Time for fresh thinking around strategic business services

New capabilities to boost business outcomes and improve the customer experience

Since the advent of the modern corporation, companies have been progressively optimizing their core business functions, including finance and accounting, human resources, information technology, and procurement. Central to this evolution has been the creation of business services organizations whether it be in the form of single function shared services or multi-functional global or enterprise business services. Historically these business services organizations have been focused on reducing costs while meeting quality and control standards. The 20th century enterprise was built on factors such as efficiency and productivity, physical, tangible and labor-based assets, and a workforce geared to mass production.

Currently, we are living through an inflection point enabled by digital disruptors. In today's digital age, objectives of cost reduction, efficiency and productivity have become table stakes. Today's business services leaders are focused on building agile capabilities that not only support the overall enterprise, but also advance its business outcomes.

This white paper outlines the pillars of the digitally enabled business services organization; how progressive businesses are responding; and the best strategies to get started and guide your organization's transformation.

Business services in the 21st century enterprise

Business services don't stand alone, but are part of the full enterprise body and must adapt to changes in the overall business model. KPMG's 2018 Global Productivity Study shows significant performance gaps in how well companies are responding to the digital age with "frontier firms" outpacing all others on total productivity by a full percentage point.

KPMG's research further identifies four key pillars in which 21st century enterprises must excel, each enabled by technology:

— **Customer engagement** with a focus on personalization, customization, co-creation and collaboration

— New definitions of the **nature and value of assets** with emphasis on data-as-an-asset, intellectual property, shared assets, networks and alliances

— **Everything as a service** with agility being paramount to respond to quickly changing business conditions

— The **workforce of the future** with "man running with machines" in today's world of robotics, artificial intelligence and similar advanced technologies

Business services organizations must adapt in kind and in many cases be the engine that drives the key pillars outlined above. At an overall level this means a movement toward more integration across business units and functions to deliver more than just services to support the business, but capabilities to deliver overall enterprise business transformation. In fact, across all of the major business services, only 7% of companies expect operations to be decentralized three years from now, according to the "State of Operations and Outsourcing 2018" study by HfS Research, in conjunction with KPMG. That's a big shift from three years ago, when 41% of companies had decentralized operations for many of their business services. However, the shift is also indicative of business services becoming more about capabilities, and less about complex organization structure.

To create front-leading, outcome-based capabilities, modern organizations need to outperform in the following areas with their business services strategies:

— Adopt a **customer-first** approach to business services that meets the needs of internal customers (employees) and external clients, including customers, vendors, and partners. The goal is to enable a seamless internal and external customer experiences across front, middle, and back office. Take the employee journey as an example. You want a "hire-to-retire" strategy that not only ensures that a paycheck is processed on time, but also creates a seamless experience across multiple life events (e.g. onboarding, promotion, marital status change) that instills business outcomes such as loyalty and longevity. Increasingly techniques such as journey mapping and design thinking are deployed alongside of workflow and orchestration platforms to improve the customer and user experience. This can also improve the external customer experience. KPMG research shows that 55% of CEOs have aligned their middle and back-office processes to reflect a more customer-centric approach to their front office operations.
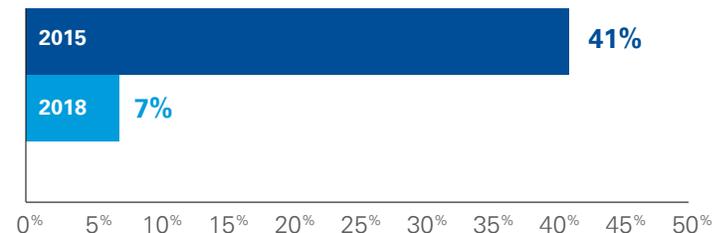
of companies expect business operations to be decentralized three years from now

"State of Operations and Outsourcing 2018" study by HfS Research, in conjunction with KPMG

— Create a **"boundary-less" delivery model**. The procurement and payables process is one example of this pillar of a modern business services strategy. Various steps in the process—contracts, procurement, and accounts payable—often operate in silos. This makes it difficult to streamline the source-to-settle process and, more importantly, to know as much about the supply chain relationship as possible.

This requires mixing and matching transactional services (e.g., accounts payable) seamlessly with expertise services (e.g., spend analytics). It entails a major rethink of your service delivery model with increased reliance on automation and Centers of Expertise where traditional decisions such as where to place work to achieve labor arbitrage become largely irrelevant.

— It is essential to approach **everything as a service**. One key element is a plug-and-play digital platform that empowers organizations to be more nimble and scale faster. This requires you to rethink your infrastructure and applications technology stack. Increased emphasis is placed on cloud based applications, intelligent automation including robotics and cognitive automation, low code service management and orchestration tools, and visualization. Increasingly enterprises are looking at scalable technology and provider platforms versus bespoke internal operations.

— Use a **data and information-centric approach**. Data has become the new gold for enterprises enabling everything from better decision making to scaled adoption of intelligent automation to enhanced user experience. More than two-thirds (67%) of CEOs in the KPMG survey say they have overlooked data-driven insights because they contradicted their intuition. Business services organizations are uniquely positioned with visibility to significant amounts of enterprise transactional data.

Building off a robust data management and governance model, leading business services organizations are applying prebuilt applications, technologies, and analytics techniques alongside an enterprise data and analytics Center of Expertise to drive business outcomes.

— A digital-driven business services organization cannot compete if it doesn't recruit and retain a **workforce of the future**. Today's workforce is virtual and increasingly augmented by automation, and may not even be composed of traditional employees. The rise of contingent workforce and crowdsourcing is fundamentally changing the ways in which business services organizations need to think about employer-employee relations. New skills are required to work alongside the ever increasing set of advanced technologies. Business services organizations also need to get better at managing the impact to existing workforce as a result of technology, through new capabilities such as workforce shaping and career latticing.

The value of front-leading business services

Building a 21st century business services capability requires investment and commitment, with standardization and service automation serving as key contributors to cost savings and service quality and control improvement.

But driving down costs to meet quality and control standards is table stakes. The return on the effort of modernizing a business goes beyond the cost savings of an agile and scalable delivery model.

Modern business services models deliver seamless internal and external customer experiences. A consistent approach and accountability generate positive outcomes. Employees, customers, and partners are happier and better serviced when they are supported at every step of the journey with common tools and approaches.

Better infrastructure with common internal services built around disruptive technologies—leveraged to their full potential inside and outside of business services—is another benefit of a front-leading business services organization.

Reimagining business services also yields a more productive workforce that is able to leverage information and insights to boost the business because employees are freed from routine tasks. They are able to unlock value from data, alliances, and networks using a remodeled platform that is neither rigid nor bulky.

Business services is uniquely positioned because of the large amounts of data flowing through their operations. 21st century business services are pivoting to improve their ability to recognize and utilize data to drive better business decisions. In the past, there has been a focus on hiring smart people to crunch the numbers. This trend has evolved into a model that expertly recognizes the significance of the data coming through business services and how best to leverage it to not only influence, but directly drive better business outcomes.

How business services leaders are responding

Leaders in 21st century enterprise business services are responding by creating a new agenda for their organizations that manages a portfolio of individual initiatives. A typical agenda and set of initiatives for a business services leader might look like the following:

Lead from the front: Focus on end-to-end business outcome solutions beyond the basics of meeting service-level agreements and providing cost-efficient transactional services. Typical initiatives include:

— Develop outcome based measures for each service such as creating the perfect order to improve customer loyalty or improving the employee onboarding experience to increase retention

— Realign adjacent services into end-to-end solutions such as employee onboarding

— Instill enterprise service governance and management practices and tools such as workflow platforms for service requests and performance management

— Initiate a re-branding campaign for the business services organization

Place the customer first: Enable seamless internal and external customer experience across front, middle, and back office. Typical initiatives include:

— Identify and focus on a handful of internal and external connected customer journeys that business services influence across the front, middle and front office

— Enhance your traditional continuous Improvement capabilities with design thinking, journey mapping and data analytics

Create a boundary-less delivery model: Build an agile and scalable delivery model focused both on operational excellence and expertise capabilities to serve the business. Typical initiatives include:

— Refine your long term location strategy for where work is performed based on automation projections and opportunities for more virtual work

— Re-negotiate or re-bid your outsourcing relationships to be solution and outcome based

— Define and build enterprise Centers of Expertise including cross-functional units to drive process excellence, service management, intelligent automation, or data and analytics

Build a "plug and play" technology platform: Instill as-a-service capabilities built around disruptive technologies leveraged to their full potential inside and outside of business services. Typical initiatives include:

— Develop and execute your "cloud" migration strategy

— Complete a business services technology gap assessment

— Institute proof of concept projects to progressively scale your technology stack

Establish an information insights engine: Turn information into an asset through an insights driven ecosystem leveraging the strengths of business services and the rest of the enterprise. Typical initiatives include:

— Refine your Master Data Management operating model and practices

— Define the role of business services in enterprise data and analytics

— Progressively deploy data and analytics tools, methods, and skills against targeted use cases

Create an agile, on-demand business services workforce: Re-shape the business services workforce to enable man to run with machines freeing them from routine tasks to focus on more strategic efforts. Typical initiatives include:

— Conduct a talent inventory against future needs

— Institute a workforce shaping program to fill skill gaps

— Investigate alternative sources of labor to create a more on-demand and agile workforce

Conclusion

Business services organizations are in a unique position to help reshape the business model of their overall enterprise to meet the demands of the digital age. Because of their scale and concentration they are a unique weapon if deployed correctly to either protect the enterprises' position as a "frontier firm" or to close the performance gap.

Success means throwing away some old notions of shared services or business services organizations as necessary low cost transaction shops to instead being capability centers driving business outcomes. Start simply by defining what outcome driven business services means for your organization, establish realistic goals, and progressively roll out a program of improvements. Lead from the front.

About KPMG

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