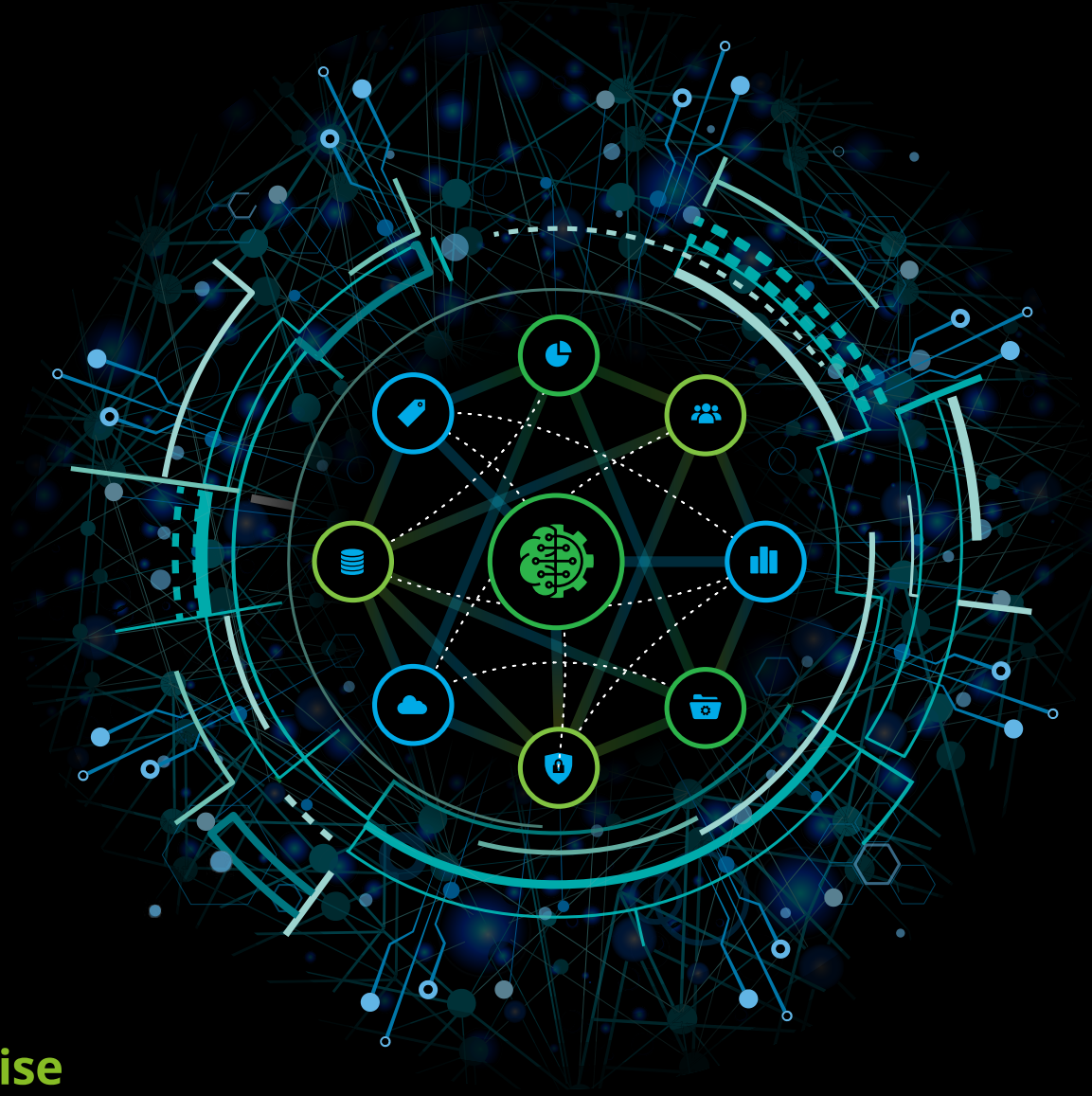# Deloitte.

Crunch time series
Revolutionizing enterprise service delivery

175

MAKING AN
IMPACT THAT
MATTERS
since 1845

A short quiz

What's keeping CFOs up at night these days?

(A) **Operational profitability**   (D) **Talent strategy**

(B) **Digital transformation**   (E) **You don't know the half of it**

(C) **What Wall Street thinks**

Answer key

What if enterprise service delivery could help your company be more agile, innovative, and efficient? Would that help you sleep better?

What's inside

Thriving in the new normal

enterprise service delivery
\ˈentə(r)prīz\ˈsər-vəs\ˈdi-liv(ə)rē\

noun

1 service delivery model that considers where and how work can be performed most cost-effectively

2 organizational concept designed to increase resiliency while enhancing the customer experience

3 multifunctional, centrally governed team focused on improving end-to-end business processes

At leading companies, *enterprise service delivery* is much more than shared services.

The days when a CFO's job was mainly about providing day-to-day financial support are long gone. Finance chiefs for years have been leading transformations that touch nearly all parts of the business. So what's different today? A lot.

The dual health and economic crises triggered by the COVID-19 pandemic have upended long-held orthodoxies about the nature of work while amplifying the CFO's role as chief transformation officer. After the outbreak hit, lockdowns forced countless employees to do their jobs from home; supplier networks needed to be reshuffled across regions to ensure business continuity; finance teams had to close the books and file 10-Q reports remotely. The list goes on.

Lessons learned

As companies grappled with the new normal, a few learnings emerged:

- Cross-functional collaboration tools and processes can help organizations make fast, well-informed decisions in a crisis.

- Automated work processes can sustain business operations even under stringent workforce and workplace restrictions.

- Dynamic partner networks can make it easier to meet demand surges and acquire specialized skills for discrete tasks.

- Standardized systems and processes are must-haves when shifting work quickly across business units and regions.

- Cloud-based reporting can allow users to access real-time information on demand from anywhere with an internet connection.

- Pooled resources and talent let organizations efficiently allocate capabilities where they're needed across functions.

- Work traditionally done on-site can often be distributed across different delivery models with the right collaboration tools in place.

Thriving in the new normal

01

02

03

04

05

06

One example: A company we work with hadn't moved all its vendors to electronic invoices and payments before the pandemic. When office closures caused a delay in manual payment processing, a small vendor threatened to terminate services, which would have affected production. So Finance had to scramble to deliver payment. The problem made it clear that even a small percentage of manual payment processes could cause big risks.

Another company's finance team headed into the pandemic producing weekly performance reports that employees from the CEO on down relied upon for business planning. The report production process was largely automated using natural language processing, and cloud-based self-service enabled users to access the reports on demand. When much of the organization found itself working remotely, the reporting process was able to carry on business as usual.

In short, having the processes and infrastructure to respond flexibly to a crisis—and be ready for future crises—has become the hallmark of successful companies. And building this agility starts by rethinking how human- and technology-driven work is delivered across the enterprise.

Having the processes and infrastructure to respond flexibly to a crisis—and be ready for future crises—has become the hallmark of successful companies.

Where to begin

Faced with the challenge of promoting growth, efficiency, and agility in the midst of shrinking budgets, many CFOs are taking a fresh look at service delivery structures.

Work could be outsourced to a vendor, for instance, or moved to a company-owned shared services capability. It might be done by full-time employees or by alternative workers. It may be performed on-site at a company facility or distributed across employees' homes and multiple geographies. It could be performed primarily by machines or by humans.

How do you determine what work gets done where and by whom? It all depends on the type of work you're talking about. To find opportunities to improve service delivery and prepare your company for the long run, consider the following issues:

- **Nature of the work.** Is the work inherently transactional and predictable, or does it require unique analysis and insights?

- **Relationship to the business.** Is more or less the same work product used across the company? If so, can it be standardized and delivered end-to-end from a central location—creating single ownership and economies of scale—or does it need to be customized for different functions and business units?

- **Digital enhancement.** Is a high-volume repetitive task a good candidate for automation? Could an analytical activity benefit from artificial intelligence to create speed and scale humans can't match?

- **Delivery options.** Can the work be done virtually (after accounting for the issues described in the section that follows) or by workers outside the company?

As you weigh your options, think about the people, capabilities, and investments needed to provide services in new ways, and the time required for implementation. This will help you set priorities and evaluate your needs holistically.

But keep in mind: there's no one-size-fits-all approach when it comes to service delivery structures, and whatever model you start out with is likely to evolve over time as the organization's needs change. The important thing is to begin with the right foundational elements, then gradually build on your efforts. For more on this topic, see *The future is now: Reimagining operating models to thrive in the new normal.*[1]

Virtual work

The pandemic proved certain kinds of work can be done remotely. But just because work can be done that way doesn't mean it should be. When weighing the feasibility of virtual work, consider the following:

Proximity

Does the work require physical proximity for specific business needs or knowledge?

Constraints

Are there legal or regulatory constraints in performing the work remotely?

Coordination

Are there needs for coordination among teams and systems that can't be met through virtual collaboration?

Service levels

Does the work mandate critical service levels, such as tight turnaround times?

Control and oversight

Is the team too big to manage remotely, creating a loss of control?

Personal considerations

Could regional or personnel restrictions hinder remote work delivery?

Cultural

Does virtual work affect the company's ability to create a strong culture and instill its values?

And here's another thing the pandemic proved:
Virtual work in Finance is likely here to stay. After seeing finance operations continue successfully in the wake of office closures, many companies now plan to have 10% to 25% of their finance workforce operate virtually year-round.[2]

From back office to center office

As leading companies reimagine ways to increase agility, quality, and speed in service delivery—and as the CFO's remit grows beyond Finance to enterprise transformation—a shift in mind-set is emerging: **the center office.**

While shared services have been used historically to process transactions efficiently, reduce costs, and respond to issues, the center office concept catapults this idea further, taking a mission-centric approach focused on improving end-to-end processes, fostering innovation, and generating proactive insights that affect business results.

To be sure, the traditional role of back-office shared services can still provide substantial value. But at some companies, enterprise service delivery teams help CFOs do much more. For instance:

- With their end-to-end process orientation, they can flag root causes of problems and provide insights for better forecasting and decision support.

- As a hub for people with sought-after skills in areas like automation and data science, they can efficiently scale technology innovations and deliver critical capabilities on demand.

- And by coordinating external partner networks, they can help companies remain agile and shift accountabilities on the fly.

In today's business climate, cost efficiencies are table stakes. Boosting enterprise resiliency and leveraging digital disruptors are the new frontier.

As leading companies reimagine ways to increase agility, quality, and speed in service delivery, a shift in mind-set is emerging: *the center office.*

Three primary goals

The center office concept can assume many forms, and over time, it can grow in scale and scope. Some companies initiate the shift by focusing on one or two end-to-end services, such as procure-to-pay or order-to-cash, which include activities performed by both front- and back-office resources. Others start by developing critical capabilities that transcend functional boundaries, such as robotics and analytics, then deploy those capabilities as needed across the enterprise. And still others begin by centralizing administrative or transactional processes.

In the latter category, for instance, many tax departments have been moving toward process centralization. In a recent Deloitte Global survey, tax leaders said they prefer to leverage shared services centers for indirect tax returns and payments, corporate entity management, and customs and global trade compliance.[3]

However the shift gets started, as companies mature in their shared services approach, the center office concept generally seeks to advance three primary goals:

1 Deliver capabilities as a service

2 Drive digital transformation

3 Enhance the customer experience

> **Let's take a closer look at each one.**

In today's business climate, cost efficiencies are table stakes. Boosting enterprise resiliency and leveraging digital disruptors are the new frontier.
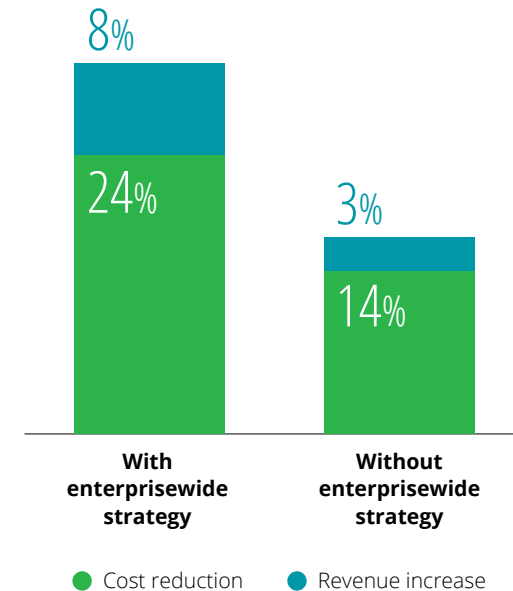
1

Deliver capabilities as a service

Over the years, many companies develop pockets of expertise in automation, analytics, program management, and other capabilities needed enterprisewide. Different business groups, however, are apt to build and source the necessary talent in isolation, fostering silos and creating redundancies in cost and staffing. When critical capabilities are produced and delivered through a shared services structure, they can be scaled up and leveraged to greater effect.

Recognizing this, successful service delivery functions create a central hub to develop, expand, and deploy capabilities as a service across the business—reaping cost efficiencies and productivity gains. One Deloitte study, for instance, found companies with an enterprisewide strategy for intelligent automation, on average, reduced costs by 24% and increased revenue by 8%. In contrast, companies that pursued automation without such a strategy saw average cost reductions of 14% and revenue increases of 3%.[4]

Benefits of intelligent automation

8%

24%

3%

14%

With enterprisewide strategy

Without enterprisewide strategy

● Cost reduction   ● Revenue increase

Source: Deloitte Insights, September 6, 2019.

When critical capabilities are produced and delivered through a shared services structure, they can be scaled up and leveraged to greater effect.

01

02

03

04

05

06

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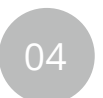
Drive digital transformation

Companies faced with the need to gather and analyze data from multiple legacy systems often lack the resources to consolidate their technology into a single solution. But the good news is, many data challenges can be addressed through targeted solutions that don't require a large-scale systems overhaul. We've covered this issue in depth in past *Crunch time* reports (see, for instance, *The CFO guide to data management strategy*).

Workflow applications, orchestration software, and cloud-based products can bridge systemic gaps in technology, pulling in information across business segments without the need to migrate data. Data-wrangling tools can help collect, restructure, and enrich raw data so it's in a more usable format. These solutions are particularly valuable for tax teams, which are often among the biggest users of financial data and spend substantial time gathering, preparing, and validating data to meet compliance requirements.

When managed by the center office, these digital assets can be deployed across the end-to-end value chain. Business units can benefit from lessons learned in other parts of the company. And uniform usage standards can be set and maintained enterprisewide.

Many data challenges can be addressed through targeted solutions that don't require a large-scale systems overhaul.

3

Enhance the customer experience

Intimately understanding customer needs, wants, and pain points is key to the center office concept. To provide meaningful customer experiences, service delivery heads are pursuing strategies built around:

- *Collaboration.* Customers, business leaders, and service providers (including external partners) convene to set joint priorities, establish feedback loops, gauge progress, and identify innovation opportunities.

- *Accessibility.* Customers can choose how and when they want to interact with service teams (through chatbots, calls, apps, email, or text) for both proactive and reactive requests.

- *Integration.* A common interface lets customers request services, report problems, and receive feedback on issues spanning multiple functional areas.

Each of these strategies, in turn, is continually reinforced through leadership actions, workforce programs, and employee communications.

Intimately understanding customer needs, wants, and pain points is key to the center office concept.

Tapping the alternative workforce

The alternative workforce—which includes contract workers, gig workers, and crowd workers—is available to enterprise service delivery teams needing access to flexible talent with specialized skills. Already 57 million strong, this workforce is growing rapidly. Since 2014, it has increased by 8.1%, and by 2027, it's expected to constitute the majority of the US labor force.[5]

Types of alternative workers

Contract workers
retained for discrete tasks and typically paid by the hour, day, or project

Gig workers
paid by the task (or microtask) to complete a piece of work, often arranged through an app-based service

Crowd workers
who compete to participate in a project and often are engaged only if they are among the top participants in a competition

Useful when you need

On-demand capacity
to address volume spikes, such as those driven by seasonal demand, external events, or financial closing cycles

Specialized knowledge,
such as unique tax or regulatory expertise

Help entering new markets,
including familiarity with market dynamics, languages, or cultures

Before you pull the switch

Break down processes
into specific tasks and set criteria to determine which tasks might be appropriate for alternative workers

Specify role requirements
for each type of task

Reorient the regular workforce
to capture freed-up capacity

Consult with legal and risk advisers
on appropriate use of alternative workers and issues related to worker misclassification and co-employment, which can create significant financial, legal, and reputational risk and liability for employers.

Some industries that historically have used only full-time employees have begun turning to contract workers for help managing seasonal peaks and other spikes in demand. Could a similar model be used for enterprise service delivery, perhaps to support quarterly closing cycles, M&A activity, or other surge-oriented tasks?
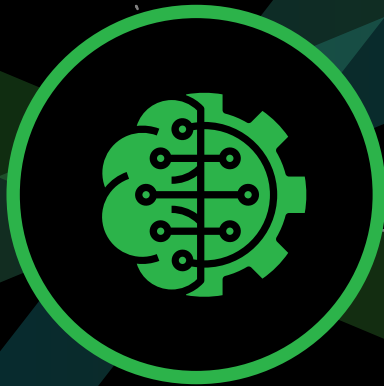
01
02
03
04
05
06

Illustrative examples

Here's how six companies used the center office concept, with its end-to-end view across the enterprise, to tackle various business problems. These solutions would be much harder to scale up and maintain without a centralized approach to service delivery.

Illustrative examples

	Business problem	Service delivery solution	Results achieved
Consumer goods	Shorten M&A integration timelines	Created a cross-functional M&A integration team to validate synergy assumptions more accurately during due diligence and accelerate post-acquisition integrations	Cut M&A integration timelines in half, netting the company $4 million per day for each day saved
Food and beverage	Meet needs for cost-effective, specialized analytical talent across business segments	Centralized and upskilled a team of analytics employees to provide advanced data analysis and visualization; created a data analytics career path	Established a center of excellence to provide advanced analytics capabilities across the company, standardizing data sources and definitions and more effectively setting enterprise priorities
Oil and gas	Solve supply chain problem causing order backlog and issues affecting the customer experience	Analyzed numerous data sources involved in the end-to-end source-to-pay cycle to determine the problem was caused by a supplier struggling to meet demand, which created multiple orders and additional costs	Identified the problem quickly and added a new supplier that could keep pace with order volume, leading to reduced shipments, lower transaction costs, and a better customer experience
Pharmaceuticals	Consolidate customer portal to manage interactions, integrate digital tools, and track feedback	Produced a new workflow and interaction tool, used across multiple functions and channels, that employs simple instructions and is easy to navigate	Tripled external self-service usage, which boosted shared services productivity by 20% and helped increase customer satisfaction
Industrial Products	Reduce days payable outstanding and generate working capital	Leveraged centralized sourcing and shared services accounts payable teams to diagnose the root causes of payment term leakages and create supplier action plans tailored by region	Realized $400 million in working capital savings in nine months
Consumer industry	Eliminate manual pulling of thousands of sales tax invoices	Developed a bot to find invoices in the appropriate system, then save the file as a PDF on a shared drive	Saved more than 1,500 annual FTE hours by automating 95% of the process, resulting in quicker turnaround times, decreased risk, improved quality, and reduced financial exposure (including penalties and interest)

Getting results

Making the numbers work is just the beginning when leading organizational transformation.

Getting results

The value of providing services in new ways might be obvious financially, but shifting delivery models can still prove difficult due to issues like perceived loss of control. Be prepared to hear "I need someone near me, who knows my business, to do this work." Accordingly, for many CFOs, becoming an effective change leader requires skills beyond those that got them to the CFO position. More often than not, success hinges on influencing and communication ability.

Here are five strategies to help you head off resistance and get the results you envision.

1
Ensure chief executive sponsorship. Given the cross-functional nature of service delivery, support at the top is essential to overcome political issues and other organizational dynamics that can hinder change.

2
Build shared leadership ambition. CEO sponsorship alone isn't enough to prevent implementation challenges. There needs to be a clearly articulated vision across the C-suite, with all leaders agreeing on what work to change, how to change it, and the implications for key stakeholders.

3
Create a magnet for talent. To attract star performers to service delivery teams, emphasize the enterprisewide nature of the work and the opportunities to build a career in highly specialized disciplines, such as robotics and data science.

4
Provide strong governance. To address strategic and operational issues that cut across functions, be sure the service delivery team's governance structure outlines clear decision rights and roles. It also helps to have business leaders and customers sit on service delivery steering committees.

5
Focus on outcomes. Define, measure, and reward service based on outcomes that provide value to the business. This requires business heads to agree on annual service goals and performance metrics. Measuring team performance as a unit, not just individual performance, is also critical.

Before you go

It's time to reimagine enterprise service delivery. Disruptive events, market trends, and digital advancements are forcing businesses to adapt to change—rapidly and repeatedly. New service delivery models can help organizations leverage cross-functional resources, drive innovation, and boost resiliency, so they're prepared for whatever the future may bring.

Cost savings remain a huge driver for shifting service models, but other opportunities are equally compelling. Is your company ready to seize them?

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Endnotes

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