As businesses deal with the challenges of globalization, economic uncertainty and a volatile business environment, many are searching for ways to reduce costs and complexity in their businesses. In order to strengthen existing business models and grow their customer bases, corporate CFOs are increasingly turning to Shared Service Centers (SSCs). SSCs can provide solutions to many of the complex issues CFOs and treasurers face today, helping to improve efficiency, cut costs, and deliver more effective business services. But there are also challenges for those using shared services for the first time. With the right guidance, however, the rewards for CFOs – as demonstrated by the experience of software market leader SAP – are significant.

Addressing Uncertainty
To take advantage of opportunities for growth throughout the Asia Pacific region, companies need to protect, scale, and grow their businesses, but are doing so against an uncertain economic backdrop. Challenges include volatile markets, geo-political uncertainty, fluctuating revenues, rapidly evolving business models, the impact of new technology, and fast-changing regulations - particularly demanding for CFOs seeking to manage risk and protect business value. The solution, for many, is SSCs.

As they transform finance operations, finance chiefs can use SSCs to automate and standardize processes, whether regionally or at a global level, and improve the efficiency of many back-office functions – for example payment processing, accounts receivable, or financial reporting. In doing so, businesses often find themselves able to improve working capital and optimize cash flow, support growth with increased productivity, and position themselves to better manage operational risk.

SSCs are an increasingly attractive proposition for many businesses, and their adoption is set to rise. In a recent Deloitte survey, 66% of respondents said that they expect their organizations to increase the number of geographies or regions served by SSCs in the next three to five years, while 76% also expected SSCs to serve more business units.

Transforming Business Services
Shared service organizations benefit from a reduced need for transactional and administrative support, expanding the range of business services they can offer and improving customer focus. By centralizing such functions, businesses also avoid the difficulties of having to replicate the necessary infrastructure and skills in each market.

Shared service organizations also benefit from technological advances. Effective use of technology can increase automation and reduce costs, while at the same time multiplying the rate of organizational change. Mobile collection tools such as Citi’s Mobile Collect, for example, streamline back-office and reconciliation processes, and aid business growth by accelerating collections and optimizing liquidity. Such services also help businesses to better manage operational risk – in this case, the risk associated with cash payments.

SAP, the market leader in business management software, discovered the benefits of SSCs when it began a shared services project in Singapore ten years ago. The resulting improvements persuaded SAP to expand its finance SSC throughout the globe. It now runs SSCs in four locations (Singapore, Dublin, Prague, Buenos Aires) under one leadership across one single instance SAP ERP.
platform to support its global financial organization, and continues to standardize operations and improve processes as its use of SSCs expands.

**Facing the Challenges**

One of the challenges for organizations operating SSCs is how to deliver continued improvements. Typically, businesses enjoy efficiency gains, productivity gains, simplicity and standardization as well as cost savings when an SSC is first set up, but returns diminish as it matures. To continue to benefit, organizations can expand an SSC horizontally, by increasing the number of transactional processes carried out, or vertically, helping the business to widen market reach, cut infrastructure costs, or provide a wealth of strategic data it can use in supplier negotiations, expense control and sales attrition analysis.

Another key challenge for shared services organizations is operational risk. SSCs must have robust business continuity planning measures in place to ensure they can continue to provide round-the-clock services critical for many global organizations and that they maintain the required working relationships with in-country operations to support the significant complexity involved in aligning market-specific tax, legal and central bank regulations.

**SAP’s Journey to Success**

SAP first explored shared services for its finance operations in Asia Pacific in 1998. By continuing to improve and standardize processes since then, SAP today operates a world-class, customer-centric, global shared services function. But it faced a range of challenges to deliver this model – not least that progress is never complete.

SAP succeeded by viewing the process as an ongoing journey, embracing new technologies, and sharing ideas and expertise from different locations. Several factors contributed to this success: communication and change management to ensure buy-in and transparency through the process; close collaboration with Citi as a trusted banking partner in Asia and beyond; and the use of automation and process optimization to increase effectiveness. SAP also understood the value of delivering quick wins to highlight success; relationship and rapport building throughout the business to ensure knowledge transfer; an innovative approach of continuous redesign and transformation; and dedicated teamwork and competency to deliver customer satisfaction and keep employees motivated.

The most recent milestone in SAP’s SSC Journey has been the vertical expansion from SSC to Global Business Services. Delivered through regional SSCs, SAP uses standardized processes and high levels of automation to deliver global F&A processes such as order to cash, procure to pay, record to report, and quality management. Its market-leading position has also seen SAP recognized with awards including "Contribution to Shared Services Thought Leadership" from the Shared Services and Outsourcing Network (SSON), and “Shared Services Leader of the Year” and “Best New Shared Services Organisation” by IQPC.

**Banking Partner Collaboration**

For CFOs/Treasurers, a key factor in delivering best-in-class SSC operations is close collaboration with an experienced banking partner. This is particularly true for those expanding SSC operations horizontally, who need guidance on different banking regulations in each of the markets the SSC will serve. Citi’s SSC Forum allows companies to share SSC experiences and discuss best practices, drawn from the more than 1,000 SSCs Citi supports worldwide. Through a series of webinars, consulting sessions, and client advisory boards, the Forum encourages collaboration and innovation among shared services organizations.

SAP’s SSC experience has been one of continuous improvement. Following the go-live of its regional Asia Pacific SSC in 2003, SAP expanded its scope in 2005 as it implemented CitiDirect, Citi’s web-based banking platform, and CitiConnect, Citi’s settlement and financing tool that allows buyers and sellers to complete transactions online. In 2007, it also implemented an HR SSC, and the next year integrated SAP’s Business Objects operation, before beginning the globalization of its SSC processes in 2009.

In the time since the go-live of the Asia Pacific SSC, SAP has seen in this region a 40% reduction in costs, while the total number of documents processed has increased by 60%. Productivity increases mean SAP has also witnessed a threefold increase in the average number of documents processed per employee in the Asia Pacific region. In addition, surveys reflect increased customer satisfaction.
Treasurers also need access to banking tools that will support their SSC objectives. Citi’s market leading solutions can help SSCs transform into ‘true business enablers’ covering a wide range of business functions such as receivables, reconciliation, bank guarantee management, procurement and Travel and Entertainment.

Customers seeking to enhance information flow, improve operational efficiency, and monitor customer credit risk, for example, can use Citi’s Payables Vision or Receivables Vision tools to utilize banking data for more integrated, efficient processing. Meanwhile, for reduced infrastructure costs, banks can offer enterprise resource planning (ERP) to bank integration solutions that can significantly reduce maintenance and transactional execution costs. Companies can also leverage Citi’s cloud-based solutions such as CitDirect BE Mobile, which allows customers to receive notifications and authorize payments via their mobile phone.

Citi has also partnered with other market leaders in cloud computing. For example, Citi and SAP are working closely together to develop a cloud-based services platform. The highly interoperable, multi-bank platform aims to seamlessly integrate banks with their corporate customers. SAP has also introduced HANA, a platform that allows organizations to access data and run applications in near real time, and bring the power of analytics to companies that have centralized data such as that running through SSCs.

Shared Services: Aiming For the Next Level
As companies increase the scope of their shared services operations, an important step is the shift to vertical expansion. Traditionally, SSCs have been considered administrative supporters, with their greatest impact seen in areas such as process efficiency, cost reduction, and process quality. But for those ready to expand SSCs vertically, this impact becomes less transactional, and sees them able to contribute to performance strategy, decision support, and business strategy. As a result, the Deloitte survey reports that some 61% of respondents intend to increase the number of advisory processes in their SSCs over the next 3 to 5 years. For SSCs to make this change successfully, businesses must make significant organizational shifts, and be able to leverage investments in technology so that data analytics can become a reality.

Whatever challenges they face, the best-prepared companies will continue to transform themselves and are increasingly turning to SSCs to evolve their treasury and finance functions. In the process, they can reduce costs, increase automation, and become more customer-centric and competitive. To increase their chances of success, treasurers must be prepared to embrace automation and innovation. They should also commit to an ongoing process of improvement, and seek out experienced and collaborative banking partners to support them. Approached correctly, SSCs can help CFOs to deliver more effective business services throughout an organization, and demonstrate real value in the process. While the SSC journey may not always be a smooth one, the rewards are well worth it.

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