



“ I was very surprised by the number of Latin American multinationals that have already moved into this journey ”

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Looking ahead to 2010 - 01.03.10

SSON Editor at large, Rakesh Sangani looks back at the highlights and trends that evolved in Shared Services & Outsourcing in 2009 and looks ahead to the state of play for 2010.

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CDP HR Client case study – Jan.2010

Continental, the leading global rubber and automotive products provider signed a business process outsourcing agreement for its Chinese operations with CDP Group.

Roundtable: Shared Services & Outsourcing In Latin America

Nearshorejournal.com – 01.04.10

It might not yet have the same profile as South Asia or Eastern Europe, but Latin America is becoming an increasingly popular destination for organizations looking to establish shared service centers, either serving domestic markets or as part of regional or even global shared services strategies. Furthermore, along with this growth in the captive sector Latin America has become the focus of growing interest on the part of major outsourcing providers whose entry into the market has had knock-on consequences across the board. Throw into this already-volatile mix the current economic instability and it's easy to see why the region's activity is making waves across and beyond the shared services and outsourcing space in 2009.

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Steria ranked #1 in Europe - 11.12.09

Steria, the European IT-enabled business services company has secured the No. 1 position as the P2P business process outsourcing supplier of Europe.

➤ Looking ahead to 2010

ssonetwork.com

January 3rd, 2010

The Year that was 2009

Before I start prophesizing about next year, it is worth highlighted what changed in shared services and outsourcing in 2009.

The biggest news was that Xerox have entered the outsourcing market with their acquisition of ACS who were going nowhere pretty quickly, Dell also acquired Perot Systems to enhance their outsourcing capability whilst Satyam (don't say it too loudly) were acquired by Tech Mahindra.

Shared Services and outsourcing executives would have noted a slowdown in activity through most of the year, with the uncertainty of the economic environment, the investment to kick off these projects were scrutinised more than ever before. However, as the year progressed, we noted an increase in activity with shared services and outsourcing programmes more actively signed off as the investment budgets were more readily approved.

We also recognised new outsourcing models being implemented, new industries targeted, new clouds on our horizon and new capabilities sought!

So what does this mean for 2010....

Consolidation of the industry

Gartner research suggested that 25% of the top outsourcing providers will not operate as separate entities by the end of 2012 - it really annoys me when headline grabbing numbers are plucked out of the air, and the reality is that there is very little chance of such a dramatic change. In fact, I will run through London at Christmas 2012 naked (not a pretty sight!) if this turns out to be the case!

However there is likely to be some consolidation in the industry. Of the leading players, I can see one of Accenture, Genpact, Wipro, Infosys or Cap Gemini being acquired within the next 18 months, with the most likely being Genpact or Cap Gemini. Their sizes and culture will tend themselves to merger and acquisition talk.

The trend of buying capability and contracts will continue, in 2009 we saw Xerox acquire ACS for \$6.4 billion, Cognizant acquire UBS' back office for \$75 million, Dell acquire Perot Systems for \$3.9 billion, Infosys acquire McCamish Systems

for \$38 million, EXL acquire AmEx's travel captive for \$30 million and many more acquisitions.

TCS' acquisition of Citibank and Infosys BPO acquisition of Phillips in previous years, has set the tone for organisations to acquire capability and win a contract at the same time under a "sale and leaseback" type arrangement. Strategically, the acquisition route is a great way for suppliers' growth capability, stable revenue and referenceability in a short timeframe.

In 2010, we will find that smaller outsourcing providers will continue to acquire to grow their footprints and compete with the larger players whilst the larger providers will acquire strategically to win vital contracts and enter new markets!

Japan

The Japanese economy has been hit hard by the global recession and given the pressures to cut costs, has become a focus market for leading outsourcing providers. Notably, Japanese clients have set up shared services or outsourced locally or to China and Vietnam.

All of the leading outsourcing providers now have a presence in China or Vietnam, with Wipro in Vietnam and China, Accenture, IBM, Genpact and HP in the outsourcing hotspot Dalian (China), and Infosys and TCS have over 10,000 people in other cities within China.

ITO and BPO executives within each of the leading firms will confirm that a number of contracts from Japan are expected this year. Infosys and TCS are already looking for acquisitions in Japan to support the sales efforts in this region and throughout the first six months of 2010 - do not be surprised if a local Japanese shared service centre, or a Japanese outsourcing provider is acquired by a leading provider.

Expect also a number of \$25 million plus contracts from the Japanese market being tendered in 2010.

Healthcare

Dell Chief Executive, Michael Dell stated earlier this year, "When you look at the healthcare space, it's the one sector of the economy that has the least amount of IT, and we see it as very promising for growth." Weeks later, Dell acquired Perot Systems, who already have a strong presence in healthcare. Dell also won a contract in July to provide IT Consulting through the Hunan Province.

Following the ACS acquisition, Xerox CEO Ursula Burns stated, "ACS is probably the world's leader in healthcare business processing. They have the largest position in

Medicaid processing". And in March 2009, Infosys CFO, V. Balakrishnan said the company needed to scale up in the healthcare market.

In the UK, Steria have set up a joint venture with the Department of Health to provide Finance & Accounting, and Payroll services, however the market is ripe for an HR BPO provider to provide further services to NHS Trusts. In the US, the market is larger and still competitive and Continental Europe, Japan and China represent further opportunities.

Outsourcing vendors are competing frantically to become the vendor of choice for healthcare. However, in 2010 expect a number of vendors ranging in size and capability winning healthcare contracts across the globe. This will be due to the differing cultures and approaches taken by healthcare providers both within countries and across countries – some will be intimidated by the large blue chip or Indian providers selecting instead a smaller more flexible vendor to support its requirements.

What is clear, with the focus on cost reduction in a downturn in the economy, is that the model of healthcare will change in 2010 and more and more specialist providers will support the non core areas of healthcare (finance, payroll, IT, HR and so on).

Custom BPO

Whilst finance, HR and procurement offerings have become increasingly commoditised offering lower and lower margins to providers, clients have continued to view themselves as unique from an industry and capability perspective, and complain that providers do not understand their industry and the culture embedded in their organisation.

This conundrum is driving BPO providers to the custom BPO route, where service provision is linked to transactional or higher value functions specific to an industry. The custom BPO model is becoming increasingly popular in the insurance, banking and utilities markets. In 2010 we expect this trend to continue with specific industry offerings becoming increasingly popular, in particular within media, entertainment and publishing.

BPO Providers

So what is in store for the BPO providers in 2010?

In 2010, we will begin to hear practitioners say “no one was ever fired for hiring Genpact, TCS, Infosys or Wipro”. Onshore capability will become increasingly important in winning BPO deals, and the providers that do not have that capability will either build or acquire.

The successful BPO providers will be open to change and setting up new models such as joint ventures and alliances to enter new markets – a model that Infosys, TCS and Genpact have already successfully deployed.

We will see that in the core BPO markets for finance, HR and procurement the market share experienced by the blue chip American providers will be significantly challenged by the Indian providers that are developing their credibility across these markets. It will be a challenging year for IBM, HP, Cap Gemini and Accenture who will all need to significantly change their ways of working and levers for success if they are to continue with the market share experienced in recent years.

CDP HR Client case study

ssonetwork.com

January, 2010

As part of the CDP HR series, SSON spoke with HR Director of Continental, Klemens Schürger, about the partnership between Continental and CDP Group.

SSON: Mr. Schürger, could you provide some background on Continental’s global HR strategy?

Klemens Schürger: Yes, of course. Continental initiated a large-scale HR transformation about three years ago. Although we had been looking at optimizing HR services for all our operations, the acquisition of VDO from Siemens in September 2007 acted as a catalyst for change. We suddenly had thousands more staff to service, and also had to replace Siemens’s HR technology. So an overhaul of our own HR processes at the same time made sense.

SSON: How many locations and staff is this global HR transformation impacting?

KS: It is a global initiative, and covers all our operations. I am responsible for all our international locations. Continental covers 130,000 staff in total. Of these, 25,000 are based in the Americas, 17,000 in Asia Pacific, 43,000 in Germany – and the balance in the rest of Europe.

SSON: Can you offer some specifics as to which services you are evaluating?

KS: We are currently evaluating the transfer of the payroll process, the personal master data administration process, and the HR reporting process.

We also have an employee self-service tool for performance management, called HRD Online, which we are about to roll out, as well as a recruiting tracking system. Essentially, we are focusing on developing an interface between the recruiting tracking system and an inhouse personnel data administration system. This is part of our strategy and pretty much defines the direction we are headed in.

SSON: How are you implementing HR services across different regions? Does a global solution feature in your longer-term plans?

KS: At the moment we are taking a pragmatic, more regional approach. In Germany we already have two shared services centers in operation, one in the north and one in the south – though we are considering how to merge these. Elsewhere, we are planning to implement shared services in Romania, the Czech Republic, and Hungary. These will probably take the form of running on our own inhouse platforms of SAP HR. Although we are currently running regional centers, a global strategy is certainly a greater vision. As I mentioned earlier, our HR transformation was given a push after Continental's acquisition of VDO. It acted as a catalyst for change. We are just moving carefully and in stages.

SSON: How do you evaluate your sourcing decisions - what are your options?

KS: We look at HR services options as follows: inhouse shared services based on our own SAP HR platform; a full BPO; or a hybrid, where the inhouse shared services include some applications outsourcing. We evaluate our sourcing decisions on the basis of value-added returns -- meaning that we would only consider changing the process if there was a minimum rate of return to the organization -- we expect at least a 25% savings rate.

As a reference guide, we work out a “base cost” by conducting a Total Cost analysis of the current situation, and then develop various service scenarios, calculating the impact of each on headcount, IT costs, etc.

We approach any sourcing decision from two perspectives: First, the cost perspective, i.e., aiming for a savings of 25% or more, and second, by considering our long-term strategy. So, even if a particular solution offers advantages from a cost perspective, it still needs to align with our corporate strategy.

SSON: Do you work with many different outsource providers in a given geography? Or would you prefer to work with a single partner across different services?

KS: In theory, I believe it is more advantageous for us to work with one vendor where possible, even for different

applications or processes. In some cases we have worked with a number of providers. Romania is one example, but this has been a result of unusually rapid growth in this market over the past 5-6 years, requiring us to ramp up services delivery. We are currently in the process of insourcing these particular services, however, as we are now able to provide them ourselves.

SSON: Why did you decide to outsource some of the HR function to CDP Group in China?

KS: We operate across 10 different entities in China. Our payroll in the past was based on excel files. Obviously this was not satisfactory moving forward, and our corporate auditors were pushing us to develop an automated system.

We spoke to a number of possible providers for this region – IBM, HP, ADP, etc. CDP stood out from the rest. Not just in terms of offering the lowest cost, which they did; but also in terms of the concept they offered and their professionalism. On the cost side, CDP offered a tool called EasyHRO – this clearly demonstrated planned cost reductions well beyond our 25% hurdle rate.

Another factor that soon emerged with CDP is that they are very reliable and operate quickly. In our early discussions I remember them saying that they planned to integrate our 10 locations within five months. I had my doubts and thought to myself, “Let’s see.” But in fact, that is exactly what they did. I was impressed.

We signed a three-year contract with CDP in March 2008. CDP now runs our full payroll operations, covering 6,500 people.

SSON: How do you coordinate the working groups? Are there any hick-ups?

KS: On our side, we have an HR executive in China who acts as project lead on our behalf. Together with the project lead at CDP she coordinates the work. I have to say – it is amazing how well this project runs. In all my project work over the years, there have always been complications or issues. This Chinese BPO project implemented without any problems at all. CDP even pre-empted any change management issues by taking the initiative with our local HR and plant managers, achieving the stakeholder buy-in that was necessary to effect the transition before we even needed to step in. There have been no occasions where I felt I needed to review road blocks. CDP's company culture is such that they pre-empt issues before they arise. They are extremely responsive to email and I can rely on them.

SSON: If you were going to choose BPO for other countries in Asia Pacific, would you be more likely to diversify your providers or stick with fewer trusted ones?

KS: Our experience to date has been very good, so if we were looking at bringing other countries in the Asia Pacific region in, we would certainly consider CDP. I would prefer a strategy of consolidating suppliers. We are, in fact, about to evaluate our options for the rest of Asia Pacific. Again, depending on our strategic drivers this might go inhouse, to full BPO or to a hybrid model. We are not yet decided.

➔ Steria ranked #1 in Europe

actusnews.com

November 12th, 2009

Steria, the European IT-enabled business services company has announced that for the second consecutive year, it has secured the No. 1 position as the purchase-to-pay (P2P) business process outsourcing (BPO) supplier of choice across Europe. Steria's P2P (accounts payable) BPO ranking was unveiled in the recently-published NelsonHall BPO Market Assessment, 2009-2013. In the same report, Steria rose to the No. 3 position in Europe for multi-process finance and accounting (F&A) BPO, which covers accounts payable, accounts receivable, general accounting, and treasury and cash management, amongst other key services. Steria was also ranked No. 1 in the UK for overall finance and accounting BPO, according to NelsonHall's research.

According to NelsonHall, in 2008 Steria captured 6.4% of the purchase-to-pay market in Europe, maintaining its No. 1 position. In multi-process F&A BPO, Steria gained a position, moving from fourth in 2007 to third in 2008, with 7.3% market share in this category.

The NelsonHall BPO rankings follow Steria's recent announcement that it has been awarded 'Best BPO Project' by the British National Outsourcing Association (NOA) for its landmark achievements as one-half of the joint venture with the UK Department of Health, the NHS Shared Business Services, established in 2005. Mike Wood, COO of NHS Shared Business Services, will be delivering a [keynote presentation at the 'Attaining F&A Shared Services Process Excellence' conference](#), taking place next March in London. For more details, please visit the [conference website](#) or [download the full brochure](#).

➔ Shared Services & Outsourcing In Latin America

nearshorejournal.com

January 4th, 2010

It might not yet have the same profile as South Asia or Eastern Europe, but Latin America is becoming an increasingly popular destination for organizations looking to establish shared service centers, either serving domestic markets or as part of regional or even global shared services strategies. Furthermore, along with this growth in the captive sector Latin America has become the focus of growing interest on the part of major outsourcing providers whose entry into the market has had knock-on consequences across the board.

Throw into this already-volatile mix the current economic instability and it's easy to see why the region's activity is making waves across and beyond the shared services and outsourcing space in 2009. The Shared Services & Outsourcing Network convened a panel representing practitioners, providers and advisors to take a look at the current level of maturity of the Latin American market and to examine how - and if - the economic malaise affecting much of the rest of the global economy is impacting upon operations in the region. Attending were: Laura Bao Castro CR FSSC Controller Intel Corporation, Esteban Carril Director Latin America Finance Operations EMC Corporation Mauro Mezzano Partner Vantaz Group Consulting Ricardo Neves PwC Global Sourcing Leader for South America PricewaterhouseCoopers.

SSON: I think the first question we should look at is: is it right to talk of "Latin American shared services" at all? Latin America is a very big region geographically and in terms of population; it's got a smaller linguistic diversity than, for example, Europe, but there are still very big differences between, say, Brazil and Costa Rica. To what extent is it actually possible for organizations - captive or BPO - to take a truly regional approach in Latin America? Is it impossible to avoid having significant resources in individual countries?

Ricardo Neves: This is a region different from other regions in the world. If you talk about intra-region services, you're talking about two major languages which are, in some ways, close to each other; you have also a

closeness of overall culture; and usually what you see with multinational or regional operations here is that the larger countries like Brazil, Argentina, Mexico, Chile correspond to a significant size of the operations.

Usually if you look at most of the global or multinational companies in the region, they have 50% or even 75% of their operations carried out in two or three countries at most - and then 10, 12 other countries where they do have operations but which make up only 25% or less of their business. This gives a challenge when setting up a regional center, because there is a scale for the larger countries which is not present in the smaller ones – and what I've seen here is a mix between totally centrally run shared services and a lesser local presence in smaller countries to make sure the right scale is achieved and the right support is done at the regional level.

There are companies based in Brazil that I've seen who have regional shared services – like the brewer AmBev, now connected with InBev and Anheuser-Busch, which has a very large regional shared services based in Sao Paulo serving not just operations in the region, but also the firm's operations in Canada for the Labatt operations. Unilever has also set up an HR shared services - and has just sold its finance shared services to Capgemini in the region. In sum, from those large operations that I've seen, as I said I've seen a mix of some centralised services and some small countries with local services combined.

Esteban Carril: We're serving Argentina, Chile, Peru, Mexico, Colombia, Venezuela, and Brazil. My team is divided into three functional areas, in two countries. One team is working in Sao Paulo, Brazil; the other two functional teams are working here in Argentina. We run accounts payable, accounts receivable, credit and collections, billing, cash applications, payroll, commissions and bonuses. It's actually not divided linguistically: we found we already had some good skills in Brazil to develop the credit and collections department there, so we decided to leave the existing group providing services there in Brazil, to provide services for the rest of the Latin American countries. We wanted to have three functional groups, but we wanted to try to keep the same skilled people working and we didn't want to have to move them from one country to another.

Laura Bao Castro: We're part of a global strategy. We have currently two pretty large financial shared services centers in Intel. One is located in Malaysia and the other one is located here in Costa Rica; the markets that are supported from Costa Rica are Canada, the US, Costa Rica, and Mexico, Colombia, Venezuela, Chile, Argentina and Brazil.

SSON: Laura and Esteban, you both come from big global organizations with significant worldwide

presence. **Do you think it's still the biggest companies who are setting up shared services in Latin America or are the smaller, or maybe mid-market, organizations also getting involved?**

Laura Bao Castro: I think the mid-market is coming up. I was able to go to [SSON's Shared Services America Latina 2008 event in] Chile last year, and also participated in the SSON conference in Mexico City, and I was very surprised by the number of Latin American multinationals that have already moved into this journey, or are in the process of doing so – especially in Mexico where I think a lot of companies are looking into it, even having shared services within Mexico itself. The concept is right there; they know they can reduce costs and produce more quality with shared services, and even within Mexico itself companies are developing shared service centers.

Mauro Mezzano: Actually we've been seeing this shift since two or three years ago. At the start of the decade many multinationals began establishing shared services in the region, but when I went to conferences in Miami and Orlando there weren't many Latin American-owned companies present. Then in 2004, 2005, bigger local companies and groups started with the concept. Now smaller and smaller companies are doing it; some of them don't really implement what we would call shared services but they do centralize and they do take a few concepts from shared service centers, and perhaps redesign a process. The influence of shared services is spreading out through many more companies than before.

Ricardo Neves: I've seen an increase in interest: among mid-market companies it's less regional. What I've seen is among large companies, they've done a lot of rationalization in each of their countries of operation, and a lot of discussion about regional shared services. What I've seen in the mid-market, specifically in Brazil, are still questions on "in-country" shared services if you know what I mean. It's more making sure that they leverage their local operations, and then as a second step – especially with some of the systems work done – it's something of a done deal to set up something regional: when you have a regional systems platform, for example.

SSON: Let's shift focus slightly and take a look at the outsourcing market in Latin America. Over the past couple of years we've seen the entry into the region of some of the big global players – in particular some of the big Indian providers. What impact has that had on the market – and on firms that are running shared services?

Esteban Carril: In my experience in leading a shared service centre I have been trying to find different ways to

do things, and finding vendors who can provide services in a more efficient and economical way than us doing it ourselves. When it comes to the outsourcing sector, I find that in Latin America things are still in development. When it comes to outsourcing it's important to see how well-organized companies are, and how well they provide services in multiple countries – and I see the challenge for many of the big firms is that they are still working as independent companies in each country, and not really regionally organized in order to provide services to multi-country shared service centers. I think that's one of the key points that I've been finding. Another key point is that some companies are regionalized but unfortunately they might not have presence in all markets, so that becomes a problem in terms of finding a single regional outsourcing solution to meet our needs.

Laura Bao Castro: About five years ago companies providing outsource service arrived to Costa Rica. Since then, these companies have grown, for example HP has now close to 8,000 employees. While I can't be specific about their services or regions they serve, these companies look for people speaking Spanish, English, Portuguese, French, Italian – even Chinese. We do not work specifically with an outsource vendor at this moment – but periodically we reassess our current strategy.

Ricardo Neves: One of the features that I've noticed, one of the movements in the outsourcing space in Latin America, is that there's been a lot of currency fluctuation between the dollar and the real, and the dollar and other currencies, and I've seen some discussions on contract review - especially for service providers – from both sides: if the clients want to take advantage of that, or even discuss relocation of some work; or if the providers are saying that an increasing cost is related to currency fluctuation putting added pressure on their margins. Definitely currency fluctuations have been one of the biggest topics of discussion in the region.

SSON: OK, let's move on and address the big issue of the moment and, perhaps, of many moments to come: the financial crisis and global economic downturn, and their impact upon shared services and the sourcing sector in the region. Ricardo, what do you see as having been the main changes in the space since the beginning of the main phase of the crisis in October?

Ricardo Neves: What I've seen is basically a larger interest in discussing measures to reduce costs. Some of the plans that were lined up to be rolled out in the future have now become more interesting for discussion now; specifically, if they can help reduce costs. The mood, the willingness to do something now has increased. Organizations today want to do something bolder than they were willing to do even six months ago. We used to

hear things from the business like “don't disrupt my growth”, “don't rock the boat”; now executives are coming and saying “hey, where can we make this boat more nimble? How can we rock the boat but at the same time make us leaner and more prepared?” I've seen this happening in a couple of ways. One is, clients coming to us looking for an overall assessment of cost reduction – which usually includes the theme of shared services. Secondly, we're also having a lot of discussions on reviewing outsourcing contracts – or even making those contracts broader, in order to ensure they are capturing all the value they could based on the relationship. So overall what I'm seeing is an increased willingness to take bold measures to ensure cost reduction.

SSON: Do firms still have money to spend on big implementations, or is it about making changes as cheap as possible?

Ricardo Neves: I think a lot of it is, as you say, to make things as cheap as possible, as fast as possible. But I've seen some room to say “if I need to spend that to get that back, then let me hear what you have to say”. Again, I think firms are more willing to do things than they were before - but no-one's saying they've got a big pile of money to reduce their costs. What they need to do is support the investment through the cost reduction itself.

SSON: Moving over to the practitioners: Laura and Esteban, how have you been responding to the crisis? Has it had a big impact on your business and are you looking at operations in a different way?

Laura Bao Castro: Intel Corporation has been, over the past 2.5 years, on a restructuring and efficiency program that has resulted in run-rate savings of greater than three billion dollars, CapEx avoidance in excess of one billion dollars, and a reduction of twenty thousand employees from our peak in 2006. We as part of the Corporation are taking actions to contribute in this process. We are doing a big effort to reduce discretionary spending and one example is travel. We are also increasing the number of meetings over the phone and are focusing on productivity and efficiencies so we can do more with the same.

Esteban Carril: Laura mentions the travel and entertainment reduction, and this is clearly an area where we have tried to pay close attention – but as a matter of fact I think that there is no doubt that the economic crisis will bring new opportunities for shared services here in Latin America. I think this might now be a great time to demonstrate that Latin America is a reliable region, especially for global shared services. As we speak my company is looking for new opportunities in emerging markets. Right now we are looking for a shared service

center for sales operations here in Latin America; this might be a great opportunity for consolidation and cost efficiency. Like Laura we have accelerated process improvements and efficiencies, and tightened our controls over expenses; we are also now implementing new tools to give us better visibility of customer usage patterns and people's performance, in order to drive customers to more efficient services. Those services that may be high-cost and are not being used by our customers are the ones that we would like to either outsource or discontinue. We have also identified other opportunities to expand our scope of services by leveraging our shared services to serve new internal customers, and redirecting our services to areas where they can add more value... [Regarding discretionary spending] As Laura mentioned, we have to do more with the same; in my case I'm trying to engage people from my shared services to lead some of these projects. On other cases we will prioritize those projects where we see there is a clear benefit in costs in the short term.

Mauro Mezzano: What I would say is, working in shared services implementations in 2000, 2001, everybody was looking towards cost reductions. Then moving through 2005, 2006, 2007 and last year – up to October, of course! – I had, as a consultant, many customers who were very focused on growing, so they were very interested in preparing for big growth rates. Now, after October last year, once again I'm getting many calls from people looking for cost reductions, and being very proactive in implementing projects with quick results. I think it's come back to that, and I think as Esteban was saying, in our region some countries become even more interesting for multinationals to do medium-to-long-term cost reductions because the labor costs are under what they can see in other regions. Something which is different from the 2000 period, in 2008, 2009, 2010, I think the offshoring/BPO providers are really appearing here in Latin America, and this could be a very interesting moment to potentiate that outsourcing and offshoring business.

SSON: Have you been seeing clients are coming to you with the need to do more with the same amount of money, or reduced budgets?

Mauro Mezzano: I've been seeing both. Some of the clients that were working here during 2008 in shared services have come to me and said "Sorry, I cannot come anymore with this budget because my company is in a crisis"; but at the same time I've been having new calls from customers who weren't working with us previously, but who really want to work with us because they've got a new approach to shared services. The market is still very open and diverse, but I think it's going to narrow down into cost reductions during March and onwards.

SSON: Obviously globally over the last few years one very big question has been how to attract and retain

talent. Recently however as the economy has worsened there has been the feeling in other parts of the world that talent acquisition and retention isn't going to be such an issue over the foreseeable future, because people aren't going to be willing to move out of secure jobs. Is this mirrored in what's happening in Latin America right now?

Laura Bao Castro: You know, Costa Rica is behaving very differently from other markets, specifically in the service industry. This year is no different; and the projection is 3,500 new jobs, so we actually have a pretty hot market. Talent retention is critical for our success. In terms of our sourcing strategy, we work very closely with the technical schools – particularly the accounting technical schools – and the public university that provides accounting professionals. We provide internship programs for technical school graduates and a student program for university students: we bring those people while they're still studying to work part-time for us – some of them in an internship mode, some as what we call "student workers" – and by the time they graduate, and if we feel that they have delivered to our expectations – we offer them full-time jobs. That has been a very successful strategy that we implemented about six years ago, and we have a conversion rate of 95%. In addition we provide English classes to those employees to ensure that by the time they get converted they have reached the level of English that we require to do our jobs, because we offer services to the North American market and a lot of our jobs will require a certain level of English capability. So that's a sourcing strategy that I think has proven to be very successful for us, and it gives a continuous pipeline of new employees coming in. In the area of talent retention, Intel is a company that believes in flexibility and we do provide a lot of flexibility to our employees. I don't know if you're familiar with the term "Generation Y" for people born after 1980; 80% of the population that I manage are Generation Y, young people with very different mentalities – they have a different chip in their minds from mine, for example – and they value flexibility very much, so we have programs like what we call "telecommuting" where they're able to work from home up to two days a week. They have different start and ending times – some of these employee are going to school so they need flexibility to continue their studies – we have found through the surveys and questionnaires that flexibility is one of the main reasons why they choose to stay with us. We provide portable computers to all our employees which they can take home – and this generation are technology-growers, of course, so they love that. These two things have really been proven to help us retain employees – in addition to the career development of course. One of the beauties of shared services is that you manage different functions, you manage different groups, and if someone wants to start a career they will

have the opportunity to move into these different groups and become a rounded professional.

SSON: Esteban, how are you finding the employment market – and has there been a shift in your acquisition and retention strategies as a result of the economic crisis?

Esteban Carril: In our case – and I would say that this applies for every other shared services in Latin America – turnover rate is one of the most challenging areas for shared services. We have been doing several things to retain our talent. We have been cross training – so, for example, when an employee comes to work in one department we offer them some exposure to other areas of operations, to other processes, so they can learn other activities and processes which as Laura pointed out adds more value to their own career. This year we are also offering a new service inside shared services which is that we loan employees to other areas, so for example if a business area needs an extra person because someone goes on maternity leave, or even leaves the company, we provide them with people as a service. If our people are trained in other systems and other processes we can add value by moving those people to other areas where they can spend two or three months. We're offering that as another service from our shared service centre. Another area is flexible time. The nature of our business is, 70% of our business takes place within the last three weeks of the quarter so we really need to be flexible with our people. We let them do some telecommuting, we offer flexible time, because – as Laura pointed out – you should give them some kind of freedom inside the company. We provide English and Portuguese classes as well. The key here is that we've signed some agreements with universities through which we bring new people on board; we usually train them in those areas which are more transactional, so they gain experience – and then we move them around, not only inside shared services but also outside, offering them now career opportunities in the business, in different countries, in our local finance team. So we offer them several routes to success inside our company.

SSON: Are you thinking that turnover is still going to be an issue for you in a worsening economy and a consequently tightening job market?

Esteban Carril: I think right now, there are several companies that are letting people go, and I think the labor market will be better for us. However, inflation is still a problem – particularly in Argentina – so when it comes to retention we would expect to be reactive in terms of salary adjustments, to ensure competitive salaries. So in general terms I think the market's going to be quieter; however, we should always keep an eye on the need for salary adjustments – especially with the inflation fluctuations we may see in coming years.

SSON: Ricardo, what's your take on the job market and the pressures on talent management at the moment? Have things changed as a result of October's events?

Ricardo Neves: Some of the clients I support have said the pressure on them has increased to deliver a good service at a lower cost, and the best way to do that is with good people. So I think the search for good people, and the importance of retaining them, and working the talent market, is still a big challenge as we go into crisis mode. Even though when you think about it there might be a little more availability of resources on the market, when you look at the example we've heard of Costa Rica – or even Brazil, where companies are going more into the interior of the country and looking at other cities inside Brazil to be able to retain a good flow of people coming out of universities, and have been growing very fast throughout the country – shared services and new organizations coming in are going after talent very fast, wherever it is; so I don't believe it will be an easier time managing talent for shared services during the crisis we have now.

SSON: And have you noticed – or are you forecasting – a drop in attrition rates over the next few months?

Ricardo Neves: Not at this point; considering what I've both from clients and from providers with whom I've been working closely I have not seen any significant change in those rates at this point, in Brazil particularly.

SSON: And will the increased operation of big BPO providers have an impact here?

Ricardo Neves: I think so. I have not seen a slowdown in any way in the growth of the shared service centers either from providers or companies going after it. So even if there is any increase in supply I don't think demand will decrease; actually, I think demand will increase from both existing shared services and from new companies coming into the market. I don't foresee an easier time on turnover rates or talent retention.

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