Automation and Digitisation:

The Future of Outsourcing

The use of shared service centres (SSCs) has grown over the decades – the model, however, is on the brink of radical change.

SSCs act like a normal organisation and have targets they must reach like any other organisation, such as performance, cost management, efficiencies and so on.

There are now more than 350 SSCs around the world, and more than 40% of these have 100+ full-time employees. Between 2013 and 2015 we saw a fall in the number of SSCs in Western Europe, Canada and the US, where labour costs are high, and a rise in the number of SSCs in Asia. According to research by Everest Group, more than 70% of US Fortune 500 companies now use shared services or outsourcing models for their finance and accounting operations.

Organisations are so comfortable with SSCs today that the range of functions that they typically handle is increasing steadily. Finance function processes remain by far the most significant, but this is closely followed by HR processes, IT services and, to a lesser but increasing extent, procurement and tax. We're seeing clients wanting to add more services to SSCs including billing processes, supply and others.

Robotisation (automation) and full digitalisation are giving SSCs new options and this trend has accelerated since 2015, as IT suppliers offer more mature solutions.
There are more possibilities to automate transactions (robots) and to go paperless (digitalisation with multichannel platforms).

One of the consequences is that labour costs, and the location of SSCs, has become less important.

Some Western companies are taking the view that it's better to robotise and digitise rather than to locate its SSC in India. The advent of cloud computing and digitisation has made the virtual SSC model a tangible possibility for companies.

Advantages

The benefits are clear— automation means that SSCs do not need as many people, bringing labour costs down significantly.

Caroline Couesnon

Partner at Mazars

70%

US Fortune **500** companies now use shared services or outsourcing models for their finance and accounting operations.

Combine that with homeworking and there is a greatly reduced need for a significant physical SSC presence, with all the cost that this entails.

This will not be the right approach for everyone; the cost of transitioning from a physical to virtual model could be prohibitive, which means that the virtual model will inevitably be a more attractive option for companies that do not already have an SSC established.

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Risks

There are, of course, risks involved in SSCs, and one of the biggest, whether in a virtual model or not, is HR. Working in an SSC can be boring, so one of the biggest issues is how to retain people. Homeworking can act as an important incentive for employees and attract more candidates to SSCs, but there is a danger that a virtual model could exacerbate retention problems if people become isolated.

There are other risks as well. Security is a concern when documents are digitised, and it is also important to be aware of the different requirements in various jurisdictions concerning digital archiving and paper originals.

Automation and digitisation are changing the nature of SSCs in other words, but the basics of the business remain the same.

This article is an excerpt of an article, 'How automation and digitisation are driving an outsourcing rethink' which appeared in the Spring 2018 edition of Board Agenda. The full article can be found at http://maza.rs/g4pg30l8cni.