
State of The Shared Services and Outsourcing Industry Report EUROPE – 2018



An analysis of European trends

Published by:

REDEFINING WHAT'S POSSIBLE

Technology has been driving the evolution of Shared Services since its inception more than three decades ago. And yet, never before have we experienced such extraordinary shifts in scope, value, and capability as over the past 18 months. This shift has been driven by nothing less than a fourth iteration of the *industrial revolution* based on robotic automation, but now, moving from manufacturing into services.

Robotics in the workforce, also referred to as the *digital workforce*, removes transactional work from humans, effectively releasing them for more valuable, *knowledge-based* activities. Combined with the insights derived from new data analytics, Shared Services are finding their *modus operandi* not just redefined, but their role within enterprise decision-making significantly enhanced.

So drastic is this shift, in fact, that on 17 February 2017 the European Parliament called upon the European Commission to table a [legislative proposal](#) laying down a set of civil law rules on robotics and artificial intelligence, to address issues like liability of robots, as well as to establish a European agency for robotics and artificial intelligence. The draft [resolution](#) of the Commission on Civil Law Rules on Robotics, quotes:

"The development of robotics and AI may result in a large part of the work now done by humans being taken over by robots, so raising concerns about the future of employment and the viability of social security systems if the current basis of taxation is maintained, creating the potential for increased inequality in the distribution of wealth and influence."

There has never been a more exciting time to work in Shared Services, to lead Shared Services' evolution, or to take a seat at the executive table – at least for those who understand how to grasp the opportunities.

SSON's annual European state-of-the-industry report highlights the underlying trends driving current shifts, identifies the 'new and improved' profile of the modern Shared Services team, and points to strategic value-add embedded in Shared Services model.

We hope this report will guide you to improved decisions as you move your model forward.

"Every year, the SSON surveys its global membership to identify trends, initiatives, methodologies and tools that are driving performance forward. This report analyses the responses from the European region specifically."

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MATURE CENTRES CHARACTERISE EUROPEAN OPERATIONS

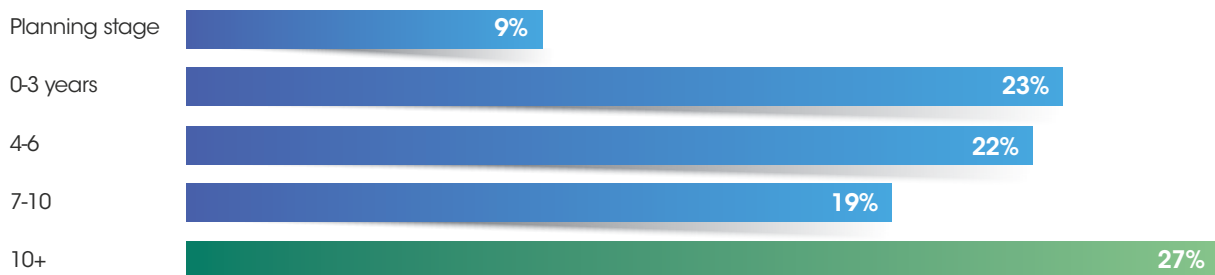
Europe's shared services industry is characterised by its relative maturity, reflecting the fact that many enterprises in this region embarked on their Shared Services journey more than 10 years ago. In fact, the largest segment of respondents to SSON's 2018 Shared Services and Outsourcing survey fall into the 10+ years category, and nearly 50% of European respondents represent SSCs that are more than seven years old. By contrast, the largest segment of respondents in North America and Asia are characterised by the 'planning' or 'early launch' stages. Globally, 40% of respondents are in the early stages of Shared Services.

Did you know

European Shared Services distinguish themselves from the rest of the world by a higher proportion of mature centres.

Europe, led by the UK and Ireland, has long been one of the pioneer regions for the Shared Services model. What's interesting to note is how Shared Services have been evolving: historically, by shifting to near- or off-shore models that leverage lower-cost employees; and today, by sourcing decisions that incorporate the new digital workforce. What this means, in effect, is that in future sourcing decisions will not be driven so much by the cost of employees as they will by the technical and/or data analytics skills presented by those employees.

Maturity of European SSOs

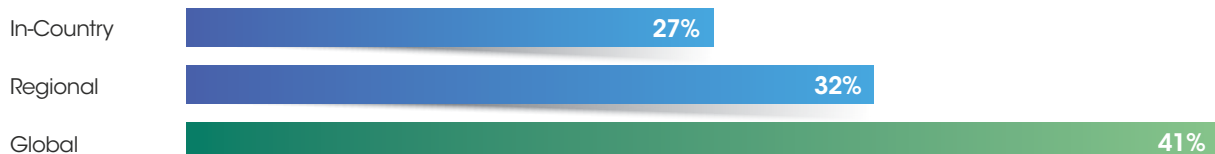


Many European practices reflect the language- and regulation-driven requirements of individual countries. Historically, therefore, a number of Shared Services centres across Europe were set up as in-country models. In fact according to this survey, in 2018 over 25% of SSCs still operate an in-country model.

The second model is regionally focussed, (for example, the provision of services to European businesses) and according to our survey is more commonly adopted, reflecting in part the strong contribution of the Central and Eastern European (CEE) region as a lower cost source with a highly skilled, multi-lingual workforce.

The largest sector of European centres, however, has progressed beyond both models and provides services globally. Much of this is again due to the CEE region, which combines strong language skills with highly qualified employees and a cost effective base. Central and East European countries have been highly successful in presenting Shared Services jobs as attractive careers for ambitious talent, and multinationals have been quick to pick up on the opportunity to leverage this talent for its global operations. According to the survey, today four out of ten European SSCs are supporting global operations from a European base.

Service Delivery Model



Data Analytics and Sales & Marketing Making Headway

Finance still leads the functional scope, with six out of 10 centres providing this service, but more than half now also provide **HR**, and we see significant growth in both **Data Analytics** and **Sales & Marketing**.

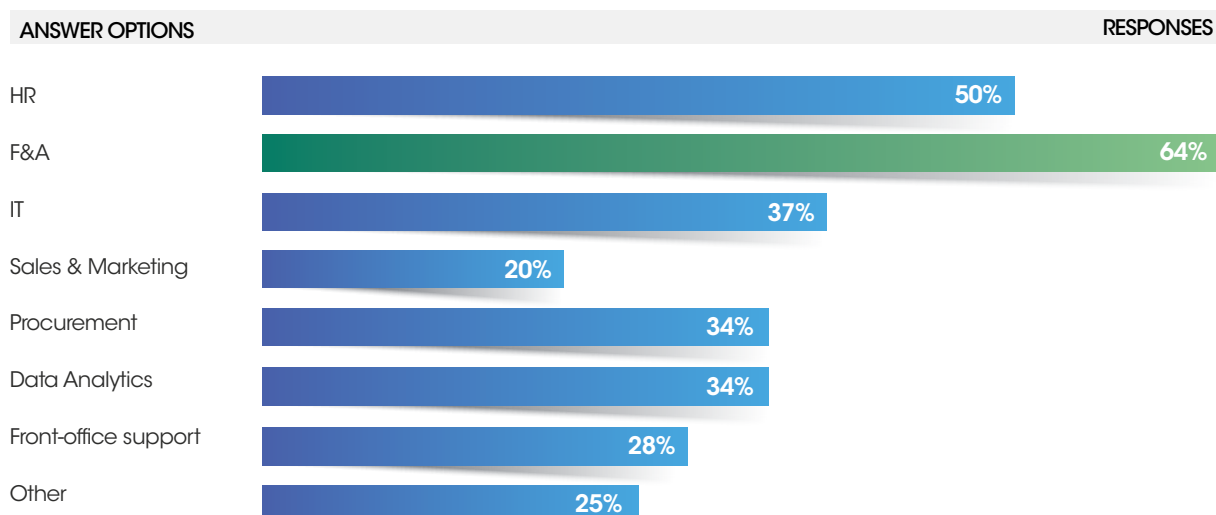
What is noteworthy is the shift towards services that support the front office. Nearly one-third of respondents across Europe confirm that they are now supporting front office operations, which

compares favourably to the 20% of North American and Asian respondents that claim the same. This recognition of the ability to leverage Shared Services template for revenue generating activities linked to the front office is a significant evolution. Combined with what we see elsewhere, related to the adoption of intelligent automation, and business demand for increasingly analytics- or knowledge driven services, it points to Shared Services taking a larger and more strategically impactful role within the enterprise.

Did you know

More than 25% of European Shared Services now provide front office support, again with Central and East European-based centres leading other regions

Services provided by European SSCs



Which new functions have European Shared Services recently added?

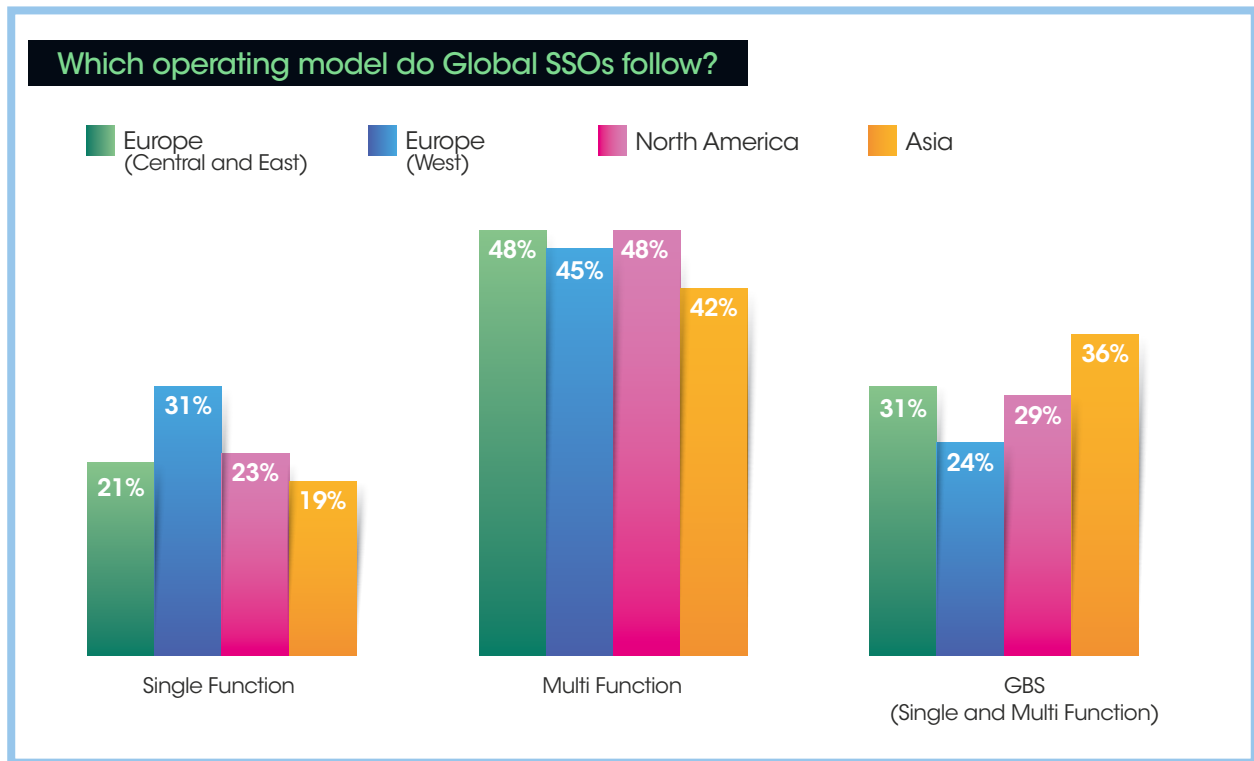
Operations • Legal • Planning • Project • Corporate
• Marketing • Finance • Commercial Account • RPA
Centres of Excellence • Recruitment • Procurement •
Sales • Analytics

Did you know

Central and East European (CEE) based centres showed the strongest commitment to Sales and Marketing, with nearly a quarter of respondents confirming this service in scope, compared to 16% on average across Western Europe, North America and Asia.

OPERATING MODEL

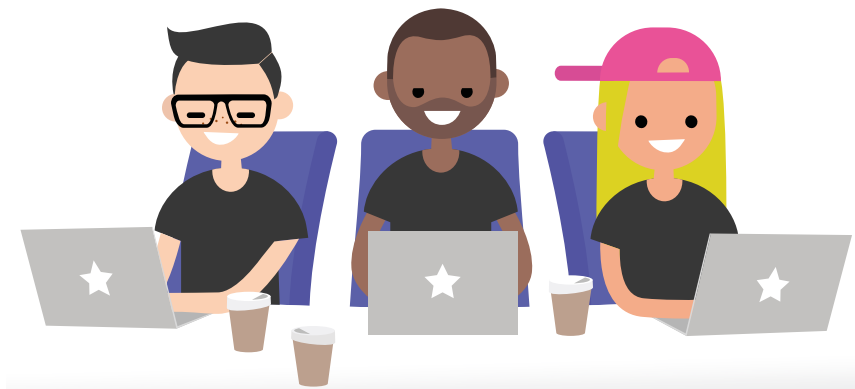
Overall, the most popular global operating model is multi-functional: nearly half of global SSOs cite this model, with similar numbers reflected across Europe. Where European trends diverge, perhaps not surprisingly given the cost arbitrage of Central and Eastern Europe, is that the CEE region shows a higher rate of adoption of Global Business Services (GBS), with nearly a third of CEE respondents leveraging some version of GBS.



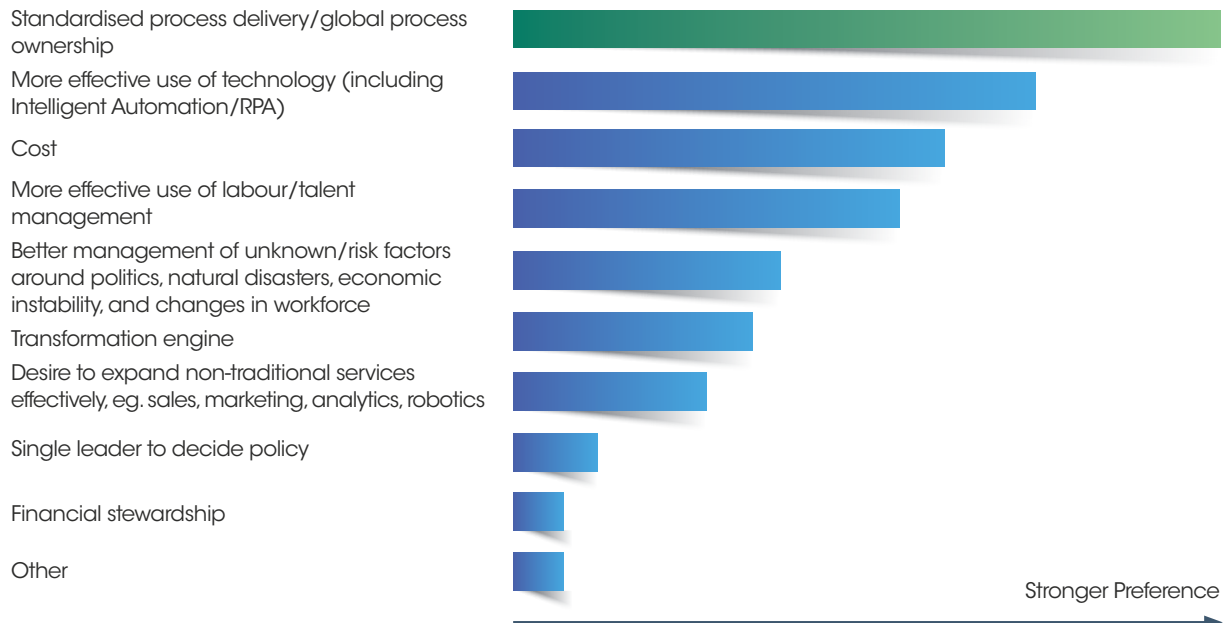
Whilst (according to [SSON Analytics](#) data) there are currently less than 200 enterprises world-wide that have committed to Global Business Services, the survey reflects a definite interest in, and continued shift towards, GBS. Only one third of respondents, in fact, claim they have no plans to implement GBS at all.

Behind this shift include **standardised process delivery** and **global process ownership**. However, **making more effective use of technology** (including intelligent automation and robotics) and **labour** are also key factors. Global Business Services are the perfect vehicle for intelligent automation to take hold, given the process and systems standardisations that result from GBS implementations. This fact is well understood by the market, as the survey demonstrates. The leading objective for Global Business Services, by a long shot, is 'more effective use of smart technology'.

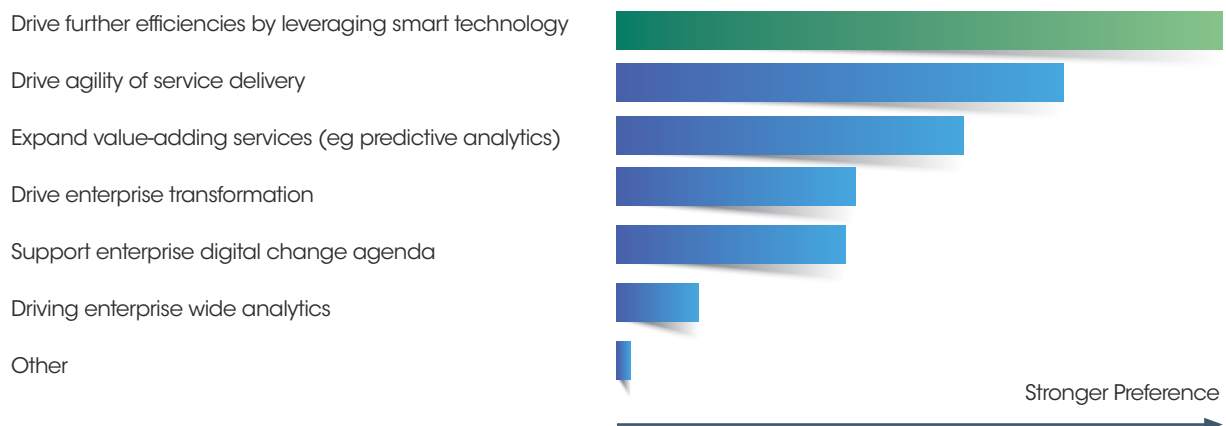
Given one of the key differentiators of GBS is the ability to optimise globally through standardised services, GBS leaders have been quick to recognise intelligent automation as a significant enabler of their optimisation strategies. This is particularly fitting for the more advanced, server driven and scalable solutions that effect truly transformational change – as opposed to the more limited (in scope and scale), desktop-type solutions represented by traditional robotic desktop automation.



What drives your GBS strategy?



What do you hope to gain from GBS?

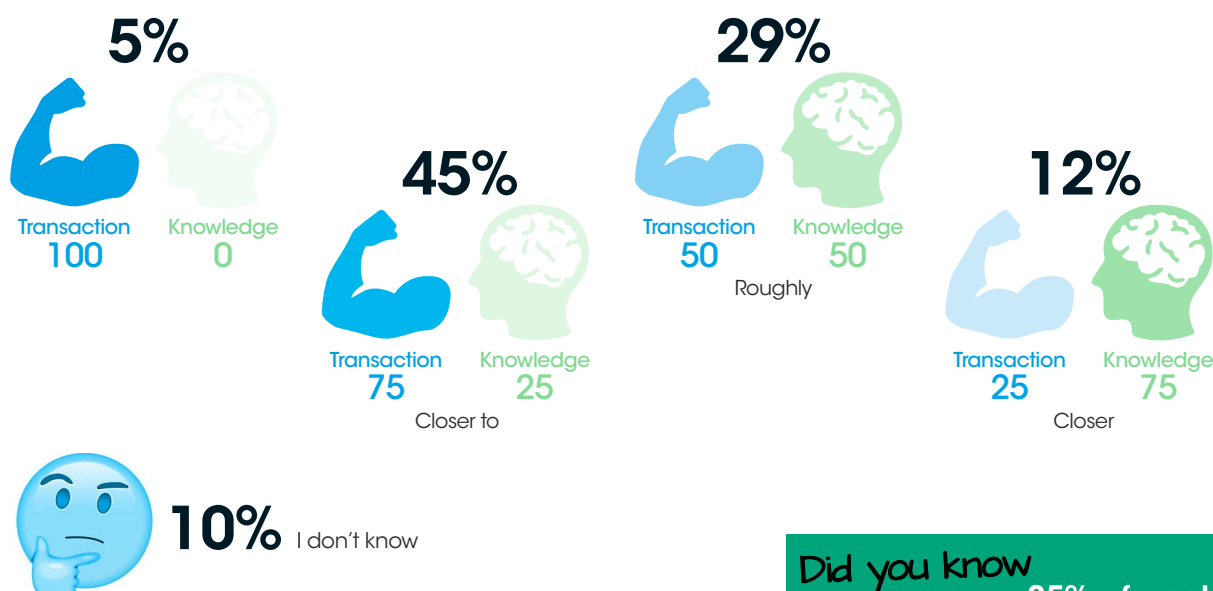


SHIFTING TO KNOWLEDGE-BASED, VALUE-ADD WORK

One of the very real shifts that Shared Services are undergoing worldwide is one of embracing a more value-adding, knowledge-based service. This is driven, almost entirely, by the advancement of automation solutions into Shared Services' workplaces, thereby taking mundane, transactional work out of employees' hands and freeing them up to deliver more valuable work, for example by leveraging analytics or business insights to support better decision making. Six out of 10 respondents from Europe confirm their current strategy is one of shifting towards such knowledge driven services. Although this represents a high proportion of the market, the Asian region is even more committed, with seven out of 10 respondents citing such a change in strategy.

For now, however, most practitioners across Europe, and indeed worldwide, still find themselves at a ratio of roughly 75:25 transactional to knowledge type work. What's encouraging, however is the small but significant sector already operating at 75% knowledge-based work, as well as the nearly one third of respondents that claim their activities are evenly split between both. The significance for the Shared Services model cannot be overstated. With the history of Shared Services' evolution firmly rooted in efficient and effective service delivery, automated transactions guaranteeing fewer errors and faster cycle times take care of much of the traditional workload. What remains, therefore, is more insightful, strategic type of knowledge management that truly differentiates business services support. It presents a significant step towards a more strategic voice in the enterprise. The days of 'back office' may be truly behind us.

How would you define your SSO activities at present?



Did you know
85% of centres are involved in some form of "knowledge-based" work

Knowledge-based Services are the New Shared Services Frontier

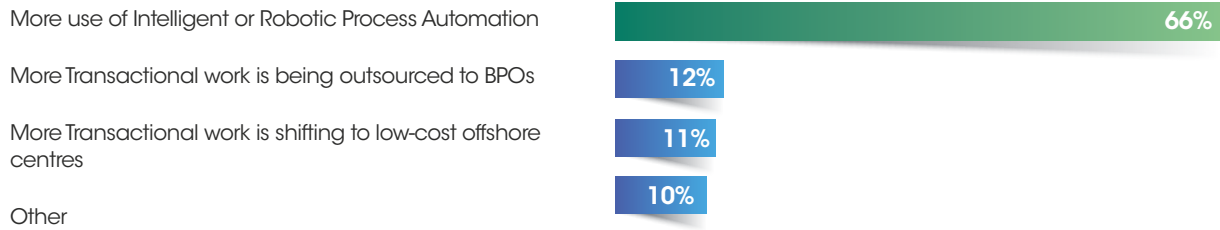
While many organisations are still structured according to Industrial Age control models, which do not leverage knowledge, forward-looking enterprises recognise that knowledge workers form the basis of their competitive advantage. This manifests itself particularly in Shared Services environments, where analytics and business insights are increasingly driving value-added outputs. As Shared Services evolve from transactional centres to knowledge management centres, the skill sets required are tilting firmly in a new direction – away from processing expertise and towards adding value.

Evolving Shared Services will differentiate themselves by their ability to support the enterprise in meeting its output targets or goals. This is in contrast to the more conventional, process-focused SSC where the main metric was transactional excellence and time-per-activity.

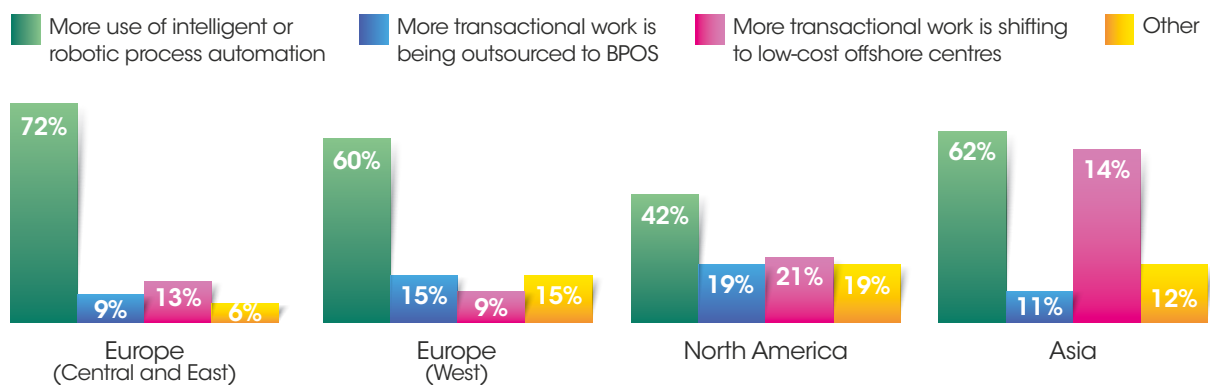
It is interesting that just under half of SSOs still have transactional activities making up 75% of their activities, but that 85% of centres are already involved in some form of "knowledge-based" work. With intelligent automation still in its early days, we can expect to see a sudden and significant tilt towards knowledge in the near future.

Also worth highlighting is the leading position of Central and East European centres, reflecting the greater distribution of GBS models in this region, and the more strategic role many of these centres hold within their enterprise. The chart below highlights how the shift towards knowledge work is playing out across different regions in the world.

What is driving the shift away from transactional activities?



Comparison across regions



What Kind of Activities Constitute Knowledge Work?

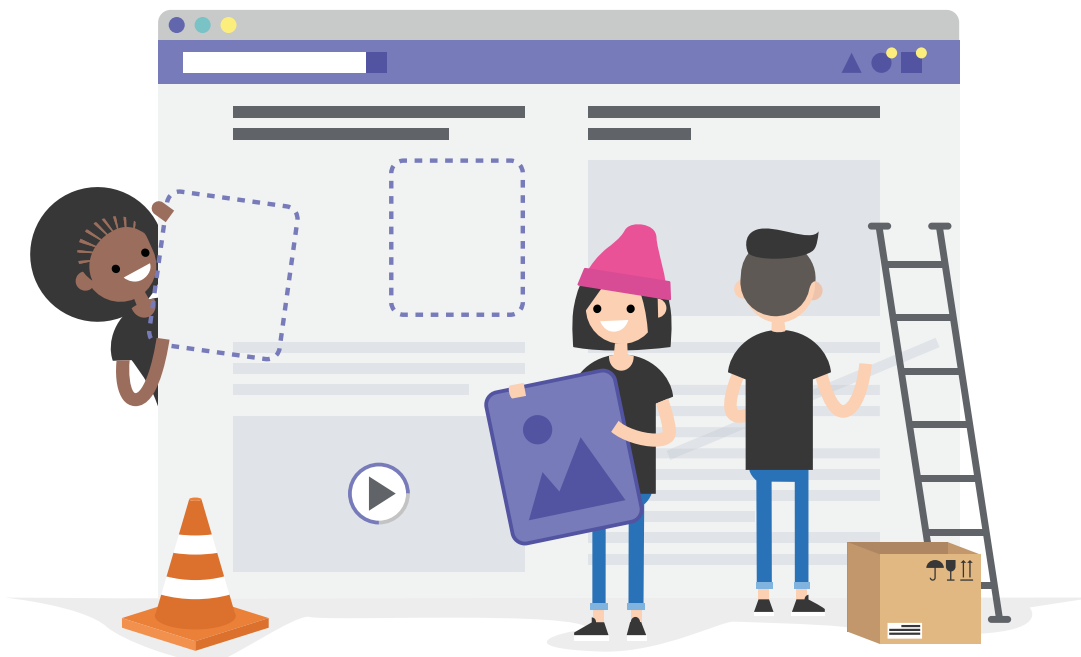
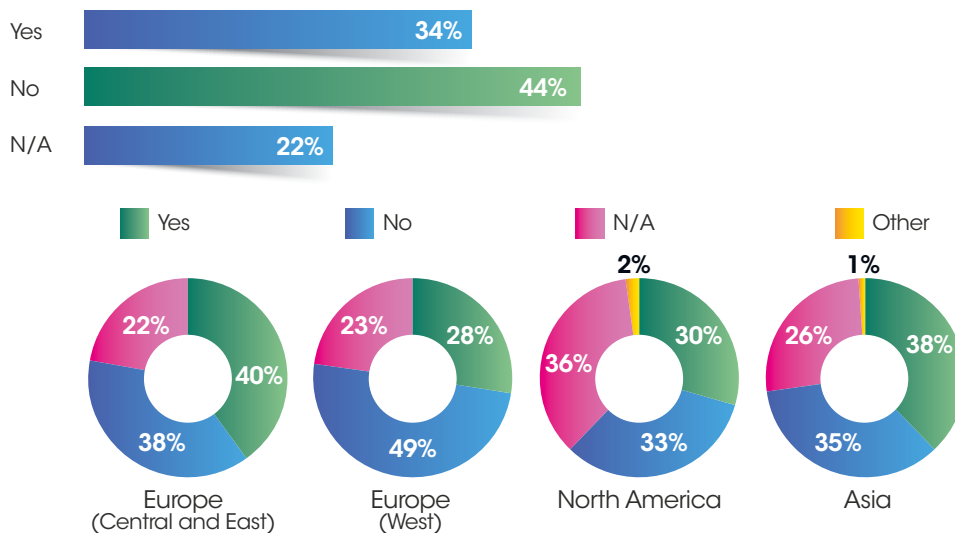
Insight • Functional • Management • Engineering
 • Process • Tax • Analytics • Sourcing • Reporting •
 Business Partnering • Case • Applications • Analytics •
 Compliance • Controlling • Talent Acquisition

HOW ARE SOURCING MODELS EVOLVING?

One of the much talked about trends over the past year or two has been that of shifting activities back near- if not onshore. We asked Shared Services practitioners to what extent this reflected their own operations. While that claim was refuted across Europe generally, the data for CEE specifically does confirm this trend. Worldwide, Asia is the only other region to also confirm near- or onshore as becoming more significant.

The shift towards knowledge-based work is being led by those regions which traditionally excelled in taking transactional work away from the business. From that perspective, it is no surprise to see Central and Eastern Europe as well as Asia leading the movement towards knowledge-based services.

Is near or onshore becoming more significant as a service delivery strategy?

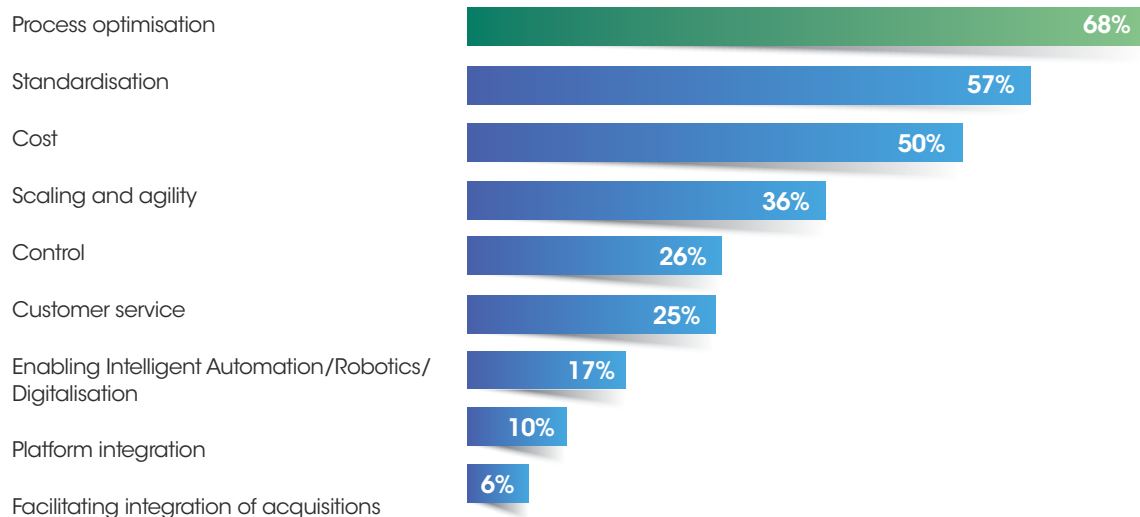


HOW ARE MODERN SHARED SERVICES SUPPORTING THE ENTERPRISE?

Shared services are still predominantly recognised for their positive impact on process optimisation and standardisation. While cost is still a constant, it's notable that in this survey cost has slipped down to third place in terms of benefits. What's also interesting is the relatively low score attributed to "Shared Services enabling intelligent automation across the business"; but at the same time there is increased recognition of the model's ability to drive scale and provide much-needed agility to the enterprise. The implication may be that those centres not yet having implemented intelligent automation fail to recognise Shared Services' ability to drive IA across the organisation.

'Scale' and 'agility' are perhaps some of the most powerful contributors to enterprise performance. As enterprises expand into new markets or acquire new businesses, Shared Services' ability to support the changed needs of the business will, to a large extent, determine the success of such expansions. For that reason, many enterprise leaders are looking to Shared Services to provide that much needed capability to ramp up or down, and respond quickly to new scenarios.

What are the benefits of Shared Services to the enterprise?



What we also recognise is that many organisations now acknowledge the value add of modern Shared Services to help drive proactive decision-making through business intelligence or insight. A combination of more sophisticated leadership, awareness of the power of data analytics, and improved adoption of automation technologies means that Shared Services can operate as "one version of the truth" in providing enterprise wide data, patterns, and trends. Businesses that recognise the value of this new partnership, and embrace the changing model, benefit not just through a more digital operating model, but also in the ability to roll out transformation.

INTELLIGENT AUTOMATION AND DIGITAL DISRUPTION

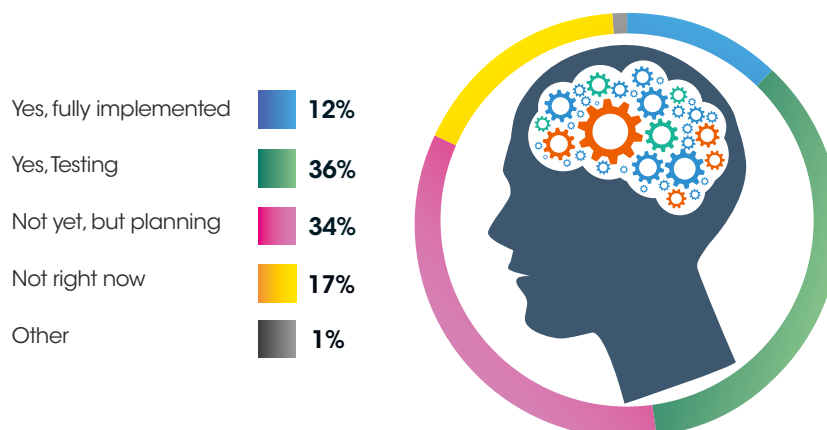
Many organisations are currently experiencing an Uber moment, as enormous disruption rocks their industries. For many, it's high time for a wakeup call, given that underlying service lines have remained unchanged for decades.

In this New World, digital automation is key and the possibilities endless. The displacement of labour addresses only one side of the progressive coin, however. The other reflects the ability of organisations to focus their employees on the truly differentiating, value adding activities that drive success through brand new organisational models.

Intelligent automation has a role to play in this evolution. It is the fastest growing technology with the greatest power for disruption. At its most basic, it eliminates mundane, repetitive tasks. At the other extreme, it will begin to replace higher-level cognitive human abilities with a far greater capacity for volume, analysis, and consistency than can currently be performed by humans.

SSON's survey highlights just how much enterprises are embracing this new capability. While just two years ago, practitioners around the world were still scratching their heads at the 'RPA' phenomenon, today, less than 20% of European practitioners are not actively considering intelligent automation's application to their operations. The rest are all fully committed, either in the planning stage, in testing mode, or already in full implementation.

To what extent have you implemented intelligent automation?



Did you know

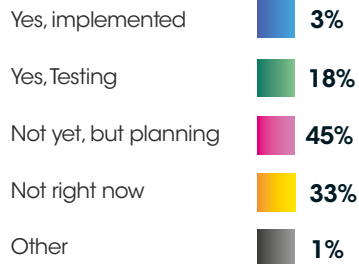
70% of SSOs are either in the testing or planning stages of intelligent automation

Despite the fact that the most lucrative option for most organisations right now lies in RDA/RPA area of intelligent automation, consultants say that clients spend far more time talking about AI and its potential applications, than robotics. This is, to use an old expression, putting the cart before the horse.

When it comes to artificial intelligence the vast majority while planning to move towards AI, are not yet at that stage. A number of Shared Services are already designing processes with an eye to the future by to ensure that they are prepping for the capabilities that will inevitably come their way.

A key factor here, according to survey respondents, is cultural change without which the new mindset cannot and will not take hold. Cultural change means creating a 'safe' environment within which employees are encouraged to experiment and think outside the box. The new learning solutions that take automated processing one step further (think cognizant or machine learning) will require a brand-new way of thinking. Operations that are stuck in the past will not capitalise on, nor be able to optimise, these new opportunities.

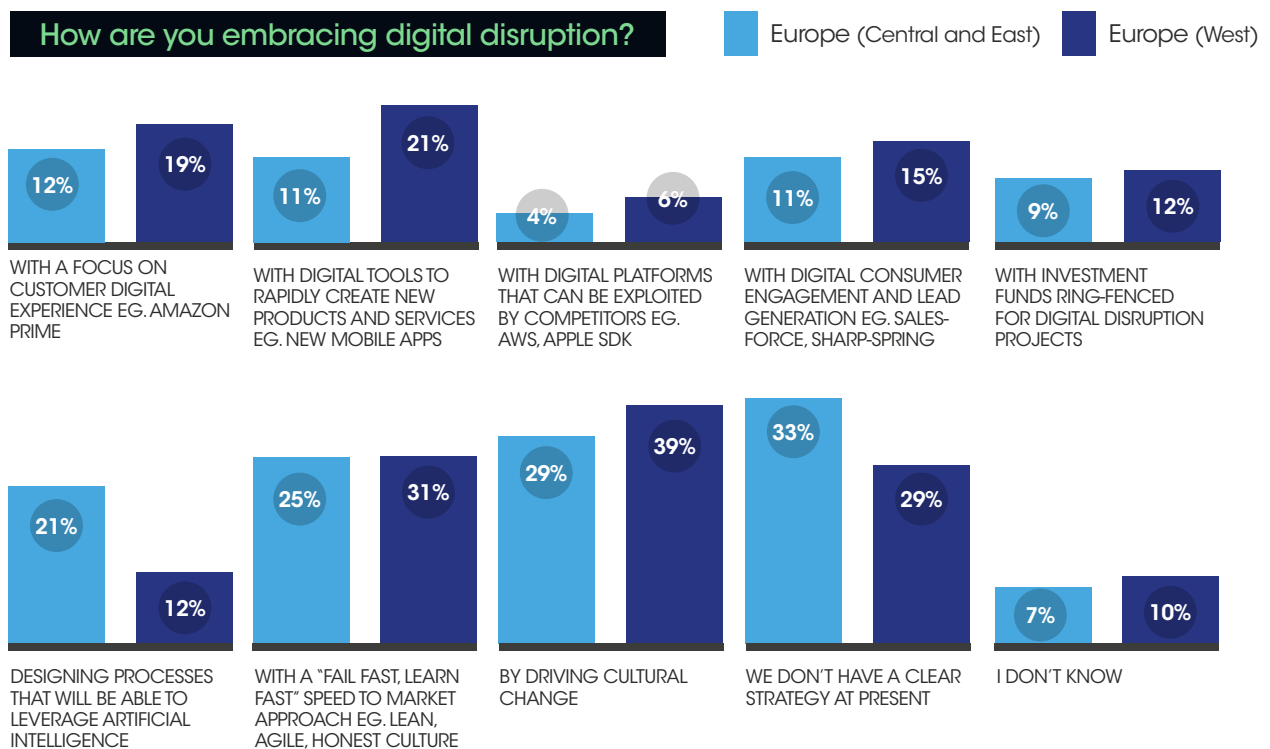
Is artificial intelligence on your agenda?



Did you know

Whilst only 3% of SSOs have implemented AI, 63% are either testing or planning AI

How are you embracing digital disruption?

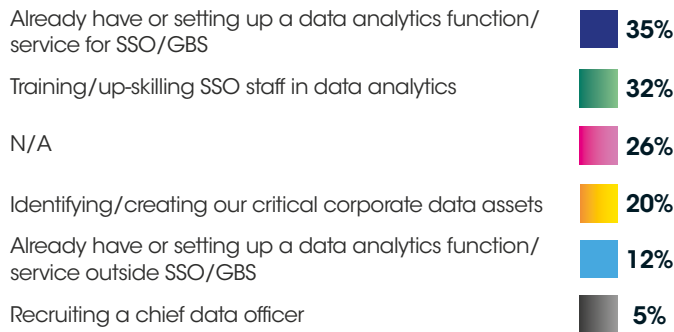


While automation is causing excitement, 'data' is the rising star on the Shared Services' firmament. This is driven from two different directions: first, the recognition that data analytics provides hitherto unknown business intelligence; and secondly, the fact that enterprise data is needed to feed the 'automation beast.' What this means, specifically, is that lack of data will limit the potential for process automation. The data derived from process automation can fuel machine learning to drive a cognitive capability offering massive returns. In order to prep for the machine learning solutions that are rapidly making headlines, enterprises will need to provide access to data – and lots of it. The volume of data alone is what drives machine learning, through pattern recognition.

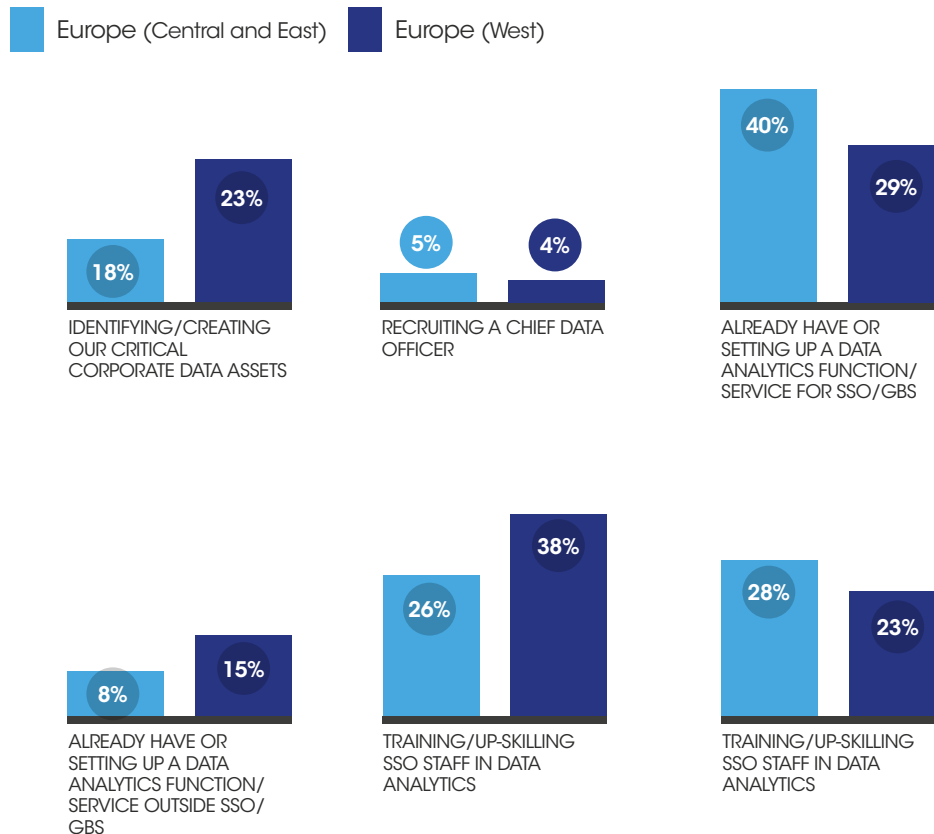
What organisations are waking up to is the fact that no matter how sophisticated the automation solution, it will grind to a halt without access to quality data.

As a result, 'data' is writ large on enterprise agendas and data analytics strategies have become de rigueur, as is demonstrated in this survey. Nearly three quarters of enterprises are already proactively training their staff in data analytics or have set up a data analytics functionality.

How is your data analytics strategy changing?



Comparison of shifts in data analytics strategy across East and Western Europe



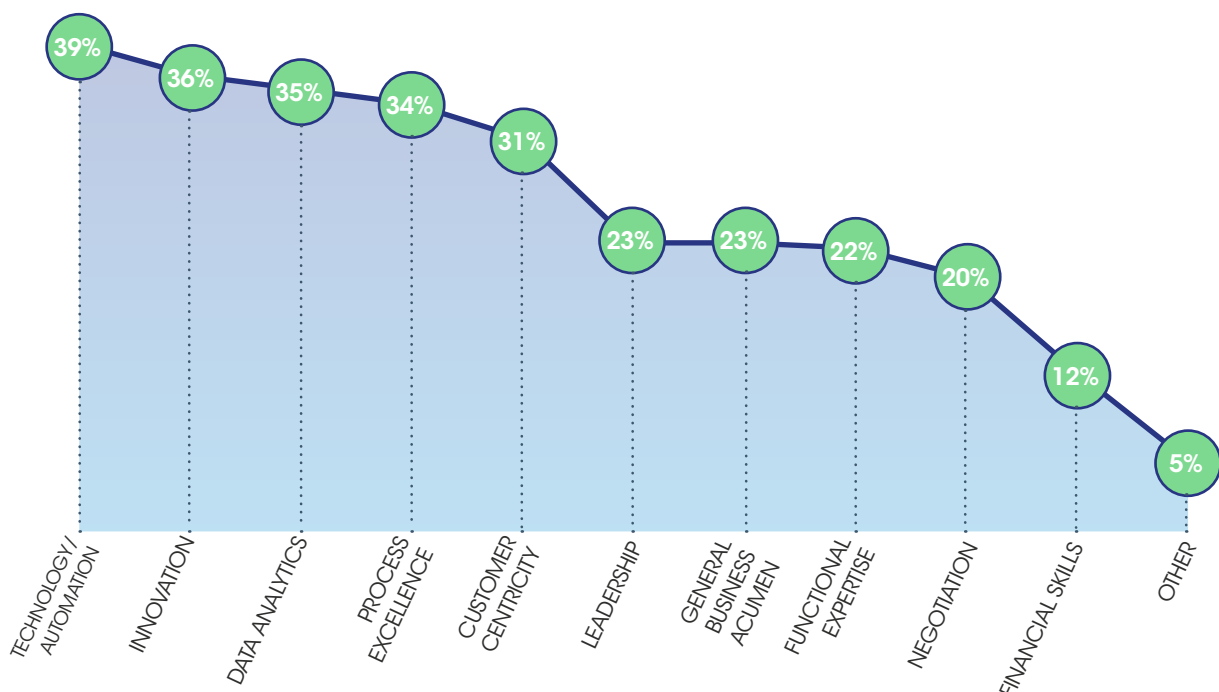
HOW WELL ARE SSO EMPLOYEES EQUIPPED TO LEVERAGE AND DELIVER THE OPPORTUNITIES OF TODAY?

Despite the recognition that data will play a more significant role in Shared Services of the future, most SSOs do not currently have the ability to tap into the expertise or experience required to do so.

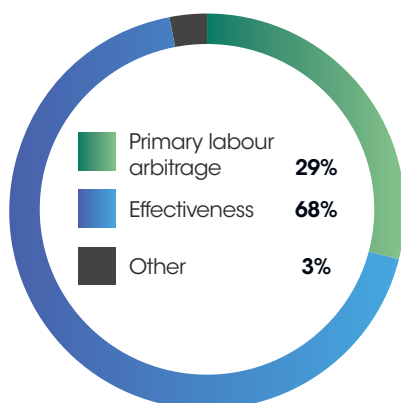
European Shared Services recognise the need to ramp up their skill sets in both technical automation as well as data analytics. Whilst functional expertise is becoming less significant, the ability to understand automation technology, have a

clear grasp of data analytics, and an innovative mindset are core areas, which are evidently under-represented in modern day SSOs. Shared Services do, however, recognise that today's performance hinges less on the cost of labour than it does on the effectiveness of its workforce. This puts emerging skill sets under the spotlight – skills that help individuals provide a 'better' service by leveraging business insights and new technology solutions on the basis of data.

What are your greatest skills deficits?



What drives your talent strategy?

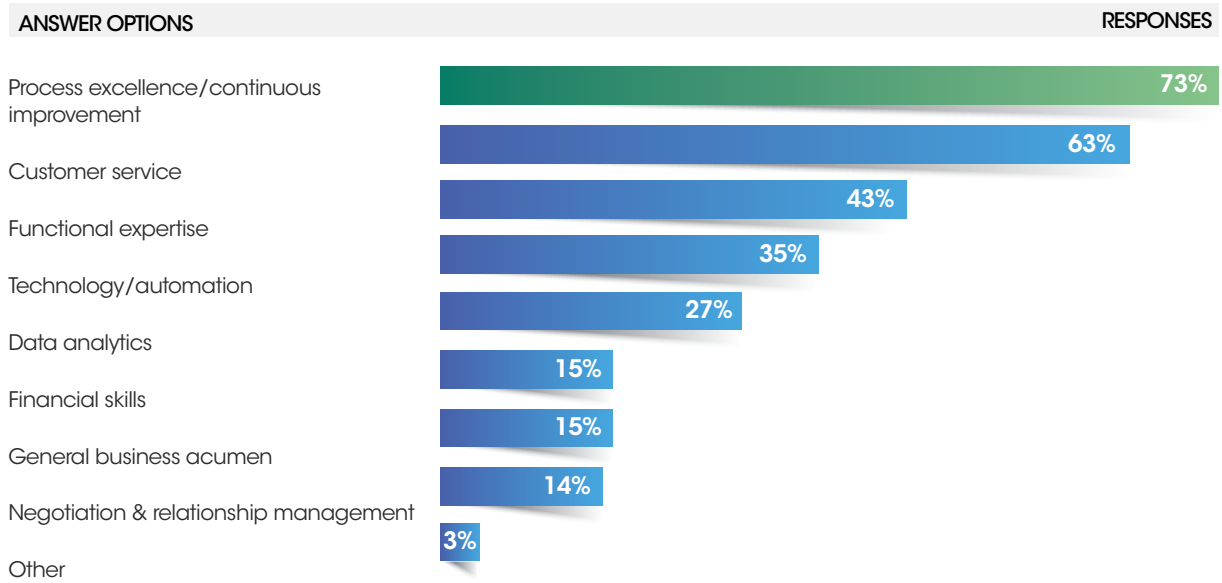


However, despite the emphasis on technology, process excellence is still the number one skill prioritised across European Shared Services – twice as important as technology/automation or even data analytics – both of which are widely touted as the differentiators of future Shared Services delivery.

Shared Services is, ultimately, still about providing excellent service to customers. Despite the distraction of emerging technologies, European leaders still prioritise both 'excellence' and 'continuous improvement', alongside 'customer service' as key skills for their teams.

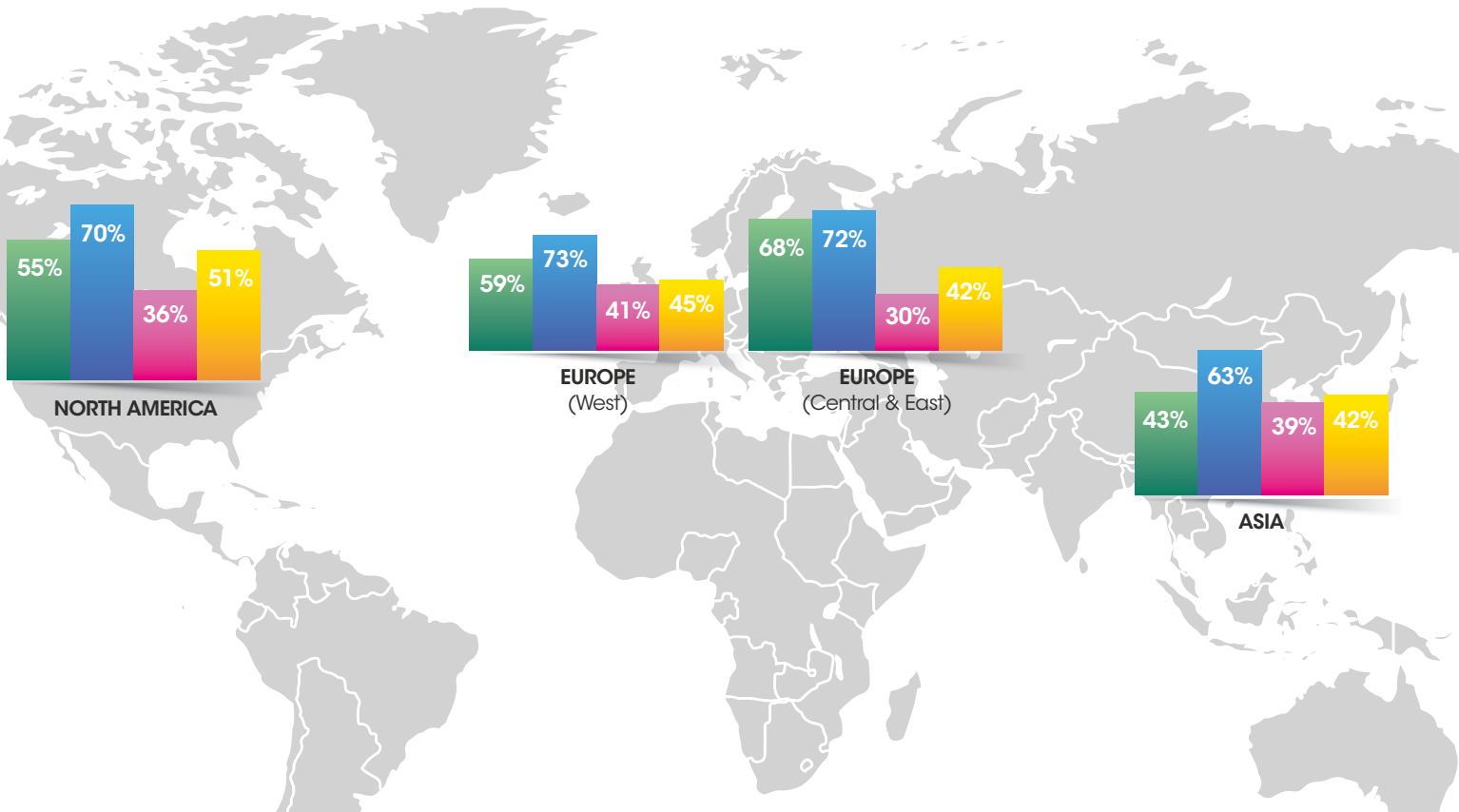
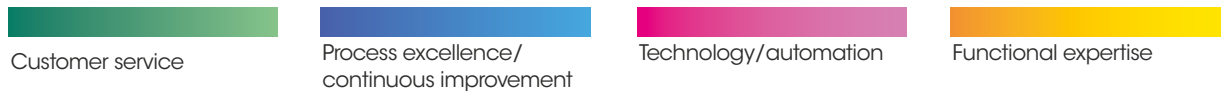
It's interesting to note that despite the commitment to both automation and data analytics, both rank significantly lower in terms of priorities than do the more traditional skills.

Which skills are you prioritising?



What's also interesting to note is that European centres place greater emphasis on process excellence than do North American or Asian centres. Customer service is also significantly more valued in Europe than it is across America or Asia. By contrast, negotiation skills and relationship management are far less valued in Europe than the rest of the world.

Which skills are you prioritising [comparison across regions]



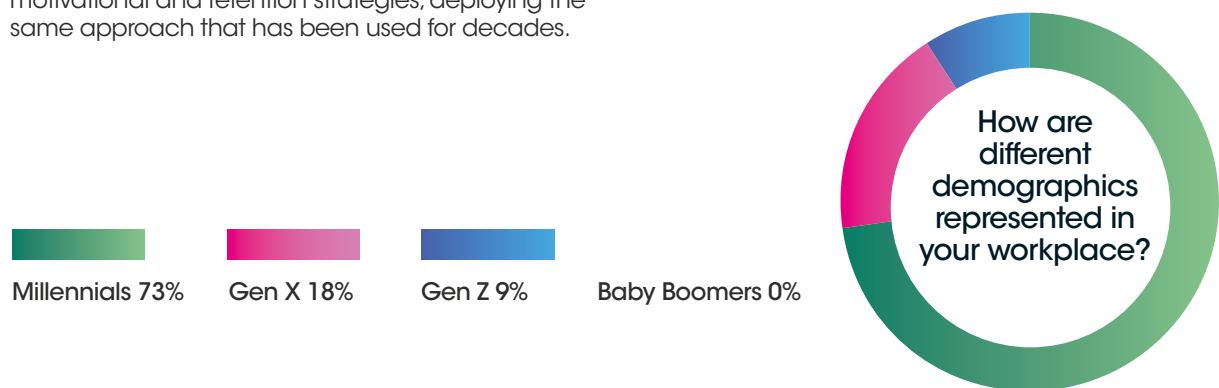
MILLENNIALS NOW REPRESENT THE WORKFORCE

Nearly three quarters of European SSO respondents confirm that Millennials are now the most represented demographic in their workforce. This means it's high time to stop *planning* for the invasion of digital natives into your office, and instead recognise and welcome the new reality.

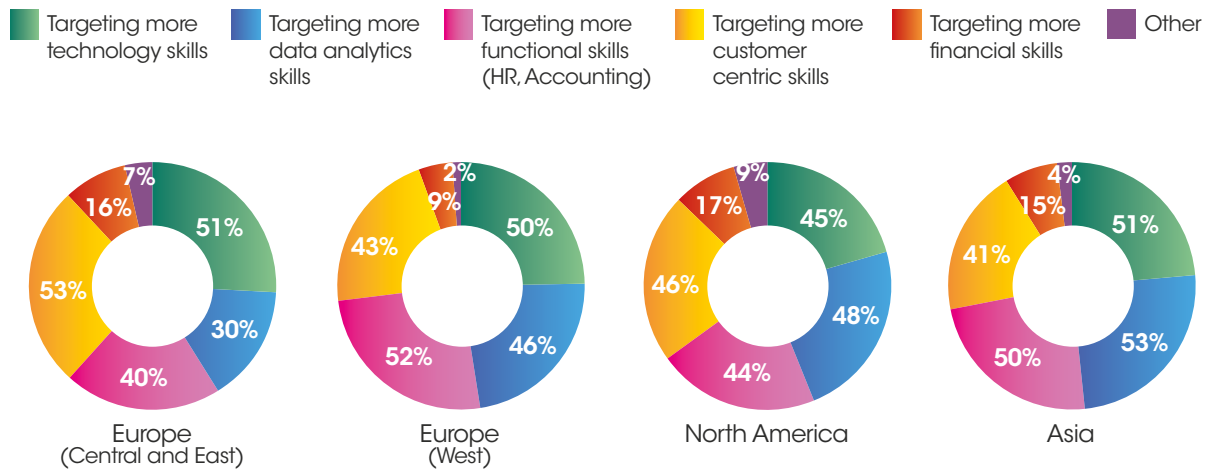
Much has already been said and written about the impact of this digitally enabled and mega-networked sector on existing work environments. Given that Millennials differ, in their work and life habits, so significantly from generations that came before, keeping and leveraging them across the enterprise is going to require a different approach. And yet, according to [SSON Analytics](#) data, many organisations are still lagging behind in their motivational and retention strategies, deploying the same approach that has been used for decades.

One strategy that takes into account the greater personal ambitions Millennials bring to the table is that of engaging or assigning them to projects that specifically allow for their creative expression. It is an approach that has already been adopted by many of the more far-sighted organisations in order to both leverage the full capabilities of this generation and retain it for the enterprise.

On the other hand, there appears to be little activity to support inter-generational collaboration, or strategies that make allowance for engaging via smart devices or apps so beloved of the Millennials



How is your recruiting strategy changing to account for the skills required today?



What is interesting to note is that there doesn't seem to be a huge variation in the emerging skill-sets required across the globe.

Fifty-one percent of CEE and Asian SSOs are targeting a more technologically skilled workforce, in part as a response to the impact of Intelligent Automation.

An interesting distinction is the fact that 53% of CEE SSOs are targeting individuals with customer-centric skills (compared to only 41% in Asia). Is this an indication that they are "ahead of the curve" with regard to their customer-centric models, or that now they are catching up?





SHARED SERVICES & OUTSOURCING WEEK

Explore the developments highlighted in this survey report and get ahead of the game at the 18th Annual European Shared Services and Outsourcing Week 2018! From the 14th - 17th May at the The Estoril Congress Center in Portugal, you're in for:

1. Transformative discussions: You will learn from and connect with the most innovative and established practitioners in the industry. Hear from 100+ global influencers including the experts leading the way for *Mondelez, P&G, Western Union, Burberry, Unilever, Barclays, Bose, McDonalds, Kellogg, Adidas, Lego Group, Maersk, Siemens, NBC Universal, Johnson and Johnson, Solvay, Discovery Communications, Smith and Nephew, Dell* and Akzonobel to name but a few.

2. Sun and fun: Not only will you get 20 experiences with your pass, including SSON road trips, live demonstrations, problem solver case studies, "ask the experts" panel discussions, deep-dive workshops, GBS masterclasses, two SSON Parties and the SSON Awards but you'll also get to enjoy it all under Lisbon's beautiful weather. Get the full lowdown here.

3. An invaluable experience: Cement your industry presence at Europe's longest running and largest shared services event where you'll be part of an unforgettable week packed with everything you need to keep ahead of the game. Built especially for you and fellow leaders in Shared and Business Services, this is your event, you should really be there.

ABOUT THE SHARED SERVICES & OUTSOURCING NETWORK (SSON)

The **Shared Services & Outsourcing Network (SSON)** is the largest and most established community of shared services and outsourcing professionals in the world, with over 120,000 members.

Established in 1999, SSON recognised the revolution in support services as it was happening, and realised that a forum was needed through which practitioners could connect with each other on a regional and global basis.

SSON is a one-stop shop for shared services professionals, offering industry-leading events, training, reports, surveys, interviews, white papers, videos, editorial, infographics, and more.

ABOUT SSON ANALYTICS

SSON Analytics is the global data analytics center of the Shared Services & Outsourcing Network (SSON), the world's largest community of shared services, outsourcing and transformation professionals.

SSON Analytics offers visual data insights that are simple, accurate, and digestible to the global shared services and outsourcing community.

Thousands of global business services and outsourcing professionals use our data to understand the shared services landscape in their region through a variety of interactive data tools, analytics reports and customised data insights.