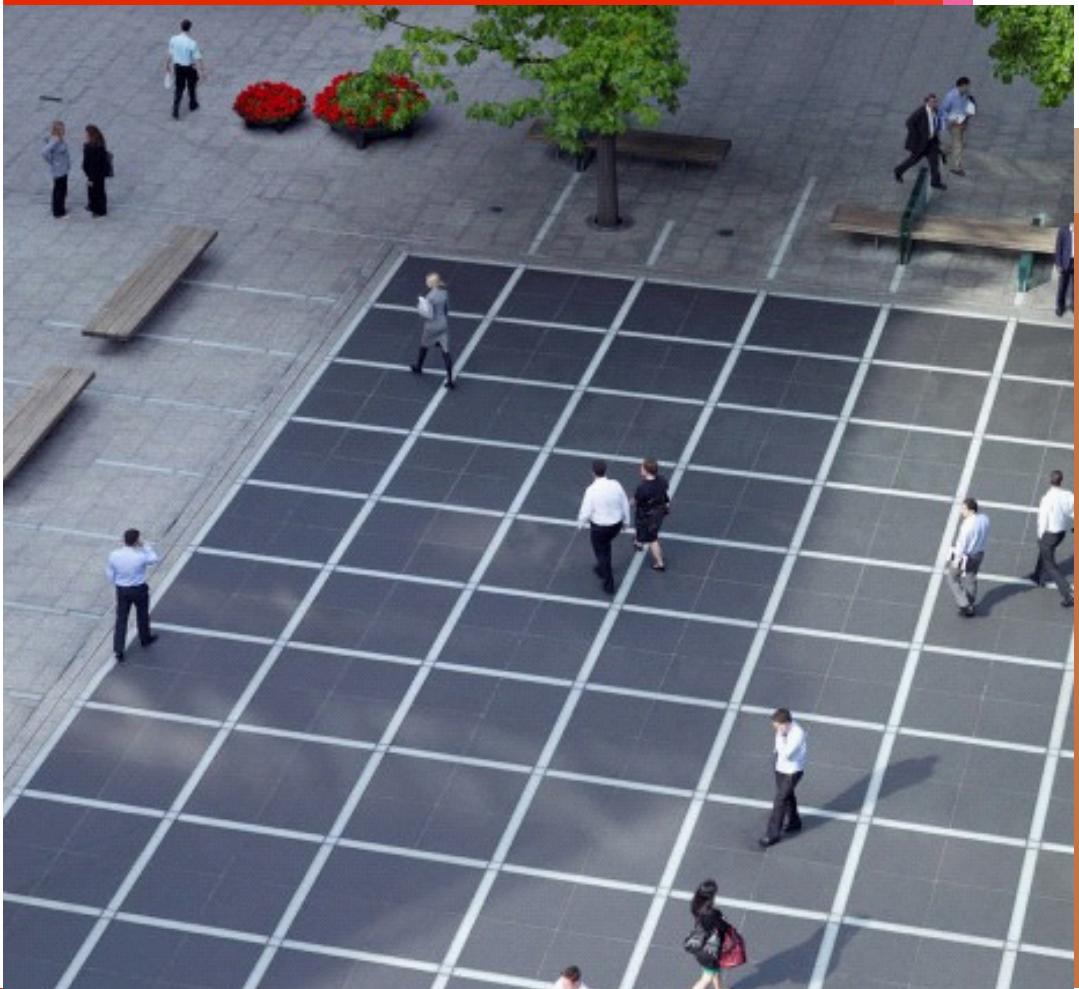


Shared Services Centres 2012

PwC survey on how SSCs are currently performing and their potential for the future

Czech Republic & Slovakia



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Preface

In the time of a financial crisis, most companies undergo increased pressure for cost efficiency and performance excellence and therefore look for further sources of cost reduction and cost optimization. Outsourcing and shared service centres (SSC), a phenomena of the last 20 years, are seen and recommended as a tool for increasing the cost efficiency of company processes. Shared service centres offer a number of advantages – apart from cost savings, they offer standardized services while introducing customer-oriented organization and processes. SSCs are organizations that concentrate experts and experience, thereby enabling the realization of economies of scale and desired synergies.

The current turmoil have impacted not only existing shared services centres, but also plans for building new ones as well. Most companies are at the moment very vigilant regarding investments in any new process set-up and usually require very detailed business case preparation and modeling before they decide to opt for the SSC.

The objective of the SSC Survey 2012 is to monitor the maturity of existing shared service centres in the Czech Republic and Slovakia, identify trends within these SSCs (including business processes and their continual improvement, strategy, etc.) and get the outlooks of SSC owners on the upcoming months. The SSC Survey 2012 was prepared by PwC Czech Republic and PwC Slovakia with kind support by the government agency for investment and business development CzechInvest and the Slovak investment and trade development agency SARIO.

The SSC Study 2012 data collection started firstly in Slovakia in November 2011 and continued with Czech Republic data collection in February 2012. From November 2011 to March 2012, the questionnaire was sent to companies we identified as relevant mainly in the area of finance SSCs and other related activities SSCs. A total of 18 companies in the Czech Republic and 8 companies in Slovakia participated in the survey, which enables us to present corresponding findings and indicate specifics for both markets, where applicable. The survey participants represent altogether six different industry areas with around one-third of participants operating in manufacturing, followed by one-fifth of participants from the banking and insurance area and the technology sector.

We would like to thank all of the organizations and individuals that took the time and effort to contribute to our unique survey and provided us with their valuable inputs.

We are happy to provide readers with interesting insights in this area.

On behalf of the SSC survey team.
Prague, Bratislava April 2012



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Management summary and key findings

Our objective was to determine the performance level of existing Shared Service Centres (SSCs) in the Czech Republic (CZ) and Slovakia (SK) and classify them using the PwC SSC assessment model - **SSC life cycle model developed by PwC**. The results provide an exclusive overview of how SSCs are currently performing in the Czech Republic and Slovakia.

The performance of all SSCs has been evaluated against eight evaluation criteria. These criteria have been aggregated to an **overall performance score** which is the basis for assigning each SSC one of four maturity levels (1 = the least developed, 4 = the most mature).

The results show that the SSCs analyzed are quite balanced in terms of maturity stage; most of them were assigned **the third development stage** of the SSC lifecycle which proves that there is a rather mature SSC environment in the Czech Republic and Slovakia.

About the survey:

- 26 participants from 2 countries, up to 4 000 employees, representing 6 industry sectors;
- 3/4 of them in the 3 main SSC hubs - Prague, Bratislava and Brno;
- Most SSCs were established 5-6 years ago, now reaching their maturity;
- Most of the SSCs (85%) situated at Stage 3; only 1 SSC is the most mature at Stage 4.

Key findings from the respective sections of the survey:

Strategy for the SSC

- Cost reduction is still the most important target for SSC projects
- 'Moving up the value curve' is a key trend for most SSCs - quality and speed of processing in particular
- Most SSCs have clearly defined strategies as expected according to the level of their maturity stage

Organization/governance/compliance in the SSC

- Most SSCs use the cost centre concept with costs allocated based on services provided
- SLAs are in place in more than 70% of SSCs
- 70% of all SSCs use critical control systems
- More than 90% of the SSCs use automatic controls to some extent; however, only 8% consider that they already automated the control processes wherever possible and practical

Continuous improvement in the SSC

- Six Sigma is the most popular tool employed (30% of SSCs have Six Sigma), but the majority of SSCs have not yet developed tools for continuous improvements
- Customer relations are key and 70% use regular surveys to assess the SSC's performance in this respect

Business processes in the SSC

- Only 15% of SSCs place a significant focus on the appointment of a board to oversee the SSC
- There is still space for improving process management and governance by implementing clearly defined end-to-end process ownership and finally arriving at a single corporate end-to-end process owner

Customer relations in the SSC

- Half of all SSCs provide services to internal customers only
- At least once a year, a satisfaction survey is performed in 69% of SSCs
- Highest quality of services provided is one of the key features of the service culture in the SSCs

Performance management and HR indicators

- 77% use balanced scorecard approach and 90% have employee development plans in place

Systems and technology in the SSC

- 40% of the companies indicate that the workflow tool is used in almost all relevant processes

KPIs

- Almost half of all SSCs claim to achieve operational cost savings higher than 30%
- Around 15% of survey participants see greater than 70% improvement in productivity as a result of SSC implementation
- 73% of all SSCs receive a customer rating as “good” or “very good” from more than 60% of their customers
- Cost reduction targets have been exceeded in 27% of all survey participants

Outlook

- 88% of SSCs will continue to operate and do not plan to scale down the processes
- Only 42% confirmed that they would keep the current location if asked again
- The most often cited areas for improvement which the SSCs plan to work on included: ERP system implementation and its full operation, Automation of processes, Talent attraction and retention, Productivity growth, Enlarging the scope of services provided while at the same time maintaining a good balance of costs and quality, Attracting new customers

About the SSC maturity model

Structure and composition of the SSC maturity model

The SSC maturity model allocates SSCs to one of four levels of development with the '**2nd generation SSC**' being the highest level. The four maturity levels are differentiated based on the following eight evaluation criteria:

1. Strategy

- Criteria used to select the SSC location, and their respective ranking
- Implementation strategy chosen
- Evaluation of objectives from today's perspective/at the time of the SSC implementation; extent to which the initial objectives have been achieved

2. Organization/governance/compliance

- Centre concept of the SSC (cost centre vs. profit centre)
- Cost allocation method for services provided
- Scope and revision cycle of service level agreements (SLAs)
- "Process owner" approach to managing processes
- Governance of the SSC
- Monitoring of process compliance/use of automated controls

3. Continuous improvement

- Systematic and regular analysis of costs and quality
- Continuous search for and implementation of optimization measures
- Deployment of quality improvement tools
- Approach to measuring whether an SSC is meeting its objectives

4. Business processes

- Degree of standardization and automation of processes within the SSC
- Degree of standardization and automation of processes in upstream and downstream processes outside the SSC
- Level of process documentation

5. Customer relations

- Customer structure (share of internal and external customers)
- Service structure within the SSC
- Customer orientation in the SSC
- Deployment of tools for customer management

6. Performance management

- Sophistication of performance management systems in place
- Transparency of the performance measurement process
- Availability of information related to operational and strategic management
- Definition of measurable performance targets and monitoring of target achievement
- Extent of financial control systems within the SSC

7. Human resource management

- Use of different training tools and training types by staff group
- Quality of communication between management and staff in the SSC
- Approach to linking the performance evaluation of employees to the definition of development measures
- Use of employee satisfaction surveys

8. Systems and technology

- Degree of process automation and standardization of IT systems
- Continuous optimization of IT systems
- Extent to which electronic workflow and integrated ERP systems are deployed
- IT governance supporting financial control processes

Overview of the SSSC maturity model phases

Evaluation criteria	Phase I: Start-up	Phase II: Growth	Phase III: Expansion	Phase IV: 2nd generation SSC
1. Strategy	<ul style="list-style-type: none"> no SSC-specific targets, strategies, measures or implementation plans set 	<ul style="list-style-type: none"> some SSC-specific targets, strategies, measures or implementation plans set 	<ul style="list-style-type: none"> SSC-specific targets, strategies, measures or implementation plans set 	<ul style="list-style-type: none"> SSC-specific targets, strategies, measures or implementation plans set regular review of implementation and introduction of countermeasures if required
2. Organization /Governance /Compliance	<ul style="list-style-type: none"> SSC run on cost centre basis with no allocation of SSC costs no SLAs in place unclear process owner and manual controls 	<ul style="list-style-type: none"> SSC run on cost centre basis with fixed allocation of costs some SLAs in place multiple process owners and many automated controls 	<ul style="list-style-type: none"> SSC run on cost centre basis with costs allocated on services provided comprehensive SLAs in place single end-to-end process owner per business unit and many automated controls 	<ul style="list-style-type: none"> SSC run on profit centre basis with services allocated based on market prices comprehensive SLAs in place and regularly adjusted single corporate end-to-end process owner and controls automated wherever possible
3. Continuous improvement	<ul style="list-style-type: none"> no improvements made in relation to costs, quality and time Six Sigma, TQM not deployed 	<ul style="list-style-type: none"> slight improvements made in relation to costs, quality and time Six Sigma, TQM in process of implementation 	<ul style="list-style-type: none"> some improvements made in relation to costs, quality and time Six Sigma, TQM in process of implementation 	<ul style="list-style-type: none"> major improvements made in relation to costs, quality and time Six Sigma, TQM in continuous use
4. Business processes	<ul style="list-style-type: none"> not standardized, harmonized or automated simple mass transactions 	<ul style="list-style-type: none"> mainly standardized and harmonized simple mass transactions and some expert services (centre of expertise) 	<ul style="list-style-type: none"> optimization and automation of business processes simple mass transactions and expert services (centre of expertise) 	<ul style="list-style-type: none"> optimization across the organization total services in terms of holistic processes
5. Customer relations	<ul style="list-style-type: none"> internal clients non-standardized structure and management no implementation of customer support tools 	<ul style="list-style-type: none"> mostly internal clients standardized routine processes and transactions ongoing implementation of customer support tools 	<ul style="list-style-type: none"> internal and external customers focus on efficiency and effectiveness within SSC ongoing implementation of customer support tools 	<ul style="list-style-type: none"> mostly external customers focus on contributing value to the whole company implemented and regularly updated customer support tools
6. Performance management (PM)	<ul style="list-style-type: none"> PM tools (BSC, benchmarking) not deployed, used infrequently no ICS (internal control system) implemented no quality/performance targets 	<ul style="list-style-type: none"> PM tools (BSC, benchmarking) being developed ICS implemented quality/performance targets introduced 	<ul style="list-style-type: none"> PM tools (BSC, benchmarking) being implemented ICS in place extensive quality/performance targets defined 	<ul style="list-style-type: none"> PM tools (BSC, benchmarking) in continuous use comprehensive ICS and continuous optimization continuous adjustment of quality/performance targets
7. Human resource management	<ul style="list-style-type: none"> non-standardized structure and management relation of employee development to performance evaluation unsupported no training/advanced training system introduced 	<ul style="list-style-type: none"> combining existing expertise and focus on professional expertise relation of employee development to performance evaluation non-standardized introduction of training/advanced training system 	<ul style="list-style-type: none"> professional expertise and management development relation of employee development to performance evaluation extensively designed comprehensive training and advanced training system 	<ul style="list-style-type: none"> service and leadership culture established relation of employee development to performance evaluation continually reviewed continuous improvement to training and advanced training system
8. Systems and technology	<ul style="list-style-type: none"> multiple systems, no standardization of ERP platform no workflow systems introduced no IT governance set up 	<ul style="list-style-type: none"> partially standardized ERP platform workflow systems implemented low level of IT governance 	<ul style="list-style-type: none"> standardized ERP platform extensive deployment of workflow systems average level of IT governance 	<ul style="list-style-type: none"> optimized, modular ERP systems organization-wide workflow systems high level of IT governance

SSC maturity model results

The performance of all SSCs has been evaluated against the eight evaluation criteria described previously: Strategy, Organization/governance/compliance, Continuous improvement, Business processes, Customer relations, Performance management, Human resource management, Systems and technology.

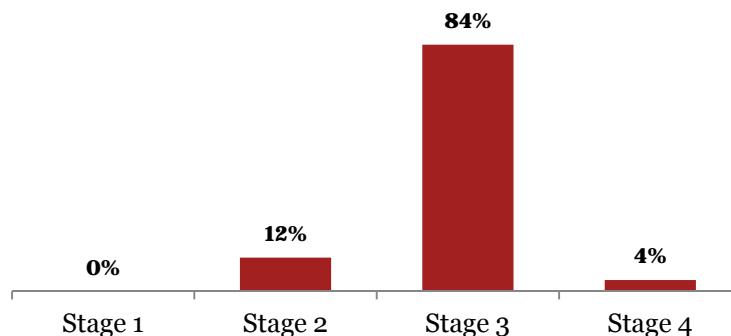
Each answer provided by the participants in the questionnaire was translated into one numerical value and then **weighted with a predetermined weight** defined in the **PwC SSC maturity model**. After all answers to all questions have been weighted, the overall score was calculated.

Several SSCs scored the highest possible score in one or more areas, i.e., **100 points**. Each overall score for the particular SSC then falls into the range for one of the four maturity stages.

The results show that some of the SSCs analyzed varied significantly in terms of their level of development. However, the majority of participating SSCs (85%) were assigned to Stage 3; i.e., the second highest category which they could achieve. Only 11% were assigned to Stage 2 and 4% were assigned to the highest level (Stage 4) in the overall evaluation. Surprisingly, the results show that no SSC was assigned to Stage 1, which indicates that in both countries the SSCs were set up rather recently and that the level of maturity is relatively advanced.

If we compare the overall scoring of SSCs between the Czech Republic and Slovakia we come to a conclusion that the scoring results are very similar with the exception of only one SSC which achieved the highest score and is located in Slovakia.

Number of SSCs per maturity stage



Detailed analysis of the SSC evaluation



1. The company and SSC profiles

Industry

Participants from six industries, with manufacturing being the most represented industry

As far as the participants pool is concerned, we were able to collect data from 26 companies in total; 18 have their seat of operation in the Czech Republic and 8 in Slovakia.

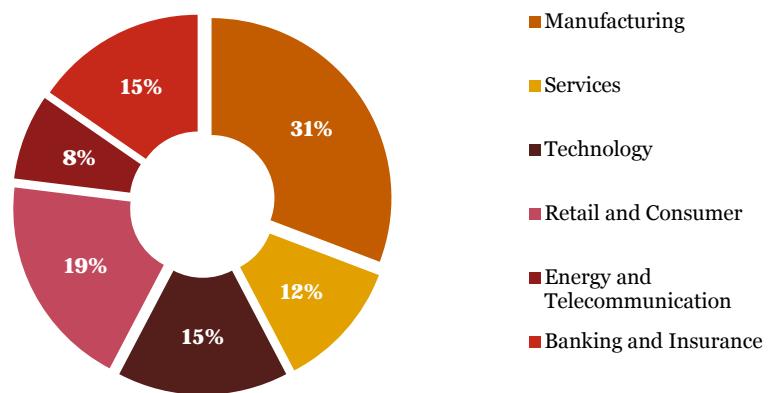
The participants in the survey represented a wide range of large industry sectors; nevertheless, the strongest participation was in the following groups:

- Manufacturing (ranging from automotive to chemical and pharmaceutical companies; represented by 31% of participants)
- Retail and Consumer products (mostly FMCG retailers; represented by 19% of participants)
- Banking and Insurance (represented by 15% of participants)
- Technology (ranging from IT to electrical engineering companies; represented by 15% of participants).

The remaining participant population was divided between companies operating in Services (airline, medical and security, general outsourcing services) and Energy and Telecommunication.

The industry sector division represents both countries – the Czech Republic and Slovakia together.

Participation by industry



Size

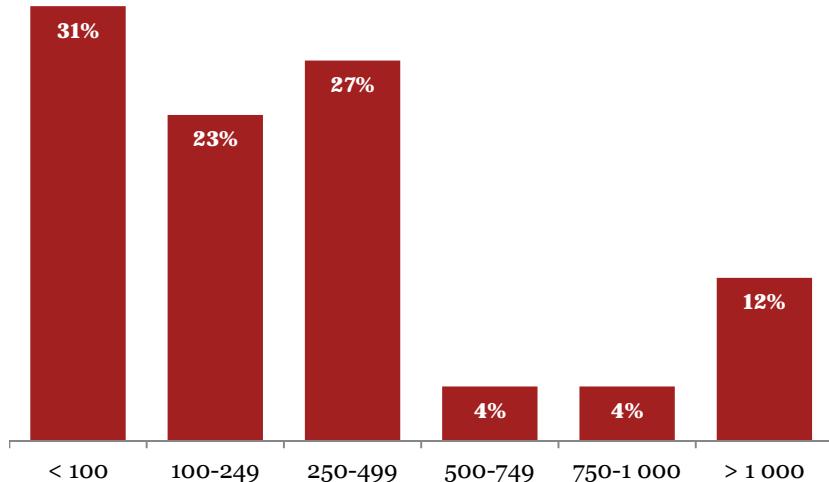
The biggest SSC which took part in the survey employs around 4 000 employees, while the smallest one employs only 22. 80% of the SSCs employ fewer than 500 people

Considering size (i.e., the number of employees working in the SSC), more than 80% of the participating SSCs employ fewer than 500 employees. If we look at the size of the SSCs in greater detail, we come to the conclusion that the most common size of the surveyed SSCs is even lower (approximately one-third of all participants employ fewer than 100 employees).

Those SSCs that employ more than 500 employees come from industries such as banking and insurance or technology. Most of the smaller-sized SSCs (fewer than 500 employees) operate in the manufacturing sector.

The size of the SSCs varies from 22 to 4 000 employees; the median of employees working in SSCs in the Czech Republic is 113, and for Slovakia it is 486 employees. The reason for this difference is due to the size of the biggest SSC which participated in survey, which is located in Slovakia. On the other side of the range, the smallest SSC with 22 employees is located in the Czech Republic. In general, we can say that larger SSCs are more often located in Slovakia than in the Czech Republic.

Number of staff (FTEs) in the SSC



Most of the SSCs are located in large cities in the Czech Republic and Slovakia

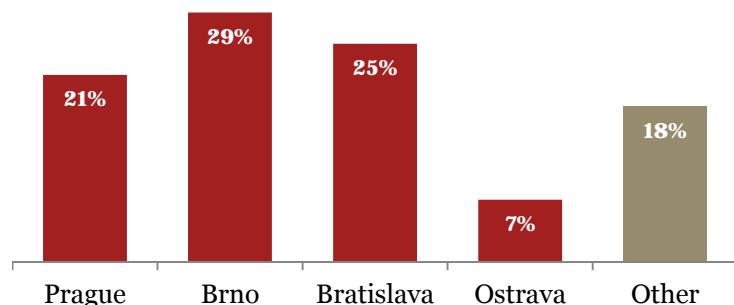
Location

Regarding the location of the SSCs, we see that they are mostly located in big cities such as Prague, Brno and Ostrava in the Czech Republic and Bratislava in Slovakia (these cities account for 82% of all participants). The location of the SSCs was determined mainly by the location of the parent company, the availability of skilled workforce and a good infrastructure.

Other locations include mainly smaller cities evenly spread out in the regions of the Czech Republic and Slovakia.

In Slovakia, all SSCs participating in the survey are located in Bratislava, except for one which is located in a smaller Slovakian town.

SSC location

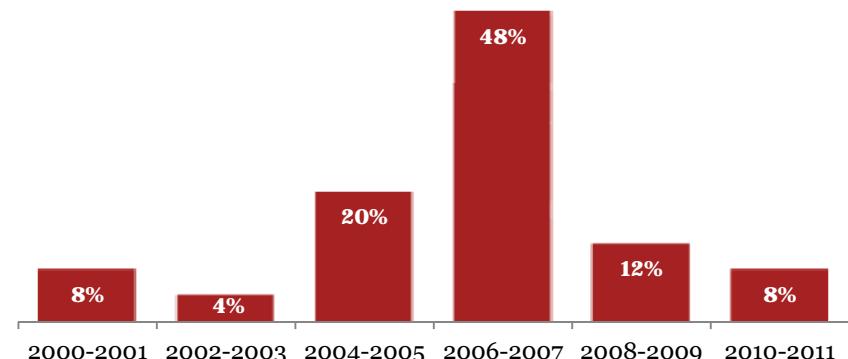


Year of establishment

Economy development influenced the time when SSCs were implemented

As shown below, most of the SSCs surveyed were established in the period from 2004 to 2009 (representing up to 80% of the participants). Only 8% of them were implemented in the last two years. The curve of SSC implementation over time corresponds with the overall development of the economy in the Czech Republic and Slovakia, given that it takes on average one year to implement an SSC. Most of the SSCs were implemented before the beginning of the financial crisis.

Year the SSC started operations



Processes provided by the SSC

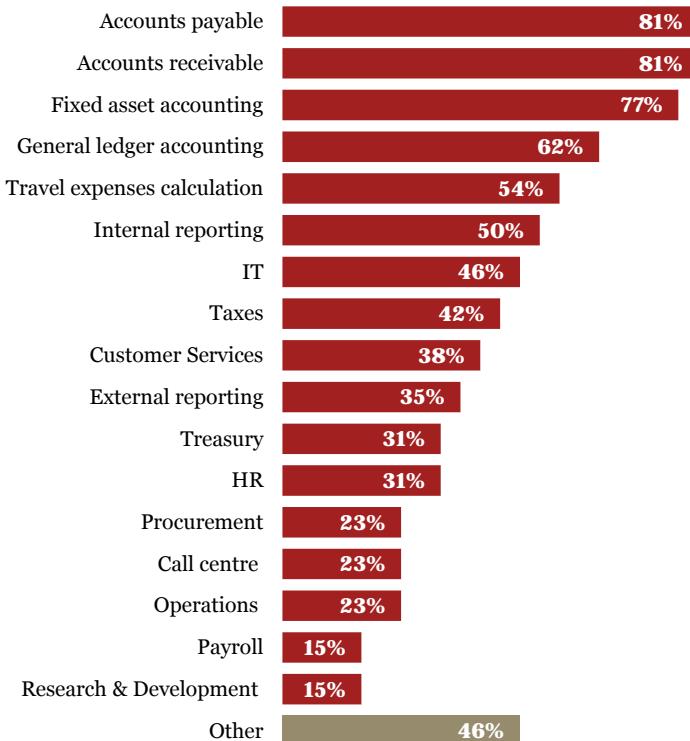
There is a huge variety of services provided by the SSCs. Three of the services are implemented in more than 75% of SSCs; those services are accounts payable, accounts receivable and fixed assets accounting

Considering which processes are usually transferred to the SSCs, we concluded from our survey that the majority of these processes are transactions-related activities such as accounts payable, accounts receivable, fixed assets accounting and general ledger accounting.

Travel expenses calculation and internal reporting are other examples of typical activities provided by the SSCs.

Fewer than half of the surveyed SSCs provide centralization of IT processes, taxes, customer services, external reporting, treasury, HR, procurement, call centres, operations, payroll and research and development. The category “Other” stands for logistics and transportation, marketing and sales support, internal audit and intercompany reconciliation.

Processes provided by SSCs



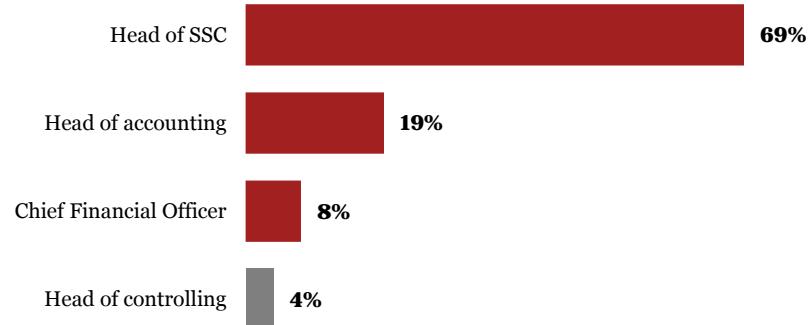
Who processed the questionnaire

The survey was completed by the head of the SSC for 65% of the companies

The majority of questionnaires representing overall 65% of all surveyed companies were processed by the head of the particular SSC.

Alternatively, the questionnaires were answered and processed also by the head of accounting, the head of controlling and the chief financial officer.

Position of the staff who processed the questionnaires in the companies surveyed



2. Strategy

The current trend indicates demand for a significant increase in the quality and efficiency of SSC services

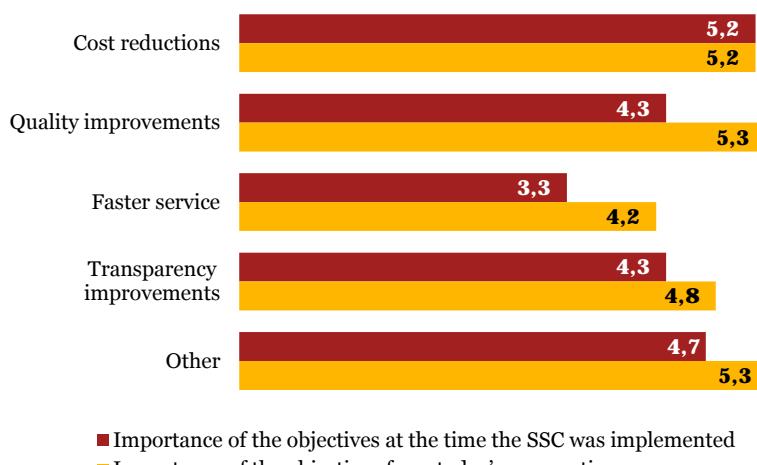
Based on the survey, the strategy and key objectives of SSCs have developed significantly since the SSCs were established. While cost reductions are still considered important to most of the SSCs, there are other strategic objectives emerging. Most notable is an increasing demand for improving the quality of services provided by the SSC and the need to provide faster service. These are objectives requiring a more stable labor force and reliable processes and control environment.

Transparency improvements (relating to data, processes, systems, costs and services) represent those objectives whose importance grew during the SSC development cycle. The complexity and the ambiguity of processes may be a significant hindrance to the SSC's performance. Moreover, when it comes to cost allocations, the transparency of the processes and the costing methods is essential for acceptance of the cost charges for services and for proactive cost management.

Other objectives that gained importance included language skills, training costs and end-to-end process management. We assume that these objectives are mentioned mainly due to the fact that their importance is rising and represent potential further indicators for the SSC implementation phase.

Overall in this assessment, the SSCs located in Slovakia indicated slightly lower importance (0,1 to 0,3 less than average figures below) in the majority of the criteria compared to those in the Czech Republic, with the exception of Quality improvements (0,2 above average in Slovakia).

Comparison of the importance given to objectives before SSC implementation and today



The scale of answers: 1 - low importance; 6 - high importance.

Defined strategy and objectives, and measures taken to implement and control them, indicate the developed stage of the SSCs

Most of the surveyed companies have stated that they have clearly defined strategies and objectives for their SSCs. Clearly defined strategies and objectives and the measures in place to keep the implementation plans on track represent indicators of developed stages of the SSC lifecycle.

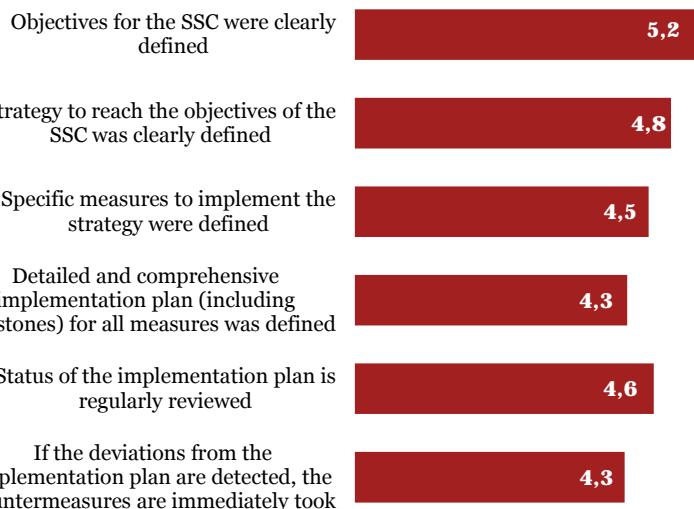
The majority of surveyed SSCs have specific measures to implement the strategy and use comprehensive implementation plans. Over 70% of respondents also continuously review implementation plans together with variance analysis and management.

The objectives and the strategies go hand in hand as most of the SSCs that have well established objectives also have clear strategies to reach them and specific measures to implement these strategies. One area where the SSCs show a slight need for improvement is in defining a detailed implementation plan and regularly reviewing the status of the implementation.

Another development opportunity for SSCs is to design and implement crucial control environment and mechanisms to ensure the successful delivery of strategic objectives.

SSCs located in Slovakia indicate that, compared to those in the Czech Republic, the first and last statement is less applicable (0,3 to 0,6 less than below average). Other statements were assessed similarly.

Strategy for SSCs



The scale of answers: 1 - not at all applicable; 6 - fully applicable.

3. Organization, governance and compliance in the SSC

The cost centre concept with costs allocated based on services provided dominates the SSCs in the survey

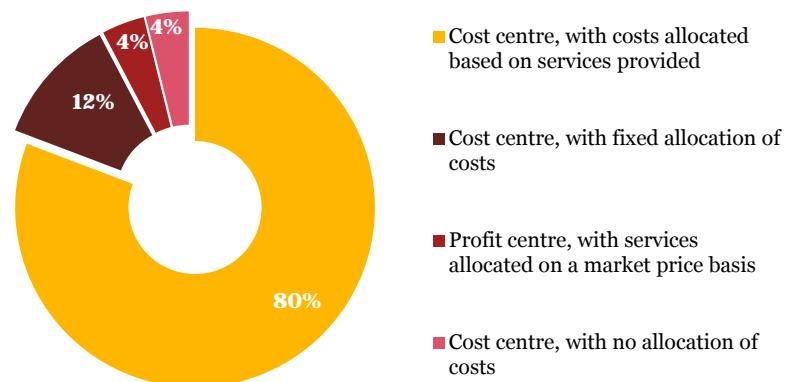
The majority of SSCs (81%) participating in the study operate as cost centres with costs allocated based on services provided. This is an important development point in the SSC lifecycle, which leads to better cost management. Companies are able to better understand the operational costs with transparent cost allocations based on actual services consumed. This environment also creates pressure to eliminate non-value added activities.

Service charges based on the market price can provide a transparent benchmark to the costs of providing the services

There are still some SSCs in the Czech and Slovak region with either no costs allocation (4%) or fixed costs allocation (12%). These are usually SSCs with a limited scope and are not considered as strategic units within their companies evidenced by a lower focus on clearly defining objectives and strategies.

Only one SSC that participated in the survey operates on the basis of a profit centre. The advantages of this concept are that it changes the strategic position of the SSC within the company and tends to lead to higher productivity and comprehensive and market-based SLAs. Service charges based on the market price create a transparent benchmark to the costs of provisioning and create additional pressure on the SSC to provide the services on the most efficient basis, as the costs should be justified, the SSC should meet its profit targets.

SSC centre concept including the way in which costs are allocated



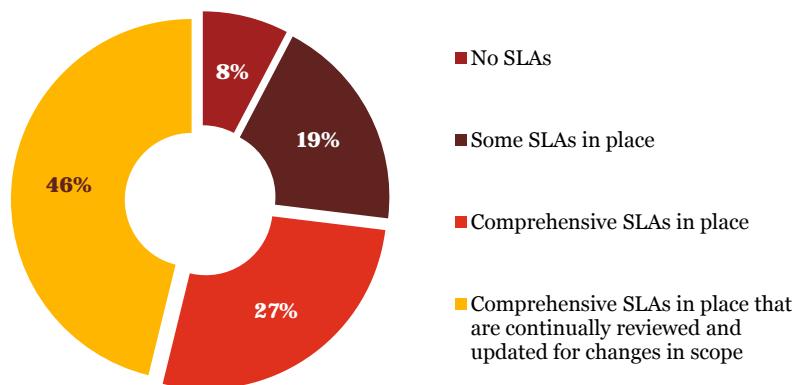
More than 70% of SSCs have comprehensive SLAs in place

More than 70% of the SSCs in the survey reported that they have comprehensive SLAs in place, with 46% of them regularly reviewing and updating for changes in scope. Comprehensive SLAs indicate high ranking in the SSC's life cycle classification and encourage strong customer orientation with close relationships with customers regarding service provision and the scope and quality of services.

Still, more than 25% of the SSCs have service-based cost allocations in place that are not accompanied with corresponding comprehensive SLAs. This situation, where costs are charged based on the services provided but the corresponding SLAs are missing, can negatively affect the relationship between the SSC and its internal customers. This holds back the development of the SSC into further stages. Moreover, it may have an adverse effect on pursuing cost savings and increasing SSC operational effectiveness.

A developed set of comprehensive SLAs is often a prerequisite for the SSC to be considered as a more strategic standalone unit within the company. Such SSC usually has better governance processes at the strategic and operational level, often carried out by the appointed SSC board, and a defined set of operational procedures to resolve problems between the SSC and its customers.

Level of use of SLAs between the SSC and the retained organization



SSCs continually gain strategic importance within their organizations, but there is still room for improvement

Although the strategic importance of the SSCs grew within their organization, there is still room to grow. While defined procedures to resolve operational issues between SSCs and their customers do exist in most cases, a more strategic view on governance is often omitted, with only 15% of SSCs placing significant focus on the appointment of a board to oversee the SSC's governance. Appointment of a board was considered by SSCs from Slovakia as more applicable than average (1,0 above the average).

SSC Governance

We always solve operational problems arising between SSC and customers using a clearly defined formal set of procedures

4,0

We appoint a Board consisting of SSC officers and SSC customers to govern the SSC

3,0

The SSC acts as a stand-alone unit within the company

4,2

The scale of answers: 1 - not at all applicable; 6 - fully applicable.

The majority of SSCs operate in the environment of multiple process ownership with varying distribution of responsibilities

Almost 50% of the SSCs in Slovakia and the Czech Republic assign multiple process ownership with discrete owners defined either by activity or by business entity. This is an indication of a developmental stage of the process management within the SSCs where the governance is organized functionally or on a regional/business unit basis rather than by end-to-end processes. So there is still lots of room for improving process management and governance by implementing clearly defined end-to-end process ownership and finally arriving at a single corporate end-to-end process owner.

Governance of end-to-end process in the SSC organization

End-to-end process ownership is unclear in the organisation

8%

Multiple process owners defined by activity and business entity

48%

Single end-to-end process owner within each function or business unit

36%

Single corporate end-to-end process owner

8%

SSCs have strong controls for their financial, operational and compliance needs

The vast majority of the SSCs claim that they have key financial, operational and compliance controls in place, which indicates a solid control environment. However, these controls are not equally reviewed for effectiveness and for the appropriateness to the risks the organizations face.

69% of the SSCs review their controls for effectiveness, tailor them for the risks and assurance they provide, and monitor them over an established testing programme. Many of these SSCs have already implemented end-to-end process ownership and governance which enables higher transparency and effective control measures which are easy to test and track.

23% of the SSCs have the key controls determined but see them as excessive compared to the relative risk, and of these, more than two-thirds assign multiple ownership to processes (see previous question) which lack an end-to-end perspective. This may create ambiguity regarding the relevancy of the controls and can make revising the controls more difficult.

The SSCs with little or no assessments of the key controls are either in the early phases that provide mostly transactional processes with a limited focus on more complex, value-added services, or operate in a relatively simple environment.

Current state of the SSCs regarding the key controls

Key controls critically reviewed for effectiveness and tailored for risk and the assurance they provide, monitored through an established testing programme

69%

Key controls determined, but the number felt to be excessive when compared to relative risk, and/or the controls not yet subjected to any review

23%

Little or no assessment as to what are the key controls

8%

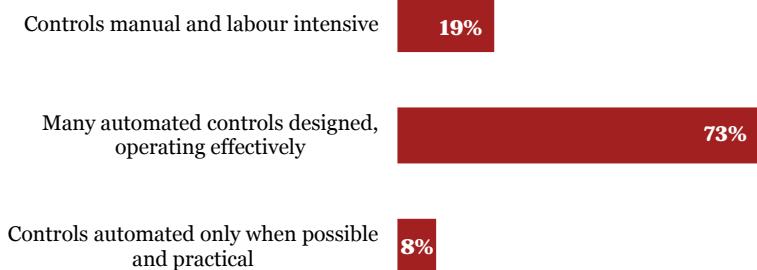
The majority of the SSCs introduced automated controls, although many of them are willing to extend their use

More than 90% of the SSCs use automatic controls to some extent, but only 8% believe that they have already automated the control process wherever possible and practical. All of the SSCs with the highest development indicator are located in Slovakia.

That leaves the rest of the SSCs with an opportunity to review the control processes that are not yet automated and where labour-intensive manual interventions can be eliminated. This potential, if realized, may quickly lead to cost savings and also relieve the workforce time to value-added activities.

SSCs that use generally manual controls or that haven't assessed the scope for development of automated controls do not have particular common characteristics in terms of scope, strategy or governance. The majority of SSCs indicating this level of controls are located in the Czech Republic. However, some of the SSCs in this group were established only recently (in the period of 2007–2011), so they might still be in the building phase and haven't yet been able to re-focus on streamlining the processes and controls across the organization.

Current state of the SSCs regarding the control automation



4. Continuous improvement in the SSC

The SSCs that employed continuous improvement methods can benefit from them

Continuous improvement reflects the optimization of the SSCs from the perspective of costs, quality and time. SSCs in the survey are strong in terms of the outlook for potential optimization in all the processes which are under their responsibility. On the other hand, not too many of them go beyond and look for opportunities to improve upstream and downstream processes outside of their primary scope.

The SSCs place a generally lower emphasis on carrying out practical workshops on quality management. The workshops are far more often carried out by SSCs that already employed continuous improvement methods such as Six Sigma or Total Quality Management (TQM), which implies that the workshops are seen as common tools embedded with these methods. Also, most of the SSCs that placed a low emphasis on carrying out such workshops don't have continuous improvement methods implemented.

The environment of continuous improvement was generally slightly more favourable for SSCs located in Slovakia, which indicated higher agreement with the below statements (0,2 to 0,5 above the average).

SSC's approach to the costs and quality

Our SSC regularly reviews its customer service for potential quality improvements	 4,5
Our SSC regularly runs workshops on quality management	 3,4
Our SSC is always on the lookout for potential optimisation in upstream and downstream processes even where these are not the SSC's responsibility	 4,5
Our SSC is always on the lookout for potential optimisation in all processes which are the SSC's responsibility	 5,2
Our SSC regularly carries out in-depth quality analyses (e.g. as part of benchmark analyses)	 4,5
Our SSC regularly carries out in-depth cost analyses (e.g. as part of benchmark analyses)	 4,6

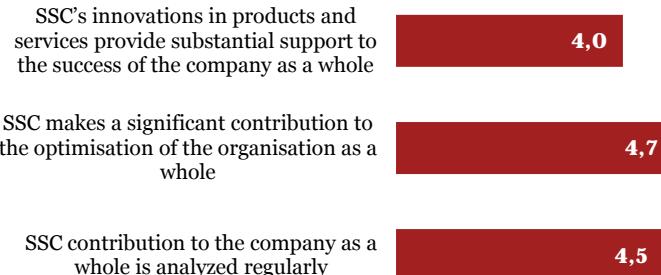
The scale of answers: 1 - not at all applicable; 6 - fully applicable.

SSCs make a significant contribution to the optimization of the organization as a whole

The value the SSCs contribute to the company as a whole is regularly analyzed by most of the companies. The companies also agree that the SSCs make a significant contribution and that the SSCs' innovations in products and services provide substantial support to the success of the company as a whole.

Value contribution to the entire organization is perceived as relatively high by the majority of the SSCs. Practically, the value contribution is understood by most of the companies as cost savings or a form of working capital improvement.

SSC's value contribution to the organization

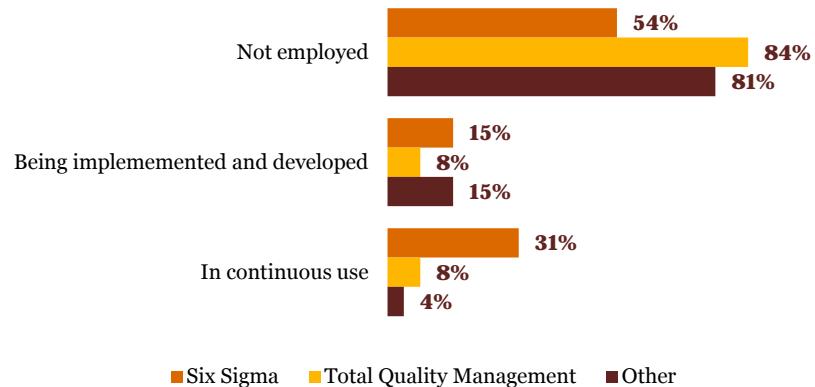


The scale of answers: 1 - not at all applicable; 6 - fully applicable.

Six Sigma is the most popular tool employed, but there is great potential to employ other methodologies

The most common tool for continuous improvement employed by the SSCs is Six Sigma methodology (31%); fewer SSCs go further to implement the more complex TQM philosophy. However, besides Six Sigma, the vast majority of the SSCs do not employ any other tool which provides a significant opportunity for future development. Other methods used by the SSCs included Lean and 5S.

Deployment of tools for continuous improvement

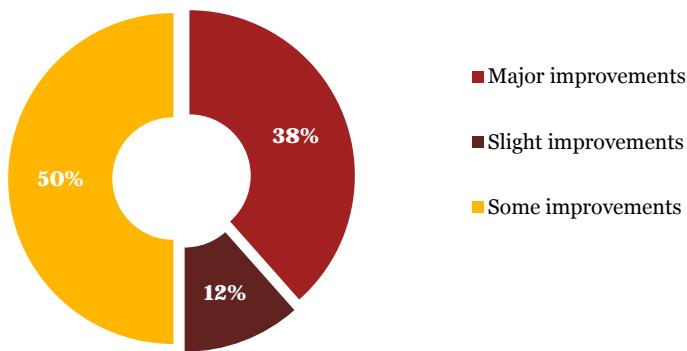


SSCs that employ Six Sigma and Lean tools claim major improvements more often

Based on the survey results, 38% of the SSCs claim they made major improvements of in-scope functions and associated business processes; of these, more than two-thirds have Six Sigma or Lean or 5S tools implemented.

The rest of the SSCs that report slight or some improvements are mostly in the phase of implementation of some continuous improvement tools or do not employ any of them. Notably, the SSCs that only achieved slight improvements do not use any of the methodologies or tools.

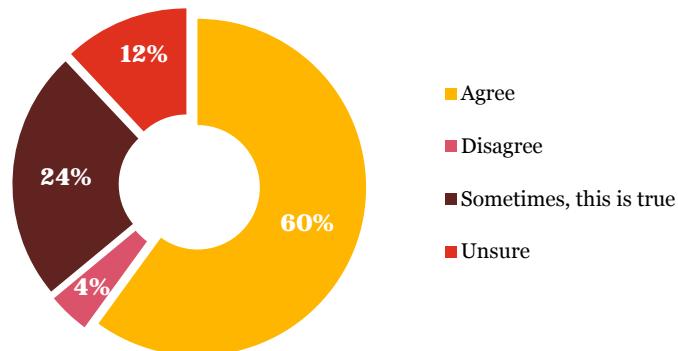
Improvement of in-scope functions and associated business processes in relation to cost, quality and time



Clear sponsorship and accountability for major change projects are considered important

The SSCs in the study mostly (60%) agree that they have clear sponsorship in place for their change projects. This statement confirms that the SSCs understand the importance of clearly defined and assigned responsibility and accountability for major change projects, which is proven by the fact that more than 50% of SSCs that agreed with this statement achieved major improvements last year.

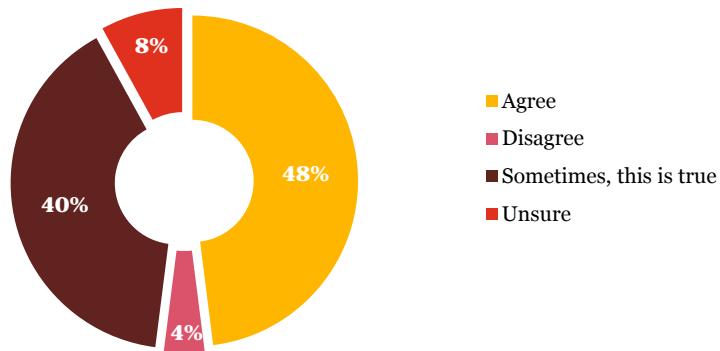
There is clear sponsorship, responsibility and accountability for all major change projects for activities in the SSC's scope



There is a strong correlation between clear definition and communication of the objectives of the change project and the subsequent quality of co-operation between departments on the change efforts

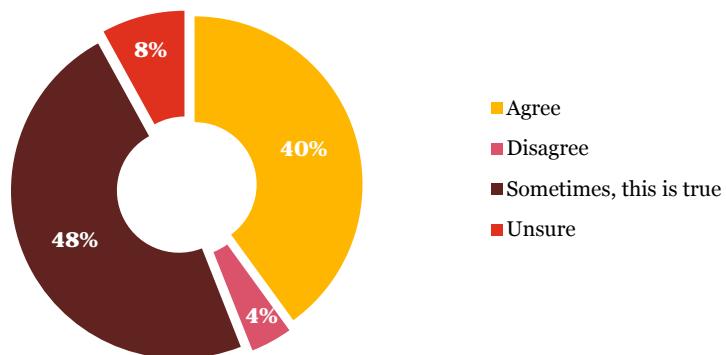
The improvement projects often impact the way the processes and activities are carried out and affect the communication flows and responsibility distribution between different functions and departments in the SSC or the company as a whole. Strong communication of the changes and clear definition of the change objectives and benefits are therefore essential for successful improvement plan implementation.

Change projects impacting activities in the SSC's scope have clearly defined and communicated objectives and benefits



The study reveals that there is an important correlation between clear definition and communication of the objectives and benefits of the change project on one side and the quality of communication and co-operation between departments during the change efforts on the other side.

During past change efforts, communication and co-operation between departments across the company have been strong

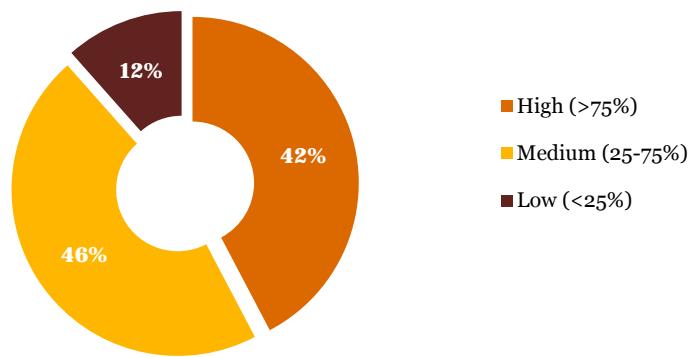


Only 12% of the SSCs consider their level of standardization as low

5. Business processes in the SSC

Focusing on the level of standardization, all surveyed SSCs achieve at least some level of process standardization. While 42% of the surveyed population has highly standardized processes (which means that 75% or more of the processes are standardized and follow the common core process without exception), the medium level was claimed by 46% of the SSCs. Only 12% of respondents said their level of standardization is lower than 25%.

Extent to which processes are standardized and follow a common core process without exception



Processes and services under the responsibility of the SSCs are usually standardized, while both upstream and downstream processes are often not standardized

The SSCs also generally agree that all dedicated processes and services which are within their responsibility are standardized in relation to the costs and benefits. On the other hand, upstream and downstream processes, which are not the responsibility of the SSC, are often not standardized.

The surveyed SSCs mostly agree that they see even greater potential for optimization through the standardization of their processes and services.

Standardization of processes in SSCs

We see even greater potential for optimisation through standardization of our processes (services)

4,6

All upstream and downstream processes (services), which are not the responsibility of the SSC, are standardized

3,2

All dedicated processes (services), which are the SSC's responsibility, are standardized

4,7

The scale of answers: 1 - not at all applicable; 6 - fully applicable.

The standard process of documentation exists in almost all the SSCs, while only 56% of them update those processes

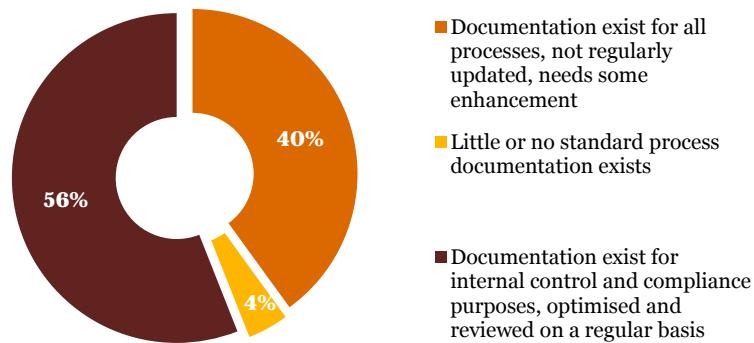
SSCs in Slovakia indicate slightly higher standardization of the SSC processes compared to the average (+0,2); SSCs in the Czech Republic see significantly higher potential for further optimization (+0,7).

Analyzing the level of documentation, only 4% of surveyed SSCs claim no or little standard process of documentation. For some 40% of SSCs, documentation exists for all processes but is not regularly updated and needs some enhancement.

The majority (56%) said that the level of documentation maintained for internal control and compliance purposes has been optimized and is reviewed on a regular basis.

SSCs in Slovakia assessed the level of documentation as slightly higher than the average level in the survey.

Level of process documentation



A trend similar to the case of process standardization was observed in the process automation. Nevertheless, based on the strength of agreements regarding the process automation, the level of automation is perceived as generally lower compared to the level of standardization.

Automation follows a similar trend as standardization, but holds a lower level

Generally, the upstream and downstream processes which are not within the responsibility of the SSCs are usually not automated. On the other hand, all dedicated processes and services which are within the responsibility of the SSCs are often automated, but the majority of the surveyed SSCs agree that they see even greater potential for process optimization through deployment of the latest automation technologies.

Automation of processes in SSCs

We see even greater potential for optimisation through deployment of the latest automation technologies

4,9

All the SSCs upstream and downstream processes (services) which are not the responsibility of the SSC are automated

2,9

Our SSC has automated (in relation to cost/benefit) all dedicated processes and procedures (services) which are the SSC's responsibility

3,5

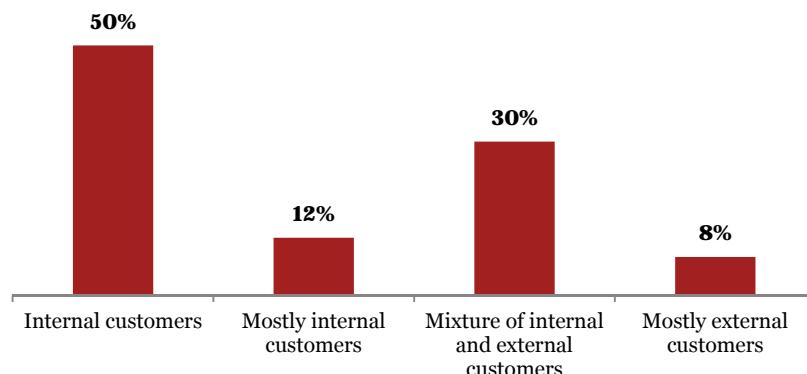
The scale of answers: 1 - not at all applicable; 6 - fully applicable.

6. Customer relations

Half of all SSCs provide services to internal customers only

Customer relations is one of the key areas for any SSC. The satisfaction or dissatisfaction of its customers provides a clear picture of the performance of the SSC and the quality of the services provided. Depending on the orientation of the SSC, it can serve internal customers, external customers or a combination of these two groups. Based on the data received as part of this survey, half of all SSCs provide services to internal customers and half serve both internal and external customers. Almost one-third of all SSCs provide services nearly equally to both groups. SSCs in the Czech Republic are more oriented on internal customers compared to the overall survey average.

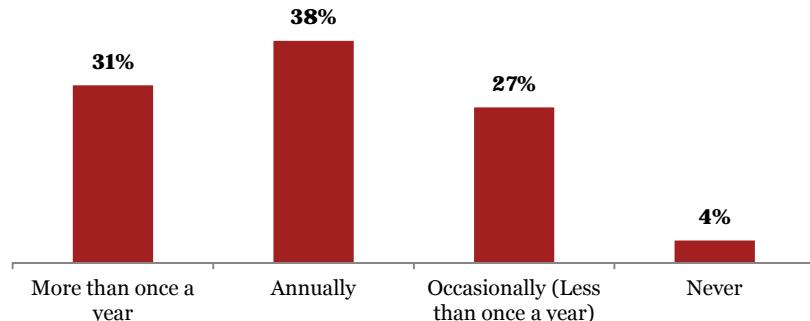
Customer base for SSC services



At least once a year, a satisfaction survey is performed in 69% of all SSCs

Periodical reviews of customer satisfaction are key elements of ascertaining whether the quality of services provided meets the expectations of customers. A customer satisfaction survey is one of the tools used to get the “voice of the customer” about the SSC services. The frequency of customer satisfaction surveys depends largely on the total number of customers and is most often done annually or even more frequently (69% of all participants perform the survey at least once a year). Only 4% of all participants do not perform any kind of customer satisfaction survey. Customer surveys were identified as slightly more frequent for SSCs in Slovakia.

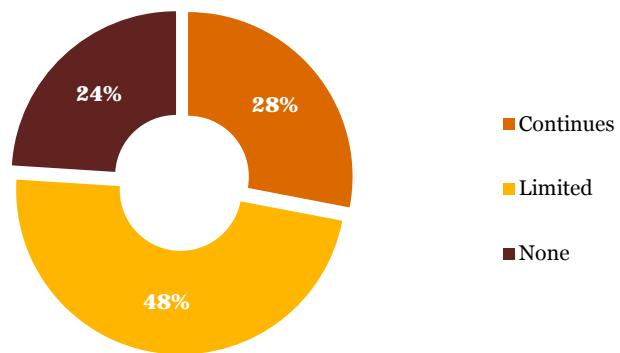
Frequency of customer satisfaction surveys



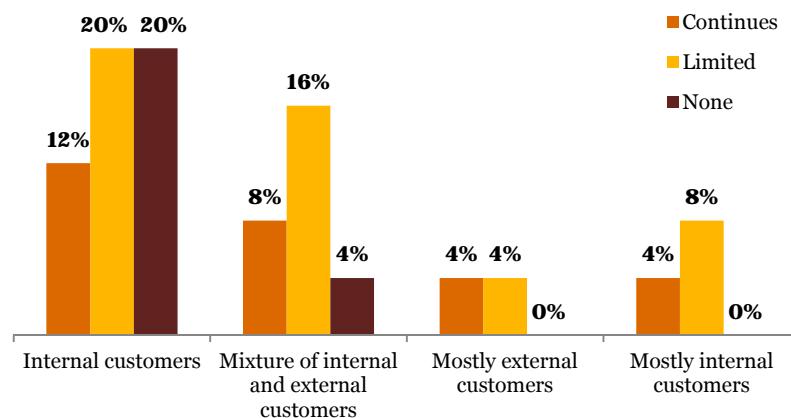
Tools to manage and retain customers are more often used for external customers

To fully benefit from the potential of the customer -supplier relationship, the SSC can use several tools to manage and retain its customers, such as CRM (Customer Relationship Management). At the moment, the usage of such tools is mostly limited (for almost 48% of survey participants). Just less than one-third of all participants use such tools continuously. If we look at the customer base shown previously which consists of internal customers, in 50% of all cases, we can see that the use of tools to manage and retain customers corresponds with the spread of the internal and external customer base.

Usage of tools to manage and retain customers in the SSC



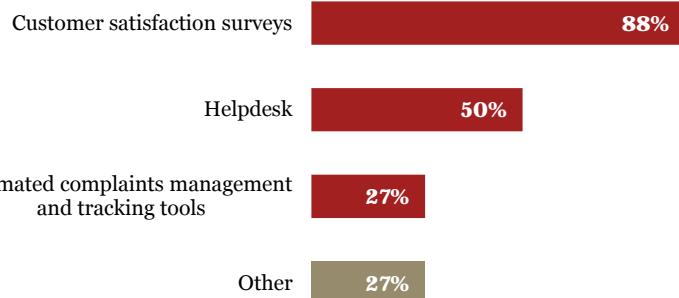
Usage of tools to manage and retain customers in the SSC and the customer base



Customer satisfaction surveys are the most common tool for ascertaining the proper orientation on customers

Orientation on customers is one of the key features of a successful SSC and can be promoted by the use of several tools. Among the most frequently tools are customer satisfaction surveys (applied by 88% of all SSCs participating in the survey), a helpdesk tool and automated complaints management and tracking tools. Other tools used included online tools, service request tracking tools, regular site visits, regular internal meetings, monitoring of escalated complaints and feedback mailboxes.

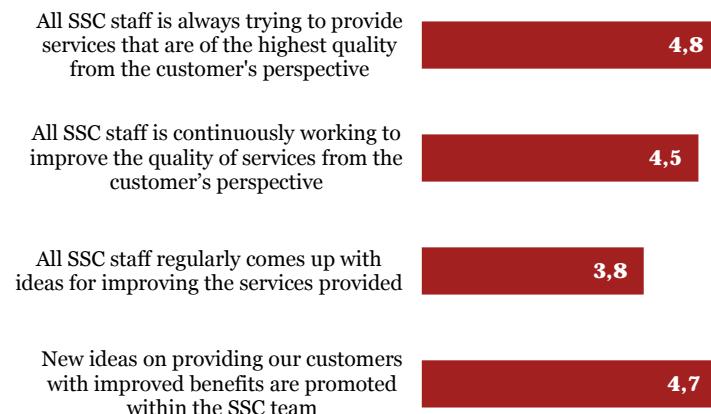
Use of tools to support orientation on customers



The highest quality of services provided is one of the key features of the service culture in the SSCs

Regarding the continuous improvement of the service culture, the highest quality of service provided to customers by all staff is seen as being almost always present, and the promotion of new ideas within the SSC team to improve the quality of services provided to customers is also applicable. The least frequent situation is regular proactive listing of areas for improvement by the SSC staff; this area shows some potential for improvement. When it comes to new ideas on providing customers with improved benefits, SSCs located in Slovakia indicate slightly higher scores compared to the survey average.

Service culture applied in the SSC



The scale of answers: 1 - not at all applicable; 6 - fully applicable.

SSCs see customer orientation as one of the key features of their working culture

Fully applied customer orientation means being able to quickly adapt to the individual needs of single customers, regularly ask for their opinions on the quality of the services provided and implement their suggestions. Overall, the SSCs feel these areas are rather developed and used within their organization; SSCs located in Slovakia indicate a slightly higher level of this customer orientation aspect than the survey average.

Orientation on customers in the SSC

Our SSC can always respond flexibly to our customers' requests (e.g. individual services)

4,4

Our SSC regularly asks its customers how satisfied they are with the quality of the services provided

4,8

Our SSC implements its customers' suggestions for improvement within reasonable time

4,4

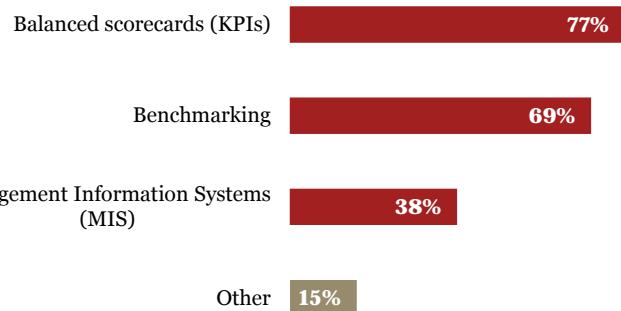
The scale of answers: 1 - not at all applicable; 6 - fully applicable.

7. Performance management

Balanced scorecards are widely used, but not many SSCs consider their balanced scorecard as a mature performance management tool

According to our survey, balanced scorecards are the most used performance management tool by the SSCs, followed closely by benchmarking. The category “Other” included internal performance management tools, SLA-based tools or other types of KPI management tools.

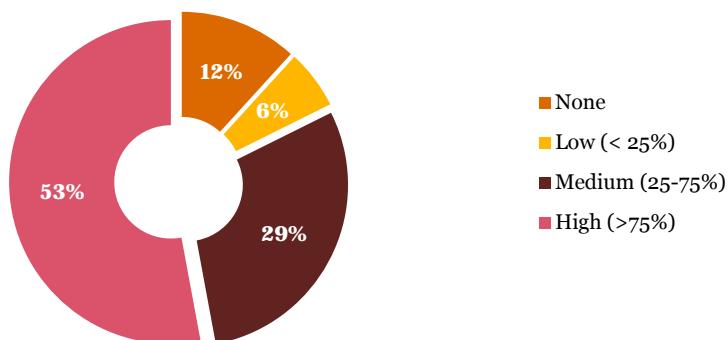
Management performance tools used in the SSC



Performance targets are a favorite tool for monitoring and managing the performance for individuals, functions and processes.

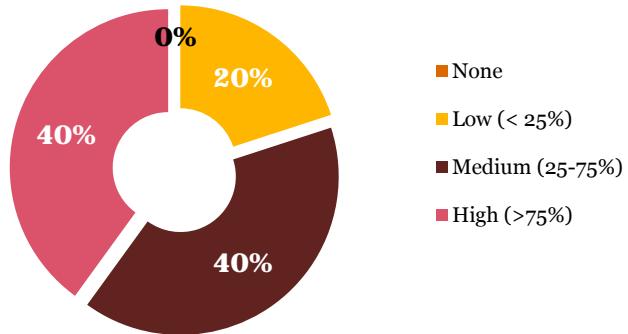
As far as performance targets are concerned, the participants were asked in the survey about three possible areas for performance targets: individuals, functions and processes. 88% of all SSCs have to some extent set targets on the performance of concrete individuals. Moreover, more than half of all SSCs claim they have set these performance targets for individuals for more than 75% of cases. Only 12% claim they have no performance targets for individuals at all. The lack of proper target setting may be caused by the lower maturity of the SSCs which still need some time to finalize the basic processes.

Extent to which SSCs have performance targets for individuals



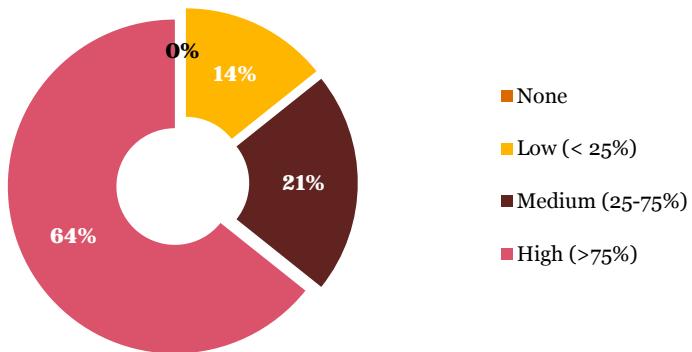
All SSCs have performance targets for functions in place to some extent. The coverage of more than 75% of functions by performance targets is claimed by 40% of the SSCs. The same portion of SSCs claim to have coverage of 25-75% of functions.

Extent to which SSCs have performance targets for functions



As with performance targets for functions, all SSCs claim to have performance targets for processes to some extent. More than 75% of processes are covered by performance targets at 64% of all SSCs providing information about this performance management setup.

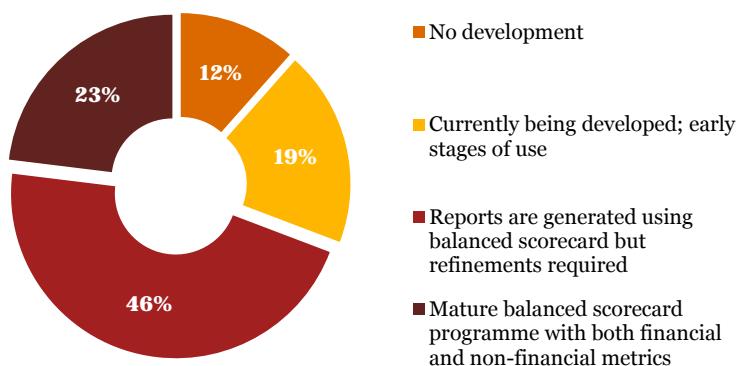
Extent to which SSCs have performance targets for processes



Benchmarks are frequently used by 38% of the SSCs

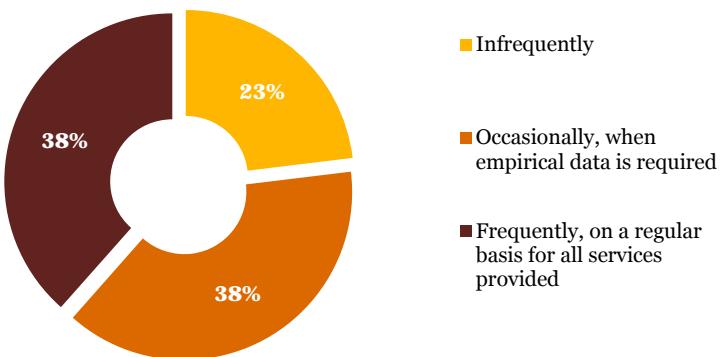
46% of the SSCs say that their reports are prepared by using balanced scorecards but consider future development as necessary. Furthermore, 23% of organizations consider their balanced scorecard already matured with both financial and non-financial metrics. The remaining SSCs are in the earlier stages of the performance management reporting, where 19% of SSCs are currently working on development or they are in the early stages of use, and 12% of organizations said that there is no development in this area.

Extent to which an integrated balance scorecard or a similar process which combines operational and financial measures has been developed



Benchmarks are used to evaluate the SSC frequently or on a regular basis for all services provided by 38% of SSCs, and a similar number of respondents state that they use benchmarks to evaluate the SSC occasionally when empirical data is required. The remaining SSCs use benchmarking in their evaluation processes infrequently.

Extent to which benchmarks are used to evaluate the SSC



Key areas of the SSCs' KPIs focus on time, quality and cost/efficiency

The SSC's performance targets seem to be quite advanced in most of the surveyed SSCs. However, the most applicable approach is a regular review of SSC performance against targets, with the next most applicable approach being SSC performance targets reviewed at regular intervals. When it comes to setting unambiguous performance goals, SSCs in the Czech Republic indicated significantly higher compliance with this statement compared to the overall average.

SSC's performance targets

Our SSC has set unambiguous performance goals

4,6

In our SSC performance is reviewed regularly against targets

5,1

In our SSC performance targets are reviewed on regular intervals

5,0

The scale of answers: 1 - not at all applicable; 6 - fully applicable.

As part of the performance management system, every SSC is using its own set of defined KPIs. Those mentioned in the survey can be divided into three key areas: Time, Quality and Cost/Efficiency.

These three areas need to be balanced to meet the strategic criteria of the particular SSC, which should include definition of priorities for each of them.

Within the survey, we observed mainly the following types of KPIs in the three areas:

Time

- On time customer delivery (AP invoices paid on time, report submission on time, etc.)
- Meeting project/implementation deadlines

Quality

- Quality meeting SLA standards or measured by customer satisfaction surveys
- Other (No audit findings, Attrition rate)

Cost/Efficiency

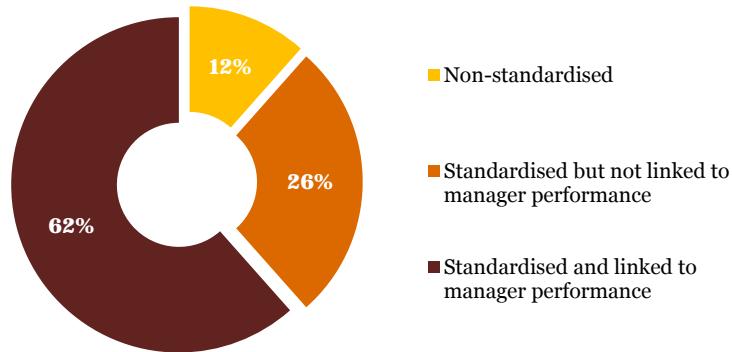
- FTE productivity/performance (transactions processed per FTE, processing time per transaction, number of manual transactions, etc.)
- Cost (Meeting cost budget, Cost of SSC as % of sales or cost per transactions, etc.)
- Process efficiency measures (Days for processing backlog, Days sales outstanding as % of sales or other similar measure)

8. Human resource management

Nearly all of the SSCs use standardized employee development plans

One of the key elements supporting a high performance culture in the SSCs is employee motivation and development, which should be accompanied by a system of standardized development plans. Almost every organization in the survey has to some degree such employee development plans in place. Almost 90% of SSCs involved in this survey have standardized employee development plans, out of which 62% have them linked to manager performance; the rest (26%) of the organizations have them standardized but not linked to manager performance. Only 12% of organizations have no standardization involved in employee development plans.

Characterization of employee development plans as they relate to performance evaluations in the organizations



Open top-down communication is an important management tool

Open communication in all SSCs is understood to be an important management tool, and the overall practice confirms that an open top-down communication is the right approach. A slightly lower level of maturity, compared to the top-down approach, is perceived in the peers communication and an even lower maturity level for the bottom-up communication. Given that the survey was generally completed by senior executives, we assume that the scores achieved especially by the bottom-up and top-down communication approach might be partly influenced by this fact.

Communication throughout the SSC

In our SSC, information is transmitted in an open and prompt manner between staff at the same level in the organisational hierarchy

4,7

In our SSC, information is transmitted in an open and prompt manner by junior staff throughout the organisational hierarchy (bottom-up)

4,2

In our SSC, information is transmitted in an open and prompt manner by managers to all junior staff throughout the organisational hierarchy (top-down)

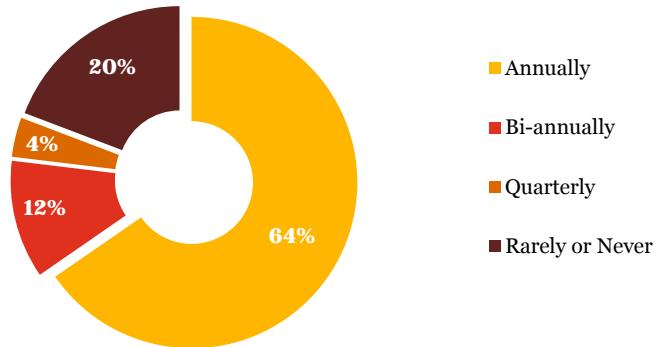
5,2

The scale of answers: 1 - not at all applicable; 6 - fully applicable.

Employee satisfaction surveys are used regularly by 80% of all SSCs as a tool to listen to the voice of the staff

Employee satisfaction surveys are performed at least annually in 80% of SSCs, bi-annually for 12% and quarterly for 4%. Only 20% of the survey participants indicate that employee satisfaction surveys are not used as a regular tool.

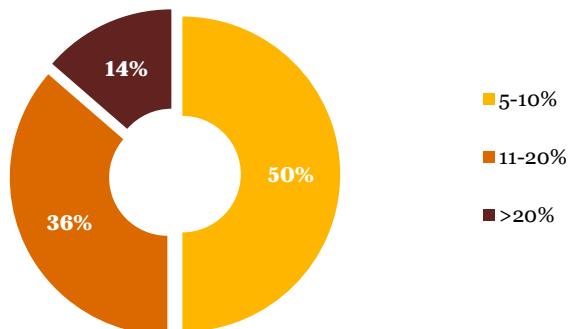
Frequency of employee satisfaction surveys



Only 14% of all SSCs participating in the survey indicate a turnover rate higher than 20% over the last three years

One of the key indicators of the maturity of the SSCs' HR management is the staff turnover indicator. For half of the SSCs, the staff turnover rate over the last 3 years has been between 5 and 10%; for 86% of the SSCs, the turnover rate has been below 20%, and only 14% of the SSCs indicate a turnover rate higher than 20%. Keeping in mind the fact that the majority of the SSCs were established between the years 2006-2007, we expect that the services were in a ramp-up phase and only recently have become more stable, which in turn enabled the SSC management to focus more on monitoring the staff turnover and other people aspects.

Average level of staff turnover over the last 3 years

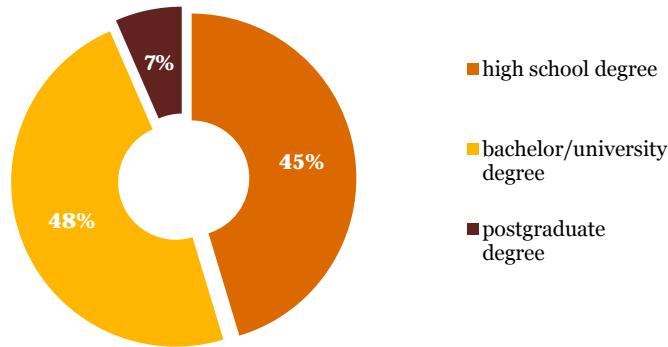


More than half of all SSC staff hold graduate or postgraduate university degrees

More than half of the staff of the participating SSCs hold a university degree, out of which 7% hold a postgraduate degree. The staff with a university degree represents 47% for SSCs in the Czech Republic (out of which 5% hold a postgraduate degree) and 72% in Slovakia (out of which 10% hold a postgraduate degree).

Employment of university graduates in the SSCs is a very common phenomenon in the region given the specific requirements of the SSCs, such as a good level of multiple languages and specific technical or IT skills which can be found just with university graduates.

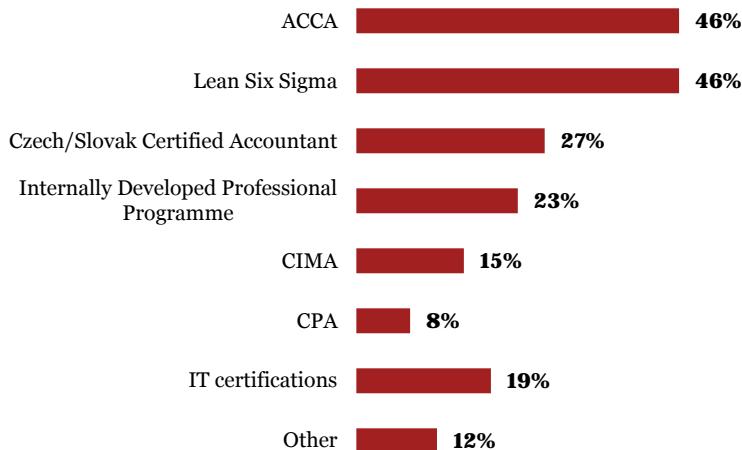
Education ratio of the SSC staff



Sponsored professional and technical certifications are frequent motivational tools

Professional or technical certifications sponsored by the SSCs can be used as further motivating and developmental tools applied by the SSCs' management. Among the most frequent ones, we can find such certifications as ACCA, Lean Six Sigma and local chartered accountant programmes. Lean Six Sigma certifications correlate with 31% of the SSCs where Six Sigma methodology is used as a process improvement tool.

Professional / Technical certifications encouraged



9. Systems and technology

Electronic workflow is used in almost all of the surveyed SSCs; however, large potential for improvements is still inherent in the workflow systems

The use of electronic workflow is relevant to nearly all of the SSCs in the survey, where more than 40% of the companies indicate that this tool is used in almost all relevant processes.

The regular review and identification of potential for improvement is on the other hand less relevant to the SSCs in general, although for the SSCs located in Slovakia this approach is used more intensively (score 0,7 above the overall average).

Further areas for improvement and optimization of the electronic workflow are seen as the most relevant for the SSCs, more so for SSCs located in the Czech Republic. From the above statements, we derive that the level of development of the workflow tool is relatively more advanced in the SSCs in Slovakia, although further development and optimization are planned in the Czech SSCs.

Extent to which electronic workflow systems are used

Our SSC uses electronic workflow systems for all processes and procedures where relevant  4,1

We regularly review our electronic workflow systems to identify potential for optimisation  3,9

We still see a large potential for optimisation in our electronic workflow systems  4,5

The scale of answers: 1 - not at all applicable; 6 - fully applicable.

SSCs see potential in further standardization and optimization of ERP systems

From the perspective of ERP systems, the majority of SSCs indicated that systems are mostly standardized both within the SSC and front-end.

Extent of optimization process regarding the ERP system

We have a standardised ERP system/platform (same release and customising systems) across the whole...  4,4

We use the same pre-systems (front-end systems) for each function (same release and customising systems)  3,7

We regularly review our ERP system to identify potential for optimisation  4,0

We still see a large potential for optimisation in our ERP system  4,3

The scale of answers: 1 - not at all applicable; 6 - fully applicable.

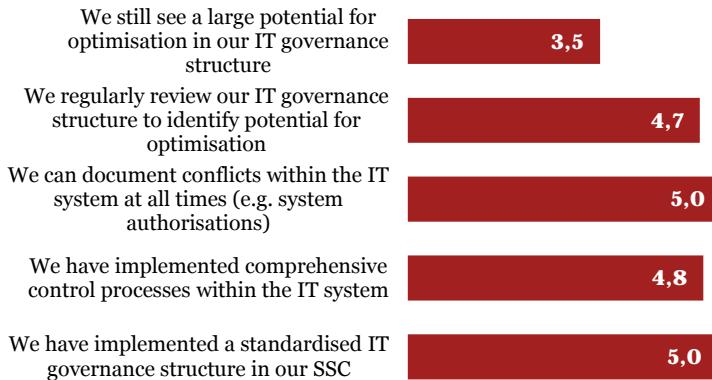
SSCs do not see large potential in IT governance optimization, although regular review of IT governance is performed by the vast majority of them

Areas for further standardization and further optimization are perceived as relevant, especially by the SSCs located in the Czech Republic (score 0,5 above the overall average).

Most of the SSCs state that the IT governance structure and control environment are at an advanced level. This level is also documented by very strong confirmation of the ability to document conflicts that may arise within the IT system.

It is not surprising that large potential for further optimization is generally not expected in this area, although it is still to some extent anticipated. In nearly all the SSCs, opportunities for optimization are consistently identified and pursued by regular review of the IT governance structure.

Extent of IT Governance applied in the SSC



The scale of answers: 1 - not at all applicable; 6 - fully applicable.

10. KPIs

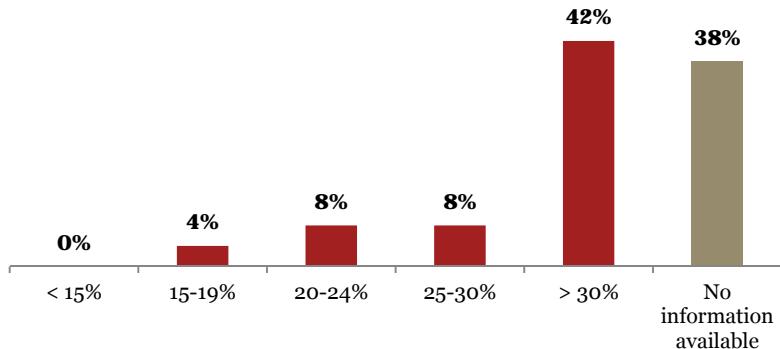
Almost half of all SSC participants claim to achieve operational cost savings higher than 30%

The performance of the SSCs was measured by several qualitative and quantitative criteria regarding the operational costs savings, data about productivity and customer satisfaction complimented by the evaluation made by employees.

In respect of the maturity evaluation and the operational savings, in general, the higher the stage of the maturity model, the higher cost savings and higher customer and employee satisfaction rates.

Almost half of all SSCs claim that the savings on operational costs realized after the implementation of the SSC reached more than 30%. On the other hand, it should be noted that almost 40% of all respondents did not provide any information regarding the operational costs savings. The reasons for the lack of information might be the early stage of some SSCs that lack relevant results or the fact that it is still too early to measure particular cost savings.

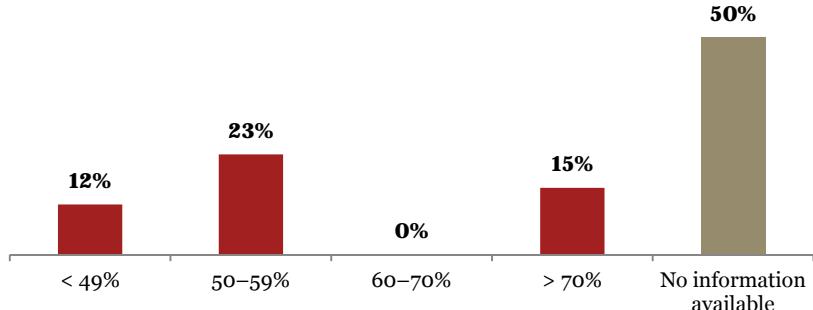
Savings of operational costs as a result of SSC implementation



Around 15% of survey participants see greater than 70% improvement in productivity as a result of SSC implementation

Information about productivity increase as a result of SSC implementation was provided by only half of the SSCs as the other half has claimed lack of supporting data and evidence. Nevertheless, around 15% of all participants have seen an improvement in productivity greater than 70%.

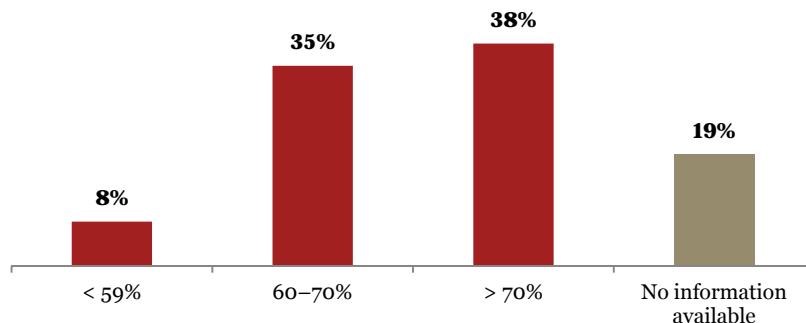
Improvement of productivity as a result of SSC implementation



73% of all SSCs receive a customer rating as “good” or “very good” from more than 60% of the customers

The customer satisfaction section shows that the more mature the SSC is, the more satisfied the customers are, as more than 70% of SSCs which were evaluated as being in Stage 3 of the evaluation model achieved the customer ratings “good” or “very good” by more than 60% of customers. Overall, nearly 40% of all SSCs indicate that their services are at a “good” or “very good” level in the view of more than 70% of their customers.

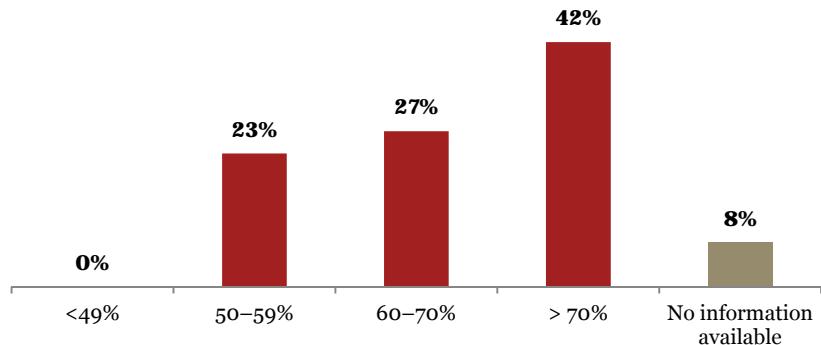
Percentage of customers who rate the SSC's services as 'very good' or 'good'



70% of SSC employees think that working conditions are good or very good

An alternative view addresses the overall quality of the SSC's environment from the perspective of its employees. Almost half of all survey participants claim that more than 70% of their employees think that the working conditions are good or very good. Again, we can see a correlation between the SSC maturity and the satisfaction of its employees with the working conditions. 45% of all SSCs rated in the maturity model as being in Stage 3 achieved the highest rating of staff satisfaction among the SSCs surveyed.

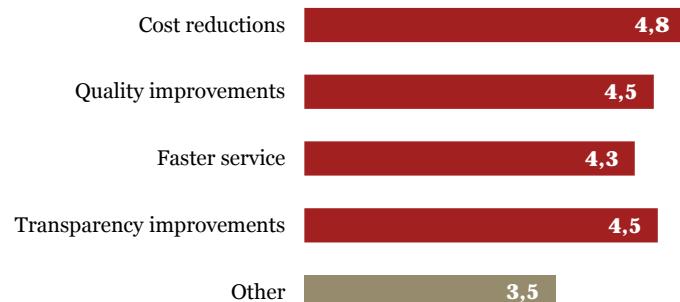
Percentage of SSC staff who rate the SSC's working conditions 'very good' or 'good'



All initial targets have been met to a certain extent in all SSCs

On average, initially set targets were met to a relatively high extent in all cases in the following categories: Cost reductions as the leading one, Quality improvements, Faster service, Transparency improvements and Other objectives, where the survey participants included mainly end-to-end process management, but the extent to which this target was met is relatively lower compared to the others.

Extent to which the SSC has already achieved the initial targets

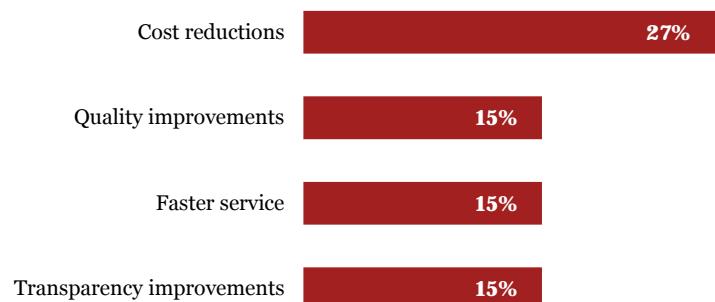


The scale of answers: 1 - target not met; 6 - target exceeded.

Cost reduction targets have been exceeded in 27% of all survey participants

Some of the initially set targets were even exceeded by the performance of the SSCs. This is the case for 27% of SSCs as far as cost reduction is concerned. Other targets were exceeded in 15% of cases.

Percentage of SSCs which have exceeded the initial targets



Outlook

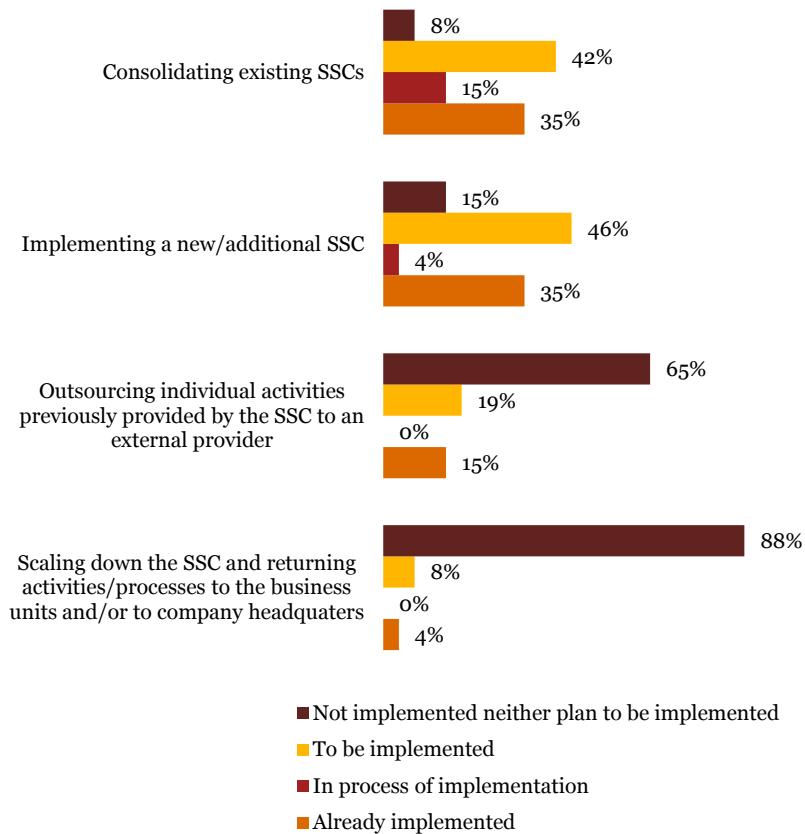
88% of SSCs will continue to operate and do not plan to scale down processes. 92% of survey participants are planning to or are already consolidating their SSC

The final part of our survey touches upon the future prospects of the SSCs in the region.

Based on the answers from our survey, we can clearly see that the existing concept of the SSC is rather successful as 88% of our participants do not plan to reduce the extent of activities provided by the SSCs and return them back to the business units. Almost half of the participating SSCs plan to consolidate the existing SSCs and more than a third of the participants (35%) have already done so.

What is rather optimistic is the number of new SSCs to be implemented, as 46% of all participants plan to implement a new SSC. This confirms previous good experience with the local environment and promises the future development of the SSC market in the region.

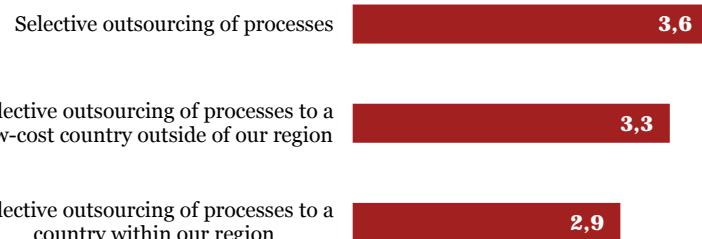
Degree on future sourcing strategies



Outsourcing of processes from the SSC is seen as a relevant option, although is not seen as completely topical

The outsourcing of services outside the SSC is seen as a relevant option, although the survey participants do not see this as a current issue which would be relevant to their situation as of today. Generally, the SSCs see it as more relevant to outsource to a low-cost country than to a country within the region, but they find both options less relevant than the idea of outsourcing some activities from the SSC in general.

Selective outsourcing of processes

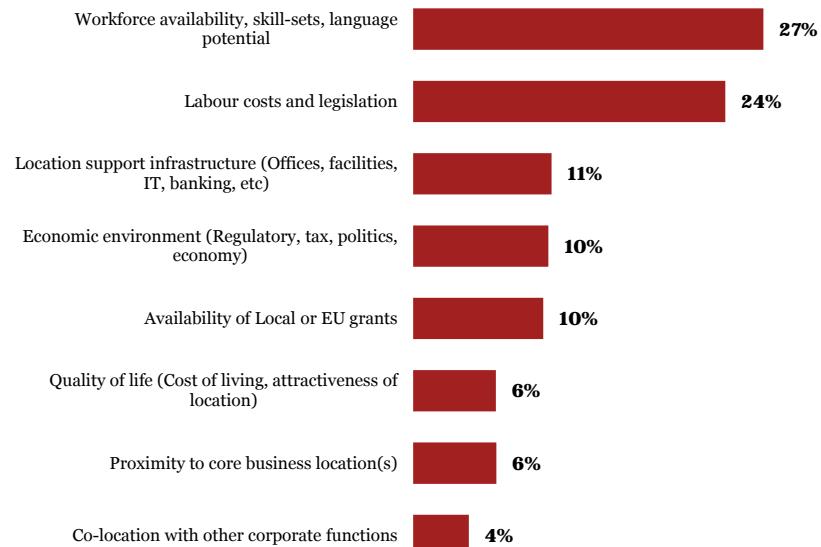


The scale of answers: 1 - not at all applicable; 6 - fully applicable.

A politically stable environment and a skilled, educated, loyal and reliable workforce are seen as the main reasons in favour of the Czech Republic and Slovakia

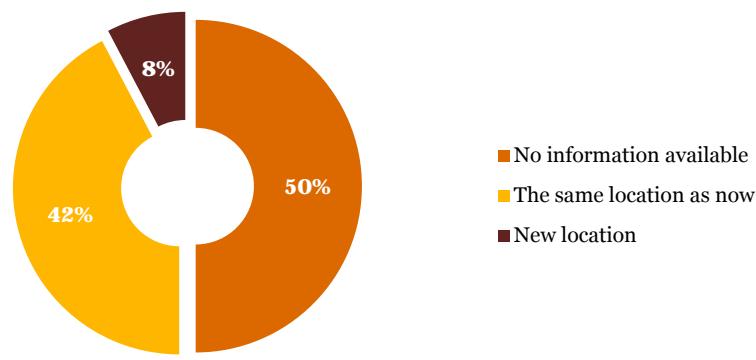
In looking for a new location for the SSC, the key criteria for selection included availability of a low cost and skilled workforce with high language potential and operation under favorable legislation. Further criteria with a similar degree of preference were infrastructure present in the location or nearby, macroeconomic stability and availability of any kind of grants. Proximity of other corporate functions or of the core business as well as the attractiveness of the location were not seen as very decisive factors for location selection.

Preferred criteria to used when selecting the new location for SSC



The participants were asked whether they would choose a different location if they had the opportunity to decide again. Only 42% confirmed that they would keep the current location. The rest did not specify any preference or named some other destination. Among the new destinations suggested were mainly those with even lower labour costs located further to the east of the Czech Republic and Slovakia.

Preferred location of the SSC if it were possible to choose it again



Czech Republic and Slovakia are seen as favourable destinations for the SSC implementation

Based on the overall comments summoned in our survey, the Czech Republic and Slovakia are seen in general as favourable destinations for the SSC implementation. The main reasons stated by the participants can be divided into several categories:

- **Workforce** in the Czech Republic and Slovakia is assessed as follows:
 - skilled
 - experienced
 - relatively available
 - reliable and motivated
 - loyal
 - with high university graduates ratio
- **Global environment** in the Czech Republic and Slovakia is seen as follows:
 - macroeconomically stable
 - with low labour costs (“still good value for money”)
 - favourable labour legislation in terms of sick leave of the employees
 - no extensive cultural or language barriers

On the other hand, factors seen as less positive include the following areas:

- **Bureaucracy** – large bureaucratic machinery hinders the development activities of the SSCs
- **Infavourable labour legislation** as far as dismissal of the employees is concerned
- **Limited availability of workforce** with certain qualifications
- **Deficient availability** of government grants or incentives for language and soft skills training
- **Limited offer of location incentives** (rewards for choosing a particular area for the SSC)

When asked about the upcoming challenges, the participants in our survey voiced several areas for future development and improvement.

The most often cited areas for improvement which the SSCs plan to work on included:

- ERP system implementation and its full operation
- Automation of processes
- Talent attraction and retention
- Productivity growth
- Enlarging the scope of services provided while at the same time maintaining a good balance of costs and quality
- Attracting new customers

Challenges lying ahead of the SSCs include balancing the costs and quality and attracting and retaining key talents

Attracting and retaining a skilled workforce also figured among the burning issues today's SSCs are facing. Secondly, increasing customer satisfaction, cultural differences and cross-cultural communication between the SSCs' staff and core business units were put in second place as complicating the everyday operations of today's SSCs.

As a general remark, it can be stated that the SSC concept is a success. SSCs are clearly not a one-time project but an ongoing journey with many challenges. Achieving a sound balance of cost efficiency and quality and attracting and retaining key talents rise up among the most important objectives for the SSCs for the future.

About us

We help create the value clients are looking for

Our clients face new challenges, explore interesting ideas and seek expert advice every day. They turn to us for comprehensive support and practical solutions that deliver maximum value. Whether they are a global player, a family business or a public institution, we leverage our full range of skills: experience, industry-specific knowledge, high standards of quality, commitment to innovation and the resources of our expert network in over 150 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 strategically we can support them. Companies that have implemented SSCs in the past are now being confronted with the question of how to ensure the cost and service advantages of their SSC in the long term. PwC has been working in partnership with its clients in the implementation of shared services for many years. We draw on our experience to support our clients with well trained teams and international networks to overcome their challenges and develop achievable, long-term solutions.

Disclaimer

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

Glossary

AP	Accounts Payable
ACCA	Association of Chartered Certified Accountants
BSC	Balance Scorecard
CRM	Customer Relationship Management
CZ	Czech Republic
ERP	Enterprise Resource Planning
FMCG	Fast Moving Consumer Goods
FTE	Full time employee
HR	Human resources
KPI	Key Performance Indicator
PM	Performance management
SK	Slovakia
SLA	Service Level Agreement
SSC	Shared Service Centre
TQM	Total Quality Management

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The commitment of these experts reflects the highest quality criteria in terms of their professionalism. Integrity, impartiality and objectivity are also part of the corporate philosophy. For this reason, great care is taken to offer clients only those all-in-one services that are consistent with the law. The most modern approaches are taken towards auditing, consulting and evaluation, thus supporting the companies in meeting the high demands of a competitive market.

