



THE BOSTON CONSULTING GROUP

# THE CORPORATE CENTER OF THE FUTURE

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**P**OWERFUL GLOBAL FORCES ARE putting growing pressure on the corporate center, changing the way it operates, the way its employees collaborate, and the way it is configured. These technology-driven changes allow the corporate center to be more nimble and flexible, at lower cost. But to ensure that they are reaping the full benefits of these changes, companies need to reshape the corporate center so that it retains its role as a governance body and service provider to the company but also takes advantage of the opportunity to improve its capabilities.

With careful planning, the corporate center can evolve to produce more precise, higher-quality work more quickly and efficiently; collaborate more closely with operations; and build deep business knowledge that will enable future innovation.

## How Tech Trends Are Inspiring New Ways of Working

Three trends in particular are reshaping corporate centers:

- **The Automation of Transactional and Knowledge Management Processes.** Transactional and knowledge management work that is done manually today will increasingly be automated. To analyze an employee record, for example, the human resources department will no longer need to check multiple systems and collate the data; instead, a script will pull all the required data and present the results. Automating simple and repetitive tasks will free companies to hire more specialized staff to interpret the data, thus generating more advanced insights.
- **Digitalization and the Adoption of Artificial Intelligence.** Digitalization and AI are making it possible to create, aggregate, and analyze enormous quantities of data, thereby transforming corporate decision making and task execution. These advances boost organizational efficiency and effectiveness; they also require fewer personnel to sit at desks in a global center. Employees who handle invoicing and payments

from shared-service centers, for example, may become unnecessary, as AI can be used to generate credit scores, identify fraud, and pinpoint business opportunities hidden within the data. This does not mean those employees will be let go; instead, they will focus on higher-value-added tasks.

- **The Growing Reliance on Virtual Collaboration Technology.** The expansion of virtual collaboration technology is creating a level of global interconnection never before imagined. Through online and mobile platforms, employees can access the company's systems from anywhere, allowing them to be part of a central team and collaborate efficiently without being in the same location. With fewer people needed in the corporate center, companies can acquire new talent in multiple locations, tapping new talent pools.

We foresee these trends leading to a very different corporate center, most likely within the next ten years. This center will be characterized by new ways of working, with agile teams and fluid structures. Already, classic organizational units are being replaced by centers of excellence focused on specific areas of expertise, business partners, or administrative tasks. In addition, corporate center roles are becoming more flexible, with executives and staff taking on tasks according to their individual capabilities rather than narrow job descriptions.

Simultaneously, outsourcing and transactional activities are on the rise, with networks of part-time employees and external contractors reporting to fewer and fewer internal managers. Interconnection and digitalization are allowing more and more work that is typically done in the corporate center to be performed at any point in the corporate network and from almost anywhere in the world, boosting global mobility and spurring the growth of virtual communities.

As the benefits of these changes become increasingly apparent, however, we see surprisingly few businesses taking proactive steps to transform. While most companies

understand the need for corporate center evolution, very few businesses have a clear vision of where this change will lead them. While many are adapting their day-to-day operations, they have not begun to actively reconfigure—or even reimagine—their corporate center.

Companies unprepared for this shift will soon find they have a widening gap between their operations and the center, with corresponding inefficiencies. HR, for example, must respond to the growing number of contractors on the payroll, handling additional paperwork even while increased automation is freeing up resources previously needed for payroll and time management. And the increasing availability of data is creating an opportunity for far more detailed reporting and analysis, even as internal financial reporting is being automated. As a result, though companies will require fewer employees with specific accounting and auditing knowledge, they will need to hire new data analysts and data translators.

## Aligning the Corporate Center with Operations

We believe companies should immediately begin to shape their corporate center to mimic the shifts taking place on the ground. The more the corporate center's activities, policies, and processes are tailored to operations, the better the center will be able to support the needs of the business. We estimate significant bottom-line improvement as well, given that transactional services, once automated, cost little beyond minimal IT expenditures; in addition, some competencies can be flexibly outsourced, reducing costs by as much as 50%.

We recommend that the board and senior leadership work together to create a long-term vision for the center, determining the services it should provide in the future—from guidance and governance to hands-on operations management. Reliance on a physical center may be diminished, but the corporate center will still require an official structure, as well as approved policies and processes. Its central activities will remain vital, whether executing governance, align-

ing business activities, or helping the company navigate an ever more complex world. The business partner role will remain as well, although new digital technologies will make this role far more effective and efficient.

Leaders should also break down the new vision to understand how it will affect each center function and the business as a whole, including what teams and skills are required by these changes, whether those teams will be onsite or virtual, and if their work can be automated. As more and more information is available on digital networks, for example, the center should have the skills to analyze this data and create an understanding of workflows, employee requirements, and office configurations.

These skills will support specific functions as well:

- **Hiring.** Recruiters with access to online data about potential job candidates can filter out unqualified prospects and preselect a core group for review, making the manual assessment of résumés and applications obsolete.
- **Data Analysis.** In finance, rapid analysis of vast amounts of data will expedite credit approvals and lead to fewer misjudgments.

- **Data Management.** In IT infrastructure, similar skills will be needed to manage data stored in the cloud and keep firm control of data sovereignty and cybersecurity.

With the impact of the changes understood and the new vision approved, leaders can create a multiyear timeline for implementation, with clear milestones. Not everything has to happen overnight: some steps will take time, and all will need to be coordinated with IT, HR, and other key functions.

Finally, leaders must build momentum and engagement, communicating the vision and timeline positively to all center employees.

**C**OMPANIES THAT EMBRACE the new opportunities brought forth by key trends in technology and begin preparing their corporate centers for the future will be able to stay ahead—working faster and more efficiently than the competition, while avoiding more disruptive adjustments later on.

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