Five Keys to Designing the Future Finance Model

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CONTENTS

INTRODUCTION

As finance leverages the benefits of Shared Services for its business customers and the enterprise at large, the model is undergoing constant change. Twenty years ago, the opportunities were primarily defined by cheaper, offshore resources. Today, there are a number of trends that are driving an evolved finance Shared Services model. These include Centers of Expertise (CoEs) to drive value-add services; Robotic Process Automation (RPA) as a replacement for human labor; a reassessment of outsourcing's role and value; and new skills, roles, and recruitment tactics to enable the digital workplace.

This report covers these trends in detail, highlighting how, where, and why finance services need to evolve in order to meet the needs of the modern enterprise. The report also includes interviews with leading finance practitioners, who share their success strategies as they gear up for a digital future. **Erik Ramp**, Director, Strategy & Business Operations for Japan & Asia Pacific at **Edwards Lifesciences** describes the model they have introduced to emphasize knowledge services; **John Hayes**, Vice President, Global Financial Controller at **LexisNexis** outlines the new skill sets required and how they are leveraging talent globally; and **David Evangelista**, Senior Vice President & General Manager at **McKesson Corporation**, explains how they are making more effective use of BPO and automation.

The optimized finance model for the future needs to combine strong competencies in the new emerging technologies with the highest levels of customer service and relationship management. Thus finance will optimize the use of robotic automation, while at the same time leverage the human workforce for value-adding services that drive business opportunities and success.

More and more CFOs are looking to their finance services as a strategic partner. No other function in the organization has access to and visibility over enterprise data as finance does. New automation and data analytics tools now offer finance the means of optimizing its critical position within the enterprise. The future, in other words, will provide the opportunity for finance to emerge from its caretaker role, and take a leading position in guiding enterprise strategy.

What's needed, however, is the right model. This report will help you establish yours.

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1.

HOW DO FINANCIAL CENTERS OF EXPERTISE DRIVE VALUE-ADD?

While the centralization of business services support in Shared Services has yielded tremendous benefits and advantages through standardization, process ownership, governance and quality, once these performance levels have been achieved the natural pressure upwards is driving the demand for “value-add” services.

Many of these relate to problem-solving specific opportunities – for example, analyzing finance processes can drive different decision-making or lead to the reengineering of processes; identifying opportunities for automation improves performance or solves bottlenecks; leveraging data analytics recognizes important trends; etc.

Today’s Shared Services have recognized the limitations of what the traditional model can do in terms of delivering significantly differentiated “value add” – and at the same time come up with an effective solution. The Center of Expertise (COE) – often also called Center of Excellence – presents a means for fast-tracking solutions to specific operational challenges by developing specialist skills that offer value-adding services above and beyond transactional excellence. COEs are not so much about optimized performance, therefore, as they are about problem solving or driving solutions to support the business through escalated services. Shared Services have recognized COEs as a critical competency in offering value to business customers.

Nearly one in four SSO practitioners polled at SSON events over the past year confirmed that they are already measuring their value to the enterprise through such “enhanced” competencies.

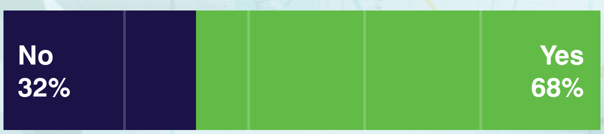
Beyond cost, how do you measure the value you generate for the enterprise?

Source: SSON

A variety of processes can be included in a finance COE, but all COE process candidates have several things in common: First, they tend to be more specialized than transaction-based accounting processes, and so require more educated, experienced resources to perform the work. Second, they are often analytically focused and are dependent on resources with critical thinking skills, enterprise thinking, and judgment in decision making. Third, they are performed less frequently than transaction-based processes, for example budgeting and planning or FP&A. Fourth, because processes that fit into COEs are more strategic in nature, they are generally not candidates for outsourcing. Some of the high-value services delivered through COEs include planning/budgeting/forecasting, due diligence, price management, and finance strategy, for example.

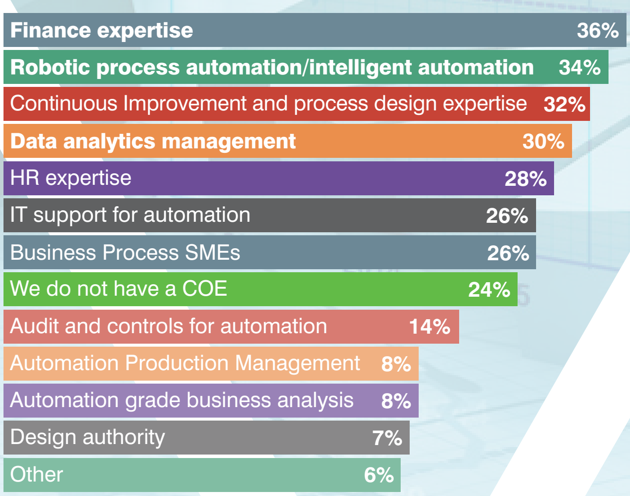
In addition to leveraging COEs for functional expertise, COEs are also being used as a means of governing or delivering emerging services like data analytics and automation. SSON's 2019 State of the Global Shared Services Market Report confirms 68% of global Shared Services are already leveraging a COE. Key focus areas include RPA/automation, finance process expertise (e.g. FP&A), continuous improvement/process design, and data analytics.

Are you leveraging a Center of Expertise (COE)?



Source: SSON

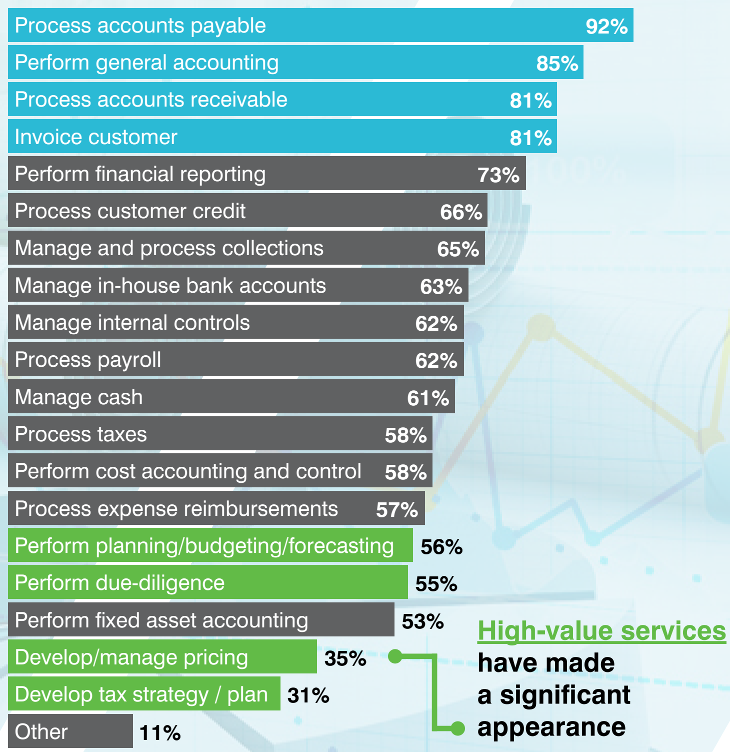
If you leverage a COE, which competencies does it support? (multiple options chosen)



Scope of Shared Services

High-value services are becoming more common in SSCs and are typically delivered through COEs

Which of the following processes are in-scope for your SSC?

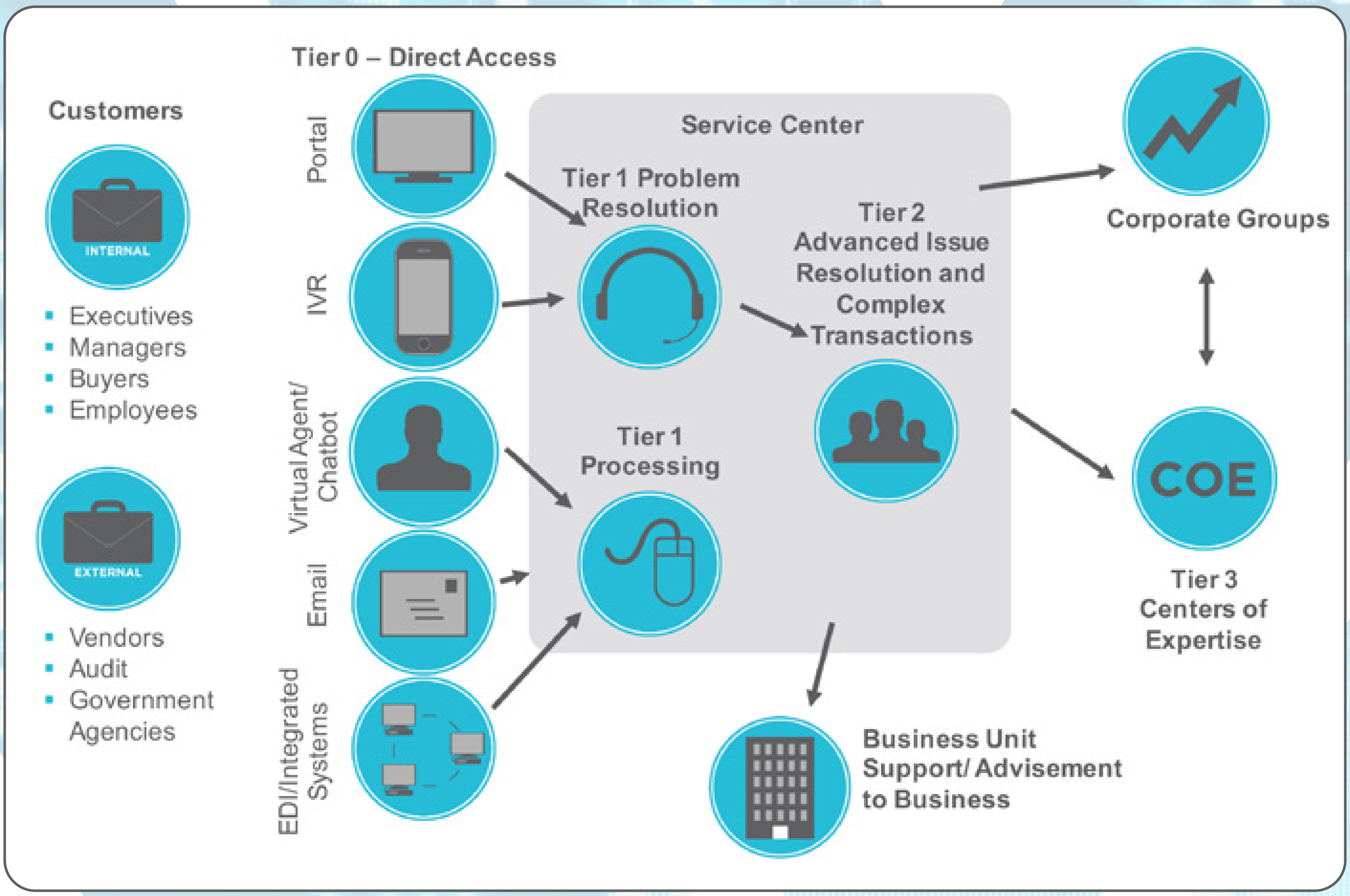


Source: ScottMadden and APQC Finance Shared Services Benchmarking Study 2018

The location of the COE depends to a large extent on the organization of an enterprise. In a highly centralized organization the greatest influence remains at the center so that is where a COE delivers the most value and impact. A globally distributed or decentralized organization, on the other hand, tends to be better off leveraging the strengths of its local operations. What often transpires is that COEs are established where companies already have strength in a particular skillset with the function.

While companies occasionally place F&A COEs independent from Shared Services, as ScottMadden depicts in its leading practice finance delivery model (see chart), COEs should integrate effectively with your Shared Services Center, business unit finance, and corporate finance.

Leading Practice Finance Service Delivery Model



Source: ScottMadden

Optimizing Your Shared Services Model

Brad DeMent Partner, ScottMadden, Inc.

How are best practice Shared Services leveraging automation today?

The big opportunity today is to begin introducing the right type of automation technology to the right type of work and to automate as much of the process as possible. Robots are not the solution to all of our problems. There is transactional work where RPA and perhaps blockchain can be very effective. But there is also customer-facing work, where chatbots or virtual agents can obtain additional information from the customer to keep the process moving beyond RPA capability. There is also analytical and forecasting work where Artificial Intelligence (AI) applications can leverage internal and external data to offer significantly better predictive forecasts.

Right now, we see the most opportunity integrating the transactional and service-related work to automate as much of the process as possible.

Let's consider some of these tools in more detail. For example, where are opportunities with blockchain?

Today, we are predominantly seeing organizations pilot transaction-intensive processes or logistic-intensive processes. There are interesting opportunities in finance with intercompany accounting, purchase-to-pay, travel & expense, and currency transfers. Companies that are fielding private blockchain processes are also focusing on logistics, shipping, and material tracking. Similar to AI, blockchain is not yet neatly packaged for organizational consumption. The technology requires customized development work, testing, and prototyping to fit specific needs of an organization that may not be transferable to another organization. Blockchain certainly does show promise in the future. Private blockchains entail setting up smart contracts that fundamentally change processes and eliminate the need for approval bottlenecks. If you consider that financial processes are often driven by authentication—looking, validating, matching, approving, etc.—then smart contracts could potentially eliminate a lot of this work. Purchase-to-pay processes could look very different in just few years' time with blockchain.

The key to adding real value through automation will be to integrate and blend these tools. RPA offers speed in execution, but the bot stops if it encounters a need for information residing in someone's brain. Now, if you can integrate chatbots, virtual agents, or AI to step in and gather additional data that might keep the process rolling, then you create a lot more value.

What benefits can finance SSOs gain from automation?

Finance leadership is always hunting for savings, which is often the catalyst to deploy digital solutions. However, it is interesting that some of the advertised cost-savings have not yet materialized.

There may be good reasons for this. While RPA seems to be good at taking away the mundane work, there are still many parts of the process left that require human intuition or that just cannot be automated. We have found it rare for robots to eliminate entire roles or jobs. Therefore, the pieces and parts of eliminated work can only be recouped in staff reductions with a wholesale re-organization of work.

However, much as in the early days of Shared Services when value was generated by rethinking high-volume transactional activities, the same thinking applies when deploying digital labor. Wherever there are large volumes of standard work, the needle can be moved with RPA, virtual agents, and AI applications.

What is your advice on ensuring finance Shared Services reap the benefits?

We often use the term "look for the rivers, not the creeks." The creeks represent low-volume work that may certainly cause headaches for organizations. Focusing on creeks is tempting because that's where the real pain resides, but fixing small blockages in these creeks just won't move the needle much—and that's what executives are looking for.

It's also important in all of this to get the governance right, and in our opinion, less is more. Many organizations are creating Centers of Expertise (COEs) to govern decision making. The key is really which decisions need to be made, who has the authority to make them, and who should provide advice to that authority. Why not map that out and validate with the organization before the inevitable questions arise—Which processes will be automated next? With which tools? Who sets up infrastructure? Who's in charge of quality and documentation? We know these decisions must be addressed at some point, so why not determine the governance now.

How are modern SSOs leveraging their geographic footprints?

Let's consider for a moment the traditional, tiered SSO model. Low-cost labor has generally been the solution for Tier 1 high-volume work. But, things like language, time zone, and local knowledge drove regional Tier 2 service hubs. Today, however, we are rethinking that model based on new automation capability. A bot license costs the same in New York as it does in Bangalore. So, some SSOs are re-evaluating whether certain parts of a process should be moved back into a central environment and run through a "high-tech" or "automation" COE.

Similarly, regional service hubs might become less essential as a center for chatbots, and virtual agents may operate 24/7 in multiple languages in a high-cost city just as easily as a low-cost city.

These shifts will eventually change the geographic footprint that characterized traditional GBS models. Certainly, they will affect how Shared Services makes long-term plans regarding human and digital labor and should also change the way we structure BPO contracts.

How is automation impacting the geographic footprint?

Let me say first that I would not look for GBS footprints to change overnight. However, it's important to recognize and plan for the fact that everything being built today will be impacted by technology tomorrow. Even if IA applications are not yet easily integrated, you can be sure that they will be in a few years' time. It's important, therefore, to ensure that any decisions made today don't limit your options in the near future. The challenge for SSOs is determining how to leverage an existing global footprint that brings big wins today, but at the same time determining how to adapt in the next three to five years to take advantage of future automation opportunities.

Right now, we believe that organizations should leverage an automation COE focused not just on robots but also chatbots, virtual agents, AI, predictive analytics, blockchain, etc., determining how to deploy technology based on the level of technological maturity. That means considering where you are today—and where you will likely be in three to five years' time. So, what parts of the process should still be placed offshore vs. evolving into an IA COE vs. staying as is until technology matures? We believe that developing a strategy that enables organizations to shift with maturing technology is a smart move.

How important is centralization, still?

The answer to that question requires you to ask yourself what labor should be completed by humans and what labor should be completed by machines. Centralization is still important for managing the uncertainty of human labor—building new skillsets, communicating with one another, and coordinating work peaks and valleys, for example. However, with digital labor, the nature of the work must be structured and well defined to enable the automation solution. So, managing digital labor centrally should become far less important.

We hear a lot of BPOs shifting to business process management or services. What is this about?

BPOs realize that charging by FTE is not a sustainable strategy. So, they are either moving up the value chain by providing more insightful analytical services, like legal or R&D research and analytics, or they are incorporating more automation into traditional transactional services that they have always offered. For customers, that essentially means today you can outsource RPA development and analytics instead of pure transactional headcount.

This naturally impacts contracts that were traditionally based on headcount and shifts the focus to value-based pricing. Organizations should be thinking about this if they are still adopting a "your mess for less" strategy and pricing by the head.

Are providers keeping up with customers' changing expectations?

Our data shows the outsourcing curve flattening. I think that is because we are in a transitional state. You cannot easily re-configure a BPO model or contract overnight. So, even though BPOs claim more analytical capabilities, it's actually more of a journey for them to effectively deliver leading-edge predictive analytics. But they are certainly focusing on finding talent that can do this, and likely much faster than organizations are internally, as their future depends on it.

We think the demand for BPO services will continue. But organizations should be cautious committing themselves to five-year or even three-year contracts given the predictions for significant technological change within the next two or three years. So, organizations should think about restructuring contracts and SLAs to promote profit sharing and to ensure services can be moved back in house, if needed.

At the same time, we see BPOs partnering with technology vendors to offer a variety of new tools. IA and robotics present a potential threat to the traditional BPO model that could chew away the already small margins, but they also present an opportunity to deliver IA solutions to organizations that do not have the know-how or budget.

2.

WHAT'S THE RIGHT AUTOMATION MIX?

Significant evolutions in automation with cognitive automation, machine learning, chatbots, AI, etc. promise to significantly impact financial processing as well as drive improved results in research, analytics, and reporting. In addition, there is currently a lot of excitement around AI solutions that promise to improve business outcomes and reduce risk. These technologies are building on the early wins seen with Robotic Process Automation (RPA).

Over the past three years since RPA first emerged as a solution for enterprise business services, its application has seen tremendous growth, primarily in finance where the rules-based standardized nature of processes has proved fertile ground. At the start of 2018, SSON's annual industry survey indicated that less than 10% of global Shared Services practitioners had implemented RPA, while a significant majority (65%) were either planning or testing it. Just one year later, the same industry survey found that nearly a third of global practitioners had adopted RPA, more than half of which were already at the scaling stage. Growth, in other words, is happening quickly.

This trend is making itself particularly felt in finance Shared Services, where roughly 40% of activities – including invoice error resolution, customer credit approval, expense report auditing, forecasting, and financial risk management – stand to be impacted through RPA[1].

The question therefore arises as to what is the right automation "mix"? The answer depends largely on the objective. Where headcount (FTE) reduction is the primary objective, the right strategy will be to identify large volume, rules-based processes that consume large amounts of human resources and shift these from human into digital work. RPA, chatbots, and emerging cognitive capabilities all play a significant role in 'taking the human out of the process.' Indeed, according to SSON's 2019 Shared Services market survey, nearly four out of 10 global Shared Services have confirmed their plans to reduce staffing as automation becomes more prevalent.

Where, however, the objective is to support growth and the scaling up of services without adding headcount, automation will be guided by process priority and business targets.

The extent to which automation is adopted depends on a variety of factors: operational sensitivity to processes being touched by automation (i.e., audit and IT); accessibility of tools, either in-house or via third parties; availability of staff with the necessary skills to build, maintain, and scale automation; and the ability to identify appropriate process candidates for automation. Many experienced practitioners confirm that the technology itself is the easy part, but that automation can be ineffective if the wrong process is chosen; planning, resourcing, and maintenance are not well thought through; and change management is not a priority. Indeed, these are more accurate determinants of how far and how successfully automation will penetrate operations.

> ***According to SSON's 2019 survey, wrong process selection, ineffective change management, and stakeholders not sufficiently onboard are the primary causes of RPA "failure."***

1. Research: ScottMadden

Another factor impacting RPA adoption and successful integration is governance and ownership of the automation strategy. SSON's survey indicates that nearly half the global automation programs are "owned" by Shared Services. In many cases, these are managed through COEs, which is an effective strategy for managing RPA competencies.

The integration of automation does not just depend on the availability of relevant tools and effective governance, however. It also depends on a credible business case based around clear objectives and ROI, availability of skilled resources to execute the plan, and, of course, technical expertise.

However, no matter the obstacles, there are significant incentives that support the adoption of automation. Employees' experience is significantly improved as manual and repetitive work is taken up by the digital workforce, thus freeing individuals up for more interesting and valuable work. In addition, automated processes are more flexible to scale and provide the agility that enterprises require to adapt to changing markets. As such, automation is a critical part of a digital strategy that defines modern-day enterprise objectives.

Effective Use of BPO and Automation

David Evangelista

Senior Vice President & General Manager, McKesson Corporation

David Evangelista leads McKesson's North America Financial Shared Services Center [the center is located in Las Colinas, TX and has several regional sites across the United States and Canada] and reports into McKesson's EVP & CFO. McKesson's Financial Shared Service center is responsible for the traditional processes you find in Shared Services [O2C, R2R, Accounts Payable, etc.] as well as key process areas such as master data management, returns processing, contracts and chargebacks administration and FP&A for capital planning and SG&A expense reporting. David's responsibilities also include McKesson's enterprise Six Sigma program as well as the RPA Center of Expertise (COE).

How has your Financial Center leveraged automation?

Technology is driving benefits across finance processes including general accounting, cash application and accounts payable to name a few. We are implementing Blackline to help standardize account reconciliations, a new imaging platform with OCR capabilities as well as a new automated customer payment application tool. We're also exploring blockchain with a proof of concept in our contract and chargeback processes. And in the past two years we have deployed RPA extensively across McKesson and have 50 bots running more than 100 processes across the enterprise. We are building on this momentum and now actively deploying cognitive automation tools that will drive greater standardization and optimization across our finance organization.

How has RPA, specifically, been deployed?

We started with our Accounts Payable and Cash Application processes. RPA deployment is managed by our COE, which sits within our Finance Shared Services Center. The COE, in partnership with the business process owner, performs the initial opportunity assessment with Six Sigma, develops solution documentation, then configures the bot and provides production support. Additionally, by building a COE we were able to scale delivery quickly and minimize the cost of implementation across McKesson.

What benefits have you realized?

We have seen a mix of hard and soft savings from our RPA efforts. There is definitely value to be gained through RPA as it is an effective tool that has optimized some of our more manual and routine processes, created capacity and improved processing accuracy. Fewer errors have translated to increased customer satisfaction. My advice to other Shared Service leaders embarking on this journey is be cautious when building the business case for investment in RPA and ensure a very disciplined approach is in place to take out the cost, once the bot is deployed. In many cases, the process will need to be re-designed, work flow re-organized and resources re-allocated in order to achieve the expected efficiencies.

How do you upskill staff for the new value-add roles?

That's a great question I will answer in two parts.

First, when we started down our Business Process Outsourcing (BPO) journey 10 years ago, we knew then – as we do now – that the industry was changing at a rapid pace and the skills needed to be successful in the future would change as well. Our associates would no longer perform hours of routine transaction processing. That work would either be automated or move to a BPO partner.

So, we offered several options for our associates to enhance their skills and education. We partnered with a local university to hold accredited college courses onsite for those associates that wanted to complete their undergraduate degrees, sent several analysts through their PMP-certification and hosted internal training courses to build stronger data and analytics skills. All of this was to develop skills and prepare our associates for the transformed end state. This happened well before RPA emerged onto the scene, but the same thinking applies.

For RPA specifically, we have created RPA user communities across the organization to teach employees how to work with automation and configure bots. Associates learn about the technology as they work on automating business processes. This has worked well, creating new opportunities for employees to develop their skillset further.

How has your Financial Center made use of BPO?

As I mentioned, we first engaged our BPO partner 10 years ago, starting relatively small with imaging and indexing of invoices as the first process outsourced. Over the past eight years we ramped up across multiple process areas, and as we grew more comfortable, accelerated the pace in which we transitioned work to our partner.

As the relationship with our partner has evolved, the benefits have gone beyond just labor arbitrage to include enhanced metrics and process improvement. The other key benefit from leveraging our partner has been the ability to access their digital tools like cognitive automation that drive significant productivity.

How is BPO perceived internally?

We have focused on interacting with our BPO as an extension of our team rather than a provider or vendor. This has resulted in a healthier, more collaborative relationship and ultimately better results. I believe our team understands leveraging a BPO is necessary to remain cost competitive. I am very proud of the fact that our Financial Shared Service center has consistently shown some of the highest levels of employee engagement across our company, despite being in a constant state of change and evolution. I attribute this to the fact we are very transparent about our objectives, how we are going to leverage our provider and in what process areas we will outsource work.

How are your expectations for BPO evolving?

I expect that our provider be operationally excellent and bring innovative ideas to drive next-level performance in our finance processes. My expectations have evolved from cost savings and process improvement to benchmarking against best in class shared service organizations and leveraging digital automation to further standardize and optimize process.

3.

WHAT ARE THE SKILLS, ROLES AND RECRUITMENT TACTICS TO OPTIMIZE FOR A DIGITAL FUTURE?

The new digital environment shines a spotlight on the skills gap that is part of the legacy of traditional finance services. Where in the past functional expertise and time management was sought after, today – given automation's opportunity – there is an increased need for problem-solving alongside data analytics and automation capabilities. The modern finance Shared Services requires individuals that understand the business needs and requirements, but are also able to translate these into inputs that designers and data scientists can understand. This "translator" or bridging role is crucial.

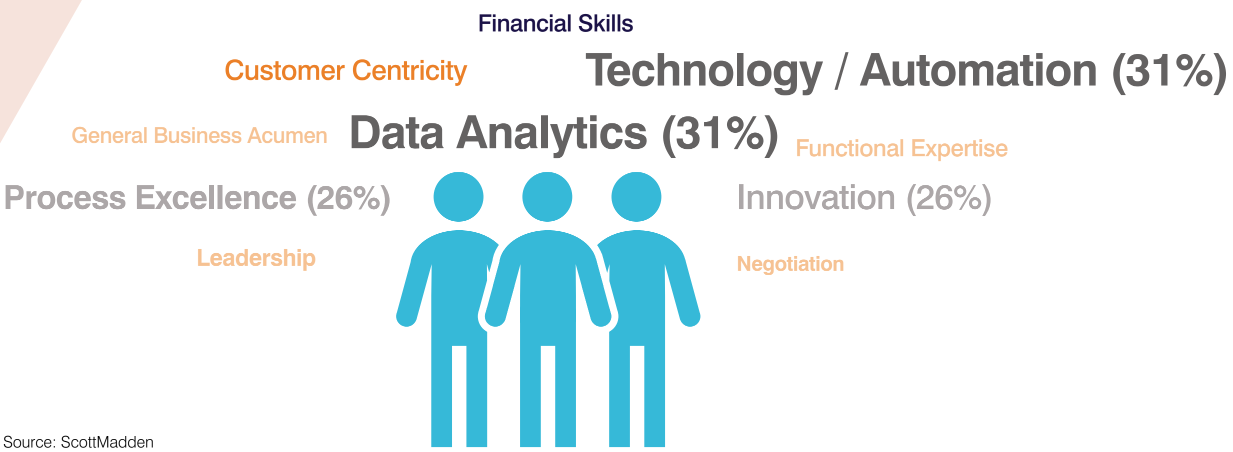
Market data confirms the gap in relevant skill sets, highlighting technology and data analytics alongside innovation and process excellence as areas where there are significant and limiting skills gaps.

According to a recent SSON report[2], data analytics jumped from 27% in 2017 to 46% in 2018 on the list of skills SSCs are prioritizing.

Many practitioners find themselves challenged in closing this gap. Reskilling is available through a variety of methods that support technical needs, but also redeploying staff to more sophisticated, value-adding roles. Many Shared Services are taking advantage of natural attrition to hire the talent they need externally, or tapping into the skills they need right now through third party providers. RPA providers in particular are coming up with interesting solutions to close the "digital workforce" gap, offering training opportunities to upskill client teams in this critical new competency.

Determining Skills for the Future SSO

Most popular answers to "What skills is your SSO missing"?



Source: ScottMadden

2. SSON Analytics, Shared Services in North America 2019: Workforce Strategies, GBS Objectives, Key Measures of Success

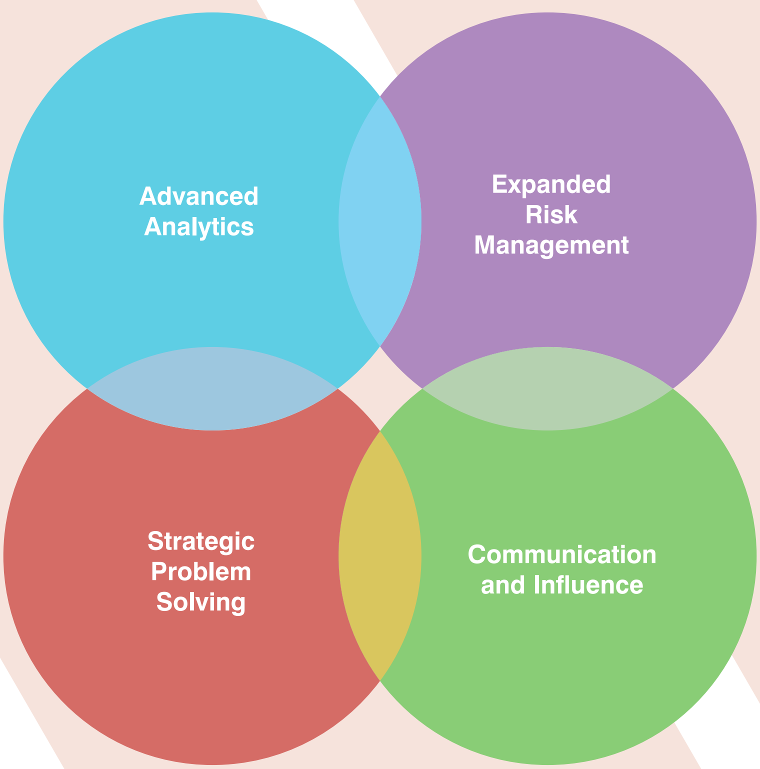
The millennial generation is characterized as "digitally native," and therefore more naturally inclined to comfortably align with automated solutions. In addition, many universities are today emphasizing data analytics and automation, and economies around the world are embracing the opportunity to present themselves as digital hotspots and therefore preferred locations for enterprises wishing to scale up their technical talent base. Generation Z is already entering the workforce and will offer organizations a different mix of skills and perspectives.

The pressure to support business agility is making itself felt in business services centers around the world. Future finance professionals will spend less time performing routine audits and reconciliations and more time performing advanced analytics and partnering with smart technologies. Thus, ScottMadden lists the four key skill sets that finance Shared Services will require in the future as including advanced analytics, expanded risk management, strategic problem-solving, and communication and influence.

The ability to drive advanced analytics will depend on job titles such as "bot supervisor" and "data scientist." In other words, it's not enough to understand the technology and the data, but it will become increasingly important to effectively manage automation and build and design the infrastructure that supports data analytics. Finance professionals will be judged by their ability to generate valuable insights based on the information contained in the enterprise. Supporting strategic decisions through effective data management will become a critical output. Similarly, automation highlights the need for additional risk prevention measures based on RPA touching multiple enterprise processes. Understanding security and compliance beyond the scope of typical finance processing will be key.

Problem-solving will become an important benefit of future finance Shared Services. The ability to tap into real-time data as opposed to waiting for month end means that finance can offer real-time guidance through predictive and even prescriptive solutions, and proactively address potential variances. Such insights will be communicated through compelling, often visual, tools – for example, through dashboards – and increasingly tailored to business needs.

Four Key Skills for Future Finance Professionals



Source: "Changing Finance Skillsets in a Digital World: How the Wave of Technology Is Changing the Skillsets Financial Employees Need." ScottMadden, Inc.

New Skill Sets and Leveraging Global Talent

John Hayes **Vice President, Global Financial Controller, LexisNexis**

How have your finance related skill needs changed?

Today we are looking for an analytical mindset along with a strong technical base. Old transactional competencies are simply not relevant anymore. We need problem solvers. For example, when we are dealing with a complex revenue deal, or acquisition, we need individuals who can quickly provide our business partners with the accounting guidance necessary.

RPA training through our provider has been a significant skill set. In addition, we also support MBA programs on site for our employees through a local university.

One advantage I see for us is that we recruit globally for our dispersed team. So, no matter where someone sits we can plug into their competencies whenever we need them. There is so much high potential talent around the world. Most of my finance team, in fact, does not sit in the US.

How do you leverage Centers of Expertise within your delivery model?

We leverage a Center of Expertise (COE) model, but its members are distributed across the world. We are slightly unusual in that our business [LexisNexis Legal & Professional] is about providing the legal market with analytics and technology services. That is our key differentiator. So we have a huge workforce with expertise in big data and analytics. While they serve our external customers, we have also tapped into this capability internally, by bringing those skills into the COE.

As far as automation is concerned, those employees that were originally trained in RPA were then shifted into the COE team. The benefit is that the COE model provides for more formalized training and development on coding and implementation. Many of these feed our COE requirements.

Could you describe the geographic model for your finance delivery?

We don't operate a traditional Shared Services in terms of structure, but we have elements of it that benefit us. Right now, my finance team is distributed across locations that include Dayton, Ohio – where I am based, London, Paris, Sydney, Tokyo, Kuala Lumpur, Hong Kong, Manila, Iloilo, Beijing, Shanghai, Singapore, and Germany. In most instances staff are embedded within the business units to support decision-making. Our center in the Philippines is a traditional Shared Services operation, supporting all units across our parent company, RELX.

I think a great benefit of this geographically dispersed approach is that we can recruit from multiple locations. The other benefit is that we can hire the talent we need without the need to relocate someone. We find that type of flexibility very attractive to candidates.

As a result of automation, our employees – no matter where they are based – are now doing higher level work. That means they are able to drive the business forward instead of focusing on processing activities. That's an enormous advantage.

Describe your use of business process outsourcing as part of your finance model.

In the past we used to outsource some finance activities at an enterprise level but we brought that work back into the organization about five years ago. One of the reasons was that we found it to be more cost effective to bring work back in-house. That was one of the drivers for setting up our center in the Philippines. Having our own employees do the work means they are part of the team and are vested into driving productivity. It also helps us recruit valuable talent because were able to offer better career paths. For example, some individuals from our Philippine Centers have been able to move into the business. We don't foresee changing this strategy.

In what ways has your finance organization leveraged automation?

Our automation strategy has three different prongs: first, ERP standardization via a global rollout of PeopleSoft, which provides consistency and standardization across our Group. Second, we customized our offerings by adding key technologies on top of our ERP that, again, drive consistency across workflows, imaging, etc. And finally, we've deployed RPA for exception management in high volume areas like cash application. For this, we focus on the key pain points for our customers, evaluated root causes and applied RPA to automate and eliminate these pain points.

Which types of automation tools have you employed?

We have gone with one of the 'big four' RPA providers. Our focus was around eliminating manual activity that was taking a lot of time and not necessarily providing value. RPA has changed how we do account reconciliation, for example, in that we now apply logic in tying off items. Differences and exceptions are now by and large automated. This directs the staff towards higher value activities.

As a technology company delivering analytical solutions to improve our customers' outcomes, our next step is to leverage our internal AI expertise in finance. We are evaluating ways we can better serve our internal customers from a finance perspective through AI.

What benefits have you gained through automation and how long did it take to achieve these?

We've been quite effective in targeting outcomes and achieving them, largely as a result of upskilling our employees. We made training employees in RPA automation a priority, and focused on individuals actually closest to the functions; colleagues who are closest to the pain points. Through this approach we found we could automate fairly quickly.

For example, in cash applications it took just 8 weeks from inception to the bot being implemented. Benefits are measured primarily in cost savings. We have a large finance and accounting team in our Philippines locations. Through automation we have been able to redeploy our team to higher value services including supporting multiple RELX divisions.

How are projects prioritized?

We are quite careful about which projects to implement. There is a prioritization process that goes through our US Director of Accounting. Her team reviews the projects that are presented, along with estimated benefits in terms of hours saved, and sets the priority.

I think a key driver of success is the fact that everyone is able to contribute automation ideas. We have found most of the best ideas originate at our staff level, where there is the most familiarity with the process and also the pain points. At any given time we have around 100 projects in our pipeline.

4.

WHAT ROLE DO GEOGRAPHY AND CENTRALIZATION PLAY?

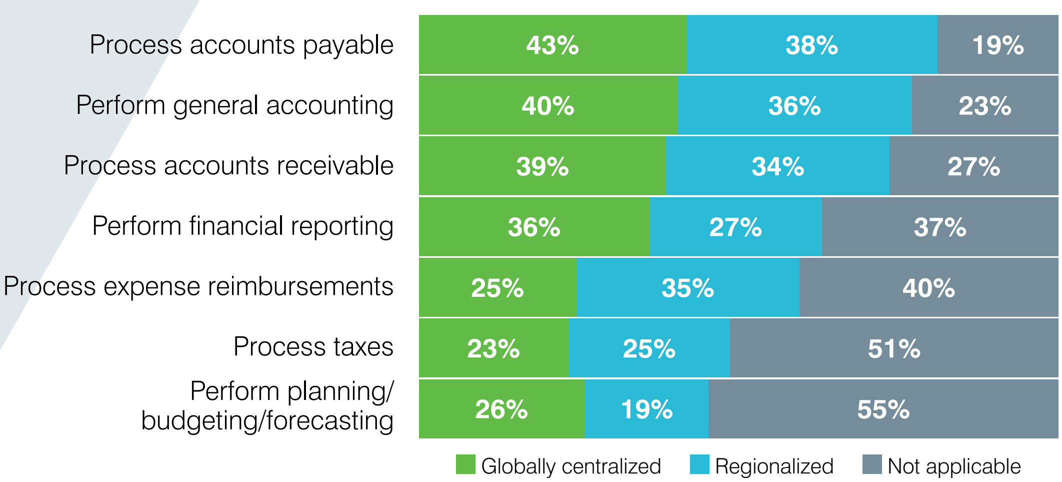
SSON's 2019 market survey clearly highlights a shift toward "fewer and larger" Shared Services centers moving forward, with more than 40% of global Shared Services confirming this approach.

While the Shared Services model's strength originally came through centralization, the last few years have driven such changes, predominantly through digitalization, that the original value proposition is now being reconsidered. In the age of digital workforce, global process owners, standardization and COE-driven specialist services … how important is centralization, really? And given the increased demand for customer-centricity through tailored solutions, does standardized automation support or hinder this?

Today's challenge for finance services is to drive talent, integration, intelligence, and problem solving across the business, whereby national or regional boundaries no longer really exist. Digital teams have been working effectively for more than a decade and have proven themselves successful. Talent is global, technology connects, and digitization is the name of the game. Today, centralization has begun to imply a unified objective rather than a place or a time.

This is not to say that *process* centralization is not critical. Indeed it forms perhaps the very basis of a successful Shared Services. In a recent ScottMadden benchmarking study[3] accounts payable, general accounting, and accounts receivable were confirmed as the most commonly centralized processes by four out of 10 respondents. Perhaps less surprisingly, planning, budgeting, forecasting, and tax processing emerged as less centralized.

Degree of Centralization by Process



ScottMadden and APQC Finance Shared Services Benchmarking Study 2018

3. ScottMadden and APQC Finance Shared Services Benchmarking Study 2018

While the past was often defined by offshore resources, today, re-onshoring is openly touted as a potentially successful resource strategy. As automation replaces humans, the value proposition of offshoring for labor arbitrage, whether captive or outsourced, becomes less relevant – indeed, in the face of increased focus on control and data transparency, becomes less attractive. Some finance services have chosen to unwind their offshore location strategies as a result; or, if just launching their center, are able to leverage this new vantage point. However, change does not happen overnight, existing centers or contracts are not easily unwound, and for the foreseeable future it's likely that any such shifts in policy will be slow, if consistent.

Customer centricity and the demand for agility, as well as automation capability, are limiting the growth of offshore delivery centers according to many presenters at SSON's events. At the same time, digital transformation is emphasizing onshore centers as the need for skilled staff closer to the customer increases, and emerging technology skills in developed economies across Europe and North America are driving growth in SSO activity.

However, despite the trend towards multi-regional GBS models, there are significant challenges around governance issues (too complex and too matrixed) which undermine the model's inherent strengths. In addition, difficulties in standardizing delivery across regions, global process ownership, and aligning functional priorities, tend to limit GBS adoption.

An emerging challenge right now is how to meet the rising demand for personalized experience and tailored service that is not necessarily aligned with a standardized GBS approach. Automated solutions can very effectively address this requirement by leveraging localized data. In other words: Services can be tailored to regional customers' needs *without* additional pressure on human resources.

While a third of global SSOs have already adopted a GBS model[4], finance Shared Services, specifically, show even higher rates of adoption[5] .This is due to finance Shared Services generally being more prevalent than other functions, and its tendency to take a leading role in globally centralized models.

4. SSON Global State of the Shared Services Industry survey 2019
5. ScottMadden and APQC Finance Shared Services Benchmarking Study 2018

A Model to Emphasize Knowledge Services

Erik Ramp **Director, Strategy & Business Operations for Japan & Asia Pacific, Edwards Lifesciences**

You describe your Kuala Lumpur center as a "Business Center" vs. a "Shared Service Center" yet Finance is part of the center. What is the difference between the labels?

For Edwards, a "Business Service Center" (BSC) includes both knowledge-driven and Shared Services types of capabilities. For example, we have some roles in Marketing, Medical Affairs, Strategy etc. which are not highly process-driven, but we will still centralize across the region (as opposed to hiring individual resources in each office).

How is the center positioned with regards to countries in Asia?

We have set a discipline to call it a BSC and are aligning this terminology across our sites. Because Edwards is growing so rapidly in Japan, Asia and the Pacific (we plan to triple our revenue over the next seven years in this part of the world) the Kuala Lumpur BSC is about capturing our growth, not downsizing. It's a much easier message to deliver when it's about supporting growth.

Is there any confusion between front and back office service provision?

No. In fact we try not to use the term "back office." All jobs are critical to supporting the region and require us to develop good working relationships with our colleagues across Asia Pacific.

Importantly, there is no difference in benefits, work environment, learning and development programs, etc. across functions in our BSC so all employees are treated as equal contributors to our business.

What were key factors in choosing Kuala Lumpur as the BSC location?

We conducted quite a long, exhaustive search across Asia Pacific with the assistance of an outside consulting firm. We finally chose Kuala Lumpur to house our new BSC for the Japan, Asia and Pacific (JAPAC) region because of the talented workforce, diverse culture, highly capable multilingual talent pool, business-friendly policies, and strong infrastructure.

Because our largest business in the region is Japan, it was important for us to choose a location where we had the opportunity to support Japan. So far, we've had some success hiring Japanese speaking talent in Kuala Lumpur.

Have there been challenges delivering financial services from KL?

There are always challenges! At Edwards we are starting with a "leg up" in a sense because our Finance organization is relatively small, our payables processes are mostly standardized, and our countries are all on the same systems.

Finding the multi-lingual talent we require has taken longer than we expected. Also, although we standardized our AP and T&E claims processes as part of the design phase of the project, we are finding further opportunities for process improvement as the actual work moves to Kuala Lumpur. Next year we will begin building in some process improvement muscle, including a Transformation function that will focus on these types of projects.

What influence do you have over Finance-related decisions in the KL Business Center?

Because I came from a Finance background myself, was intimately involved in the initial Shared Services design project, and am located in Kuala Lumpur, I can have significant influence when it's needed. However, the Finance organization governs and is accountable for the success of our Shared Services model. As we are still implementing countries, I get involved at certain points where needed. Also, because I am with the team in Kuala Lumpur, I can be an outside voice when it comes to resourcing or customer service issues.

How have your Finance-related skill needs changed servicing Asia from one city? What skills do you consider most critical now?

We are very early in our implementation and we intentionally decided not to implement a lot of enabling technology this year. We are moving from a country model where the business was accustomed to walking over to speak with their favorite Finance contact. Now all the communication with the BSC is via email, Skype or phone. So, frankly, good communication skills are critical for our group in Kuala Lumpur. Also, when you centralize services it naturally brings greater controls into the region. It may not be a role we add within the team, but Compliance is becoming a more important partner for us.

With regards to your global model, how do you manage integration and governance?

Today we officially have two Business Service Centers. Not having a Global Business Services (GBS) structure at Edwards, we are somewhat limited in the governance we can drive across locations. So far, it is still working as the teams in these centers are largely geographically focused. We're staying aligned through best practice sharing and being very open across the locations. I have a counterpart with the same role in our European Business Service Center. One of our initiatives is to begin regular best-practice sharing between function leaders at our sites.

How has the geographic model evolved over the past several years?

Our European location developed to help support the rapid growth of our European commercial business from 2011 until today. Similarly, Kuala Lumpur was started to help support the growth we expect in this region. At some point, I suspect we'll have a third such center in the world. In my mind, three centers becomes the "tipping point" where you may need to consider common governance more seriously.

When or where is centralization most important?

I don't think it's any secret that transaction-heavy, less customer-facing processes are probably the best candidates. There are always nuances in terms of local regulatory and language requirements, but we largely go after areas like invoice-to-pay (we are not moving purchasing), T&E claims, disbursements, L1-L2 IT Application support, etc. Generally, if we can document standard process flows that cover the 80%, there isn't a huge need to interact locally with internal or external customers, AND we can find the right talent in Kuala Lumpur, we might consider it for centralization. The last point is the most important: We've given the organization a promise that it shouldn't have to compromise on talent by moving work to the Business Service Center. This has put a huge burden on us in Kuala Lumpur to be able to recruit and retain the best.

How has digital transformation impacted your geographic model?

Invoices and receipts are 100% digitized through Coupa and Concur systems which means an AP approver in Kuala Lumpur doesn't have the luxury of paper receipts anymore. However, our local Finance resources still maintain hard copies because of statutory requirements. This adds an additional process step and hand-off between Kuala Lumpur and local Finance teams.

Also, approving expenses with digital receipts only can be challenging so we're seeing more claims that are rejected. In terms of digital communications, we are piloting AWS Connect to allow in-country reps to contact Kuala Lumpur from their cell phones at no additional charge. The AWS Connect "rings" to our AP teams' desktops and allows them to manage a queue of calls, monitor call metrics, etc.

So far the technology works well for us, but is still in very limited use. Skype Messenger is also a popular way for our employees to interact with the center, either from their desktops or from their hand-held phones. As our business grows, these types of "digital" tools are going to become far more important.

5. HOW DOES OUTSOURCING PROVIDE VALUE?

While Business Process Outsourcing (BPO) is still a critical strategy for global Shared Services – three out of four respondents to a recent BPO survey indicated they plan to increase outsourced activity over the next year[6] – the adoption of process automation is having a critical impact on BPO's traditional value proposition. Various market reports indicate significant downward pressure, as a result of automation, on low skilled jobs – while at the same time driving growth in mid- to high-skilled jobs.

Automation supports the delivery of *more for less,* meaning fewer FTEs, which is causing both customers and providers to reconsider the original FTE-based BPO pricing model. Output-based contracts will come to define BPO relationships in the future, while providers are scrambling to upskill their own workforce with the data and automation competencies that savvy customers are demanding.

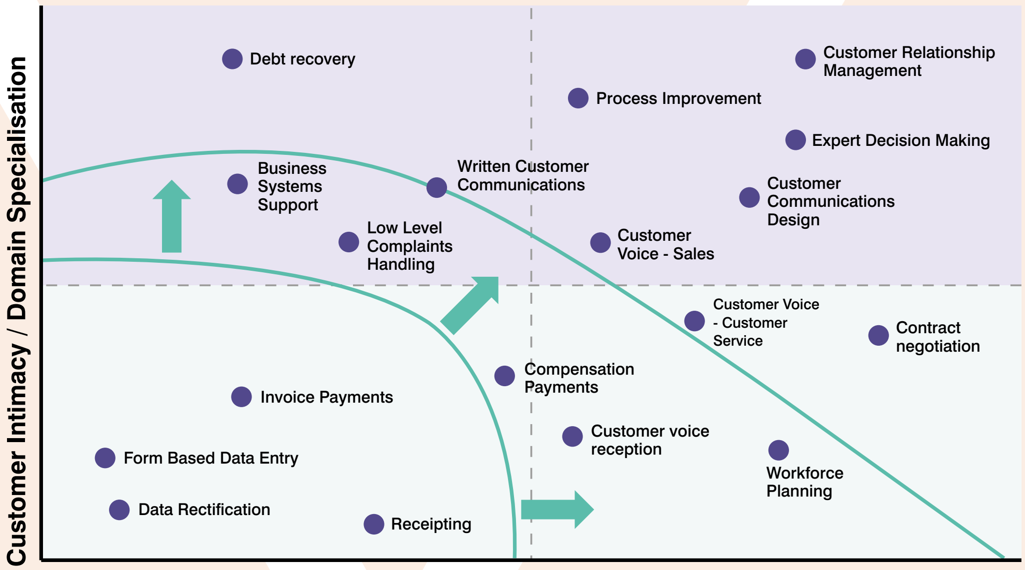
Among SSOs that outsource work, 25% think outsourcing is still significant as a means of tapping into new technology and skills and another 22% think outsourcing is still significant but confirm their focus is shifting from transactional to knowledge services, according to SSON's 2019 survey.

However, providers have not been very successful in meeting customers' expectations so far. Indeed, customers list the failure of providers to offer innovation and technology leadership, as well as the lack of customer-centricity and transparency, as key challenges that BPOs will need to overcome[6].

More specifically, BPOs will need to shift from specializing in simple repetitive tasks with transactional services to optimizing specialized services and process complexity. In the chart shown below that means shifting from the bottom left to the top right quadrant. Key enablers will be data analytics and automation.

Customer Intimacy versus Skills Expertise

Focusing on shifting the automation frontier



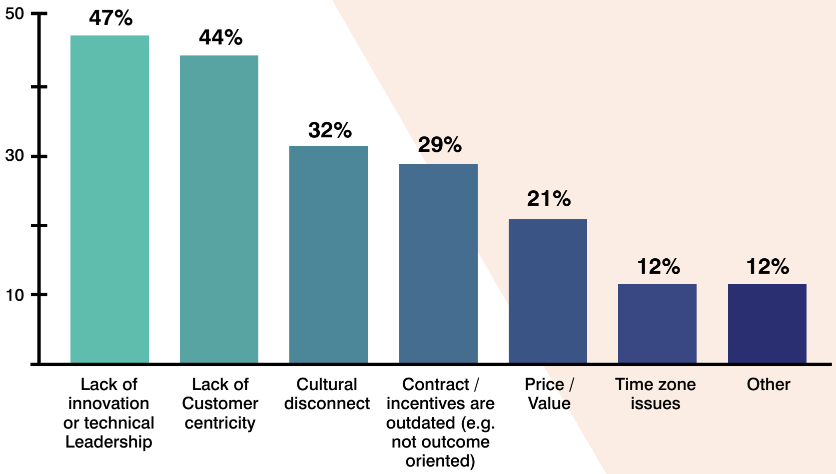
Source: BPO in the 2020s: How Leaders Will be Positioned, SSON

6. BPO in the 2020s: How Leaders Will be Positioned, SSON

At the same time, BPOs are highly aware of the "threat" posed by the emerging AI and robotics tools that customers could leverage to their own advantage as a viable alternative to outsourcing. The solution, SSON research confirms, lies in BPOs developing valuable workflow expertise to support their customers, as well as capabilities in robotics and analytics. However, many insiders recognize RPA as an opportunity for the BPO industry. On the one hand, RPA offers the ability to streamline and automate BPO's own processes in support of more efficient operations; on the other, the RPA expertise thus developed can be applied to outsourced services to improve productivity while at the same time adding data analytics to the service menu.

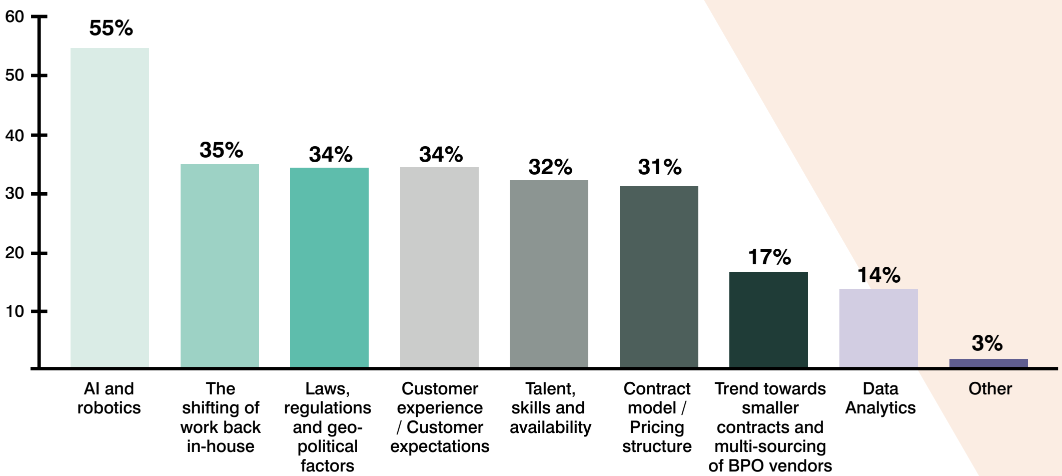
Ultimately, BPOs acknowledge, customer experience will define their value.

What are the major issues BPO customers have with BPOs?



Source: BPO in the 2020s: How Leaders Will be Positioned, SSON

Over the next 12 months, what are the key business challenges and risks facing the BPO industry?



Source: BPO in the 2020s: How Leaders Will be Positioned, SSON

The Challenge of Skill Sets and Best Use of COEs

Trey Robinson Partner at ScottMadden, Inc.

How are skill requirements changing as the SSO model evolves?

We've seen significant shifts in skill-set requirements as traditional transactional roles are increasingly automated and the new priority is on value-driving work. The challenges for Shared Services are twofold: First, to what extent are current staff both capable and willing to upskill their capabilities? And second, what should these new skill sets be?

The first challenge is how to take people skilled at transaction processing and transform them into analytical thinkers—bearing in mind that finance staff were traditionally hired for their attention to detail and their ability to follow a process. You're now asking them to become problem solvers who can identify opportunities and come up with solutions. That may be outside their comfort zone.

You really have to tackle this challenge at the recruiting stage. For existing staff, you can often gauge their interest in moving beyond traditional work up front. Some companies are identifying natural problem solvers and pairing them with analytics staff to stretch their capabilities. But there is always a subset that has neither the skill nor the interest to change direction—and that is a problem.

The real issue at hand is how to handle the extra capacity created. Say you have 10 people and automation, like RPA, eliminates 30% of their work. You've released 30% capacity for new work. But to realize the savings would require restructuring the group to seven. Many companies don't have the stomach for that. Then there is the question of how to handle these three new roles. Do you hire externally to ensure you get the skills you need? Or do you try to ratchet up the skills of your three existing members?

How to deal with these new roles is one of the biggest challenges companies are not addressing properly.

If we turn to the second challenge—new skills required—we see more data scientists and analytics-type roles. AI is also getting a lot of interest, and SSO leaders are keen to build up their teams appropriately. Functional specialists will need to add technical know-how to their portfolio, but it's not easy to build up these skills quickly.

More and more universities, NC State for example, are developing master's degrees in areas like data analytics. These graduates are snapped up the moment they finish school. I think there will also be renewed interest in graduates with economics degrees because of the mindset they bring to the table. It's about numbers and problem solving.

However, despite all of the buzz, it's not all about automation and problem solving. It's still first and foremost about excellent customer service and business knowledge.

We hear a lot about Centers of Expertise. How are they value drivers for finance Shared Services?

Actually, the interesting thing is that in HR Shared Services models, COEs have been part of the package from the beginning. Finance tends to be more process driven and has taken a more piecemeal approach to COEs as it moves up the value chain away from transactional work.

In finance, the initial focus was on quick opportunities to save costs; but as the focus shifted from efficiency to effectiveness, we began to see more interest in COEs that were able to leverage judgment-based decisions through higher skill sets. So, it's no longer about taking out dollars but about effectively helping the organization through automation, analytics, or higher-level decision-making in the finance function.

The COE offers a great solution where there is ambiguity or judgment is required. We see a lot of advanced degrees on COE teams – that ability to think at a more strategic level really comes into play. Of course, the functional skills are still around financial planning, business case modeling, budgeting, etc., just at a higher level where the solution drives real value.

What types of services do COEs generally support?

We've already touched upon automation COEs, which are very common. We also see a lot of continuous improvement COEs. We've advocated for an operational support COE within Shared Services for years to include continuous improvement, project management, program management, etc.—everything, in other words, to drive optimization.

There are also analytics COEs to deliver business insights to customers. Traditionally, analytics tended to focus inward, i.e., monitoring how well Shared Services were doing. Today, these COEs can deliver data-driven insights about the business—financial data, employee data, end-customer data, etc.—that helps the business improve. This type of analytics is best harnessed and delivered through a COE.

Other areas supported through COEs include financial planning and analysis, due diligence for M&A, pricing, and some elements of tax and treasury.

Where should the COE sit, ideally?

We've seen a lot of variation in where COEs are located. Traditional finance COEs, like FP&A or M&A due diligence, either report to corporate finance or Shared Services. New automation COEs may report to the business, IT, or other places like the chief administrative officer. For an automation COE, the important thing is that it acts as a critical governance tool for whatever area it supports. As such, we don't think either IT or the business is the right location—an automation COE is best suited for a neutral location that balances the needs of both. Shared Services is certainly a good place.

However, automation, like RPA, can be applied far beyond Shared Services, and as it moves toward the front office and broader operations, there is certainly an argument to be made for placing the COE under a more strategic place in the organization, like a digital transformation office, for example.

How can finance Shared Services optimize current opportunities?

For now, as much as automation is making a lot of headlines, the transactional element will remain. But the way that we structure the global model will be significantly altered as a result of this technology. Where in the past we leveraged outsourcing or captive offshore centers for labor arbitrage, the truth is that automation is to a large extent eliminating the need for labor—cheap or expensive—and will therefore have an impact on this strategy.

At the same time, where we currently see regional or local customer support centers offering tailored customer care to align with culture, time zones, or language, we foresee a time in which virtual agents will be available around the clock in any language. In other words, the geographic requirement will simply fade away. We may then see smaller, albeit more expensive, onshore locations replacing the offshore model but still offering the same global coverage without requiring the dispersion we see today.

What advice would you offer to those setting up a finance delivery model today?

How companies structure their global models is being impacted by technology in significant ways. We believe it's important to have a five-year plan and re-think it constantly. So much is changing so quickly. In fact, that applies whether you are launching a Shared Services or running an existing one.

For anyone starting out, however, we would recommend launching with a multifunctional mindset to leverage technology platforms, leadership, and support systems. In terms of location strategy, if you have the scale to outsource, this may make sense in order to tap into automation and optimization tools that outsourcers have already invested in. The other strategy is to develop this capability yourself and commit the time and money to doing so, which allows you to leverage the capability and scale up.

Where strong BPO partnerships already exist, it may make sense to make the most of them, especially where relationships are good and communication is transparent. BPOs are shifting toward higher-skill services as they recognize the enormous shift in the market, so it's worth bearing in mind that they may have the skills you need before you can develop them.

How is the role and the value-add of BPOs changing?

The dependence on BPOs for low-cost labor will become less important. But BPOs are evolving and offering higher-skill services, so there is also a transition from a labor arbitrage play to a capability play. We don't see automation eliminating the need for outsourcing, especially as BPOs step up their services.

SUMMARY

Whatever the drivers guiding modern-day finance Shared Services, the ultimate enabler remains talent. Today's needs are characterized by business acumen based on an intimate understanding and knowledge of the customer's business. That insight, combined with a broad understanding of modern automation solutions and the data required to power them, results in true business partnership and value.

In addition, an agile infrastructure based on GBS-style delivery centers that leverage global best practices alongside specialist, COE-driven expertise, ensure that forward-looking Shared Services will make the most of global synergies and data-driven intelligence to provide effective support.

In the future, finance talent will need to combine strong competencies in new technologies with the highest levels of customer service and relationship management. Some finance services are starting to look outside their traditional talent pools, for example the hospitality industry to access the kind of customer service capabilities that will differentiate their customer experience.

As many functional process capabilities are impacted by automation, traditional human-based based relationship skills will come under the spotlight.

EDITORS

Barbara Hodge is the Global Editor of the Shared Services & Outsourcing Network (SSON), the largest and most respected forum for executives tasked with promoting and delivering optimized business services. Barbara joined SSON in 2000, having started her career in capital markets, before joining Armstrong Information, a specialist publishing group, where she spent seven years. She is responsible for sharing best practices and thought leadership with SSON's 120,000+ member base, as well as promoting the value of the network worldwide. In her editorial role, Barbara ensures SSON's content reflects current trends and opportunities, both in terms of technology as well as best practices, that help SSO leaders continuously drive their own teams' performance upwards.

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