



By: Niamh Byrne, Online Editor, Shared Services & Outsourcing Network (SSON)

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ssonetwork.com

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ssonetwork.com - June 22, 2010

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Optimize Centrally Managed International Payroll

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Shared Services & Outsourcing Network (SSON) takes a look at the biggest challenges associated with moving to a global payroll system and welcome Intercomp Global Services back with a new series on Global Payroll. In this interview Eloi Malta-Bey, Vice President Global Payroll & HRA Operations at Intercomp Global Services discusses the challenges and benefits of a centrally managed international payroll solution.

Find out what are the compelling changes within the HR and payroll outsourcing industry for the next ten years.

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ssonetwork.com - June 29, 2010

Social networking site LinkedIn has followed up the set up of the European Headquarters in Dublin, with the announcement that its Finance Shared Services will be located in Dublin as well.

LinkedIn locates Finance SSC in Dublin

By: Rakesh Sangani, SSON Editor at Large
ssonetwork.com - June 29, 2010

Social networking site LinkedIn has followed up the set up of the European Headquarters in Dublin, with the announcement that its Finance Shared Services will be located in Dublin as well. The company has already revealed it will be creating at least 30 jobs in Dublin working with IDA Ireland, the 'international Finance operations' will be led by Sharon McCooley who will report directly into the CFO Steve Sordello.

Point of View: Dublin is a city that is fast becoming the internet capital of Europe, with companies like Zynga and Yelp joining LinkedIn in setting up operations in the City. LinkedIn's move illustrates the grants available for companies in the city, and coupled with the talent at high end shared services, and reducing labour costs in Dublin due to the recession, the business case for starting an operation in Dublin can be compelling. However, the scalability does not match other locations and there are lower cost cities to situate in Europe.

LinkedIn is a growing firm, and one can assume that the set up of the Finance SSC in Dublin is a strategic move to have it close to the European Headquarters. As the company develops further scale, do not be surprised if the SSC component is migrated offshore!

Final Thought: The Growth of KPO

By: Rakesh Sangani, SSON Editor at Large
ssonetwork.com - June 22, 2010

Knowledge process outsourcing (KPO) is a component of business process outsourcing but focusing on processes that are highly specialised, more complex and dependent on a significant amount of knowledge. KPO exists in Finance and in HR, as well as the other business functions in the organisations. It is typically associated with investment research services (equity, fixed income and credit, and quantitative research), market research services and patent research service but also include collections analysis, business

performance analytics and people retention and recruitment examination.

This week Gartner announced that India's KPO market is forecast to grow by 25-30 per cent annually till 2013, driven by rising demand for professional services. The emerging KPO space, which constitutes a small part of the overall business process outsourcing (BPO) sector, is estimated to have a market size of \$50-70 million at present.

This is hardly a surprise, largely because we are in a mature market where many organisations have already outsourced in some form or another, where shared services and outsourcing is not a new concept for IT or for business processes, and where organisations are asking what next?

The answer in many organisations to that question, is moving up the "value chain" and review processes for migrations that provide more value, are more specialised, and require more knowledge. These processes are typically run by more expensive resources, and even though the scale may be limited, the savings can still be significant!

Q&A Forum Strategy and Governance

By: Chris Gayner, Marketing Manager, SSON
ssonetwork.com

QUESTION

What are 3 of the biggest issues when running or being involved in a shared services or outsourcing operation?

ANSWER 1

1. Justifying your cost, be transparent on how cost are allocated.
2. Deliver the service as "promised" and on time.
3. Forecasting and budgeting, ensuring no surprises on cost and expectation.

Alex Gob

ANSWER 2

Very good question. Being on the 3PL side of the equation for over 20 yrs, I have seen many trends. I agree with other comments about proper alignment of KPI's and delivering Continuous Improvement. It still comes down to relationships and how those are developed and cultivated. There are many advantages to outsourcing but it is not for everyone or some companies do not know how to manage the relationship. Also, in a new venture or start up, many times the cost of change is vastly under-estimated or not factored properly.

Julie Kelly

ANSWER 3

1. Having the right internal governance talent.
2. Having the right offshore/onshore blend for operations.
3. Having effective communications.

Phil Fersht

ANSWER 4

Well... the outsourcing business is a market and global economy oriented business. The major issues of outsourcing operations are:

1. Loss of Key Talent and/or Poor Knowledge Transfer.

Outsourcing creates uncertainty for existing employees and contractors who provide services to the client organization. The uncertainty can cause this staff to look elsewhere for employment and leave either before or during the outsourcing implementation, causing a need to either backfill the resource or reduce the amount of work performed by the organization. In addition, some of the client staff is temporarily engaged for knowledge transfer to the service provider during the implementation. If the staff is not properly motivated or if the service provider does not do a good job with knowledge transfer, this can cause decreased efficiency in service delivery and possibly introduce operational risk.

These two issues can be significant problems if not addressed. However, it is in the middle of our rankings because clients and service providers both recognize the importance of these issues and generally make a reasonable attempt at mitigation.

2. Inability to Meet Pent-Up Demand for Services.

Prior to an outsourcing implementation, the client organization may curtail big projects and non-essential spending. This is for two reasons:

The client may wait for the expertise of the service provider before initiating activities. The client may limit its investments in the area designated for outsourcing. If the client has limited these activities, there is typically a substantial amount of pent-up demand and/or requirements that need to be met shortly after the implementation period begins. However, the ways in which the new initiatives are prioritized, estimated, evaluated, approved, scheduled and performed may all be in the midst of change during transition to the new outsourcing model. This results in “a pig trying to fit through a garden hose”; only a trickle of demand is fulfilled until the new model is in place.

3. Culture Clash Between the Client and Service Provider.

Culture clashes between a client and service provider occurring on two levels: corporate culture and (increasingly in today's global economy) national/regional culture. In terms of corporate culture, the client and service provider may have different norms in terms of speed, style, decision making and organizational structure.

Sudesh Chandran

ANSWER 5

I will drive myself to choose 3 points, although I think there are some more. But in a few words I would say that the most important issues to address a shared service center are:

Be accurate on handover processes to standardize, contemplating a standardization covering all exceptions that can occur throughout the country or region in a documented manner. Often handovers jobs with customs or knowledge of the person which now occupies a position regardless of all the tasks incumbent upon it to that position. And many other times, having drawn this obstacle, makes the mistake of not foresee processes, flow charts, the steps to follow in the case of exceptions.

Be consistent in defining jobs and in defining the profile required for these jobs. Often defined requirements or skills that are necessary in the early stages of the SSC installation's, but after this first stage, these profiles are overvalued for daily tasks and begin the rotations of staff with a major loss at the level training, knowledge of the task and succession of that knowledge.

Choose collaborating experts to help us make our shared service a successful venture. Many times, we decided to choose consultants have expertise in shared service centers, which have not lived within such organizations and therefore do not know some important advice tips. Choose wrong advisers is a problem that often face the SSC's.

We can continue with the list of biggest issues, but I think that we must focus on this three pillars: accuracy on handovers, correct definition of jobs and profiles, smart consultants with expertise in shared service centers.

I hope that you can find this answer as a the beginning of further discussion.

Silvina Di Prinzio

ANSWER 6

Same as running a business:

1. Relationship w/the clients - treating internal users as the customer.
2. Product Quality and Delivery - includes cost to quality balance, effective processes and enabling technology.
3. Leadership & Staffing - Having the right staff w/the right skills in the right positions.

Kathy Murray

ANSWER 7

1. Staff Availability in working in different time zones.
2. Project Management is key to successfully managing staff & project cost.
3. Documentation

Allie Gentry, Chief Technology Officer

ANSWER 8

I would say the main issue is driving cost improvement without compromising vendor performance and business outcomes. Gartner research shows that outsourcing deals predicated on cost savings alone are doomed to fail and forecasted long-term savings are seldom achieved.

Chris Forte

ANSWER 9

I think the issues I would be concerned with are:

1. Appropriate segregation, security and back-up for your data.
2. Compliance with applicable privacy legislation as it evolves, by understanding where your data is and who has access and why.
3. The ability to maintain the shared systems, with focus on correcting faults, bugs, breaches, etc., and awareness of issues that may have a material impact on the services. The above requires you to understand what your needs are at the outset, with an appropriate right to audit the services and systems to discover whether what is promised is delivered, and to recommend changes, both during and prior to the contract initiation, as needs change. If the systems are shared it may be impossible or impractical for the service provider to comply with all of your security and privacy requirements, so you need to understand what they offer and how, document that, require notice of changes within a reasonable period prior to the change, and retain the right to terminate for convenience if the changes will fall outside of your needs. It's your data, so you remain responsible for its integrity, transmission and security. You can't do that without fully understanding and documenting your needs and without assessing what the service provider offers in an ongoing manner.

Richard Pearse

ANSWER 10

1. Choosing the right project folks - More believers and less of 'nay' sayers.
2. Change Management and Governance - This is key as there will be issues and strong governance and escalation plan can help address them proactively.
3. IT understanding - Most of management needs to understand some basics of how the solution works.

Vibhav Sharma

ANSWER 11

1. Stakeholders' resistance to change.
2. Insufficient training/communication of employees.
3. Low IT support response.

And on the top: costs of all the above.

Marius Gavrilă

ANSWER 12

Although I think that there are many more points to discuss in relation to this question, I will mention only 3 points. In

a few words I would say that the most important issues to address in a shared service center are:

1. Be accurate on handover processes to standardize, contemplating a standardization covering all exceptions that can occur throughout the country or region in a documented manner. Often the mistake is made of not foreseeing processes, flow charts and the steps to follow in the case of exceptions.
2. Be consistent in defining jobs and in defining the profiles required for these jobs. Often defined requirements or skills are necessary in the early stages of the SSC installation, but after this first stage, these profiles are overvalued for daily tasks and then begins the rotations of staff which leads to a major loss at the training level, and influences knowledge of the task and succession of that knowledge.
3. Choose collaborating experts to help us make our shared service a successful venture. Many times, we decided to choose consultants who have expertise in shared service centers, which have not lived within such organizations and therefore do not know important tips. Choosing wrong advisers is a problem that often faces the SSCs. We can continue with the list of the biggest issues, but I think that we must focus on these three pillars for now:

- accuracy on handovers.
- correct definition of jobs and profiles.
- smart consultants with expertise in shared service centers.

Silvina Di Prinzio

ANSWER 13

1. Choosing the right project folks - More believers and less of 'nay' sayers.
2. Change Management and Governance - This is key as there will be issues and strong governance and escalation plan can help address them proactively.
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Vibhav Sharma

Optimize Centrally Managed International Payroll

By: Niamh Byrne, Online Editor, SSON
ssonetwork.com

SSON is delighted to welcome Intercomp Global Services back with a new series on Global Payroll. In this interview Eloi Malta-Bey, Vice President Global Payroll & HRA Operations at Intercomp Global Services discusses the challenges and benefits of a centrally managed international payroll solution.

SSON: What are the main challenges within a centrally managed international payroll solution?

Eloi Malta-Bey: The main challenge within a centrally managed international payroll solution is to deal with multi-lingual capabilities and highly skilled profiles. For instance, here in Budapest professional profiles are easy to find, but they are not necessarily trained on the payroll process. The challenge is to provide and execute a strong training plan and develop a career path that allows us to maintain the right level of skilled payroll professionals.

SSON: Could you perhaps talk us through the benefits of an organization holding a centrally managed payroll system?

Eloi Malta-Bey: Basically there are two immediate benefits. The first immediate benefit is the cost structure. By centralizing your activities, you are saving on the cost of having different legal entities - the cost of having a level of management that you would need to locally manage several teams of different sizes. Scalability is much more of a tangible leverage in a centralized solution than in a decentralized one. Cost is clearly the first thing, which - let me clarify - has less to do with a low cost location. The second benefit we are talking about and putting a stress on is the centralization rather than off-shoring of the process. For example, we are based in Hungary and we are processing Hungarian payroll. We are also responsible for the payroll of countries that are cheaper from a labor cost point of view than Hungary, as well as for countries that are more expensive. My point is that the cost effectiveness of our solution is a clear result of centralization combined with optimization of processes and technology usage.

The idea of having a cluster of professionals in the same place gives you a more efficient process and a more focused management. While continuously speaking with our clients, mobilizing our whole team to answer multi-country challenges, being in one location is allowing us to save a lot of unnecessary layers of communication. It shifts the focus of our teams' work from a pure process management challenge to a client experience improvement and exceptions management opportunity.

SSON: Can you perhaps explain or give us some examples of how the centrally managed payroll system actually cuts costs?

Eloi Malta-Bey: Very concretely, it cuts down the infrastructure costs: the cost of not having to maintain several legal entities with all their fixed and heavier variable costs. Instead we invest the money in our core product to bring value to our clients.

Setting up a centrally managed payroll is more expensive at

the beginning and requires investment, but as soon as you reach a certain threshold - meaning a volume of payslips (that's what we use in the payroll industry) regardless of which country we're talking about - it becomes much more efficient. After you reach a certain volume you benefit from the base management team, and certainly management in the broad sense, including people, process, technology, continuous improvement and most importantly client relationship management.

Those are the two main aspects of cost reduction. There is another one not necessarily related to centralization - which is the technology we are using. Our own software technology is allowing us to be less dependent on license fees, giving us the opportunity the leverage of one technology platform, regardless of the country. It results in tremendously reduced processing costs because what counts is the number of payslips that you process in total not per country. Obviously the legislation that you have to apply to each country is different, but the whole approach is the same: your team's training requirements, your processes and procedures, the maintenance of the platform, etc. are all common to any serviced country.

The platform is composed of the gross-to-net engine, which is the most differentiating component country by country - but then all the rest, like data exchange with the clients, reporting tools, storage application, etc. are all designed and integrated in the same way cross-country, so you build up your economies of scale much compared to dealing with each country separately.

SSON: Can you tell me then how you manage local compliance?

Eloi Malta-Bey: We have payroll professionals that speak the local language. It makes no difference whether the professional is located at the shared services site or in the legislation country. By having one efficient process to deal with expertise for one country, we are in a position to reproduce that same process for every country and therefore benefit from the scalability and the economies of scales it generates. So, what is this process? We have a network of local experts who are not manipulating our payroll data but are only focusing on the legislative expertise. They are usually legal or tax experts. It can be a law firm that also has a tax practice, or an accounting firm that also has a legal understanding.

SSON: Is there a minimum number of employees that an organization should have, to be ready to deliver this particular model?

Eloi Malta-Bey: There are two perspectives to this. If a company is trying to build such a model internally the base investment is quite high. You need to have a critical mass of employee volume in order to justify such a model.

On the other hand, if you are asking if you need to have a minimum number of employees to be attractive to an outsourced services provider like us, then having a centralized solution like ours, the answer is no, because the investment is made by the provider, Intercomp in this case. Clients can benefit from our overall volume economies of scale starting with a single employee.

Now, if you want to do it internally, it definitely requires a global volume. It could be a good solution if you have an organization that has a lot of countries with low volume. For example if you have 10,000 employees, with no more than 300 employees in one country, you may find it difficult or too expensive to implement an integrated ERP such as SAP. So an alternative to this could be a centralization of the process looking at cross-country communication tools, reporting and storage tools, and finally, depending on the ambitions of the given organization, developing their own payroll software (local payroll applications also fit this model to a certain extent).

SSON: What do you foresee as compelling changes within the HR and payroll outsourcing industry for the next ten years?

Eloi Malta-Bey: In my opinion there will be more and more professional organizations that will provide this service as a core business. By analyzing the landscape of BPO HR and Payroll offerings you can see a lot of different players from various backgrounds, but you can also already spot few players who have HR and Payroll outsourcing as their core business activity.

In the BPO field we currently have some players from the technology environment, and others from the mass transactional activity sphere, who are making this a real profession and not just an opportunity to make additional revenue. They are mainly leveraging on credibility in their other large size streams of service like IT or F&A.

Intercomp is also focusing on clients and organizations that are not just part of Fortune 500, but organizations that are struggling to find BP solutions that they can afford from a technology standpoint, to drive centralization and improve service. The market is consolidating to offer targeted solutions and this is the market Intercomp is focusing on.

The quality of the experience will become more important on top of cost and control, which are two main drivers of outsourcing today, and high cross-client standardization will then make the difference in providing qualitative solution at a low cost. Right now outsourcing is led by Fortune 500; they are still running the show because of the large value deals at stake. Basically, they are setting the tone and as a result too many of the HR and Payroll outsourcing deals are just about service delivery based on client by client customization and off-shoring for labor arbitrage.

In my opinion, there isn't enough focus on standardized and optimized none-core organizational BPO offering. Small and medium size companies will be more open to standardization because they will be less complex and self-sufficient and therefore in a much better position to adapt to a standard product that they can afford and adopt, and that will provide them with immediate tangible benefits. I think the big organizations are less inclined to accept/identify with "out of the box" solutions as a winning opportunity in the short and medium-term. But surely the standardized offer will meet the small and medium size companies' demand and from then on this will open a whole new era for BPO, large and small alike. I believe Multi-Country Payroll offerings will be at the leading edge of this exciting trend.

Points of Discussion

1. In this exclusive interview, we take a look at the biggest challenges associated with moving to a global payroll system. Local compliance is one of the challenges discussed in the interview. What challenges do you face in the form of local compliance and how have you overcome them?
2. In a recent interview with Eloi Malta-Bey, Vice President Global Payroll & HRA Operations at Intercomp Global Services, the topic of upcoming changes was discussed. What do you foresee as compelling changes within the HR and payroll outsourcing industry for the next ten years?

Editores

Rodrigo Lang
Vanessa Saavedra

Conselho Editorial

Caio Fiuza
Eduardo Saggiore
Vitor Marques

Contato: pesquisas@visagio.com.br