DIGITAL TECH IS ONLY PART OF THE SOLUTION FOR SUPPORT FUNCTIONS

By Andrew Toma, Marie Humblot-Ferrero, François Stragier, Mieke Gielis, and Stéphanie Monnet

Judging from the breathless coverage of technology these days, one might think that the new digital tools can do anything and everything an executive would ever want. It's critically important, however, to separate hype from reality. Technology tools such as artificial intelligence, analytics, the Internet of Things, and blockchain are clearly game changers. In particular, they can make support functions more efficient and effective. Yet it's not enough simply to invest in new technologies. Companies also need to change the way they work—their processes, culture, and mindsets—if they are to become true digital organizations.

In a previous article, we described the way that repeated cost cuts aimed at support functions have, over time, pushed "hidden" tasks and processes to business units. We also described the way that a strategic transformation can allow support functions to capitalize on data, become more efficient and effective, and help business leaders unlock new value. This article considers three critical pillars of that transformation:

- Redesigning processes end-to-end and spanning organizational silos
- Focusing on the customer experience
- Implementing the right digital tools to streamline the transformation and create value

Redesigning Processes End-to-End

Many assume that companies can simply automate their existing processes. Although that's true to a degree, doing so won't lead to breakthrough improvements in performance. Companies that completely redesign processes seize the bigger opportunity, and they can capitalize on the advantages of digital. To that end, companies need to remap processes, starting with customer journeys.

Support functions at many organizations—particularly those with long legacies in business—have evolved as sets of largely independent entities, but processes don't work that way. Many of them "touch" multiple support functions. Consider, for instance, the order-to-cash process, which involves sales, the supply chain, customer support, and finance—specifically, accounts receivable.

Although all of these functions work for the same company, each of them handles only a small slice of the overall order-to-cash process. And each has its own KPIs, its own incentives, and, in many cases, its own data. Even if each unit tries its best to make its slice of the process frictionless, there are, invariably, spillover consequences for other functions. For customers, the end result is a less-than-great experience, often with financial impact.

The experience of a major B2B2C company shows how this plays out in the real world. The company wanted to improve its order-to-cash process and reduce its days-of-sales-outstanding numbers. The initial improvement idea was simply to automate the most tedious process steps, such as handling of cash and payments (some customers paid with checks, others made credit card payment by phone), applying payment information to customer invoices (bank transfers arrived missing references or invoice numbers), and collections.

But when the company mapped the entire process end-to-end, it realized that many problems at the cash collection stage had originated upstream. Sales teams were incentivized on sales, not on cash collected, so they had no impetus to maintain proper data on customers. Incorrect data meant that an invoice could be sent to the wrong address (if, for example, a customer changed its accountant).

In addition, some customers were withholding payment in full because they had open claims—for instance, disagreement on the discount level for some items in an order—and the customer support team was taking too long to process those claims. Worst of all, salespeople were taking about one-third of all orders manually—by phone, fax, email, or even in person—and many of those orders required some kind of manual interventions, leading to a high percentage of errors that were frustrating the client, who felt cheated, as well as the finance team that had to sort it out.

Fixing these issues required more than simply translating the existing manual process to digital. In fact, the entire process had to be rethought from the customer's perspective, highlighting friction and pain points during that journey.

Seeing the Customer's Perspective

At the B2B2C company, a root-cause analysis of the cash collection issues found that many retailers were paying late simply because the company did not make it easy for them to pay. Bill payment was a tedious task, and customer retailers decided that they had more important priorities, such as serving their own customers. So they postponed payment until the last possible moment: when they received registered letters or when an order was blocked owing to their having exceeded their credit limit.

On the basis of what they learned from this analysis, the company shifted its focus from simply automating an inefficient process to redesigning it in order to streamline the experience for customers and to spur the retailers to pay on time. The company's solution was to group goods receipt processing, claims handling, and invoice approval and payment into one handy portal and to provide customers with a mobile application that gave them complete control and, at the same time, improved the company's collections.

Piloting a new approach in one country, the company was pleased to see the average number of overdue days was reduced by about half when the company warned customers by email a few days before their credit limit would be exceeded that their next order would be blocked. As retailers do not like being short of stock, some of the retailers even sent the cash collection team thank-you emails for the proactive approach.

Choosing the Right Technology for the Job

Once a company understands the true problems in its processes, it has a much easier time applying the best solution. For example, a company could consider using technology to dramatically streamline the onboarding process for new hires. Such a process starts when a new employee signs a contract, triggering a sequence of automatic service orders to specific functions, such as facilities (to designate office space and create an ID badge), IT (to create the employee's account and assign a computer), the training team (to book required and recommended training sessions, including mandatory safety briefings), and the manager's assistant (to book a "welcome lunch" on the new employee's first day of work).

Some companies have dramatically simplified the procurement process for low-value items by partnering with Amazon Business or Mercateo, which can integrate the ease of use and cost efficiency of their marketplace into a company's approval and accounts-payable process. Those platforms generally don't negotiate pricing. Nevertheless, the total cost for their services could be lower than that of the standard enterprise procurement process, especially when the overhead cost of managing vendors and catalogs is factored in.

Notably, what a company needs might not be new technology. The need could, instead, be for a process change, such as revisions in the management rules for setting credit limits or accepting random checks of completed transactions rather than blocking them in advance. And in some cases, companies could opt simply to automate an inefficient process if it would be easier than fixing a cross-department process. However, because such options generally leave value untapped, they should be exceptions.

Digital tools are extremely powerful, but they are not silver bullets. Companies need to make investments in digital, but they will leverage the true potential of technology only if they also redesign processes, keep the customer perspective front and center, and choose the right technology for their specific needs.

This is the second in a series of articles on digitizing support functions. The first was an introduction to the benefits of digital. In future pieces, we will show that—and explain why—digital calls for a more agile approach to implementation and companies can create the right operating model to capitalize on digital across the entire organization.

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