Asia Pacific has proven to be fertile ground for shared services over the last decade. India and the Philippines have been the long-standing locations of choice for offshoring transactional activities and now we are also seeing shared services centres flourish in China and Malaysia.

Historically, establishing shared services in the Asia Pacific region has been driven primarily by favourable labour cost arbitrage, an abundant pool of skilled personnel offering wide language skills, and ongoing investment in infrastructure and telecommunications.

However, the rapid expansion of shared services in the Asia Pacific region coupled with recent economic growth in many places are not without challenges for shared services operators.

- Mature shared services locations have seen an erosion of the wage arbitrage benefits that were far more prevalent in earlier years. For example, according to a recent survey, Indian salaries rose by more than 12% in 2011 with similar increases projected for 2012. China is also experiencing wage inflation with the same survey predicting a rise of more than 9% in 2012.

- While the growth of shared services in economically vibrant Asia Pacific has created an abundance of job openings in this industry, it has also created increasing attrition rates. High in-demand, skilled shared services employees, tend to change jobs quite frequently, particularly in places such as Manila and in India’s major cities, where Shared Services Centre skills are highly sought after.

- Cultural and linguistic challenges within APAC should not be underestimated. Certain core processes for companies tend to require extensive customer interactions that are key to competitive differentiation. According to Accenture research, the long term sustainability of shared services is dependent on being equipped with these skills to provide a positive customer experience and satisfaction.

In the wake of a highly competitive shared services and business process outsourcing environment in the region, companies looking to establish shared services centres in APAC should carefully evaluate local conditions to select the best location to meet their strategic intent.

1 Aon Hewitt Global Salary Increase Survey (SIS) 2011-2012
2 Achieving High Performance Through Shared Services: Lessons from the Masters 2009
What location criteria should be considered for shared services and what are the attributes of each location?

The following questions are typically considered when conducting a shared service location assessment:

• What location criteria should be considered for shared services and what are the attributes of each location?

• Will one centre or two be required to support the APAC region and how will it be embedded in a global network or will it be a standalone operation?

• Will the selected locations enable expansion to value added services, e.g. Centre of Excellence functions?

What factors should be considered in selecting the location for shared services?

The selection of a location for a Shared Service Centre is a strategic decision that should be made after careful evaluation of several key attributes, including cost effectiveness, supply of talent, infrastructure and development, and the conduciveness of the business environment to shared services operations. These attributes should be considered in a robust business case comparison among the identified locations. While the deciding factors will vary across companies, we have observed that cost effectiveness and talent supply are often the two most significant criteria in location selection.

In APAC, the mature shared services hotspots of China, India, Malaysia and the Philippines remain competitive, especially in the well-developed cities such as Dalian, Bangalore, Kuala Lumpur and Manila, where the continued growth of shared services and outsourcing provides critical mass to attract talent and sustain investment in infrastructure.

While these traditional shared services hotspots remain popular, Accenture is seeing secondary cities emerging as attractive shared services locations as well. Some emerging shared services hubs include Chengdu and Wuhan in China, Noida and Pune in India, Cebu in the Philippines and even Singapore for centres with highly specialised functions. Cities in Thailand and Vietnam are also being considered for shared services, particularly due to the need to operate in local languages, although these locations are often regarded as not quite mature yet.

Figure 1. Key attributes for location evaluation

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost effectiveness</td>
<td>• Payroll costs</td>
</tr>
<tr>
<td></td>
<td>• Telecommunication costs</td>
</tr>
<tr>
<td></td>
<td>• Facilities costs</td>
</tr>
<tr>
<td>Supply of talent</td>
<td>• Number of graduates with relevant degree and language skills</td>
</tr>
<tr>
<td></td>
<td>• Availability of required technical skills e.g. SOX, IFRS</td>
</tr>
<tr>
<td>Infrastructure and development</td>
<td>• Availability of transportation</td>
</tr>
<tr>
<td></td>
<td>• Telecommunication facilities</td>
</tr>
<tr>
<td></td>
<td>• Availability of utilities (electricity/water)</td>
</tr>
<tr>
<td>Business environment</td>
<td>• Bribery and corruption index</td>
</tr>
<tr>
<td></td>
<td>• Protecting investor index</td>
</tr>
<tr>
<td></td>
<td>• Efficiency in enforcing contract</td>
</tr>
<tr>
<td></td>
<td>• Labour law and regulations</td>
</tr>
<tr>
<td></td>
<td>• Political stability and absence of violence index</td>
</tr>
<tr>
<td></td>
<td>• Tax incentives</td>
</tr>
<tr>
<td>Pros</td>
<td>Cons</td>
</tr>
<tr>
<td>------</td>
<td>------</td>
</tr>
</tbody>
</table>
| Dalian | • Large talent pool  
• Supports Chinese, Korean and Japanese language requirement  
• Solid infrastructure and development ensuring sustainability as a regional Shared Services Centre (SSC) location |
| | • Increasing competition for Korean and Japanese speaking resources |
| Bangalore | • Large English-speaking talent pool that can support global operations, including US and Europe  
• Mature Shared Services location in a large country with readily available labour supply  
• Deep technical skills available  
• Reasonable and improving infrastructure  
• Service industry covers all aspects of business thanks to massive talent pool  
• Strong in IT Outsourcing and moving up the value chain to offshore Business Process Outsourcing (BPO) |
| | • Limited availability of non-English languages, e.g. European or East Asia languages |
| Manila | • Positive service culture as the economy has always relied on service industry  
• Philippines services industry founded heavily on call centre capabilities, which has now expanded to BPO  
• Strong supply pool of talent  
• Solid infrastructure and development ensuring sustainability as SSC location  
• Conducive business environment  
• Attractive tax incentive (Tax exemption for OHQ status companies) and investment incentives |
| | • Competitive BPO environment making staff retention a greater challenge |
| Chengdu | • Emerging as shared services hub with heavy sponsorship by Chinese government  
• Able to support Chinese, Korean and Japanese language requirements  
• Less competition for talent compared to mature shared services locations in China  
• Improving infrastructure |
| | • Less mature and developed shared service location compared with Dalian or Shanghai |
| Noida & Pune | • Emerging as shared services hubs  
• Growing English-speaking talent pool  
• Less competition for talent compared with Bangalore |
| | • Less mature location compared with Bangalore, Chennai or Delhi |
| Kuala Lumpur | • Stable economic, political and general environment  
• Strong supply of talent, KL being the convergent point for graduates in Malaysia  
• Strong English & Mandarin language coverage  
• Good infrastructure and development ensuring sustainability  
• Favourable business environment  
• Track record as a single-source location for SSCs within APAC |
| | • As a mature SS location in APAC, the labour market expected to become overheated in the near future  
• Higher costs of exit than Singapore |
| Singapore | • Favourable business environment and highly skilled workforce  
• Good language coverage (English, Mandarin, limited pool of European languages)  
• Solid infrastructure and development ensuring sustainability  
• Little limitation to labour mobility allows companies to relocate their staff to Singapore  
• Favourable tax incentives |
| | • Cost of doing business is substantially higher than other countries  
• Scalability can be an issue due to competition from also being a financial services hub |
Will one or two centres be required to support the Asia Pacific region and how will it be embedded in a global network or will it be a standalone operation?

Companies are not restricted to a single location for their shared services operations. The decision to select one or multiple locations depends on the range of languages and timezone coverage required as well as the company’s vision for the Shared Services Centre. Accenture is seeing more companies move towards a global business services network model and adopting a dual or even multi-centre approach—not only to meet diverse language and cultural demands but also with a view to transitioning as much scope as possible to the shared service centres.

Key considerations that companies typically take into account when assessing the number of shared service centres in Asia Pacific include:

- Geographies and languages to be supported
- Scope of services to be supported
- Processes in scope that are language dependent
- Consistency in process execution and performance
- Potential leverage of existing company assets and resources
- Size of talent pool availability relative to size of shared services operations
- Time zone differences

Figure 3. The dual or duplicate centre approach: Pros and cons of one or two shared service centre locations

As the shared service location and scope within Asia Pacific is finalised, it is important to also consider the future role within the global network of shared services centres. Organisations are increasingly leveraging the APAC SSC as a global transaction processing hub for fixed assets, invoice processing and intercompany processing, as part of an overall hub and spoke model to achieve scale and global standardisation.

<table>
<thead>
<tr>
<th>Single Shared Service Centre Location</th>
<th>Dual/Multiple Shared Service Centre Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pros</strong></td>
<td><strong>Cons</strong></td>
</tr>
<tr>
<td>• Lower overheads and more synergies</td>
<td>• Shared services scope may be smaller as some</td>
</tr>
<tr>
<td>• Leaner management structure</td>
<td>processes are left locally due to limited</td>
</tr>
<tr>
<td>• Great cross training/skills</td>
<td>language support from a single centre</td>
</tr>
<tr>
<td>development opportunities</td>
<td>• Business continuity management may be more</td>
</tr>
<tr>
<td>• Easier to achieve and maintain</td>
<td>complex</td>
</tr>
<tr>
<td>standardisation of processes</td>
<td>• Standardisation of end-to-end processes</td>
</tr>
<tr>
<td>within location</td>
<td>could be challenging due to need to maintain</td>
</tr>
<tr>
<td>• Clearer roles and responsibilities</td>
<td>local support for language dependent</td>
</tr>
<tr>
<td>• Consistent service management</td>
<td>processes</td>
</tr>
<tr>
<td>framework</td>
<td></td>
</tr>
<tr>
<td><strong>Cons</strong></td>
<td><strong>Pros</strong></td>
</tr>
<tr>
<td>• Expanded language coverage for</td>
<td>• Platform for localised growth, e.g. broader</td>
</tr>
<tr>
<td>processes/scope</td>
<td>services supported in China</td>
</tr>
<tr>
<td>• Business continuity plans easier to</td>
<td>• Same time-zone service for global operators</td>
</tr>
<tr>
<td>implement</td>
<td>(if required)</td>
</tr>
<tr>
<td>• Additional service support</td>
<td>• Challenging to maintain consistency in</td>
</tr>
<tr>
<td>overhead with duplicate</td>
<td>continuous improvement activities</td>
</tr>
<tr>
<td>roles and activities</td>
<td>• Management complexity and interfaces with</td>
</tr>
<tr>
<td>• Challenging to maintain</td>
<td>the business are more complex</td>
</tr>
<tr>
<td>consistency in continuous</td>
<td></td>
</tr>
<tr>
<td>improvement activities</td>
<td></td>
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<td>• Management complexity and</td>
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<td>interfaces with the business are</td>
<td></td>
</tr>
<tr>
<td>more complex</td>
<td></td>
</tr>
</tbody>
</table>
"Hub-and-spoke" Model

Companies that choose a dual or multiple centre approach may not need to duplicate all functions across the centres. These shared services operators often adopt a “hub-and-spoke” model where standardised and non-language dependent activities are supported from a global hub, with other centres serving as satellites that operate more localised functions.

Under the hub-and-spoke model, the global hub serves as a vehicle for rule-based, transactional processing that typically includes finance and accounting and HR processes as well as master data maintenance. Attached to this global hub are the “spokes”—local or regional centres—acting as a front office to support local businesses in the region. The global hub supports non-language dependent processes in a standardised, industrialised environment while the regional centres focus on delivering functions that are customer-facing, requiring interaction with local businesses, customers and vendors in local languages or context. The hub-and-spoke model increases the proximity between the finance business decision makers and the shared services organisation.

Overall, this hub-and-spoke model enables the shared services organisation to be both “super global” and “super local”. It simultaneously offers:

1. Scalability and the benefits of labour sourcing associated with a global model;
2. Customer intimacy and superior customer experiences associated with a local model.

This model is particularly attractive for companies that are growing rapidly in APAC, as it provides the ability to leverage the scale and structure of global shared services, while retaining local presence to support business expansion. At the same time, the local/regional centres act as a catalyst to facilitate transfer of a bigger scope of functions to the shared services. It is worth noting that Accenture is seeing significant interest from organisations in setting up the global “hub” portion of the shared services organisation in the APAC region as the concept of Global Business Service and Integrated Business Services continues to gain momentum.

It is important to note that under the hub and spoke model, the regional centres usually continue to fall within the Shared Services governance to ensure close collaboration in the delivery of shared services to the local businesses. The regional centres may also serve as alternative sites for critical functional activities as determined by the Business Continuity Plan (BCP).

The model provides additional benefits including the provision of a more compelling career path for Shared Service Centre employees, creating opportunities for transferred roles. Accenture is seeing companies that deploy this model investing in key talent to drive customer centricity and knowledge-based services as an added incentive for all parties.
Case Study: Realising the benefits of hub-and-spoke model

Background

Accenture worked with a global resources company to conduct a Shared Services Health Check in 2010. The company had operated four captive multi-function regional shared services centres in four distinct locations globally. Inconsistency in service delivery was increasing over time as the company grew. With significant variability in service delivery, the shared services centres' ability to deliver against the business requirements in a cost effective manner was being undermined. There were limited controls in place to manage the divergence. The growth and variability also led to increasing complexity in processes, enabling technologies and people.

A review was conducted on how best to manage the regional centres while realising the value proposition underpinning the high performing shared services model. Essentially, the review proposed a set of initiatives for a new delivery model seeking to improve efficiency and quality.

Solution

The company needed an operating environment with a rapidly scalable capability in order to accommodate future business growth while leveraging global advantages. Accenture worked with the company to define a new 'end-state' vision for shared services, this included the establishment of a global shared services hub for commoditised transaction services, while refocusing the legacy regional centres on activities that require proximity to the customer. This enabled the regional centres to move up the value chain and provide more value add service.

A location selection process was conducted to assess potential shared services locations and to identify the preferred location for the global transaction hub. There were four categories of assessment: supply of talent; stability and ease of doing business; infrastructure and development; and operating costs.

Out of six potential locations including four in Asia, the company chose Kuala Lumpur as its location for the new global shared services hub. Although not a core business operating location for this company, Kuala Lumpur was selected as it was the optimal site to enable fast realisation of expansion benefits given its access to a high quality talent pool and operating cost that would enable cost effective scalability.

Kuala Lumpur offers a good supply of talent at relatively low cost and widely available English language skills. With its stable political environment, robust national infrastructure and business-friendly legislation, Malaysia and in particular Kuala Lumpur is well positioned to become a haven for shared services centres in South East Asia.

From 2006 to 2010, standardised processes for key transaction services were migrated from the regional centres to the global hub. The scale of shared services in both the global hub and the regional centres continues to grow through the addition of new business units both organically and inorganically. At the same time, the shared services model was further enhanced with a single governance and service management framework outlining clear ownership and deliberate accountability across the global hub and regional centres.

Results

The journey is still ongoing but specific results and benefits have been achieved.

• Consistent governance model defined for the global hub and regional centres with clear ownership and deliberate accountability.

• Easier to achieve and maintain standardisation of commoditised processes within one location.

• Accelerated the integration of transactional business processes leveraging the single global hub.

• Lower operating costs and more synergies through leaner management structure and great cross skill development opportunities.

• Consistent service management framework which improved consistency and quality of services through more simplified standard processes and benchmark service management.
Can the selected locations enable expansion to value added services?

Besides the traditional shared services scope of activities, companies should also consider potential activities that can be added on to its shared service operations in the future. Many companies have started to co-locate specialised or value-added functions, e.g. Centre of Excellence (COE) functions, with the shared services centres to facilitate closer integration with transaction processing, and leverage a common governance structure and established infrastructure. According to Accenture’s Shared Services 2011 Research, specialised and value-added services that can be added to shared services can range from transportation to research to data analytics.

Examples of specialised or value-added services delivered from Shared Services Centres

Co-locating these COEs in the shared services centres can provide opportunities for the talent to grow within the company. It is important to note that these COEs require deeply skilled finance, HR and procurement talent who are in high demand across the APAC region. Hence, companies looking to include COE functions with shared services need to pay particular attention to the depth of talent pool in the locations that are being considered.

Figure 4. Examples of specialised or value-added services delivered from Shared Services Centres

![Bar chart showing examples of specialised or value-added services delivered from Shared Services Centres.](image)

What atypical services are being delivered through Shared Services today?

- Transportation: 31%
- Consulting Services: 29%
- Research: 29%
- Communications: 29%
- Master Data Maintenance: 27%
- Project Management: 27%
- Internal Audit: 26%
- Legal: 25%
- Facility Maintenance: 24%
- Marketing: 22%
- Tax: 22%
- Financial Planning, Budgeting and Forecasting: 21%
- Enterprise Reporting: 21%
- Treasury: 21%
- Real Estate: 20%
- Environmental, Safety and Health: 20%
- Investor Relations: 18%
- Statutory Reporting: 16%
- Continuous Improvement (Lean/Six Sigma): 11%
- We do not deliver any atypical services: 11%

What innovation/value-add services are being delivered through Shared Services today?

- Data Analytics: 51%
- Product/Service Development/Testing: 36%
- Tax Efficiency Operating Model Management: 35%
- Inside Sales Support: 29%
- Merger Integration Support: 28%
- Research and Development: 26%
- Working Capital and Cash Flow Ownership: 25%
- Sales Compensation Planning: 24%
- Emerging Market Expansion Support: 23%
- We do not provide any innovation/value-add services: 9%

Sample size: Total sample

Source: Accenture’s “Shared Services 2011 Research” based on interviews with over 100 shared services executives from 16 countries in April 2011.

Data shown is part of the overall data collected for the project and was not included in the final report “Trends in Shared Services: Unlocking the Full Potential.”
Conclusion

Given the strong growth opportunities in APAC and the availability of skilled workforce and talent, APAC remains an attractive location for shared services and business process outsourcing. In addition to the region’s traditional hotspots, there are a number of up-and-coming locations attracting shared service operators.

As well as evaluating several key attributes of APAC locations such as cost effectiveness, supply of talent, infrastructure and the business environment, companies looking to set up shared services operations here need to consider location selection as a strategic decision and define a location model that supports the company’s strategic growth plans in the region as well as the company’s vision for a global business services network.
About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 249,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$25.5 billion for the fiscal year ended Aug. 31, 2011. Its home page is www.accenture.com.

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