

Digital labor transforms the shared services delivery model

Digital labor will have a significant impact on how businesses handle their front-, middle-, and back-office services. Companies that today rely on a shared services delivery model should begin now to anticipate and understand the coming changes—including taxes, governance, and change management—and prepare for the opportunities and advantages they enable.

Digital labor: a confluence of capabilities

Digital labor—which comprises basic robotic process automation (RPA), enhanced RPA, and cognitive automation—is enabled by a confluence of capabilities that include rules-based macros, artificial intelligence, and natural language processing. At the most basic level, robots, or bots, automate the steps in a process instead of having people move transactions from one step to the next. At the most complex level, cognitive systems draw on historical data to handle exception processing, make judgments to resolve customer issues, and complement knowledge workers to provide new insights.

Digital labor's effectiveness at reducing costs and automating jobs is driven by greater process accuracy, faster process throughput, and, most importantly, the ability to analyze vast amounts of data. The potential impact is immense: By 2025, automation of work enabled by digital technologies is expected to supplement or replace the work of the preponderance of knowledge workers.

The impact of automation

The growth and greater adoption of process automation—enabled by advances in the processing power, cost, and performance of technology—is inevitable. Factors driving the increased use of automation include the desire to continue to drive down operating costs, opportunities to provide higher-quality services to the business, a response to potential national policy changes negatively impacting immigration, and the changing dynamics of delivering services from offshore locations.

For the most part, functions performed in a shared services environment today are transactional—handling back-office tasks such as order-to-cash, the hire-to-retire process, and middle-office functions such as claims processing. But rapid adoption of digital labor may change how and where those services are performed, as bots and the processes they support can be located anywhere, and the use of cloud-based bots can significantly cut the time required to install, upgrade, and customize processes and software, reduce operating expenses, and enable savings to be reinvested in the business.

The shift to digital labor in shared services will have an impact in several key areas:

- **Location and scope of centers:** Digital labor will typically lead to a reduction in the number of people working at each center and drive consolidation of locations. Some shared services centers may be downsized or closed. In some cases, a center's responsibilities may be expanded while employing the same number of people.
- **Staffing models:** As transactional work is automated, employees may be redundant, relocated, or reassigned.
- **Training:** As the human component of shared services centers becomes more focused on data and analytical services rather than transactions, there will be a need to train employees to handle more value-added jobs. This skills enhancement, however, will be challenging since many current employees may not have the experience,

background, or ambition to move from transactional to more strategic work. The change management implications will be significant.

- **Capital investment:** Companies that transition from asset-heavy physical locations to platform-based services such as cloud systems will need to make IT and application investments, rather than just traditional investments in labor.
- **Taxes:** Businesses may experience implications to their tax structure as they relocate, consolidate, or close services centers.

The implementation of automation, and cognitive and artificial intelligence technologies may be the easiest part of the transition to digital labor. The success that businesses experience will be based on their own proactive execution, including change management, governance, and effective use of big data to derive value from cognitive and analytics programs. Key steps that businesses should consider include establishing a digital labor program management office or center of excellence, evaluating the impact of digital labor for all change management processes, and transitioning shared services and underlying value propositions such as speed and agility to align with digital services.

Take strategic and operational action now

Digital labor is here to stay. Businesses that use a shared services delivery model should begin identifying potential gaps and taking the strategic and operational steps necessary to transition successfully as automation becomes the standard.

As you prepare for the changes, here are some critical questions to consider:

- What functions and processes are most suited for automation and offer the greatest potential short- and long-term benefits?
- Are you assessing your current mix of delivery centers and locations?
- Do you understand the implications for your governance model, taxes, and risk?
- Does your organization have robust change management capabilities?
- Will your talent management and succession planning practices provide the training and experience necessary to groom the next generation of leaders?
- Are you aware of your political environment and potential changes to immigration, trade, and manufacturing policies?

If you are unsure how to proceed, or if you need additional information, talk to an adviser who can help you define your needs, ensure that you have the right mix of services, evaluate your governance models, and help you prepare for an exciting future.

Case study

Industry: Financial services

Client: The in-house service delivery organization of a major financial services company

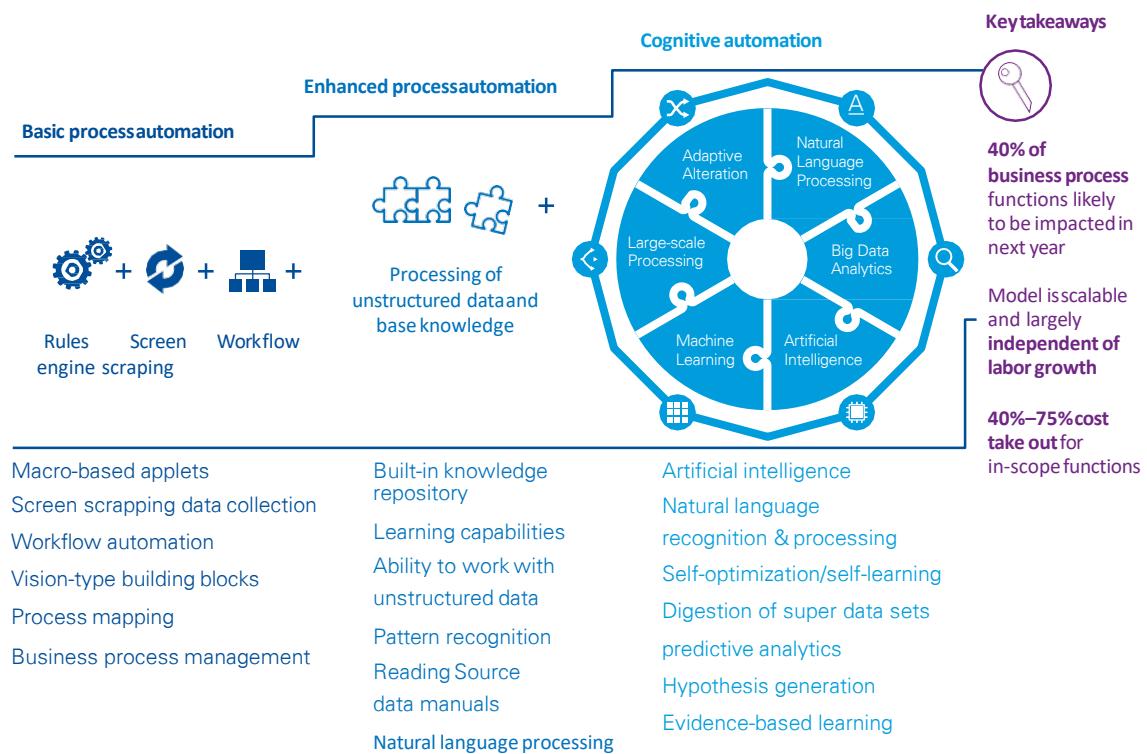
Client challenge: Our client wanted to explore the possibility of deploying cognitive automation to some of its key operations. Its goals were to improve process quality and outputs, increase staff productivity, reduce claims arising from errors, and create a replicable pilot.

Approach: We helped our client assess and lead the implementation of digital labor, including creating current-state process road maps, assessing high-level automation potential, prioritizing opportunities for digital labor, preparing a list of potential vendors, conducting workshops and evaluation sessions with vendors to understand how well they could meet our client's requirements, and managing the pilot and end-to-end implementation of digital labor.

Client results: Our client achieved its short-term objectives and anticipates that the transformation of its service delivery business model will provide its workforce with more challenging tasks and enable faster and more accurate processes.

Three-level automation model

Robotics and cognitive automation imperative



How KPMG can help

At KPMG, we help our clients transform their business service delivery to realize improved value, increased agility, and sustainable business performance. We bring together experience in global business services, shared services, outsourcing risk, transactions, tax, and compliance.

If your organization is seeking new ways to achieve genuine business services delivery transformation, please reach out to our team today.

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