Navigating Latin American Shared Services opportunities

Costa Rica
Latin America is becoming increasingly attractive as a location for Shared Service Centers. Given the very different – and rapidly shifting – political, regulatory, and economic landscapes across Latin American countries, there is no “one-size-fits-all” approach to the region. Companies looking to enter the Latin America Shared Services market must carefully assess their short- and long-term service needs, strategic priorities, and risk tolerance before choosing a location. This series provides Deloitte’s perspective on the strengths and opportunities for the most common Shared Services markets in Latin America. This series highlights the insights Deloitte believes will shape the potential of Latin American countries to be successful destinations for shared services operations today and into the future.
Don’t Rock the Boat

International companies can successfully land Shared Service Centers in Costa Rica, but must take care to avoid disrupting the market’s equilibrium

Costa Rica Remains Attractive
For the past decade, the Costa Rica Shared Services market has been one of the top choices for multi-nationals seeking to establish a Shared Service Center in Latin America. A cost-efficient labor force and the tax benefits provided by Costa Rica’s generous Free Trade Zone regime have been a major draw to companies looking to create large, multi-function Shared Service organizations.

Many multinationals moving to Costa Rica have found that the benefits stretch far beyond pure cost-savings. Strong quality of life, a strong economy, a stable democracy, high standards of education and security, as well as proximity to the US and advanced levels of English proficiency all enhance Costa Rica’s general appeal.

It comes as no surprise that since 2000, Costa Rica’s Shared Services market has seen the entrance of 6-7 major players per year. While this has been beneficial for the overall development of the market, it has created some new challenges for companies seeking to create large centers.
Crowded Market Space Drives Niche Capabilities but Limits Growth Potential
Costa Rica's centers have a long history of providing transactional services. Their sustained proficiency providing such services has led companies to increasingly explore providing higher value services commonly associated with Centers of Excellence (CoEs). While this expansion into new services provides extra enticement for companies looking to create leading-edge Global Business Service organizations, it also increases the demand on the workforce. Costa Rica, a country of roughly 4.9 million, may be reaching the upper limits of its growth potential. A recent Deloitte study of the Finance labor market suggested that supply of qualified candidates and associated demand have reached a tenuous equilibrium. Gone are the days where the market could accommodate the entrance of multiple 1,000-worker transactional centers per year. Rather, Deloitte estimates the Costa Rican market has capacity to absorb 2-5 entrants per year, with 500 or fewer FTEs per entrant. Further, this delicate equilibrium is expected to continue. According to a Deloitte study, supply is projected to increase 8% per year while demand is projected to increase by 12%. If projections hold, entrants will need to be increasingly fewer and smaller.

Figure 1: While the Costa Rican labor market is currently at an equilibrium, this tenuous balance will slowly begin to tip as demand for qualified labor outpaces supply in the marketplace. This will leave a deficit in the market and may create a barrier for any new companies looking to establish SSCs in the market.

Entering Costa Rica the Right Way is Critical to Long-term Success
Companies looking to enter the market must carefully contemplate their current needs and future growth plans in order to avoid future talent shortages. One player disrupting this delicate resource balance could create an unsustainable scenario of bidding wars and talent vacuums, threatening the cost-viability of the entire Shared Services ecosystem. Proper planning and a solid understanding of the Costa Rican Shared Services industry are essential for long-term success.

Our experience building and optimizing centers in Costa Rica tell us there are 3 major keys to success:
- Develop strong talent programs, including defined career paths and non-monetary incentives
- Work with other Shared Service Centers to develop and grow the talent pool
- Do not drive up wages to attract talent. This may disrupt the market equilibrium and may attract salary ‘mercenaries’
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It’s About More than Just Money

New entrants to Costa Rica must also have a strong grasp of the local labor market. An interview with Deloitte Shared Services leadership in Costa Rica revealed that the top concerns for Costa Rican laborers include professional development and training, growth potential, and long-term career stability. Costa Rica’s workforce currently ranks as one of the happiest workforces in the world². As such, companies launching centers in Costa Rica should leverage strong HR organizations to ensure that they are properly aligning benefits with the desires of the local labor market, or they may have difficulty attracting talent. Competing strictly on salary may ultimately lead to higher turnover if other centers follow suit.

**Figure 2: Top Desires of the Costa Rican Shared Services Labor Market:**

- **Personal Development & Training:** According to a Deloitte survey of Shared Service Center leadership in Costa Rica, 60% of SSC’s provide financial support to employees for continuing education as a way to attract talent.
- **Growth Potential:** 72% of respondents to Deloitte’s survey see career planning and progression as important.
- **Career Flexibility:** 68% of employees prefer more free time whereas 32% prefer more money. Similarly, 80% of employees want less working hours.
- **Salary:** Performance based pay is considered a top 5 method for attracting talent according to SSCs interviewed.

Promising Future in Shared Services “Paradise”

Costa Rica continues to be recognized as a global leader among Shared Services destinations, a trend that looks to endure throughout the next decade. With proper planning and a thoughtful consideration of incentives, companies will continue to discover that Costa Rica continues to provide sunny forecasts for Shared Services.

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