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MANAGEMENT CONSULTANTS

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Finance Shared Services Benchmark Highlights

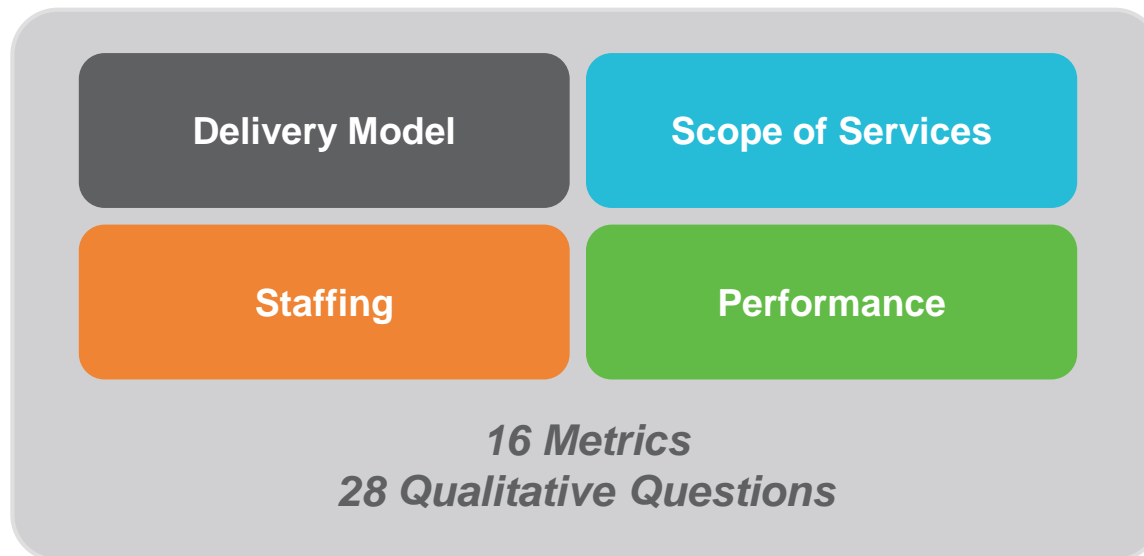
2016 ScottMadden Finance Shared Services Benchmarking
Study

About the Survey

Survey Project and Timeline

- Identified gaps in Finance Shared Services performance benchmarks
- Engaged APQC to conduct custom study; ScottMadden designed questions
 - First cycle – spring/summer 2014
 - Second cycle – spring/summer 2015
 - Third cycle– summer/fall 2016
- Leveraged APQC's benchmarking methodology and member network

Survey scope covers four major areas:

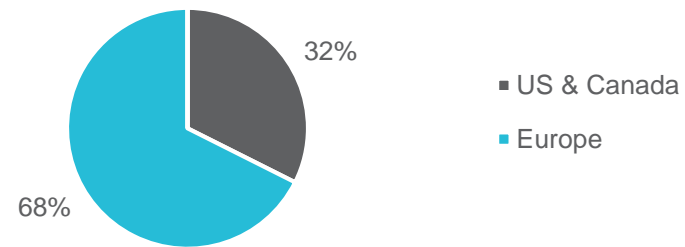


2016 Participant Demographics

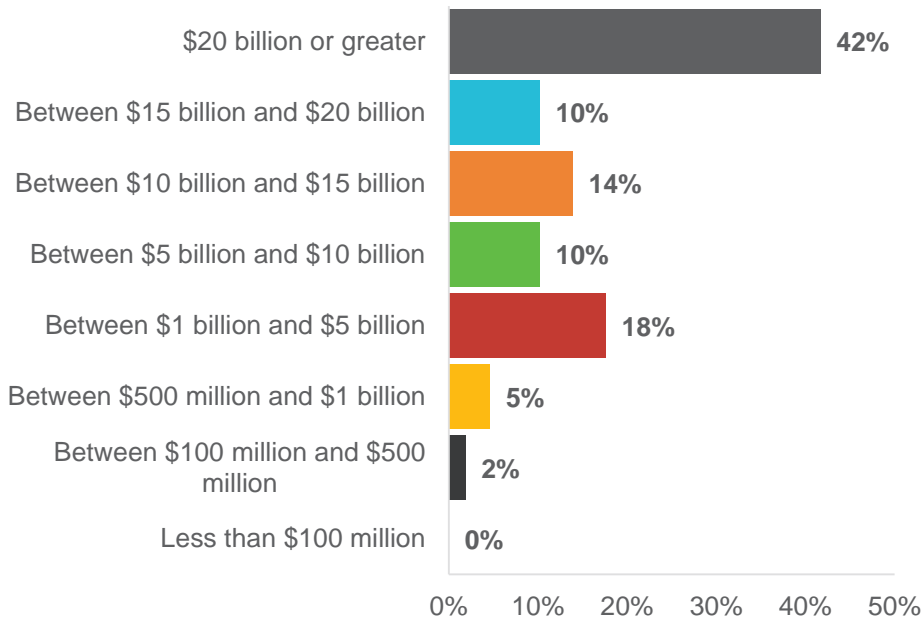
ScottMadden's 2016 Finance Shared Services survey attracted a diverse set of 108 participants

- Majority of this year's participants are based in Europe. 35 are US companies, accounting for a third of the group
- More than 40% of participants come from large organizations with over \$20 billion revenue
- Majority of this year's participants come from mature shared service centers
 - 53% have been operating for 5-10 years and 19% for 10 or more years

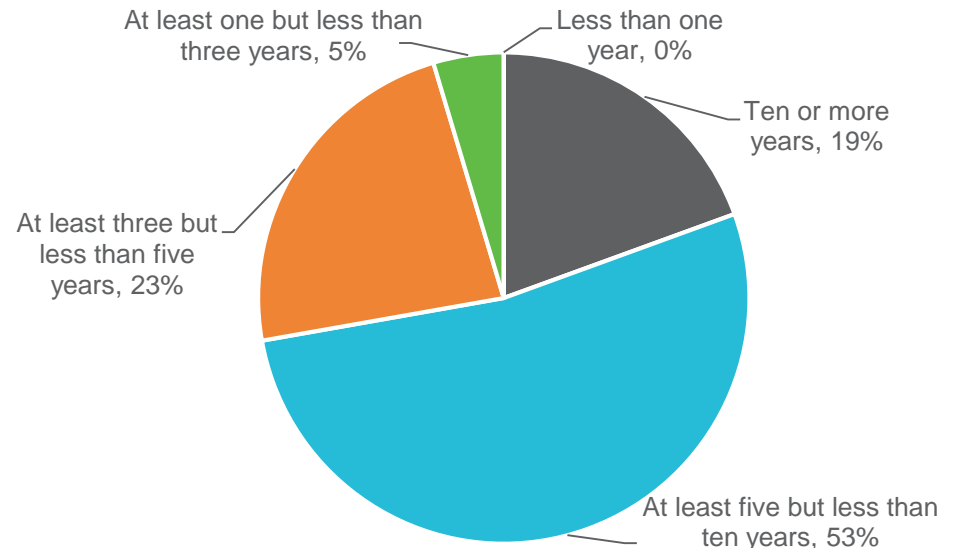
Participating Organization Location



What is the total annual revenue of your shared service center's immediate corporate parent?



How long has your shared services center been operating?

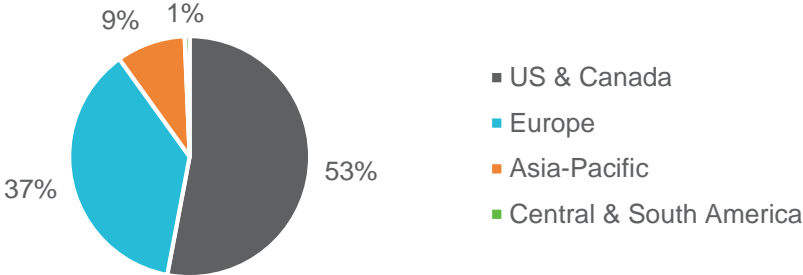


Combined Cycle Demographics

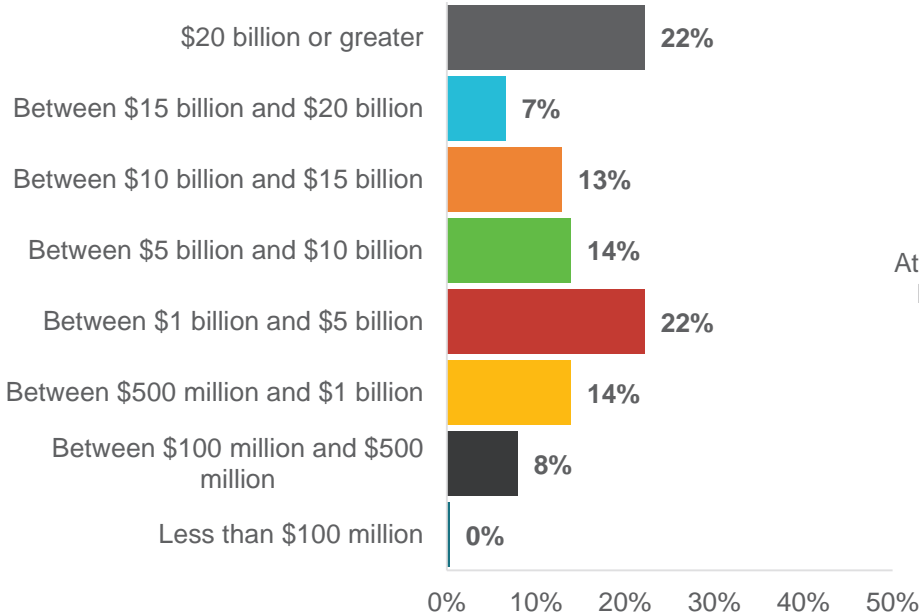
Combining data from all three cycles of the study, we have 302 participants in total

- More than half of the total participants are US or Canada based
- Overall size of the participating organizations is relatively smaller than 2016 data
- A higher level of service center maturity is reflected in the combined data compared to just 2016

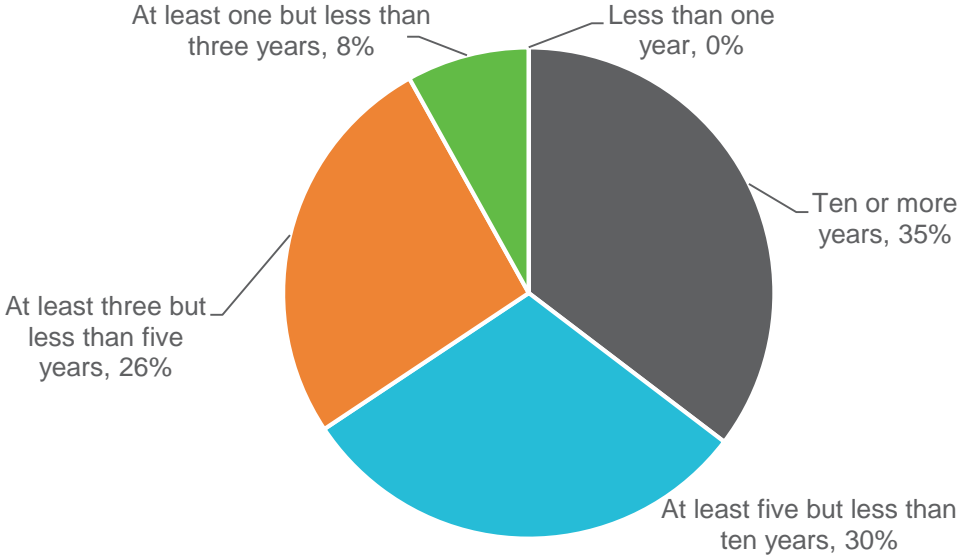
Participating Organization Location



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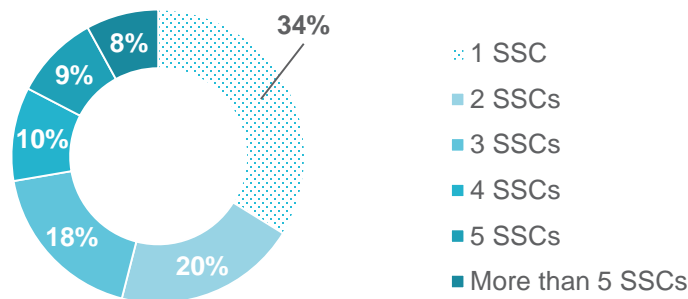
How long has your shared services center been operating?



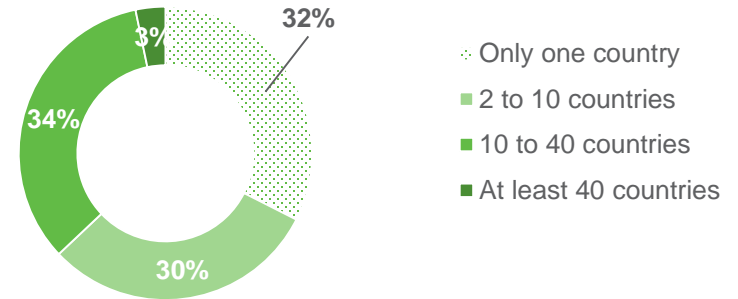
Multi-Center, Multi-Country Models are Common

- 66% of total participants have more than one SSC, and 67% serve more than one country
 - We continue to see the declining trend of the “one-country” model, with the number of single-country SSCs decreasing from 50% in 2014 to 19% in 2016
- Among all participants, North America is the most popular location, followed by Europe
- Labor factors and tax considerations are the top location selection criteria

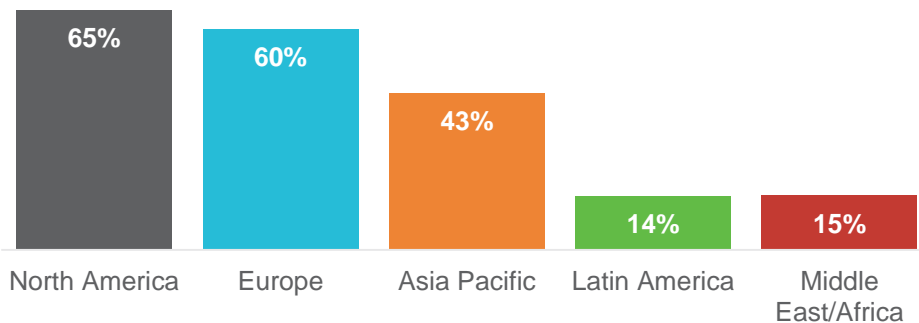
How many separate finance-related shared services centers do you have?



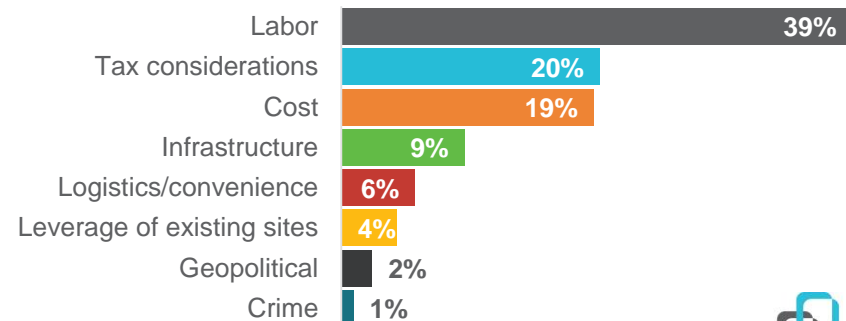
How many countries receive services provided by your shared services center?



SSC Locations



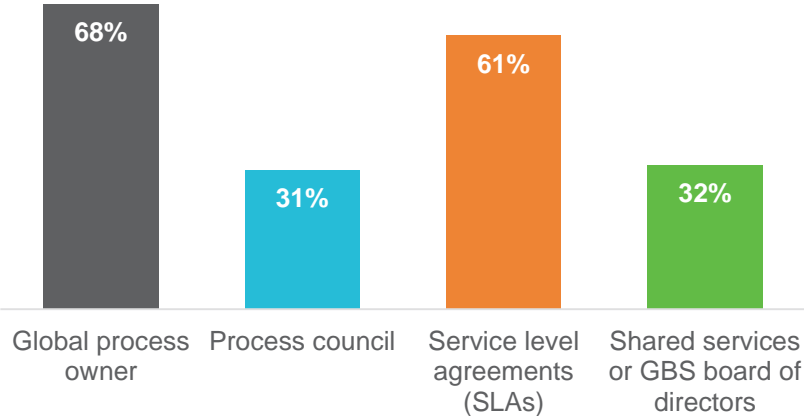
No. 1 Important Criteria in Determining SSC Location



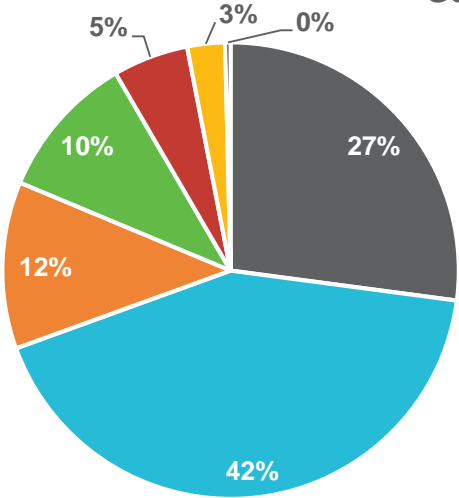
Global Regional Model Dominates, GPO Role is on the Rise

- Global Business Services (GBS) models, defined as those with global management and integration, are most common
 - 42% have regional centers with global management and integration, and 27% have centralized into global hubs
- The global process owner role and service level agreements are the most leveraged process governance model
 - 68% report using global process owner; 61% report using SLAs
 - 75% of participants use multiple governance methods

Global Process Governance Model



Geographic Model

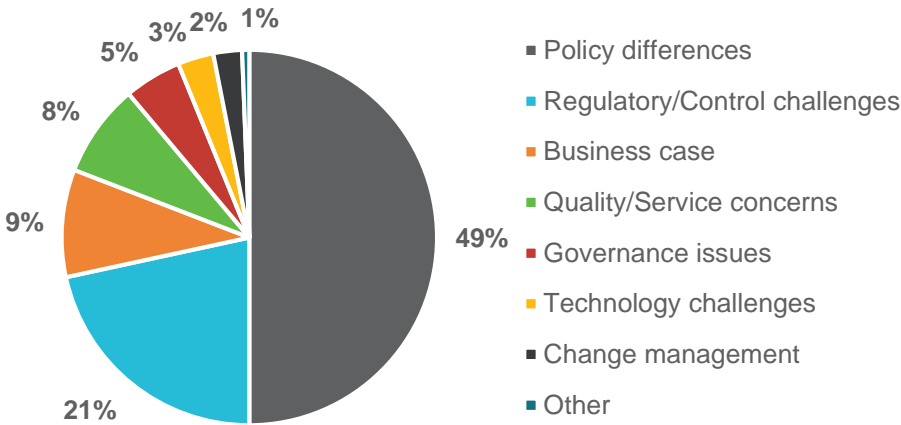


- Single global center physically located in one space
- GBS** ■ Regional centers with global management and integration
- Site/country-specific centers with global management and integration
- Regional centers run independently
- Site/country-specific centers run locally
- N/A - my organization does not have global operations
- Other

Policy Differences Become the Primary Global Challenges

- Half of participants indicated policy differences as the most significant issue in implementing global services
- SSCs rely most often on consulting firms to interpret foreign laws and regulations

Which are your shared services center's most significant challenges to implementing global services?



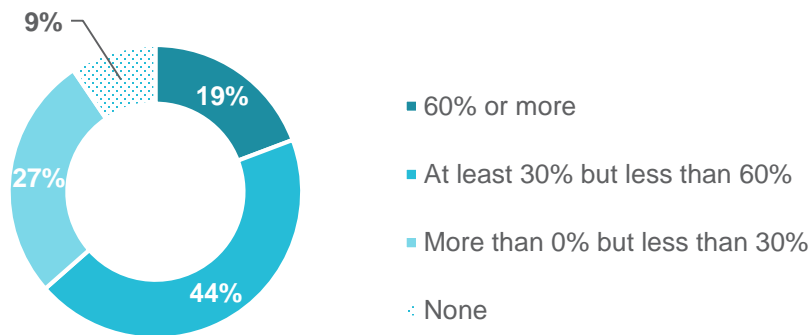
How does your shared services center maintain knowledge of foreign laws and regulations?



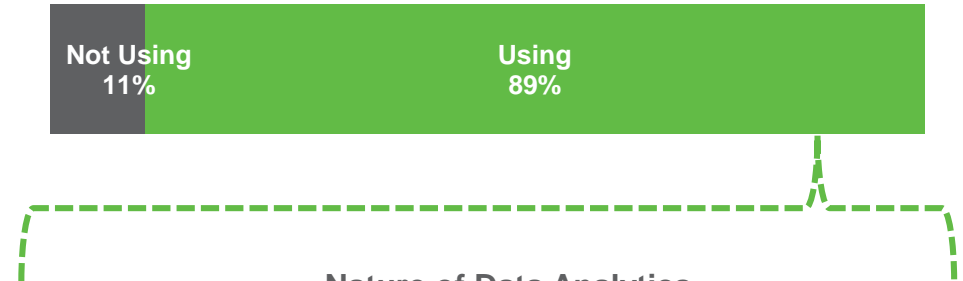
Technologies and Analytics are Increasingly Leveraged

- Over 90% of total participants indicated using a vendor portal to access payable information
- 89% report using data analytics, with two thirds of those who do indicating comprehensive or predictive-focused data analytics
- 67% of SSCs have already implemented or are thinking about using process robotics

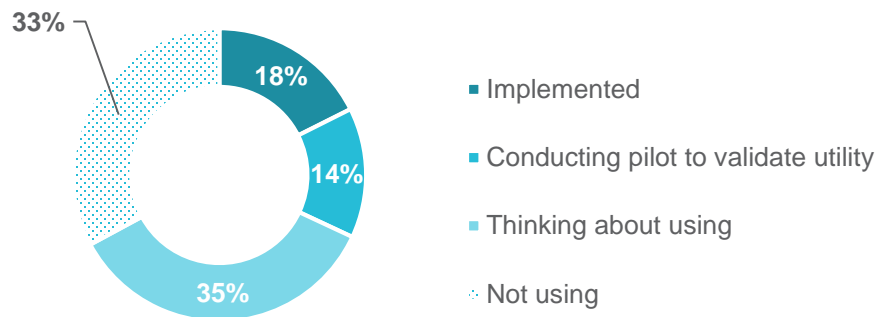
Use of Vendor Portal



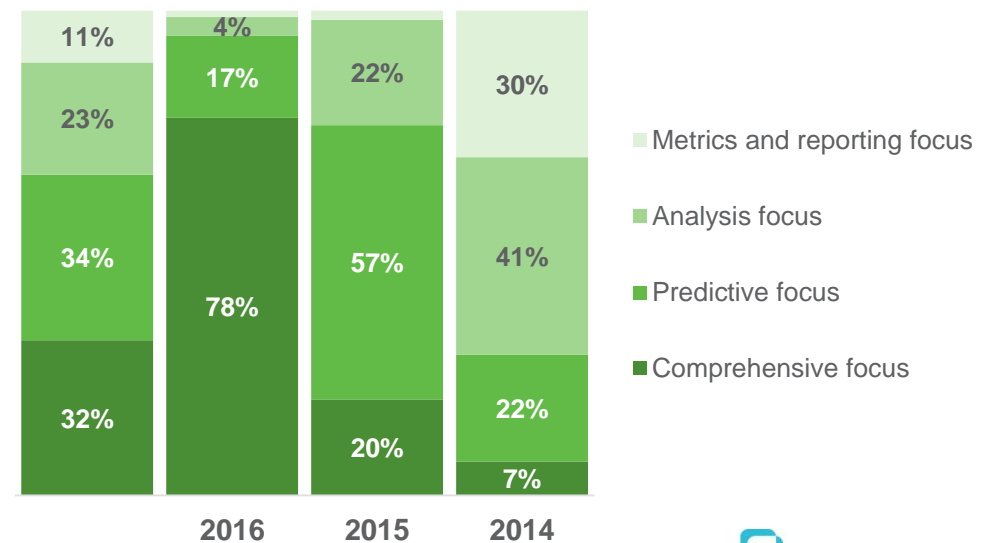
Use of Data Analytics



Use of Process Robotics



Nature of Data Analytics

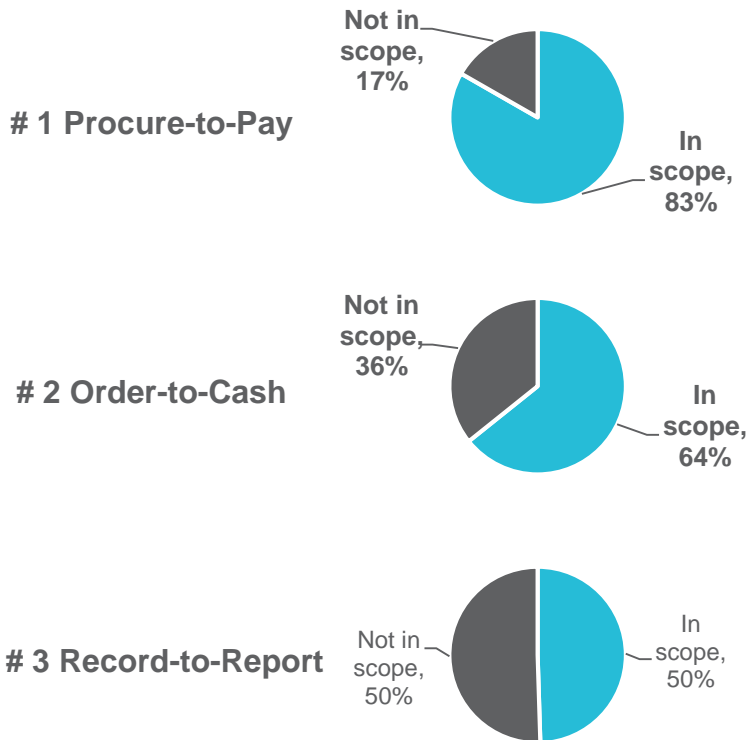


E2E Processes – Many Have, What’s the Impact?

The majority of organizations are adopting E2E processes. Most SSCs observed cost savings as a result of the implementation of the E2E processes

- 97% of total participants have at least one E2E process in scope
- 76% of participants achieved non-labor savings from implementing E2E processes and 53% achieved labor savings
- Of the SSCs who have observed non-labor savings, 96% reported a reduction in spending
- Estimated non-labor savings range from \$208K to \$788K per \$1 billion revenue

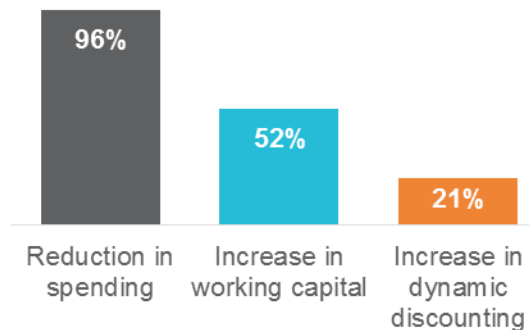
E2E Processes



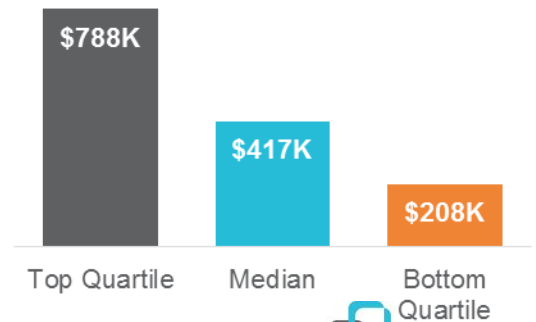
Which of the following types of cost savings has your SSC observed as a result of the implementation of the E2E processes?



Typical Non-Labor Cost Savings Observed

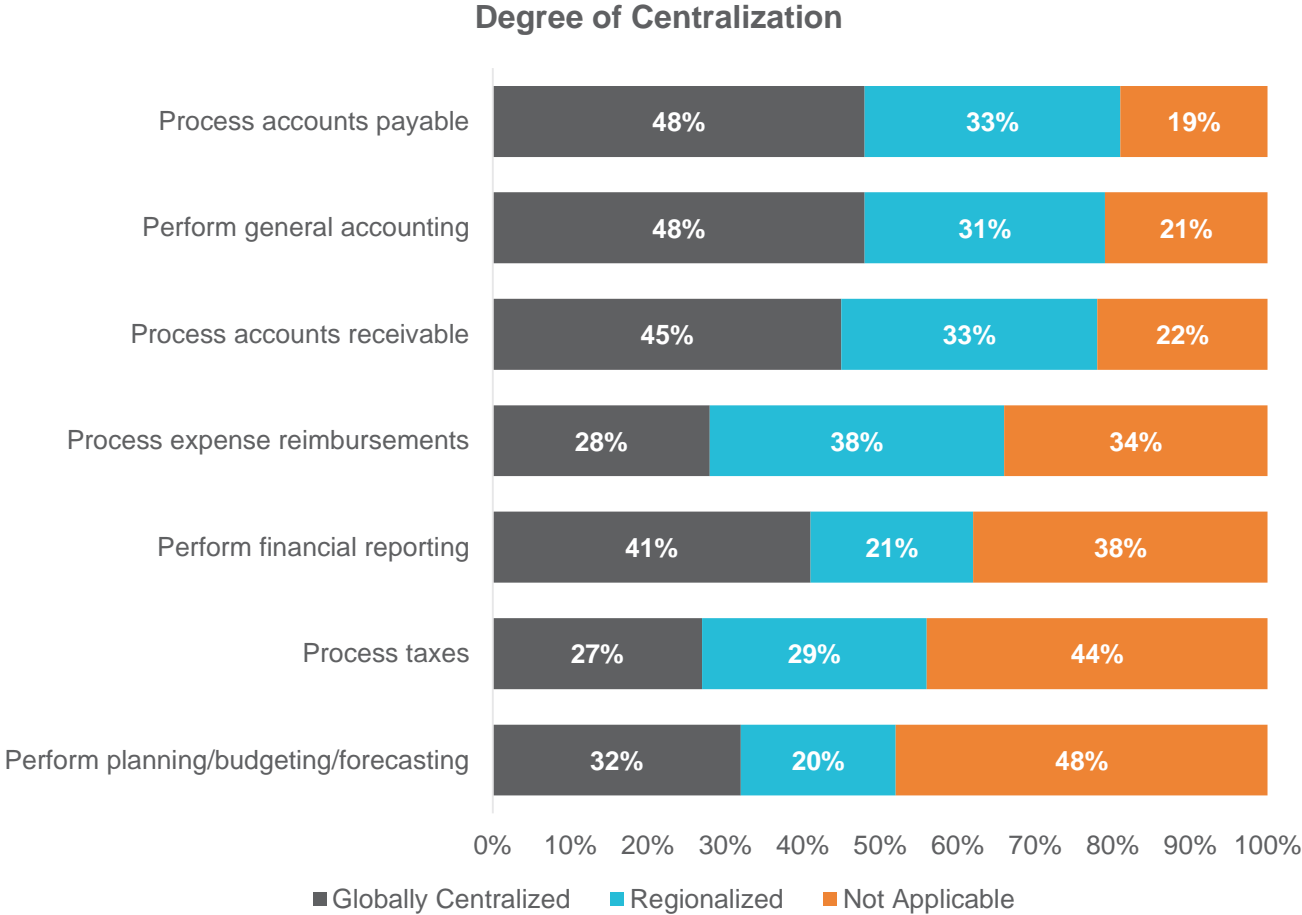


Non-Labor Savings per \$1 Billion Revenue



Degree of Centralization

Traditional transactional processes are more centralized than higher value processes

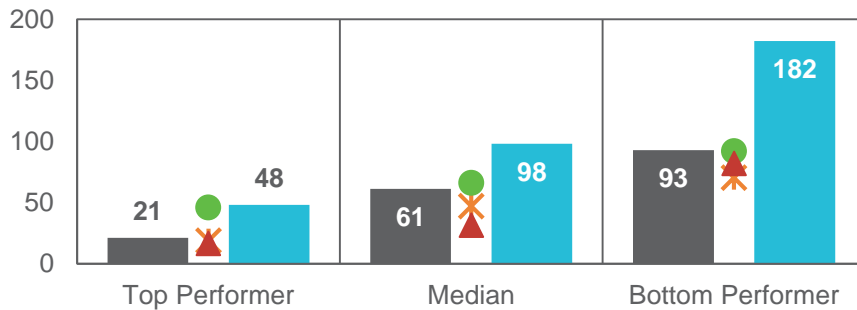


Metric Highlights

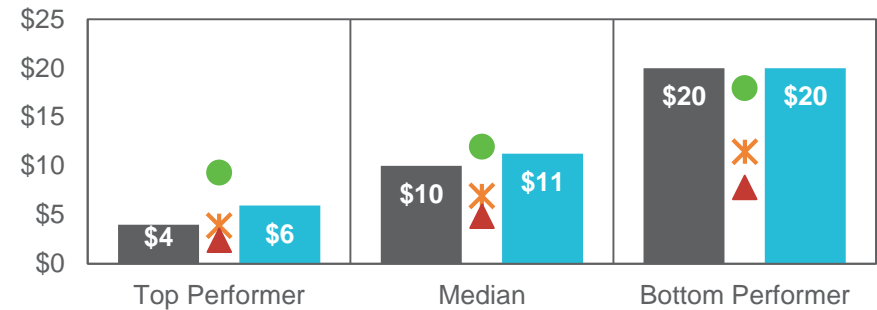
- Combined Cycle
- APQC OSBC 2015 - Overall
- ✕ APQC OSBC 2015 - \$20 billion or greater
- APQC OSBC 2015 - Between \$15 billion and \$20 billion
- ▲ APQC OSBC 2015 - Between \$10 billion and \$15 billion

- Combined cycle benchmark values are well aligned with APQC OSBC benchmarks for larger organizations
 - The aggregated APQC OSBC benchmarks generally align with small to medium size companies, and demonstrate lower performance than our combined cycle benchmark values

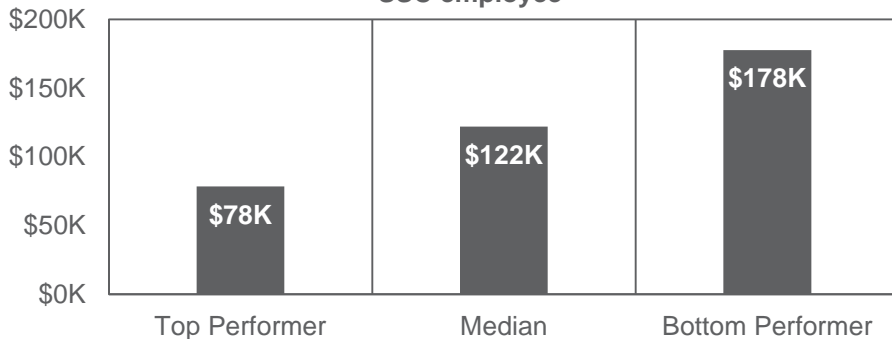
Number of finance function FTEs across the entire organization per \$1 billion revenue



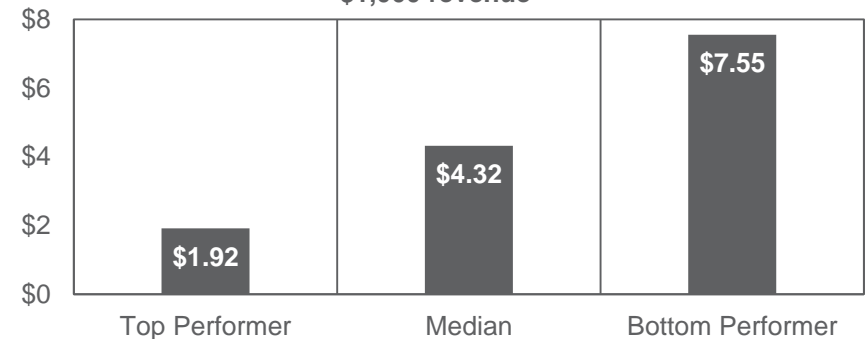
Total cost to perform the finance function per \$1,000 revenue



Total cost to operate the shared services center(s) per SSC employee



Total cost to operate the shared services center(s) per \$1,000 revenue



Replacing “Number of finance function FTEs per \$1 billion revenue” with “Number of finance function FTEs across the entire organization per \$1 billion revenue”

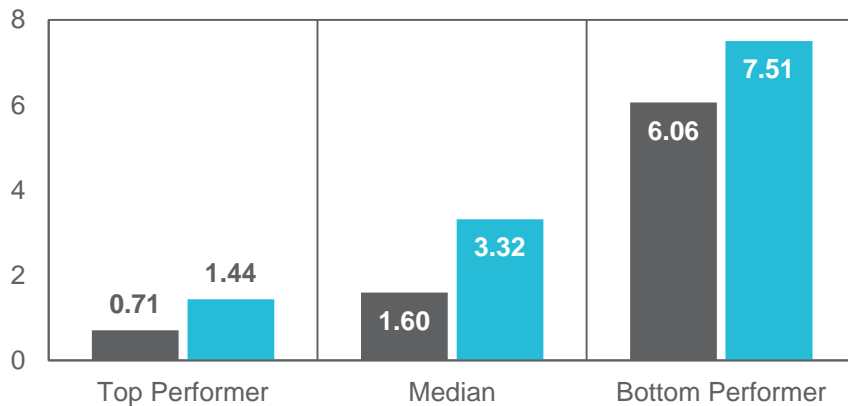
- Recalculated this metric for 2015 data using entire organization revenue instead of business entity revenue, to ultimately ensure the consistency with the 2014 data in terms of measurement.

Metric Highlights (Cont'd)

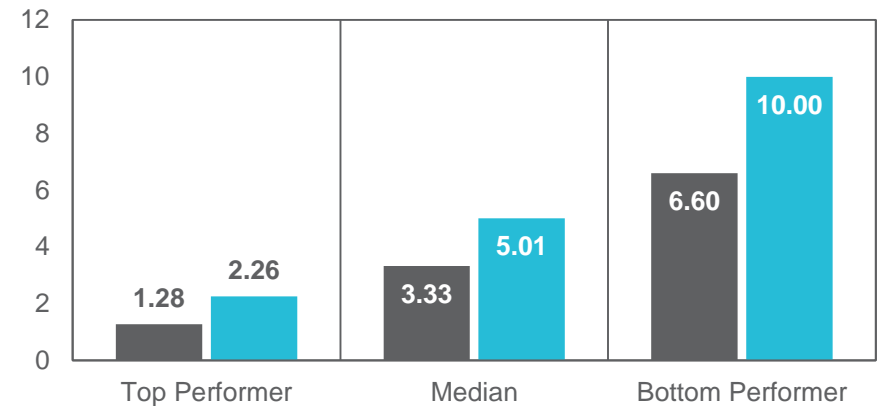
■ Combined Cycle
■ APQC OSBC 2015 - Overall

- For high value functional areas, combined cycle benchmark values generally demonstrate more efficient staffing levels than aggregated APQC OSBC benchmarks

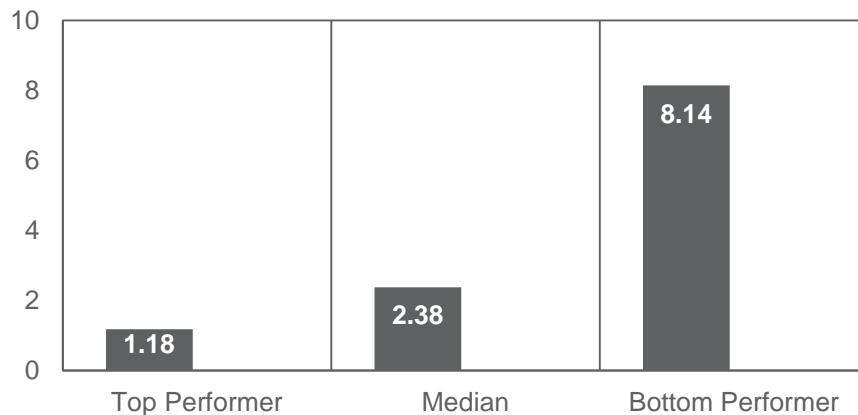
Number of FTEs that perform the process "Perform planning/budgeting/forecasting" per \$1 billion revenue



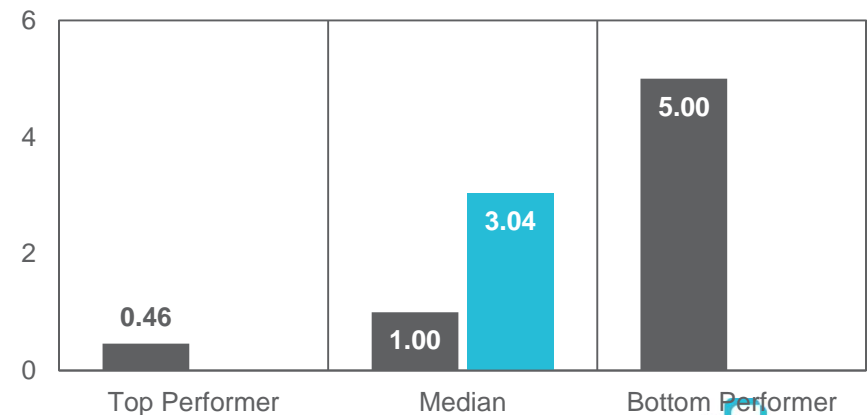
Number of FTEs that perform the process group "manage internal controls" per \$1 billion revenue



Number of FTEs that perform the process group "manage taxes" per \$1 billion revenue



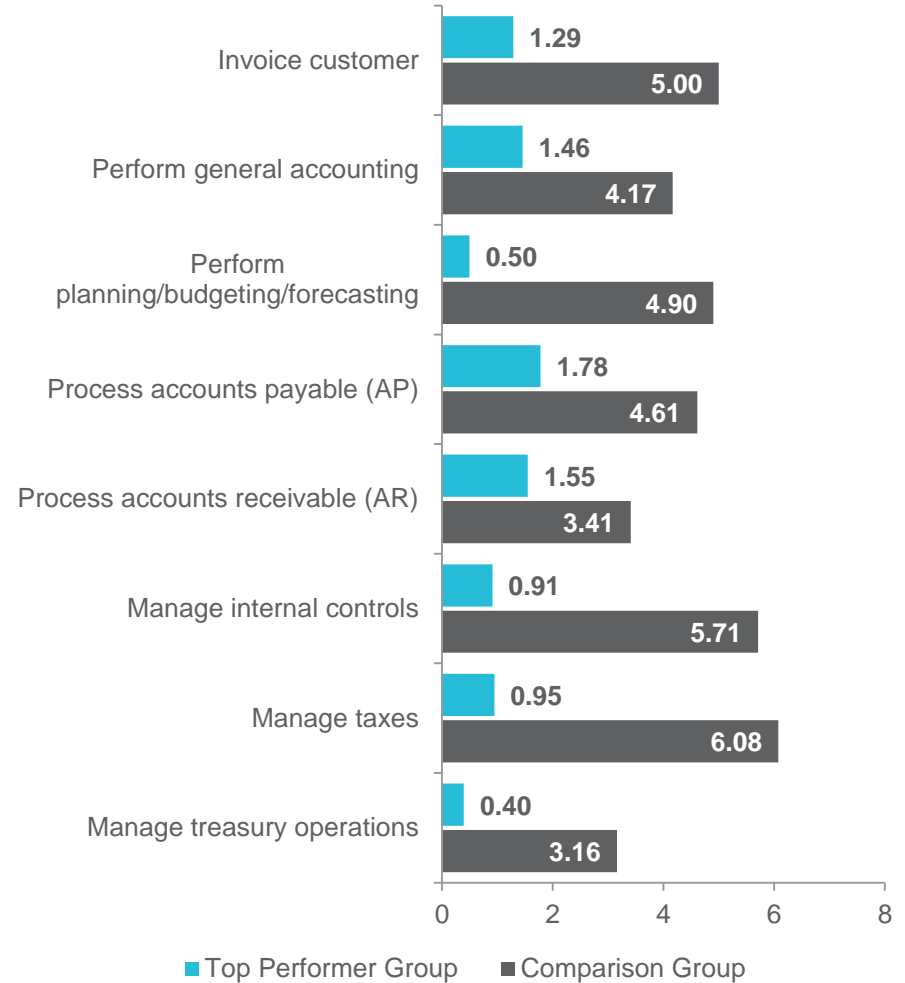
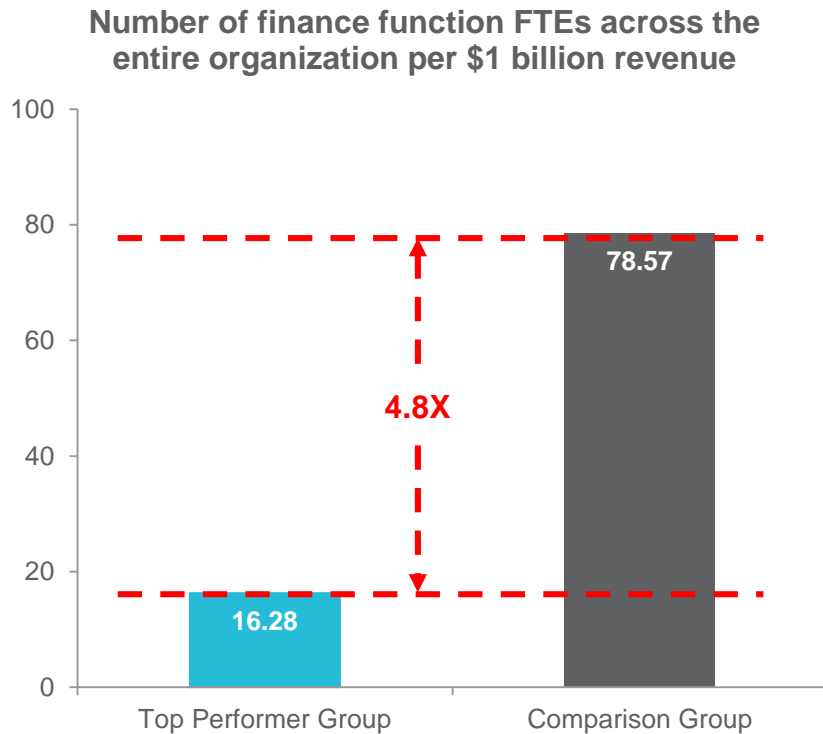
Number of FTEs that perform the process group "manage treasury operations" per \$1 billion revenue



Staffing Metrics Comparison

Top performing finance shared services have significantly better staffing ratios

Number of FTEs that perform the following processes per \$1 billion revenue



Cost Metrics Comparison

Top performing SSCs show significantly lower overall finance cost and cost to operate the SSCs

Total cost to perform the finance function per \$1,000 revenue



Total cost to operate the shared services center(s) per \$1,000 revenue

