



UNLOCKING VALUE THROUGH DIGITAL SUPPORT FUNCTIONS

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

WHEN IT COMES TO support functions, many companies are guided by an approach whose results can be summed up in two words: *false savings*. These companies have spent the past decade consolidating support functions, standardizing processes and systems, and cutting costs. To be clear, reducing support function costs is a legitimate goal, but with no broader strategy, these reductions have led to gaps and workarounds. Worse, they have created “hidden” support functions: certain required, and thus inescapable, tasks that are part and parcel of running a company have been offloaded onto business units. And that is why business teams now have to spend time on DIY projects reconciling spreadsheets and quarterly projections—instead of driving the business and focusing on customers.

There’s a smarter approach to reducing support function costs: leveraging digital technology and a digital mindset. This approach transforms the entire support function, redesigning processes end-to-end, encouraging customer centricity, promoting

agile ways of working, and adopting a mindset of experimentation. The result is a dramatic increase in efficiency, a better experience for internal customers, and—best of all—support for business units that improves performance. In other words, companies recognize that they don’t need to choose either reducing costs *or* investing in digital. They can do both. They can have their cake and eat it too.

How We Got Here

Cut costs: it’s an ever-present imperative. Companies face tremendous pressure from investors and other stakeholders to keep corporate centers as efficient as possible. The question is, how? In the past, it was common for companies to take a series of incremental steps—cut some, then cut some more—rather than apply a strategic, coherent approach. In the short run, those initiatives succeeded: support function costs declined. But in many cases, service levels declined as well. If asked, business heads at most organizations respond that they get less support than in the past.

Not smarter and more efficient support—just less.

In addition, many support function processes are often highly inefficient and ineffective. Consider any process in your own organization and think about whether it could be more efficient. How many validations does the company require for low-value purchase orders? How many times do new employees need to provide the same information to various departments? How often do we have to correct mistakes in client invoices? How often do our accountants have to copy and paste information across systems?

The problem is acute in the finance department, where many companies still do the bulk of their business planning, using spreadsheets and entering data manually, sometimes with mistakes. These inadvertent errors cause delays and cloud decision making, ultimately affecting the bottom line. Consider the following common problems:

- At companies that don't consolidate all enterprise-wide spending for individual vendors, purchasing managers negotiate with neither insight nor leverage, and they end up overpaying.
- If financial plans are based on ad hoc and weeks-old data across multiple spreadsheets, business leaders can't accurately plot their next move.
- When there are errors and glitches in accounts receivable, cash collection is slowed and customers complain.

Redesigned Processes Built Around Digital Technology

In our experience, a full transformation of the rote, transactional activities typically handled in shared-services centers—such as payroll processing, accounts payable, and purchase requests—can yield efficiency gains of 20% to 40%. More important, enhancing process effectiveness can give time back to business unit heads and employees. Instead of getting bogged down in

unwieldy processes, they can focus on value-creating activities—in other words, the work they were hired to do.

For example, one global company found that digital solutions reduced managers' administrative workload, giving them as much as three additional working days *each month*. Such a manager has nearly 15% more time to help her customers solve problems or a new employee start doing productive work immediately.

Management at another company realized that its payroll processes were overly complex, requiring several layers of control to hit essential accuracy levels—an absolute must. By identifying and fixing underlying issues and redesigning the process, the company saved 30% on the processing workload and adjusted the payroll cutoff date to give the business greater flexibility.

Capturing these gains requires more than cost cuts: companies must transform support functions from the ground up. They must redesign processes end-to-end, focusing not on existing processes but oriented toward the needs and experience of users. Moreover, transformation requires using digital tools, such as robotic process automation and artificial intelligence, to take over additional non-value-creating tasks over time.

These measures won't simply reduce costs and increase efficiency, they'll also increase the effectiveness of support functions. Because companies' data will be far more accurate, business units will benefit from greater transparency regarding current performance.

In this way, support functions can spearhead a broad digital transformation of the entire company. In fact, support functions are uniquely positioned to fulfill the digital champion role. Through their interactions across functions and business units, they can serve as centralized repositories for the data of such business-critical company activities as budgeting, forecasting, controlling, invoicing, tracking purchase orders, and workforce planning.

Achieving this kind of digital transformation isn't easy. To create support functions that are more agile and capable of generating actionable, data-driven insights requires dramatically new ways of working, very specific capabilities, and a broad shift in the organizational culture. But this hard work will lead to far more interesting work, higher engagement levels, and a better value proposition for attracting talent. Most important, it will help support functions

finally fulfill their mandate to become true business partners.

This is the first in a series of articles on digitizing support functions. In future pieces, we will show that—and explain why—technology is only part of the solution, 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.

About the Authors

Andrew Toma is a managing director and senior partner in the Miami office of Boston Consulting Group and the leader of the organization design and support functions topic. You may contact him by email at toma.andrew@bcg.com.

Marie Humblot-Ferrero is a managing director and partner in the firm's Paris office and the leader of the digital shared-services topic in Western Europe. You may contact her at humblot-ferrero.marie@bcg.com.

François Stragier is a partner and director in BCG's Paris office and an expert on digital transformation of support functions. You may contact him by email at stragier.francois@bcg.com.

Mieke Gielis is an associate director in the firm's Brussels office. You may contact her by email at gielis.mieke@bcg.com.

Stéphanie Monnet is a principal in BCG's Paris office. You may contact her by email at monnet.stephanie@bcg.com.

Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we help clients with total transformation—inspiring complex change, enabling organizations to grow, building competitive advantage, and driving bottom-line impact.

To succeed, organizations must blend digital and human capabilities. Our diverse, global teams bring deep industry and functional expertise and a range of perspectives to spark change. BCG delivers solutions through leading-edge management consulting along with technology and design, corporate and digital ventures—and business purpose. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, generating results that allow our clients to thrive.

© Boston Consulting Group 2019. All rights reserved. 11/19

For information or permission to reprint, please contact BCG at permissions@bcg.com. To find the latest BCG content and register to receive e-alerts on this topic or others, please visit bcg.com. Follow Boston Consulting Group on Facebook and Twitter.