

# Shared Service Center\*

“Better, cheaper, faster”

Reach your goals faster through the bundling of skills

International businesses are under pressure from ever-increasing competition. Although consistent expansion along with diversified operations leads to greater profits and market share, an inefficient company structure, high administrative costs, and unclear information paths are often the side products.

General cost reductions coupled with steadily growing product quality are key in establishing oneself in a market. Many companies resort to restructuring their operations in order to create synergies and increase their performance.

As an internal services provider, the Shared Service Center presents an ideal bridge between consolidated administration and decentralised responsibilities in order to master the challenges of modern-day business management.



# Cost optimisation while increasing product quality

International businesses are under pressure to offer ever-higher quality in their products at ever-lower prices. Through the daily utilisation of information technology (e.g. E-Business) by a wide range of companies, the speed and accuracy of the delivered information is expected to be accordingly improved. Utilisation of pertinent information and data at the opportune time is a critical competitive advantage. Additionally, a manager's major focus is on the constant development and growth of the business.

Fundamental decisions, such as company expansion, have to be decided quickly in order to realise the full advantage. However, market conditions often force the premature implementation of a project at the cost of its sustainable/optimal realisation. Rigid business structures, inefficient interoperability between business areas, and the corresponding higher recurring costs are the result. This is where the Shared Service Center comes into play.

## Shared Service Center

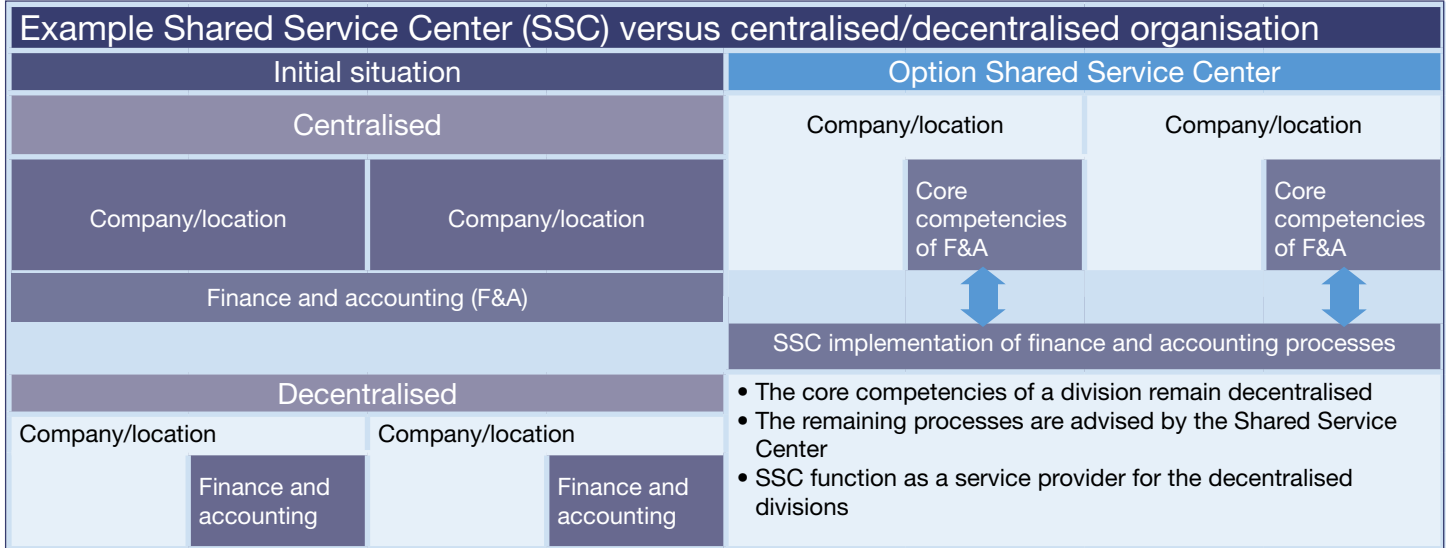
A Shared Service Center does not represent a centralisation of the company's organisational structure. A Shared Service Center leads to a restructuring of duties and responsibilities with defined evaluation periods and service levels. As a result, it can be arranged according to a centralised or decentralised organisational structure. Through a combination of the respective organisational forms, it is possible to utilise the advantages of synergy effects and eliminate existing deficiencies.

Shared Service Center (SSC) versus centralised/decentralised organisation		
Initial situation		Option Shared Service Center
Centralised	Decentralised	
<ul style="list-style-type: none"> <li>• Inflexible</li> <li>• Rigid structure</li> <li>• Too far away from the daily business</li> <li>• Bureaucratic</li> </ul>	<ul style="list-style-type: none"> <li>• Higher costs</li> <li>• Variable standards</li> <li>• Non-standardised quality management</li> <li>• Similar costs in different business units</li> </ul>	<ul style="list-style-type: none"> <li>• Efficient organisations culture</li> <li>• Economies of scale</li> <li>• Synergy effects</li> <li>• Company-wide controlling</li> <li>• Bundled experience</li> <li>• Business areas maintain independence</li> <li>• Standardisation of best practices</li> <li>• Recognition of local priorities</li> <li>• Sensitive to customer needs</li> </ul>

Definition Option Shared Service Center	
What is an SSC	What it is not
<ul style="list-style-type: none"> <li>• Internal service provider with own resources and service assignment focusing on improvement and standardisation of processes</li> <li>• Support of local operations for the improvement of customer services through better information and work methodology</li> <li>• Back office optimisation of process and support activities</li> <li>• Effective and efficient support of internal areas through application of standardised and consolidated processes</li> <li>• Organisationally and economically independent internal entity</li> <li>• Through focusing on internal needs, release of resources</li> <li>• Negotiation process with transfer prices</li> <li>• Under stress competition</li> </ul>	<ul style="list-style-type: none"> <li>• A step towards centralisation</li> <li>• An attempt to influence the management of a local entity</li> <li>• An attempt to withhold operational responsibilities from a local entity</li> <li>• A negative impact on customer relationships or service levels</li> <li>• Planning/budgeting process with cost allocation</li> <li>• Duty to render and accept services</li> </ul>

# Design and definition of SSC

In contrast to parallel service departments in decentralised operations, the SSC takes over the function of an independent Support Center within the company. Three Shared Service Center models are available and vary according to their focus: global, regional and national SSC. A global SSC offers a far-reaching solution that is responsible for all entities worldwide. Regional business units can be supervised by a regional SSC. Finally, a country-specific SSC is also available. The following graphic shows SSC design possibilities for finance and accounting industries:

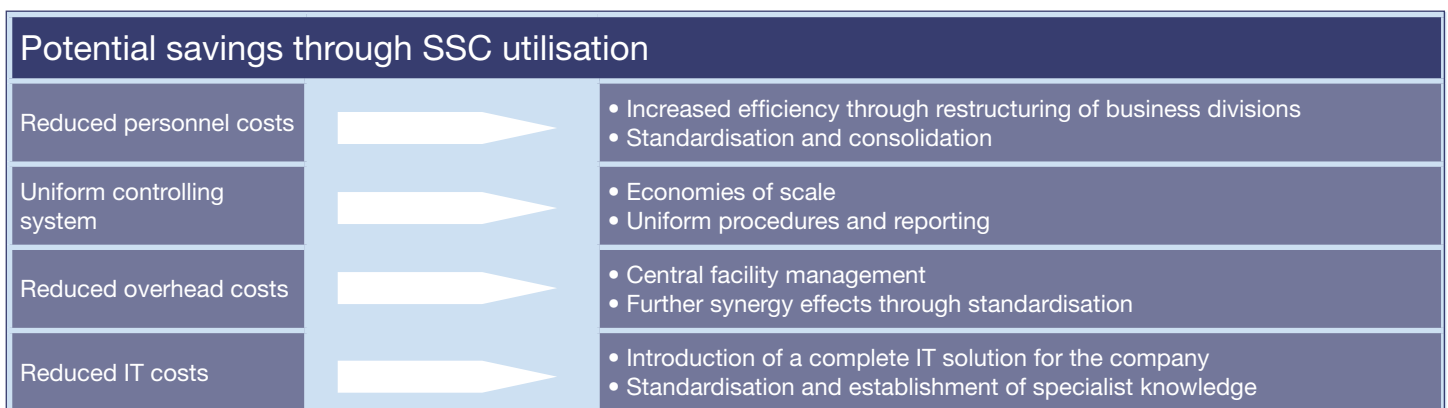


## The goals of Shared Service Center are cost reduction and increased quality

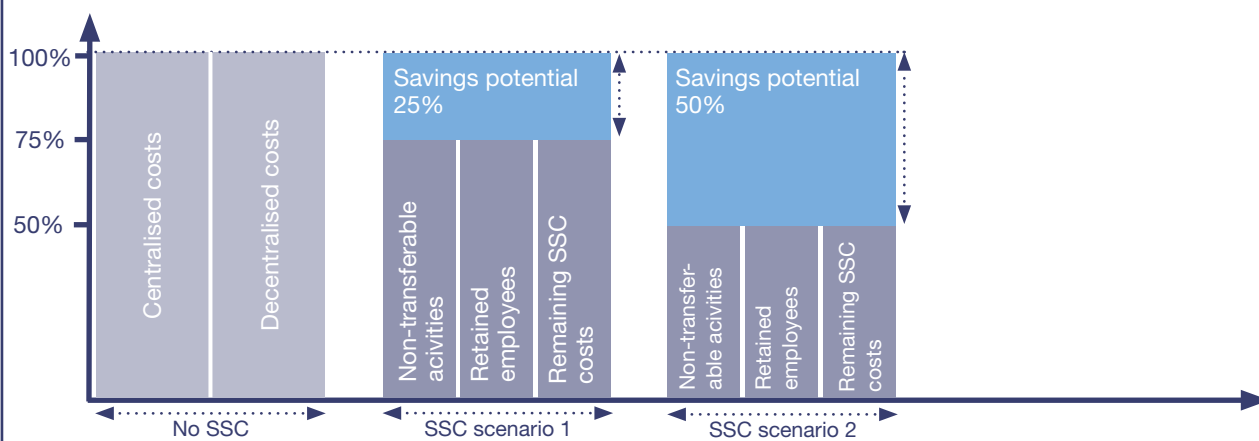
The application of a Shared Service Center follows goals that are aimed at increasing profit and efficiency as well as quality improvements. A dual-track approach to single business areas offers a basis for saving resources and opens the door to possible cost reductions. The quality of management's decision can be significantly increased through more efficient and bundled information. Additionally, the information consistency can also be increased.

### Fewer costs

The following graphic illustrates the cost reduction potential created through the implementation of a Shared Service Center, which delivers cost savings through direct cost reduction in four main areas: personnel costs, standardised controlling system, overhead costs, and IT costs.



## 25%-50% costs savings through implementation of Shared Service Center



**Initial cost basis without SSC = 100%**

**Savings through SSC implementation from 25% to 50% (based on experiences)**

**Savings are achieved by:**

- Efficiency savings (business process optimisation, best practice standardisation, reduction of duplicated activities, bundling of competences, economies of scale)
- Lower wage/salary costs (e.g. sourcing to lower-cost countries, off-shoring)
- Rise in productivity through structural consolidation
- Technological improvements

## Higher quality

Company-wide problems are solved through the Shared Service Center. The bundling of strategic business areas provides a transparent, justifiable, and on-demand information stream. Additionally, the Shared Service Center reduces the bureaucratic complexities through utilisation of defined goals and a flat management structure. Internal business is accomplished more effectively and efficiently. The passing of information happens faster and without tying up excess resources.

## The benefits at a glance:

- Clear separation of responsibilities
- Effective quality assurance
- Effectiveness and ease in adopting changes
- Defined (quality) standards for input/processing/output
- Establishment of internal customer and supplier relationship management
- Concentration on core operation in the various business areas
- Standardised processes
- Established performance production and control through service level agreements
- Standardised processes and reporting
- Company-wide utilisation of available knowledge
- Higher information consistency
- Better information analysis and decision making

# Your Benefits

A Shared Service Center uses savings potentials and, when properly applied, massively reduces the costs for numerous operational functions. The exact savings potential depends highly on industries and companies. Experience shows that the implementation of a Shared Service Center can result in the average savings displayed below. The table shows the benchmarks and the savings potential through the application of a Shared Service Center for selected business operations.

Savings potential				
Business function	Finance <sup>1)</sup>	Human resources <sup>2)</sup>	Procurement	IT
Target costs <sup>3)4)</sup>	0.5%	0.2%	0.2%	0.6%
Median <sup>3)</sup>	1%	0.4%	0.3%	1%
Lowest quartile <sup>3) 5)</sup>	1.6%	0.9%	0.5%	2%
<b>Savings potential as a percentage of total costs<sup>6)</sup></b>	<b>30-50%</b>	<b>30-50%</b>	<b>25-40%</b>	<b>25-40%</b>

Data source: PricewaterhouseCoopers

<sup>1)</sup> Encompasses finance, accounting, controlling, taxes and internal audit

<sup>2)</sup> Encompasses personnel planning, acquisition and development, performance management, commission and bonus programs, communication, change management

<sup>3)</sup> Cost as a percentage of revenue

<sup>4)</sup> Stated value represents the lower limit for the fourth quartile („Best Practices“)

<sup>5)</sup> Stated value represents the lower limit for the second quartile (Companies with underperforming processes)

<sup>6)</sup> Potential savings as a percentage of the total costs per function

## Evaluate your business

	Example company		Your company	
	Benchmark	M EUR	%	M EUR
<b>Revenue</b>		500		...
Finance costs	1-1.6% <sup>1)</sup>	5-8	...% <sup>3)</sup>	...
<b>Potential savings function</b>	30-50% <sup>2)</sup>	<b>1.5-4</b>	30-50%	...
Human resources costs	0.4-0.9% <sup>1)</sup>	2-4.5	...% <sup>3)</sup>	...
<b>Potential savings function</b>	30-50% <sup>2)</sup>	<b>0.6-2.2</b>	30-50%	...
Procurement costs	0.3-0.5% <sup>1)</sup>	1.5-2.5	...% <sup>3)</sup>	...
<b>Potential savings function</b>	25-40% <sup>2)</sup>	<b>0.37-1</b>	25-40%	...
IT costs	1-2% <sup>1)</sup>	5-11	...% <sup>3)</sup>	...
<b>Potential savings function</b>	25-40% <sup>2)</sup>	<b>1.2-4.4</b>	25-40%	...
<b>Sum potential savings</b>		<b>3.6-11.6</b>		...

<sup>1)</sup> Benchmarks reflect values of underperforming company processes (values in the second quartile).

<sup>2)</sup> Savings potential SSC (Potential savings as a percentage of the total costs per function)

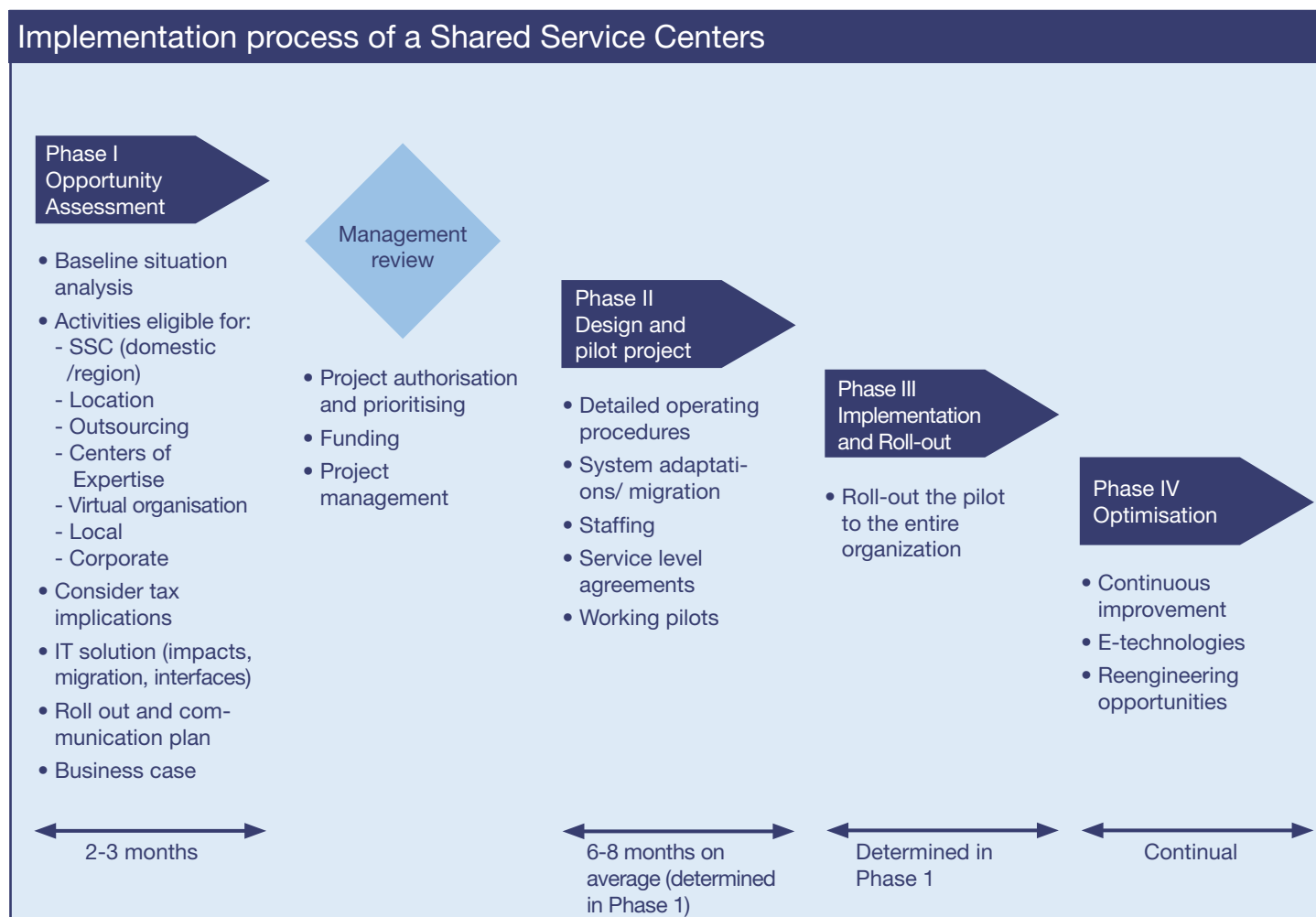
<sup>3)</sup> Insert your company's costs measured by revenue per function.



Your potential savings

# Shared Service Center concept

The introduction of a Shared Service Center occurs in four phases. The first phase analyses the initial situation and the possibilities of applying a Shared Service Center. Management evaluates the results of the first phase and approves the recommended next steps. In the second phase, a pilot program for a specific operational area within the company is launched on a company-wide basis. Given the successful completion of the pilot program, the implementation of the model to the entire company is realised in phase three (roll out). Phase four closes the implementation process and introduces the continuing periodic optimisation. The following graphic gives an overview of the concept:



## Application areas

Finance and accounting	Human resources	IT	Customer	Supply
<ul style="list-style-type: none"> <li>• General ledger</li> <li>• Creditors/debtors</li> <li>• Company cash pooling</li> <li>• Financial administration</li> <li>• Spending processing</li> <li>• Asset/wealth management</li> <li>• Foreign exchange risk</li> </ul>	<ul style="list-style-type: none"> <li>• Payroll</li> <li>• Commission and bonuses</li> <li>• Continued training</li> <li>• Employee data management</li> </ul>	<ul style="list-style-type: none"> <li>• Uniform IT management</li> <li>• Hardware and software purchasing</li> <li>• Software license management</li> <li>• ERP system and support</li> <li>• Support and training</li> <li>• Development and maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• Order management</li> <li>• Tele-sales management</li> <li>• Telemarketing management</li> <li>• Complaints and returns</li> <li>• Technical support</li> <li>• Service management</li> </ul>	<ul style="list-style-type: none"> <li>• Inventory management</li> <li>• Logistics</li> <li>• Production management</li> <li>• Database management</li> <li>• Promotion management</li> <li>• Distribution management</li> <li>• Purchase management</li> </ul>



# Our offer

## Our skills

- Selection of the optimal location
- Execution of a feasibility study and development of a business case
- Change management
- Risk management
- Financial concerns
- Planning and preparation
- Project management and administration
- SAP configuration
- Tax concerns
- Service management
- Human resources
- Post-implementation services

## What sets us apart

- PwC is one of the leading companies offering Shared Service Center solutions.
- PwC is the worldwide largest professional service provider with over 130,000 employees in 148 countries.
- PwC's services are divided into global service lines and range from business auditing and advisory, tax and legal consulting to corporate finance and the outsourcing of whole business functions.
- PwC provides services to clients in nearly each industry and market: utilities and mining companies, banks and financial service providers, IT companies, telecommunication companies, the media and entertainment industry, but also consumer products and classic industries such as general service providers and public institutions.
- From establishing the concept to a successful implementation, we have led over one hundred Shared Service Center projects. We have established over forty independent Support Centers in Europe alone located in Great Britain, Ireland, the Netherlands, Belgium, Spain, Germany, the Czech Republic, and Poland.
- Outside of Europe, we have been active in Australia, New Zealand, Singapore, Canada and the USA, among others.
- We have advised SSC's specifically for the following business areas: financial management, human resource management, supply management, IT, order processing, customer services, and facility management.
- PwC has over 300 professionals in the Shared Service Center area that use a standardised and real world-proven methodology.
- Our team, which consists of multinational experts with many years of practical experience in designing and implementing an SSC, supports you in the integration of the individual project elements in order to successfully apply the Shared Service Center concept.

## Addressing tax issues – using the know-how of our experts

Furthermore, we support you in addressing tax issues such as optimising tax treatments, minimising uncontrolled tax risks, and ensuring ongoing compliance. We can serve you through setting up and structuring an SSC as well as dealing with daily tax issues as described below:

### Setting – up and structuring the SSC

- Looking for tax incentives and tax holidays
- Handling and optimising of transfer and financing issues
- Taking care of expatriate tax issues

### Aiding you with the daily tax issues

- Managing taxes
- Implementing and reviewing tax controls and processes
- Handling tax compliance and reporting issues, e.g. through databases
- Advice on your tax planning and strategies

## Your Contacts

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