

Three Myths About Customer-to-Cash in GBS Organizations

By Bryan DeGraw

EXECUTIVE SUMMARY

Customer-to-cash activities handled in GBS organizations are increasingly leveraging digital strategies to produce meaningful savings without compromising service quality. Indeed, the most significant benefits are reflected in measures of business value: 73% of top performers report a moderate or high impact on the experience of their customers, suppliers and employees. Further, with technological progress freeing up staff time to focus on value-creating work, 64% of top performers have witnessed a substantial impact on enterprise profitability. But digital maturity in GBS organizations is turning out to be a double-edged sword, generating both myths and challenges to their continued relevance that customer-to-cash leaders must consider and address.

THE CONTINUED RELEVANCE OF THE GBS MODEL FOR CUSTOMER-TO-CASH ORGANIZATIONS

Questions about the GBS organizational model's long-term viability have been percolating for some time. At the core is a worry that a low-cost hub for transaction execution will lose relevance in an increasingly digital world, where automation is replacing labor at an ever-faster pace. Additionally, traditional definitions of processes as "back-office" versus "front-office" are being eliminated as more decisions about optimal sourcing are based on whether activities are customer-facing and how they impact the customer experience.

A sense of the evolution taking place in the GBS operating model can be gleaned from the practices of the most advanced organizations, where the Covid pandemic accelerated digital transformation. It is now possible for parts of or even the entirety of processes like customer-to-cash to be performed anywhere – or even automated completely. This sea-change is

being met with excitement in some places about its potential advantages for efficiency, effectiveness and customer experience; but it is also generating dread in others about data security risk, disruption and job loss. In these pages, we will look at three of the most common myths about customer-to-cash in digitally transformed GBS organizations, and present our viewpoints on each.

Myth #1: Remote and hybrid work models for executing customer-to-cash processes are inappropriate for GBS organizations.

Our take: False.

Covid-19 shutdowns proved GBS organizations can function successfully in a remote work environment. The rapid onset of the pandemic was a trial by fire for captive and outsourced GBS organizations. A few experienced severe operational disruptions initially, causing lengthy

delays in transaction processing. However, our GBS Covid-19 Response Poll (2020) revealed that most organizations made a successful transition, thanks to a number of mitigative actions (Fig. 1).

As the pandemic's crisis phase eases, workers' expectations about having a say in where and when they work have become permanent. In response, GBS organizations are normalizing the practice of remote work. Pre-Covid, only 14% of respondents to our 2021 GBS Key Issues Study had a remote or hybrid work model, whereas 56% said they expect to retain a hybrid work model once the pandemic ends. This will be much simpler for organizations that have already embraced modern solutions like cloud-based ERPs because the cloud platform enables greater scalability of technology and built-in remote access to key functionalities.

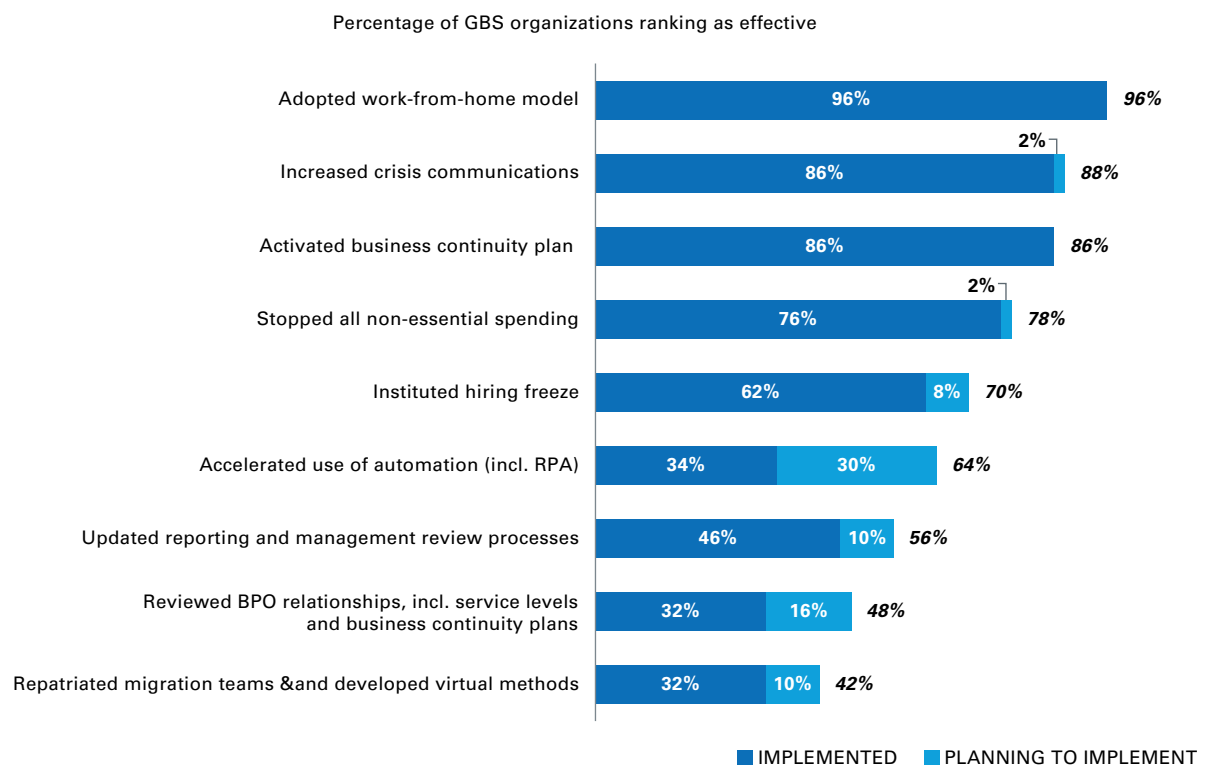
Myth #2: Customer-to-cash activities will be pushed further into the back-office.

Our take: False.

Customer-to-cash is in the forefront of the movement to shift the GBS value proposition away from one based on labor arbitrage to one offering value-adding services like decision support. This is made possible by access to real-time, cross-enterprise data, particularly in Digital World Class™ GBS organizations.

The goal of this shift is to deliver new and improved levels of customer satisfaction. The beauty of this development is that, in a digital operating model, a labor-for-technology trade-off is unnecessary: More efficient service delivery in customer-to-cash (made

FIG. 1 Covid response practices adopted by GBS organizations



Source: 2020 Covid-19 Poll, The Hackett Group

No longer solely a cost play, customer-to-cash teams within GBS organizations are on the front lines of interactions with customers.

possible by digital technology) results in higher customer satisfaction due to the greater availability of customer-friendly self-service, fewer errors, and generally more streamlined service delivery processes.

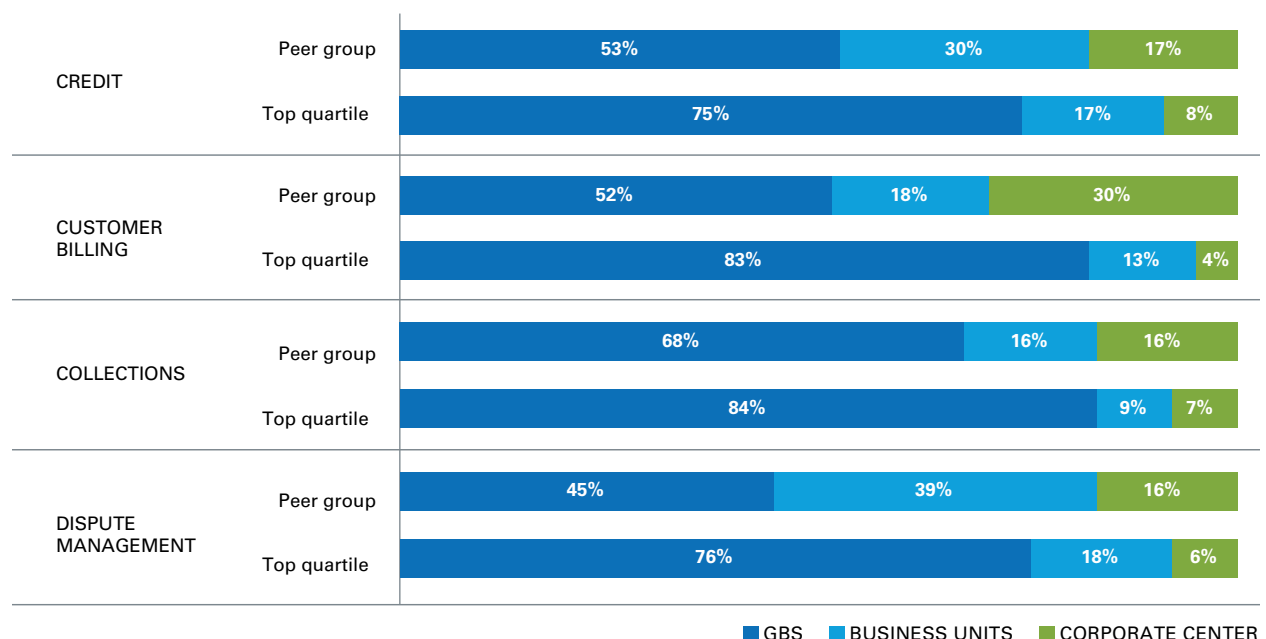
No longer solely a cost play, customer-to-cash teams within GBS organizations are on the front lines of interactions with customers. For example, the percentage of credit work executed in the GBS rose from 39% in 2020 to 53% in 2021; GBS organizations now perform 68% of collections activity versus 47% a year ago. This supports the foundational concept that the ultimate measure of a customer-to-cash organization's value is its impact on the performance of the core business – whether commercially, financially or operationally, or through the enablement of enterprise strategy.

There is room to expand the portfolio of services in the GBS further. For example, in Fig. 2, top-quartile GBS organizations handle 75% of customer credit activities, compared to 53% for more typical organizations (i.e., what we call the "peer group"). Similarly, 84% of collections work is performed by these leading GBS organizations, versus only 68% of the peer group.

To be successful, in a GBS environment, process owners must emphasize customer intimacy by enabling a one-stop shop for internal and external stakeholders; digitized, end-to-end processes, such as electronic bill presentment/payment and real-time dispute resolution; service-delivery innovation (primarily through early adoption of intelligent technologies); and leveraging of data to produce decision support through analytics.

Digital transformation allows customer-to-cash teams to access a rich trove of customer data, manage credit and collections processes from end to end, and optimize working capital management. By getting cash in faster and tailoring customer experiences, they directly impact the company's financial performance.

FIG. 2 Finance organizational model, by process



Source: GBS Performance Study, The Hackett Group, 2021

Myth #3: Owners of customer-to-cash processes in GBS organizations will come under intensified pressure to produce operational savings.

Our take: Partly false.

Customer-to-cash organizations will never be free from pressure to reduce process cost. However, these will increasingly come from digital strategies designed to produce meaningful savings without compromising service quality.

Technology modernization and the adoption of new tools is allowing GBS organizations to avoid having to make painful trade-offs between cost and quality of service. Shedding legacy systems and moving to cloud-based systems lets them reduce their technology costs dramatically; deploying automation tools such as software robots, they can eliminate manual handoffs; by building an integrated system environment, they can enable easy access to cross-enterprise data.

Aggressive digitization has yielded significant benefits over the past two to three years, according to our 2021 GBS Performance Study – and not just where cost is concerned. The most significant of these are reflected in measures of business value: 73% of top performers report a moderate or highly positive impact on the experience of their customers, suppliers and employees, versus 55% of peers. Most telling, because technological progress frees up staff time to focus on value-creating work, 64% of top performers say they have witnessed a moderate or highly positive impact on enterprise profitability, versus 39% of peers.

Customer-to-cash process leaders will need to work with GBS management to mix and match insourced and outsourced work in ways that plug gaps.

On the other hand, our data shows a significant expected rise in the outsourcing of customer-to-cash activities as a way to trim costs. No single entity can do everything, and GBS organizations will have to have

partners. Some of these will contribute capabilities and others will contribute scale, while still others will provide access to new technologies.

Nevertheless, partnering should not be exclusively about cost savings; more importantly, it must address the need for high-quality services that improve the customer experience. Since the selection and management of process partners is owned by the GBS organization, we anticipate customer-to-cash process leaders will need to work with GBS management to mix and match insourced and outsourced work in ways that plug gaps, plus offload work not directly related to a core competency, such as billing.

LOOKING AHEAD

The GBS model is and will remain the primary service delivery model for customer-to-cash. It offers a unique way to provide a one-stop solution for customers, whether they are calling for a credit check or a collection item. It also provides uniform services regardless of channel. Customer-to-cash processes within GBS organizations can enhance customer intimacy, drive better management of working capital, and produce and make use of rich data about customers and process performance.

As GBS organizations become more digitally mature, their primary source of value creation will be through business enablement, not labor-cost arbitrage. There are, however, three existential challenges that customer-to-cash leaders at GBS organizations must consider and address.

1. Ensure continuous process improvements:

Historically, GBS organizations' core competency was consolidating processes and building a low-cost service delivery capability, including engaging with outsourcing providers. Today, these competencies are no longer unique to the GBS: Functional leaders can execute them at a similar level, should they choose to do so.

The challenge is for GBS organizations to develop new capabilities that will ensure they remain relevant in process digitization, transformation and management, e.g., managing digital and manual labor. Therefore, they must demonstrate high levels of process maturity, which requires investment in process-specific point solutions and hiring or

developing staff with up-to-date skill sets. It behooves GBS executives to make a strong business case to functional leaders about the need for investment in technology that will help it continue to serve them better, at lower cost.

2. Meet elevated stakeholder expectations:

GBS organizations' initial mission was to extract inefficiencies via process standardization; however, as their focus shifts to enabling business performance, this one-size-fits-all approach is beginning to backfire. Too much standardization can adversely affect business strategies tailored to the demands of internal and external stakeholders. To address this challenge, GBS organizations must embrace new technologies that build on their standardized platform to offer customized interfaces at scale, e.g., self-service and intelligent packaging of information that meets the needs of different users.

3. Become a GBS evangelist: There is a risk that once first or second-generation GBS leaders – the ones who originally developed and promoted the benefits of process centralization and offshoring –

Once the generation of leaders who developed and promoted the benefits of GBS leave the workforce, business functions may reclaim their processes or outsource them directly.

leave the workforce, business functions will reclaim their processes or outsource them directly. Thus, the pipeline of new GBS leaders must learn to become vocal proponents of the model's competitive advantages, interacting with vendors and analysts to demonstrate to management the impact of the GBS on financial metrics such as EBITDA and ROE. To function leaders, GBS management must emphasize their ability to provide frictionless, user-friendly execution. Plus, they should make the model transparent to all customers so the organization's contributions can be easily recognized.

About the Advisor



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In his current role, Mr. DeGraw conducts topical research, supports client inquiries, leads member webcasts, performs client briefings, and speaks at conferences on topics including working capital, purchase-to-pay and customer-to-cash processes. His expertise includes credit/risk modeling, customer segmentation, collection strategies, supplier risk analysis, buy/pay transactional strategy, and leverage of automation. He has over 20 years of corporate and consulting experience in business process creation and reengineering, cost reduction/management, planning, budgeting and financial analysis. Mr. DeGraw's previous experience with The Hackett Group has included managing and delivering finance, procurement and other benchmark projects for clients in both the public and private sector.

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