



## ***Where in the world?* Selecting the location for your shared service centre**

Making the right choice on where to locate your shared services centre is imperative to its success



## The factors in choosing the optimal location for your shared service organisation need to go beyond obvious considerations of tax and labour cost arbitrage, as many organisations have found to their cost

Organisations face conflicting criteria in choosing a location amongst an expanding universe of candidates. As many of the early movers in shared services have discovered to their cost, the expense of exiting from an unsuitable location, once the Shared Service Centre (SSC) is in operation, can be prohibitive.

Achieving buy-in and commitment to the location of shared services operations is a challenge given the underlying competition for resources and investment. Therefore, Capgemini Consulting's Global Shared Services team have developed a proven approach to selecting the optimal locations for your operations, tested both through global research and practical engagements with our clients.

Our experience suggests that to make the right choice in location selection, organisations need to step beyond short-term location trends and make a decision based on robust evaluation criteria tailored to the specific requirements of your organisation and the market within which you operate.

A robust approach is vital in selecting the optimal location, to reduce risk and maximise long term cost benefits. The approach outlined here – and illustrated in Figure 1 – considers three main filters, or types of logic, to determine this optimal location.

**1) The geographic filter examines the environmental and political factors:** High level requirements for your organisation

should be applied to the widest geographical area to create a 'long list' of candidate cities, filtering out politically unstable locations and areas with an unsuitable support infrastructure.

Emerging BPO countries, such as Romania and Bulgaria, should be considered in addition to more established destinations such as Poland or Hungary, given the developing capabilities of these countries, business focused regimes, and operational cost savings that could be achieved.

Companies must also consider the risk of natural disaster in some areas. A number of SSCs in parts of India, for example, have had to be closed in recent years due to flood problems.

**Siemens Medical Diagnostics**  
The Dade Behring organisation chose Brussels as the location for their SSC in 1999. At the time, other markets were less mature and Brussels provided a low risk, albeit higher cost option. The Director of European Shared Services George Liberopoulos notes, "The multi-cultural and metropolitan city offered generous tax incentives for coordination centres, which supported the initial business case. Ten years on, with the organisation now under the umbrella of Siemens Medical Diagnostics, Brussels provides a relatively expensive workforce, but a workforce that has a mass of multi-lingual qualified accountants. Its geographical location as a central hub within Europe provides easy access to our customers and staff."

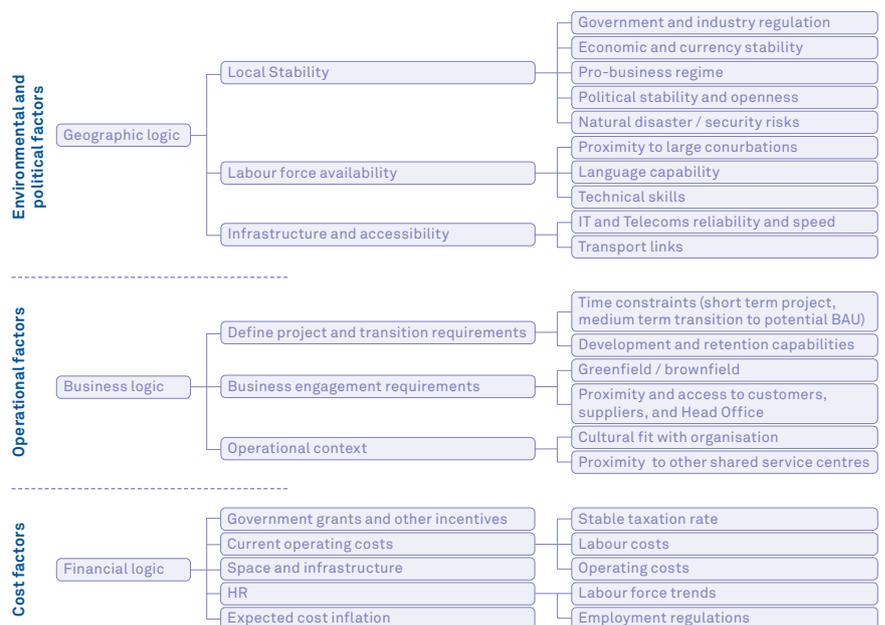


Figure 1: The Capgemini Consulting Shared Services location model

**2) The business logic filter looks at operational considerations:**

This filter determines which locations can meet the internal needs and existing capabilities of the organisation.

Cultural fit might eliminate a number of offshore locations and lead an organisation to look on- or near-shore. A number of US companies source services from Caribbean locations due to the close geography and alignment to American culture; many French speaking European companies have based their operations in Morocco; and Scandinavian countries have used the Baltics for similar reasons.

There is also a growing trend to locate SSCs in different countries under one management umbrella, which puts added emphasis on developing robust management and governance structures to manage the risks and benefits from such multi-country activities.

**3) The financial logic examines tax and labour costs and trends:**

This requires a detailed review to ascertain the relative strengths of candidate locations, focused on financial parameters and their relative importance for the business. It is vital to consider long-term projections – including number of graduates, and movements in real estate prices and relative tax rates – to “future proof” the solution. Too many organisations go straight for the third filter without adequate consideration of the other filters, with the result that, as labour cost and tax rates change, so the benefits expected from the SSC are eroded.

**The importance of a robust location selection methodology**

In summary, choosing the optimal location for your SSC is, quite rightly, a challenging process.

A structured approach to this decision process, like the one detailed here, which takes into account geographic, business and location specific factors, will ensure that you reap the long term

benefits from moving your support operations to a new location, whilst minimising the inherent risks.

**Moving from short list to chosen locations**

Structured site visits to the short listed locations will allow you to see the operational reality on the ground. These site visits cover a pre-agreed range of qualitative and quantitative factors, pertinent to your business. Wherever possible, the visits should include third-party company sites and, if appropriate, outsourcing global delivery centres to understand their experiences of operating in the local environment.

The structured site visits ensure that our clients have the right information to choose the appropriate locations for their service operations with confidence.

**Our detailed research indicates that certain new territories are emerging**

Cappgemini Consulting have worked with business leaders and academics to research the factors in the location selection filters to ensure that our clients are fully informed of the options available to them. Cappgemini Consulting has worked with business leaders and academics to research the driving factors in the location selection filters to ensure that our clients are fully informed of the options available to them. We have also conducted a global survey that illustrates the most popular choices for shared service locations for leading companies.

Our clients are asking us questions, such as whether India will remain competitive and how do global trade patterns affect the ideal location? We have developed a detailed map of shared services by country,

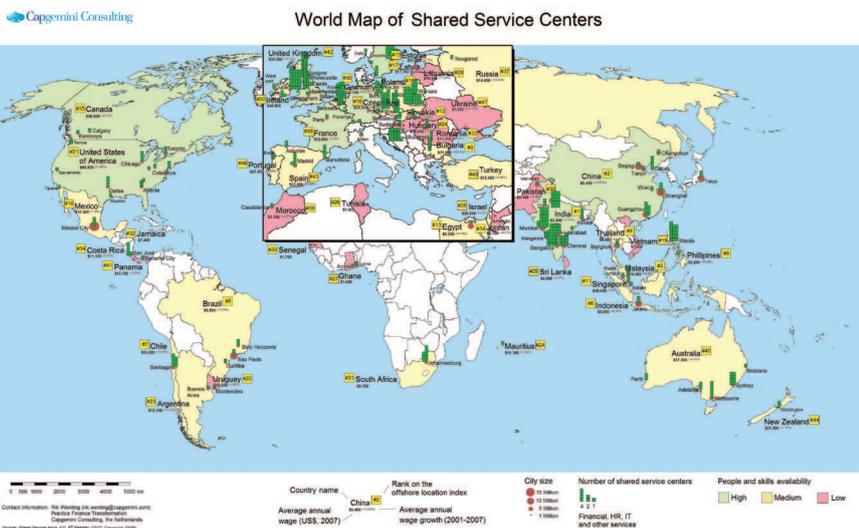


Figure 2: Cappgemini Consulting view of SSC locations by country

supported by thorough research, which can let business leaders rapidly assess the business decisions most pertinent to their location decision. A scaled down extract from the global location map is shown in Figure 2. Please contact us for a more detailed version.

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Our clients depend on our proven capabilities in this area, where we:

- Provide independent advice on back office sourcing, informed by our experience as a leading BPO provider
- Are a real implementation partner from vision to transition
- Have the experience and insight to create a business case driven approach
- Provide global coverage
- Have a track record in innovation and new business models
- Bring tested solutions such as the Capgemini Global Process Model and our location selection database to accelerate solution development and implementation.



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