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A NEW OPERATING MODEL FOR DIGITAL SUPPORT FUNCTIONS

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This is the fourth and final article in a series on digitizing support functions. The first article introduces the benefits of digital, the second explains why digital is only part of the solution, and the third discusses how digital calls for an agile approach to implementation.

AS COMPANIES BEGIN DIGITIZING their support functions, they often start with pilot projects in a few key areas. When those projects succeed, leaders face their next challenge, which is often a bigger one: how to deploy digital at scale.

To capitalize on the advantages of technology across the organization, support functions need to shift from experimenting to fully integrating digital solutions and ways of working in their daily operations. In other words, they need a new operating model. To accomplish this, support functions need to focus on three guiding principles: designating global process owners with oversight across the entire process; building strong digital capabilities through a center of excellence; and creating a customer- and business-centric culture.

Designating Global Process Owners with Oversight Across the Entire Process

We saw in the first article in this series that breakthrough process optimization should occur end-to-end, cutting across organizational silos. Many companies appoint global process owners (GPOs) to optimize end-to-end processes (such as order-to-cash or source-to-pay); often, however, they choose those people for their deep domain expertise. To capture digital's full potential, companies should select GPOs on the basis of their vision and their willingness to challenge the status quo, create value in new ways, and boost adoption rates. Moreover, they should empower GPOs with a mandate, including a suitable budget and other required resources, to transform processes end-to-end from a customer's perspective, across functional silos and in a way that leverages digital.

We see three possible models for the GPO:

- **Manager GPO.** The GPO monitors process performance and advises

operational teams on their improvement initiatives. In this model, most improvements occur within organizational silos (such as in finance or procurement). Breakthrough initiatives rarely emerge.

- **Activist GPO.** In addition to advocating for continuous improvement, the GPO defines a target state, along with a portfolio of initiatives to get there. In this model, success depends on the GPO's skills, especially in persuading business and function leaders to work across silos. We believe that this should be the baseline for support functions at most companies. Top-performing activist GPOs should also dedicate time to data management, as process performance depends to a significant extent on data quality.

- **Executive GPO.** Besides handling the activist GPO duties, the executive GPO owns daily operations for the process. This entails, at the outset, organizing teams by end-to end process instead of by function (for example, one team would have complete control over the procure-to-pay process, with tactical buyers and accountants assigned to the team as needed). Given control over all levers, the executive GPO can "walk the talk." Few companies have adopted this model as yet, but we believe that it offers the greatest chance to achieve drastic improvements through digital.

Even when the right model is in place, a GPO will need some additional tools: a team that includes a few deep process experts and project managers who can deliver a portfolio of digital projects; access to the relevant digital and data capabilities; and appropriate governance, including touch points with senior leadership sponsors and key stakeholders across the process. Activist GPOs, in particular, will need such touch points because, for them, governance is a key issue. In contrast, manager GPOs have limited decision-making authority but also limited expectations, and executive GPOs have high expectations but also sufficient authority to redesign processes as they see fit.

Building Strong Digital Capabilities Through a Center of Excellence

Most support functions and global business services organizations lack the requisite digital skills and capabilities to improve process performance. It is imperative to put those skills in place—either by acquiring them externally or by developing them internally—and then to continue to develop and leverage them. We believe that the best way to set up these capabilities is by housing them in a digital center of excellence (CoE), which can then serve as an organization-wide repository of expertise, help deploy a set of bottom-up digital initiatives, and implement successful pilots at scale. The CoE should be a physical place where multifunctional teams, including business users, can work together.

The CoE can coordinate with outside vendors and partners to fill key capability gaps early on. It can correctly determine how and when to bring those capabilities in-house. And it can help diffuse skills and agile ways of working across the organization.

Another important consideration involves finding and retaining talent. In many organizations, support functions don't have an attractive and dynamic employee value proposition, especially for talent with digital know-how. Often, the best employees prefer to work within operational business units, which they think of as being where the "real work" gets done. Yet the shift to digital—and to helping business units unlock new value rather than simply generating efficiencies—offers a chance for support functions to rebrand themselves within the organization as a place where interesting problems get solved. In that way, such positions should become a critical career step for high-potential talent, who will increasingly require a holistic understanding of how the company works.

Rebranding support functions internally is undeniably a difficult lift at the outset, but it becomes self-reinforcing over time. Organizations need to help things along by putting top talent in key roles within support functions, giving those people the resources

and autonomy they need in order to do great work with digital, and highlighting early success stories. Doing so will reinforce the perception that support functions create real value for the company, which will attract other high-potential individuals and build momentum over time.

Creating a Customer- and Business-Centric Culture

The third key driver of success is a culture in which support functions interact with internal customers and business units more directly, to better understand their needs and perspectives and to develop value-adding solutions. As we noted in earlier articles in this series, the understandable push over the past decade to reduce costs and standardize processes—often by out-

sourcing or offshoring some of them—has led companies to eliminate much of their local support function staff. (See the side-bar.) As a result, support function teams are often physically removed from users, which often means that they must second-guess users' needs, leading to disappointing results if not outright resistance.

Digital offers a way to reverse that trend, but support functions must change the shape of their organization. In addition to consolidating work in lean, low-cost, centralized organizations, they should invest in customer-centric front lines, staffed with employees that work directly within business units and for internal customers, with a mindset of listening and solving problems in innovative ways. The front line should act as sensors that guide continuous

HOW BUNDLING, OUTSOURCING, AND OFFSHORING FACTOR INTO THE OPERATING MODEL

One or two decades ago, most companies sought to reduce support function costs through bundling (or consolidating offices), outsourcing, and offshoring. Although these approaches generate savings fast, they do nothing to improve the overall effectiveness of support functions or the quality of the user experience. Moreover, many organizations used these levers indiscriminately, in some cases outsourcing very complex and broken processes in the unrealistic hope that a third-party support service could fix what the company itself couldn't fix for years.

In the era of digital support functions, these levers are not off the table, but leaders should view them as enablers that can help companies unlock value as part of a broader digital transformation. Here's how bundling, outsourcing, and offshoring factor into a new operating model for support functions:

- **Bundling.** Co-locating multiple functions under one organizational roof, for instance, still makes sense. It

brings scale, synergies, and standardized services; enables better oversight and governance; and streamlines the digital transformation process.

- **Outsourcing.** Outsourcing some processes and functions can accelerate a digital transformation, particularly if companies collaborate with external partners to quickly fill gaps in key digital capabilities or leverage the vendors' scale to move swiftly. Moreover, partnerships with best-in-class technology vendors can function as a catalyst for the automation and digitization journey, with the CoE serving as the integrator of the open ecosystem.

- **Offshoring.** Smart decisions on footprint remain valid for global companies. Location criteria should not depend on costs alone, however. Instead, they should increase the attention they give to the availability of digital skills.

improvement teams toward the right targets, enabling smarter, faster, and more accurate processes. Building a strong front line requires some investment, but companies can mitigate those costs by leveraging digital technologies and self-service and mobile tools to reduce the overall workload.

For example, there is a clear need for on-site expert support in functions such as procurement, sales administration, and finance. New roles—such as purchasing partners who work hand-in-hand with business-unit stakeholders and support them with complex purchasing projects—are emerging in these areas. Similarly, presales agents can provide the sales organization with more granular customer data and advice on credit and billing issues, thereby reducing the likelihood of sales to a customer who doesn't pay.

THE OPERATING MODEL for support functions of the future will differ fundamentally from the one that prevails today. The transformation will require a lot of effort and investment, but the value proposition is undeniable. By focusing on the three areas discussed above, companies will transform their support functions into value creation engines and talent platforms for the overall enterprise. More important, they will lead to a digital future in which businesses focus less on merely reducing costs and more on unlocking new value.

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