Introduction

Around the globe, shared services has become the dominant operating model for business support services, with more than 75 percent of Fortune 500 companies having implemented shared services in some form.

Despite its global popularity, the market for shared services in the Gulf Cooperation Council (GCC) region has not yet evolved or expanded as far as it has in Europe and the United States. The main reason, in Accenture’s experience, is because companies in the GCC region have focused on growth, while cost (a primary driver in more mature markets) has not been the primary priority.

We see practices in the region poised for change, with shared services rapidly emerging as the model of choice for GCC businesses and governments looking for more rigorous standardization, controls and compliance in their operations and new ways to enable business flexibility and agility. While cost-cutting may not always be the primary objective, GCC governments and businesses certainly do have an interest in delivering a top-tier service, in nurturing national talent, and in developing the capability to respond rapidly to demographic changes and changing business imperatives—all of which the shared services model can help accomplish, particularly in its more evolved forms.

Shared services is much more than a simple consolidation or centralisation of back-office processes. Shared services combines and delivers services through a distinct, standalone entity that has responsibility for providing the services at agreed levels of quality, consistency and cost. These services range from the back to the front office and for many organizations, have grown in sophistication and value. As the shared services model has evolved, some organizations are receiving holistic and more strategic services through the model, including, for example, analytics services for better decision-making, merger and acquisitions services for more rapid assimilation of acquisitions or highly industry-specific services that make the most of internal and external sources of specialized talent.

As the scope of shared services’ potential business value expands, so too has interest in the model. In this point of view, part of an Accenture series on regional shared services that includes perspectives on the Asia-Pacific region and Latin America,1 we explore the current and future of shared services in the GCC.

Based on our research and client experience, Accenture’s perspective is although it is off to a late start in the GCC, shared services will only grow more prevalent in the region, as organizations of all types realize the multi-faceted role shared services can play in overcoming their challenges and achieving their strategic goals. We identify what makes shared services in the region appealing now, looking at the model from the perspectives of multi-national companies with a GCC presence, local companies and governments. Then, we provide an assessment of the landscape for shared services in three countries at the forefront of shared services activity in the region. Two of these are emerging centers of activity: Saudi Arabia and the United Arab Emirates. The third, Egypt, has traditionally been a primary location for near-shore regional shared services work, especially for large multinational corporations. For this reason, we also explore the advantages and current challenges associated with using Egypt as a location for shared services centers.

Why consider shared services in the GCC Region?

GCC countries have unique qualities that make locating shared services attractive for specific strategic objectives, particularly for governments and businesses in the region. These include:

**An attractive economic environment**
The GCC has maintained a relatively stable economic environment amid the global economic downturn, and a combination of growth and gradual economic reform has made the region very attractive for investment. This economic vitality, combined with investor-friendly regulations, the lack of burdensome ownership restrictions, and attractive tax breaks, gives companies strong incentives to invest freely in the region.

**An attractive labor pool**
The GCC has access to a very large talent pool of young, educated and relatively inexpensive labor (in comparison to higher-cost locations such as the United States, Singapore, or European countries, for example). Moreover, young adults in the GCC region tend toward higher job retention than young adults in many other parts of the world.

This large available labor pool may require some up-skilling for particular functions, with the development of a skilled workforce being a stated goal for governments in the region. However, the workforce in the GCC already generally brings both technical proficiency and an invaluable combination of English/Arabic language skills with easily understood accents (an advantage over the more traditional BPO/offshore centers, many of which do not support Arabic language).

**An attractive technology environment**
Companies in the region are demonstrating a growing inclination to use advanced technologies to boost business performance, and the region is responding, rapidly developing an innovative technological environment. Dubai Internet City in the United Arab Emirates (dedicated to IT business services) and King Abdullah’s Economic Cities initiative in Saudi Arabia are two examples of the types of attractive initiatives GCC governments are launching to improve the IT infrastructure of their countries.

**A growing shared services support structure**
As business and government entities in the region mature, they need greater capabilities and more sophisticated tools to properly address new demands. As shared services in the region matures, a synergy has developed, with new shared services centers growing ready access to the shared services/outourcing expertise that can provide such capabilities and tools.
Three Perspectives on Shared Services in the GCC

Multinational companies with a presence in the GCC, GCC regional companies and governments all have their own unique needs and concerns, and accordingly, their own rationale for pursuing a shared services strategy. In this section, we characterize the present and potential for shared services in the GCC according to these three groups.²

Multinational companies

Multinational companies tend to use shared services to align along common objectives as well as to increase focus on the business operations that enhance business value, improve customer service and further strategic objectives (rather than solely moving rote processing functions to a shared model). It is a value focus: the resources of the business units and the shared services center are allocated in ways that bring the most value (not just the most cost savings) to the business. For example, shared services brings business process standardization and automation that both improves cost efficiency and improves the business’ ability to analyze, measure and report on performance. This increased transparency makes it easier to identify areas needing improvement and improves client satisfaction.

With a presence in the GCC, multinationals tend to outsource or offshore many of the traditional back-office processing functions in low-cost off-shore locations, while moving middle-office functions and, in particular, those that require Arabic language skills, into GCC region shared services. They appreciate the transparency and predictability they get from consistent handling of middle office functions (especially as regulations in some areas, such as finance and accounting, become stricter). This consistency and reduced risk is a particular driver for locating shared service centers in the GCC.

Establishing a shared services center in the GCC region provides an opportunity for multinationals headquartered in the GCC to be present in a fast-growing economic environment, show they are committed to the region and become more responsive to the needs of their customers.

Accenture has seen a dramatic increase in the number of joint ventures in the region, typically between local corporations but increasingly between government-related entities and multinational corporations. With the rise of the joint venture model, multinationals have begun to view shared services as a key enabler to help stand-up these joint ventures more quickly, efficiently and effectively. Thus, shared services provides multinationals with an easier way into the market and the chance to capture additional opportunities.

Regional businesses

Regional businesses, many of which are large family-owned conglomerates, may have strong traditions and cultural influences. They may be very diverse, with corporate interests across many types of markets, from manufacturing to retail to real estate. Their diversity poses a tremendous challenge that shared services can help manage, again, by standardizing processes, reducing redundant work, aligning the organization along common objectives and improving transparency into operations across the board.

Regional businesses in the GCC also tend to have experienced tremendous growth in recent years. As control of these companies passes down through families, successive generations looking to make their mark see shared services as a way to continue to grow while maintaining control. By setting up shared services in the region, they increase process control and standardization, and enhance efficiency and effectiveness. Many medium- and large-sized regional organizations are also looking to grow through acquisition and geographic expansion as the next step in their evolution, and shared services provides a stable foundation of processes that can be scaled to integrate acquired organizations in an effective manner.

Finally, shared services helps regional businesses that choose to go public, bringing the transparency into performance metrics and measurements; service offerings and exclusions; and governance that market regulators and investors will demand.
Governments

GCC governments have yet to fully adopt the shared service concept. Nevertheless, moving to shared services offers a way to meet very particular (national) objectives of governments, especially in the Gulf countries. These national objectives include developing a skilled workforce and creating opportunities for increased female and youth employment.

Shared services also increases the effectiveness of citizen services. Government entities in the GCC region support both expatriates and local nationals with a variety of services. Given the rise in population within the region, governments have had to improve their systems and change their processes to reach an optimal outcome. By locating a shared services center in the GCC region, close to the people the shared services center serves, government entities can realize the improved efficiency, transparency and accuracy that shared services brings, which in turn increases citizen satisfaction.

At the same time, shared services gives some much-needed flexibility to governments; allowing them to respond to these population changes quicker than they traditionally could have done. Because shared services centers develop focused competencies and can scale up or down quickly, as individual government departments develop the need for new services, they can use shared services as a backbone—a readily available support structure upon which to grow.

Finally, GCC governments, like multinationals and regional/local companies, will find the process control and reduced costs that come through simplification and standardization, attractive.

2 A fourth group, government-related entities (GREs), are corporations whose primary investor/owner is the government. Because these corporations share a mix of the characteristics of the other three groups, we do not cover them separately in this point of view. For example, similar to multinational and regional companies, they tend to focus on cost and standardization. Yet they also must align to the national agenda, even though they do not provide citizen services themselves. Within these corporations, the concept of shared services has already begun.
A strong location strategy will evaluate several key attributes for candidate locations, including cost effectiveness, supply of talent, infrastructure and development, and the conduciveness of the business environment to shared services operations. While the deciding factors will vary across companies and governments, we have observed that business environment risk, cost and talent supply are often the three most significant criteria in location selection. Any location strategy should evaluate several key attributes of candidate locations, including cost effectiveness, supply of talent, infrastructure and development, and the conduciveness of the business environment to shared services operations.

Below, we take a brief look at the landscape for shared services in three of the most prominent GCC shared services locations (Saudi Arabia, the United Arab Emirates and Egypt) as a starting point for further location assessment.

**Saudi Arabia**

Saudi Arabia is the largest market for shared services in the GCC and Accenture has seen significant growth and interest from governments, government-related entities, and regional corporations alike in establishing shared services operations there.

The timing is right. In response to unemployment levels and in recognition of the need for a more highly skilled workforce, the government currently promotes a high level of educational expenditure and reform and strongly supports local employment. We expect to see shared services in Saudi Arabia as an attractive avenue for promoting national objectives—capitalizing on the highly educated workforce and increasing employment of women and youth.

Among Saudi Arabia's numerous other advantages is its stable GDP growth and growing local markets. Additionally, in comparison to some other countries in the GCC (the United Arab Emirates, for example) wage costs are lower in Saudi Arabia. Finally, Saudi Arabia has been pursuing and succeeding in attaining foreign direct investment.

Over the coming years, we believe shared service centers will continue to multiply and be established in Saudi Arabia serving government, government-related entities and regional corporations. Within Saudi Arabia, the larger cities of Riyadh, Dammam and Jeddah will continue to be the primary location for shared service centers, but shared service centers may also be used to grow and establish smaller cities and specific investments, such as the King Abdullah Economic Cities.

**The United Arab Emirates**

The United Arab Emirates (UAE) offers the attractions of relatively low inflation, a zero percent tax rate, high-quality infrastructure, excellent broadband penetration and a relatively low-risk profile. While its small labor force tends to be more expensive than some of the other countries in the region, the country boasts high rankings in education and training—and subsequently, literacy and language skills. The country is well positioned to serve the West, East and GCC regions, thanks to a familiarity with American, European and Asian cultures. Finally, the UAE offers easy access to traditional lower-cost labor markets such as India and the Philippines. This is a distinct advantage to companies choosing to combine near-shore shared services with low-cost offshoring for transactional processing.

It is Accenture's point of view that the UAE will continue to be a hub for attracting multinational corporations looking to provide middle- and front-office shared service functions for regional needs. Similar to Saudi Arabia, UAE governments and government-related entities will continue to use shared services centers in the country to pursue national interests, including Emiratisation, increased employment of female Emiratis, and potentially, growing the economy of the smaller emirates (such as Sharjah).

**Egypt**

Egypt has been a popular location for some time for regional and multi-national corporations looking to offshore certain services, either to an outsourced provider or within their own shared services centers. While less mature than some other GCC countries in certain areas of infrastructure, Egypt's strong government support in the forms of low corporate tax rates, low broadband costs and initiatives to develop IT business parks are all positive developments in this regard.

Moreover, Egypt offers a large, relatively low-cost labor force with good technical and language capabilities in Arabic, English and French, and a closer cultural fit to many Western countries—all important qualities for multinationals. However, the recent political unrest in Egypt has significantly increased and the risk must be considered in further detail when selecting the country as a location for services.

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While certain shared services locales such as India or the Philippines will remain mainstays of the shared services industry (even for companies operating out of the GCC), GCC countries have unique qualities that make locating shared services attractive to support the achievement of specific strategic objectives for governments and business in the region, primarily workforce nationalization through job creation and establishing a local presence.

The challenge of building out a comprehensive location strategy is increasing steadily due to complexities arising from the interplay of cost, suitability and sustainability parameters. The measure of a site selector’s success will not be known until long after the location decision. Thus, conducting a thorough assessment requires a fundamentally robust approach supported by established assets and vast local experience.

Accenture’s location selection expertise has helped our clients make the logical and systematic transition to locating shared services operations. Our approach follows the logical methodology of defining and preparing the assessment scope, gathering data on the locations, performing a thorough analysis and backing it up with our considerable experience to provide the most suitable recommendation for the client context.

Our ability to provide a rapid and accurate assessment is enhanced by our industrialized offering capabilities. Established internal scoring models and assessment templates enable us to provide expert analysis and recommendations swiftly.

Conclusion
Further Reading

Accenture has produced two other points of view discussing location strategies for shared services in Asia Pacific and in Latin America.
1. www.accenture.com/sharedservicesAPAC
2. www.accenture.com/sharedservicesLATAM

Further Information

For more information on shared services or the integrated business services model please visit www.accenture.com/fep.

About Accenture

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