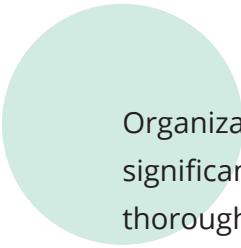



EXTENDING
DIGITAL TRANSFORMATION

TO THE MIDDLE OFFICE

Tackling the complexity of the middle office with a robust enterprise service management capability can help lower costs, reduce risks, and increase customer satisfaction.





Organizations are well underway with digital transformation, achieving significant value from modernizing their front-office capabilities to more thoroughly engage customers. At the same time, they have modernized back-office functions to help streamline operations.

Yet even with this progress, many companies' digital journeys remain incomplete, as they have yet to address the challenges related to the "middle office," what many are calling the "final frontier" of digital transformation. This diverse set of business functions are still primarily orchestrated through manual processes shored up by a mix of legacy systems and best-of-breed point solutions.

This complex and fragmented system landscape undermines efficient business processes in a variety of ways. Core workflows remain disjointed and disconnected, which makes it easy for critical information to fall through the cracks. Without proper visibility into middle-office functions and workflows, companies are significantly limited in their ability to achieve next-level business objectives, whether that entails custom tailoring products and services or developing and promoting new as-a-service revenue models.

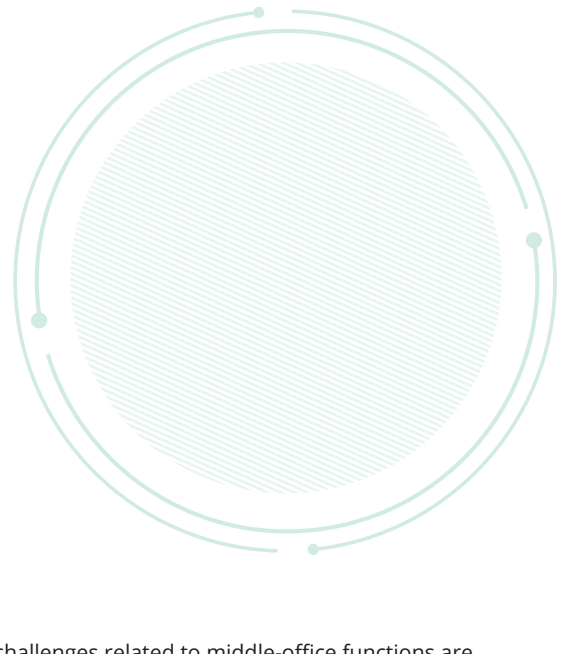
Deloitte has been rapidly innovating with solution provider ServiceNow to apply the first-of-its-kind "platform of platforms" to effectively manage and streamline middle-office processes via an enterprise service management layer. The aim is to digitalize the final frontier, helping companies promote cross-functional processes, enable seamless data sharing, and create compelling experiences that resonate with employees, customers, and partners.



The business challenge

The middle office is defined as the business functions that sit between the traditional front office (for example, sales and marketing systems) and the back office, typically the province of transaction-style systems such as finance, accounting, and human resources. While there are well-defined software solutions and integrated platforms that support both back-office and front-office arenas, the in-between middle office is more often characterized by a combination of legacy systems, new “best of breed” point solutions, and manual processes that are held together using a combination of applications such as email, SharePoint, and Excel.

The precise makeup of middle-office functionality varies based on the company and industry. However, the typical terrain can encompass such capabilities as contract management; configure price and quote (CPQ) systems; digital e-commerce; customer care; fulfillment/entitlement/provisioning; operations execution; and legal and risk management/compliance. Billing and invoicing systems, especially those that can support new subscription-based business models, are also a staple of what’s generally considered the middle office.



The challenges related to middle-office functions are expanding for a variety of reasons. Consolidating infrastructure and technologies after corporate acquisitions is time-consuming and expensive, leaving many companies that have grown through acquisition grappling with redundant and overlapping infrastructure. Some firms have added best-of-breed applications to address gaps in their legacy platforms—for example, systems to accommodate emerging capabilities such as subscription billing, the need for which has been driven by new as-a-service business models. There are also new configuration and quoting applications to administer innovative and bespoke product offerings. Most of these systems operate as silos without seamless connections and workflows to core enterprise front- and back-office platforms.



“ There’s fragmentation in the space between the traditional front office and back office—between systems like Salesforces CRM and ERP—which are specific to different industries and sectors, ”

says Tamara Emerson, principal, Customer-led Marketing, ServiceNow CSM practice lead at Deloitte Consulting LLP. “The passing of information is happening between people, not necessarily systems. We don’t see the same kind of digital transformation happening in this space.”

The challenges of using technology to solve the problem

For many companies, the fragmentation between front- and back-office systems has remained no-man's land for digital transformation, as there is no single solution or any one vendor that can handle all processes. In addition, firms have made large investments in legacy and industry-specific technology that cannot be abandoned. As a result, many middle-office processes are executed across applications through a series of disconnected and inefficient manual processes, leveraging existing technologies such as spreadsheets, email, and other legacy systems as a workaround to managing tasks and sharing data between core enterprise platforms. This approach vastly limits transparency into activities and processes, undercutting operational improvements and efficiency.

Without a holistic approach, companies may struggle to resolve customer issues efficiently and risk revenue leakage and lost recovery opportunities, which has a negative financial impact. They are also hindered in their ability to implement and scale more efficient end-to-end business processes.

At the same time, a fragmented middle-office landscape prohibits adoption of new technologies like artificial intelligence (AI), machine learning (ML), and predictive analytics to help deliver more proactive customer service and identify new revenue opportunities. Without a clear strategic path to leveraging the latest state-of-the-art technologies, organizations may struggle to acquire and retain strong middle-office talent due to the mundane nature of work.

How technology can help solve the problem

There isn't a single solution that covers all the bases, but there is an opportunity to flex existing technology in a different way. Tackling the complexity of existing siloed systems through use of a robust enterprise service management capability and powerful workflow engine can help organizations achieve key business goals. The combination serves to break down silos and build bridges between front, back, and middle-office systems, providing an opportunity to increase customer satisfaction and scale the business to accommodate growth and digital-driven change.

Using an enterprise service management capability, organizations can establish integrations and create business workflow automation between systems to facilitate more efficient workflows. Specifically, the Deloitte/Service Now solution allows for rapid modernization of the business without the cost and time of replacing underlying applications. The result is a single modern "system of action" that performs work tailored to unique industry requirements and/or company-specific needs.

“ The middle office is really company specific, which is why there's not one tool to automate everything, and why it remains so messy, ”

notes Rod Mader, senior manager at Deloitte Consulting LLP.

Best practices and how to get started

Given that middle-office capabilities are not as clearly defined as other areas of the business, it's important to target initial use cases that can prove the concept. The testbed cases should have a significant impact on cost savings or efficiencies so they can be used to showcase ROI. The important thing is to identify those small initiatives that can quickly deliver the most impactful results as to encourage broader adoption of digital middle-office solutions.

Companies should also avoid automating existing processes that are not working effectively. Instead, take the time to do the organizational homework to evaluate key processes, determining what is functioning and what isn't. Once you have that intelligence in hand, you can determine which processes and workflows need to be modified in order to make end-to-end business operations more efficient.

Beyond process change, technology plays an obvious role in middle-office transformation. Invest in a platform that will enable automation of these key functions by leveraging existing infrastructure and technology investments—not one that requires wholesale upgrades or replacement.

To ensure governance over this last mile of digital transformation, it helps to develop a center of excellence to continuously identify and develop potential use cases. This helps to keep the pipeline for middle-office initiatives full while also serving as a way to champion the technology and communicate best practices to the broader organization.

Finally, align with partners that have knowledge of end-to-end processes and deep experience across industries. Their broad perspective on business processes that work for other like-minded companies is invaluable; those workflows can be adapted to meet company-specific requirements, which greatly accelerates the ability to meet core business objectives.



The bottom line

The middle office can be called the no-man's land that has eluded digital transformation. With the right partner and an enterprise service management approach, however, organizations can orchestrate processes across different systems and groups, ushering in productivity and more efficient workflows.

For more about how Deloitte and ServiceNow can streamline the messy middle office, visit:

<https://www2.deloitte.com/us/en/pages/about-deloitte/solutions/servicenow.html>

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