



Outsourcing involves the **organisation, implementation, management or monitoring of Shared Service Centres (SSC)** of companies. It can also include all of these tasks and externalise **the whole process**. A SSC is an organisation that consolidates and standardises the management of the provision of certain functions that are common to more than one business division and/or country, providing cost efficiency, higher quality service and better control. Common functions that are managed from a shared service centre are: Finance, Human Resources, Information Systems, Logistics/Purchasing, Sales/Marketing, Real estate/Property and Legal. By outsourcing these functions the company can **focus their efforts on providing services that generate added value for the company**.

ORIGIN OF THE INVESTMENT OPPORTUNITY



Generally, the idea of implementing a SSC is seen in companies with **significant operations in various businesses and/or countries**, whose processes and services are different, and seek to integrate them to achieve **higher levels of efficiency** and thus strengthen their brand image. This opportunity arises from the need to standardise processes to ensure a standard quality of service and to get the maximum possible savings. The aim with an SSC is to establish a relationship model based on agreed service levels, that are measurable, achievable and adapted to the changing needs of the organisation. Given the **impact of the implementation of a SSC** in the initial investment in the organisation, the systems used in the model of government and other important decisions for the company, many companies want to outsource this service thus ensuring a higher quality. For the implementation, operation and monitoring of the CSC, the **use of a specialist company** with a relationship built on an agreement that will enable the organisation to maintain control of the operation will be a help, since this "partner" will contribute its **experience in the carrying of activities**, a **specific methodology** for doing so and a **contrasting indicators** to assess the quality of service.

LOCATION OF THE INVESTMENT OPPORTUNITY IN THE SECTOR VALUE CHAIN



In many organisations areas in charge of providing the same service are **duplicated** but in different places. These common services are **suitable to be grouped together** as long as they are **routine high-volume operations** and/or manage **information affecting all areas of the business**. That is when the **creation of a SSC** arises. This shared service centre can make use of **internal resources** or **all or part of a service can be outsourced**. Tracking the results of SSC falls into the last point of the value chain.

DIFFERENTIATING FACTORS OF THE INVESTMENT OPPORTUNITY

Table with 3 columns: CONSUMER/USER, COMPANY/INNOVATION, SOCIETY. Each column lists factors with red circle indicators and a descriptive paragraph.

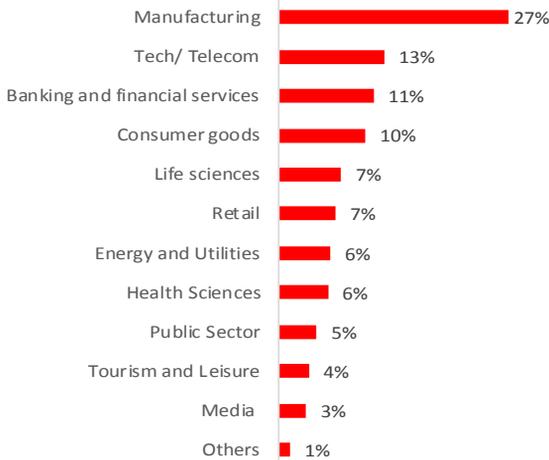
INVESTMENT OPPORTUNITY LIFE CYCLE



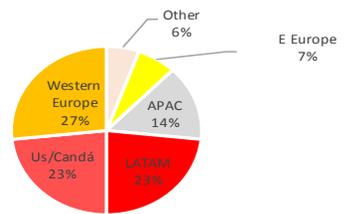
Outsourcing in Spain has been in a phase of **strong development and expansion** in recent years, with it having grown to become a key lever for continued business growth. In a globalised world, companies are seeing the need to focus their efforts on innovation, focusing their resources on core business (strategic lever of the company), and outsource the rest of its activities to specialist companies, with the ultimate goal to **maximise performance and minimise costs** to generate more profit. Outsourcing has therefore become a strategic tool for businesses. Since the crisis began in 2008 such services have been **constantly increasing**.

CHARACTERISTICS OF THE SSC SECTOR (1) y (2)

Company Industry



SSC localisation



Functions managed in SSCs



SUPPLY

TOP 5 COMPETITORS

#	Company	Net sales	Last available data
1	Accenture	€965 M	2014
2	PwC	€651 M	2014
3	Deloitte	€551 M	2014
4	Everis	€383 M	2013
5	Cappgemini	€225 M	-

DEMAND

GROWTH

- 64.6% of Spanish companies believe that **outsourcing will increase usage during 2015**.
- By sector, **energy companies** are those that believe to a greater extent than others of an increase in the use of outsourcing, as stated by 3 out of 4 industry leaders. Then, there are **ICT companies**, that are committed to the expansion of outsourcing in 71.7% of cases, and the **chemicals sector**, which is decided to outsourcing 70.6% of cases. (3)

SUCCESS STORIES



General Motors' Shared Services Centre was pioneering by being the first SSC operated by an outside company using an outsourcing model. One of the major success factors of this operation is the combination of knowledge and skills provided by the team of five GM executives and the management team of the outsourcing company which includes experienced professionals in the management of Financial and Administrative processes.



Bicentury decided to outsource part of its supply chain to concentrate on its growth strategy, professionalising the outsourced processes, optimising distribution costs, and controlling the efficiency of their logistics. This system managed to reduce its distribution costs, increase the level of customer service, and provide new tools.



In 2011, **ArcelorMittal**, the world's leading steel company, signed an outsourcing contract for **European level infrastructures** for a **period of five years** and with two extension options of two years each with CSC. **CSC**, a provider of business technology solutions and services, will handle all of ArcelorMittal's **IT operations** for Western and Eastern Europe, with the aim of improving the quality of infrastructure, integration of new solutions, improving efficiency and reducing costs. CSC will provide infrastructure services (application and web hosting services, data centre, storage, mainframe, service continuity and disaster data recovery), and infrastructure services in the workplace for the end user (computers, networks, printers, etc.).



POSITIVE FACTORS FOR INVESTING IN SPAIN

Favourable factors in Spain for the development of the opportunity

Shared Service Centres Club

The consulting industry organises **meetings and forums for the discussion and analysis of professionals** in management positions of Shared Service Centres operating administrative, financial, accounting, technology and human resources processes in the Spain.

Public Administration as a customer

Commitment to creating SSC by public administrations Law 27/2013, dated 27 December, for the **rationalisation and sustainability of local administration**.

One of the best tools available to them to optimise costs is the implementation of SSCs.

More than 13,000 foreign subsidiaries in Spain

The number of subsidiaries of foreign companies in Spain has grown steadily in recent years, reaching **more than 13,000 companies** in early 2013. ⁽³⁾

Therefore there is an **increased potential market** in our country for the development of this opportunity.

Social factors

Spain has an economically **active population of 23,026,800 people**. Compared to other OECD countries the Spanish population is relatively young: 16% of the population is under 16; **66% are between 16 and 64 years** and only 18% are over 65. Most of the employed population is concentrated in the service sector, which is the most important in the Spanish economy.

Favourable factors for the sector in Spain

Macroeconomic situation

The **Spanish GDP grew 1.4% in 2014 and was higher than the average of the countries of the European Union (1.29%) and the eurozone (0.85%)**. Other relevant EU partners grew at a slower pace, such as: France (0.2%) and Italy (-0.4%). ⁽³⁾

Productivity per employee Index



Graph created using Eurostat data (Index, EU 27 = 100)

Labour market

Wage costs are more competitive than in the major European economies, **labour costs (cost/hour) are below the average of the EU-27, and labour productivity is higher than the EU average**.

It is ranked **4th in Europe in terms of people with tertiary technical/scientific education**, and one of the highest in Europe in terms of continued employment and business process outsourcing.

Suppliers

The strength of Spain is the **balance between care provided by the staff and the price** the companies have to pay for the service. Spain has a young, highly qualified population and with competitive costs in the context of Western Europe, especially in the case of graduates.

Moreover, **Spanish is an important economic asset for Spain**. It is now used by **450 million people**.

Incentives

In order to **promote investment, employment, competitiveness and economic growth**, the state and other public authorities are developing and consolidating a broad and comprehensive range of aid and incentives, giving special emphasis to the promotion of permanent employment.

Geographic location

Spain is **within reach of three main regions**: the **European** region, the **Mediterranean** region and the **Atlantic** region. Spain is considered to be the gateway between North Africa and Europe, and a key link to Latin America, not only because of its geographical location but also because of its strong historical and cultural ties with the region. In Spain the **Canary Islands** play a key role with regards to **maritime traffic with West Africa**.

Quality of life

As with most of the Spanish production sector, **shared service centres** are mostly concentrated in **large cities and surrounding areas**. Madrid and Barcelona are preferred by companies to place these units. Spain enjoys over three thousand hours of sunshine a year, which makes the country one of the warmest in Europe.

The climate contributes to the enjoyment and comfort of people, and is very favourable for both companies in sectors highly conditioned by the weather; and for those who seek environments that facilitate their operations.

Technological and research infrastructure

SSC technology has evolved greatly in the last 5-10 years. However, the two main tools used are still ERP and Excel but **many solutions** have appeared in recent years integrated with ERP and other business systems that **enhance efficiency**.

At the moment a trend of new advanced technologies is starting to be seen, such as Robotics.

In Spain, the leaders in SSCs have a good technological base and a **presence in large technology companies**. The **main lever** for further progress in efficiency and added value will be **Technology**.

Distribution of Shared Service Centres



Transport infrastructure and logistics networks

There are **250 airlines** operating in Spain in its 47 airports; its high-speed rail network is the 2nd best in the world and the best in Europe; it is ranked **1st in the EU for its motorway network**; and it has excellent sea connections to its **46 ports** distributed along the Atlantic and Mediterranean coasts.