3. Make our organisation more productive

Leverage our global scale and technology

One of our key goals is to improve operational and overhead efficiency and organisational effectiveness. We also aim to better leverage the scale of the organisation through group-wide procurement and IT programmes for the first time.

2014 highlights

- Global procurement and IT functions established
- Annual addressable procurement spend identified
- Strategic review of IT resources and capability completed
- Began implementation of accelerated best practice (ABP) across the group including:
  – 4,500 vehicles fitted with telematics devices by the end of 2014
  – Implemented route scheduling programme
  – Started our multi-year labour scheduling programme covering 39 countries and 376,000 employees
- Phase 1 of UK shared service centre completed

2015 priorities

- Migrate G4S Canada into North America shared service centre
- Improve development and deployment of IT systems and tools across the group
- Continue implementation of direct labour efficiency programme
- Supplier negotiation and rationalisation

Achievements

Organisational effectiveness

As well as taking action to strengthen our organisation with new appointments, we have also been reviewing our organisational design to ensure that management structures are both effective and efficient. In a number of regions we have embarked on a de-layering programme which aims to shorten lines of communication, reduce costs and increase the amount of time devoted to customers and the marketplace. We have also created two global functions that should deliver significant synergies in the areas of IT and procurement.

During 2014 we also established a project to globalise a number of our key functions – such as HR, communications, finance and legal. We believe that global functions will improve the consistency, effectiveness and efficiency of our functional services.

Shared service centres

An example of our approach to improve back office efficiency through shared service centres is in the UK, where we have completed the first wave of consolidating finance functions spread across nine different accounting locations and six different accounting platforms into one combined UK-based shared service centre on a single IT platform.

In North America, Canada will be consolidated into the US shared service centre during 2015, and beyond that we see opportunities to bring one smaller US business into scope that is not currently in the US shared service centre.

In the AME region we have made tangible progress since last year in evaluating how we can transition to regional hubs by, for example, co-locating simpler transaction processing activities before consolidating onto a single IT platform.

Direct labour management – *global*

Labour costs are around 75% of the total cost base for the group. Our in-house employee scheduling system provides reporting, key performance indicators (KPIs) and management information around direct labour management, so that businesses can better manage their labour costs. This solution is already in the process of being implemented in 13 countries and a significant number of other countries will have access to it in 2015.

A detailed management information pack of KPIs has also been produced by the secure solutions Service Excellence Centre (SEC) to enable businesses to better measure labour efficiency by tracking unbilled overtime, non-billable hours and reconciliation of labour hours in a much clearer and more consistent way is proving to be very valuable. It reconciles the output from payroll systems – what has actually been paid – and compares it to the expected output from the operating systems i.e., what the scheduling system expects to pay and bill to customers. It highlights any variance for further review and analysis, enabling us to make improvements going forward.

Labour efficiency measurement

Total hours billed and paid
(output from billing and payroll systems)

Reconciled to:
Contracted hours and actual hours delivered
(output from operating systems)

Variance analysed and ongoing improvements made

Cash Solutions/SEC partnership – *Serbia, Europe*

G4S Cash Solutions, Serbia has to manage a very broad range of note denominations and so the size and volume of notes they transport and insert in ATMs is different compared with most other cash solutions businesses.

As with all cash solutions SEC reviews, the team looked for efficiencies that could be achieved by applying proven methods to improve efficiency and customer service, while reducing costs and increasing profit. These include combining routes, increasing productivity, reducing premium hours, reviewing branch boundaries, realigning customer sites and re-planning to reduce or eliminate route cross-overs, and absorbing new contracts into existing routes.

In Belgrade, a dedicated team from G4S Serbia worked with the SEC and improved productivity by removing routes and vehicles by integrating collections or deliveries into other routes and planning the routes differently.

Australia care and justice services – *Asia Middle East*

G4S is one of the leading private providers of care and justice services in Australia and New Zealand, overseeing almost 1,500 offenders and transporting over 100,000 prisoners and 86,000 non-emergency patients in 2014. Leveraging our local knowledge and international expertise, a key part of the G4S Australia growth strategy is to develop our care and justice portfolio in new markets (Queensland and Western Australia) and new sectors (policing). To support this we have invested in senior executive level sector expertise in those states, in policing in Australia and transferred policing experts from the UK business.

CASH360™ – *global*

CASH360™ is the first integrated end-to-end cash management system that controls every stage, from cash payment by purchasers to depositing the proceeds into sellers' bank accounts. It has been launched in Europe and other markets. Over the last three years, CASH360™ revenues have grown over five-fold and we have plans to launch in more markets. This will enable our banking and retail customers to become more efficient and secure and help them to spend more time with their customers.

By automating the entire process, CASH360™ has been able to mitigate the risks that surround the management of money in a wide range of scenarios. The financial benefits for customers include better cash flow, simplified operations, a safer environment and reduction in losses, giving business owners and management more time to focus on trading successfully. Users have reported in-store costs of handling cash reduced by up to 70% and the elimination of "shrinkage" – loss of inventory that can be attributed to a variety of causes, from employee theft to administrative errors.

Strategy in action *continued*
Leverage our global scale and technology

Group procurement

During 2014 we established the position of chief procurement officer and conducted a baseline survey of non-payroll spend. This allowed us to determine the scale and the nature of the opportunity to reduce costs by employing a global approach to procurement. By bringing procurement under a global function we can use our scale to better negotiate deals with suppliers, reduce costs and make more structured purchasing decisions.

The baseline survey carried out in 2014 identified addressable spend of £1.3bn, of which 70% was attributable to eight broad categories of expenditure. Since then we have started the process of employing experienced category managers and opened negotiations with a number of our key suppliers. We concluded our first global procurement deals in early 2015 in IT and telecoms, and believe that this approach presents significant opportunities to reduce our costs and achieve better service and value for money.

IT transformation

In IT, we have a new group chief information officer, and have established a global leadership team.

We are adopting industry-recognised IT service management models, driving consistency and efficiency in IT infrastructure, development and operations. The first phase of transformation is focused on infrastructure.

In addition to improving supply chain management we are also using vendors' IT platforms to give us visibility and control of our spending.

We are also taking a global approach to rationalise the numerous email systems which exist across the group, improving communication and productivity. We are taking a similar approach to the rationalisation of our telecoms infrastructure and data centres.

On IT development, we have begun to offshore the software development that underpins our accelerated best practice for labour scheduling and route planning. Finally, during 2015 we will seek to bring a standard approach to our IT operations.

Operational excellence

In addition to programmes focused on organic growth, we have programmes under way designed to improve operating and organisational efficiency. These programmes are described collectively as Accelerated Best Practice (ABP). Two years ago we invested in creating Service Excellence Centres (SECs), for both secure solutions and cash solutions. SECs aim to deliver gross margin improvement and improved customer service by driving consistent operational excellence throughout the business.

ABP programmes include:

Telematics and route planning

We have around 34,000 vehicles in our fleet and spend over £300m per year on vehicle capital investment and operating costs. The telematics programme involves the installation and use of tracking devices that enable us to measure and reduce fuel and maintenance costs and improve driving safety. At the end of 2014, 4,500 of our vehicles were fitted with telematic devices.

Our route scheduling programme involves the use of equipment and software that enables our businesses to plan and operate optimal routes for collections, deliveries and site visits. When fully deployed, the programme can reduce both vehicle and crew requirements and improve customer service by helping our crews to meet delivery, collection and visit windows. By the end of 2015 we plan to have 7,000 vehicles operating under an enhanced route scheduling system.

Direct labour efficiency programme

The programme aims to improve customer service and reduce costs by deploying the right security officers at the right time and at the right cost, and by minimising non-billable time. This is an enormous multi-year programme covering 39 businesses and 376,000 employees in the first phase alone.

Direct labour efficiency reconciles the output from payroll systems – what's actually been paid – and compares it to the expected output from the operating systems i.e., what the scheduling system expects to pay, and highlights any variance for further review and analysis enabling us to make improvements going forward. See the case study on page 25 for more information.