

Finance & Performance Management

Building Shared Service Centers

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In this Point of View, we consider the key issues and best practices associated with selecting a Shared Service Center location and designing the facility. Where the Shared Service Center is established and the type of working environment that is created are critical factors in supporting the achievement of the low-cost, high-performing objectives of the Shared Services model. The content here encapsulates our experience in working with companies to help them turn the promise of the Shared Services model into the reality of a fully operational, successful Shared Service Center. Let's look first at the primary options for companies selecting a Shared Service Center location.

Preparing for a successful Shared Service Center location

Organizations embarking on projects to set-up Shared Service Centers typically do so because they have many disparate units with duplicate back-office types of functions in each. The first decision their leader's face is "How many Shared Service Centers do we need?" The answer to this will vary based on the geographic spread of the constituent units, and how far down the standardization continuum the organization is able and willing to go. When the question of numbers is

answered, the next question to be addressed is where to locate.

The location analysis typically begins at a high level with the following three primary options:

1. Locate the Shared Service Center within the existing corporate offices.
2. Host the Shared Service Center at one of the future internal-customer, or business unit, locations.
3. Establish a 'green-field' site, independent of existing operations, and located apart or distant from existing operations.

Accenture discusses with client leadership the risks associated with each choice, but highly endorses the green-field site option. Best practices suggest that of these options, choosing a green-field site is the preferable and optimal approach. Initially, the first two options may be attractive to management. This is understandable: existing locations may have available real estate; housing the new unit close to current operations may seem the risk-averse, safe option; potential layoffs can be offset by transfers into the new Shared Service Center; transfers of leadership into the new organization are more likely and more easily achieved; initial set-up is easier and less intense...the list of advantages goes on.

So given these obvious benefits, why should an organization embark on the task of creating the Shared Service Center on a green-field site?

Starting anew with a 'green-field' strategy

A 'green-field' Shared Service Center strategy is one that focuses on building a new business entity in a new location away from existing corporate entities, with a new workforce, and a mission driven by customer service.

A green-field location is vitally important in helping the Shared Service Center achieve its objectives for performance, cost, independence, and fairness.

There are three primary decision points during the design and build of a Shared Service Center:

- The physical location.
- The physical design of the facility based on the objectives of a high performing team.
- The design and build of the organization and supporting management processes.

In this point of view, we discuss the first two points: physical location and physical design.

In implementing a Shared Service Center, organizations need a strategy that supports the creation of a new, independent business unit, one that is focused on better customer service and improved economics. Its design must attract and support a high-performing workforce, especially as the nature of Shared Service Centers means there are minimal management layers and opportunities for advancement.

At the same time, organizations must select the best location for a low-cost operation that has excellent access to high quality labor, telecommunications infrastructure, transportation, etc.

A new location helps differentiate the organization

Shared Service Centers are designed with the strategic intent of being operationally excellent. That is, they are meant to provide a standard set of services to their customers at the lowest cost possible, employing optimal processes and practices.

This objective often runs counter to the modus operandi of the parent company from which it is born. For example, a customer intimate organization would go out of its way to customize its goods and services for its customer base. However, there would be no need for this to extend to its internal/backoffice processes, such as Finance and Accounting.

Hence, establishing a Shared Service Center in this type of organization would require a completely different culture in order to achieve its mandate. The need to establish a new organization away from the parent organization becomes even more evident when one considers the low likelihood of being able to work against the prevailing culture of an established organization.

Similarly, Shared Service Centers are developed with the intention of decreasing organizational operating costs. Typically, large organizations have chosen to locate their headquarters and/or large satellite offices in large, densely populated cities. This gives them access to their customers and a suitable labor pool, while adding to their corporate image. However, this is not usually a low-cost option. Shared Service Centers on the other hand are low-cost service providers and cannot

afford to be in high-cost locations if they are to achieve their objective.

A third primary reason for considering a Shared Service Center location away from a headquarters or related location is to ensure that the new organization establishes itself as a distinct and separate entity, a 'new breed' of operation. Shared Service Centers have its own unique cultures, founded under the strategic intent of operational excellence, and they need to be seen as independent and separate from the heritage organization.

The Shared Service Center model requires that its customers feel supported and that no preferential treatment is given to any one customer. Further, the Shared Service Center typically needs to distance itself from corporate offices to develop and establish their own identity as something altogether new, not 'part of' something that is pre-existing or attached to the existing philosophies and processes of an organization.

Establishing the Shared Service Center in a new location allows the organization to start fresh, with no misconceptions about who is being serviced and with new employees who are not entrenched in old patterns of behavior.

Creating an environment for high performance

Many Shared Service Centers look like typical modern corporate offices. Hundreds of crowded cubicles surrounded by executive offices. This office environment most likely has a similar look and feel to the former corporate environment from where the back-office functions were moved.

Can the Shared Service Center facility be designed in a way that better supports and enables the new required high performing culture? The answer is, "Yes."

However, facility design is often completed independent from the design of the organization and its business processes. A good facility design, like a system design, is based on carefully defined requirements. Given the relatively low pay scale and flat organization in the Shared Service Center, the designers must identify other means of motivating the workforce to increase productivity over time. Designing an attractive facility with an environment that is conducive to high performance is one way to motivate the workforce and increase productivity.

A new way of working demands a new environment

The consolidation of back-office functions is nothing new to established organizations. Many of them have flip-flopped between centralized and decentralized models over the years. They embrace Shared Service Centers because they are a new way of organizing for advantage and provide an effective middle ground between centralization and decentralization.

But even Shared Service Centers are subject to change over time and will be required to periodically re-examine, re-evaluate, and re-hone their focus and intent as their business needs progress. A Financial Shared Service Center is not, after all, a centralized accounting show or a 'finance factory'. It is a sophisticated, progressive, fast-paced work environment that leverages the economies of scale in producing Finance and Accounting functions, to dramatically reduce costs and streamline process and response time, and increase the quality and consistency of service provided.

This new way of working demands a new environment, and selecting the most appropriate site may be challenging initially, but in the long term contributes to the overall success of the Shared Service Center model.

To summarize...

- Shared Service Centers form the centralized components of a shared service organization model. The shared service model allows only for partial centralization, primarily of processes and tasks which are or can be standard across an organization.
 - Shared Service Centers are meant to be 'internal service providers', different from a centralized unit in that they are intended to provide service to internal customers as if they were a vendor competing for business and fully accountable to customers. The Shared Service Center can be thought of an 'outsourcer' with defined services and service level targets.
 - To achieve low-cost goals, Shared Service Centers need to run in operationally excellent environments and the teams that comprise them must be capable of demonstrating high-performance consistently.
- Shared Service Centers accommodate multiple disparate units, including headquarters and regional offices, all of which comprise their customer base. Customers are quick to point out that they all must be treated equitably, and that no preferential treatment should be given to larger customers, even a headquarters office. This is important because it is often the smaller business units who would naturally tend to believe that they have the least to gain from adopting this model. The fact remains, while the model affords a larger company lower costs overall, costs may in fact rise in some smaller business units.

For customers to feel comfortable that they are being serviced equitably, it is critical that the Shared Service Center divorce itself from an existing organizational unit.

To achieve the characteristics just summarized on previous page, the Shared Service Center needs to run counter to centralized practices. For example, an organization's strategic intent may be different from the strategic intent for the Shared Service Center. And because of this, corporate incumbents may find it difficult to treat decentralized units within their company as customers.

Being ingrained in outdated or cumbersome practices and methodologies may cause a struggle to transform and adapt to a high-performance team environment. Ultimately, it will be critical to make customers feel that they are being serviced equitably. Therefore, the Shared Service Center must divorce itself both from the previous work environment and from the practice of treating individuals differently according to their rank.

The green-field site offers the organization the opportunity to:

- Establish itself in the most cost-effective location possible.
- Select a location where the infrastructure and available resources can properly support the Shared Service Center.
- Separate the Shared Service Center from any negative connotations associated with existing business units or a company's headquarters.

- Disengage from work paradigms held by long-standing organization members.
- Design for and evolve into a new culture founded in operational excellence and comprised of progressive, fast-paced, high-performing teams.
- Build a new environment (location and facility) that is supportive of the intended culture.

The transition to a green-field site provides for a relatively smooth start to operations and real opportunities for the Shared Service Centers to prove themselves as viable business partners. Of course, the cost variable will always be critically important and the ability to select a low cost environment means that the green-field approach is likely to win every time.

Our experience has shown that any benefits the organization may have envisaged by staying in an existing location are far outweighed by the uphill battles associated with breaking pre-existing patterns of behavior and a work force that has grown accustomed to that behavior and tends to cling to it.

Top-Ten Criteria for selecting a green-field Shared Service Center location

Once the decision to build a green-field Shared Service Center is made, a location for the new business must be selected. This can be done independently or with the help of third-party consultants who specialize in relocating businesses.

The process starts with a definition and weighting of selection criteria for the Shared Service Center. Normally these include:

1. Attractive operating economics

When weighting the criteria for Shared Service Center site selection, 'attractive operating economics' should carry the most significance. Locating the Shared Service Center in a low-cost operating environment can yield significant cost savings beyond the benefits of a net workforce reduction. To be desirable, locations will have relatively low real estate costs, as well as low labor and Shared Service Center support service costs.

Corporate tax incentives will differ between countries, states, and local municipalities. For example, Dublin has been a very popular location for European Shared Service Centers due to the tax advantages. Finally, some locations will pay for the development and delivery of training since it enhances the capabilities and competitiveness of their labor pool.

2. Geography with available support and infrastructure

Attention should be given to electing a specific geography that includes access to a suitable labor force, communication vehicles – such as high speed telecom access, transportation with bus and/or train access, suitable highways, and access to an airport with low cost flights to and from the

corporate location and other business unit customers. These variables will help to consistently control operating and performance costs.

3. Proximity to corporate location and customers

This is the least relevant criteria in selecting a Shared Service Center. However, it may be significant if access to the Shared Service Center is important. For example, Shared Service Center leaders may often need to meet with their customers, at their location or at the Shared Service Center itself. If these meetings are critical to build customer awareness and trust in the Shared Services model, then the ability to accommodate the majority of these meetings in day trips would be of value in determining the location of a Shared Service Center.

4. Proximity to competitors or like organizations

'Competitors' in this case are defined as other Shared Service Centers. Other Shared Service Centers in a smaller geography would suggest competition for the labor force and the potential inflation of salaries or wages should competition heighten. Additionally, this factor could be belabored if any of the competitors is perceived as the 'employer of choice'. Therefore, be cautious about choosing a location that puts a company in the proximity of the competition.

Selecting a location with little to no competition ensures being the 'employer of choice'. However, proximity to competitors can be positive if trained and experienced resources can be easily recruited without paying salaries above market scale.

5. Ability to support multiple languages

Shared Service Centers needing to serve customers in multiple countries with different languages should consider whether they require multilingual staff. Lower cost metropolitan areas with diverse populations may need to be considered over the more cost competitive, more homogeneous, remote locations. As previously stated, Ireland has provided tax incentives and a well-trained labor pool to support the location of Shared Service Centers, including those with multilingual needs. Countries such as India have become an attractive location alternative, due to the mix of favorable economics plus a multilingual workforce.

6. Hours of operation

The Shared Service Center will typically serve clients across multiple time zones. Access to a labor-force that can perform shift-work must be considered, such as university students and other part-time employees.

7. Available office space

The Shared Service Center will need to be housed in a suitable building in the selected location. Careful consideration should be given to available office space for both short-term and long-term growth. It is possible that other companies may discover the attractive economics of your site location, thus diluting the future low-cost operating environment advantage. If there is available space, but it is deemed not suitable for the type of operation being built, a very reasonable alternative is to build a new facility.

8. Union activity

In having the opportunity to select a new Shared Service Center location, it is wise to avoid areas experiencing high unionization activity.

9. Low risk of natural disaster

The Shared Service Center needs to be fully operational at all times. A technology and business continuity plan will be prudent in all cases. However, the best practice is to avoid areas with a high likelihood of natural disasters, such as blizzards, floods, hurricanes, and tornadoes.

10. Quality of Life

Most companies want at least a core of heritage organization employees to be part of the new Shared Service

It is a best practice to define the Shared Service Center requirements with the future leader of the center.

Center. This typically means securing people for leadership positions. Selecting a location that will be desirable to these individuals and their families is a significant consideration. For example, areas with a low cost-of-living, low crime rate, excellent schools and universities, great community spirit and access to cultural offerings will clearly be more attractive to transplants.

Additionally, it is best practice and sound planning practice in general, to engage the future leader of the Shared

Service Center in all requirement definitions and decisions. This will facilitate the decision-making process, the implementation process, and also the sense of ownership that the leader of the center is expected to carry out. As this level of involvement strengthens the leadership position, there will likely be fewer challenges to encounter, more rapid decision-making and shorter time required to plan/design/build, and provide the leader with the ability to attract and retain a desirable leadership team.

The Role of Accenture after Shared Service Center requirements are defined

Accenture brings unparalleled skill in defining the appropriate requirements for a Shared Service Center. Beyond this, Accenture can bring long-term value to a client's Shared Service Center in many ways:

A client may choose to make the selection independently of Accenture.

Some clients may feel a greater sense of 'direct' ownership by defining Shared Service Center requirements independent of a consultant. However, there is the risk of making decisions that conform to pre-existing organization processes and procedures that would, in effect, defeat the radical departure from these that a high-performing Shared Service Center requires. While the sense of ownership is a plus, it could potentially prejudice the business case and negatively impact its outcome.

Choose a third-party consultant that specializes in selecting optimal business locations.

Site selection firms have the data and the contacts to evaluate and compare locations very quickly. Accenture is able to help maintain objectivity in the decision-making process, by keeping all parties focused on the business case objectives related to the overall success of the Shared Service Center.

The client may have a few locations in mind and ask Accenture to build the business case around each option for their assessment.

In this case, Accenture will develop scenarios showing cost and advantages, as well as return on investment for each location. Accenture will also rank and advise the client that is the location would be best to pursue. Note, however, this will

not be the 'optimal' location, because the client has narrowed the field to a few locations of their choice without the rigorous analysis that Accenture can provide to determine the most advantageous location.

The preferred option with the best chance of getting to the right answer is where the client involves both Accenture and the site selection consultant in the process.

In this scenario, Accenture takes an unbiased position, performing due diligence with the client and evaluating selection criteria with the client. Additionally, Accenture can keep the client focused on the matter of selecting the most optimal, versus the most preferred, site in order to optimize the business case. Accenture has developed methodologies and well-structured evaluation procedures to facilitate this.

Decision time: How to select the final Shared Service Center site?

Following the due-diligence effort, a short-list of possible locations is defined and evaluated. This is presented to the clients who then eliminate any potentially problematic locations and agree to a short-list of locations for field visits.

Field Visits to determine general geographic location

Field visits should be conducted with the following goals:

- Confirm that the area/city fulfills the requirements. The realities may differ from the research data used to make the assessments. For example, the relative accessibility to primary sources of labor may have been overstated.
- Meet with leaders of the local business community to understand the business environment and evaluate the availability of quality labor.
- Meet with members of the local Business Development council and members of government to identify relocation incentives, such as tax and training incentives, and gain their perspective on why a company should choose to locate in the area.
- Visit institutions of higher learning to assess the caliber of the future workforce and how one can have access to some of these people. The ability of institutions to assist with ongoing training can also be assessed.
- Visit the neighborhoods and city center to assess the housing market and cultural environment.
- Evaluate transportation alternatives to determine the viability of commuting and providing access to low and middle class potential employees.

- Finally, visit possible sites where the Shared Service Center could be housed or built.

Visits to the cities can be done anonymously. While Accenture and the site selection consultant can reveal their identity and purpose, the client may choose to remain anonymous. In this way, local business and government representatives will be in no position to pre-judge a situation, offer tainted insights, or otherwise hamper the objectivity of the evaluation process.

The city of each potential site should be visited and evaluated. From this evaluation, the selection field can be narrowed to one or two sites. The first site should then be revisited to take the next steps of securing the promised financial incentives and the best potential location for the Shared Service Center. If this is achieved, the client will then reveal their identity so that agreements can be signed. The second site would be still kept in contention throughout, until the final arrangements are signed and sealed. Maintaining this position enhances the client's leverage during negotiation.

Building selection

Having decided on the general geographical location, the next decision will be to identify a specific building or office space. There are three primary options: move into existing premises, adapt existing space, or create a new building:

1. Occupy existing premises.

Typically a 'B' grade building is most suitable for a Shared Service Center. 'A' grade buildings such as glass towers found in city centers will not satisfy the desired cost profile.

2. Adapt unoccupied retail space.

Retail space is typically large, open, and conducive to creating a unique office environment. Many companies have taken the opportunity to convert such space into an office environment. However, conversion costs can be costly.

3. Build-to-suit option. Available land that permits commercial building offers a significant advantage. The client can design a high-performing environment that will both attract and retain employees. The client leases a build-to-suit facility from the owner just like an existing facility, so the ongoing cost is no higher. One note, however, is that the build-to-suit option typically requires a greater investment of time on the front end, which must be integrated into the overall development timeline for the Shared Service Center model (building plus processes, systems, organization).

Real estate expert

A real estate expert is integral to the process of evaluating facility options and negotiating the contract. The real estate expert's advice is not an added cost; the future landlord pays this fee.

When choosing a facility, careful consideration must be given to the following:

- Readiness of the facility for the needed go-live date.
- Flexibility to customize the space to meet human performance design goals.
- Terms of the lease, including options for renewal and expansion.
- Incentives offered by the owner/builder (such as facility services).

Facility Design for a high-performing workforce

An architecture firm will ultimately be employed to work with the team to design the appropriate environment and to secure office furniture and equipment to complement the office space. The landlord typically works with the architect. A best practice is for the client to hire the architect. It is important to do this at the beginning of the Shared Service Center requirements definition to best understand planning and development requirements to achieve and support the desired work environment and culture.

The interior facility design should be supportive of an open work environment where barriers to teaming are eliminated. Further, it should allow sufficient diversion from the tedium associated with doing repetitive tasks, and provide numerous channels for communicating.

Following are some of the practical design considerations that can impact whether the Shared Service Center achieves the objectives of the business case.

- There should be **no offices** in the Shared Service Center. This applies to everyone, including the most senior managers. One possible exception could be the lead Human Resources director who may be managing confidential information. Organizationally, the Shared Service Center should have a flat-structure and hierarchy should not play out in the form of offices, etc.
- High ceilings and natural light to create an **open, progressive environment** needs to be complemented by excellent artificial lighting due to the
 - significant number of computer hours that will be logged by all employees in the Shared Service Center. Windows and natural light should be accessible to all employees. Where possible, walkways should be placed near the windows. Seating should be designed and established in an equitable manner, so that any artificial or arbitrary boundaries of 'preferred seating' are avoided.
 - Leader cubes should be placed throughout the Shared Service Center. **Leaders should be co-located with their teams** and should take regular walk-throughs to increase their visibility and employee support. An isolated 'leader' is counter productive to the open culture that needs to be established in a Shared Service Center.
 - **Multiple meeting areas**, formal and informal, should be established. Small team rooms and informal seating areas will encourage active communication and problem solving. Meeting rooms should use substantial amounts of glass to take advantage of natural light, and also to create a more inclusive environment.
 - **Large professional training rooms** are mandatory to provide for and encourage continuous learning in the Shared Service Center. Turnover is a reality and a self-sufficient training capability is a critical element for the success of a Shared Service Center.
 - **Multiple open wall spaces** throughout the Shared Service Center should be maintained and used to post periodic performance measures based on Key Performance Indicators (KPIs),
 - based on continuous improvement and value-added customer service.

Best practice dictates that the Shared Service Center design and build is a team effort. Key contributors in this team include:

- The client - ideally the ultimate leader of the Shared Service Center
- Accenture
- The site selection firm
- The real estate expert/advisor
- The architect - the client's and/or landlord's
- The landlord
- Vendors for services such as furniture, telecommunications, and lighting.

Establishing the timeline

After the initial location screening is done and before the next level of detailed analysis, all parties should meet and agree to the integrated schedule of activities and timeline needed to meet the targeted go-live date.

Once the site has been selected, the project team (representing all participating entities) should meet weekly until the plans (floor, ceiling, elevation, electrical, etc.) are complete. Once construction begins, the project team will require a program manager to coordinate all the activities and to maintain and communicate the development schedule as necessary. One consideration is to have the contracted architecture firm provide this project management function at a reasonable cost.

Selection, design, and build checklist

The following steps have proved to be most helpful and significant when building a Shared Service Center:

Selection Phase

- Define scope of the Shared Service Center
- Select site selection firm, real estate advisor and architect
- Develop location criteria
- Have location consultants perform due diligence on all possible locations
- Develop a short-list
- Visit short-list locations
- Select top two sites
- Work with local government of first choice to secure Business Development incentives
- Work with real estate advisors to secure appropriate site
- Work with real estate advisor and owner/builder to develop plans for optimal site specifications
- Select Program Manager for build phase
- Sign lease

Design & Build Phase

- Program manage on-going building preparations
- Complete detailed architectural plans
- Sign agreements of service with local telecommunications and utility providers
- Develop health and safety plans and emergency procedures
- Develop business continuity (disaster recovery) plan
- Sign agreements with other facility providers
- Secure office furniture and other equipment
- Install new/additional lighting, if needed
- Install all furniture and computer equipment

This Point of View provides a high-level summary of key considerations to make when planning a new Shared Service Center. Accenture shared services professionals offer a comprehensive suite of scaleable solutions for planning, building, and operating a Shared Service Center. For more information about Finance & Performance Management (F&PM) solutions, contact:

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F&PM's Finance & Accounting Operations Solutions focus on the planning and implementation of back office services. F&PM assists clients in achieving dramatic efficiency increases in these areas while at the same time aligning these services better with the needs of the business. Typical programs include shared services, web-enablement, and client specific finance and accounting strategies.

Shared Services involves the consolidation and redesign of administration and support business processes into major service centers. The objective of these Shared Service Centers is to deliver the optimum in cost-effective, high quality services

The Shared Services model helps to achieve economies of scale in back office processes and eliminates the replication of basic transaction processing capabilities across an organization.

Adopting the Shared Services model has allowed organizations, including many Fortune 500 companies, to rethink how and where work is accomplished. Shared Services can provide a range of organizational solutions that retain responsive customer service without requiring physical proximity to the customer. Global companies are also proving the value of Shared Services in managing international operations in an integrated fashion.

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- Identifies critical areas with potential for maximum business impact.
- Innovates and transforms the processes in those areas.
- Delivers performance improvements and lower operating costs by assuming responsibility for certain business functions or areas - and Accenture holds itself accountable for results.

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