Shared Services Centers
‘The Next Generation’
Table of Contents

Four burning questions to be addressed to move to next Generation of SSC  4
Multi-Functional or Specialized?  5
Make or Buy?  6
Onshore, Offshore, what Mix?  7
Picking the best location  8
Market Trends  9
How new digital technologies empower SSC?  10
How close are you to the Next Gen?  11
More than ever, Shared Services Centers are a catalyst to unleash efficiencies

Shared Services Centers organization model has already demonstrated its benefits delivering cost efficiency, enhancing service effectiveness, increasing agility and reducing complexity.

In borderless, technology-driven and ultra-competitive economies, Shared Services Centers are strategic to deliver bottom-line results.

We believe in Next Generation of Shared Services Centers:

- Combining Captive centers & Outsourcing partnerships
- Enhancing large scale and delivering synergies
- Leveraging Companies Footprint
- Empowered through new Digital Technologies
- Being the ‘Transformation factory’ capable of locking in and industrializing Transformation
Four burning questions to be addressed to move to next Generation of SSC

- **Multi-Functional or Specialized?**
  - Bundle Finance, HR, IT, Procurement, etc.
  - A single governance under a Global Shared Services Organization with an Executive VP
  - Cross functions services

- **Make or Buy?**
  - Hybrid Model leveraging best practices of Captive Centers and Outsourcing Partners

- **Onshore, Offshore, what Mix?**
  - Leverage large scale through:
    - Network of Global & Regional Hubs
    - Mix of Transactions Centers and Centers of Excellence

- **How new digital technologies empower SSC?**
  - Process Digitalization
  - All Channel Experience (ACE)
  - Center of Analytics

- **Transformation and Delivery Excellence**
  - **Acceleration of ROI**
  - **Synergies & Labor Cost Arbitrage**
  - **Cost Efficiency & Service Effectiveness**
Multi-functional SSC is a real ‘Transformation Factory’ industrializing and fostering the transformation of SSCs towards highest performances

- Committing Multi-functional SSC management on performance and achieved improvements
- Building critical mass and experience to combine leading edge operating models
- Coordinating initiatives and consolidating budgets to leverage technology opportunities
- Developing performance-driven mindset and framework
- Leveraging on experiences of transformation and optimization

Bringing SSC together under a single governance enables efficiency through

- Off-shoring and globalization: develop location strategy and co-location, optimize facilities and management team
- Outsourcing: develop sourcing strategy, manage vendors
- Integrating end-to-end processes: increase synergies across functions (Procure To Pay; Order To Cash; Hire to Retire,…)
- Leveraging best practices: lean management and continuous improvement, internal benchmark, performance management framework, smart financial model,…
- Digitization: shared investments and experiences (Workflows, scan and OCR, self-services portal, big data)

“Driving performance through a single and streamlined organization inevitably leads to synergies and savings.”
When coming to consolidation of Back Office Services, two options are considered: Captive SSC or Outsourcing partnership.

For many companies, Shared Services Centers are evaluated at the same time as outsourcing to determine which solution fits better for Back Office Services.

There is no typical ‘good choice’. The ‘best choice’ totally depends on organisation situation, footprint, strategy and experience in centralization, etc.

Typical drivers for SSC set up include:
- Willingness to keep process knowledge in house
- Concern of loss of company process knowledge to a third party
- Perspective to develop owned Shared Services Centers offering in the market through professionalization
- Opportunity to improve internal operations before considering outsourcing activities
- Fear to loose flexibility and efficiency with BPO

Typical drivers for Business Process Outsourcing include:
- Decision that back office activities are non-core and would be better handled by a third party specialist
- Business is under intense cost pressure and needs to deliver immediate results
- Internal capabilities are missing to set up and run a captive SSC
- Investments and changes are too high to be achieved internally
- Outsourcing can provide a direct route to process improvements and technology, but brings its own location and cultural challenges

### Make or Buy?

<table>
<thead>
<tr>
<th>In House</th>
<th>Outsourced</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Processes control and Business knowledge within the company</td>
<td>- Savings made by outsourcers are higher</td>
</tr>
<tr>
<td>- Lower risk on data privacy by a better control of End to End information chain</td>
<td>- Contracts are based on continuous improvement of productivity</td>
</tr>
<tr>
<td>- Easy to backtrack if necessary</td>
<td>- Ability to compare performance with market standards</td>
</tr>
<tr>
<td>- Global footprint enables to do internally</td>
<td>- Better control of people turnover and wages</td>
</tr>
<tr>
<td></td>
<td>- Labor arbitrage benefice taken even with a limited global footprint</td>
</tr>
</tbody>
</table>

Savings cannot be the only element in the arbitrage between Shared Services Centers and Outsourcing model. Culture, strategy and scalability must also be considered.
Onshore, Offshore, what Mix?

Why do you need a sourcing strategy?

To maximise benefits while balancing risks and accessibility.

What is the right sourcing strategy?

There is no one size fits all sourcing strategy. Selecting the right sourcing model means finding the good combination of ownership (owned or not owned) and location (onshore, near shore or offshore).

Illustration of an hybrid and global model

Most advanced sourcing strategy consists in hybrid models.

Four main models exist on the market. The best solution is probably a combination of 2, 3 or 4 models:

I. In-house onshore services

Processes at the forefront of attention, with potential brand, compliance and business impact.

II. Outsourced onshore services

Processes managed in cohabitation mode, two independent organizations collaborating closely (for legal constraints).

III. In house offshore services

Processes are handled by a captive organization as they present a competitive advantage, data access constraint or internal capabilities.

IV. Outsourced offshore services

Processes needing less control, although not to be “forgotten”. It is all about appreciation of remote delivery, cost of services vs. excellence of services, cultural influence, maturity of the service provider.

Regardless of the origin, being successful in the implementation of the selected combination depends on the monitoring of the transformation journey.
Picking the best location

While implementing Shared Services Centers, site selection is the most critical part of the process and multiple criteria must be considered.

Dimensions to select the best location are:

- Financial attractiveness
- People skills and availability
- Business Environment.

Criteria traditionally regarded as being more important than others are:

- Inflation as it measures continued financial attractiveness over the long run
- Political and economical environment, especially with regards to currency devaluation and international movement of cash
- Government support (through subsidies), available incentives may vary widely depending on the functions concerned or the size of your shared services center

There is no magic bullet as far as location studies are concerned as each company is facing very different challenges depending on size, geographical footprint as well as industry – for example trade compliance considerations have increased relevance in the Defense and Energy industries.

"Site selection is the most critical part of the process!"
Market Trends

Some countries have invested heavily in the Shared Services industry with a three-pronged approach focusing on education (technical and languages), infrastructures and incentives. This has resulted in the emergence of regional champions and challengers in each geographical zone.

Traditional players in the Euro-Mediterranean region focus on the regional market, where local language is a key requirement. They are located in Eastern Europe, with Poland, Romania or the Czech Republic showing between 30% and 50% annual growth in FTE employed in international shared services centers. While market saturation is not an immediate concern in Eastern Europe, Mediterranean countries such as Spain, Portugal or Morocco are attracting more and more shared services centers thanks to incentive programs targeting low to medium size organizations that do not reach the FTE thresholds for incentives in Eastern Europe.

Latin America Shared Services Centers market targets Spanish speaking countries and to a lesser extent the United States - it does not show the same concentration as the Asian and European markets, with Costa Rica, Chile, Mexico, Argentina and Brazil all representing a sizeable share of the business and Colombia positioning itself as a challenger. Political and economical stability require specific focus when selecting a site in the region, as evidenced by the recent devaluations in Argentina, Venezuela and Mexico.

Asia has maintained its position as a preferred destination for global shared services centers, with India still commanding a significant share of outsourcing volumes for transactional activities thanks to a favorable labor market and the availability of engineering and finance graduates. Countries like the Philippines or Malaysia are positioning themselves as credible alternatives, through government support as evidenced by incentives and investment in infrastructures. This has enabled them to gain market share while India’s own position is eroding.

<table>
<thead>
<tr>
<th>Support Function Salary average (€/h)</th>
<th>Euro-Mediterranean countries</th>
<th>Asia</th>
<th>Latin America</th>
</tr>
</thead>
<tbody>
<tr>
<td>France base 100</td>
<td>Poland 40-30</td>
<td>India 15-10</td>
<td>Costa Rica 40-30</td>
</tr>
<tr>
<td>Romania 30 - 25</td>
<td>Portugal 55-45</td>
<td>Philippines 20-15</td>
<td>Mexico 25-15</td>
</tr>
<tr>
<td>Morocco 30-20</td>
<td>Morocco 30-20</td>
<td>Malaysia 40-30</td>
<td>Argentina 40-30</td>
</tr>
<tr>
<td>India 15-10</td>
<td>Portugal 7-8</td>
<td>Costa Rica 40-30</td>
<td>Colombia 40-30</td>
</tr>
<tr>
<td>Philippines 6</td>
<td>Mexico 7</td>
<td>Argentina 4</td>
<td>Colombia 4</td>
</tr>
<tr>
<td>Malaysia 6</td>
<td>Mexico 7</td>
<td>Argentina 13</td>
<td>Colombia 4</td>
</tr>
<tr>
<td>Costa Rica 40-30</td>
<td>Argentina 4</td>
<td>Colombia 4</td>
<td></td>
</tr>
<tr>
<td>Mexico 25-15</td>
<td>Argentina 13</td>
<td>Colombia 4</td>
<td></td>
</tr>
<tr>
<td>Argentina 40-30</td>
<td>Colombia 4</td>
<td>Columbia 4</td>
<td></td>
</tr>
<tr>
<td>Colombia 40-30</td>
<td>Columbia 4</td>
<td>Columbia 4</td>
<td></td>
</tr>
</tbody>
</table>

Labor cost arbitrage competitive advantage of low cost countries will carry on in the foreseeable future.
How new digital technologies empower SSC?

Digitization is a powerful lever to enhance Service Delivery, enabling processing of most transactions with embedded controls in place; reducing time cycle, improving access to information, providing accurate, relevant and reliable data through real-time interfaces, analytical reporting, decision support, performance management, ... Technologies evolution enables breakthrough in SSC delivery and services model:

- To go on providing cost effective transactions with must-have commodities
- To propose more cutting-edge services around big data analytics and competency-based processes
- To enhance user experience and collaboration through digital technologies

“With new digital technologies, there is room for cutting-edge innovation in operating models.”

- Portals provide a centralized and collaborative access point to SSO information, systems and services (e.g. e-catalog, integrated vendor portal, sourcing platform)
- Workflow management brings automation, keeping an audit trail (e.g. real time access to inventory data, digital approval process, digital orders, digital invoices, SaaS or ASP technology integrated with systems & tools and enabling real time communication)
- Document management enables to get rid of administrative papers (e.g. e-invoicing, Smart cash collection tools, mobile SAAS based invoicing, Big data and real time reporting)
How close are you to the Next Gen?

Regardless of your shared services journey, you are in one of these three maturity levels:

- **Old Timer**
  - Focus on automation (OCR, e-document management, etc.)
  - SSC reporting directly to the function
  - All processes kept in-house

- **New Kid**
  - Focus on optimization (digital workflows, mobile SaaS, real time reporting, cash collection tools…)
  - Some processes consolidated in a regional or global SSC

- **Next Gen**
  - Focus on new services (big data analysis) and service to the client (web portals, ‘SSC CRM tool’)
  - Transformation factory
  - Global Shared Services Organization focusing on synergies (end-to-end processes view)

**Multi-Functional or Specialized?**

- Make or Buy?
  - Onshore, Offshore, what mix?

**How new digital technologies empower SSC?**

- Network of Global & Regional Hubs
- Mix of Transactions centers and Centers of Excellence

- Transformation factory
- Global Shared Services Organization focusing on synergies (end-to-end processes view)
- Hybrid Model combining Captive Centers and Outsourced Centers

- SSC reporting directly to the function
- Global Shared Services Organization organized by function
- Some processes consolidated in a regional or global SSC

- All processes kept onshore
- Some processes consolidated in a regional or global SSC
- Focus on automation (OCR, e-document management, etc.)
- Focus on new services (big data analysis) and service to the client (web portals, ‘SSC CRM tool’)

- Collocation of activities
- Focus on optimization (digital workflows, mobile SaaS, real time reporting, cash collection tools…)
- Network of Global & Regional Hubs

- All processes kept in-house
- Some processes consolidated in a regional or global SSC
- Focus on automation (OCR, e-document management, etc.)
- Transformation factory

- Mix of Transactions centers and Centers of Excellence
- Network of Global & Regional Hubs
- Transformation factory

- Collocation of activities
- Some processes consolidated in a regional or global SSC
- Focus on new services (big data analysis) and service to the client (web portals, ‘SSC CRM tool’)

- All processes kept in-house
- Some processes consolidated in a regional or global SSC
- Focus on automation (OCR, e-document management, etc.)
- Transformation factory

- Collocation of activities
- Some processes consolidated in a regional or global SSC
- Focus on automation (OCR, e-document management, etc.)
- Transformation factory
Capgemini Consulting is the global strategy and transformation consulting organization of the Capgemini Group, specializing in advising and supporting enterprises in significant transformation, from innovative strategy to execution and with an unstinting focus on results. With the new digital economy creating significant disruptions and opportunities, our global team of over 3,600 talented individuals work with leading companies and governments to master Digital Transformation, drawing on our understanding of the digital economy and our leadership in business transformation and organizational change.

Find out more at: http://www.capgemini-consulting.com/

Rightshore® is a trademark belonging to Capgemini