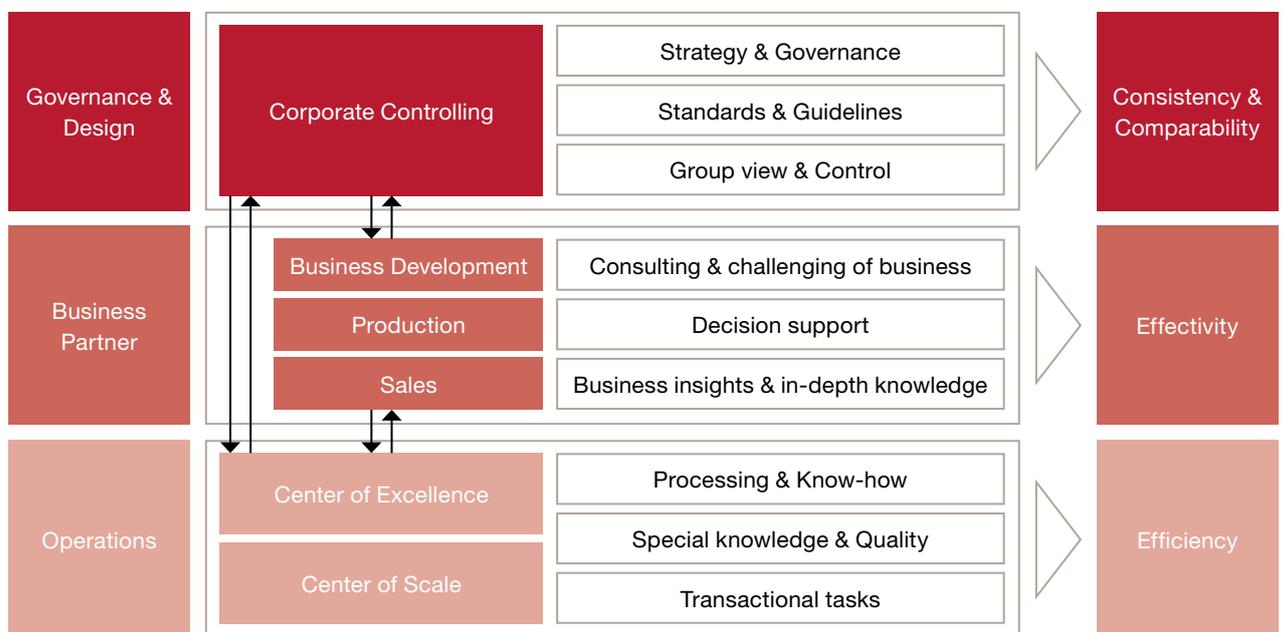
2. The future operating model

The rising number of management requirements are driving the further professionalization of Controlling in a similar manner to that seen in other chief functions. The major improvement lever is the stricter distinction between the different types of tasks. The bundling of activities allows the function to focus on its primary tasks, such as analyses, evaluations and organizing service delivery as efficiently as possible without sacrificing quality.

The tasks of the operational Controlling function are centralized in operations and represent about

60% to 70% of the overall function. Cost accounting as well as data gathering and consolidation tasks of the reporting function are typical first candidates for bundling, while the already existing (Accounting) Shared Service Center structures are leveraged to form multi- and cross-functional Shared Services. In this context, the scope is not limited to some selected processes or transactional tasks: mature Controlling Shared Service Center exploit the potential to set up an organization that provides services for all Controlling areas, including financial planning and analysis, reporting, forecasting, etc.

The three main competency areas of Controlling



- **Business Partner (Local Controlling):** The forward-looking and customer-centric Business Partners act as true co-pilots for the local business and performance management. They focus on interpreting business data to derive essential insights on corporate performance and business development. The unit is in regular exchange with operations.
- **Governance and design (Corporate Controlling):** The main goal of this central unit is to ensure the alignment of a holistic Controlling strategy and group-wide policy in terms of compliance, risk and quality management aspects.
- **Operations – Center of Excellence:** Group-wide, more complex and specialized tasks are bundled

in a Center of Excellence. A high level of transparency and efficiency is achieved through the standardization and harmonization of group-wide methods (e.g., consistent preparation of business case calculations in a defined structure using a standard layout). Business and predictive analytics represent typical primary tasks of this unit.

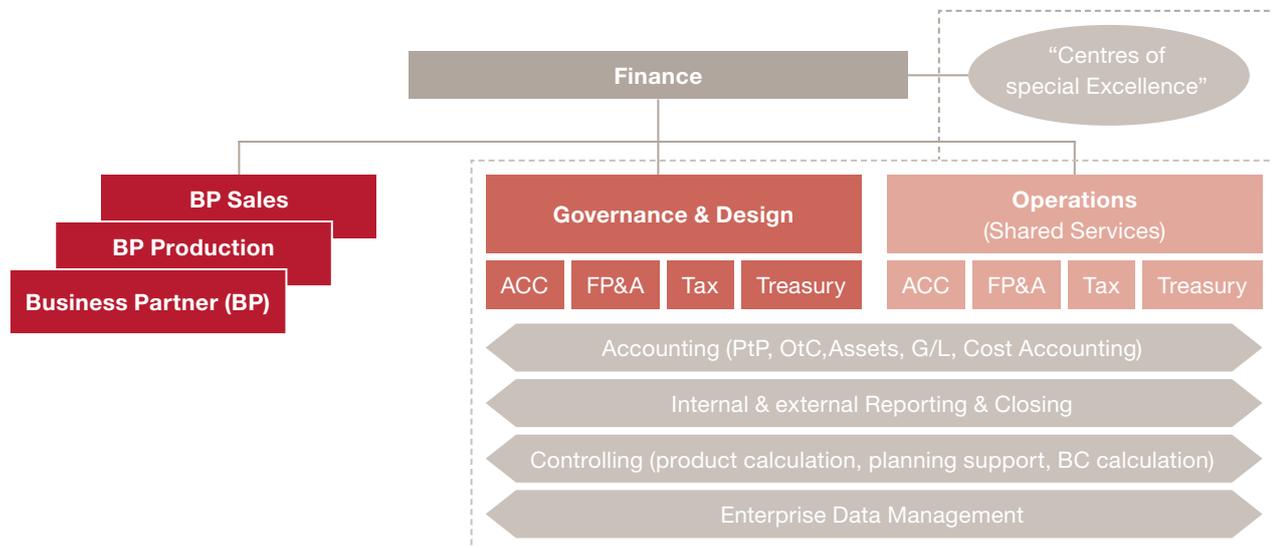
- **Operations – Center of Scale:** The transactional tasks (e.g., processing and provision of data) are performed centrally in a Shared Service Organization for all Controlling processes with the main goal of providing services at the agreed quality and on time, while ensuring high productivity and cost efficiency.

3. Implementation challenges

Controlling Shared Services need to deal with emerging challenges resulting from the specifics of the function:

- **Organizational integration with operations:** The Controlling function aims to meet business requirements and to cover management information needs in a reliable and timely manner. According to its self-perception, Controlling requires proximity to operations. A clear differentiation of activities in data gathering, processing and analysis is currently not prevalent. This increases complexity in identifying activities that can potentially be bundled.

Finance of the Future separates Design, Business Partnering, and Operations



<p>Business Partner (BP)</p> <ul style="list-style-type: none"> • Partner of management; understand business, explain, derive and suggest measures • Challenge as “active investor” 	<p>Governance & Design</p> <ul style="list-style-type: none"> • NEW: Governance across functions (joint approach, continuous alignment) • Management of requirements, agility drivers (i.e. integration of new reporting requirements e.g. sustainability) • Implementation to transaction level • Continuous exchange and job rotation with operations 	<p>Centres of Excellence</p> <ul style="list-style-type: none"> • Competence centre for expert topics (e.g. analytics) • Make or buy vs. Sourcing 	<p>Operations (SSC)</p> <ul style="list-style-type: none"> • Provision of operational tasks in Controlling (approx. 60%) • Process integration across functions in Shared Services
--	--	--	---

- **Fragmentation of Controlling activities:** The typical organizational set-up of Controlling is decentralized (e.g., one controller per business unit and country). The centralization of selected activities requires the reorganization of the Controlling organization in order to realize synergies.
- **Low degree of standardization and automation:** The individual ad-hoc requests and the lack of external regulation (as in Accounting for example) favor a heterogeneous reporting landscape. Thus high levels of manual effort are attached to report creation based on spreadsheets, with Microsoft Excel representing the predominant method of choice.⁶ Projects to increase standardization across reporting show that about 80% of existing reports can be harmonized. Harmonization or even standardization then provides the basis for further

automation. However, a complete standardization in decentralized structures is by no means the prerequisite for the implementation of Shared Services in Controlling. The standardization initiatives can be implemented much more efficiently and reliably in structures that have already been centralized.

- **Change management:** Controlling is often surrounded by myths, having resulted from a diffuse service portfolio providing all kinds of information or reports and without a clear distinction of tasks, roles and responsibilities. The implementation of Shared Services helps to “demystify” the function, forcing Controlling to define a clear activity and competency portfolio. This requires an effective change management and can only be successful if the proximity between the Finance Business Partners and operations (Shared Service Centers) is ensured.

4. Outlook

Existing Shared Service structures will be increasingly extended through the addition of Controlling activities and other functions; the result can be observed in multi-functional Shared Services acting as independent service organizations within the group. In the near future, Controlling Shared Services will be a common and cross-industrial practice enabling the professionalization of the function through the continuous identification of potentials for “stop-doings” as well as centralization and automation. Thus Controlling Shared Services will be a major enabler of Business Partnering. The traditional Chief Financial Officer (CFO) will evolve into a Chief Performance Officer (CPO) and make a significant contribution to the development and realization of strategic goals. Our studies predict that by 2030, top performers will not be spending any time on data-gathering, since all such processes will be fully automated.⁷

For further information, please contact:



Gori von Hirschhausen
Partner
Munich, Germany
Tel: +49 89 5790-6698
Mobile: +49 175 4353745
gori.von.hirschhausen@de.pwc.com



Diana Wagershauser
Senior Manager
Frankfurt am Main, Germany
Tel: +49 69 9585-3046
Mobile: +49 151 1420 8907
diana.wagershauser@de.pwc.com



Barbara Major
Manager
Munich, Germany
Tel: +49 89 5790-5449
Mobile: +49 160 5363925
barbara.major@de.pwc.com

⁶ Cf. PwC, Unlocking Potential: Finance effectiveness benchmark study 2013, 2013.

⁷ Cf. PwC, Finance matters: Finance function of the future, 2013.

D Shared Services in the age of global digitization



As the results of this year's survey show, the Shared Service Concept has reached high maturity and therefore most companies are getting closer to the target situation by continuously improving standardization and automation. This year's survey also confirms the results of our last survey (2014), which identified further standardization and automation as upcoming challenges to remain competitive.

These findings show two things: Firstly, there is industrialization of the Shared Services sector. Secondly, following the logic of this development, Shared Services seem to be a necessary stopover on the way to full-scale automation.

Standardization: Standardized processes, systems and structures are essential for the success of a Shared Service Organization. The harmonization of processes and the IT landscape is seen as the biggest challenge when setting up a Shared Service Center. It generally takes up to 12 months to streamline processes so that they meet the requirements for efficiency and effectiveness. A vast majority of companies adopts a CIP approach in order to evaluate and improve services on a regular basis. Some try to use the organizational set-up for further standardization, for example, by creating positions such as data owner and process owner, in order to ensure that there are people who are specifically responsible for those areas. However, as the benefits of standardization are limited, companies have to start automating their processes to further optimize their Shared Service operations.

Automation: Digitization and automation will significantly affect business environment – especially in the field of Shared Services. Automated processes lower cycle times, reduce error rates and personnel costs, and enable staff to focus on handling more value-adding and complex tasks. Automation thus leads to advanced productivity, service quality and customer satisfaction. Especially transactional activities – which have already reached high maturity in the field of Shared Services – have great potential to become fully automated. For Accounting and Controlling Shared Services, SAP S/4 HANA Finance with its deployment option Central Finance offers the possibility to replicate data from multiple ERP systems in real time. It creates a harmonized data set on a single Central Finance system and thus avoids discrepancies between the different ERP systems the customer uses.

Our experience shows that rule-based automation becomes a priority for Shared Service Organizations. Robotic Process Automation makes it possible to fully automate highly rule-based processes by adding specific tools for automation to the existing infrastructure. Even if rule-based automation is just entering the Shared Services landscape on a broader scale, the development of the next level of automation is already in progress. Artificial intelligence will enable the integration of tools into the existing Shared Service Center landscape so that more complex and complicated activities can be automated, for example via machine learning algorithms. Following this logic, you can expect to see a shift from the HR budget towards the IT budget.

In addition to standardization and automation, the variety of processes and functions is steadily increasing. The functional scope of Shared Services is thus shifting from transactional processes towards knowledge-based and more complex processes.

Scope enhancement: Future Shared Services are characterized by integrating both transactional and knowledge-based services. As part of the latter, expert services like predictive analytics and data management will be provided. By integrating more and more services, flexible support for new business models is vital. As the functional areas are covered and the complexity of Shared Services continue to increase, the strict separation of different Shared Service Centers becomes increasingly difficult, and therefore the creation of a global network will become unavoidable. As a result, new qualifications and job profiles will be required.

Job enrichment: By integrating new functions into the Shared Service Organization, the qualifications needed and job profiles will change accordingly. Knowledge-based processes and expert services require a higher level of qualifications than transactional activities. In future Shared Services, operational service employees for transactional processes will become less relevant due to increasing automation. The focus will shift to know-how owners and experts for end-to-end processes, such as data scientists, analytics experts and process experts. In order to guarantee the quality of the newly integrated services, companies will need to establish or extend their service delivery management, especially in the area of managing competencies.

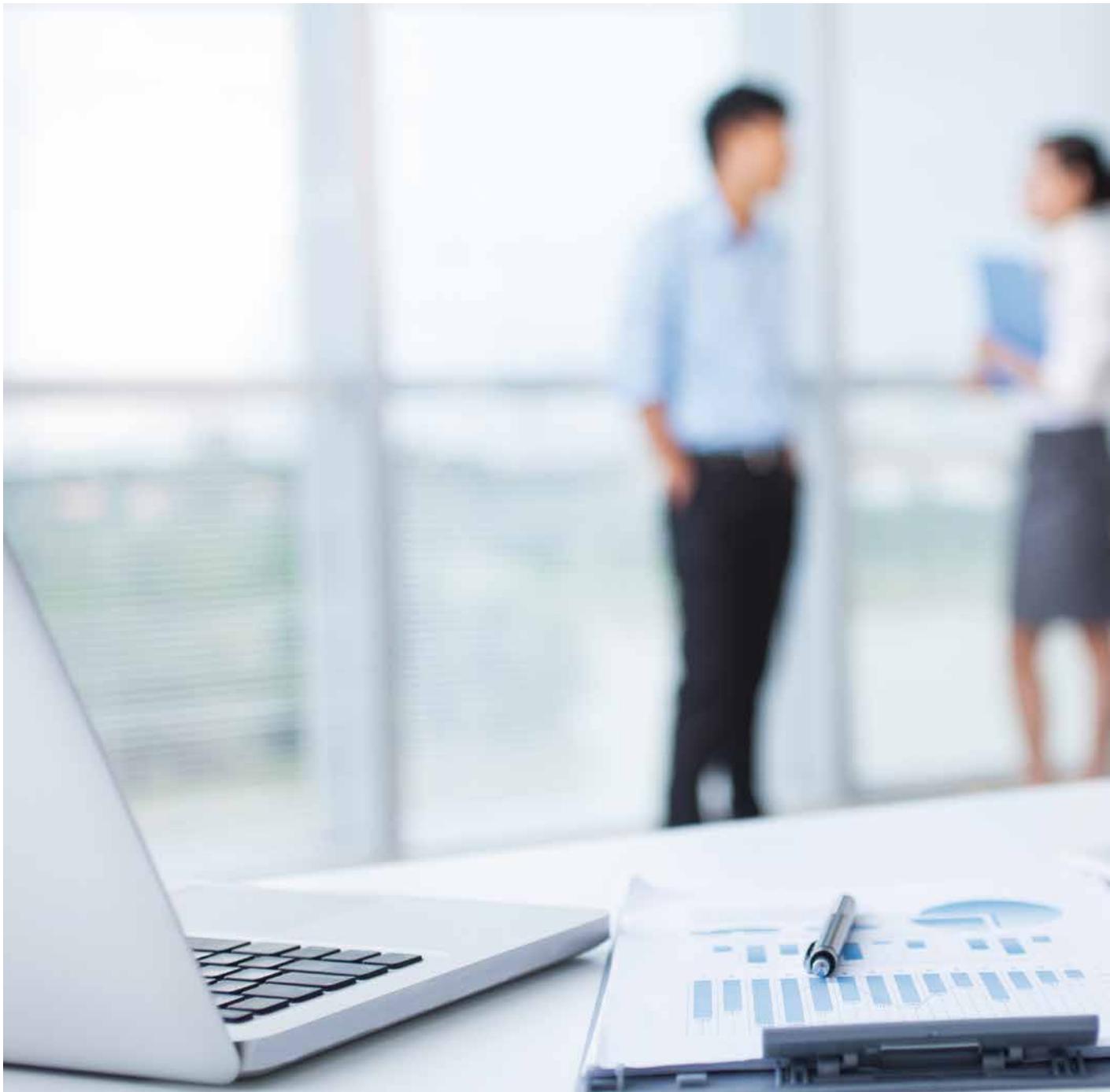
Organization: As a result of this scope enhancement, and also due to standardization and automation, companies will need to rethink their organizational set-up. Instead of operating a single-function Shared Service Center, today's companies increasingly prefer to combine multiple functions and also add activities that require different levels of qualifications to the mix.

With the increasing trend towards global delivery models of the core business, the Shared Service Organization becomes global and multi-functional, and it also follows its own global delivery model. Existing local and single-function Shared Service Center are most likely to be integrated into the global Shared Service Organization. The traditional Single Tower model will become more and more obsolete as companies adopt a more end-to-end process-oriented and a more customer-oriented view. Companies should aim to create a strong “business backbone” by stabilizing and harmonizing their administrative services and by integrating them into a global service organization. With growing levels of automation, the benefits of labor arbitrage will decrease and geographic presence in low cost countries will become less relevant.

Service orientation: Future Shared Services will be characterized by an increasing focus on service orientation and customer satisfaction. Within this context, Shared Services will evolve from being an “extended workbench” to an overall and extensive Global Business Service Center which provides both high-quality and diverse services to the customer. The concentration of services in a Global Business Services framework and the ongoing automation of processes will lead to increasing transparency for the customer and fosters customer relations.

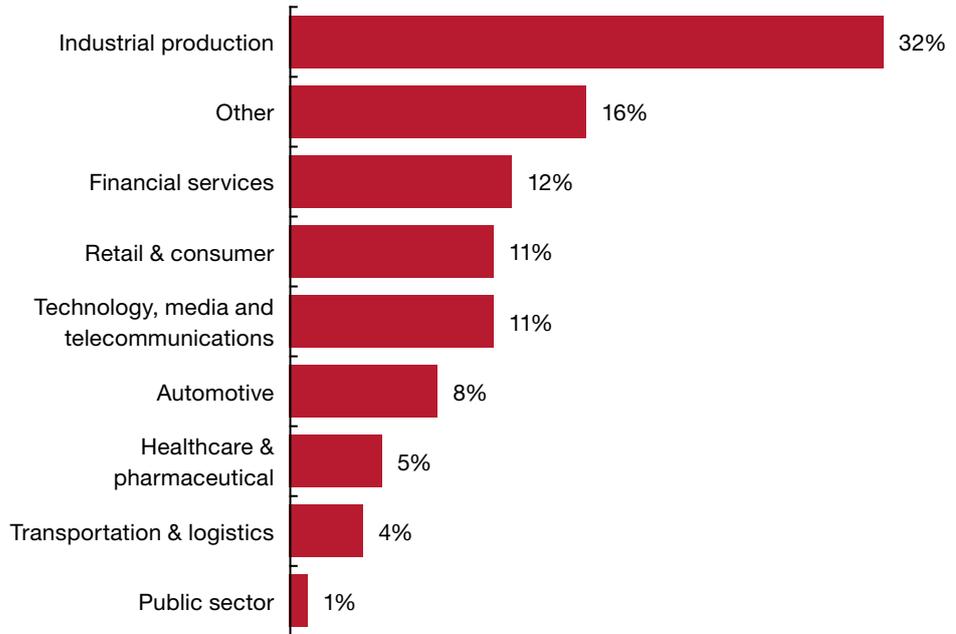
All beneficial levers such as location, multi-functionality and automation will force companies to rethink their service delivery strategy and to develop new business models in order to realize advanced efficiency and improve effectiveness of services.

E Profile of the survey



A total of 75 companies took part in this year’s survey, representing various industries. Almost one-third of the participants came from industrial production. This was followed by financial services, which showed notable growth compared to our previous studies.

Fig. 34 Participation by industry



As shown in Figure 35, a majority of 54% of participants reported an annual turnover of less than €5 billion. Another 26% of respondents realized a turnover between €5 billion and €50 billion. The remaining 10% mainly consist of companies with an annual turnover of €50-€100 billion. Only 2% stated to have generated a turnover of more than €100 billion in 2015.

Fig. 35 Company turnover in millions of Euro in 2015

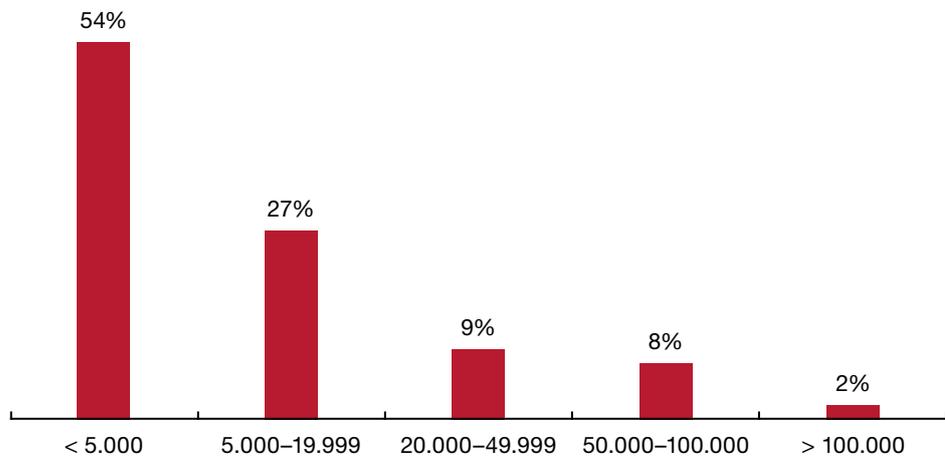
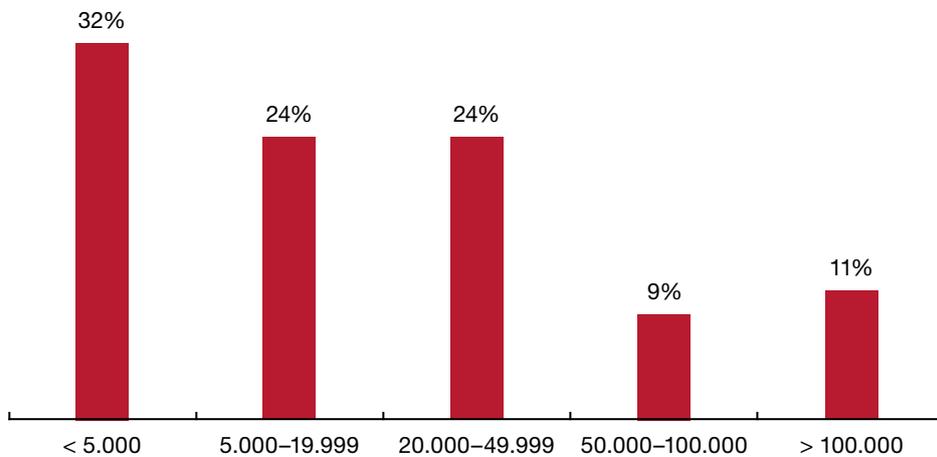
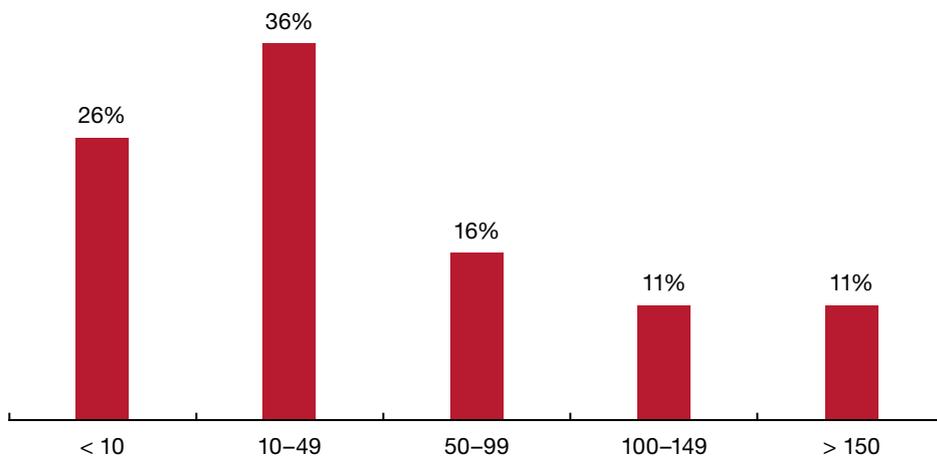


Fig. 36 FTE employed in the entire company in 2015



A closer look at the numbers of FTE employed across the entire group shows that most survey participants are small and medium-sized companies. Companies with more than 50,000 FTE represent only 20% of all participating organizations.

Fig. 37 Number of countries with international operating locations



Looking at the level of globalization, the results are similar to those of the previous survey. The level of globalization is still high: more than 40% of the respondents operate in more than 50 countries.

Contacts

Germany

Michael Suska

Stuttgart
Tel: +49 711 25034-3250
michael.suska@de.pwc.com

Central and Eastern Europe

Finbarr McCloskey

Krakow
Tel: +48 519 507-506
finbarr.mccloskey@pl.pwc.com

Asia Pacific

Mark Gilbraith

Shanghai
Tel: +86 21 2323-2898
mark.gilbraith@cn.pwc.com

Western Europe

Garrett Cronin

Dublin
Tel: +353 1 792-8807
garrett.cronin@ie.pwc.com

USA

Thomas Torlone

San Jose, CA
Tel: +1 408 534-2414
thomas.torlone@us.pwc.com

Charles L. Aird

Charlotte, NC
Tel: +1 704 344-7651
charles.l.aird@us.pwc.com

About us

Our clients face diverse challenges, strive to put new ideas into practice and seek expert advice. They turn to us for comprehensive support and practical solutions that deliver maximum value. Whether for a global player, a family business or a public institution, we leverage all of our assets: experience, industry knowledge, high standards of quality, commitment to innovation and the resources of our expert network in 157 countries. Building a trusting and cooperative relationship with our clients is particularly important to us – the better we know and understand our clients' needs, the more effectively we can support them.

PwC. 9,800 dedicated people at 29 locations. €1.65 billion in turnover. The leading auditing and consulting firm in Germany.

