Shared Service Centres

TREASURY TRENDS

SHARED SERVICE CENTRES

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The findings in this report represent an independent study analysing use of Shared Service Centres (SSCs) and their level of treasury activity. Online surveys were completed by 201 treasurers from 149 organisations selected from the ACT's global membership and relationship lists. The surveys took place between February and March 2017.

EXECUTIVE SUMMARY

The evolution of treasury teams within Shared Service Centres (SSCs) is an area with which the ACT has become more engaged recently, as a response to non-financial corporates asking for support in the development of their treasury teams within SSCs. To inform itself further and ensure a robust rationale behind that support, based on what is actually happening in the market, the ACT undertook research across its membership.

Of the 149 organisations that responded:

75% operate an SSC

63% of those undertake treasury activities within that SSC

Three key trends, potentially connected, came out of the research:

1. activities such as payment processing, reconciliation and trade confirmations are tasks which are likely to be automated in the near future; this could have a significant effect on the need for treasury teams within SSCs, or at least their size; and smaller SSCs are likely to require more qualified treasury teams
2. recruitment of treasury staff within SSCs becomes more difficult as the level of prior treasury knowledge required increases, although this varies by location. (It is more difficult in Asia and UK, but not rest of Europe)
3. retention of treasury staff has a positive correlation with the amount and type of training provided; there is also evidence that ACT qualifications as a learning and development resource have a positive effect on the level of retention.

A further output of the research is the location of SSCs: nearly 60% of respondents' SSCs are located in either Europe or the UK. The research cannot say whether the move of SSCs closer to the operational HQ (nearshoring) is a recent trend, but this could be an area of focus in subsequent research, as well as any connection to increases in automation/SSC teams getting smaller.

INTRODUCTION

This report summarises the outcomes of recent research into trends within SSC treasury activities, specifically around automation, recruitment and training.

The research was initiated after the ACT received enquiries from members regarding treasury activity within SSCs. Group Treasurers told us they were becoming more involved with the activities of SSCs, and anecdotal evidence told us that both recruitment and retention of specialist treasury resource within SSCs was problematic, especially in Central and Eastern Europe. The ACT had been asked to provide learning/development solutions for several SSCs, focused on the improvement of treasury skills, hence some research around levels of demand was deemed appropriate.

The report is primarily quantitative in its approach, compiled from respondents' completion of a short questionnaire.

The questionnaire focussed on the following areas, once use of a SSC was established:
- location
- size of team
- benefits
- type of treasury activity undertaken by SSC
- recruitment and retention of staff
- access to, and implications of training of staff.

RESULTS

RESPONSES

201 people responded to the questionnaire. 166 (82.6%) completed the questions, while 35 (17.4%) provided a partial response. The responses represent 149 organisations.

LOCATION

The location of responses can be seen in Chart 1, with most responders located in the UK.
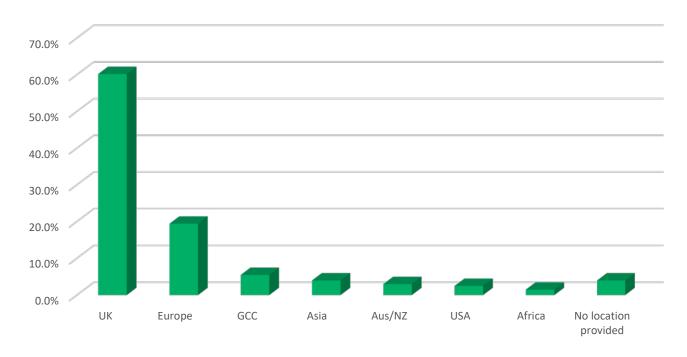

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Chart 1. Response location

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CORE TREASURY TEAM SIZE

A majority (51%) of organisations responding had a small core treasury team of 1-5. The full distribution of treasury team size can be seen in Chart 2.
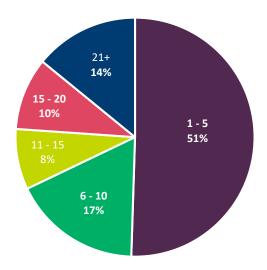

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Chart 2. Size of core treasury teams

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LOCATION OF SHARED SERVICE CENTRES

1. OVERALL

Most respondents (59.8%) have SSCs in either the UK or Europe. As this is the first research that the ACT has undertaken linked to SSCs, it is difficult to know whether the profile has been standard for some time or whether there has been a migration of SSCs closer to operational headquarters. Nearshoring (i.e. moving closer to the core operational centre) of SSCs has been reported[1] as a trend for several years now.
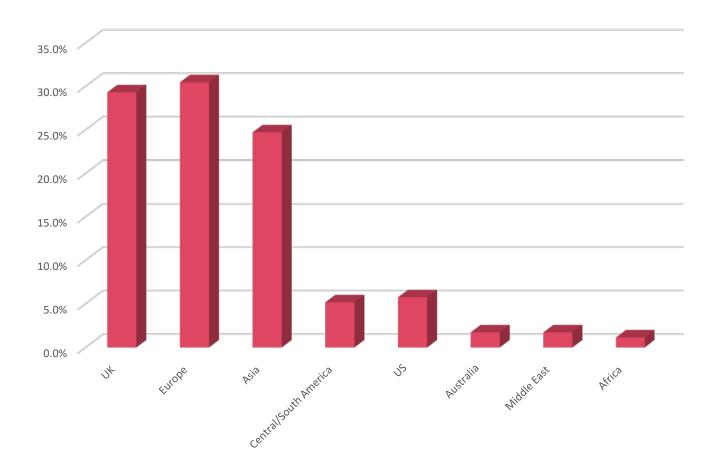

Chart 4. Location of respondents' Shared Service Centres

1. https://www.raconteur.net/business/nearshoring-europe-is-the-new-services-hub

2. EUROPE

Results show that SSCs located in Central and Eastern Europe (CEE) make up just under half (48.2%) of all SSCs in Europe with Poland (23.2%) being the most prevalent.

While Germany (12.5%) is the third most frequent location for SSCs in Europe, all the organisations that have SSCs in Germany have organisational headquarters located in Germany, potentially evidence for the increase in nearshoring.
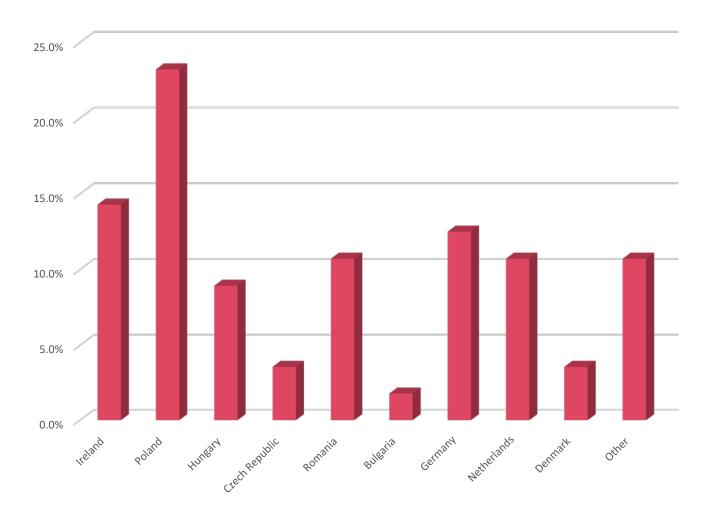

Chart 5. Location of Shared Service Centres in Europe

3. ASIA

India (40.2%) is the most popular location for SSCs in Asia, with the Philippines (25.5%) being the other significant location. A significant majority of organisations (76.7%) with SSCs located in Asia have organisational headquarters in Europe.
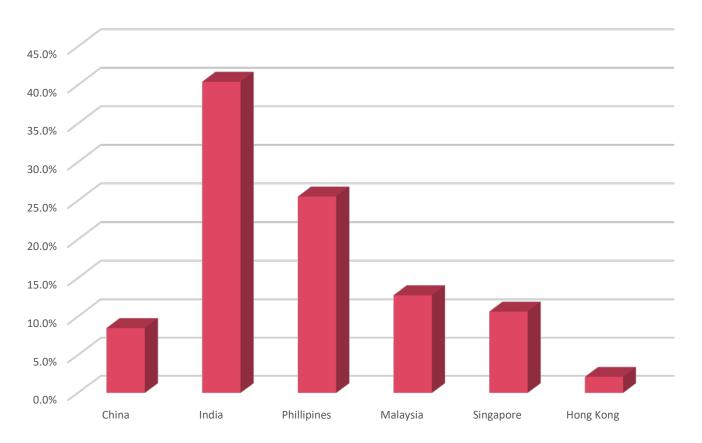

Chart 6. Location of Shared Service Centres in Asia

TREASURY ACTIVITIES IN SHARED SERVICE CENTRES

63% of respondents with a SSC undertook some form of treasury activity within the SSC. The range of activities highlighted in Chart 7 include a number, such as reconciliation and payment processing, that could be significantly affected by automation. If automation occurs/increases, the necessity for treasury teams within SSCs may decrease. In addition, whilst potentially reducing the number of people needed for treasury within an SSC, this may increase the level of experience and knowledge needed by those still working in the SSC.
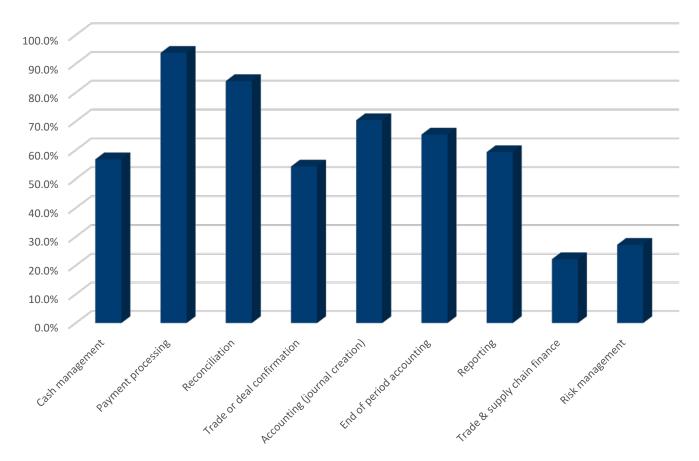

Chart 7. Activities undertaken by Shared Service Centre treasury teams

RECRUITMENT AND RETENTION

Most treasury staff within SSCs are recruited either locally to the SSC or from within the SSC (Chart 8). Most respondents who answered 'Other' used a mixture of internal recruitment and local recruitment consultants.
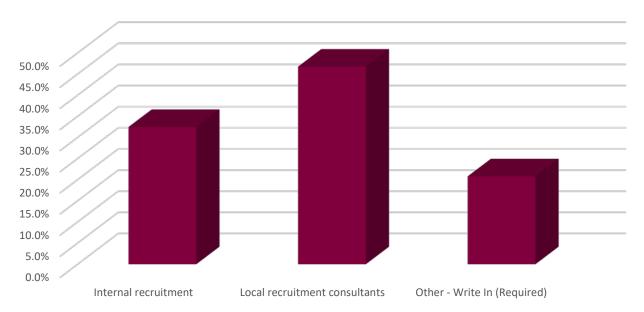

Chart 8. Recruitment of Shared Service Centre staff

Chart 9 shows that most organisations (65%) do not require prior treasury experience when recruiting treasury staff for the SSC. However, a minority (35%) do require experience and there is a potential link between the activities undertaken within the treasury team and the requirement for prior treasury knowledge. The organisations that do require prior treasury knowledge have a higher level of Cash and Risk Management activity undertaken within the SSC and these tasks are more likely to need prior treasury expertise.

The implications of this are that the number of organisations requiring prior treasury experience could increase when and if automation is developed for several of the tasks undertaken.
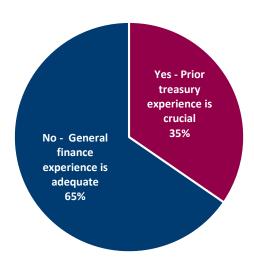

Chart 9. Recruitment – Is prior treasury experience needed

EASE OF RECRUITMENT AND RETENTION

The questionnaire investigates whether recruitment and retention of treasury staff is an issue within SSCs. It was anticipated that respondents may not have much engagement with the recruitment process, so they were asked to compare the process with that of their core treasury team, to provide more robust data. The initial finding was that the majority of respondents felt that the recruitment process was no more difficult for SSCs than the core treasury team, although nearly 40% disagreed:
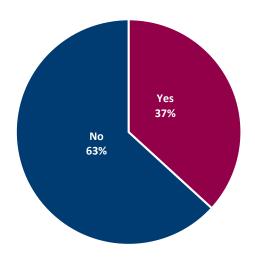

Chart 10. Is recruitment of treasury staff for your Shared Service Centre more difficult than your core team? (All respondents)

When there is a requirement for treasury experience, the perceived level of difficulty increases further, as Chart 11 shows.
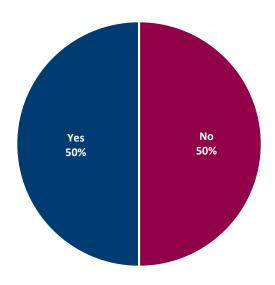

Chart 11. Is recruitment of treasury staff for your Shared Service Centre more difficult than your core team? (Treasury experience essential)

The questionnaire had a free text box for some answers to allow respondents to elaborate on why recruitment may be difficult. Some of the comments are detailed below:

The countries in the SSC areas [for that organisation] are not known for treasury professionals but accountants.

Level of treasury expertise is fairly low, competition from other SSCs for talent.

In general, internal transfers work well and finance experience externally is adequate but for some roles specific treasury experience is required and in these markets finding this is difficult.

If the need for treasury knowledge increases the difficulty of recruitment, does this difficulty change with location?
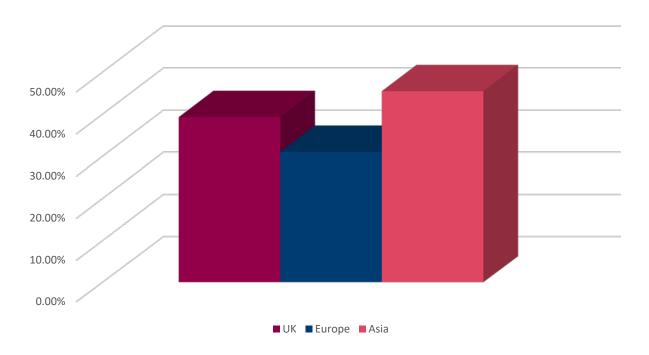

Chart 12. Perceived difficulty of recruitment by location

Chart 12 shows there is a variation in the perceived difficulty of recruitment, with recruitment of treasury teams in Asia perceived as more difficult than the UK and Europe. The evidence regarding Europe is counter to the prior anecdotal evidence.

LEVEL OF STAFF RETENTION

The questionnaire investigates whether retention of treasury teams within SSCs is a problem and, if so, is there any reason for this? Respondents were again asked to compare the process with that of their core treasury team.
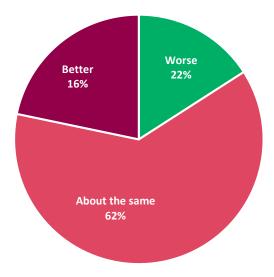

Chart 13. Level of retention for Shared Service Centre treasury team compared to core team

Chart 13 shows that the perceived level of retention for treasury teams within the SSC does not differ significantly from the core treasury teams. However, prior anecdotal evidence suggested that retention was affected by the level of learning and development support provided. Chart 14 looks at the level of training provided to SSC treasury teams compared to their core counterparts and almost half (47%) of the SSC treasury teams receive less training compared to the core team.
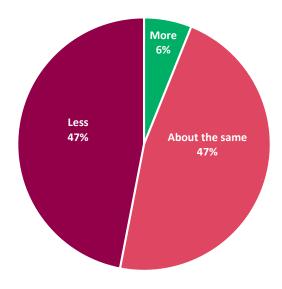

Chart 14. Level of training received for Shared Service Centre treasury team compared to core team

RETENTION COMPARED TO TRAINING PROVIDED

Chart 15 shows that organisations with poor retention within the SSC treasury team provide lower levels of training. 60% of organisations with poor retention provided less training for their SSC treasury teams than their core teams, compared to 47% for all respondents.
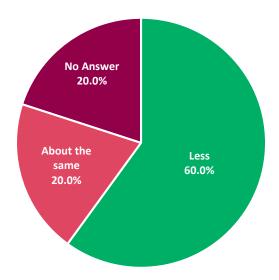

Chart 15. What is the level of training provided for your Shared Service Centre treasury team compared to your core team? (Poor retention)

The results for organisations with good retention show a significant increase in the level of training received, with 36.4% providing less training for their SSC treasury teams than their core teams, compared to 60% for organisations with poor retention. The number who receive the same is a 35% increase on those with poor retention. These results highlight a potential correlation between retention and training.
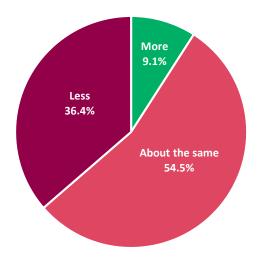

Chart 16. What is the level of training provided for your Shared Service Centre treasury team compared to your core team? (Better retention)

WHO DELIVERS TRAINING?

Most organisations provide training via internal programmes, with other significant sources of training being the ACT, training provided by banks and to a lesser extent the Big 4 consultancies. Again, there may be a level of self-selection, as a significant number of organisations with which the ACT has contact would have been included in the original distribution list.
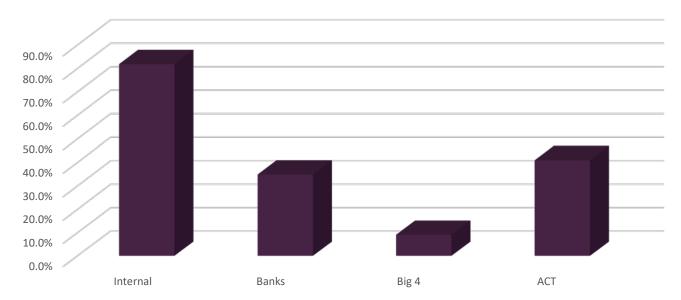

Chart 17. Where does your Shared Service Centre treasury team access training? (All respondents)

While the level of ACT engagement may have an aspect of self-selection, it appears that if an organisation provides access to external training and qualifications, in this case provided by the ACT, the level of retention within the team increases (see chart 17 vs chart 18). If access to training and qualifications improves the level of retention within the team, it helps counter the issue of difficulty of recruiting specialist skills (lower need for recruitment, and specialised skills developed internally).
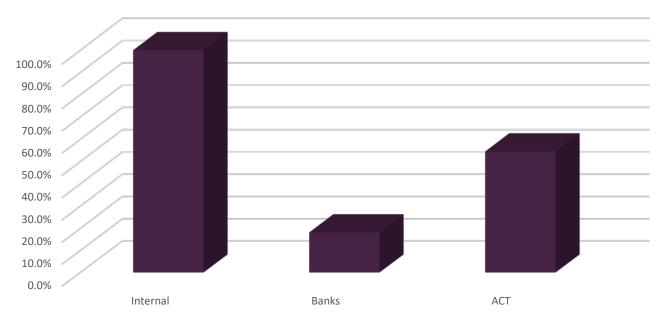

Chart 18. Where does your Shared Service Centre treasury team access training? (Better retention)

CONCLUSION

The research demonstrates that Shared Service Centres continue to be a key element in operational design of most organisations surveyed, with 75% of responding organisations using an SSC.

From the treasury activities carried out within these SSCs, it is evident that many are likely to be affected by automation. The resultant decrease in human resource is likely to influence the skills profile of treasury staff working within SSC teams. More complex activities will require individuals with greater skills and knowledge, potentially changing the recruitment requirements of organisations with more looking for prior treasury knowledge. The research shows that recruiting treasury skills is already more difficult than recruiting core SSC skills.

The research also suggests that there is a correlation between the level of training provided and the levels of retention within the SSC treasury team. If there is a requirement for staff with greater knowledge and skills, then organisations will need to review the training resources they provide, as the research suggests that there is a positive correlation between the level of training provided and the level of team retention. There is also evidence that the type of training provided also influences the level of retention, with ACT qualifications appearing to have a positive effect.

The research does not contradict the view that nearshoring is on the increase, which may help with some of the recruitment and retention challenges, but only if adequate training and development is provided to staff.

FOR MORE INFORMATION CONTACT

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