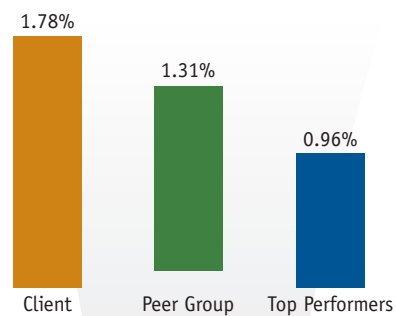


Benchmark

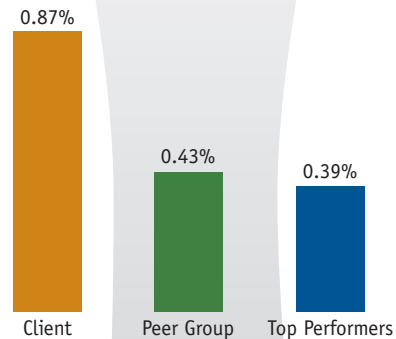
Service Center

Benchmark metrics measure performance for the end-to-end processes, single processes and sub-processes for in-depth analysis

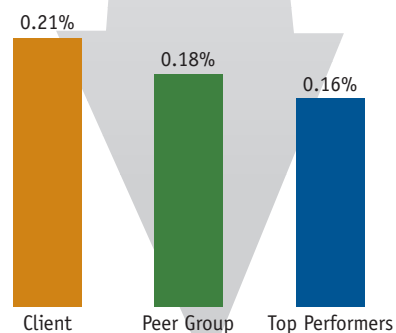
P2P process cost



Accounts payable cost



Accounts payable pre-processing cost



Why Benchmark?

The Hackett Group's Service Center Benchmark helps executives objectively assess how well their service center(s) are performing with respect to peer operations. The study can compare performance against other organizations or among service centers within a single organization. For example, a Shared Service Center operating in the US would be able to contrast their performance with other US-based Shared Service Centers, or compared to onshore and offshore Captive Service Centers.

The benchmark assesses the use of proven best practices that enhance both the efficiency and effectiveness of delivered processes conducted in a shared services environment. The delivered process best-practice gaps identified in the benchmark results are used to identify, quantify, and prioritize improvement opportunities offering the greatest potential return. These results provide the factual basis and context for creating a business plan to drive value-enhancing change at the Service Center.

The Hackett Service Center Benchmark helps you achieve the following objectives:

- Develop a detailed understanding of cost, headcount and value in Service Center operations using empirical data
- Identify opportunities to improve costs and service levels through the application of relevant best practices employed by the highest performing organizations identified in Hackett's ongoing benchmark programs
- Pinpoint the best practices that drive top performance in both delivered and support services
- Determine how specific Service Center locations are impacting performance, and contrast actual performance to the performance of other Centers located in lower costs geographies

- Understand which client teams within your Service Center are performing most efficiently and effectively; and the reasons why, so that you can direct targeted performance improvement
- Understand how to improve services to customers, including insights on transforming processes, opportunities for tighter integration of systems and processes, and sharing best practices for mutual benefit
- Evaluate whether the move to Shared Services or an Offshore Captive has delivered on the promises using objective measurements
- Identify the best opportunities for leveraging the efficiency of your Shared Services operation by bringing additional processes into your Service Center
- Help in building the business case for more extensive use of Shared Services, offshore captives and/or outsourcing

Service Center Benchmark Parameters

The Hackett Group's Service Center Benchmark is a data collection, measurement and comparison vehicle that provides an assessment of performance across the business activities conducted in a Service Center for Shared Services. Activities conducted in a Service Center are categorized into two groups: delivered processes and the Service Center support processes. The delivered processes are the back office business process services in G&A expense delivered to both internal and external customers that provide value to those customers (excluding IT delivered services). The Service Center support processes are the in-scope, internally-focused support processes necessary to operate the center and its infrastructure. Only the actual, in-scope costs incurred are allocated to the Center. As such, general corporate overhead

Our process groups allow us to collect data to measure every aspect of your service center.

Benchmark Methodology

Proven methods: Hackett uses a time proven methodology to capture efficiency (cost and productivity) and effectiveness (quality and value) measures in order to holistically assess the business value contributed by service center activities in relation to the cost of delivering those services.

Capture “apples-to-apples” data: Hackett benchmark analysts help guide data capture to ensure data integrity and consistency. We then leverage a fifteen year track record of strict adherence to rigorous process definitions and taxonomy to ensure “apples- to-apples” comparability.

Validate data: Next, we carefully validate the data prior to moving into the analysis phase. Each stage of the benchmark delivery is coordinated through an assigned Hackett benchmark project manager.

Establish context: Lastly, we gather perspectives from key stakeholders, such as line operations teams and executive management, to understand their perspective on the quality of the work performed.

Qualitative and quantitative: Qualitative aspects of performance include an examination of the alignment of processes with the overall goals of the business; the level of technology integration achieved and ability or readiness to partner with customers and suppliers. Quantitative measures include cost, cycle time, and headcount, and application complexity, among others.

Empirical comparisons: Results are presented in the form of a comprehensive, empirical comparison of your actual performance metrics against peer organizations and service centers.

Benchmark Deliverables

Executive Presentation

- Detailed comparison of functional performance (by service center, process group and business unit served or client contract)
- Comparisons to your peer group and first quartile* organizations for both captive and third-party service delivery models
- Analysis of the root causes of unnecessary costs and complexity, plus the value of services being delivered

Purchase to Pay

- Requisition and P.O. processing
- Supply data management
- Supplier scheduling
- Receipt processing
- Accounts payable

Customer to Cash

- Order and contract management
- Credit
- Customer billing
- Cash application
- Collections

External customer support

- Client contact center

Account to Report

- Fixed assets
- Intercompany accounting
- General ledger accounting
- Cost accounting
- External reporting

Payroll

- Payroll administration

Travel & Expense

- Client contact center

General Administration

- External reporting and compliance
- Service center administration

and IT costs related to the underlying ERP systems are excluded from any cost allocations to the service Center.

The Service Center Benchmark targets the processes and activities typical to Service Centers today and those that are becoming more common in new shared services strategies. This benchmark measures the three end to end processes that are typically performed in part in a service center – Customer to Cash, Procure to Payment, and Account to Report. Standard corporate services such as Payroll and Travel & Expense are also assessed. The Service Center Benchmark captures and measure a portfolio of performance metrics and data related to the efficiency and effectiveness of the customer input, Service Center processing and the Service Center outputs. Each Delivered Process is evaluated in terms of the FTEs, costs and quality and this data is analyzed at the service center level and in total (across all centers). The overall performance of a delivered Process is driven by the Service Center’s process design, practices and business rules, and the efficiency of the Service Center conducted activities. The benchmark assesses all of these factors to provide insight into the performance of the delivered Processes and to identify best practices that can be adopted to achieve superior performance.

Achieving an Apples-to-Apples Comparison

Hackett’s Service Center Benchmark is specifically designed to measure performance comparisons among peer operations, including centers that employ

different service delivery models, regardless of the location of the centers. These comparisons are complicated, and require analysis of performance at the sub-process level. But this comprehensive methodology enables Hackett to compare your performance with many other organizations all of whom may include a different mix of services within their centers. For example, your operation may perform certain Customer Billing sub-processes in the service center – the benchmark reflects this and provide an apples-to-apples comparison to other clients who are also using these same selected sub-processes within Customer Billing. Hence, Hackett’s benchmark reveals the key drivers of performance for your centers and identifies actionable improvements regardless of the service delivery model used.

The Hackett Difference

The Hackett Group’s benchmarks are differentiated by these important characteristics:

- Proprietary Certified Practices Database accumulated through 17 years of benchmark studies
- Benchmark methodology addressing both quantitative and qualitative performance metrics
- Deep expertise and a robust database of Shared Service Performance metrics and Best-Practices
- Hackett’s Process Taxonomy which assures consistent definitions across business functions, enabling accurate inter-company comparison

Performance Drivers

Hackett benchmarks focus on measuring the drivers of Top Performance**.

EFFECTIVENESS	EFFICIENCY
<ul style="list-style-type: none"> ▪ Percent of client SLAs met monthly ▪ Quality measures ▪ Exception handling flexibility ▪ Ease of access to information ▪ Process visibility and reporting ▪ SAS 70 level 2 reporting ▪ Languages supported ▪ Number of ERPs supported ▪ Information on demand ▪ Number of service delivery staff with undergraduate degrees ▪ Number of service delivery staff with graduate degrees ▪ Average number of years experience ▪ Use of productivity incentives ▪ Use of quality incentives ▪ Average number of weeks of annual training 	<ul style="list-style-type: none"> ▪ Process cost per transaction ▪ Number of transactions per FTE ▪ Total center cost per service delivery FTE ▪ Total facility cost per service delivery FTE ▪ Ratio of service support FTE/service delivery FTE ▪ Average labor rates - service delivery staff ▪ Average labor rates - service support staff ▪ Average cost to hire/service delivery FTE ▪ Total center cost per service delivery FTE ▪ Total facility cost per service delivery FTE ▪ Ratio of service support FTE/ service delivery FTE

* "First quartile" companies are those that rank in the top 25% of either efficiency or effectiveness in the specified metric

** "Top Performance" reflects the top 10% of organizations in terms of performance in a specific process.

- Quantification of potential savings through effective Hackett-Certified™ Practice deployment and identification of areas at risk due to under-spending
- A Hackett Top Performer chart showing where you plot relative to your Peer Group and first quartile* organizations

About The Hackett Group

The Hackett Group, a global strategic advisory firm, is a leader in best practice implementation, advisory, benchmarking, and transformation consulting services, including shared services, offshoring and outsourcing advice. Utilizing best practices and implementation insights from more than 4,000 benchmarking engagements, executives use Hackett's empirically based approach to quickly define and prioritize initiatives to enable world-class performance. Hackett has worked with 2,700 major corporations and government agencies, including 97% of the Dow Jones Industrials, 73% of the Fortune 100, 73% of the DAX 30 and 45% of the FTSE 100.

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