

Shared Service / Centralised Processing Centre Survey

The 'bots' are here

*Is your Shared Service or Centralised
Processing Centre agile and ready to
support your digital ambition?*



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Preface

We are pleased to share with you, the results of our inaugural Shared Service Centre (SSC) and Centralised Processing Centre (CPC) survey, which seeks to:

- assess the maturity level of SSCs/CPCs across key industries in Nigeria;
- understand the SSC/CPC implementation challenges and risks;
- share perspectives on global SSC/CPC trends and their impact on the local operating environment; and
- identify SSC/CPC optimisation opportunities.

In our experience, Shared Service and Centralised Processing Centres are not exempt from the disruptive impact of the rapidly evolving technology landscape. Robotic Process Automation (RPA), an emerging concept targeted at highly manual, repetitive, labor-intensive and high-volume processes, is designed to offer intelligent automation of transactional processes, while reducing human interfaces required without any major modifications to existing systems. This will fundamentally change how SSCs and CPCs operate, further increase the potential for cost reduction and efficiency and redefine the role of 'humans' in routine transaction processing.

We would like to thank all the organisations and individuals that spared the time and effort to contribute to this survey and provide valuable perspectives. We hope you find the insights useful and look forward to supporting your journey to achieving optimized and cost efficient Shared Service/Centralised Processing Centre operations.



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Key Messages from the Survey

- CPC respondents appear to have a higher cost saving potential, with 31% achieving 10%-30% savings on operational cost post-implementation
- The SSCs surveyed on the other hand, appear to have achieved low levels of cost savings on operating costs, with only 7% of respondents indicating savings between 10% and 30%. This is significantly low compared to over half of global respondents who recorded savings in the same range.

Standardisation is expected to remain high on each SSC/CPC's agenda. Less mature SSCs/CPCs will focus on the highly transactional and repetitive activities, while mature and developing centres will seek to migrate more advanced and value-adding services

SSCs and CPCs have access to valuable data created within an organisation. This data if properly mined can provide useful insights (beyond basic information and transaction processing) to support informed business decision-making

Physical location will increasingly become less critical as SSCs/CPCs move towards a more automated workforce

Robotic Process Automation (RPA) will fundamentally change operating models of SSCs and CPCs, making it possible to:

- fully automate highly rules-based processes;
- free-up resources to focus on strategic and more value-adding tasks; and
- improve efficiency and minimize processing errors

RPA will redefine the role of 'humans' in routine transaction processing

Leading SSCs and CPCs will be characterised by an increasing focus on service orientation and customer satisfaction. Within this context, SSCs and CPCs will evolve from being an "extended workbench" to an integrated Global Business Service Centre, providing a diverse range of quality, value-adding services to customers





Executive Summary

1

Organisations are implementing Shared Service and Centralised Processing Centres as an efficient strategy to safeguard the bottom line and unlock value

With increasing focus on cost efficiency as a strategy to safeguard the bottom line, a number of organisations in Nigeria (across industries) have implemented Shared Service or Centralised Processing Centres in various forms.

Although these SSCs/GPCs differ by function, geography, operating model and governance, value and cost optimisation remain the underlying drivers for their establishment, in addition to other factors like quality improvement, process standardisation and increased customer engagement.

Winners will be players who strike a balance between cost efficiency and excellent service quality.

The Study

PwC conducted a survey of Shared Service Centres (SSCs) and Centralised Processing Centres (CPCs) across industries to gain first-hand opinions and insights on the following:



maturity level of SSCs/CPCs

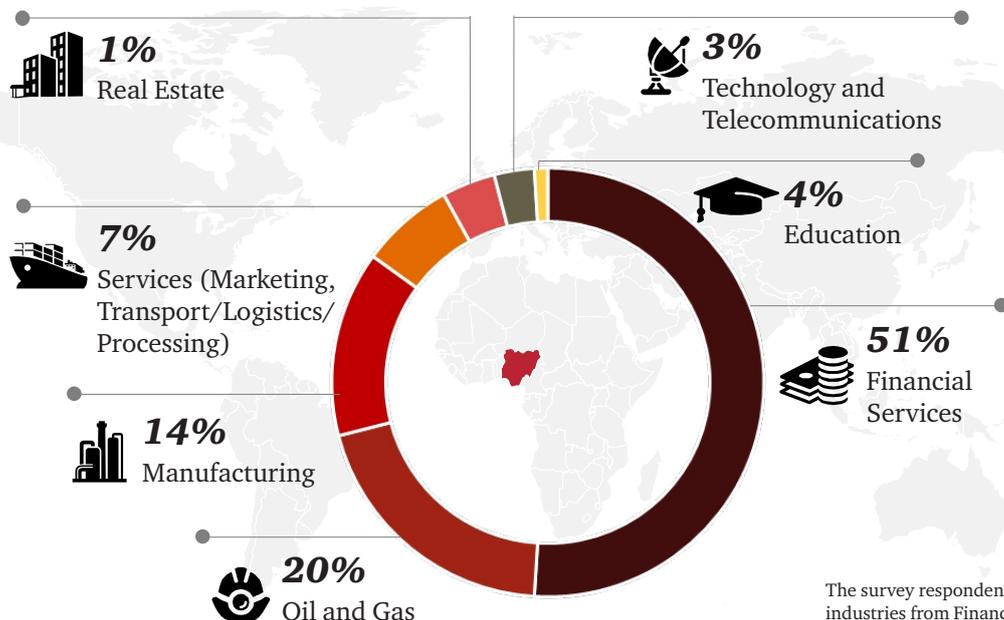


challenges and risks encountered in the implementation of SSCs/CPCs



opportunities to optimise SSCs/CPCs

Figure 1: Respondent Demographics



Our findings at a glance



of Nigerian SSCs surveyed selected their location based on availability of support infrastructure



of respondents implemented the SSC/CPC for improved service/ process quality



of respondents have significantly achieved their objectives for implementing the SSC/ CPC



of CPC respondents achieved 10%-30% and 51%-100% productivity improvement (respectively) post-implementation



CPC respondents appear to have a higher cost saving potential, with 31% achieving 10%-30% savings on operational cost post-implementation



SSC respondents appear to have achieved lower levels of cost savings on operating costs, with only 7% indicating cost savings between 10% and 30%.



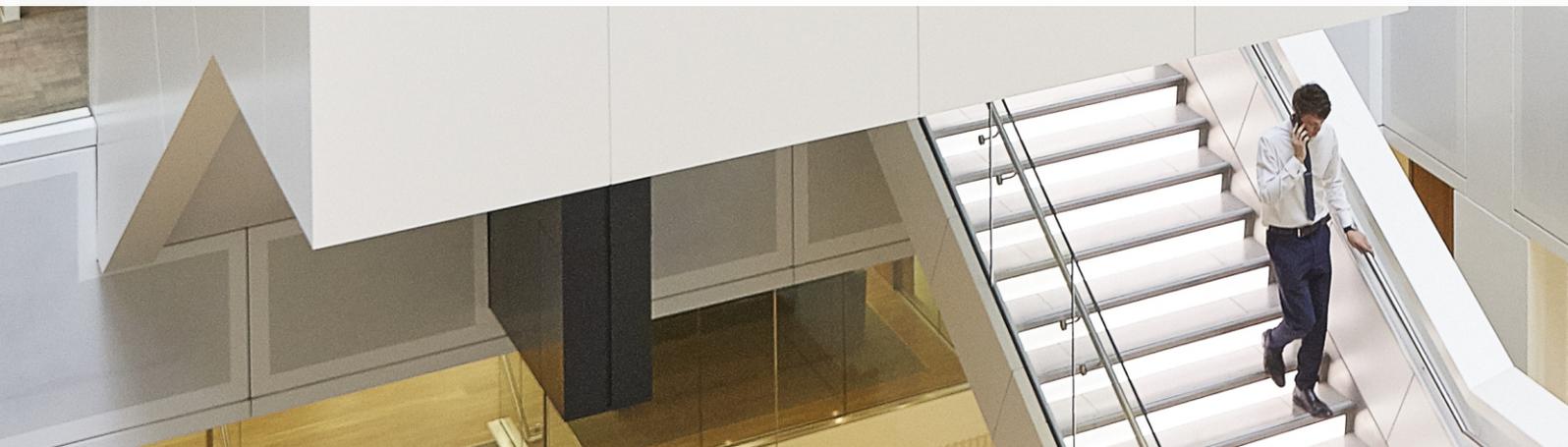
of SSC respondents indicated that their organisations have adopted multi function Shared Service Centre (SSCs)



of SSCs surveyed had no documented SLAs in place



of CPC respondents operate as a Cost Centre, while none operate as a profit centre





As indicated by 83% of respondents, the Finance and Information Technology functions are the major candidates for migration to Shared Service centres



of CPCs surveyed employ 'only contract staff' while the SSC staffing model is purely a mix of Contract and Full time staff



of respondents indicated that CPC costs are billed as part of 'head office' costs to various segments of the business, using an agreed allocation key



of SSC respondents employ between 21 and 50 FTEs, while 26% of CPC respondents employ between 21 and 50 FTEs



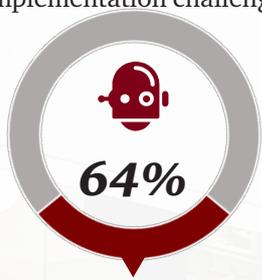
and 73% of SSCs and CPCs surveyed (respectively) are of the view that 'definition and adherence to Service Level Agreements and Key Performance Indicators' is a key implementation challenge



and 68% of SSC and CPC respondents respectively, identified 'clearly articulated strategy' as an important factor for successful implementation



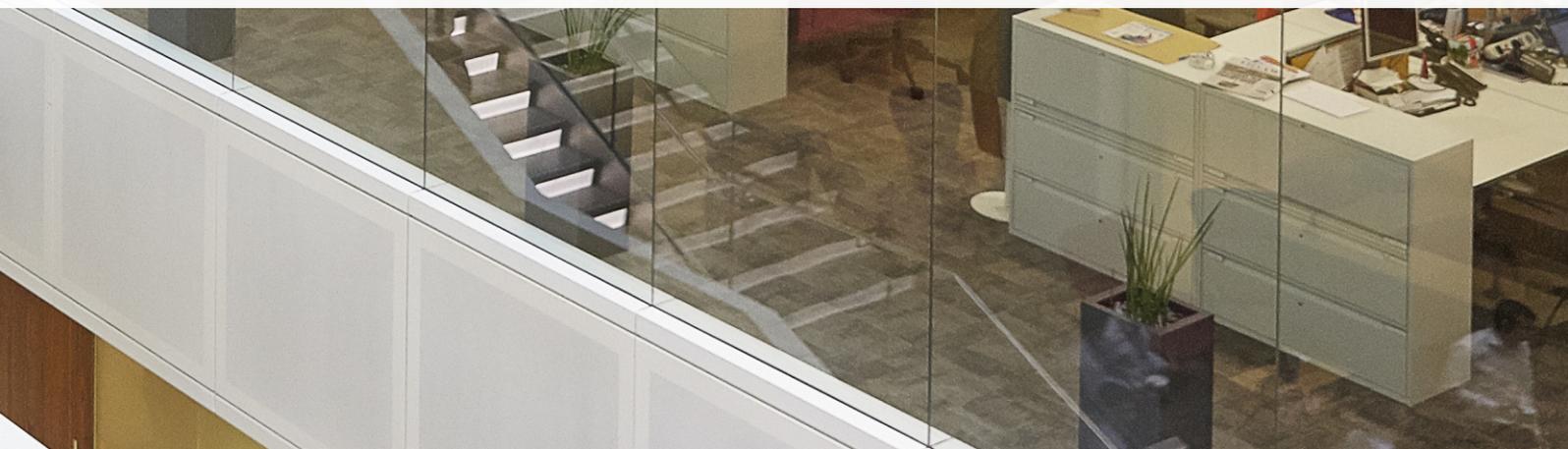
Analytics was perceived by 93% of SSC respondents to be of significant importance, while over 70% of respondents in this group indicated digital/social platforms and transfer pricing as trends to which they would likely respond



While Robotic Process Automation was considered the 4th most important trend by SSC respondents, 64% and 82% of SSC and CPC respondents (respectively) indicated a high likelihood to respond to this trend by investing in it



Similar to the SSCs, analytics is perceived to be the most significant trend to which over 90% of CPCs intend to respond





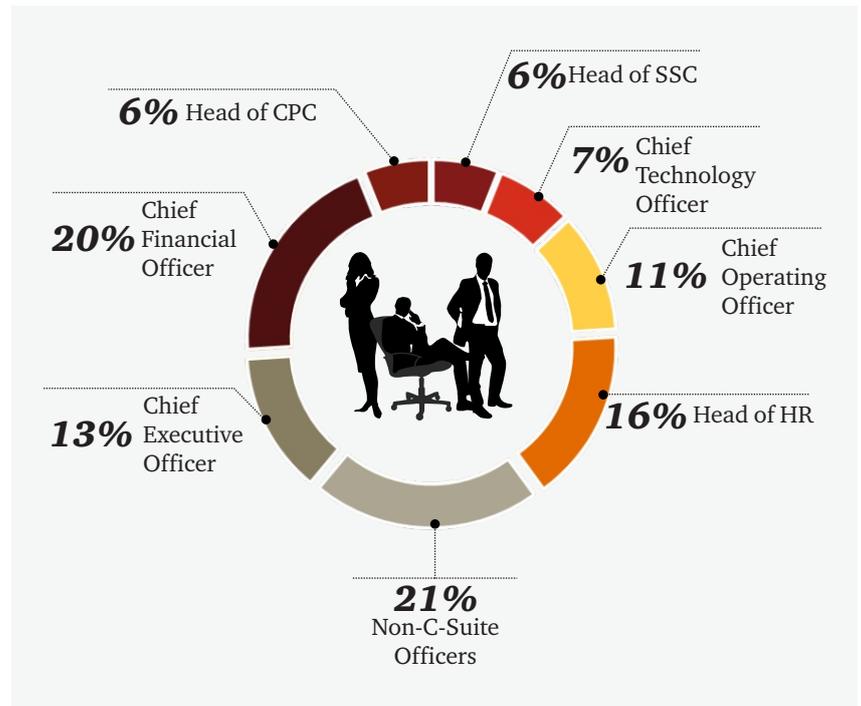
Introduction

2

PwC conducted a survey of Shared Service Centres (SSCs) and Centralised Processing Centres (CPCs) across industries

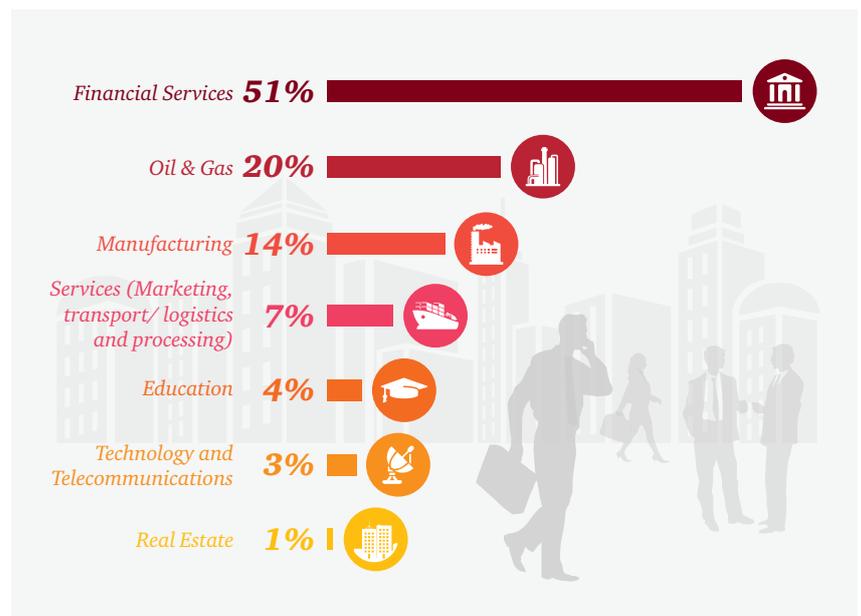
- This report assesses the current state of Shared Service/Centralised Processing Centres in Nigeria, as well as future trends and their implications.
- Our analysis is based on primary data derived from the results of a survey that includes feedback from a broad range of executive and management officers, across various Nigerian organisations.

Figure 2: Participation by Designation/Position



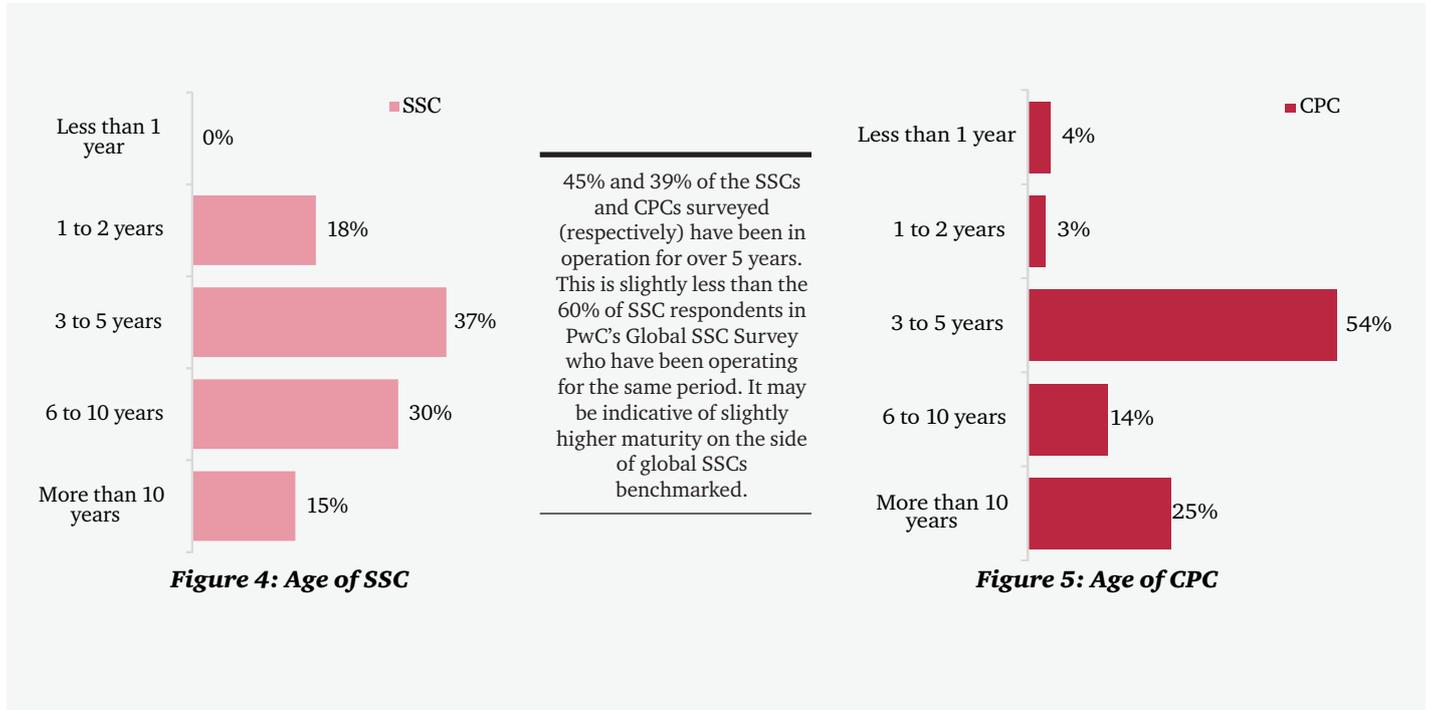
- For this study, we surveyed 93 respondents, primarily Chief Executive Officers, Chief Financial Officers, Chief Operations Officers, Chief Technology Officers, Heads of Human Resources, Heads of Shared Service Centres and Heads of Centralised Processing Centres.
- 79% of respondents were either C-suite officers or other Group Heads.
- We also leveraged insights and proprietary data from other PwC Shared Service Surveys across jurisdictions.

Figure 3: Participation by Industry



37% of SSCs surveyed were established 3 to 5 years ago...

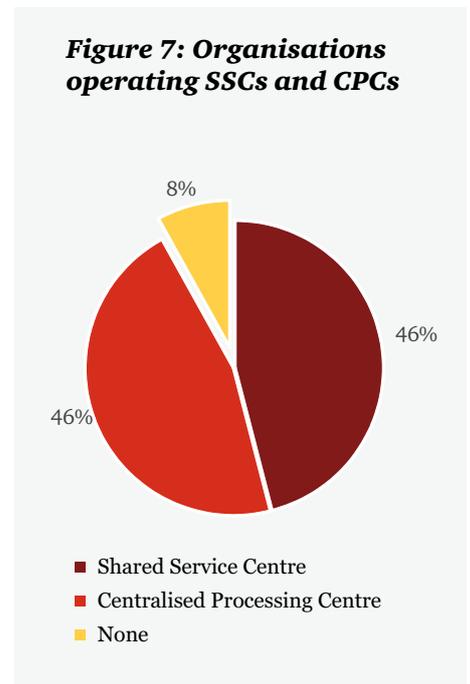
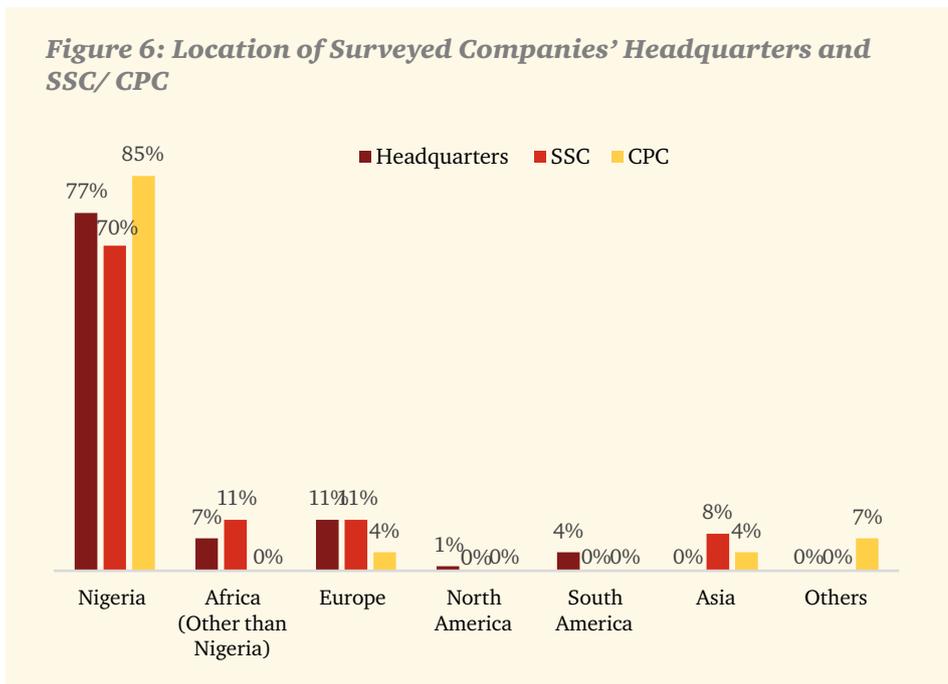
... while more than half (54%) of CPCs surveyed were established 3 to 5 years ago



Over 70% of SSCs and CPCs surveyed are located in Nigeria

77% of participating organisations have their headquarters located in Nigeria

92% of organisations surveyed operate either a CPC or SSC



The SSCs/CPCs were assessed in line with PwC’s SSC Maturity Model®, along six of the key evaluation criteria. The PwC SSC Maturity Model® allocates SSCs/CPCs to one of four levels of development



PwC’s SSC Maturity Model®



SSCs and CPCs surveyed are largely at ‘Phase II – Growth’ of the maturity spectrum for most of the criteria evaluated

Figure 8: Maturity Profile of SSC and CPC Respondents

SSC/CPC Maturity Levels	Phase I "Start-up"		Phase II "Growth"		Phase III "Expansion"		Phase IV "2nd Generation/ Best in class"	
	SSC	CPC	SSC	CPC	SSC	CPC	SSC	CPC
Strategy			■	■				
Organisation/ Governance			■	■				
Process					■			
Customer			■			■		
People	■	■						
Performance			■	■				



Key Survey Findings

4



Strategy

Key Trends

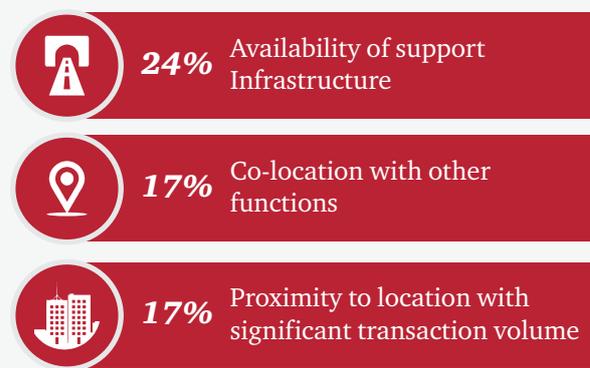
The most critical criterion for selecting SSC/CPC locations in Nigeria is the availability of support infrastructure...

Figure 9: SSC – Top 3 location selection criteria



SSC respondents also consider co-location with other functions and availability of qualified employees important in selecting a location

Figure 10: CPC – Top 3 location selection criteria

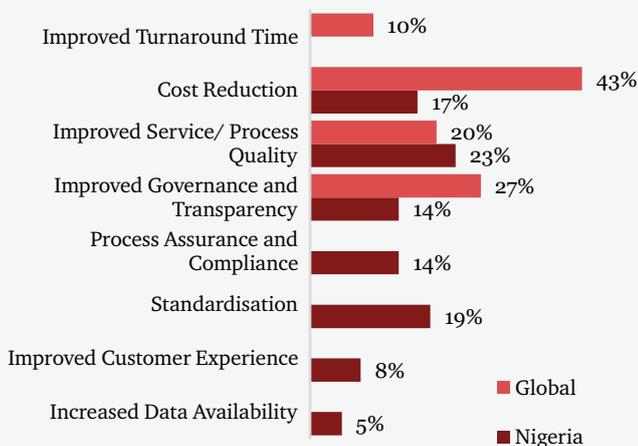


CPC respondents also consider co-location with other functions and proximity to location with significant transaction volume important in selecting a location

Key Trends

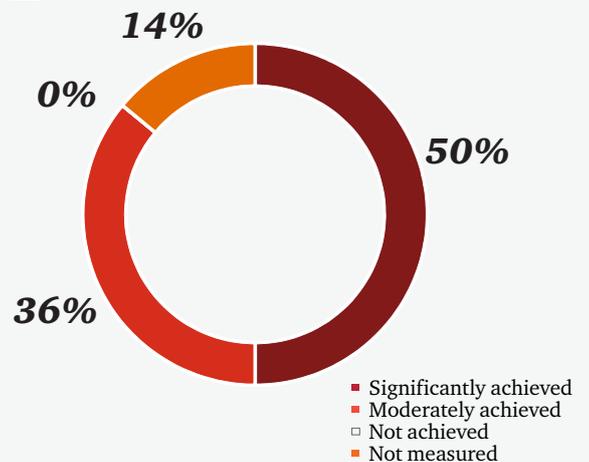
Respondents consider improved service/process quality and standardisation as the two most important objectives for establishing the SSCs/CPCs; and largely agree that these objectives have been significantly achieved

Figure 11



- Improved process/service quality is the most common objective for SSC/CPC establishment, followed by standardisation
- A similar number of respondents (14%) are of the view that process assurance/compliance and increased governance/transparency are key SSC/CPC implementation objectives
- Data availability and customer experience ranked low as SSC/CPC implementation objectives

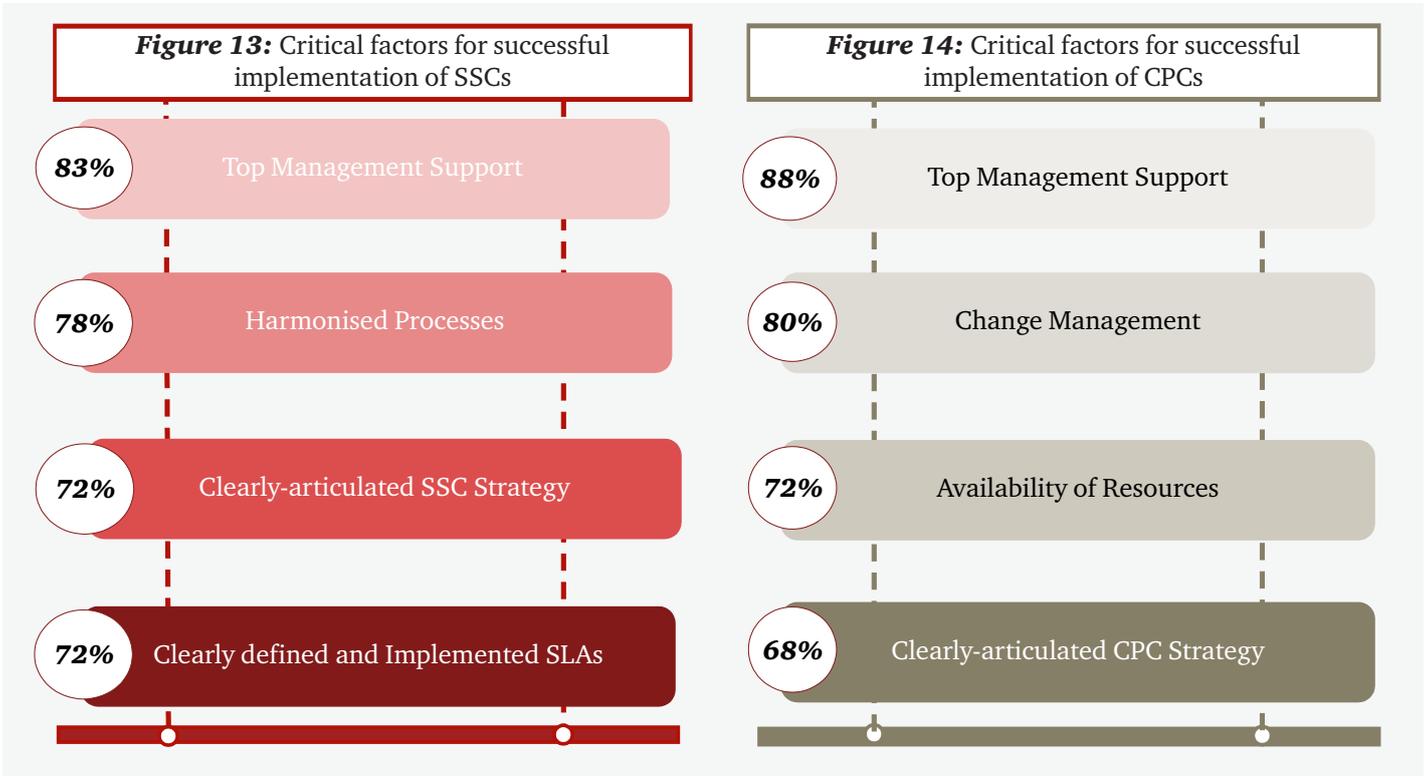
Figure 12



- 50% of survey respondents indicated that most SSC/CPC implementation objectives have been achieved.
- None of the respondents are of the view that SSC/CPC objectives were not achieved.
- However, 14% do not measure achievement of SSC/CPC implementation objectives.

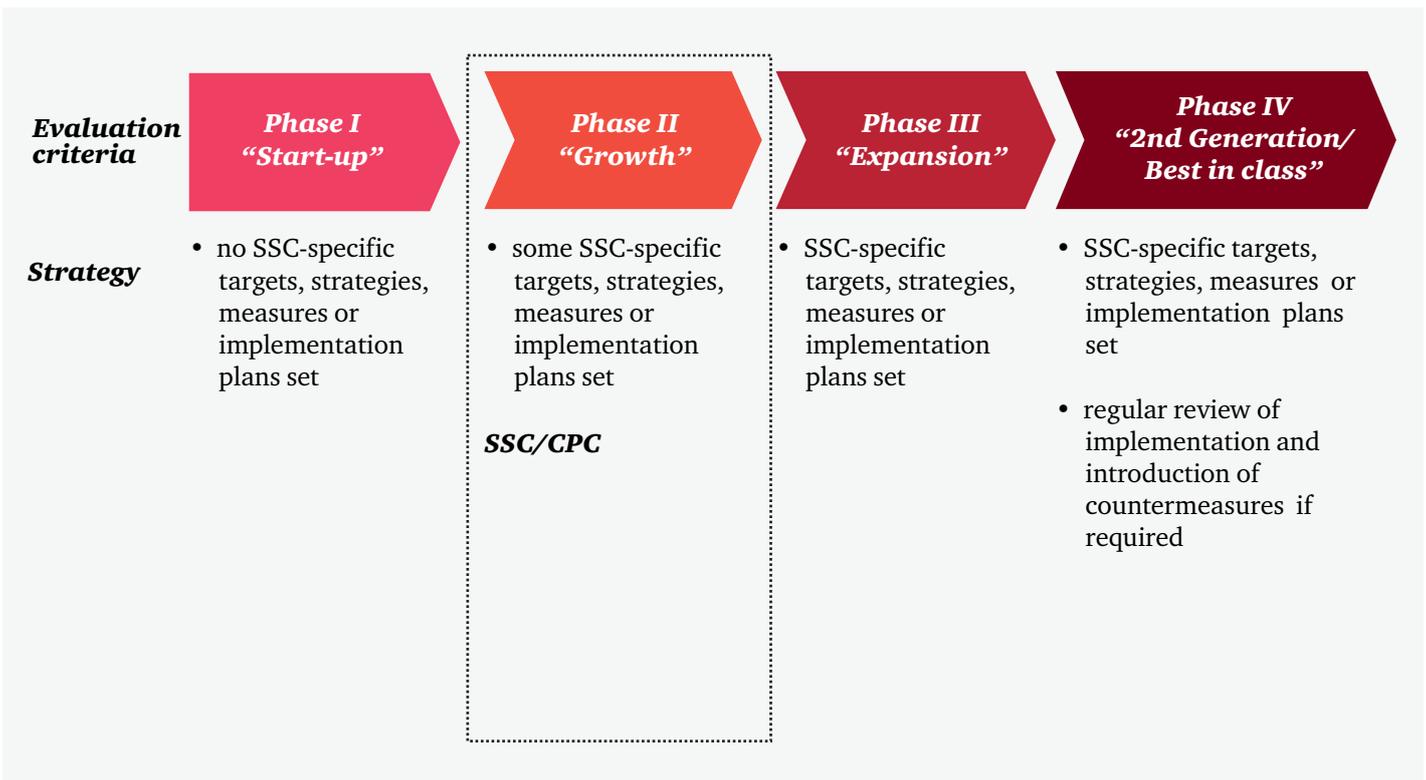
Key Trends

Top management support was identified as the most critical factor for successful SSC and CPC implementation. A clearly articulated strategy was also considered to be critical



Maturity

The Strategy for SSCs and CPCs surveyed is currently at ‘Phase II - Growth’ stage of maturity



PwC's Perspective

Shared Service Organisations have continued to mature over the years in response to global economic trends and social changes, with the overall aim of creating value beyond labor arbitrage

- Unlike global trends, where availability of skilled workforce is the deciding factor influencing the choice of a Shared Service/Centralised Processing Centre location, availability of support infrastructure was indicated as the most crucial factor across industries surveyed.



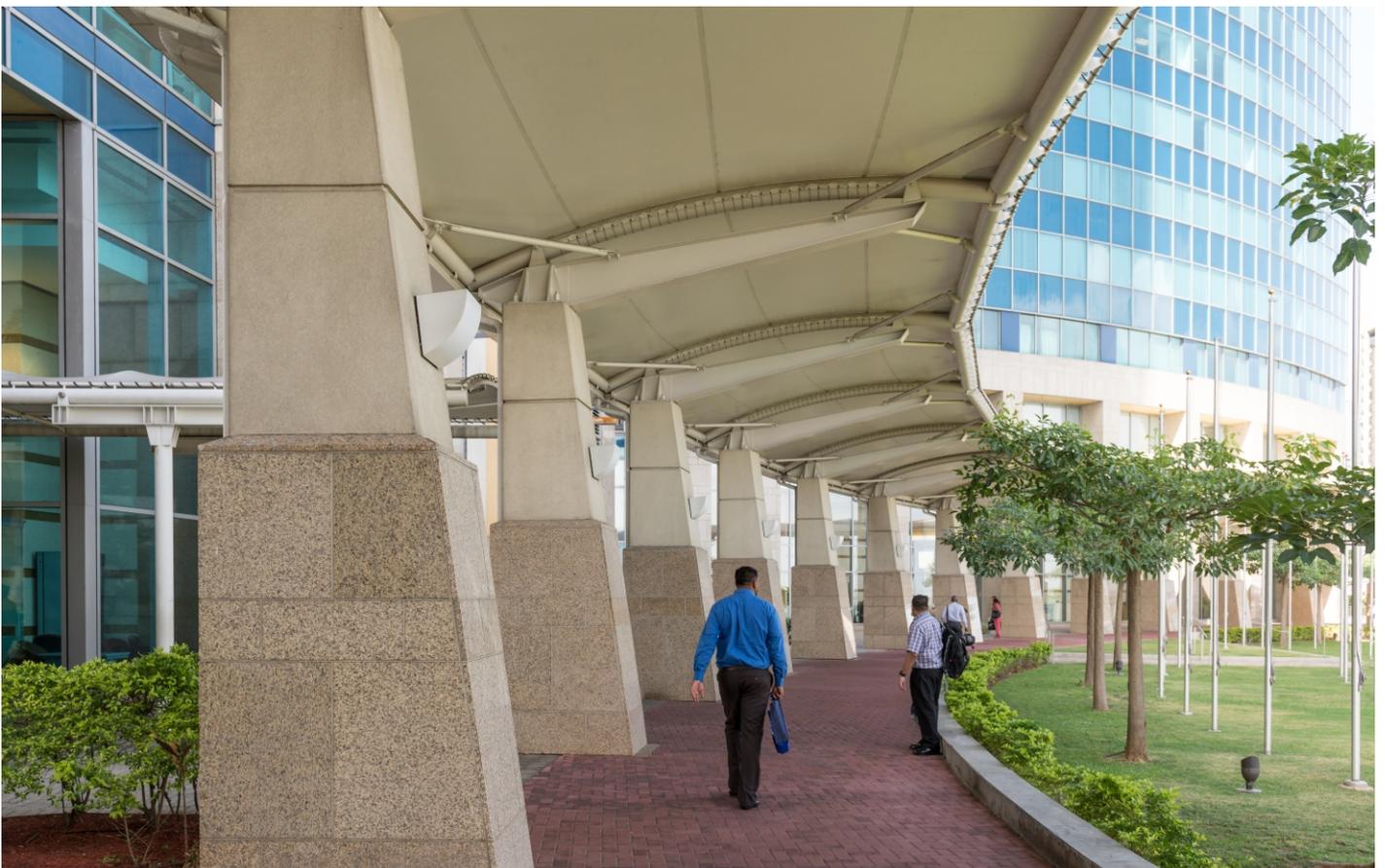
Developing countries like Nigeria are more likely to prioritise location choices based on factors that ensure optimal value is derived from scarce resources

- On a global basis, 43% of respondents consider Cost Reduction to be a critical SSC implementation objective, while 20% are of the view that Improved Process/Service Quality is key.
- On the other hand, 42% of survey respondents in Nigeria indicated Improved Service/Process quality and standardisation as the two most important objectives for SSC/CPC implementation.



This is indicative of the level of maturity of Shared Services/Centralised Processing in Nigeria, where the primary objective at inception is usually to 'consolidate', 'centralise' and 'share'.

As SSCs and CPCs evolve into more integrated, multi-function/multi-process models, the cost saving potential increases as standardisation and efficiency objectives are achieved



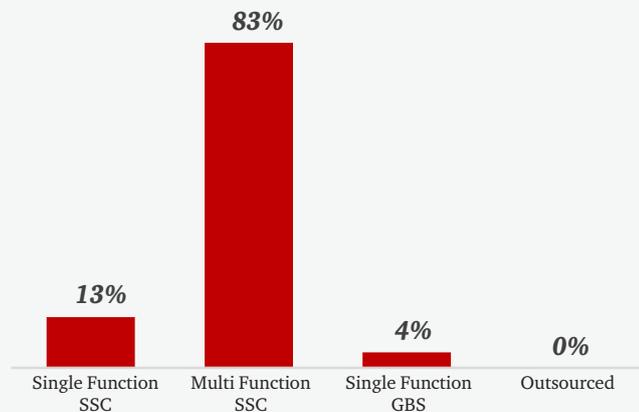


Organisation and Governance

Key Trends

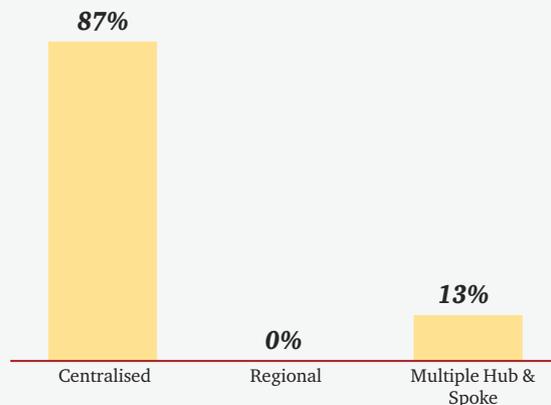
83% of SSC respondents have adopted a multi function SSC model, while 87% of CPC respondents operate the fully Centralised model

Figure 15: Shared Service Centre Organisation Models



13% of SSC respondents operate a *single function SSC model*, while 4% operate a *single function GBS*. None of the SSC respondents operate the outsourced model.

Figure 16: Centralised Processing Centre Organisation Models

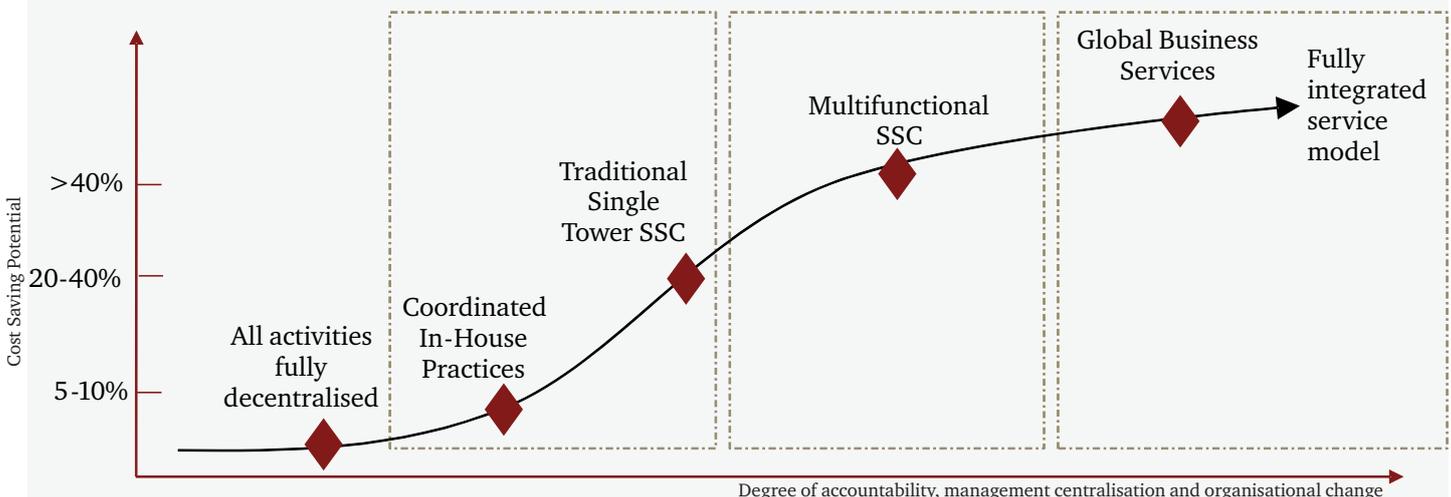


A relatively low proportion of CPC respondents (13%) operate the *multiple hub & spoke model*. None of the CPCs indicated adoption of the *Regional operating model*.

Key Trends

Shared Service Organisations have continued to mature over the years in response to global economic trends and social changes...

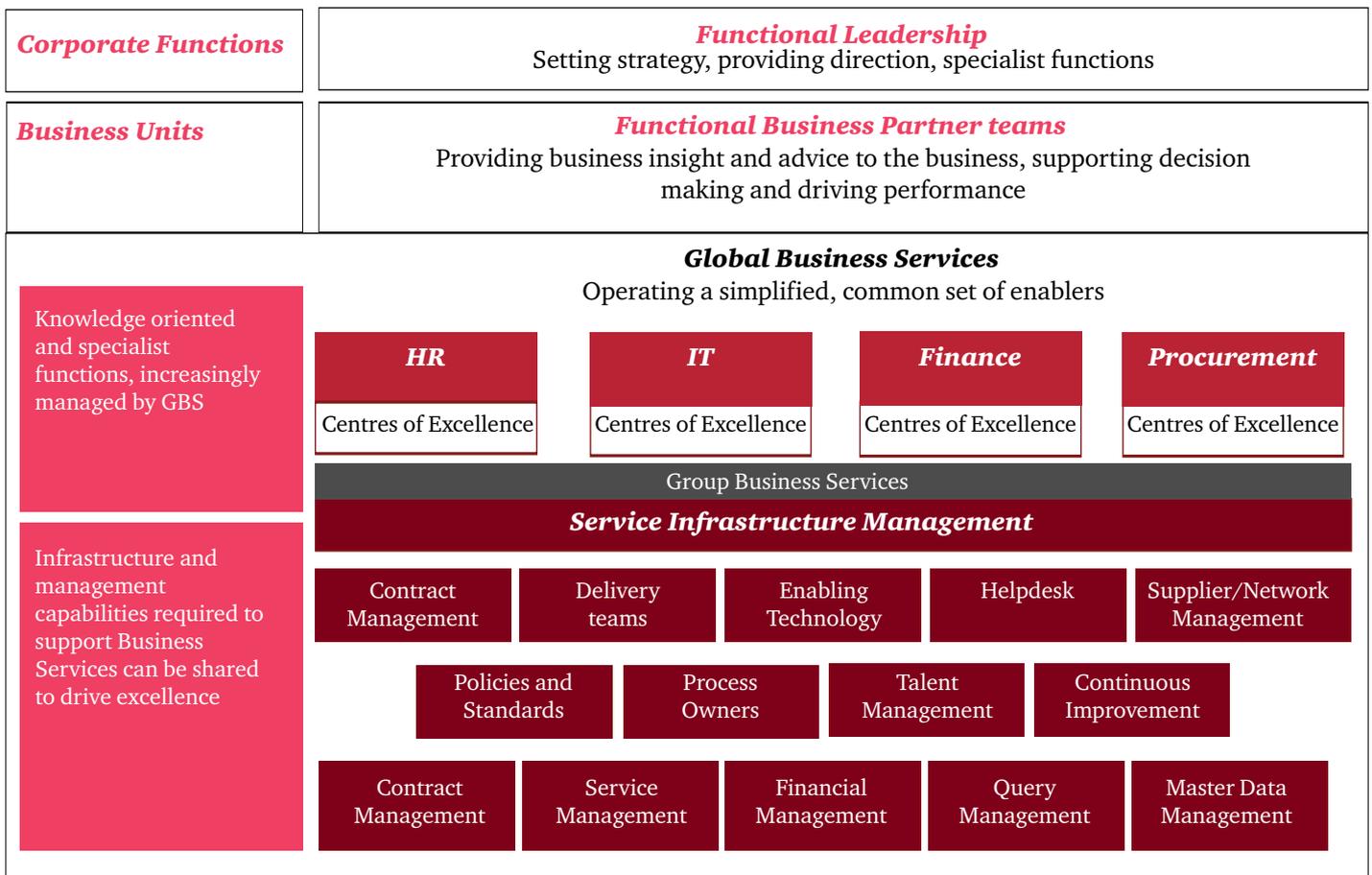
***Figure 17: Evolution of Shared Service Business Models**



The shared service landscape is experiencing a paradigm shift from traditional single-function centres to the Global Business Service Model. As Shared Service Models evolve, process efficiency and standardisation increase, thus unlocking further cost saving potential

Global Business Services (GBS) is more than just a multi-functional Shared Service Centre...

Figure 18: Global Business Services – Operating Model

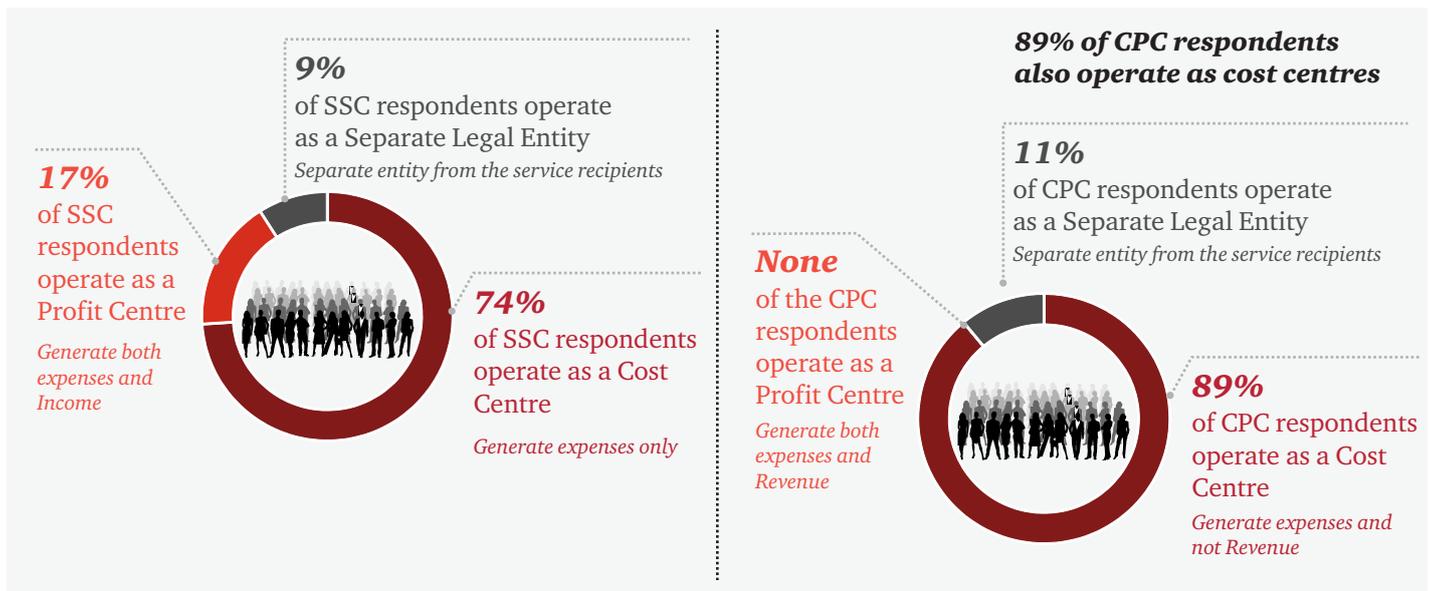


Driven by growing competitive pressure, global corporate leaders are rethinking Shared Service strategies with a view to creating value beyond labour arbitrage.

Increasingly, global businesses are moving towards a fully integrated Global Business Service (GBS) Model. This implies the full integration of non-core business activities into one consistent and independent service organisation, with specific focus on end-to-end processes.

Source: PwC Global SSC survey - Shared Services multiplying success - 2016

74% of SSC respondents operate as a cost centre



For most of the SSCs and CPCs surveyed, service pricing/cost allocation basis is largely not transaction/activity based

Figure 19: Basis for SSC Service Pricing

29% of SSC respondents operate an allocation-based service pricing model. A similar number of SSC respondents (23%) do not allocate costs incurred by the SSC to business units. The same proportion of respondents (12%) operate transaction/activity-based and margin-based service pricing models

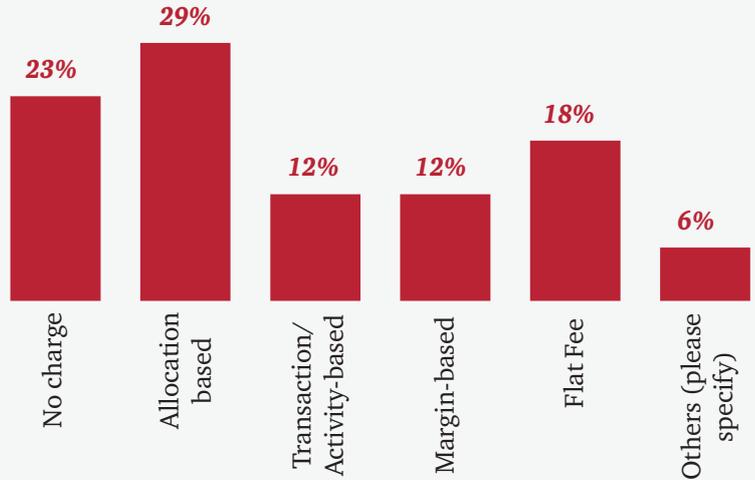
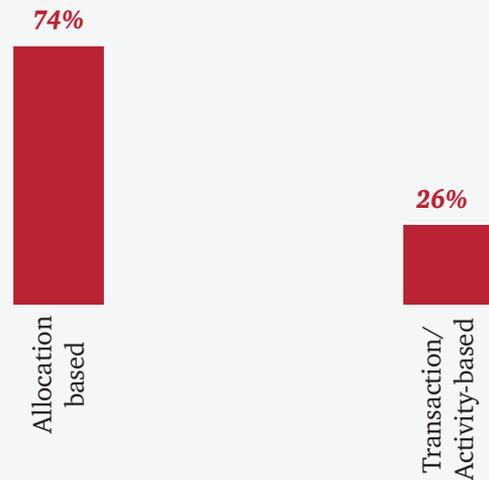


Figure 20: CPC Cost Allocation Methods

Relative to the SSCs, an appreciable number of CPC respondents (74%) use allocation-based models, while 26% have adopted transaction/activity based methods



Various SSC/CPG pricing models exist...

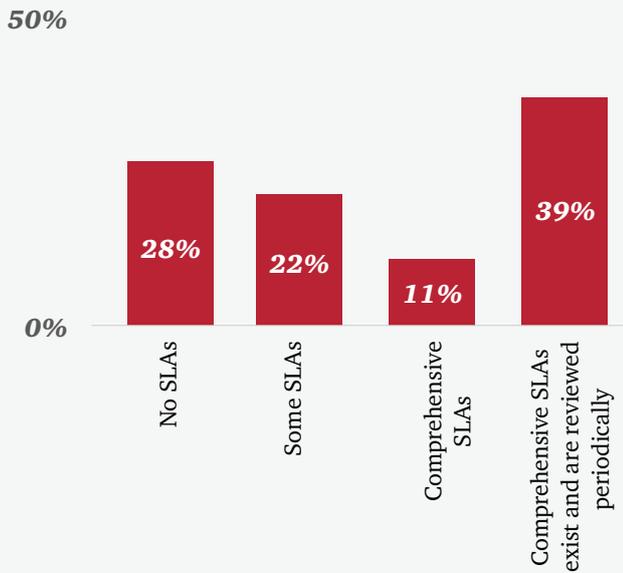
Figure 21: Pricing Models

	No charge	Flat rate (Fixed Pricing)	Allocation Based	Transaction/ Activity Based (Variable Pricing)	Margin Based
Description of pricing approach	<ul style="list-style-type: none"> No allocation to business units/service recipients 	<ul style="list-style-type: none"> Based on a general measure which does not necessarily reflect the reason for the cost incurred – i.e. customer pays a flat rate for services ‘no matter what’ 	<ul style="list-style-type: none"> Based on a pre-defined allocation key - cost allocation could be based on planned budgets, revenue/profit contribution, size of the business units etc. 	<ul style="list-style-type: none"> Related to specific utilisation of time/resources or intensity of work 	<ul style="list-style-type: none"> Based on actual cost of providing the service plus a pre-determined margin
Attributes	<ul style="list-style-type: none"> Reduces likelihood of disputes between service provider and recipient May encourage ‘waste’ on the part of service recipients due to limited accountability Minimal incentive for service providers to perform effectively 	<ul style="list-style-type: none"> Costs are predictable May be challenging for the vendor to meet service levels at a fixed price regardless of any constraints 	<ul style="list-style-type: none"> Easy to implement May not allow for equitable charges (especially where the allocation key is not reflective of the volume/quality of services and value provided) 	<ul style="list-style-type: none"> May be difficult to establish resource utilisation especially for non-transaction based services Allows for flexibility in pricing based on volumes of services consumed Provides opportunity to leverage economies of scale 	<ul style="list-style-type: none"> Easy to implement May not allow for flexibility as business objectives or technologies change Provides minimal incentive for service providers to perform effectively

Source: PwC Analysis

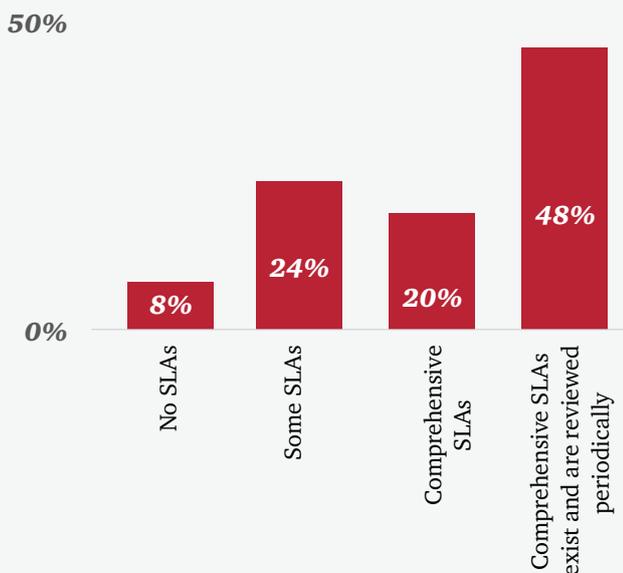
Half of the SSC and CPC respondents with SLAs, conduct periodic reviews and updates to reflect current operating realities (e.g. change in service scope)

Figure 22: Availability of Service Level Agreements (SLAs) between the SSC and its customers



- 72% of SSC respondents have SLAs in place
- About half of the SSC respondents with SLAs conduct periodic reviews and updates to reflect current operating realities
- 28% of SSC respondents do not have SLAs in place

Figure 23: Availability of Service Level Agreements (SLAs) between the CPC and its customers



- 92% of CPC respondents have SLAs in place
- About half of the CPC respondents with SLAs also conduct periodic reviews and updates to reflect current operating realities
- 8% of CPC respondents do not have SLAs in place

Key Trends

33% of SSCs are managed by a Head SSC, while 52% of the CPCs are managed by a Head, CPC

Figure 24: Responsibility for managing the SSC and ensuring continuous improvement

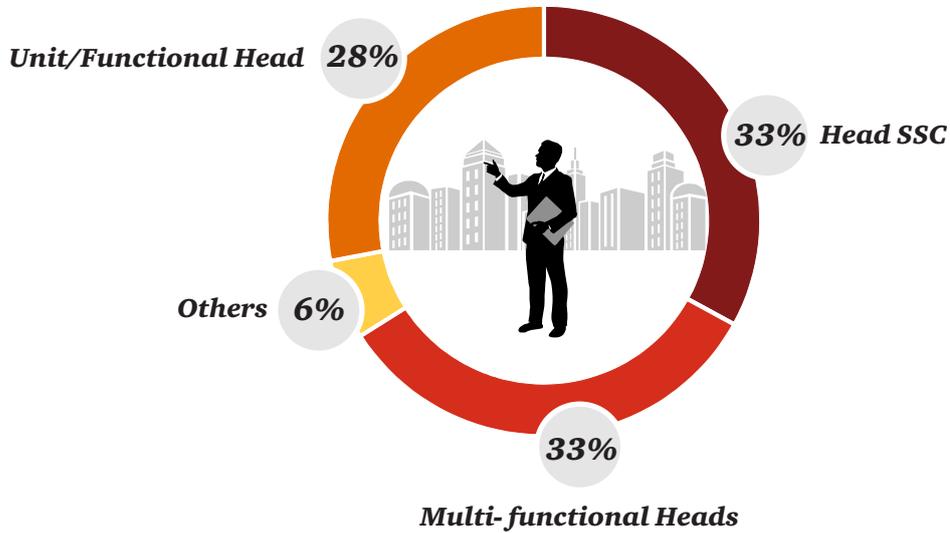
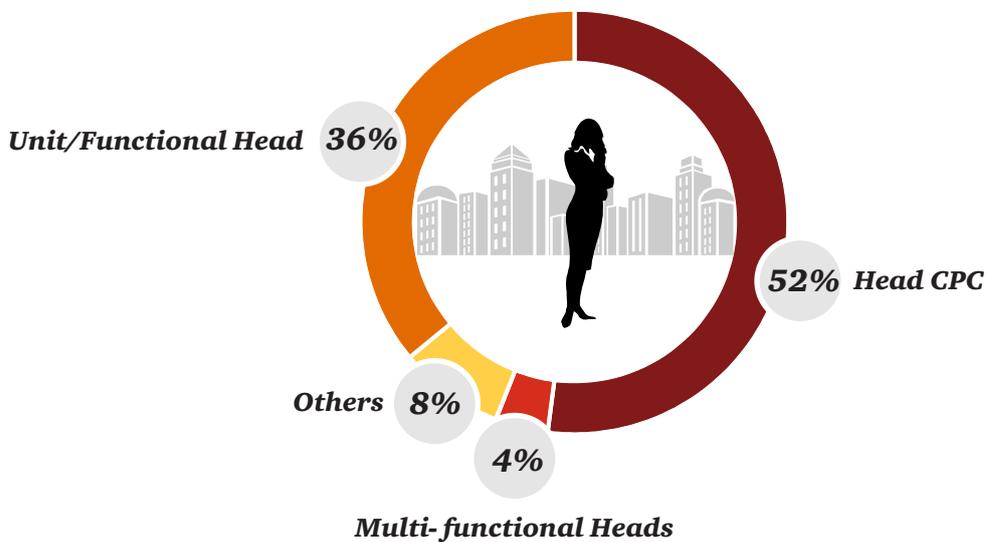
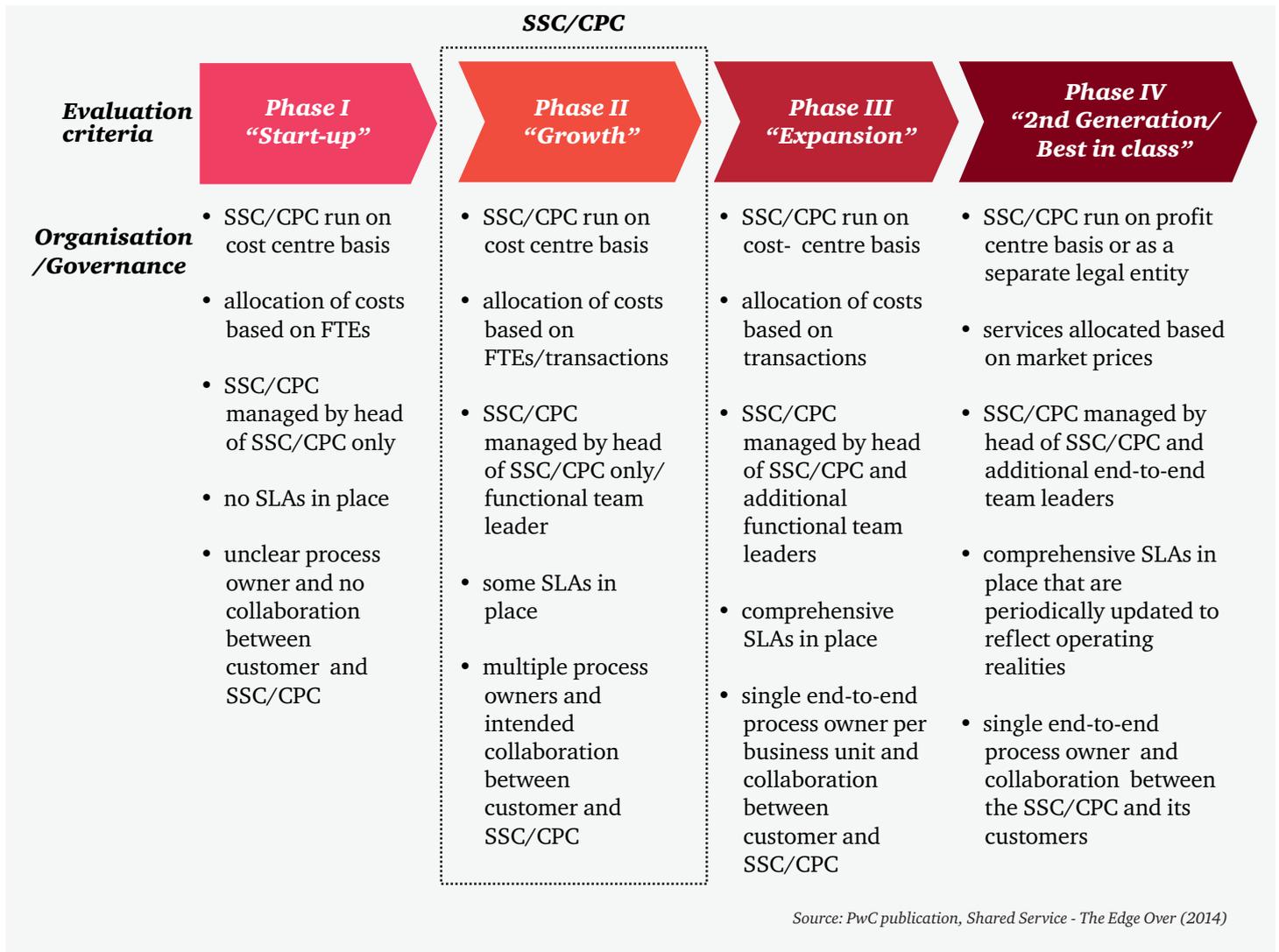


Figure 25: Responsibility for managing the CPC and ensuring continuous improvement



- Multi-functional heads are more common in the SSC as indicated in the survey results. 33% of SSCs have multi-functional heads as against 4% for CPCs. In our view, this is most likely due to the increasing emergence of multi-function SSCs.
- The CPC on the other hand, is most commonly led by the Head, CPC or Unit Head as is evidenced in the survey. In our view, this is most likely due to the CPC's focus on process as against functional centralisation.

The Organisation/ Governance for SSCs and CPCs surveyed is currently at 'Phase II - Growth' stage of maturity



PwC's Perspective

The survey results reveal significant optimisation potential for SSCs/CPCs in the area of Organisation/ Governance

<p>More than 70% of the SSCs and CPCs surveyed are run as cost centres, while only 17% of the SSCs are run as profit centres</p>	<p>None of the CPCs operate as a profit centre. This is indicative of the context of centralised processing in Nigeria</p>	<p>While over a third of the global SSCs are organised as a separate legal entity, SSCs/CPCs surveyed in Nigeria appear to be organised differently. Only a tenth of the survey respondents are organised as a separate legal entity*</p>	<p>Service pricing/cost allocation basis is largely not transaction/activity based</p>
<p>▼</p>	<p>▼</p>	<p>▼</p>	<p>▼</p>
<p>The results mirror global trends to some extent, where 56% of SSCs surveyed were indicated as cost centres and 7% as profit-centres</p>	<p>CPCs are primarily established as a separate unit within the business, to handle high-volume, repetitive transactions (particularly common in Financial Services) e.g. account opening and maintenance transactions</p>	<p>The decision to establish the SSC/CPC as a division or a separate legal entity largely depends on the organisation's intent to make profit</p>	<p>This differs from global trends, where the most common cost allocation method is based on either FTEs or transaction volumes</p>

SLAs and KPIs are critical to ensuring continuous measurement and improvement of service quality

Today, more than half of the surveyed SSCs/CPCs have comprehensive SLAs in line with global trends. However, a significant number of respondents indicated that the SLAs were not reviewed and updated periodically to reflect relevant scope or service changes (**39% SSC, 48% CPC**). This indicates a significant improvement opportunity.

Global SSCs show better awareness of the importance of continuous SLA development/update for optimal performance management*.

In our experience, lack of/incomplete/misaligned SLAs is the leading cause of disputes between service providers and recipients.

Incomplete/Misaligned SLAs:



are not reflective of current operating realities



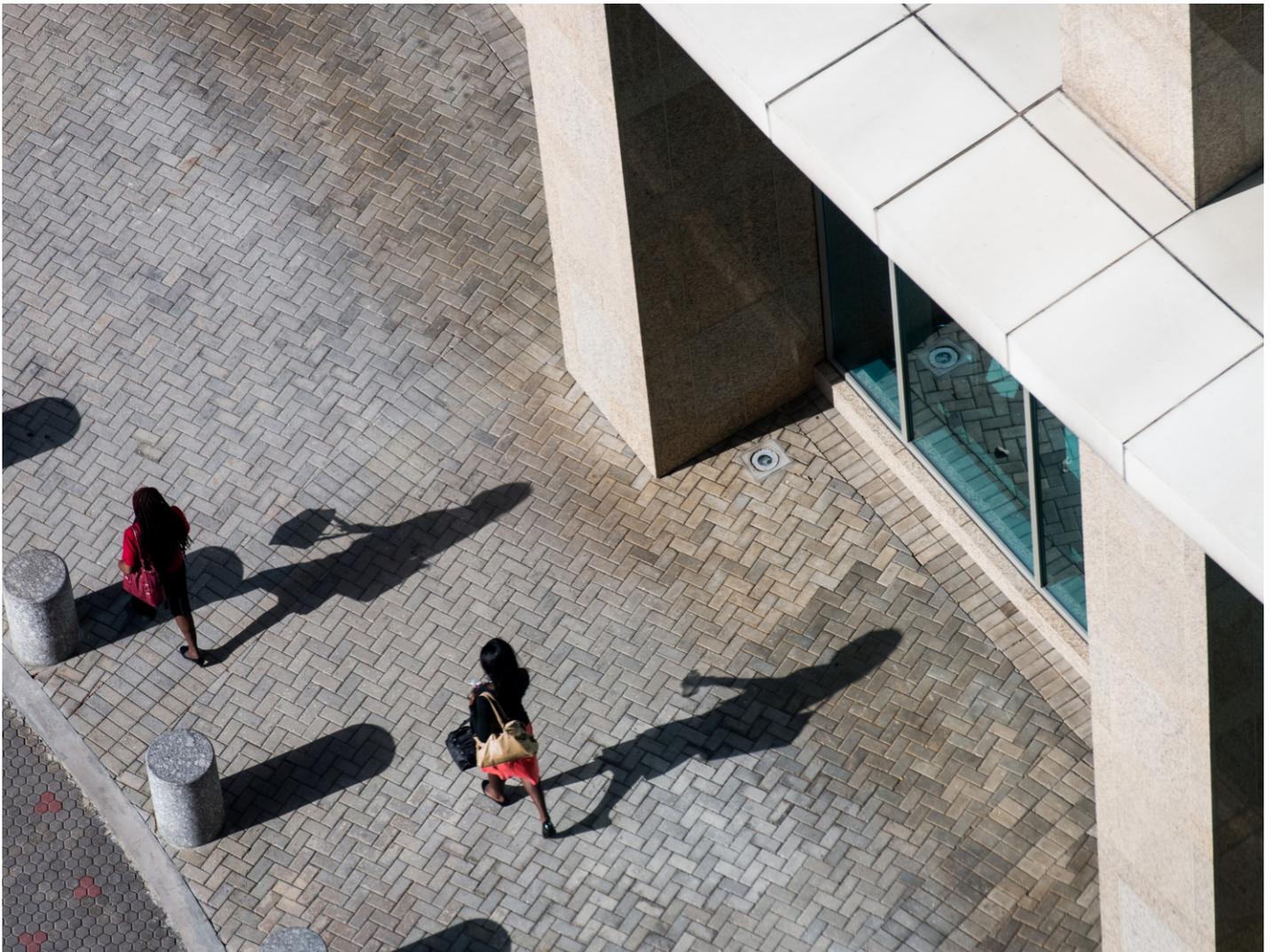
do not clearly define service scope, expected service levels and KPIs



do not include penalties for non-adherence

Lack of SSC-specific SLAs and KPIs impedes continuous measurement and improvement of service quality

Source: PwC Global SSC survey - Shared Services multiplying success - 2016



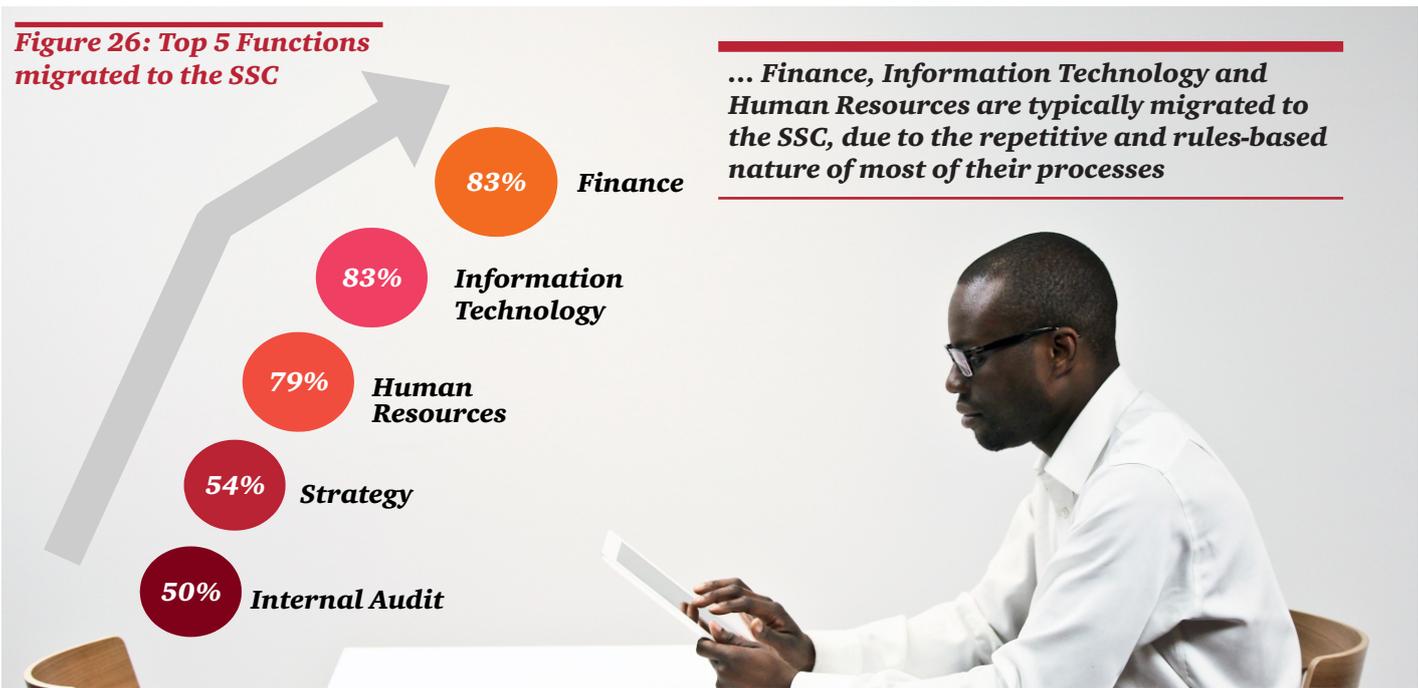


Process

Key Trends

The top three (3) functions most commonly migrated to SSCs in Nigeria are Finance, Information Technology and Human Resources...

Figure 26: Top 5 Functions migrated to the SSC

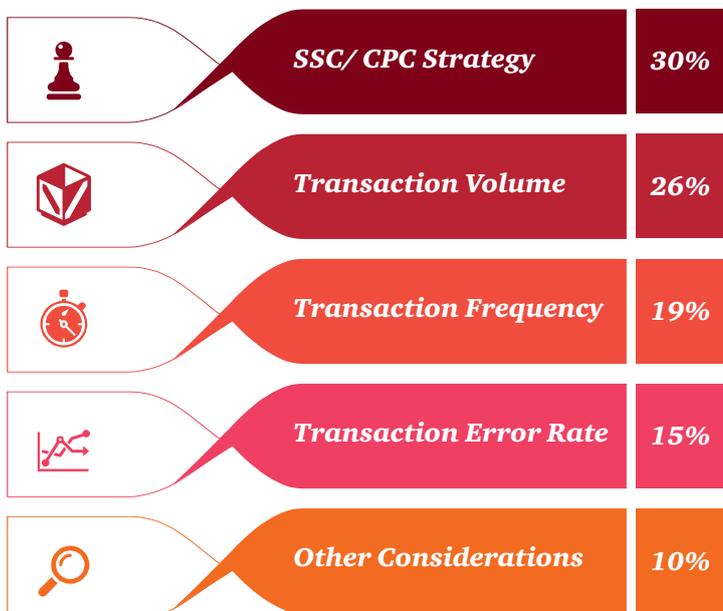


... Finance, Information Technology and Human Resources are typically migrated to the SSC, due to the repetitive and rules-based nature of most of their processes

Key Trends

A third of respondents indicated SSC/CPC Strategy as the most important consideration when migrating functions/processes

Figure 27: Factors to consider in migrating functions/ processes to the SSC/CPC

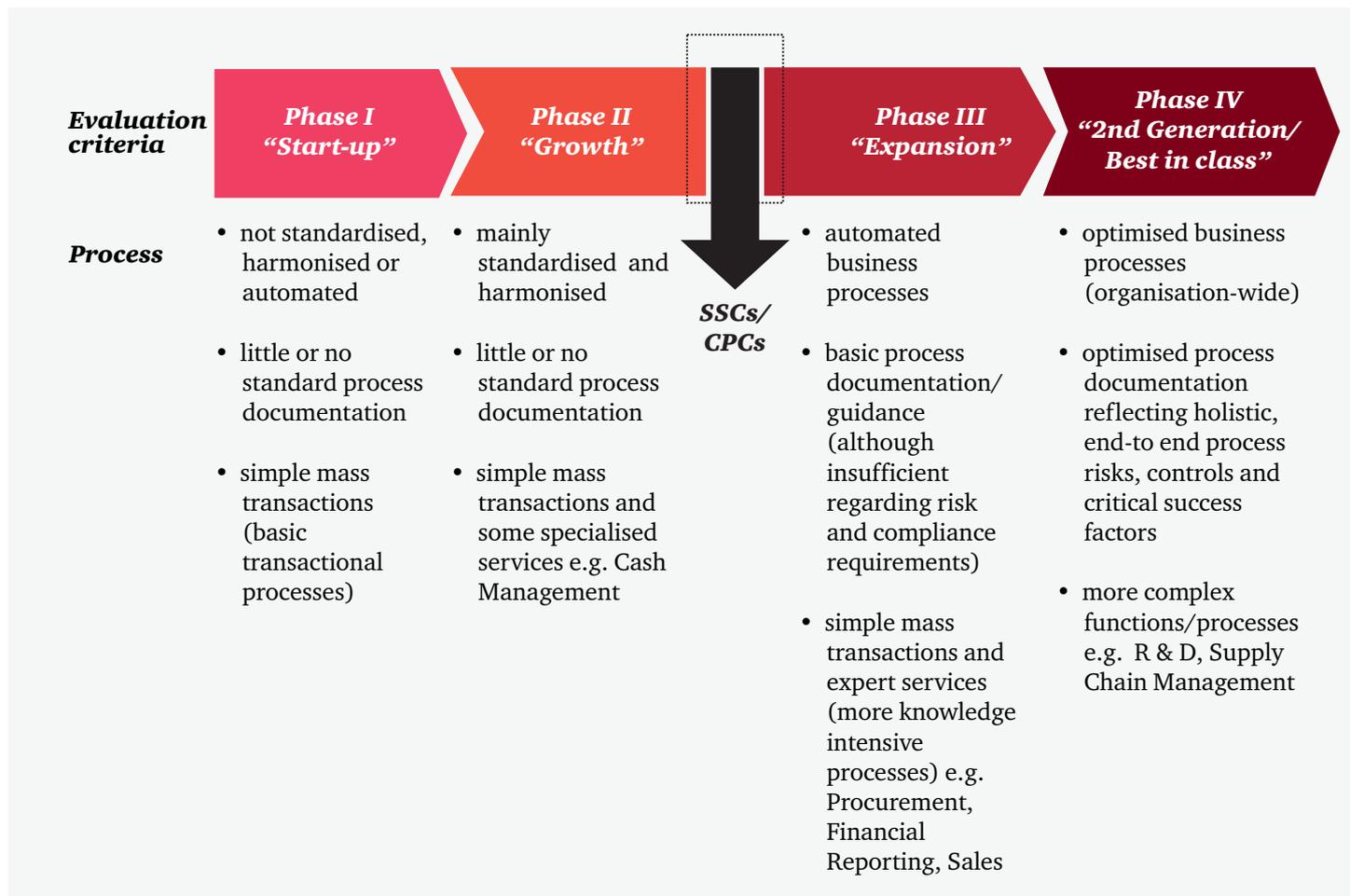


Transaction volume and frequency are also important considerations in migrating functions/processes to both SSCs and CPCs (as indicated by ~45% of SSC and CPC respondents)



Maturity

The criteria surveyed for Processes are currently between 'Phase II - Growth' and 'Phase III - Expansion' in terms of maturity



PwC's Perspective

Expanding the functional scope of SSCs will increase the complexity of governance structures ...

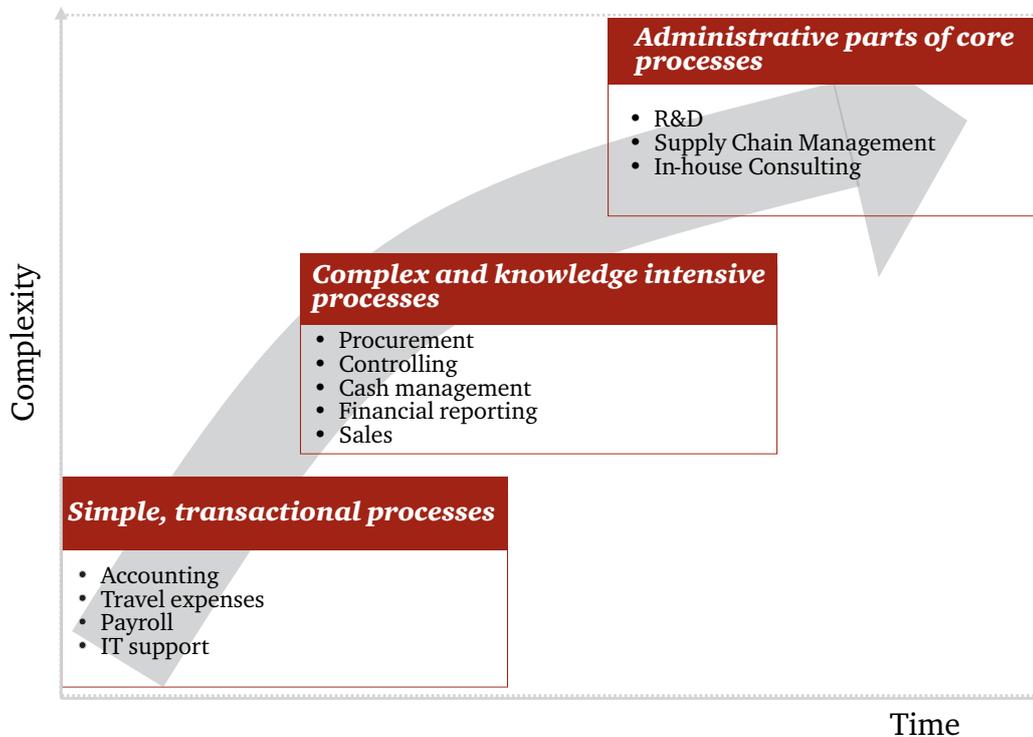


For the Global SSC Survey respondents, while transactional processes will remain a substantial part of the service scope, the next two years will be largely focused on integrating knowledge-intensive processes and functions*.

Expanding the functional scope of SSCs will increase the complexity of governance structures. SSCs in Nigeria appear to be embracing this scope expansion with 50+% of respondents indicating Internal Audit and Strategy as key functions migrated to the SSC.

Globally, the service scope of shared service organisations is evolving from transactional processes to more complex, knowledge-based activities

Figure 28: Evolution of processes migrated to the SSC



- A well conceived service scope is essential for every Shared Service Organisation, both at establishment and in the course of operation.
- The service scope – i.e. services and activities provided by the Shared Service Centre, is determined by the variety of functions (single-function/ multi functional) and number of processes handled in the Shared Service Centre.
- The traditional Shared Service approach focuses mainly on transactional processes such as Accounting or IT support, with high potential for standardisation and automation.
- However, leading Shared Service organisations are moving towards an integrated approach that includes more complex, knowledge-based activities.
- It is expected that in the medium to long term, migration of administrative parts of core functions to Shared Service Centres will increase significantly.





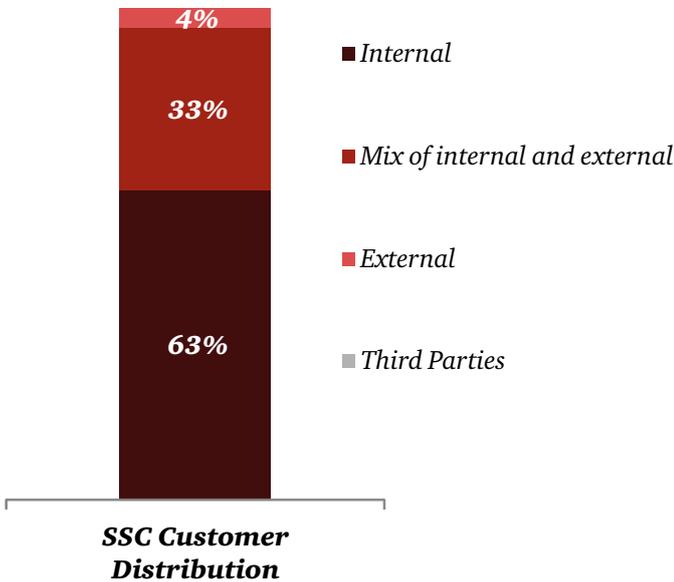


Customer

Key Trends

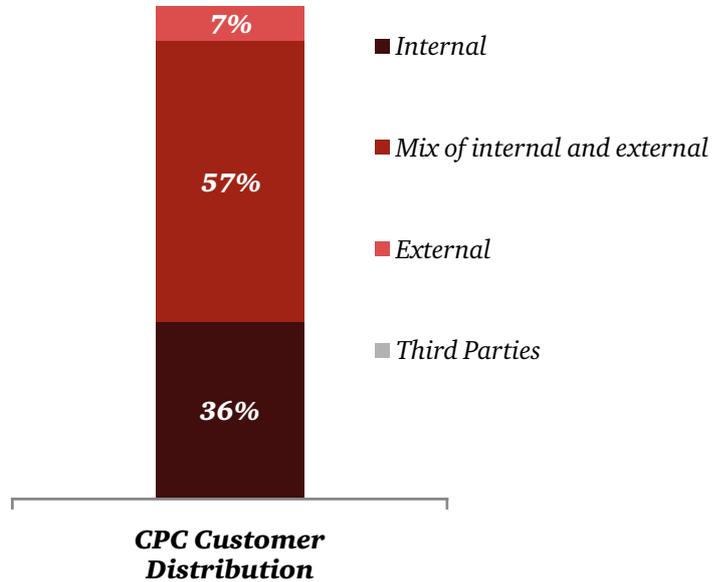
The survey results show a stronger tendency towards internal customers for SSCs and a mix of internal and external customers for CPCs. None of the respondents provide services to third parties

Figure 29: SSC Customer Distribution



Majority (63%) of SSC respondents provide services to **only internal customers**, while a **third** provide services to both **internal and external customers**. **None** of the SSC respondents provide services to **third parties**.

Figure 30: CPC Customer Distribution

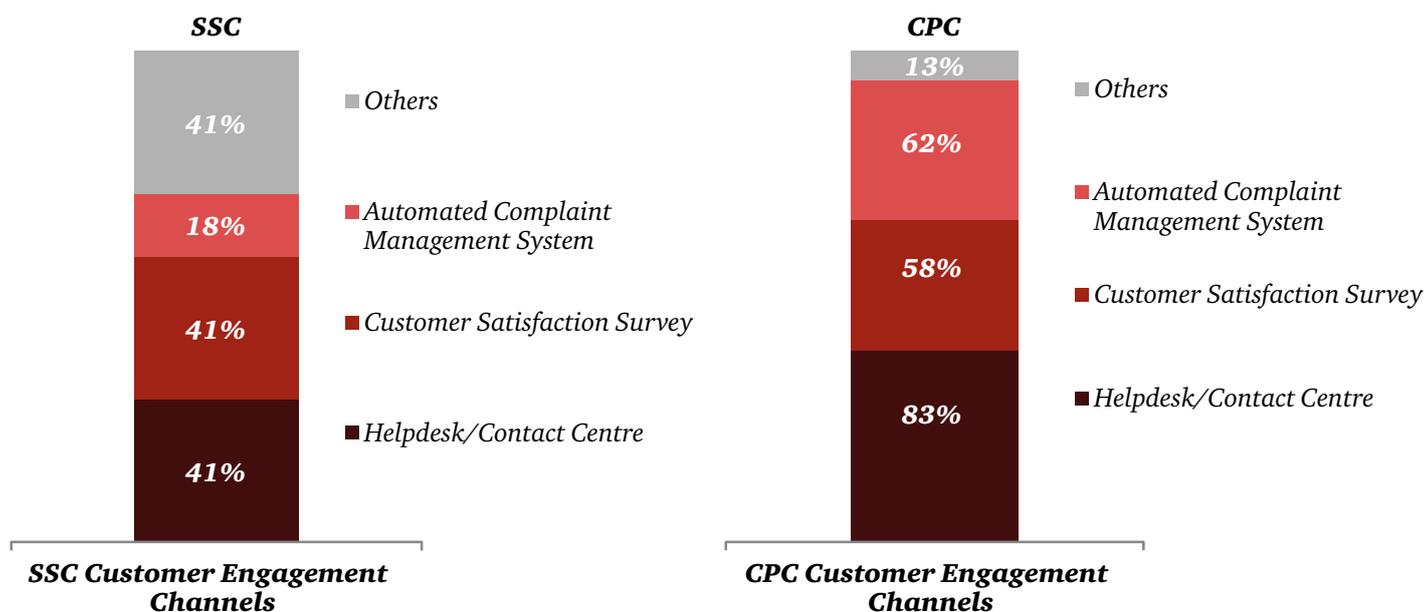


57% of CPC respondents provide services to both **internal and external customers** while 36% provide services to **internal customers only**. **None** of the CPC respondents provide services to **third parties**.

Key Trends

CPC respondents showed higher levels of maturity than SSCs in customer engagement, with 62% utilising an automated complaint management system and 83% operating a helpdesk/contact centre for issue resolution

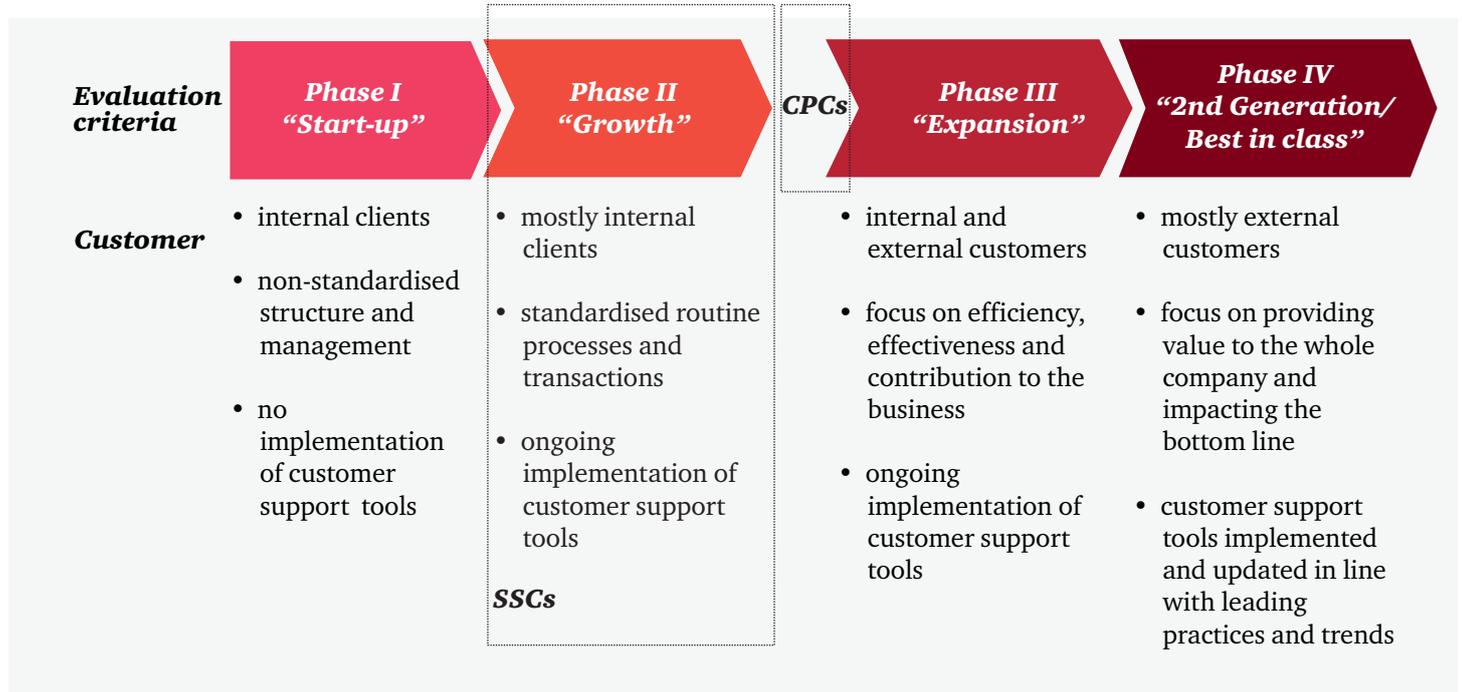
Figure 31: Tools deployed to ensure adequate customer engagement



- 41% of SSC respondents leverage helpdesks/ contact centres as a customer engagement tool
- SSC respondents consider Customer Satisfaction Surveys and Helpdesks/Contact Centres equally important as primary customer engagement tools
- Only about a fifth of SSC respondents have implemented Automated Complaint Management systems
- 62% of CPC respondents leverage automated Compliant Management systems, while 83% have deployed the helpdesk/ contact centre as a customer engagement tool

Maturity

Based on the survey responses, SSCs in Nigeria are currently in ‘Phase II – Growth’ of maturity, while the CPCs are in the early stages of ‘Phase III – Expansion’



PwC’s Perspective

Customer engagement remains key to achieving CPC and SSC objectives...

- The survey results show that the SSC customer distribution mirrors global trends to a large extent.
- 57% of participants in the global SSC survey also indicated internal customers as the main customer base, while 4% serve external customers (as is the case for the SSC survey respondents)*.
- In our experience, due to the functional focus of most SSCs, the customer base is likely to be limited to immediate service recipients.

- The CPCs on the other hand serve a wider variety of customers across the business with processes that possess a defined set of attributes e.g. repetitive, high volume, low complexity etc. This may explain the higher mix of internal and external customers.

- Customer satisfaction surveys and helpdesk/contact centres remain the most common customer engagement channel for SSCs surveyed (consistent with global trends where ~65% of respondents utilise these tools).
- CPCs have taken customer engagement a step further by implementing automated complaints management systems. This may be as a result of the more complex customer distribution and need to deliver optimal service beyond internal customers.



To fully benefit from the service provider-recipient relationship, leading SSCs/CPCs use a variety of Customer Relationship Management (CRM) tools. The periodic review of customer satisfaction is crucial to ascertaining the quality and continued relevance of services provided by SSCs/CPCs.

Source: PwC Publication, Shared Services - The Edge Over (2014)

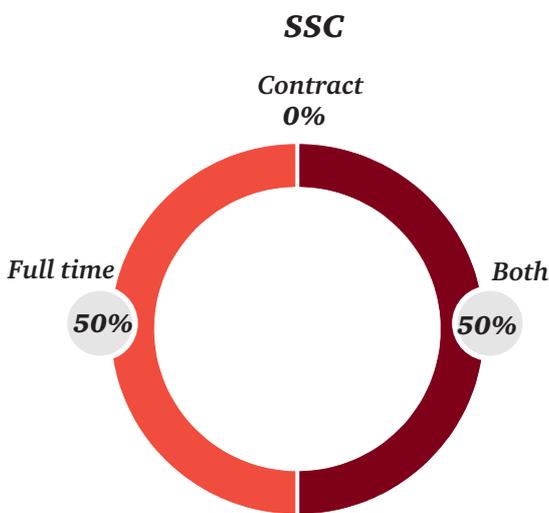


People

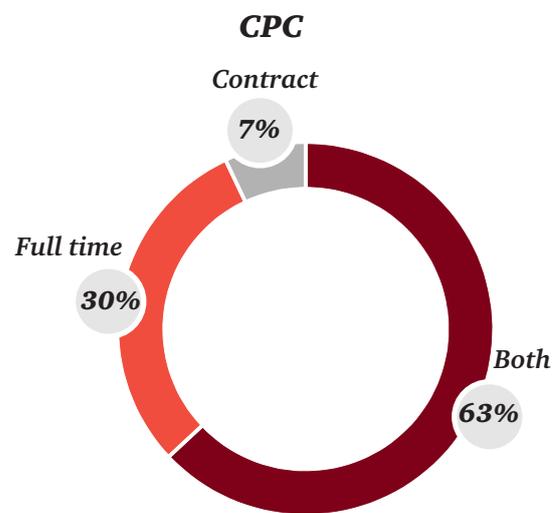
Key Trends

The SSC respondents employ a balanced mix of full-time and blended staffing (i.e. both full time and contract staff). The CPCs appear to have a lower proportion of full time staff than SSCs

Figure 32: Category of staff employed in SSCs/CPCs



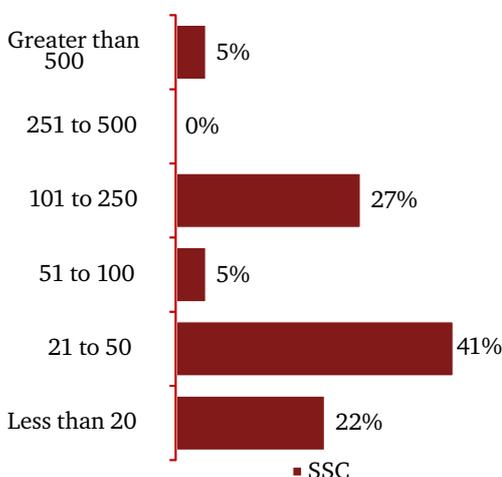
50% of SSC respondents employ both full time and contract staff. None of the SSC respondents employ 'only contract staff'.



63% of CPC respondents employ both full time and contract staff. Only 7% of CPC respondents indicated use of 'only contract staff'.

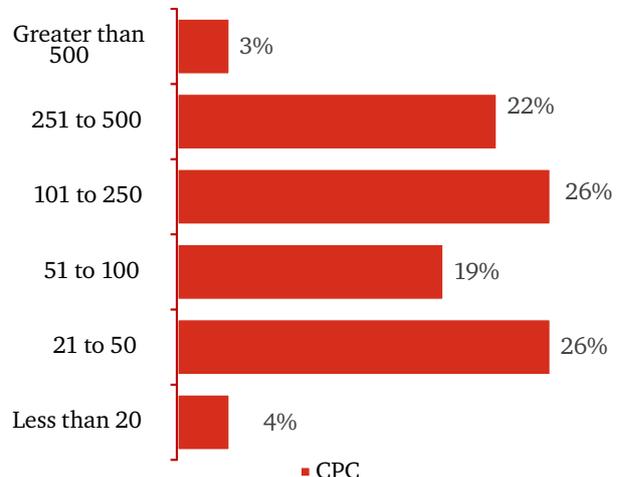
63% and 30% of SSC and CPC respondents (respectively) indicated a staff strength of 50 and below

Figure 33: SSC – number of employees



- Only 5% of SSCs surveyed have over 500 FTEs, while 22% employ less than 20 FTEs
- An appreciable number of SSCs surveyed (41%) employ between 21 to 50 FTEs

Figure 34: CPC – number of employees



- Only 3% of CPCs surveyed have over 500 FTEs, while another 4% employ less than 20 FTEs
- 26% of CPCs surveyed employ between 21 and 50 FTEs

The staffing mix in Nigerian SSCs and CPCs is typically driven by the nature of transactions processed

The SSC and CPC staffing mix is largely indicative of the nature of transactions being processed

In our experience, organisations typically employ contract staff for lower risk processes, while processes considered to be higher risk are handled by full-time staff



It is important for SSCs and CPCs to define employee management and retention strategies that minimize attrition and its disruptive impact on operations

SSCs and CPCs surveyed have a lower headcount than their global counterparts

Only 5% and 4% of SSC and CPC respondents (respectively), have over 500FTEs (as against 29% for global SSCs*).



While growth may be expected as SSCs and CPCs evolve, technological advancements like Robotic Process Automation are likely to impact the growth rate



Sources: PwC Publication, Shared Services - The Edge Over (2014)
PwC Global SSC survey - Shared Services multiplying success - 2016

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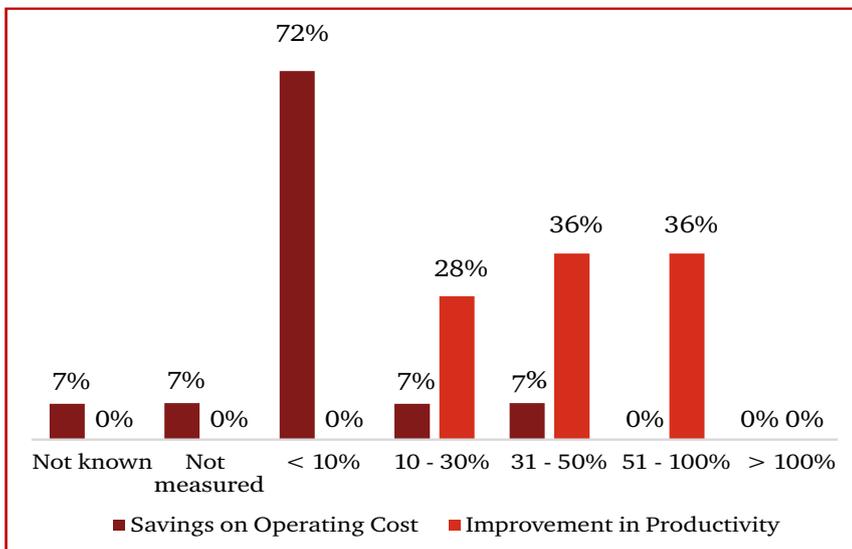
Performance

Key Trends

None of the SSC respondents have realised over 50% savings on operating costs post-implementation...

Figure 35: Measure of Savings on operating costs and improvement in productivity - SSC

Shared Service Centres (SSC)

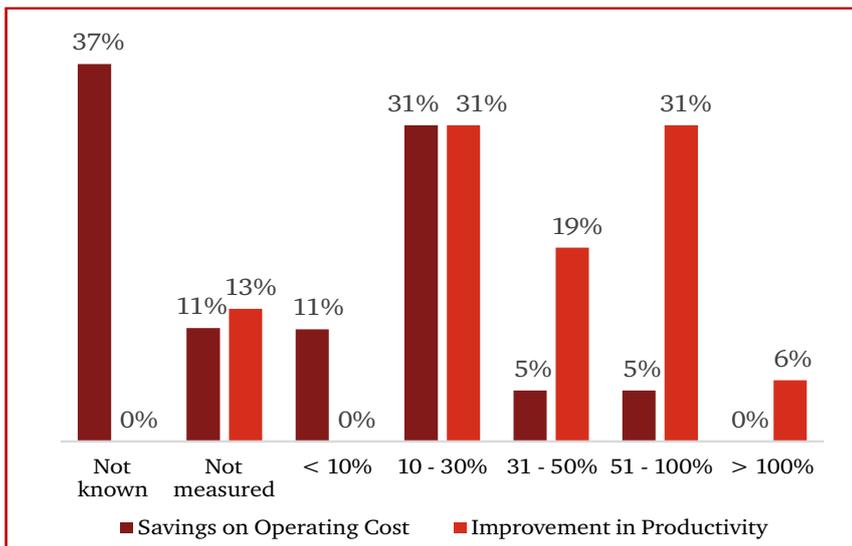


- Majority (72%) of SSC respondents have realised less than 10% of savings
- 7% of SSC respondents have realised 10-30% of savings on operating cost
- 14% of SSC respondents do not know or measure savings on operating cost
- A similar proportion of respondents (36%) have realised 31-50% and 51-100% productivity improvement respectively

48% of CPC respondents do not know or measure savings on operating cost post-implementation

Figure 36: Measure of Savings on operating costs and improvement in productivity - CPC

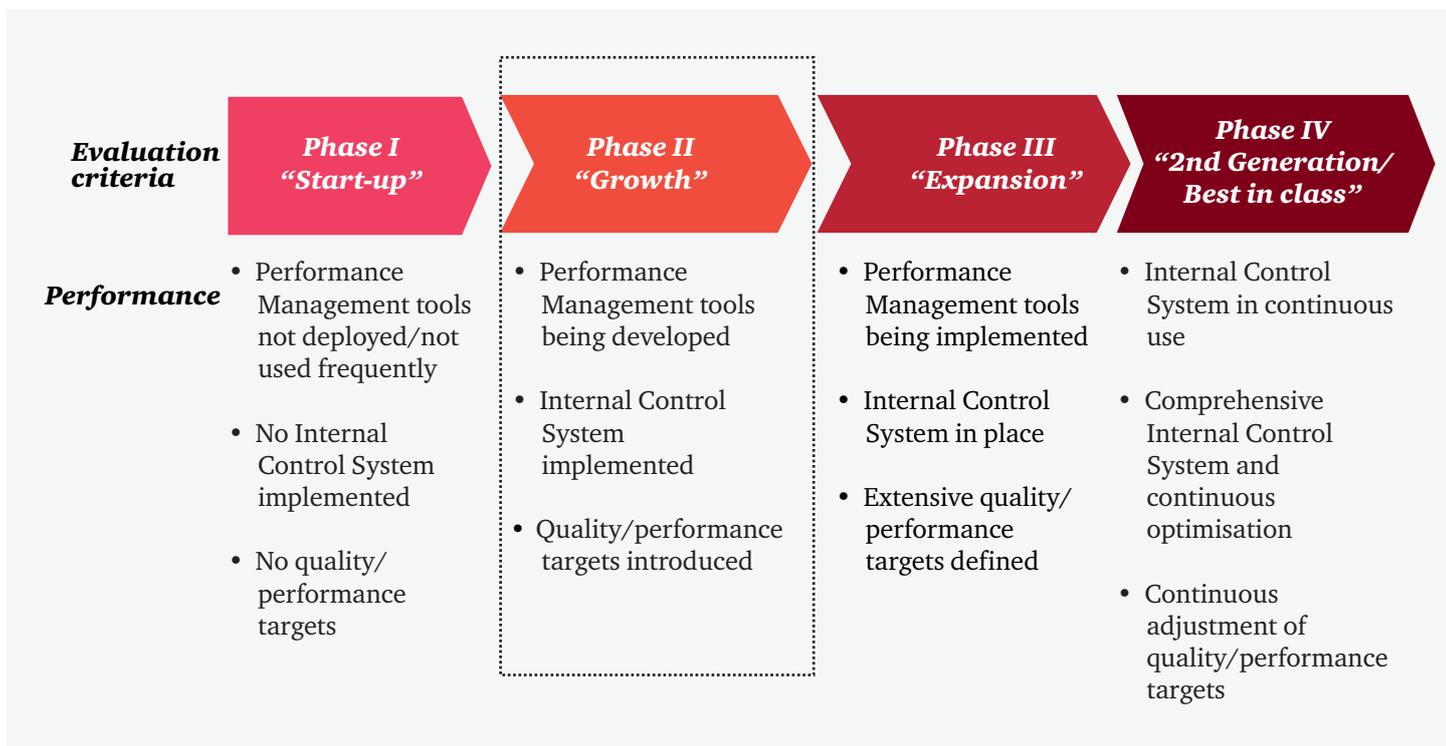
Centralised Processing Centres (CPC)



- 5% of CPC respondents achieved 51-100% savings on operational cost post-implementation
- A third of CPC respondents achieved 10-30% savings on operational cost post-implementation
- 31% of CPC respondents achieved 10-30% and 51-100% productivity improvement (respectively) post-implementation
- 6% of CPC respondents achieved greater than 100% productivity savings post-implementation

Maturity

SSCs and CPCs surveyed are at 'Phase II - Growth' stage of maturity in the area of performance



PwC's Perspective

Cost Savings from SSC and CPC implementation – a myth or reality?

Improvement in productivity recorded by the SSC and CPC respondents appears higher than global trends...

Global Trends*



12% of global survey participants indicated productivity improvement above 30% following the implementation of a Shared Service Centre

Survey Results



Over half of SSC and CPC respondents indicated productivity improvement above 30%

Opportunities exist to improve benefits tracking...



CPC respondents appear to have a higher cost saving potential, with 31% achieving 10-30% savings on operational cost post-implementation. This is in the same range as 40% of global respondents that achieved similar cost savings



SSC respondents on the other hand, appear to have achieved lower levels of cost savings on operating costs, with only 7% of respondents indicating savings between 10% and 30%. This is significantly lower than the global results



It is particularly notable that 14% and 48% of respondents operating SSCs and CPCs (respectively) do not know or measure savings on operating costs. This is similar to the global scenario, where 33% of respondents indicated that cost savings are not actively tracked



The results are indicative of a possible gap in SSC/CPC cost tracking/monitoring

Benefits tracking is critical for SSCs and CPCs to ensure the envisaged ROI is achieved...

In our view, it important to define an initial business case pre-implementation of the SSC/CPC that articulates:

- 1 Envisaged improvement opportunities
- 2 Cost saving potential of the SSC/CPC
- 3 Scenario analysis for varying scope and locations
- 4 Investment costs and incremental operating costs
- 5 Key implementation risks and mitigating strategies

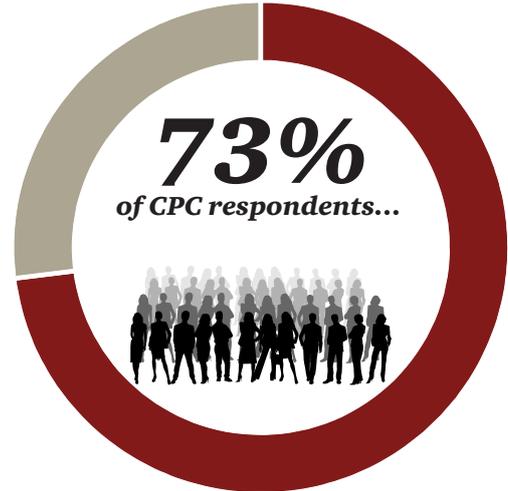
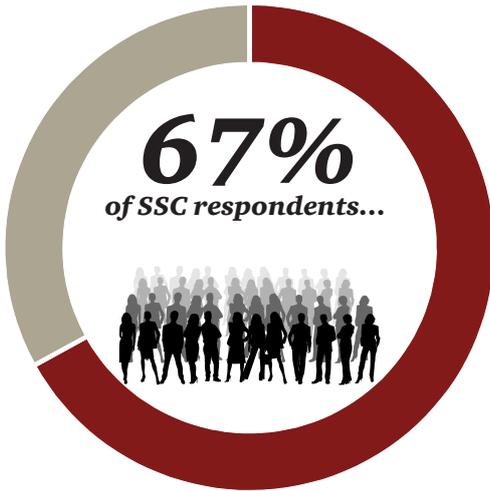
This should form the basis for benefits tracking post-implementation





Key SSC/CPC Challenges

SLA adherence is a key challenge for SSCs and CPCs surveyed



...believe that the biggest challenge facing implementation of SSCs and CPCs in Nigeria today is articulating and adhering to Service Level Agreements and Key Performance Indicators by relevant parties

Change management and process migration to the SSC/CPC were also identified as key implementation challenges

Figure 37: Areas of potential SSC/CPC implementation challenges

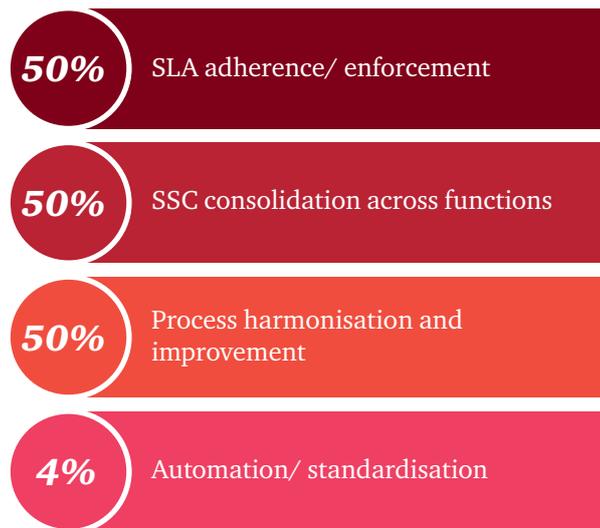
SSC		CPC	
67%	Defining and Adhering to SLAs and KPIs	73%	Defining and Adhering to SLAs and KPIs
61%	Managing change across the organisation	73%	Harmonising the process and IT Landscape
50%	Cost Recovery/ Allocation Basis	64%	Managing change across the organisation
39%	Migrating processes to the SSC	64%	Migrating processes to the CPC



Outlook

Half of the SSC respondents consider process harmonisation/ improvement, consolidation of SSC functions and SLA adherence as equally important immediate and long term operational challenges...

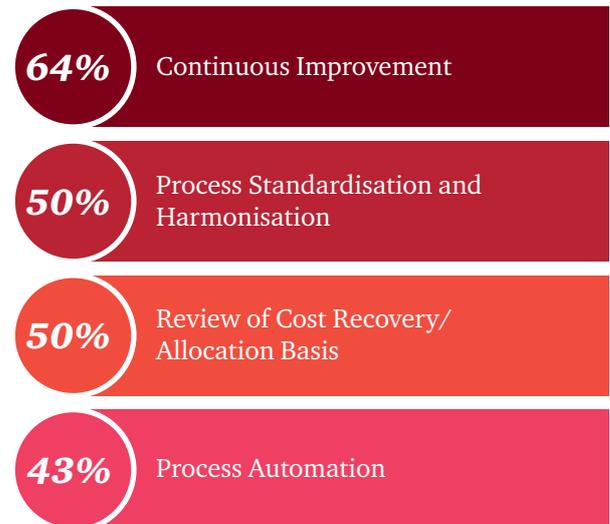
Figure 38: SSC/CPC immediate and long term operational challenges



When compared to global respondents, the only common potential challenge indicated was 'Automation/ Standardisation'. Global SSCs also noted Quality control, staff retention and SSC consolidation as key immediate to long term challenges

64% of respondents prioritised continuous improvement as a key initiative to address these challenges. Process standardisation/harmonisation and review of cost recovery/allocation basis are considered equally important by half of the respondents

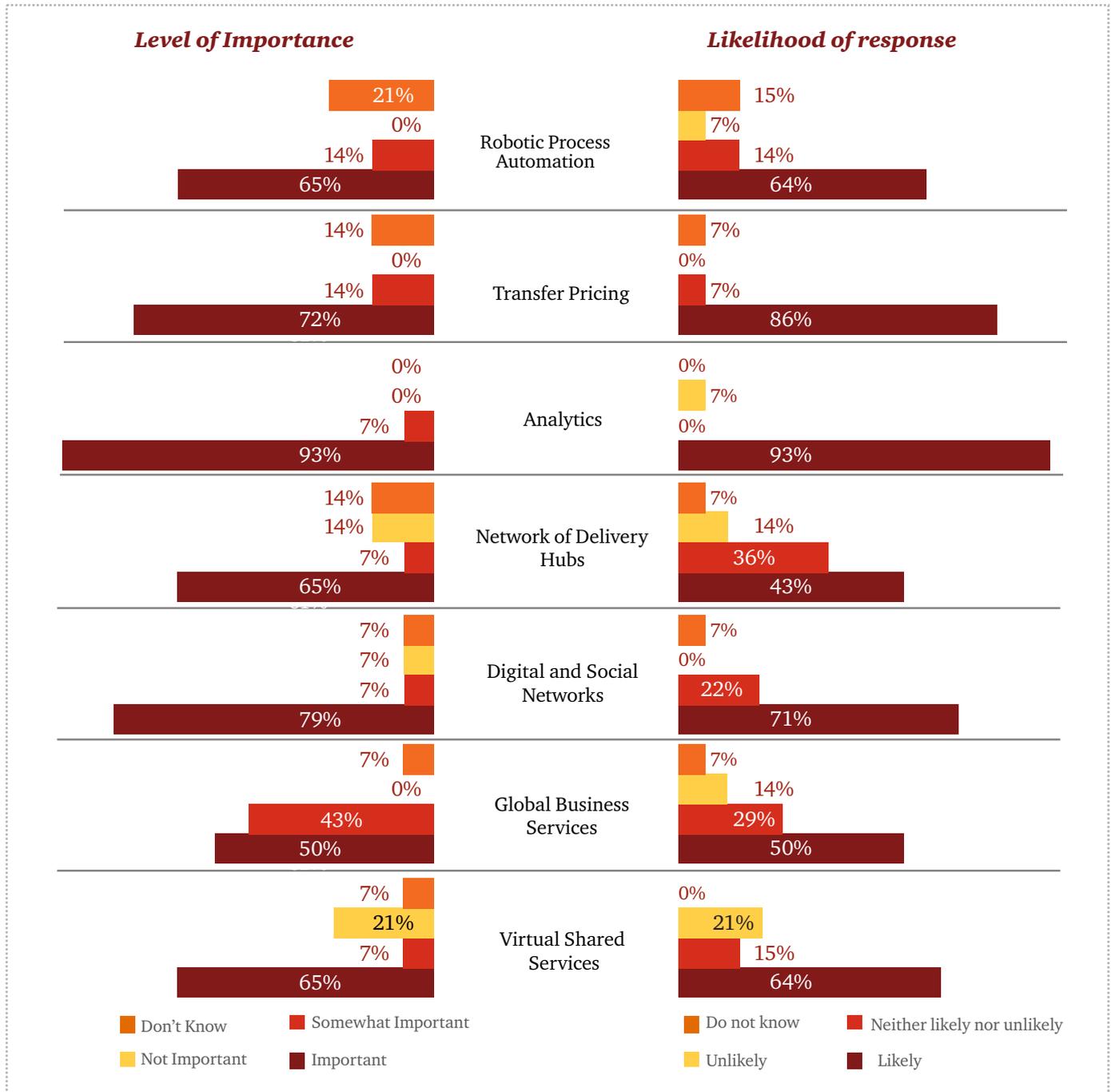
Figure 39: Initiatives to address potential SSC/CPC operational challenges



It is important to note that although 'Review of Cost Recovery/ Allocation Basis' was not indicated as a likely challenge in the immediate and long term, it was ranked third as a critical initiative to address the challenges identified...

Majority of SSC respondents perceive analytics to be of significant importance and are likely to respond to this trend

Figure 40: SSC - Level of Importance of trends and likelihood of response



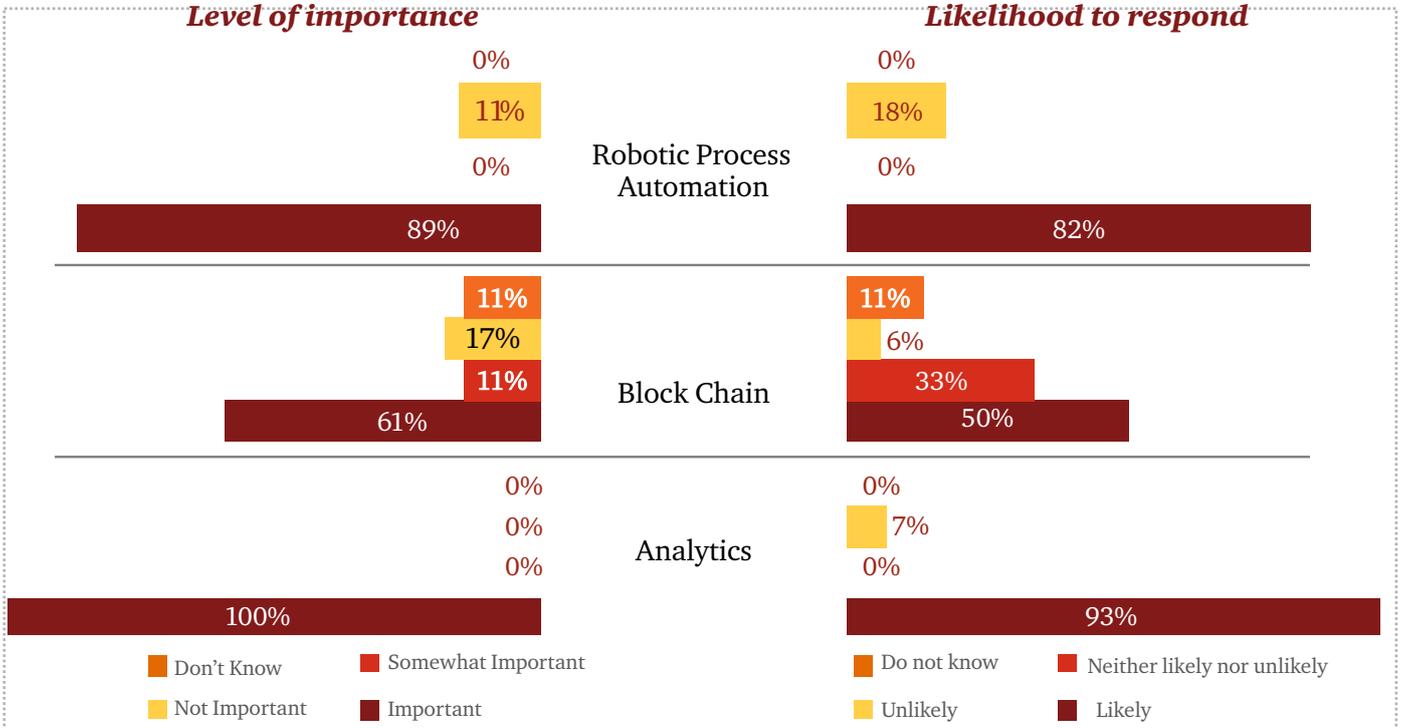
- Generally, SSC respondents perceive all seven (7) trends as important to varying degrees.
- Analytics was perceived by 93% of SSC respondents to be of significant importance, while over 70% of respondents in this group indicated digital/social platforms and transfer pricing as trends to which they would likely respond.

- 50% of SSC respondents also consider Global Business Services as an important trend to which they are likely to respond.
- While Robotic Process Automation was considered the 4th most important trend by SSC respondents, 64% and 82% of SSC and CPC respondents (respectively) indicated a high likelihood to respond by investing in it.
- 21% of SSC respondents are unaware of Robotic Process automation, while 7% are unlikely to respond to the trend by investing in it.

There appears to be an appreciable level of awareness of Robotic Process Automation in the CPCs and a high inclination to respond to emerging trends

Figure 41: CPC - Level of Importance of trends and likelihood of response

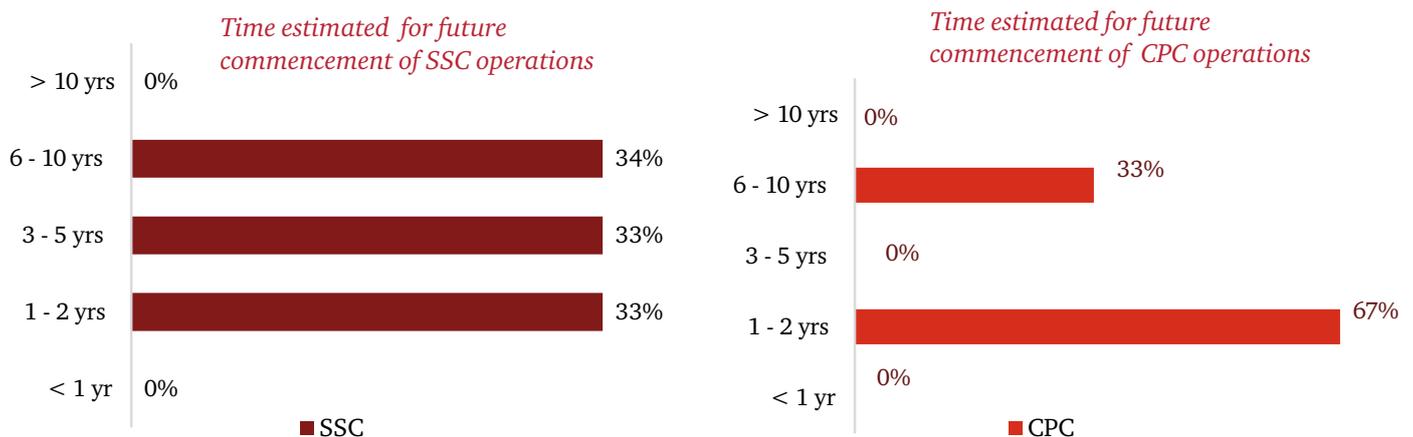
Level of importance of CPC trends and likelihood of response to these trends

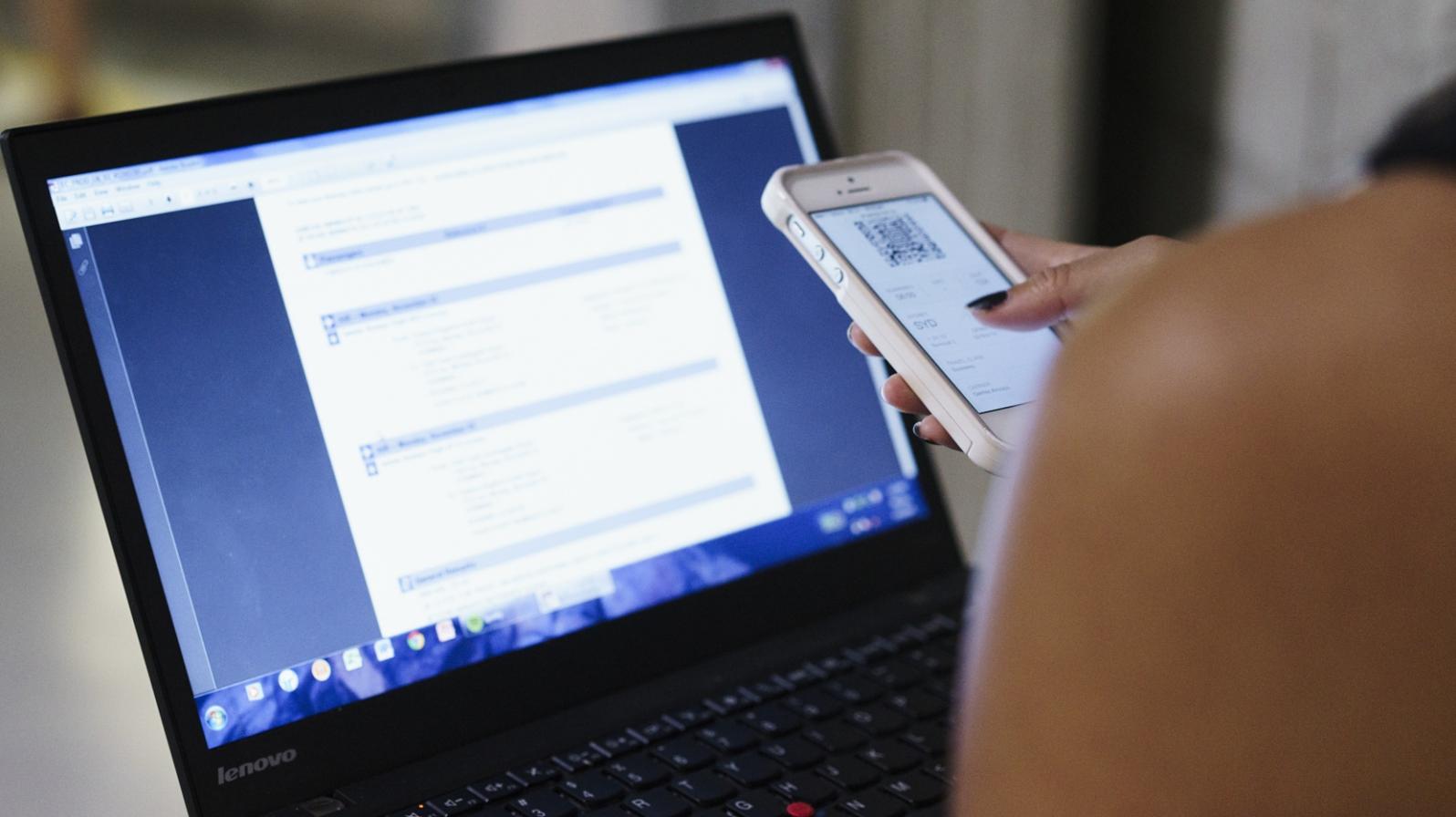


- 89% of CPC respondents consider Robotic Process Automation an important trend to which they will likely respond.
- Similar to the SSCs, analytics is perceived to be of the most significant importance by all CPC respondents. Over 90% of the CPCs are likely to respond to analytics trends.
- An appreciable number of CPC respondents (61%) are aware of the blockchain technology and 50% are likely to respond to this trend.
- While 28% of CPC respondents are either unaware or consider blockchain to be of low importance, almost twice the number of respondents still plan to respond to this trend.

67% of respondents plan to commence Shared Service/Centralised Processing Centre operations within the next five (5) years

Figure 42

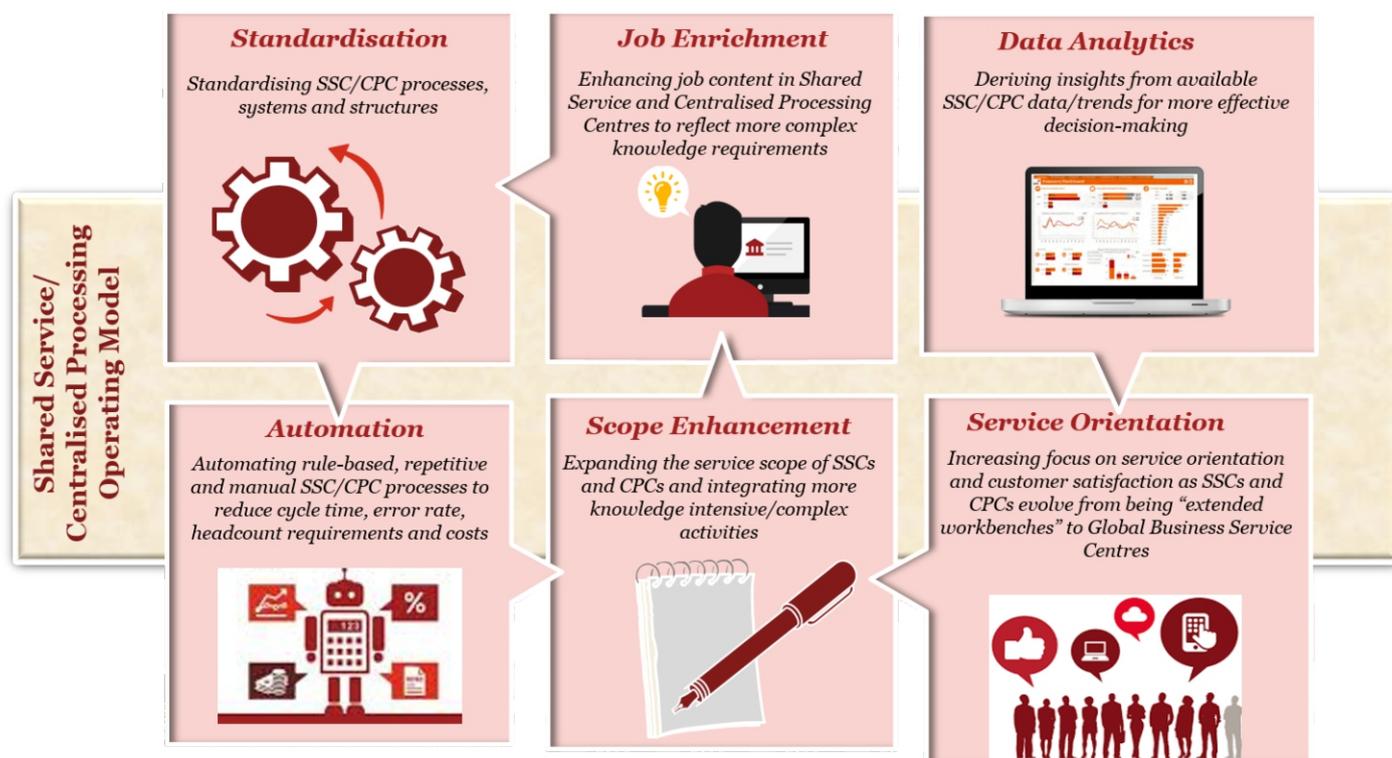




Emerging trends in Shared Services & Centralised Processing

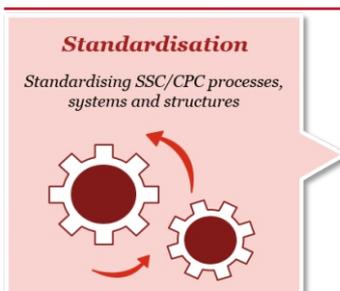
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Six (6) emerging trends will significantly impact the Shared Service/ Centralised Processing operations in the next five (5) years



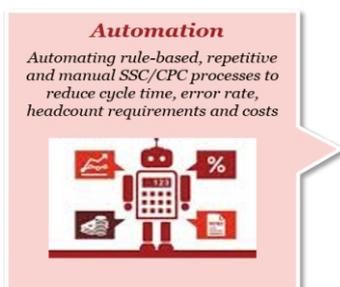
Standardisation remains desirable but have the 'bots' come to stay?

Shared Service organisations both locally and globally are continuously investing in improving standardisation and automation. Shared Services and Centralised Processing are typically viewed as precursors to full-scale automation. Our expectation is that the following trends will shape the future of Shared Service and Centralised Processing Centres.



Standardisation

Standardised processes, systems and structures are essential for the success of a Centralised Processing/ Shared Service Organisation. The harmonisation of processes and the IT landscape is considered to be one of the biggest challenges when setting up an SSC/CPC. We expect that standardisation will remain high on each SSC/CPC's agenda. Less mature SSCs/CPCs will focus on the highly transactional and repetitive activities, while mature and developing centres will seek to migrate more advanced and value-adding services to the SSC environment, for increased standardisation.



Automation

Automation will assume increasing importance in Shared Services and Centralised Processing going forward. Automated processes lower cycle times, reduce error rates and personnel costs, and enable staff focus on handling more value-adding and complex tasks. Automation results in enhanced productivity, service quality and customer satisfaction.

We expect the next big thing for Shared Services and Centralised Processing will be the rise of 'bots', with Robotic Process Automation (RPA) making it possible to fully automate highly rule-based processes, thus reducing headcount and associated costs. Artificial Intelligence which is higher on the automation spectrum will enable automation of more complex activities via machine learning algorithms.

Consequently, we expect a shift in the SSC/CPC budget from predominantly HR to a higher investment in technology.

SSC/CPC scope expansion will redefine job roles...

Scope Enhancement

Expanding the service scope of SSCs and CPCs and integrating more knowledge intensive/complex activities



Scope enhancement

In addition to standardisation and automation, the scope of activities performed by SSCs/CPCs will continue to grow in number and complexity. The scope of SSCs/CPCs is gradually shifting from traditional single-function centres towards the Global Business Service (GBS) Model. GBS is more than just a multi-functional Shared Service Centre. It involves the full integration of non-core business activities into one consistent and independent service organisation, with specific focus on end-to-end processes. GBS provides cost advantages due to:

- integrated demand and service management;
- global governance;
- common infrastructure;
- cross-functional synergies; and
- elimination and consolidation of redundant IT systems/ Applications.

Next generation SSCs will also expand their service scope to include predictive analytics, business intelligence, data management etc. thus creating more complex SSC organisations and operating models.

Job Enrichment

Enriching job content in Shared Service and Centralised Processing Centres to reflect more complex knowledge requirements



Job enrichment

Expanding the service scope of SSCs/CPCs – especially integrating more knowledge intensive and complex activities – will result in modified job profiles requiring a new set of skills, knowledge and qualifications.

As more SSCs and CPCs implement advanced automation tools, the role of transaction processors in SSCs and CPCs will be redefined. Job roles will be more focused on handling exceptions, providing insights and 'adding value'.

Future SSCs and CPCs will be characterised by an increasing focus on service orientation and customer satisfaction, mining available data to provide valuable insights for informed decision making

Service Orientation

Increasing focus on service orientation and customer satisfaction as SSCs and CPCs evolve from being "extended workbenches" to Global Business Service Centres



Service orientation

Future SSCs and CPCs will be characterised by an increasing focus on service orientation and customer satisfaction. Within this context, SSCs and CPCs will evolve from being an "extended workbench" to an integrated Global Business Service Centre, providing a diverse range of quality, value-adding services to internal and external customers. The concentration of services in a Global Business Services framework and the ongoing automation of processes will redefine the focus performance metrics for SSCs and CPCs, with greater emphasis on 'delighting and providing value to the customer'. Service delivery strategies will also be modified to align with evolving SSC/ CPC operating models.

Data Analytics

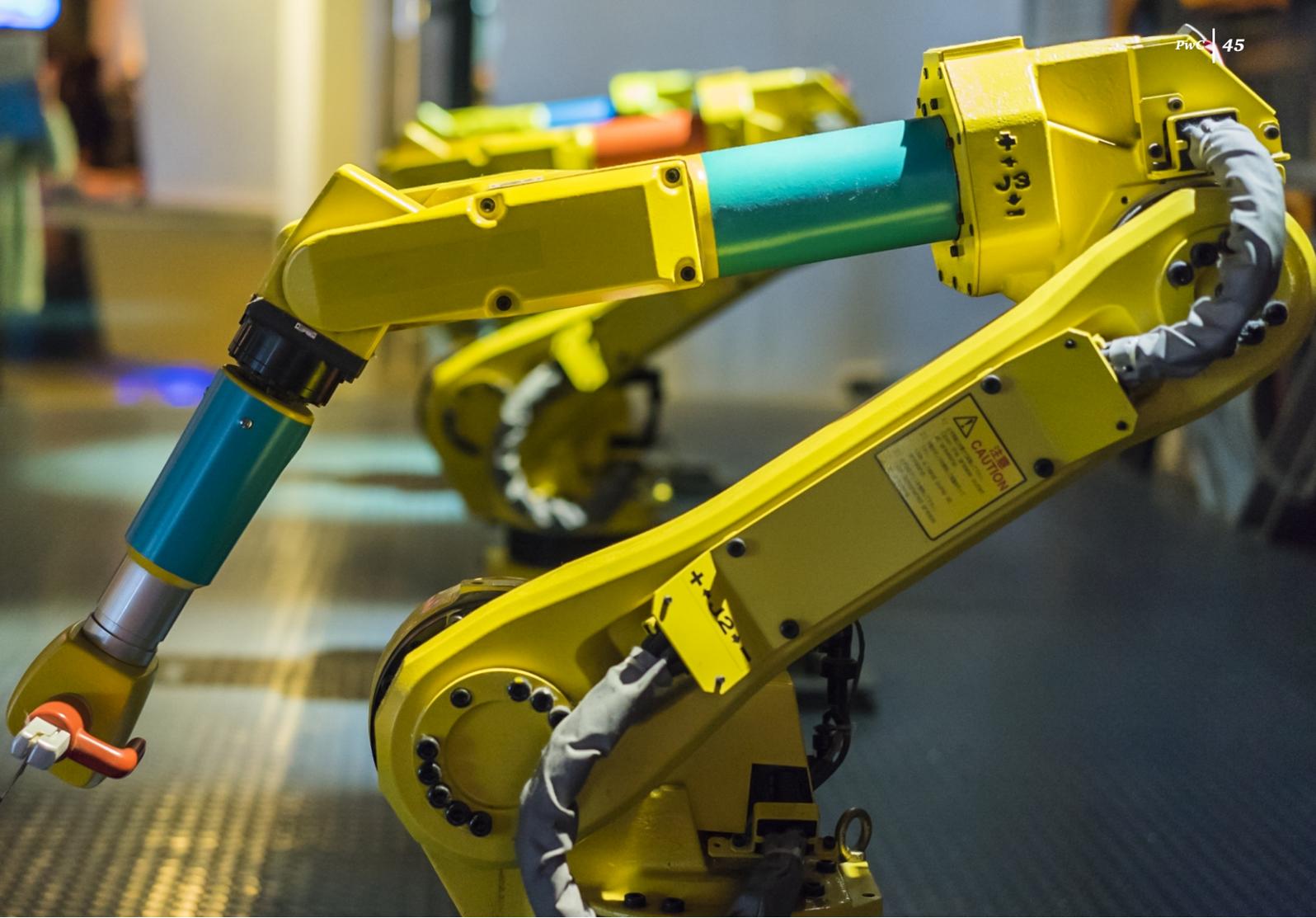
Extracting insights from available SSC/CPC data/trends for more effective decision-making



Data Analytics

SSCs and CPCs have access to valuable data created within an organisation. This data if properly mined can provide useful insights (beyond basic information and transaction processing) to support informed business decision-making.

A fully integrated multi-functional SSC/ CPC may combine data sets across different functions to deliver unique operational insights and reveal trends within the business. For example, analysing payroll data vis-à-vis recruitment and performance records can reveal correlations between top talent and attrition rates. Similarly, studying an organisation's spend pattern and vendor performance in relation to receivable days can uncover opportunities for a more strategic approach to sourcing. In addition, analysing customers' service usage to simulate tariff plans that provides reasonable savings margin may improve customer retention rate for a telecom service provider.



Spotlight on Robotic Process Automation (RPA)

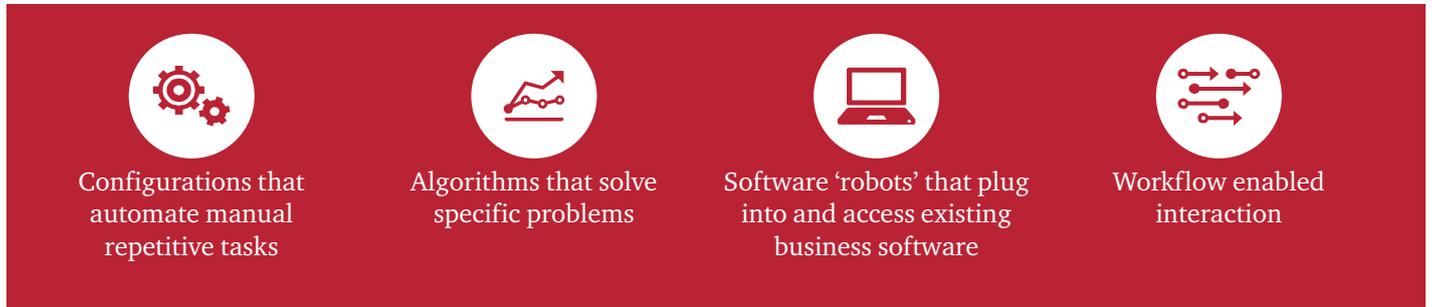
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RPA – Processing at the speed of thought?

Robotic Process Automation (RPA): facts vs fiction

Robotic Process Automation (RPA) is the use of smart software to replicate tasks done by humans and execute processes across various systems...

RPA is...



RPA is not...

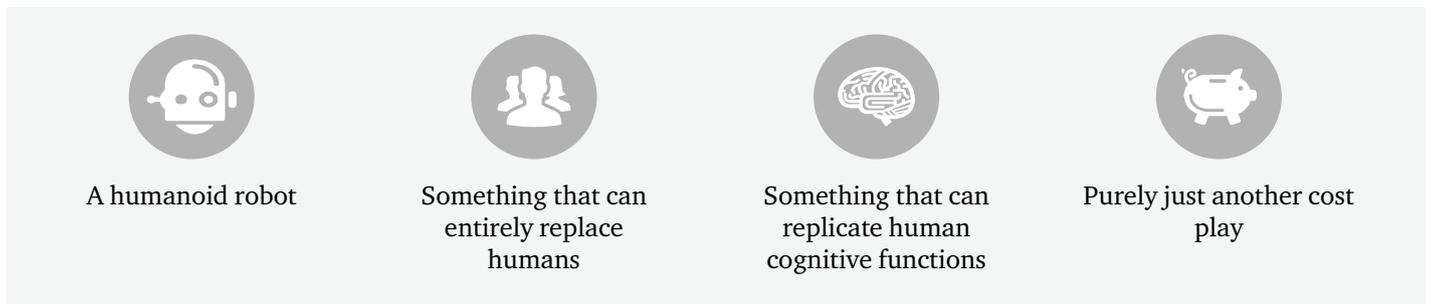
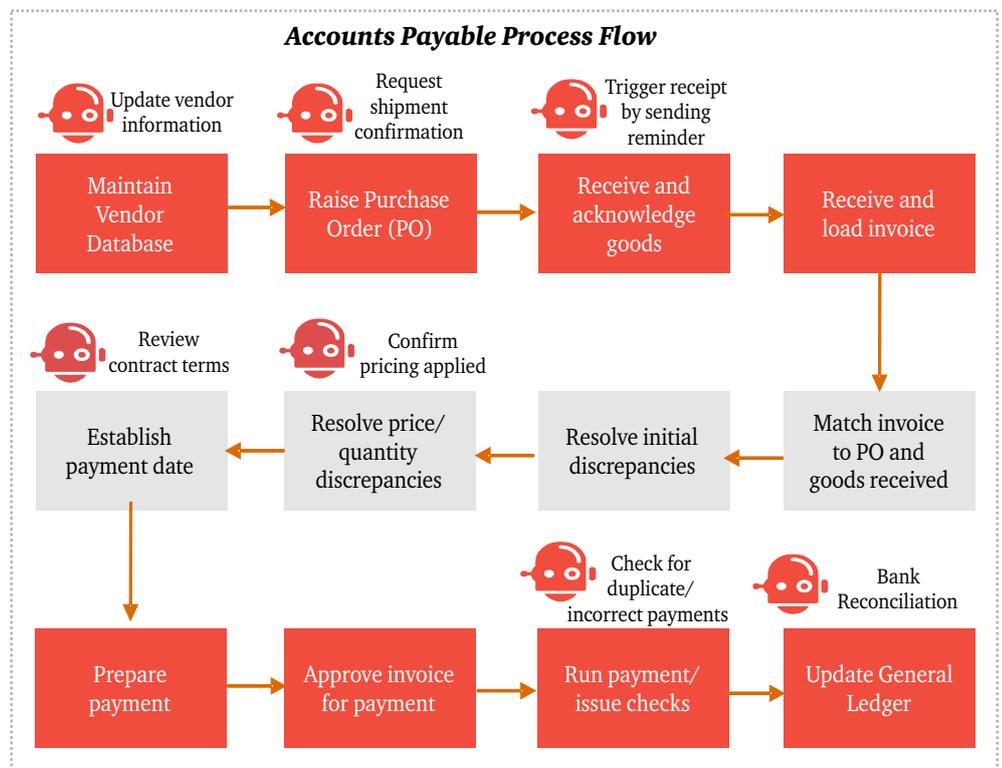


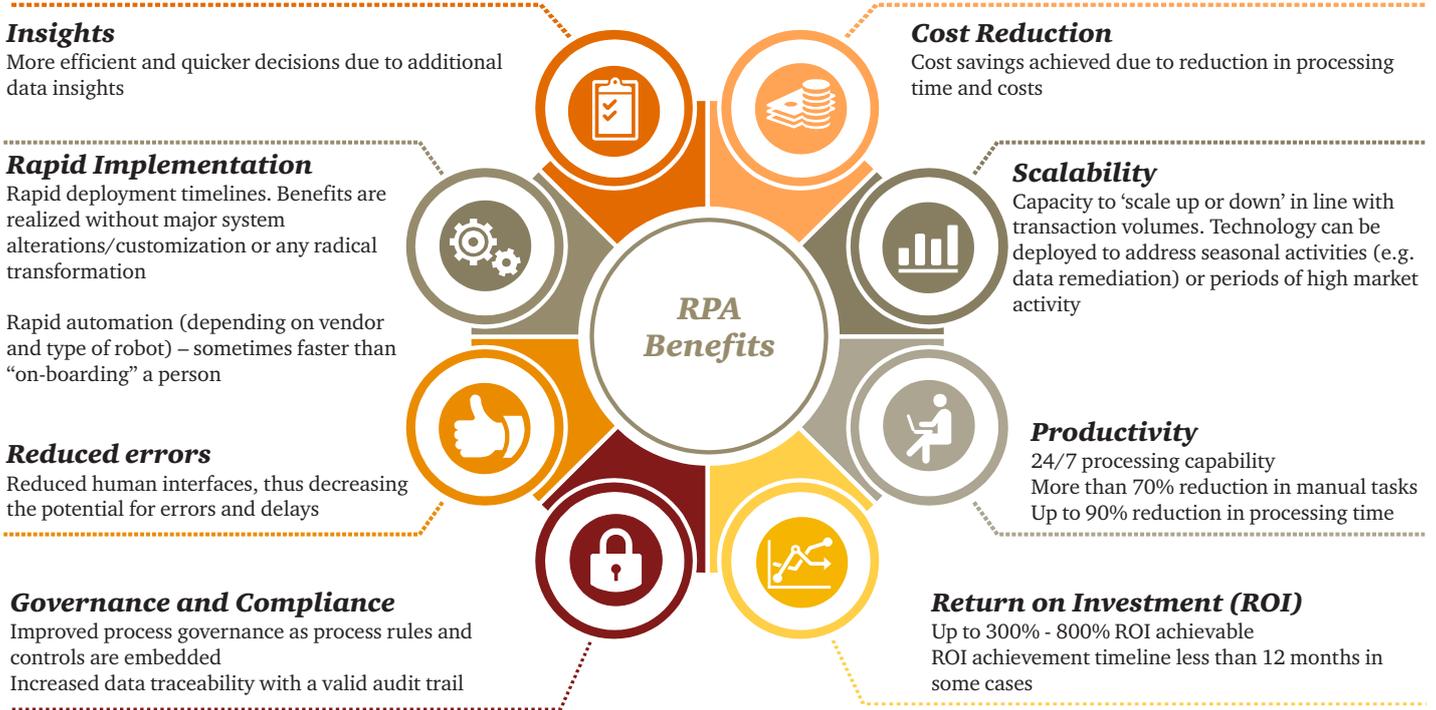
Figure 43: RPA in the overall IT landscape – Accounts Payable Example



Fast Facts...

- RPA is non-invasive and sits 'on top' of your existing business software - no changes or additional interfaces in existing IT landscape/apps are necessary
- RPA employs a variety of tools for 'grabbing' digital data, which can include screen scraping, digital image/optical character recognition etc.
- RPA makes use of rule engines and is considered a virtual workforce controlled by the business operations teams
- RPA provides a 'no added cost', scalable solution and requires less investment and ongoing management than outsourcing

RPA significantly increases the efficiency, quality and control of automated processes, typically resulting in cost savings and high ROI



RPA benefits can be demonstrated across a wide range of processes typically shared or centralised; and presents significant opportunity for value creation, cost and capacity optimisation

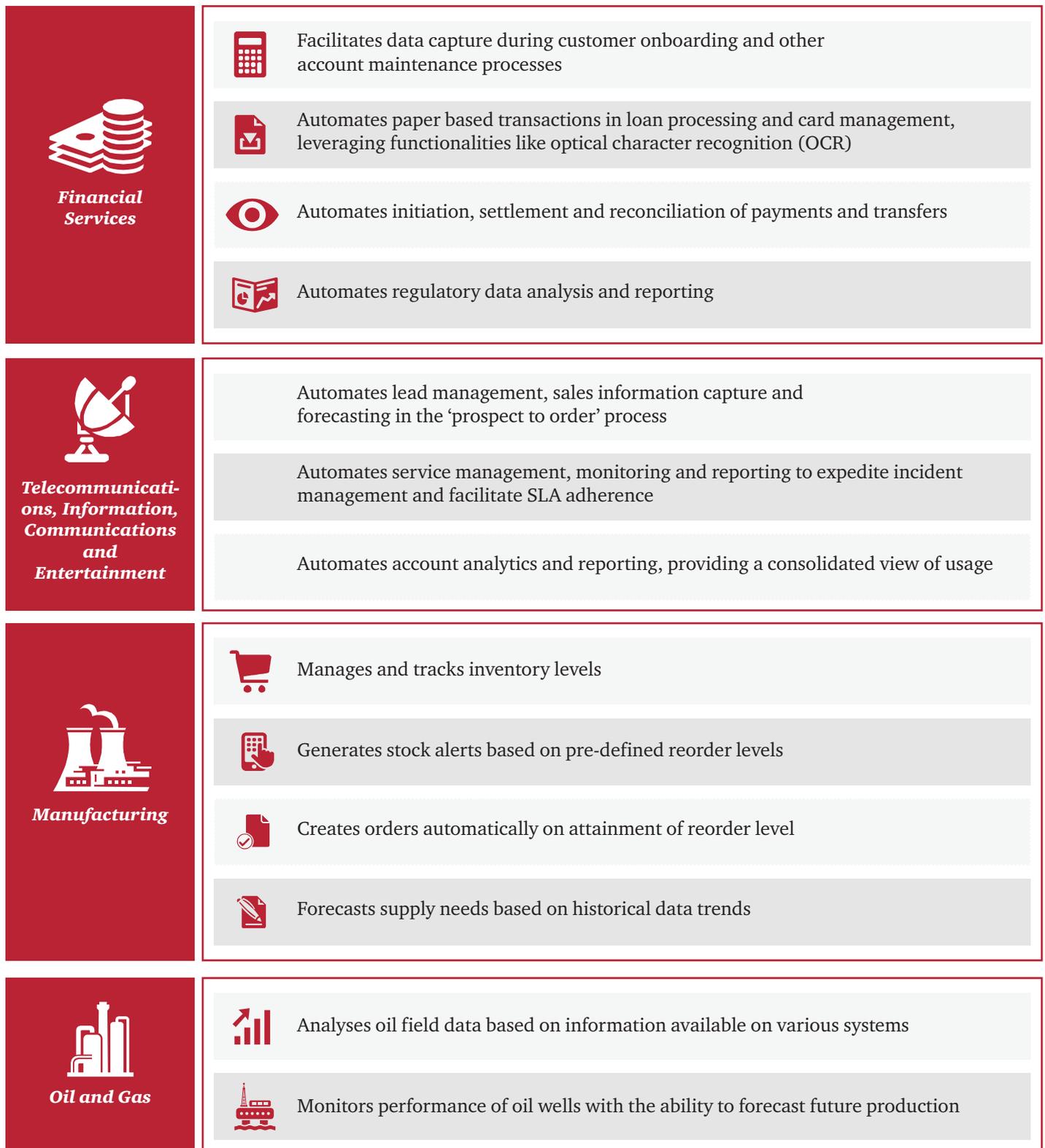
Figure 44: Some examples of RPA value in Shared Services...

RPA focuses on business rule-based, standardized and repetitive processes that are labor-intensive, high-volume and have multiple manual interactions...

<p>Finance</p> <p>Order to Cash</p> <ul style="list-style-type: none"> creation and cancellation of orders creation of quotes automated bill issuance to clients consolidation of billing data across multiple systems <p>Inventory and Stock Management</p> <ul style="list-style-type: none"> stock level tracking generation of stock-out alerts based on pre-defined reorder levels automatic order creation on attainment of reorder levels forecasting supply needs based on historical data/trends 	<p>Human Resources (HR)</p> <p>Onboarding</p> <ul style="list-style-type: none"> onboarding new employees into key company systems and applications generating alerts for data requests tracking completion of new employee forms <p>Benefits and Payroll Administration</p> <ul style="list-style-type: none"> automating the monitoring and reporting of benefits e.g. leave automating the collection, transfer, organisation and storage of all pay-related information <p>Time and Attendance Management</p> <ul style="list-style-type: none"> generating reports on time and attendance performing trend analysis using time and attendance data 	<p>Procurement</p> <p>Procure to Pay</p> <ul style="list-style-type: none"> analysing RFPs and Bids updating vendor information uploading invoice data and tracking the workflow progress through to payment validating invoice data across multiple systems <p>IT</p> <p>Server and Application Monitoring</p> <p>Fraud Detection and Issue Resolution</p> <ul style="list-style-type: none"> scheduling repetitive scans and automating checks for anomalies and system threats generating alerts where discrepancies are found automating escalations 	<p>Customer Relationship Management</p> <ul style="list-style-type: none"> receiving and categorising queries based on pre-defined parameters/rules providing first-level query responses automating data collection, trend analysis and reporting on customer interaction with marketing channels e.g. website and social media platform visits, emails, phone calls etc. <p>Reconciliation</p> <ul style="list-style-type: none"> extraction of data from source systems reconciliation and exception identification escalation of exceptions in line with policy/process flow <p>Audit, Risk and Compliance</p> <ul style="list-style-type: none"> compliance monitoring and testing risk assessment and reporting data collation for regulatory reporting conducting background checks against sanction lists
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RPA can also be applied to a number of manual, standardised and repeatable processes across industries

Figure 45: RPA application across industries...



RPA will deliver value as you embark on your digital journey. However, is it fit for you?

Figure 46: Some Considerations for Migration of Processes to Shared Service/Centralised Processing Centres

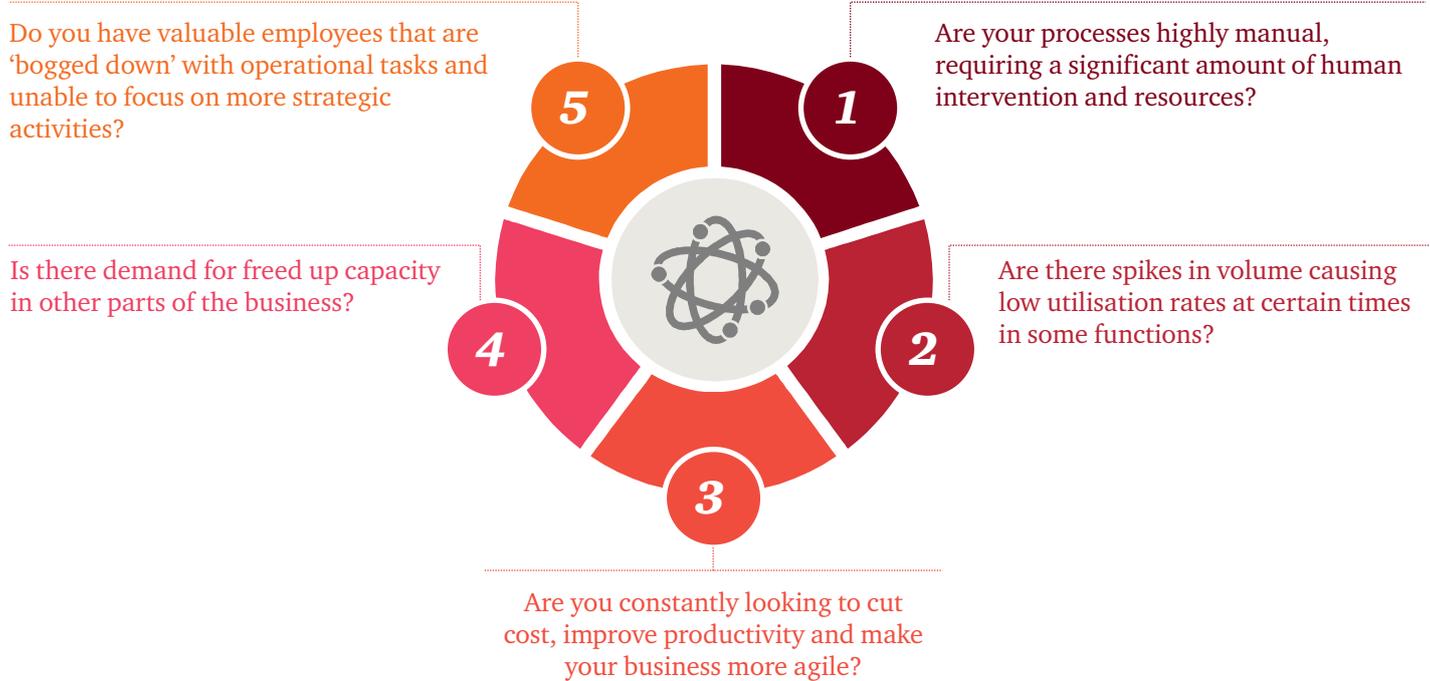
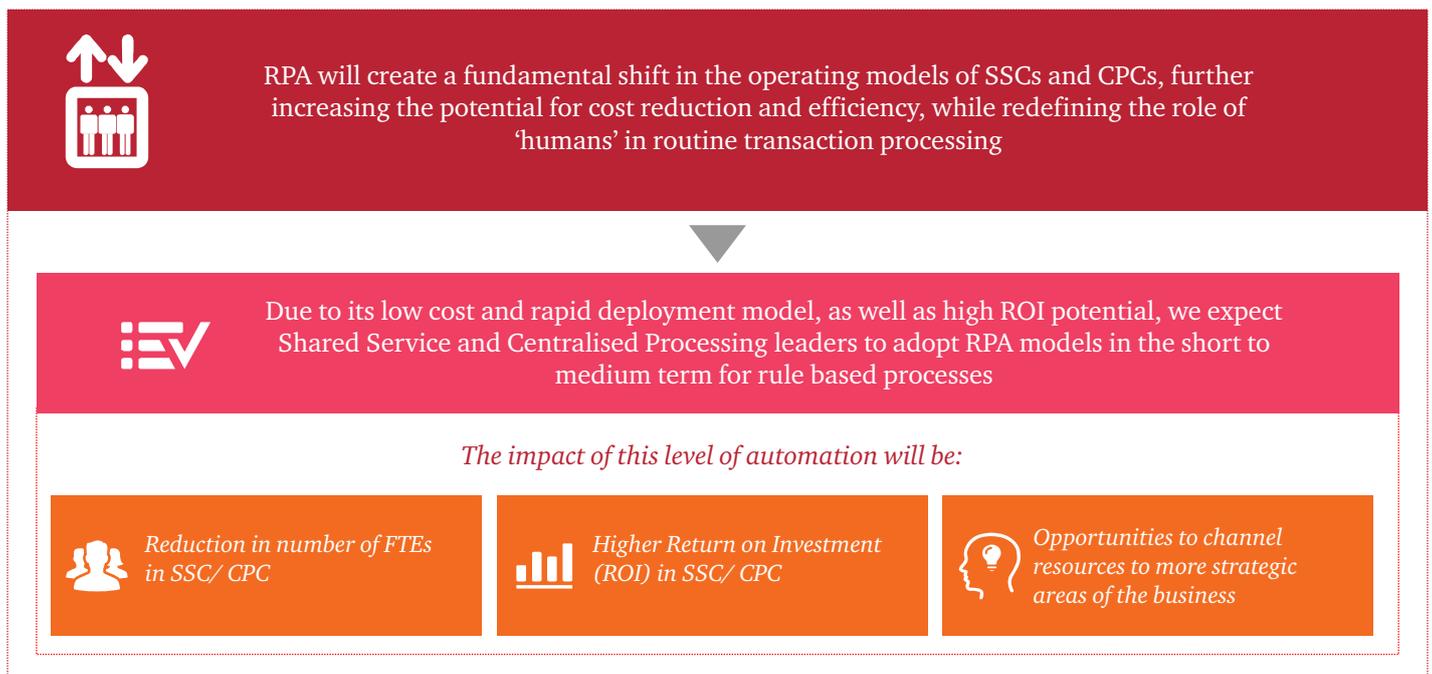


Figure 47: PwC's Perspective



Abbreviations

CIP	Continuous Improvement Process	KYC	Know Your Customer
CPC	Centralised Processing Centre	MS	Microsoft
ERP	Enterprise Resource Planning	R and D	Research and Development
FTE	Full Time Equivalent	ROI	Return on Investment
GBS	Global Business Services	RPA	Robotic Process Automation
HR	Human Resources	SLA	Service Level Agreement
IT	Information Technology	SSC	Shared Service Centre
KPI	Key Performance Indicator	TQM	Total Quality Management

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