

Treasury makeovers

Shared services success

Running a shared services centre (SSC) can deliver unforeseen benefits. There are the obvious advantages of reduced costs and greater account transparency, but as SAP completes its first full year of operating a regional SSC in Singapore other benefits are emerging. “The quality of our financial data has improved tremendously,” says Shee-Wei Chai, director of organization development for the business software company. “When each country was responsible for inputting its own data there was a real inconsistency in that data because everyone has a different interpretation of information.” Chai says this led to a “garbage in, garbage out” situation where inconsistent data was producing poor quality reporting. “Now that data input is happening in one location, the quality of our reporting has gone up significantly.”

Another welcome benefit has been the chance to show how ERP systems, the very systems that SAP’s software supports, can be integrated into a regional payment solution. The SAP ERP solution, the company’s client/server and distributed open systems software, is used exclusively within the SSC. “We have been able to build a showcase for our prospects and customers to illustrate how a shared services centre can be successfully implemented using our own leading edge technology,” says Chai. “A lot of our customers are



evaluating the benefits of a SSC and we can now explain how it works and give them a real-life example.”

While SAP is embracing these added advantages, the real motivations behind its plan to establish a shared services centre were to reduce costs and increase transparency. And these goals have been achieved, says Chai. Less than 12 months after the centre came online, the company is saving 40% in administrative costs through consolidation and increased efficiencies, and has reduced its headcount by 42%. “Now that transactional data is not being processed in-country, the staff in our subsidiaries are freed up to help with analytical work such as forecasting and budgeting. The CFO also has to worry less about whether stuff is being posted

Company: SAP

Director organizational development: Shee-Wei Chai; director shared services centre, Selina Foong
Makeover: Establishing a shared services centre in Singapore

Countries covered: Singapore, Malaysia, Thailand, Indonesia, Philippines, Hong Kong, China, Taiwan, Korea, India, Australia and New Zealand

Implementation launched: January 2003

Implementation completed: December 2003

Partner bank: Citigroup

into the system correctly and can spend more time helping the CEO with planning.”

The corporate governance goals have been achieved by having independent checks and balances, consistent systems and transactions, and more efficient and effective risk management procedures. On the payments side, these goals have been made possible with technology provided by Citigroup, SAP's partner bank in the region. Prior to implementing the shared services centre, invoices were received, processed and paid at the country level. Now they are routed through Singapore with the help of Citigroup's internet banking platform, CitiDirect. “When a local office receives an invoice it is scanned and sent electronically to Singapore where staff enter the data into the system,” explains Chai. “A single data file is then uploaded into CitiDirect and payments are disbursed through Citigroup's branch network around the region. This has really improved the security of our payments. We are no longer relying on faxing and mailing payments at the individual country level.”

Implementing the SSC took nearly a year and followed an extensive feasibility study and re-engineering exercise. The company chose Singapore mainly because its regional headquarters are located there. Putting the SSC in the same country gives the centre regional management support and input, and access to IT, finance and legal. But there were other factors that influenced the location decision, says Chai. These were: the availability of skilled labour including language skills; time zone compatibility; and economic and political stability. SAP's feasibility study also found that Singapore's cost differential compared with other Asian locations was still competitive.

The centre handles functions other than payments including payroll distribution, software contract issuance and billing, and registration and billing for its training courses division. And the way the centre has

been set up means that other functions can be added at a later date. “We didn't want to take a big bang approach,” says Chai. “While we have set aggressive targets, we have limited the risks of establishing the centre by implementing things in stages.” Ultimately SAP wants to use the centre to sell some of its products, such as its training programs, where centre staff are involved in marketing, upselling and fulfilling bookings for its training division.

One function that is unlikely to be included in the near term is receivables collection. “This is still a country specific process and often requires a lot of telephone work – calling people to remind them to pay their bills. Collections staff in each of the countries have a rapport with our customers and this relationship is important and difficult to centralize.”

Selina Foong, director of the SSC, says the biggest challenges in setting up the centre were not technical but human resources-related. “Now that payments are handled through the SSC the roles of the people working in our satellite offices have changed. We now need these staff members to be

skilled and qualified in tasks other than transaction processing, and not everybody is capable. Changing their mindset and their job descriptions has been difficult.” Foong says one of the keys to making this work has been to change the company's compensation, rewards and recognition systems. Cross training is also helping staff to move around within their jobs and stay motivated.

Staff members are certainly experiencing the tangible benefits of the SSC. The centralized payroll system means that pay cheques arrive on time and expense claims are processed more quickly. “Suppliers too are reaping the benefits,” says Foong. “They are being paid more efficiently and our commitment to consistent processes means there are less errors in the payments.”



Shee-Wei Chai and Selina Foong,
SAP Shared Services Centre