Finance Shared Services Uncovered

Trends in Delivery Models, Scope of Services, Staffing, Performance, and Technologies

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INTRODUCTION

Finance shared services has been recognized as a preferred delivery model for several decades. As business environments, technologies, and customer requirements have changed, the model has evolved to meet those demands. Learn about the latest trends in finance shared services based on benchmarking data from hundreds of finance shared services organizations (SSOs).

This article series covers a range of topics, including the characteristics of top-performing finance SSOs and how their performance compares on key staffing and cost metrics; trends related to governance, structure, scope, and global locations; and how leaders are leveraging technology and analytics to advance their organizations.

We encourage you to take part in future cycles of our Finance Shared Services Benchmarking Study conducted by ScottMadden and APQC. Contact us at **info@scottmadden.com** to learn more and sign up for our next cycle.

Brad DeMent
Partner and Finance Practice Lead
ScottMadden

Contents Include:

01

LEADERS DO LOTS OF THINGS RIGHT

Executive Summary of Key Findings

In January of 2019, Brad DeMent (partner and finance practice lead) and Trey Robinson (partner) from management consulting firm ScottMadden delivered a webinar to discuss the results of the latest finance shared services benchmarking study. The study was designed by ScottMadden and surveys were administered by APQC over four cycles: spring/summer 2014; spring/summer 2015; summer/fall 2016; and spring/summer 2018. The scope of the study covers the following topics for an in-depth analysis of financial shared service centers (SSCs): delivery model, scope of services, staffing, performance, and technologies leveraged.

This article highlights key takeaways from the study, including the attributes of top-performing SSCs and historical trends over the last four years of the survey. Data from the survey shows that top performers consistently outpace the comparison group to run more efficient, more productive, and less expensive SSCs that leverage the best technology to optimize process work and better serve their customers.

KEY TRENDS AND TRAJECTORIES

The four-year scope of the study provides insight into ongoing as well as newly emergent trends in SSC growth, criteria for selecting SSC locations, and customer care.

KEY STUDY FINDINGS

TOP PERFORMERS LEAD THE WAY ON A WIDE RANGE OF METRICS

Top performers were those organizations in the study that consistently led the way across key cost, staffing, and performance metrics. These shared service organizations, according to DeMent, "have the best performance not in three or five of those key metrics, but across all 10 of them. Think of them as the leaders of the pack." Data from this year's survey shows that top-performing SSCs:

- Show **broader global coverage** and have more complex global models.
- **Report to a finance executive** and are governed by the finance function.
- Leverage the **global process owner** role and service level agreements for global process governance.
- Have **dedicated finance employees to handle inquiries** and show higher first-contact resolution rates, resulting in better customer care.
- Adopt **end-to-end processes** more than the comparison group and generate more savings as a result.
- Deliver **high-value services** through more centralized models.
- Leverage **robotic process automation (RPA)** and **intelligent automation (IA)** more frequently than the comparison group.
- Are 2 times to 8 times **more efficient** in staffing major finance processes.
- See **greater cost savings:** The comparison group spends 3 times to 4 times more to operate SSCs and to perform the finance function.
- Are 2 times to 5 times **more productive** than the comparison group in performing key financial processes.

Global Growth Trends

The last four years have shown a trajectory of rapid growth in new SSCs, most of which is taking place in Europe and North America. While the 2014 survey found that 50 percent of organizations had an SSC located in North America, that number grew to 67 percent for 2018. Europe has seen even more explosive growth, nearly doubling the number of SSCs in the region from 26 percent to 49 percent over four years. Latin America and Asia-Pacific, by contrast, have remained relatively flat. Robinson explained that the lack of growth in these regions is largely explained by greater automation: Needing fewer people for routine, transactional, and highly manual tasks has diminished the advantages of establishing lower-cost SSCs in Asia-Pacific and Latin America.

Key Shifts in Criteria for SSC Locations

"Historically, cost was the most important attribute when considering a new location," Robinson said. "However, several years ago we saw a shift from cost to labor as the most important criteria. Having access to the right people, including the functional skill sets and the ability to speak multiple languages—especially in Europe—are key drivers." Because the best locations are often saturated with many SSCs, the ability to maintain low turnover rates is a key consideration for labor as well. Other top criteria for locating an SSC include tax considerations, infrastructure, leverage of existing sites, logistics, cultural fit with the organization, political and economic stability, crime, and risk of natural disaster.

Customer Care Improvements

Advances in technology, including the increasing prevalence of customer self-service portals, automation, and virtual agents, are raising the quality of customer care and making customer care teams more efficient. First-contact resolution rates have been rising steadily over the last four years: The top quartile resolved 80 percent of cases on first-contact in 2014, while the most recent survey shows those numbers have risen to 84 percent. While resolution rates are increasing, the size of customer care teams is decreasing. Data from this year's survey shows that the median shared services organization dedicates 11 percent of its employees to customer care, down from 18 percent in 2014.

"Historically, cost was the most important attribute when considering a new location," Robinson said. "However, several years ago we saw a shift from cost to labor as the most important criteria. Having access to the right people, including the functional skill sets and the ability to speak multiple languages—especially in Europe—are key drivers."

02

GOVERNANCE, STRUCTURE, AND SCOPE

A Discussion of Key Findings Related to How Shared Services are Structured and the Scope of Services

This article highlights the study's key findings regarding SSC governance, structure, and scope. The most recent data from the study gives a compelling snapshot of how shared service centers are currently structured and governed; the key financial processes that are increasingly moving into the scope of SSCs; and how advances in automation are driving substantive improvements in customer care within SSCs. As they explained the data, DeMent and Robinson noted key areas in which top performers differentiate themselves to work more efficiently and generate more savings for their organizations. The top performer peer group was a group of organizations in the study that consistently led the way across key cost, staffing, and performance metrics.

GOVERNANCE AND STRUCTURE

For top performers and the comparison group alike, SSCs are generally managed by the finance function. "Often, the finance function is saddled with the task of saving cost across the entire organization," DeMent explained. "Shared services is a key tool for saving cost, not only in finance but also in HR, supply chain, IT, and other functions." Figure 1 shows that while the majority of SSCs in both groups report to the organization's finance executive, more top performers do so than the comparison group (77 percent versus 52 percent).

Figure 2 illustrates that for global process governance, top performers leverage the global process owner

Figure 1: To Whom Does Your Shared Services Center Report?

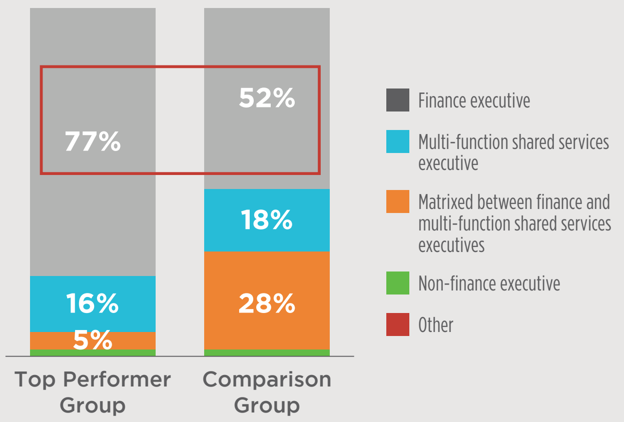


Figure 2: SSC Governance Models

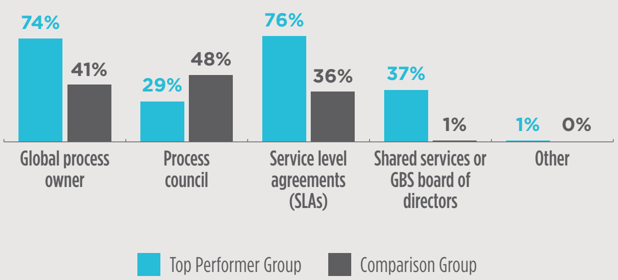


Figure 3: Percentage of SSCs that Have the Following End-to-end Processes in Scope

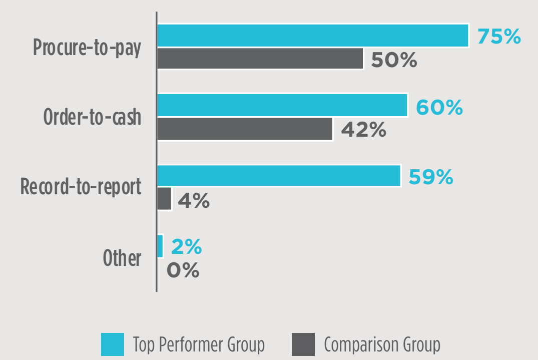
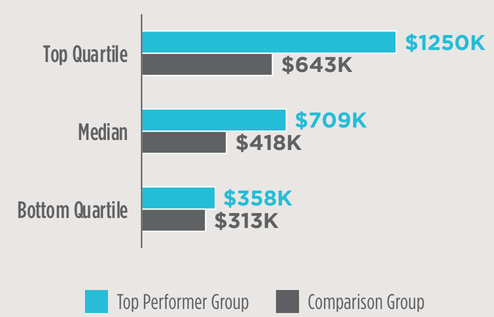


Figure 4: Amount of Non-labor Savings Generated from E2E Processes in the Finance SSC per $1 Billion Revenue



role (74 percent) and service level agreements (76 percent) more than other governance models and do so in greater numbers than the comparison group. For DeMent, these numbers are indicative of stronger relationships between top-performing SSCs and the business unit: "There's less reliance now on top-down leadership councils and more trust in shared services operations to deal, on a daily basis, with the business units, service level agreements, and through the global process owners."

END-TO-END PROCESSES

Organizations are increasingly moving to end-to-end processes to improve organizational agility, link processes and work to customer value, and create sustainable process improvements. Moving process ownership and governance out of functional silos or departments can be hard work, DeMent noted, "but we noticed that end-to-end processes were delivering a lot of non-labor savings for organizations. Beyond reducing work, these processes translate to fewer errors, reduced penalties, more discounts from vendors, and even lower audit fees as things become more centralized."

Figure 3 shows that top-performing SSCs have end-to-end processes for procure-to-pay, order-to-cash, and record-to-report in greater numbers than the comparison group, especially when it comes to record-to-report. These higher adoption rates translate to much higher non-labor related savings among top performers, depicted in Figure 4. While top performers generate greater savings in the top, median, and bottom quartiles than the comparison group, the top performers in the top quartile save twice the amount of non-labor savings against the comparison group.

Non-labor savings from the implementation of end-to-end processes is nearly twice as high as labor savings (in the form of staff reductions or salary reductions, for example). For DeMent, these figures offer new and powerful evidence for those who wish to make a business case for adopting and implementing end-to-end processes: "Top-quartile leaders of the pack are getting over a million dollars in savings for a billion-dollar company. Those savings have traditionally been difficult to quantify in business cases, but this is a statistically significant survey. If you're looking to build a business case for end-to-end processes, you might consider using these numbers to prove out the case."

SCOPE OF SHARED SERVICES

The most common services provided by SSCs, shown in Figure 5 (on the next page), include high-volume transactional processes like accounts payable (AP), general accounting, accounts receivable (AR), and customer billing, all of which make an appearance in four out of every five SSCs. Further down the list is payroll, which Robinson said is increasingly coming under the scope of finance SSCs. "Payroll is included in the scope of 62 percent of finance SSCs, and we think that number is probably understated. While this figure suggests that payroll is not scoped 38 percent of the time, we believe that it's likely fitting in HR shared services, so it's really in shared services overall, whether in finance or HR," Robinson explained.

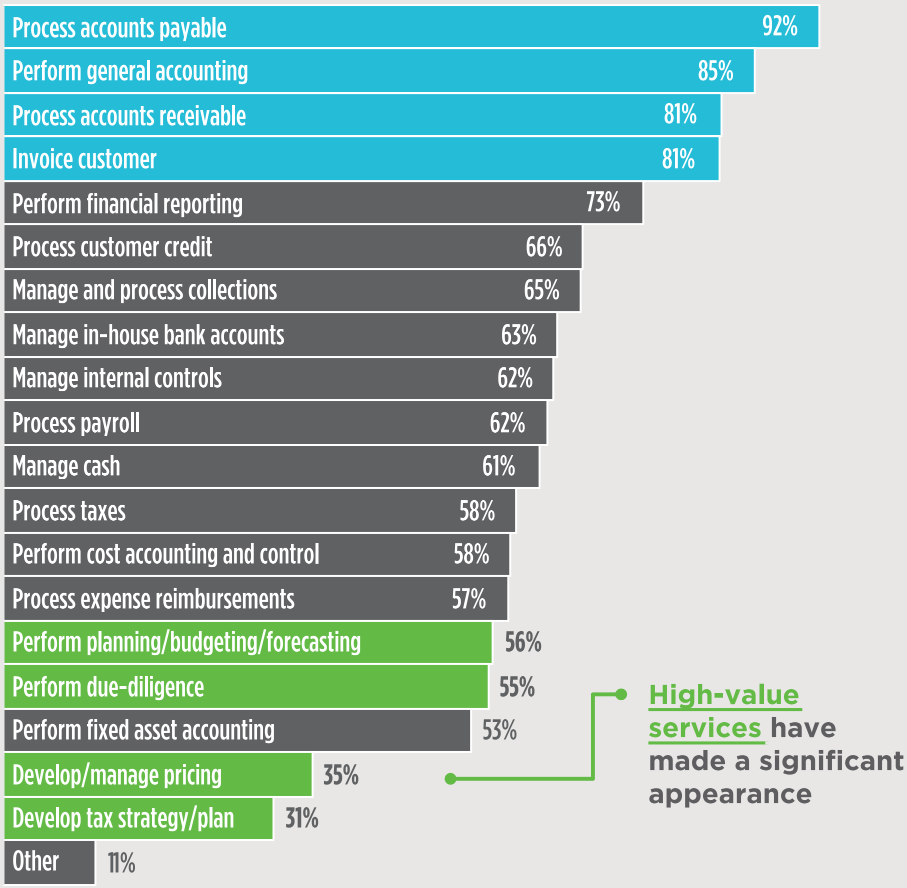
High-value analytical services have made a significant appearance in this year's survey: Processes like planning, budgeting, and forecasting; development/management of pricing; and developing a tax strategy/plan are increasingly moving from their traditional locations in centers of expertise to SSCs. "When we think about the overall shared services model," Robinson explained, "we don't just include the business transactions but also consider centers of expertise as part of the broader group. We believe that we'll continue to see more of these analytical processes being drawn into the scope as the shared services models evolve."

BUSINESS PROCESS OUTSOURCING

Data from this year's survey also reveals the top processes for outsourcing by SSCs. "In general, we're seeing a mixed bag with respect to outsourcing," Robinson noted. "Clients with strong BPO partnerships are often looking to outsource more of their processes and leverage that relationship to a greater extent, while companies who have not typically outsourced in the past are looking to automation first as a way to reduce cost before looking to outsource." The top processes for outsourcing include:

- Expense reimbursements (39 percent)
- Collections (35 percent)
- General accounting (26 percent)
- Accounts receivable (18 percent)
- Accounts payable (15 percent)

Figure 5: Which of the following processes are in-scope for your SSC?



PROCESS CENTRALIZATION

"When it comes to centralization," Robinson said, "our clients tend to look for global approaches for the most transactional processes." This centralization is reflected in the survey data, shown in Figure 6. While processes like AP, AR, and general accounting tend to have a high degree of centralization, highly analytical processes like planning, budgeting, and forecasting are the least centralized. "We often see these types of processes included in centers of expertise, and they are typically located much closer to their end customers," Robinson said.

CUSTOMER CARE

Most SSCs have one or more teams that answer questions from employees, vendors, and other stakeholders. These teams are typically regionalized to be closer to end customers and to accommodate local languages, time zones, and cultures. This year's survey data shows a trajectory of improvement in the quality of customer care over the last four years, Robinson noted.

The median first contact resolution rate is 80 percent, while SSCs in the top quartile resolve 84 percent of cases during first contact (Figure 7). "In our 2014 survey," Robinson said, "the numbers were 75 percent for the median and 80 percent for the top quartile, so it's clear that there continues to be improvement in this area."

While resolution rates are increasing, the size of customer care teams is steadily decreasing and "is another area where we're seeing significant gains relative to prior surveys," Robinson said. Data from this year's survey shows that the median shared services organization dedicates 11 percent of its employees to customer care, a figure that is down from 18 percent in 2014. For Robinson, advances in technology account for much of this improvement: Customer self-service portals, automation, and virtual agents are allowing SSCs to do the same amount of customer care work with fewer staff.

Figure 6: Process Centralization within SSCs

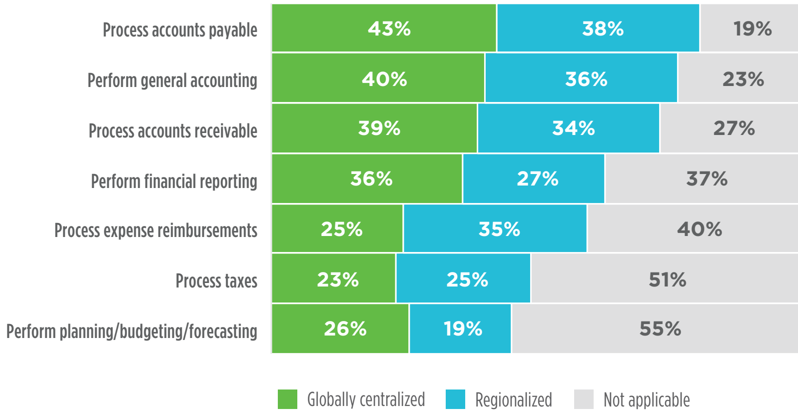
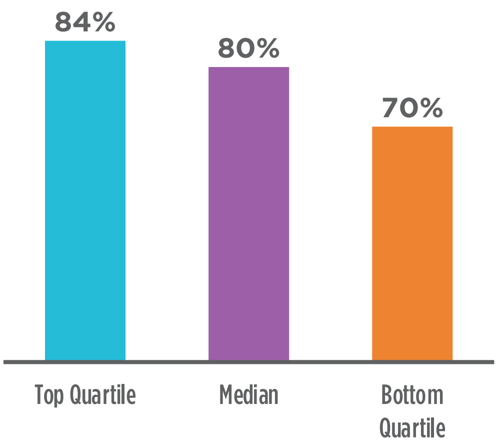


Figure 7: First Contact Resolution Rate for SSCs



KEY TAKEAWAYS

Data and analysis from the finance shared services benchmarking study shows that:

- Top performing SSCs are more likely than the comparison group to report to their organization's finance executive.
- Top performers leverage the global process owner role and service level agreements for global process governance.
- Top-performers adopt end-to-end processes at higher rates than the comparison group and generate more money in savings as a result.
- High-value processes like planning, budgeting, and forecasting are increasingly moving into shared services as part of centers of expertise.
- While some organizations continue to outsource expense reimbursements and other transactional processes, others are looking to automation to reduce costs before outsourcing.
- Major financial processes like AP, AR, and general accounting are highly centralized within SSCs, while high-value analytical processes like planning, budgeting, and forecasting remain largely decentralized.
- Advances in automation and AI are driving substantive improvements and more efficiency for SSC customer care teams.

03

COMPARING STAFFING AND COST METRICS

A Discussion of Key Findings Related to Staffing, Cost, and Productivity

The top performer peer group was a group of organizations in the study that consistently led the way across key cost, staffing, and performance metrics. The study found that the top-performing organizations are outpacing the comparison group on these key metrics in their SSCs and in the finance function more broadly. Top performers consistently do more with less: they perform with fewer staff, pay less to operate their SSCs, and are more productive than the comparison group for high-value financial processes like planning, budgeting, and forecasting. The substantive gaps in performance between top performers and the comparison group are largely a product of greater automation and more highly skilled staff among top performers, DeMent said.

STAFFING

Data and analysis from the finance shared services benchmarking study shows that top performers have significantly better staffing ratios than the comparison group. As Figure 1 illustrates, organizations in the comparison group have nearly five times more finance function FTEs than top performers. On a broad level, DeMent said, this gap could be attributed to the fact that top performers automate more processes and employ staff with more focused and highly trained skillsets.

The gap between top performers and the comparison group comes into sharper focus when examining the median number of FTEs that perform each process, shown in Figure 2.

For some processes like accounts receivable, the gap is relatively small but still significant: The comparison group has nearly twice the number of FTEs for this process. The largest gaps are for processes related to FP&A: Budgeting and forecasting, for example, requires eight times more FTEs for the comparison group than for top performers.

A key part of the explanation for this large disparity comes from the fact that high-value FP&A services like planning, budgeting, and forecasting have increasingly moved into SSCs, DeMent said. More than half of organizations (56 percent) reported that planning, budgeting, and forecasting services are now provided by their SSC, and a similar number (55 percent) now rely on their SSC to perform due-diligence. Top-performing organizations use technology and analytics to a much greater extent to perform these processes more efficiently. For example, top performers leverage robotic process automation (RPA) at a much higher rate than the comparison group (46 percent versus 18 percent). With greater automation and more highly trained skillsets, top performers are greatly outperforming the comparison group when it comes to staffing.

COST

Cost represents another area where top performers outstrip the comparison group by wide margins, whether measured by the cost of running the entire finance function or the cost of running an SSC. For example, Figure 3 shows that per $1,000 of revenue, the comparison group spends close to four times more to perform the finance function. The gap is somewhat smaller for operating an SSC, which for DeMent "tends to support the theory that a lot of higher value-added functions with big staffing improvements are moving out of the corporate environment and into shared service models." SSCs present a savings opportunity for top performers as well as the comparison group, though higher staffing numbers for the comparison group in general mean higher costs for processes with higher volume.

Figure 1: Median Number of Finance Function FTEs across the Entire Organization per $1 Billion Revenue

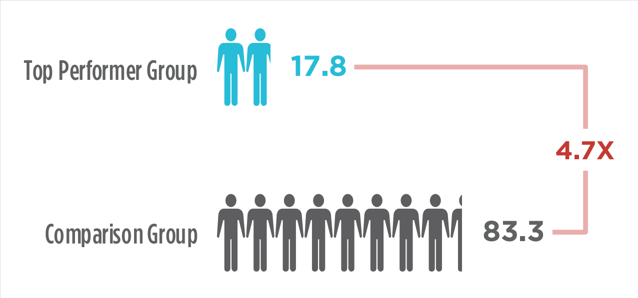


Figure 2: Median Number of FTEs that Perform the Following Processes per $1 Billion Revenue

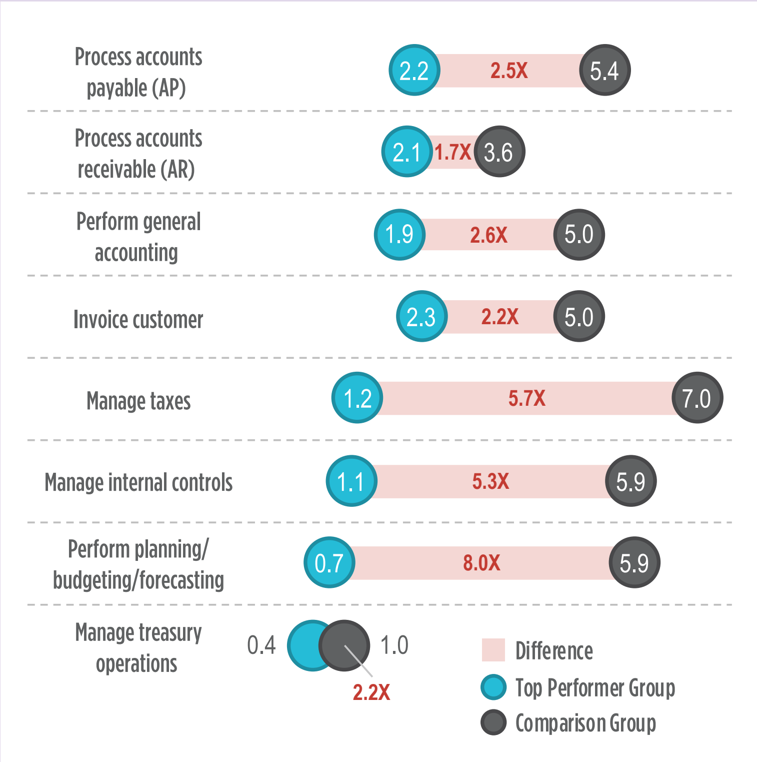
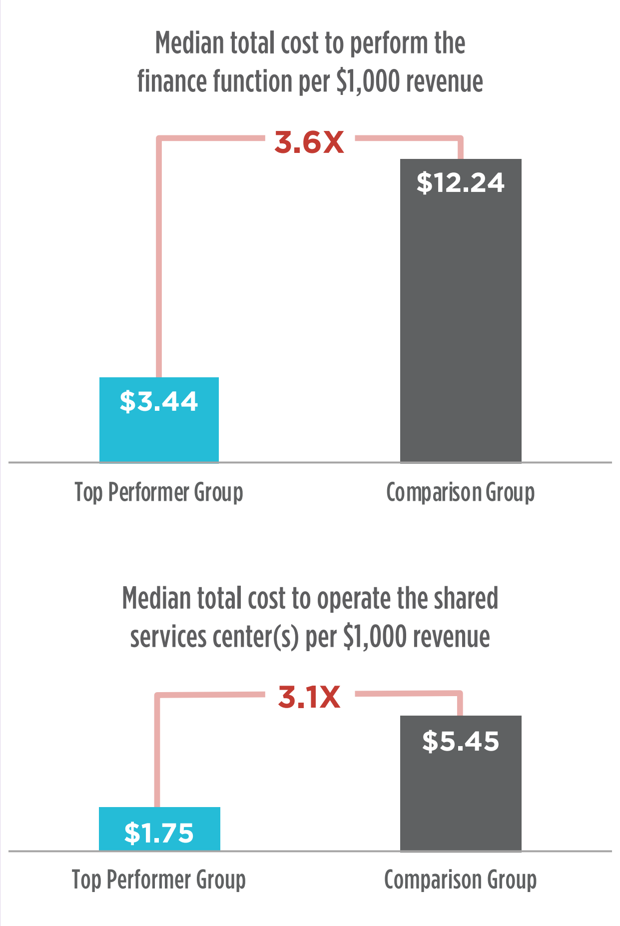


Figure 3: Cost Metrics per $1,000 Revenue for Finance Function and Finance SSC



PRODUCTIVITY

Productivity, DeMent said, is a measure of the amount of volume that can be moved by a person or team within a department. Data and analysis from the finance shared services benchmarking study shows that top performers are consistently above the comparison group on these metrics. Top performing SSCs are:

- 1.5 times more productive when it comes to accounts payable (AP)
- 2.5 times more productive for accounts receivable (AR)
- 4.7 times more productive for customer invoicing

The gaps in productivity between top performers and the comparison group for AP and AR are consistent with previous surveys, DeMent noted. Customer invoicing, meanwhile, has emerged as a newer area where top performers are outpacing the comparison group. "In earlier surveys," DeMent explained, "invoicing was located in supply chain departments, warehouse groups, or even in sales operations. We would postulate that the big push toward end-to-end processing and to moving order-to-cash into shared service operations has pulled things like billing and collections into shared service environments."

Greater efficiency among top performers for these processes is related to the fact that top performers tend to automate more, but automation isn't the only cause, DeMent said. "Skill sets are a significant contributor to efficiency and should not be ignored either. I can attest that in some cases the difference between the highest performer and lowest performer has been five times greater even without technology added. You don't always need to throw money at automation to get those kinds of productivity improvements."

"You don't always need to throw money at automation to get those kinds of productivity improvements."

KEY TAKEAWAYS

Data and analysis from the finance shared services benchmarking study show that top performers:

- Are 2 times to 8 times more efficient in staffing major finance processes
- Perform the finance function and operate SSCs with fewer FTEs than the comparison group
- Spend far less money to operate their finance function and SSCs
- Are more productive and efficient than the comparison group, especially when it comes to customer invoicing

04

LEADERS ARE LEVERAGING TECHNOLOGY AND ANALYTICS

A Discussion of Key Findings Related to Technology and Analytics

This article summarizes the practices of top performers regarding technology and analytics. The top performer peer group was a group of organizations in the study that consistently led the way across key cost, staffing, and performance metrics. When it comes to technology and analytics, the study found that the top-performing financial shared service centers (SSCs) outpace the comparison group in piloting and adopting robotic process automation (RPA) and intelligent automation (IA) technologies. Top performers also leverage data and analytics much more deeply and comprehensively across their organizations than the comparison group. As they discussed the traits of top-performing SSCs for technology and analytics, DeMent and Robinson also highlighted some common challenges and misconceptions that hamper greater data and analytics work for SSCs.

ROBOTICS AND INTELLIGENT AUTOMATION

Top-performing SSCs have made significant progress in adopting RPA. As Figure 1 illustrates, 21 percent have conducted RPA pilots to validate utility for RPA, while another 25 percent have moved beyond this point to put bots into production. "We help companies conduct a lot of RPA pilots, and we can attest that moving from pilot to production is a very big step," DeMent said. Top-performing SSCs are "successfully thinking through issues like governance, ownership, and other complexities that come with moving from a test environment into an actual production environment." Only 18 percent of the comparison group, by contrast, have conducted pilots or put bots into production.

Even as many top-performing SSCs adopt and implement RPA, ownership for RPA falls outside of many SSCs. For more than half of respondents, ownership resides within RPA centers of expertise instead, followed by business units (28 percent). Much fewer organizations give ownership of RPA to SSCs (8 percent), and an equal percentage of respondents say ownership falls within IT.

Intelligent Automation (IA) is widely perceived as a useful and valuable tool within SSCs. For example, 54 percent of respondents say IA will help improve business outcomes and reduce risk; 53 percent say it will expand organizational capabilities and improve decision making; and 52 percent say it will improve efficiency and reduce operating costs. Despite this optimism, SSCs have not implemented Intelligent Automation (IA) at the same rate as RPA, DeMent said.

As Figure 2 shows, while 25 percent of top performers are implementing pilot programs, only 17 percent have fully implemented IA applications. The top challenges to adopting artificial intelligence and IA capabilities more broadly include availability of technology (for 31 percent of respondents); difficulty establishing a business case or ROI for IA (29 percent); and availability of skilled resources or technical expertise (29 percent).

Top-performing SSCs are "successfully thinking through issues like governance, ownership, and other complexities that come with moving from a test environment into an actual production environment."

Figure 1: RPA Piloting and Production within SSCs

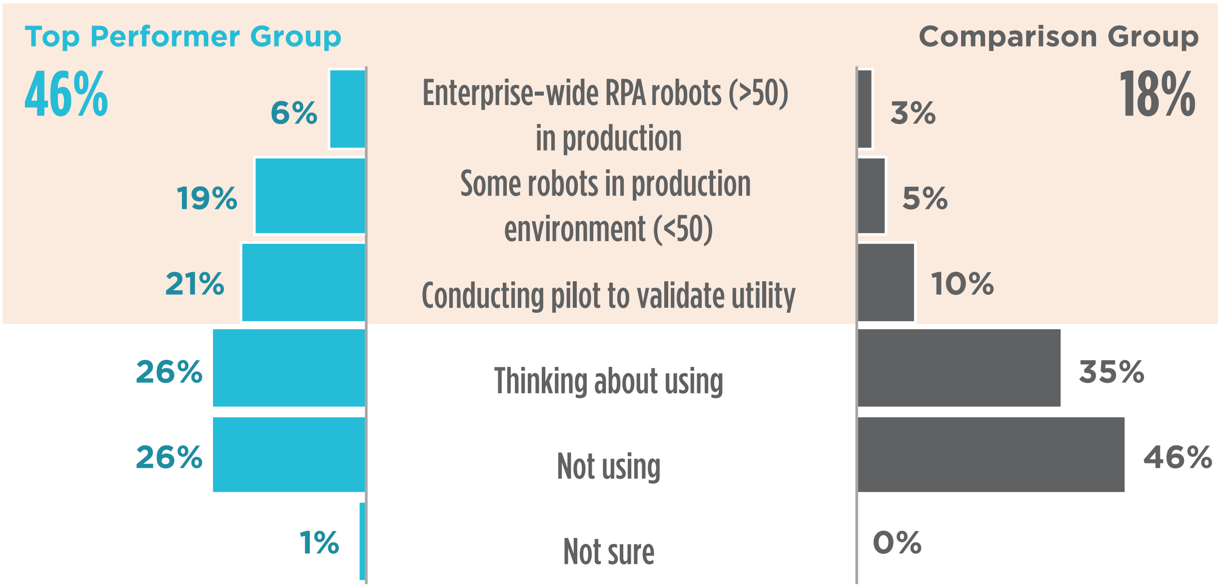
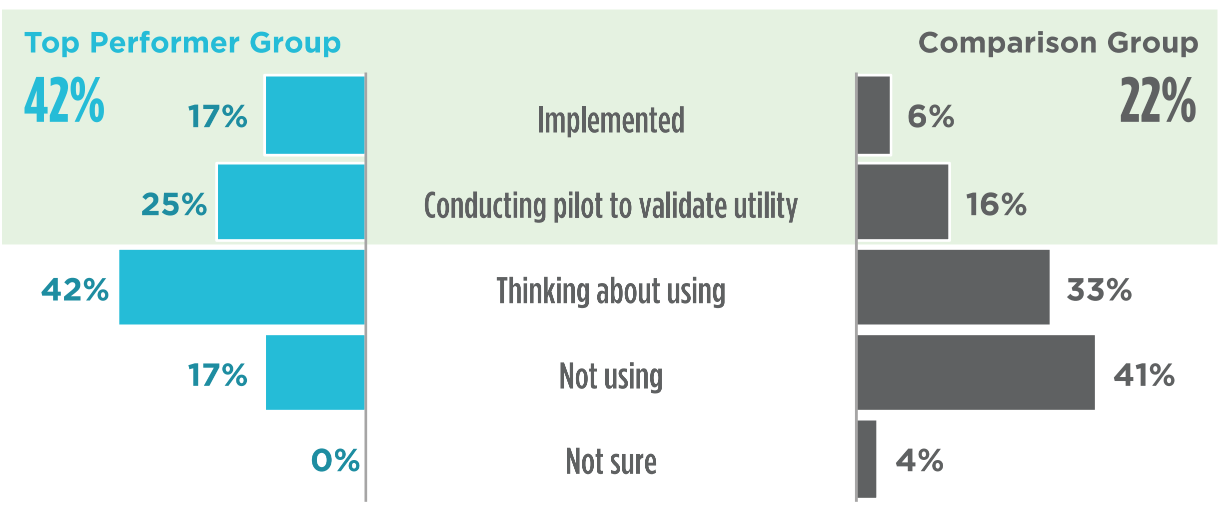


Figure 2: Use of IA within SSCs



Top-performing SSCs are "successfully thinking through issues like governance, ownership, and other complexities that come with moving from a test environment into an actual production environment."

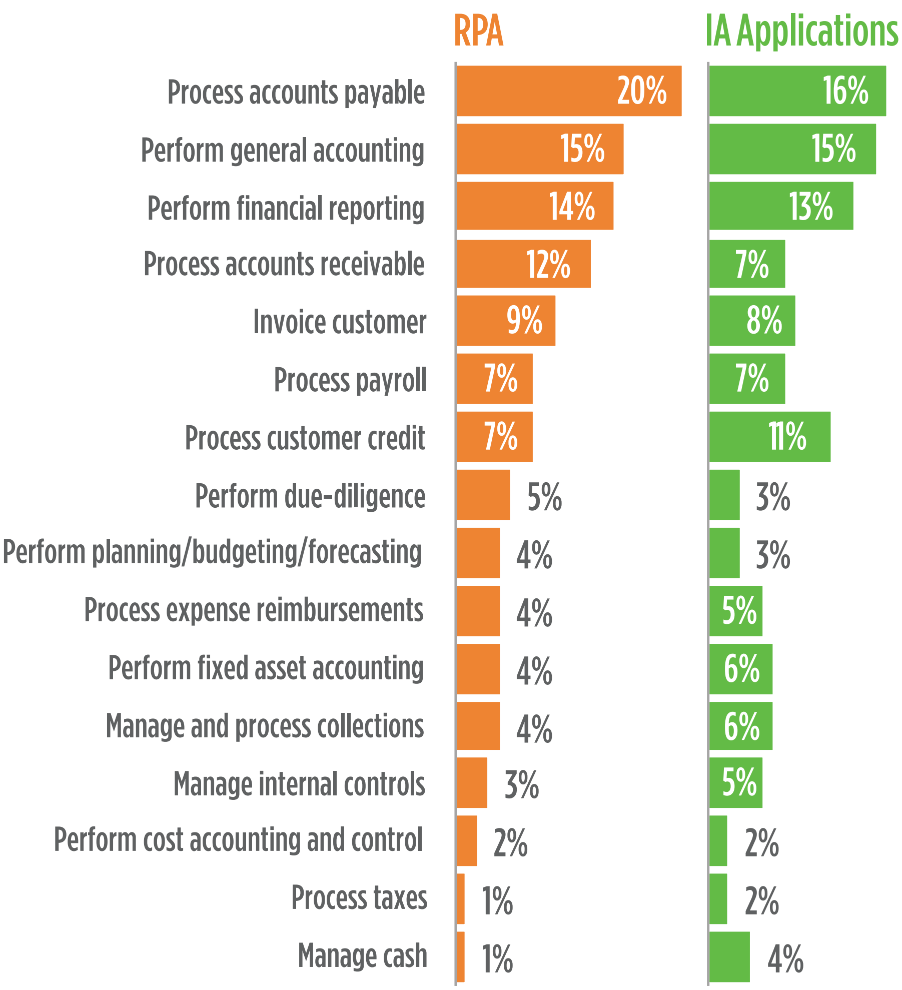
Lack of organizational buy-in/cultural fit also makes the list of top challenges at 21 percent of respondents, reflecting ongoing anxiety about IA. "There's a lot of nervousness around IA," DeMent noted. "People are asking questions like: Am I turning too much decision-making over to a machine? Will these language processors confuse or frustrate people when they don't get it right? It doesn't surprise us that we see less implementation and piloting or testing with IA." While SSCs are adopting some IA applications like optical character recognition, embracing newer IA technologies remains a more daunting prospect for many.

RPA AND IA APPLICATIONS

Figure 3 shows the top processes to which RPA and IA are applied within SSCs. RPA is most effective when applied to routine, transactional, and highly manual processes, so it is no surprise to see AP as a common application for RPA technologies (20 percent), followed by general accounting (15 percent), and financial reporting (14 percent).

Applications for IA are roughly parallel: The most common applications are for AP, general accounting, and financial reporting, though in slightly lower numbers than for RPA. The most common purposes of IA adoption are for research, analytics, and reporting (66 percent of organizations); prescriptive solutions (66 percent), and predictive forecasting (65 percent). Robinson expects these percentages to grow as organizations continue to harness big data with analytics to serve customers better. "What we see in the leading SSCs is that they are providing analytics as a service to internal customers, helping drive better performance rather than tracking what they might traditionally manage within a shared services organization," Robinson said. "Top performers are forward-looking and they are helping their customers."

Figure 3: For which processes have you applied RPA/IA applications?

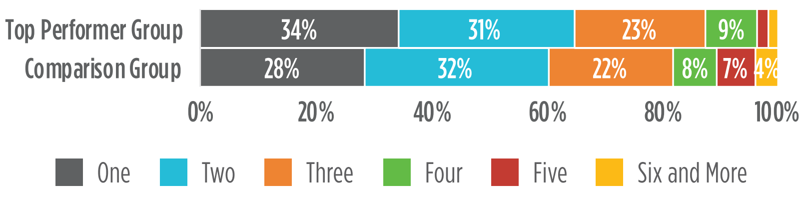


ERP TECHNOLOGIES AND ANALYTICS

When organizations are establishing an SSC, DeMent said, a common mistake is thinking that the organization needs to move to a single ERP solution. "There's a surprisingly consistent concern that if I don't have one ERP I'm not ready to build a shared service operation, and that I should wait until I get all of my ERPs consolidated to start my shared services project. The truth is, most of our clients—even some of the top performers—rarely have one global ERP."

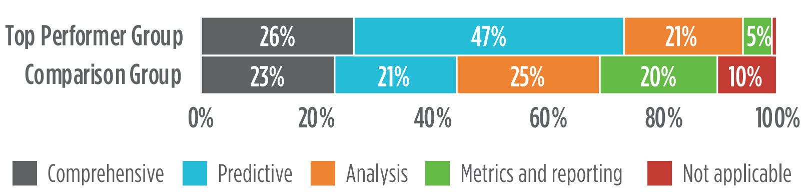
Figure 4 shows that the majority of top-performing SSCs (roughly two-thirds) use more than one ERP throughout their organization, and some use as many as six. Only 34 percent of respondents, by contrast, use only one ERP. For DeMent, these responses “might hint that these leading companies are just not seeing the value of consolidating down to one ERP given the investment and time that it takes to do that. RPA is being used to connect a lot of these ERP systems now, so there are other solutions that could be cheaper and add more value than a big project to consolidate ERPs.” For that reason, having more than one ERP should not stand as a barrier to establishing SSCs.

Figure 4: How many ERPs or ERP instances are in use throughout your entire organization?



When it comes to how SSCs use data within their ERPs, top performers generally leverage more advanced data analytics, DeMent said. Figure 5 shows that among the top performers, 25 percent “are doing a much better job of using data and analytics in a comprehensive method across the organization using a predictive forecast,” while the comparison group does so to a lesser extent.

Figure 5: How would you best characterize the use of data analytics within your SSC?



There is a significant gap between top performers and the comparison group when it comes to leveraging ERP data for predictive analytics: While 47 percent of top performers utilize ERP data for this purpose, only 21 percent of the comparison group does. The use of ERP data primarily for metrics and reporting is also much higher within the comparison group: 20 percent characterize their use of data and analytics as a tool for metrics and reporting, while only 5 percent of top performers do. In general, “the comparison group has not penetrated to deeper levels of analytics as much as the top performance group,” DeMent said.

KEY TAKEAWAYS

Data and analysis from the finance shared services benchmarking study show that the top-performing SSCs:

- Run more RPA pilots than the comparison group
- Successfully resolve complex governance and ownership questions to move RPA from piloting to production
- Embrace IA to a greater extent—though its use remains more limited than RPA
- Apply RPA and IA most commonly to routine, transactional processes like AP and general accounting
- Leverage ERP data in a more comprehensive way to predict future patterns rather than to report past performance

05

GLOBAL TRENDS IN SHARED SERVICE CENTER LOCATIONS

A Discussion of Key Findings Related to Location Considerations

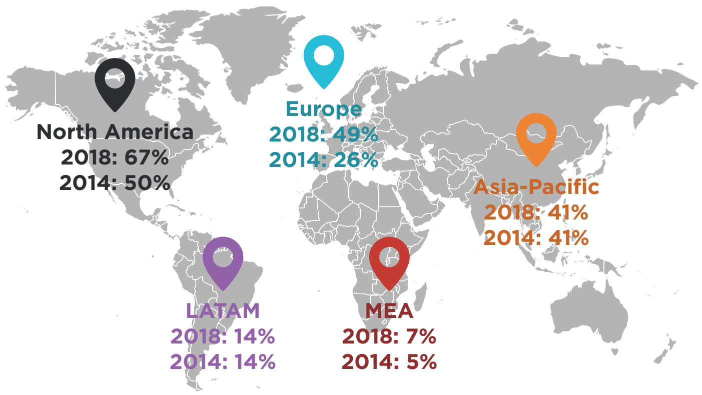
This article summarizes key findings related to regional growth trends, regions served, and location criteria. Where are organizations choosing to locate their shared service centers (SSCs), and how many countries do SSCs typically serve? The answers to these questions depend on a variety of factors, ranging from the size of the organization to important criteria like labor, costs, and taxes. As they discussed this year's survey results, DeMent and Robinson highlighted key trends and findings related to SSC locational strategy, including growth trends, regional SSC coverage, and the key criteria that organizations consider as they prepare to establish new SSCs.

REGIONAL GROWTH TRENDS

Data from this year's survey shows that some regions have continued a trajectory of rapid growth in new SSCs, while growth in other regions has flattened (Figure 1). Europe and North America have seen significant growth in new SSCs: The 2014 survey found that 50 percent of organizations reported having an SSC in North America, and that number grew to 67 percent for 2018. Europe has seen even more explosive growth, nearly doubling the number of organizations who have an SSC in the region from 26 percent in 2014 to 49 percent in 2018.

Latin America and Asia-Pacific have not seen these same rates of growth and have remained relatively flat. One reason for the lack of growth in these regions has to do with automation, Robinson said. "Historically, companies looked for low-cost areas to establish their centers, especially for transactional activities. The evolution of automation is increasingly allowing organizations to reduce their labor requirements. Needing fewer people for routine, transactional, and highly manual tasks has diminished the advantages of establishing lower-cost SSCs in Asia-Pacific and Latin America."

Figure 1: SSC Growth by Region, 2014 to 2018



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A second reason for the lack of growth in these regions has to do with midmarket organizations who are implementing financial shared service centers. "Many of these companies are smaller in size and therefore less likely to have global operations. Wherever they happen to be, it's much more common for them to choose a domestic location for their SSC, and we see most of those in Europe and North America," Robinson said. As shown in Figure 2, about half of organizations located in one region (49 percent) have SSCs that serve only one country. Organizations that located in multiple regions, by contrast, are less likely to support only one country (16 percent) and much more likely to serve between 10 to 40 countries (45 percent). Survey data also shows that the majority of organizations located in one region have only one SSC, while 40 percent of organizations located in multiple regions have more than three.

Figure 2: How many countries receive services provided by your SSC?

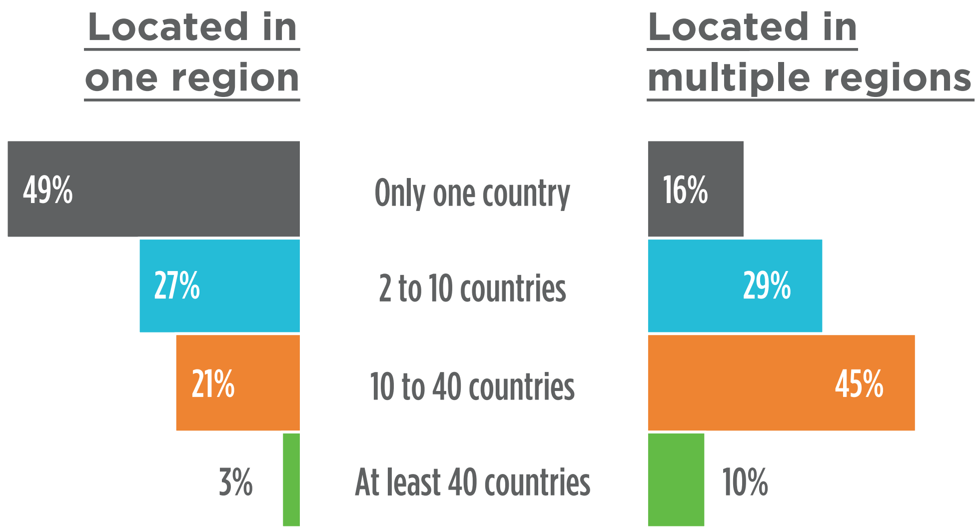
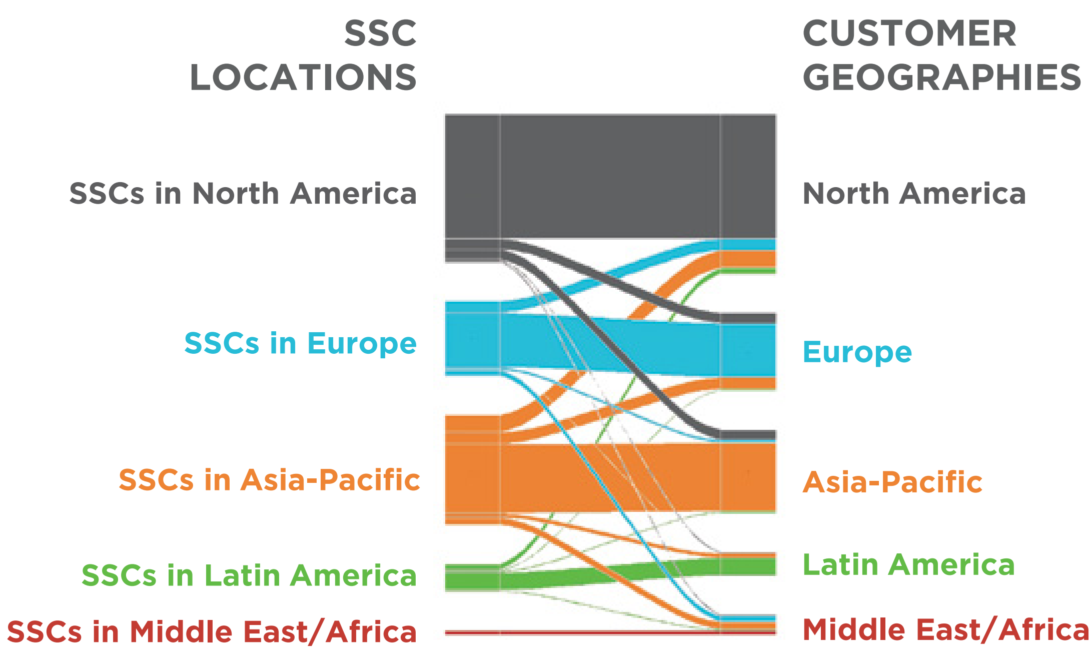


Figure 3: SSC Locations Matched to Customer Geographies



REGIONS SERVED

While it is common for organizations to have multiple centers that support global operations, Robinson said, "it's clear that centers located in a region predominately provide support to the countries located in that region." As Figure 3 shows, most SSCs in North America provide support to customers in North America (with some limited support to customers in other regions), and the same is true of Europe and Asia-Pacific. One important exception is the Middle East and Africa: Robinson noted that "there's no common way that these countries are supported or served by different centers. Most commonly, customers in this region are supported by SSCs in of Europe or Asia-Pacific, but there's a lot of variety in this specific area."

The dominance of labor as the top concern for organizations in this year's survey is consistent with a broader shift over the last four to five years, Robinson said. "Historically, cost was the most important attribute when considering a new location. However, several years ago we saw a shift from cost to labor as the most important criteria. Having access to the right people, including the functional skill sets and the ability to speak multiple languages—especially in Europe—are key drivers." Because the best locations are often saturated with shared service organizations, the ability to maintain low turnover rates is another important consideration for labor.

CRITERIA FOR LOCATIONS

When survey participants were asked to rank a list of 10 common criteria for determining the location of a new SSC, the top three criteria were:

1. **Labor**—including labor supply, multilingual staff, and turnover rates
2. **Cost**—including the cost of labor, real estate/facilities, and other financial incentives
3. **Tax considerations**

Rounding out the rest of list in order of importance are:

4. **Infrastructure**—the reliability of basic services and facilities necessary for the economy to function
5. **Leverage of existing sites**
6. **Logistics/convenience**
7. **Cultural similarity with existing operations**
8. **Location-specific political and economic stability**
9. **Crime**
10. **Risk of natural disaster**

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STUDY DEMOGRAPHICS

The study population is robust and diverse, with 468 organizations participating. While 64 percent of participating organizations are from the US and Canada, respondents also included organizations from Europe (26 percent), Asia-Pacific (8 percent), and Central and South America (2 percent). Company size is balanced across the revenue profile, with median revenue of $7.8 billion. Most organizations (89 percent) have been operating for more than three years, and more than half have been operating for longer than five years.

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