Annual Shared Services and BPO Conference 2013
The art of the possible for shared services – how to streamline your local finance organisation

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DIAGEO AND
GLOBAL SHARED SERVICES

The art of the possible for shared services – how to streamline your local finance organization
DIAGEO IS THE WORLD’S LEADING PREMIUM DRINKS COMPANY

No.1 Scotch Whisky
No.1 Premium brand

No.1 Vodka & No.1 Premium spirit by volume

No.1 Imported Gin in the US

No.1 Canadian Whisky

No.1 Liqueur

No.1 Stout

A truly global company, with net sales of £11,433 million in 2013 and 7 out of the top 20 brands. Trading in over 180 markets, with over 28,000 people in around 80 countries.

Source: Impact data
GETTING STRONGER: INCREASING PRESENCE IN THE FASTEST GROWING MARKETS

- Now almost 40% of our net sales
- Organic performance in emerging markets
  - Net sales growth
  - Operating profit growth

Diageo announced results for the year ended 30 June, 2013
The results for this half show that we are on track and that our strategy is making our business stronger. The key measures of performance are strong: 9% operating profit growth, 9% eps growth and stronger cash flow
DIAGEO’S STRATEGY

- **Our strengths**
  - Leading brands combining heritage and innovation
  - Route to market advantage through scale
  - Global balance across developed and emerging markets

- **Drive sustainable and responsible performance…**
  - Our industry leading capabilities:
    - Marketing
    - Sales
    - Supply
    - Management
  - Our flexible operating model
    - Agility and scale
  - Our financial discipline

- **…To deliver our medium term goals**
  - Faster organic net sales growth
    - 6% CAGR in the medium term
  - Organic operating margin improvement
    - 200 bpts by year ending 30 June, 2014
  - EPS growth
    - Double digit growth in core EPS

- GDBS supports the Diageo strategy in a number of key ways:
  - Standardised systems and processes to provide accuracy, efficiency and powerful business analytics and insights
  - Support of M&A activity, enabling fast integration with minimal business disruption
  - Empower all employees with the technology tools and support to do their jobs
WE HAVE 21 MARKETS IN FIVE REGIONS

Diageo is organised across 5 regions with 21 markets

Africa, Turkey, Russia and Eastern Europe
Net sales by region, at 30 June, 2013

North America
£3,733m

Latin America and Caribbean
£1,457m

Western Europe
£2,220m

Asia Pacific
£1,667m

We have offices in 80 countries

We employ over 28,000 talented people

Our Global Supply is responsible for production and distribution in over 30 countries worldwide
WHAT WE DO

Competitive advantage for our markets through new capabilities

Deliver efficient and compliant services

Provide a great experience for our employees
GDBS STRATEGY

**Goal**

**Target areas**

1. Reduce IS costs by F15 to achieve world class IS costs
2. Leverage shared services asset
3. Leverage assets and build new capabilities to deliver competitive advantage for our markets
4. Achieve top quartile service performance (80% Employee Satisfaction) & a more engaged GDBS work force
5. Safeguard our reputation, whilst achieving efficiency in our controls agenda through world class level of automation
Common back office processes supported by SAP across 87% of business and 15,000 employees

Current
- PTP
- Secondary OTC (Order capture, credit, bill and collect)
- RTR General Accounting
- RTR Statutory Compliance
- Financial Controlling
- Service Management & process improvement
- New Service Development

Future
- RTR Supply Finance (Product costing, budgeting & Capex)
- BPM reporting
- Customer service & order management
- Business process analytics
- Control and CARM reporting
- Supply Chain back office
Our external recognitions include:

- Special Recognition by Association of Women’s Career Development in Hungary 2012
- Business SuperBrands 2012
- SSON ‘Excellence in People & Communications Award’ 2011
- Aon Hewitt ‘Best Employer’ among Shared Service Centres in Hungary 2010
- SSON ‘Best Mature Captive Service Centre’ Award 2010
- Budapest wins 'Greenest Office' in Hungary’ title 2010
The role and contribution from business services has increased due to strong executive sponsorship and a need to reduce operating costs in Diageo.
VALUE DELIVERED TO GDBS
DELOITTE SUPPORT ALONG THE JOURNEY

11/2008
T&E exception handling improvement

05/2009
SAP training and implementation PM support

11/2011
Change Management – assessment and planning

02/2012
Controllership CoE development (Project Butterfly)

03/2012
ABC Assessment

06/2012
RTR Transformation (iShape RTR)

09/2012
CCD Exception Handling Process Improvement

10/2012
CCD Innovation Process Implementation

12/2012
NEW SERVICE IMPLEMENTATION

CoE – Centre of Excellence
ABC – Activity Based Costing
T&E – Travel and Expenses
RTR – Record to Report
CCD – Cash Cycle Department
CONTROLLERSHIP AS A NEW SERVICE LINE

More for less – the benefits

The controllers take full ownership for management reporting and statutory compliance - including tax - and are responsible for the overall control environment.

Controllership drives value by developing deep insight of their relevant markets/countries (through their areas of responsibilities) and through excellent business partnering.

Controllership will elevate current process performance & practices to new level by:

- Improved quality of reporting & better tax and legal compliance
- Enhanced control and compliance
- Quicker and more efficient issue resolution

Controllership

- Financial Analysis & Control
- OH reporting
- A&P reporting
- COGS reporting
- BS / CF reporting
- Gross Margin / TI reporting
- Supply Finance

Financial Accounting & reporting
- General accounting
- ICO accounting
- Bank accounting
- BFC reporting

Statutory Compliance
- Indirect TAX
- VAT
- Duty
- Green Tax

Statutory reporting
- Financial statements
- Corporate Income TAX
NEW SERVICE IMPLEMENTATION

**Background**
- Significant business model change for Statutory Compliance
- Controllers take full responsibility for reporting, tax, overall control env.
- Lift and shift migration

**Deloitte Role**
- Define **new vision, governance structure**
- Develop **collaborative and performance focused way of working** with a **motivated and committed team**
- Detailed **implementation approach** developed including **key development areas, ways of working challenges**

**Value Delivered**
- Definition, vision and value proposition of the migrated function
- New organizational structure alternatives with accountabilities
- Implementation and Change Management Action Plan
Risk Assessment:

Definition of CoE:

Value Proposition of CoE:

Vision of CoE:

Proposed Organizational structure of CoE:

Action Plan of developing CoE:
THE TALENT JOURNEY

Culture
- Sensing to intuition
- Feeling to thinking
- Silo to teamwork
- Efficiency to insight
- Fast growth to valued experience
- Delivering to owning

Structure
- Local to global
- Bridgeable gaps to big gaps between grades
- People manager to specialists
- Junior to senior
- Permanent to project

Talent
- Single to family
- Execution to analytics, re-design, innovation
- SME on top of process and technology expert
- Junior to senior
- Permanent to project
- Increased mobility

Leadership
- Local to multi-geographical (team and influence)
- Functional expert to leader
- Big team to small teams
- Suggestion to decision making
- Delivering through BPO
- Stakeholder management to business partnering
I SHAPE RTR

RTR Transformation (iShape RTR)

Background
There were several challenges GDBS RTR faced due to the large-scale global change initiative:
- Shift from market based to process based operations
- Standardization of core processes
- Continuously maintain operational stability
- Achieve one-off and continuous cost savings
- Large project portfolio and limited visibility of human resource allocation
- Demonstrate proven capability to take on additional support processes

Value Delivered
- Project Portfolio Management process
- Skill gaps identified and covered with training plan
- Accelerated professional development and increased employee commitment
- Reduced employee turnover and related costs
- Active involvement of leadership team improving sense of ownership

Deloitte Role
- Develop Action Plan and prioritize actions
- Enhance Project Portfolio Management process and system
- Develop Rules of Engagement
- Enhance internal communications
- Lay down team level responsibility split (RASCI)
- Define Coaching and Mentoring approach
- Develop Career Path concept
Action Plan:

Prioritization of actions:

Project Portfolio Management process:

Rules of Engagement:

Team level responsibility split (RASCI):

Coaching and Mentoring approach:

Career Path concept:
Diageo is the world’s leading premium drinks company

Brilliant execution through our shared services and common platform

Delivering significant efficiency for Diageo

We are empowering our markets to make informed decisions

Through our exceptional shared services, we deliver competitive advantage for Diageo
QUESTIONS?