

INTERVIEW E-BOOK



14. SHARED SERVICES & OUTSOURCING WEEK 2019

WE ASKED OUR ADVISORY BOARD . . .

How German SSCs perform in relation to their competitors around the world, how to guarantee customer centricity and where SSCs should focus their investment. In this exclusive interview in the run-up to the Shared Services and Outsourcing Week 2019, read on to find out how the SSC of the future is driving digitalization and co-determining digital strategies.



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How would you rate the level of automation in Germany's SSCs compared to those in other countries? Which areas need optimizing?



Kai-Eberhard Lueg (Siemens AG)

Over the last few years we've noticed several factors that are having a major impact on the progress of digitalization here in Germany.

First, not only do we have incredibly high innovation potential but also the means to put some pretty revolutionary ideas into practice. So we do not stop at blue-sky thinking – we often implement quickly.

Another driver is the service costs we have to contend with compared to other countries. Digitalization can provide some inspiring solutions to manage that and keep Germany appealing as an SSC location.

On the flip side, unfortunately, certain aspects of the wider business environment make digital progress appreciably harder. When it comes to change and new technologies, Germany often takes a very conservative stance, with the risk of getting bogged down in red tape and inflexible governance. We need to strike a balance and go on revisiting the perceived wisdom in terms of the general framework. Digitalization challenges us all to question established practices and mentalities.



Andreas Mayer (ING)

I think we have a lot of catching up to do – and not just in Germany. Generally speaking our HR SSCs are still far too transaction-based. We need to start embracing automation a bit more. On the whole, our employees expect the same type of fast, 24/7 services they encounter outside of work, like online banking or shopping.



Astrid Hartmann (Lufthansa AG)

I think automation has always been prevalent in Germany on account of our high-volume processes – especially in the '90s and '00s, because wage costs were always a factor. Our Revenue Accounting department processes around 100 million tickets a year, 97 percent of which are automated. But the other 3 percent still make for a lot of work even today. I take issue with automating non-standardized or low-volume processes. We have some non-automated processes offshore, so the production costs are lower now and it's hardly worth automating them piecemeal. That's why we use robotics. But we're conscious that we're hitting the limits in terms of where the technology is justified. The processes are just so diverse and fragmented. The question we're asking ourselves is how much we can save relative to the cost of programming the robots. If we can't reconcile the two then we can't justify using automation, so we employ our robotics capability elsewhere. The issue we have to grapple with is whether we should automate anyway, to help digitize the processes.



Dr. Claus Peter Schründer (Deutsche Telekom AG)

There are two aspects to this: legal, and purely innovative. With regard to the first, Germany's national framework impacts the level of automation insofar as the legislation sets the general conditions and opportunities for digitalization. For example, in countries like Finland, Estonia and Austria, an electronic signature on contracts is the legal equivalent of a handwritten signature, while other countries still require a traditional sign off. However, the level of automation is pretty much the same the world over, so in that sense Germany is neither behind or in front compared to other countries. Where we do see a difference is between sectors. Companies in highly competitive industries are under pressure to boost efficiency, so they're often further ahead with automation than their counterparts in other sectors. Company size is another factor – automation levels tend to be higher in larger corporations than in SMEs. This might also be attributable to competitive pressure – or rather the lack of it – on Germany's "hidden champions." Then there's the fact that economies of scale in small companies are less marked than in MNCs.

How can SSCs lay the groundwork for transitioning from a transactional unit to integrated business services/solutions?



Astrid Hartmann (Lufthansa AG)

I don't think an SSC can initiate and manage the transition on its own. Something like that requires top-down support. But SSCs can certainly show the way and lay the foundations. They can focus on end-to-end processes, use data to produce insights and present the business case. Much of the time, the issues that come up are at the interface with business partners rather than just within the SSC. So it's important to focus on involving partners.



Kai-Eberhard Lueg (Siemens AG)

At Siemens, like many others we started out with a functional setup. Over the years we have acquired solid process and service expertise that helped us drive development in a way that ultimately resulted in a comprehensive, trusting mandate.

But more recently we have been confronted again and again with the challenges of a functional setup: lack of continuity in systems and processes sometimes got in the way of optimum customer service. We addressed the issues and reorganized ourselves. Since April 2019, Siemens Global Business Services (GBS) has been set up end-to-end, which means that all processes are viewed holistically from start to finish, and, where appropriate, are seamlessly combined.

For example, our opportunity-to-cash process was fragmented in four units. We now have one department with integrated responsibility from customer requirements to orders to receipt of payments.

However, we view process setup as just one aspect of the transformation. Shared Services are perfectly placed to add value if they have holistic processes supported by innovative technologies, and establish themselves as the driving force behind process and digital initiatives for customers. In our case, the core component is our "Digital Target Landscape" – our technological vision – which we're currently implementing. We systematically develop innovative technologies as platforms and make them available throughout the organization. This allows us to fully exploit synergies and speed up innovation development.



Dr. Claus Peter Schründer (Deutsche Telekom AG)

The starting point is to combine similar services, which must be comparable in terms of both activity and customer group. The next step is to systematically add and internationalize other business functions. Increasing trust in the SSC is vital at this point because a third party – albeit often internal – is taking over some key functions. The only way to extend the activity scope and ultimately achieve integration is to make the experience positive on all sides, which starts with successful transactional services that offer significant cost savings and quality gains.

Andreas Mayer (ING)



By moving away from our traditional scope, which as mentioned earlier, increasingly needs to be automated. I see our future in higher-value activities like data analytics, employee communication, project and change management, and tasks typically managed by HR in the past, which an SSC can take on by using modern case management.

How can an SSC ensure end-to-end process implementation? Which are the promising technologies? Where is change management still needed?



Dr. Claus Peter Schründer (Deutsche Telekom AG)

The first basic requirement for implementing E2E processes is to establish clear responsibilities for the overall process concerned, and an organized process flow. Structures with a high division of labor should not be allowed to impede lean processes. Technologically speaking, it helps if processing is handled from start to finish by a comprehensive order management system – i.e. a mature CRM system. In addition to central processing, an appropriate system also enables real-time monitoring and flexible management so that production processes can be prioritized if necessary. In particular, responsibility for product management or design authority is increasingly important here, because complex products can make life difficult for customers despite the leanest of processes.



Astrid Hartmann (Lufthansa AG)

First, the SSO and business partners must both be clear that it makes sense to map certain processes to shared services. The best experience I had here in Germany was during a transfer of operations, where the employees who handled the other part of the process were integrated in the SSO and could improve the process from there. That's the simplest approach.

If that's not feasible, make sure from the outset that partners' employees working in the processes ongoing are seen as part of the organization. After all, they're crucial to ensuring that the processes work and they're much closer to the business. So these are precisely the employees you need to cover with change management, by sorting out their future tasks and thinking about how to involve them in the SSO.

As for technologies, we need virtualization technologies to produce virtual or electronic versions of paperwork, and an effective process mapping tool.

That's where process mining can be very helpful. We're also testing electronic signature technology. Lufthansa still sends physical documents back and forth – largely HR documents but also procurement contracts. It makes sense to do that electronically so that we can see who has already signed and where the document is, but virtually.



Andreas Mayer (ING)

My money is on combining advanced cloud solutions (like SAP SuccessFactors or Workday) with a highly capable service enabling technology such as ServiceNow. There's still plenty of scope for integration between the ServiceNow portal solution and the various HR systems. I'd like to see major suppliers like SAP, Oracle and Workday open up even more to those possibilities.



Kai-Eberhard Lueg (Siemens AG)

Our people will always be our most valuable asset. An end-to-end organigram is one thing – bringing it to life is the real art. We will only achieve that if we move forward together as an organization. So we give employees access to lots of development opportunities from our own Siemens GBS Academy. Every three months we analyze our internal employee surveys and establish the next steps – it's all about helping employees navigate the current changes as effectively as possible. I see change management as an ongoing process. We will continue working on whatever our employees need in order to meet the challenges of the transformation effectively. Or better still, to help shape it.

But transformation only makes sense if we put it into practice rigorously and consistently. That means letting our Service units focus on their core business and giving them the best possible support through our cross-departmental functions and shared digitalization platforms. Alongside big data analytics and artificial intelligence, we have an ongoing focus on technologies such as robotic process automation and business process management.

How do you ensure customer centricity and a corresponding user experience?



Andreas Mayer (ING)

Define moments of truth, analyze their current pain points, redesign processes and services based on pain points and implement and configure new services and processes.



Astrid Hartmann (Lufthansa AG)

It's interesting that this has actually become an issue. Not so long ago it wasn't on the shared services agenda at all. If you look at how startups work, it's clear they place a huge emphasis on user experience. I think SSCs should do the same.

The first thing I did with my team was to create that awareness. We're now starting pilots in a few areas and improving the user experience. For example, when someone contacted us we used to open a ticket and then work on it when we had time. Now we have a minimum response time and the ticket has to be processed within five days. We also help employees consider how to word their answers, and we measure user satisfaction in parallel.

In addition, we think about how we could be more agile in the shared service environment. We're running an increasing number of agile projects where we work with a scrum master. The next question is to what extent we can and should actually roll out agility operationally, but first we need to experiment more. We asked ourselves what our objective is – what bothers us about current performance and how we can improve it. We consciously use agile methods and data to gain insights into classic problems. But we still need more experience of managing it; we'll see where that takes us.



Dr. Claus Peter Schröder (Deutsche Telekom AG)

Customer centricity comes down to consistently designing every process from the customer's perspective, using design thinking methods to identify the specific outcome you want to achieve. This automatically brings your expectations into focus in terms of direct interaction with the customer. You can then design the interactive aspects – text/speech, visual presentation, intuitive usability, etc. – in a way that makes the systems as clear and simple as possible to apply and use.



Kai-Eberhard Lueg (Siemens AG)

The market and its associated customer requirements have fundamentally shifted towards a demand-driven economy. Take the automotive industry: it is moving away from the product and towards a service demand. At a certain point the customer no longer wants to pay for owning a car, but for the mobility that comes with it.

So what does that shift mean for shared services? Customers expect not only better performance through task transfer and convenient working hours, but also new concepts and solutions of the type we can provide, for example through digitalization. We have a responsibility to actively promote innovative technologies in order to create long-term benefits for our customers. That involves moving away from standardization alone and towards more flexibility.

As “service entrepreneurs,” we aim to optimize support around helping customers become, or remain, market leaders. The digital initiatives that we introduce and promote are an integral part of that. The concept of shared services implies an increasing level of responsibility towards customers: a lot of processes and tasks have been entrusted to us over the last few years. Our process expertise puts us in a position to identify process optimization potential holistically and put it into practice consistently. But we also have a responsibility to be transparent and pass on those insights to our customers. We need to guard against misappropriating a data advantage for our own benefit, and instead, work with customers to analyze it constructively.

What do you see as the key investment areas for SSC scope extension?



Kai-Eberhard Lueg (Siemens AG)

Aside from the obvious technologies and digital e2e platforms mentioned earlier, we'd like to focus on investing in our employees. They are our most valuable asset. Any digitalization initiative is only as good as the people who drive it forward. After all, they are the experts with broad process knowledge, proximity to the customer and a good understanding of the market. This position enables them to assess the opportunities and risks of new technologies and recognize their potential for our customers. Consequently, they can combine process expertise and digitalization initiatives and drive digitalization holistically. So we intend to go on investing in an appealing work environment, exciting jobs and a variety of development opportunities for our employees worldwide. We also need flexible working time models so that our employees can achieve a good work-life balance without compromising their career.

It's clear that we'll go on feeling the fundamental effects of the digital transformation for the next few years. At Siemens, Global Business Services is the cornerstone of that transformation – now it is up to each one of us to build on it.



Andreas Mayer (ING)

Better employee development: we need to help our people improve and refine their cognitive skills.

As regards technical investment, definitely the expansion of automation and online offerings, combined with more scope to provide mobile services.



Astrid Hartmann (Lufthansa AG)

I still see a lot of untapped potential at Lufthansa in data reporting and analytics. In addition, we now provide robotics not only for our own organization but also externally, which so far has been very successful.



Dr. Claus Peter Schründer (Deutsche Telekom AG)

Alongside comprehensive digitalization of the SSC, I would say it's vital to invest in employees' digitalization skills. Then areas like the Digital Competence Center (preferably with a separate remit to company IT), Controlling and Real Estate could be transferred to Accounting- or HR-oriented SSCs. But here, too, the priority is getting the must-haves right. Then we can add the optional extras by taking on higher-value, non-rule-based services.