Modernization of a Shared Service Center

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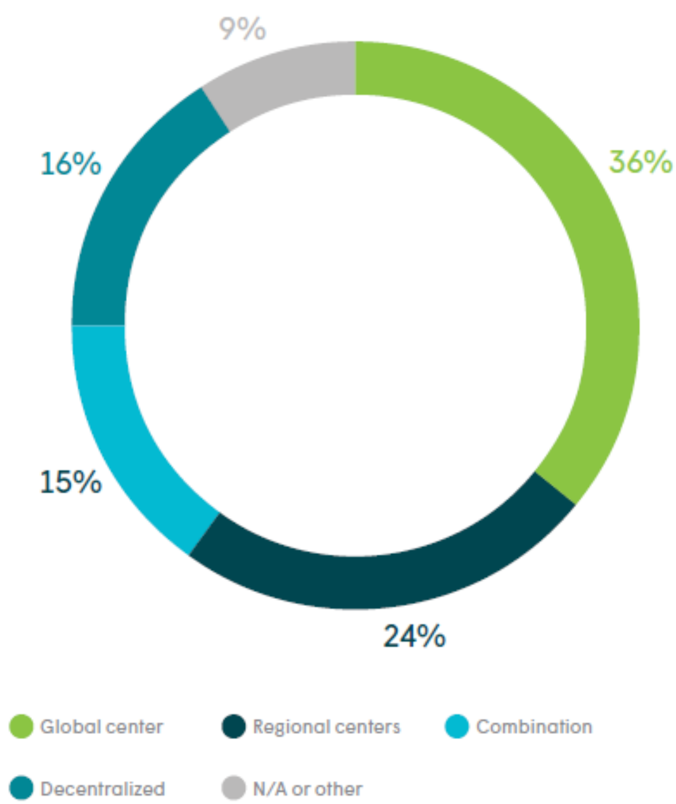
Shared Service Centers (SSC) are not a new idea. They have evolved from an eccentric idea, to a vaguely achievable prospect, and then a viable option, and finally into a business imperative for optimizational excellence. Companies no longer wrestle with the question of whether it can work. They now wrestle with the question of how best to organize the SSC based on their geographic footprint and collaboration needs and how to further optimize. A recent FIS study found that 36% of companies surveyed state that they currently have one global center supporting their credit and collections organization. Another 24% maintain regional centers (Figure 1).

Figure 1: Level of Centralization



Centralization may include physical centralization where teams are located in the same location. It may also simply include teams that spread out geographically but report into one organization. There are reasons to support both approaches depending on the goals of the organization. With either approach, dealing with disparate systems is a challenge for every corporation. Data is inconsistent across each ERP/ Accounting system as well as the inconsistent capabilities of each system. The modernization of an SSC begins with putting a solution in place that consolidates and normalizes data into a central view. This solution must provide actionable information that is constantly improved through Artificial Intelligence and driven by process automation.

SSCs provide an avenue for standardizing processes, procedures, and policy. However, they also need solutions to help govern the adherence to each of those. The modern SSC leverages a single credit and collections management solution to provide visibility like never before into the productivity of individuals and the overall team. Some have attempted to piece together different solutions to support their SSC. While results improve by implementing a technical solution, the maximum achievable results are realized when a single solution is institutionalized.

One example of where productivity is improved through a single solution stems around the dispute and deduction process. Many deductions are identified during the cash application process. If cash application is being completed directly in the ERP system, this creates double work for an analyst. The short payment will have to be documented in the ERP system and then communicated somehow to the collector and potentially to a Sales or Service team. The collector then needs to document the deduction and any communications with the customer.

With a single solution, the collaboration cycle is complete. With cash application being completed in the same solution as collections with deduction and dispute workflow built in, everyone is working with real-time collaboration tools with documentation being maintained in one location with everyone able to contribute towards resolution.

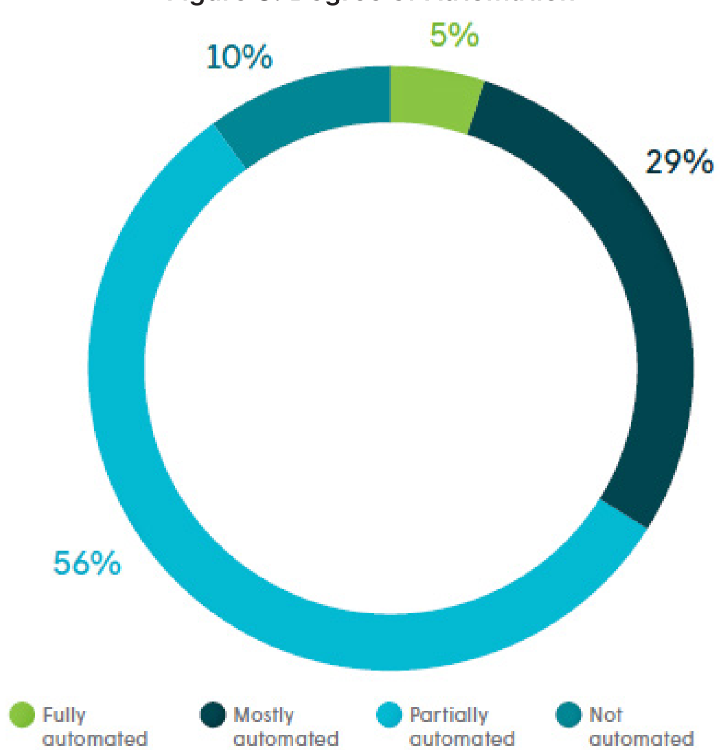
Figure 2: Fregruency of portfolio scoring for assessing credit and collection risk

Artificial Intelligence

The modern SSC recognizes that data is key to improvement. The challenge however is too much data can be overwhelming and creates a paralyzed and stagnant organization. So how does the modern SSC find that balance between leveraging all of the data at their fingertips while continuously moving the organization forward? The answer is Artificial Intelligence (AI). AI allows an organization to exponentially increase the data being leveraged while keeping their team focused on high-priority, value-added work.

Modernization in this arena includes allowing the AI engine to make decisions on behalf of the team based on past experience, combined with internal and external data sources. AI is a term used a lot these days. When searching for a true AI-enabled solution, you must ask yourself if the solution is truly using data and calculations to conduct your prescribed actions or is it simply a calculator providing more data. For example, does the solution have the ability to make credit decisions on behalf of your team if specified elements are within acceptable ranges? Why have your team spend time on those smaller, credit worthy credit applications when they can focus on the high-dollar, high-risk accounts?

Figure 3: Degree of Automation



In the collections area, AI monitors the collection risk of accounts and automatically reprioritizes the accounts into the most effective strategies to ensure portfolio success. Figure 2 demonstrates the breakdown of how often companies assess credit and collection risk across their portfolio. A scary statistic is that 40% score their portfolio either infrequently or even worse, never. Risk is not a one-time or even a once-in-a-while thing. Risk is always there and needs to be monitored frequently and consistently to effectively protect your company. Companies with hundreds or even thousands of customers cannot possibly keep up with monitoring all of them. This is where AI is able to improve the effectiveness of a modern SSC.

Robotic Process Automation

The next step to modernizing an SSC is by instituting process automation. Another term used broadly within the industry is robotics, or Robotic Process Automation (RPA). Simply stated, RPA allows teams to do more with less resources. Within an SSC, processes such as routing of disputes, sending reminder correspondences, and even sending invoice copies to customers can all be handled through process automation. There is no need to have team members spend their finite time and energy on completing those tasks. The modern SSC no longer has to repetitively key the same information over and over. They no longer have to click through selecting the same values from drop down lists. Anything that is repeatable and repetitive is a process ripe for automation.

The cost savings for an organization that implements automation is evident by the sheer volume of companies that have at least some degree of automation, as illustrated in Figure 3 (on previous page). When RPA is used in conjunction with AI, SSCs transform into the benchmark against all other companies. Resources can be reallocated to focus on value-added work improving overall results. Operating costs are reduced while cash flow is improved through more effective and efficient collection practices.

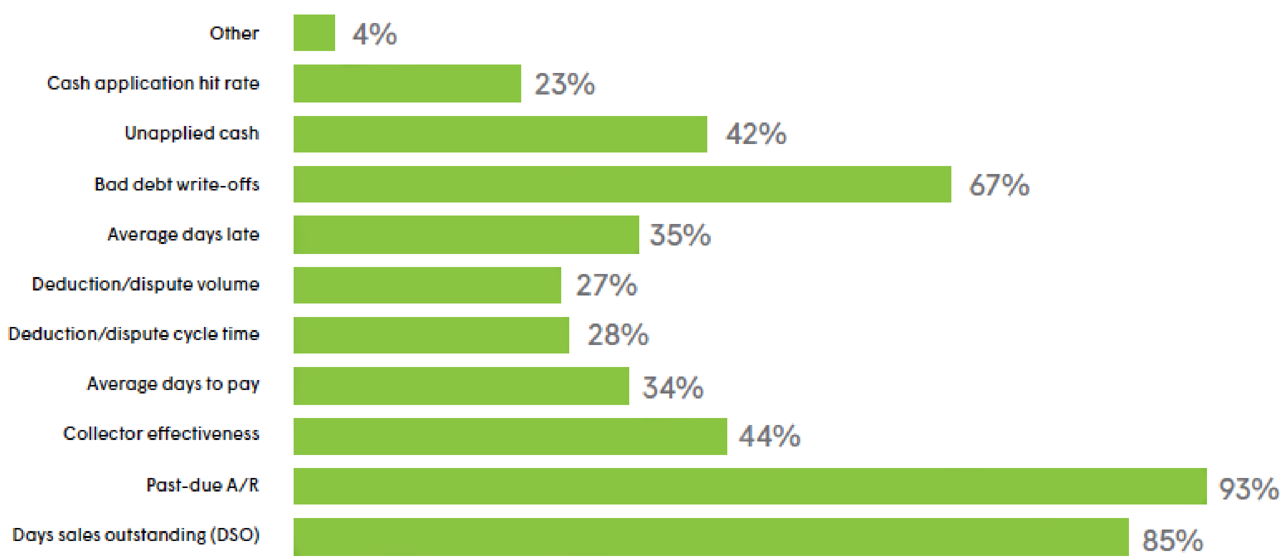
Customer Self-Service Portals

The evolution of the modernized SSC continues with the increasing popularity of self-service portals. Why have your team do the work if the customer can do it on their own? To be successful, a self-service customer portal must be intuitive and simple to use. The new digital world is witnessing the emergence of solutions to the traditional excuses customers have always posed for non-payment. With self-service portals, customers can access electronic copies of all their invoices as well as make payments directly on the site. Customers have the ability to indicate deductions they are taking as well as disputing invoices. An added benefit for the modern SSC is that, as customers are making payments on a customer portal, they indicate which invoices they are paying which increases straight-through cash application processing and accuracy to 100%.

Operational Efficiency and Effectiveness

Every SSC requires some level of measurement to determine how successfully they are accomplishing the goals they set out to achieve. The standard metrics surround past due A/R (93%), DSO (85%), and bad-debt write-offs (67%). Many organizations are now focusing on operational metrics that were never available before. SSCs that are leveraging technology solutions for their credit and collections processes have access to more in-depth metrics, that are actionable, like never before. Teams are more agile to changing metrics like average days to pay and average days late. Internally focused metrics, such as deduction and dispute cycle time and collector effectiveness, allow SSCs to make data driven decisions on how best to support the business.

Key Metrics



Cloud Environments

The traditional model for SSCs has centered around self-hosting a credit and collections management solution. This model is shifting however. Organizations are now recognizing the cost savings and simplification of technology management and maintenance by moving to private cloud or software-as-a-service (SaaS) environments. By allowing the technology provider to manage the implementation, administration and security of the solution, the modern SSC is able to focus on driving results. Organizations are able to realize a quicker return on investment through easy deployment and a standardized implementation methodology coupled with pre-defined workflows, which means a team can begin realizing the benefits of a solution right away.

As SSCs continue to evolve, they will continue to look to technology providers to keep them on the modern edge of best practices. Solutions that support these modern SSCs are on the forefront of driving change in the market by increasing the benefits that companies can achieve through AI and full process automation. To continue improving, leaders of the modern SSC are continually looking for the next advantage for their teams. Adding in additional features, such as a customer self-service portal and even leveraging a cloud environment, are some of the key elements that drive these teams into the ninety-ninth percentile of successful SSCs.

* All charts and statistics contained within the article are from FIS Market Study: *Managing Credit and Collections Risk Through Unpredictable Times*

About the Author:

Keith Cowart *is Product Marketing Manager in FIS' Corporate Liquidity - Receivables group which features the Credit-to-Collections product, GETPAID.*

He has over 20 years of professional experience and his focus is in continuous improvement and leveraging technology to automate processes and improve results.