**Steria Group profile**

**(Revised)**

by

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**Steria Group profile**

# Background

In September 2013, the Cabinet Office announced that Steria UK was the preferred bidder for the Joint Venture privatisation of Shared Services. The Shared Services for DWP, Defra, the Environment Agency and, later, the UK Shared Business Services (BIS) will be located in an Independent Shared Services 2 (ISSC2). PCS commissioned a company profile of Steria UK from the Public Services International Research Unit (PSIRU) as a response to this announcement, which has serious implications for civil service jobs.

The Steria company profile is structured as follows:

* History and background
* Company structure and results
* Key contracts
* Conclusion

# History and background

The Steria Group is a French multinational company, founded in 1969, with headquarters in Paris.

Table 1: Headquarters and UK offices

|  |  |
| --- | --- |
| Headquarters | UK  |
| Steria France11 avenue du Maréchal Juin 92366 Meudon-la-Forêt Cedex France <http://www.steria.com/fr/>T: +33 1 34 88 60 00 Fax: +33 1 34 88 69 69  | Registered OfficeSteria LimitedThree Cherry Trees LaneHemel HempsteadHertfordshireHP2 7AHT: +44 (0)845 601 8877F: +44 (0)1442 884335E: enquiries@steria.co.uk |

Steria employs about 20,000 people and has activities in France, UK, Belgium, Luxembourg, Germany, Sweden, Norway, Denmark and Poland in Europe and in India, Singapore, China (Hong Kong) in Asia as well as Morocco in North Africa. It has four main business areas:

* Consulting and Systems Integration;
* Applications Maintenance;
* IT Infrastructure Management;
* Business Procurement Outsourcing (BPO).

Steria works with both the public and private sectors. Government and the public sector are an expanding market. In the UK, Steria provides services to central and local government as well as health, education and criminal justice services. For example, in the criminal justice system, Steria has worked with the National Offender Management Service, the Home Office, the Independent Police Complaints Commission and almost 60% of UK police forces.

There has been a gradual change in the focus of the company in the last decade. It has moved from providing mainly direct IT services to the public and private sectors, to working in partnership with clients to use IT to solve problems and develop new processes for organising information and delivering services. In a recent strategy meeting, Steria presented the next stage of business development as delivering IT and business services to clients on demand, which assumes that the shared partnership relationships will facilitate the appropriate organisation arrangements to deliver services as needed by the client.[[1]](#endnote-1)

In the last three years, Steria’s four main markets have been the UK, France, Germany and Scandinavia (Norway/ Denmark/Sweden). In the UK, it has moved from working with specific sectors to developing Shared Services Centres. Steria’s largest Shared Services Partnership is with the NHS, called NHS SBS. This came as a result of Steria buying Xansa, an IT company, in 2007 which was already working in partnership with the NHS. 55 % of UK full time equivalent (FTE) posts are offshored, mainly in India.

In France, Steria works with the public and private sectors, including the French government and has 6% of FTEs offshored. In Germany, Steria was responsible for implementing the electronic ID card in 2010. Up to 10% of FTE posts are offshored in Germany. In Scandinavia, Steria has continued to work on Infrastructure Management projects with remote Infrastructure Management Services activities delivered from Poland. [[2]](#endnote-2) An important part of the Steria business model, is to offshore services. Steria partnerships in the UK have the highest level of full time equivalent jobs offshored.

Founded by the Carteron Family in 1969, to work in information and business systems, the company ownership is now dominated by institutional investors. Steria is listed on the Euronext Paris market.

Table 2: Ownership

|  |  |
| --- | --- |
| Investor | % holding |
| Institutional investors | 59.0% |
| Employees (Including Xansa and Steria Share Incentive Plan (SIP) trusts) | 20.4% |
| Individuals | 16.6% |
| Carteron Family (founder) | 3.9% |
| Treasury Stock | 0.1% |

Source: [www.steria.com](http://www.steria.com)

Employees hold 20.4% of Steria shares. Steria operates a Share Incentive Plan system for employees. Employees can buy company shares. For every three shares bought by an employee, the company provides one ‘matched’ share. If an employee remains with the company for two or more years, they can retain these ‘matched’ shares but if an employee ceases to be employed by Steria, s/he has to withdraw from the share investment scheme and sell their shares.

The Steria group uses the legal structure of a limited share partnership (Société en Commandite par Actions) under French law (SCA) as its governance system. The General Partner is a simplified stock company called Soderi, which represents the Group employee shareholders. [[3]](#endnote-3)

Table 3: Steria Executive Directors

|  |
| --- |
| **Executive Committee** |
| François Enaud | Group CEO (member of the Board of Arkema, a global chemical company) |
| Laurent Lemaire | Senior Executive Vice President, Group CFO  |
| John Torrie | Senior Executive Vice President, CEO United Kingdom and India |
| Olivier Vallet | Senior Executive Vice President and CEO France (Member of *Syntec* numerical board – a French professional association for information specialists)  |
| Patricia Langrand | Executive Vice President, Director of Business Development, Marketing and Communication (Member of the Supervisory Board of *Outremer Télécom* and a member of the Board of Directors of *France Télévisions*) |
| Kjell Rusti | Executive Vice-President, CEO Scandinavia |
| Sanjeev Varma | Executive Vice-President, CEO India |
| Amaury Houdart | Executive Vice-President, Group HR |

Source: [www.steria.com](http://www.steria.com)

Table 4: Steria Supervisory Board

|  |  |
| --- | --- |
| Jacques BentzChairman of the Board | Manager of Tecnet Participations |
| http://media.corporate-ir.net/media_files/irol/global_images/spacer.gifEric HayatVice-Chairman of the Board | Chairman of Groupement d'Intérêt Public (GIP)Modernisation des déclarations sociales |
| Léo Apotheker | http://media.corporate-ir.net/media_files/irol/global_images/spacer.gif Company Director |
| http://media.corporate-ir.net/media_files/irol/global_images/spacer.gifPatrick Boissier | Chairman and CEO of DCNS |
| Séverin Cabannes | Deputy CEO of the Société Générale Group |
| Elie Cohen | Economist - Research Director at CNRS,Professor at Sciences-PO-CAE |
| Bridget Cosgrave | Founder and Chairman of EveryEuropeanDigital (EED) |
| Pierre Desprez | Chairman of Group Steria Mutual Fund and Steria Employee

|  |
| --- |
|  |

 |
| Pierre-Henri Gourgeon | Chairman of the PH Gourgeon Conseil |
| Laetitia Puyfaucher | CEO of Pelham Media |

Source: www.steria.com

# Company structure and results

Table 5: Steria turnover/ profits

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2011-12** | **2010-11** | **2009-10** |
| **Revenues**  | €1.83 billion | 1,748bn | 1,693bn |
| **Operating margin** | 117.4m | 130m | 120m |
| **Net debt** | 143m | 126m | 101m |
| **Number of employees** | 20,565 | 20,306 | 19,017 |

Source: Steria Financial Review: 2012, 2011, 2010

Although revenues have increased in the last three financial years (2009-2012), there was a slight fall in operating margins and an increase in net debt. There has been a slight increase in the number of employees.

Table 6: Steria Regional revenues

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2011-2012 %**  | **2011-12** | **2010-2011 %** | **2010-2011** | **2009-2010** |
| United Kingdom | 40% | 735.2 | 41% | 728.1 |  |
| France | 33% | 588.5 | 31% | 551.6 |  |
| Germany | 13% | 243.1 | 13% | 239.8 |  |
| Other Europe | 14% | 260.4 | 15% | 264.2 |  |
| Total |  | €1,827.2 |  | €1,783.7 |  |

Source: Steria Annual Report, 2012, 2011, 2011

In 2011-2013, the UK contributed 40% to company revenues, with France contributing the second largest percentage (33%). There was little change from the previous financial year. Government contracts and shared partnerships contribute 39% of group revenue, with over half of this revenue coming from the UK.

In France, one of Steria’s main partnerships has been with the French central government, working with the Ministry of Finance to arrange government finance functions through a programme called ‘Chorus’, which is designed to streamline the management of public expenditure and revenues. Steria has also had a contract with the French National Payroll Operator to organise human resource systems across government ministries. This has been part of the French Administration Modernisation programme. There is a Steria Shared Services Centre in Toulouse, where back-office functions are delivered. Steria’s account of what has made these two contracts successful, reveal the approach taken by the company. Steria draws on the public sector accounting systems experience and ‘*an aggressive outsourcing trajectory leading to the margeting mix of Paris-Toulouse sites in less than a year*’. It also drew on its experience of inter-ministerial deals especially in the design and data migration stages and strong leadership was required to make seven ministries work together. [[4]](#endnote-4)

Table 7: Steria Services

|  |  |  |
| --- | --- | --- |
|  | **2011-12** | **2010-11** |
| Consulting, System Integration  | 41% | 33% |
| Infrastructure Management  | 30% | 42% |
| Application Portfolio Management AM  | 16% | 11% |
| Business Process Outsourcing (BPO)  | 11% | 14% |
| Testing  | 2% | - |

Source: Steria Financial Report, 2012, 2011

In the light of changes in the last two years, there is a slight shift in focus from Infrastructure management to Consulting/ system integrations and from Business Process Outsourcing to Application Portfolio Management. Both these changes reflect the change in company focus from providing services to working with clients to solve problems and establish longer term partnerships to deliveron demand.

Table 8: Employees

|  |  |  |  |
| --- | --- | --- | --- |
| **Country** | **31.12.2012** | **31.12.2011** | **Change** |
| France | 6,216 | 5,903 | 5.3% |
| UK | 4,209 | 4,303 | -2.2% |
| Germany | 1,687 | 1,648 | 2.4% |
| Other Europe | 1,677 | 2,470 | -32.1% |
| India | 5,220 | 5,560 | -6.1% |
| HQ | 101 | 104 | -2.9% |
| Total | 19,110 | 19,988 | -4.4% |

Source: 2013 Financial Results

Steria employs over 19,000 workers with the majority of employees in Europe. However, India is the second largest country employer, with 5,220 employees on 31 December 2012. The biggest fall in the number of employees was recorded in countries in the rest of Europe, which can be explained by the sale of Steria Spain in November 2012 and a decrease in government contracts in Norway/Sweden/Denmark in 2012. Steria Spain was sold to Aurelius, a US hedge fund. [[5]](#endnote-5)

Although Steria has reported annual increases in revenues over the last three years, it has also reported slight falls in its operating margins and increases in annual net debt.

Table 9: Analysis of debt (€000)

|  |  |  |
| --- | --- | --- |
|  | 31/12/2011 | 31.12.2012 |
| Bank borrowings | 263,601 | 235,776 |
| Other borrowings |  24 |  9,034 |
| **Long term borrowings** | **263,625** | **245,810** |
| Bank borrowing |  28,322 | 34,994 |
| Other related liabilities |  357 | 6,505 |
| Current bank facilities | 3,969 | 1,288 |
| **Total short term borrowing** | **32,648** | **42,786** |
| **Total borrowings (short and long term)** | **296,273** | **288,597** |
| **Total cash and cash equivalent** | **170,369** | **145,579** |
| **Net indebtedness** | **125,905** | **143,018** |

Source: Registration Document was filed with the French securities regulator (AMF or *Autorité des marchés financiers*) on 21/03/2013, p.155

In the financial years from 2010-11 and 2011-2012, Steria recorded a decrease in long term borrowings of

€17,615,000 but, an increase in short-term borrowings of €10,138,000. This resulted in a slight decrease in overall borrowings of €7,677,000. However, because total cash and cash equivalents were reduced in the year 2011-12, the net indebtedness for 2011-12 has increased by €17,114,000, resulting in an overall increase in net indebtedness from from €125,905 to €143,018 between 2010-11 and 2011-12. In the same period 2010-2012, although revenues increases from €1.7billion to €1.8billion, the profits (net income = revenue – cost of business, taxes.. etc) dropped from €55.0m to €35.6m. A major cause of this drop in profit was an increase in the percentage of sales devoted to selling, general and administrative costs (SGA) from 13.41% to 14.36%.[[6]](#endnote-6)

Steria drew up a savings plan in the third quarter of 2013. This aim to generate beween €18-20 million in savings. The sale of Steria Spain in November 2013, will generate annual savings of €3 million per year. A Steria Bond was issued in April 2013, as a €180 million bond issue with a maturity of 6 years and 3 months (due July 2019) and a fixed-rate annual coupon of 4.25%. The bonds have been placed with institutional investors.[[7]](#endnote-7)

# Key contracts 2012

Table 10: Steria Key contracts 2012

|  |  |  |
| --- | --- | --- |
| €50-€100Pôle EmploiNorwegian Labour and Welfare Service | €20m to €50mDet norske (oil and gas, Norway)Canal +Norwegian CustomsVolkswagenMoD | 10m/€20mJC DecauxFrench Ministry of JusticeStatistics Sweden AuthorityBootsWhitbreadE.ON |

Source: Steria Briefings 2013

# Industrial Relations

There are several examples of how Steria deals with industrial relations. In 2011, Unite members, employed by Steria UK Ltd and working on a Capita account, went on strike on 16 December 2011 in protest against Steria’s refusal to offer a pay rise for 2010 (payable from April 2011).[[8]](#endnote-8) Steria argued that a pay freeze was necessary because of the current financial situation although the company had shown increased profits over the previous two financial years. Industrial action took place at Steria sites in Bristol, Coventry and High Wycombe. [[9]](#endnote-9)

The work of the NHS SBS partnership with Steria has resulted in the loss of NHS administrative jobs, with jobs being offshored to India. In Cornwall, in November 2011, 26 staff, working on patient registration at the Sedgemoor Centre in St Austell, were affected when patient registration services of the Cornwall and Isles of Scilly Primary Care Trust (PCT) were transferred to NHS SBS. About a third were expected to lose their jobs.[[10]](#endnote-10)

The Steria Cleveland Police Authority Shared Services provides further evidence of how Steria approaches industrial relations. Cleveland Police privatised all its staff based services, including the Command and Control (Policy Call Centre) and the ICT service in 2010.[[11]](#endnote-11) It signed a £175 million contract to outsource its non-policy work to Seria, with a guarantee that there would not be any compulsory redundancies over the next 10 years. 500 IT, finance and control room jobs were outsourced immediately, with strong union objections. In 2012, 30 civilian jobs were cut. Steria and Cleveland Policy Authority confirmed that they had both broken the guarantee not to issue compulsory redundancies for 10 years, although it was “*based on an understanding that the police authority would be able to outsource sufficient functions to provide roles for all of the staff transferred to Steria*”, which Cleveland Police Authority was unable to do.[[12]](#endnote-12) Redundancy payments were paid by Cleveland Police Authority and not Steria, which shows that the public sector has still to pay for future redundancies, even though the services have been contracted to a private company. The way in which risks were apportioned between the public sector (Cleveland Police) and Steria (private sector) was unbalanced. [[13]](#endnote-13)

Not all Steria contracts remain with the public sector. In 2013, Spelthorne District Council, after working with a mixture of in-house and contracted IT services, decided to bring a Steria IT contract back in-house. Spelthorne, Runnymede and Elmbridge District Borough Councils had been working together to share services such as human resources and IT as a way of using resources more effectively and cutting costs. The staff affected by bringing the contract back in-house returned to Spelthorne employment on 1 January 2013. There was extensive consultation with UNISON, which welcomed the move back to an in-house provision. [[14]](#endnote-14)

# Conclusion

The Steria Group is an expanding French multinational company, which operates in the field of IT and business systems. It is increasingly working with government and the public sector, with 39% of revenue coming from government contracts. The UK generates 40% of its revenues with over 55% of full time equivalent (FTE) jobs offshored. The company uses IT and business systems to reduce costs. Offshoring is part of this cost reduction strategy. This is increasingly important when working with government and public sector agencies which are being forced to cut budgets.

There are some significant changes in relationships between Steria and its clients. A decade ago, it was contracted to provide IT and related systems. With the establishment of the NHS Shared Business Services joint partnership, this changed the way in which Steria worked with clients. Increasingly, Steria was working in partnership with government agencies to solve their ‘problems’. This has given Steria an increasing influence over the business systems that are used by the government and public sector. Steria is able to offer solutions through using IT to restructuring systems, reorganise and centralise information and change the ways of working of staff who operate these systems. This is leading to future scenarios, where Steria will be so firmly entrenched in a government department or agency, that it will be a permanent part of the organisation. Steria has already gained experience of working with central government through its work for the French government in finance and human resources. Its implementation of this contract has shown how aggressive the company can be in forcing off-shoring of jobs. The example of Cleveland Police Authority shows how even with a 10 year no-redundancy agreement, Steria can easily break agreements, often leaving the public sector to pay the costs of redundancies.

There are indications that although Steria is expanding its annual revenues, there are some underlying debt problems. The sale of Steria Spain as a means of reducing overall company debt shows that Steria has little commitment to parts of the company when indebtedness increases.

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1. 2013 Steria Analyst Day 3 April 2013 [↑](#endnote-ref-1)
2. 2013 Steria Analyst Day 3 April 2013 [↑](#endnote-ref-2)
3. [www.steria.com](http://www.steria.com) [↑](#endnote-ref-3)
4. 2013 Steria Analyst Day 2 April 2013 [↑](#endnote-ref-4)
5. www.aureliusinvest.com Aurelius has also just taken control of the Coop Bank. [↑](#endnote-ref-5)
6. http://investing.businessweek.com/research/stocks/financials/financials.asp?ticker=RIA:FP [↑](#endnote-ref-6)
7. Steria Press release 11 April 2013 [↑](#endnote-ref-7)
8. Press Release: Unite members at Steria strike over pay dispute
<http://www.iansunitesite.org.uk/2011/12/strike-over-pay-at-it-services-company.html> [↑](#endnote-ref-8)
9. Burke Tony (2011) IT workers Steria strike solid <http://www.powerinaunion.co.uk/it-workers-steria-strike-solid/> [↑](#endnote-ref-9)
10. This is Cornwall (2011) NHS staff lose jobs as admin goes to India Thursday, November 17, 2011http://www.thisiscornwall.co.uk/NHS-privatisation-fears-admin-work-goes-India/story-13872920-detail/story.html#ixzz2iXHMEnDy [↑](#endnote-ref-10)
11. The Northern Echo (2012) Civilians may lose jobs in Cleveland Police cuts 17 August 2012 <http://www.thenorthernecho.co.uk/news/9879063.30_civilians_may_lose_jobs_in_Cleveland_Police_cuts/> [↑](#endnote-ref-11)
12. Gazette (2012) Former policy posts go despite 10 year guarantee

<http://www.gazettelive.co.uk/news/local-news/former-police-posts-go-despite-3671445> [↑](#endnote-ref-12)
13. APSE (2012) The case for direct service delivery Report for Watford Council Unison Branch <http://watford.moderngov.co.uk/documents/s3979/Appendix%206.1.pdf> [↑](#endnote-ref-13)
14. Runnymede District Council Corporate Management Committee Thursday 30 August 2012 at 7.30pm <http://www.runnymede.gov.uk/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/RBC%2520Portal/Council%2520Diary/2012/August/committees/CM_300812.pdf> [↑](#endnote-ref-14)