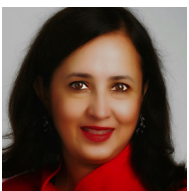


# Shared Service Centers: Leveraging digital to drive efficiency and value creation

New technologies offer potential cost savings, efficiency gains and control benefits for shared service centers (SSCs). However, corporates need to plan carefully to realize their goals.



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Cost, process optimization and standardization have long been the key drivers for corporates to implement SSCs. However, with the growth of new business models, changes in market infrastructure and new payment instruments, including instant payments and mobile wallets, and growing cyber threats, an SSC digitization strategy is becoming much more important for companies. There is growing emphasis placed on leveraging technology to add value by using innovations such as robotic process automation (RPA) and predictive analytics.

Digitization is gaining increased prominence in SSCs for multiple reasons. Payments and collections are evolving due to e-commerce and emerging technologies, including e-wallets, cards, and the internet of things. At the same time, innovation is opening up new opportunities; artificial intelligence (AI) can be used to help corporates to automate reconciliation processes, application program interfaces (APIs) can integrate bank functionality into ERP systems, and RPA can support repetitive tasks such as bank statement reconciliation and invoice processing.

Perhaps most importantly, digitization offers significant savings - McKinsey research on 120 SSCs showed a 50% increase in efficiency in some back-office functions - while furthering the centralization and standardization agendas that have driven the growth of SSCs in recent decades<sup>1</sup>.

<sup>1</sup> How shared-services organizations can prepare for a digital future, <https://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/how-shared-services-organizations-can-prepare-for-a-digital-future>

# A clear vision and ambition for automation is essential to drive forward an RPA project.

## Preparing for a digital future

While most SSCs are not yet prepared for a full-scale shift to a digital operating model, many are shifting towards knowledge-based activities with greater use of RPA, data and AI. In planning for the future, companies need to understand how and where digital technologies can be applied within an SSC operation. Three technologies stand out as relevant:

- **Intelligent automation** refers to the automation of a company's processes, including specific task-level processes using RPA, supported by analytics and decisions made by AI.

**RPA** is a key area of focus for many SSCs and has numerous potential use cases, including automating claims processing, client onboarding as part of customer due diligence, assessment and screening. Other opportunities include cash application automation (using the Citi® Smart Match solution, for example) and automated billing, including generation of invoices to a customer portal when an order is received.

A clear vision and ambition for automation is essential to drive forward an RPA project. It may be necessary to reengineer processes so that they operate effectively with RPA.

**AI and machine learning (ML)** applications for forecasting, virtual assistants and chatbots, and fraud detection can reduce costs by automating processes and improving both productivity and accuracy. One potential constraint when leveraging AI or ML is that many companies do not have access to clean data. To mitigate SSC payment processing risks, Citi has launched a Citi Payment Outlier Detection tool which uses AI and ML to help identify unusual payments for further client review before they are processed.

- **APIs** offer the potential for SSCs to move away from batch processing to a real-time environment, accelerating the cash application process, balance inquiries and liquidity reports. API technology can also help SSCs improve operational and financial efficiencies. For instance, an API-based real-time balance check removes the need for employees to manually log in and check a balance before releasing a batch of payments. APIs can also help improve the efficiency of accounts payables. For example, Citi's Payment Insights solution leverages SWIFT gpi to provide full visibility of the payment status and charges applied throughout the banking chain.

- **Cloud-based IT environments** enable better end-to-end integration of operations; the cloud is increasingly the foundation on which other innovations are built. Corporates were initially attracted by the cloud's lower costs and networked backups. Now companies are turning to the cloud for access to intelligent automation, distributed ledger technology and quantum computing.

For SSCs, these emerging technologies offer common core potential benefits - cost savings, reduced errors, greater productivity, improved governance and control and more timely insights to help the enterprise make more informed decisions.

However, while these technologies are expected to have a significant impact on SSCs, it is important to note that they are at different stages of evolution in terms of their proven resilience, scalability and stability. Corporates need to assess the maturity and stability of any solution, its expected return on investment, as well as the impact on business operations and models, before committing resources.

## Working with the right partner

The fast pace of technological development can make it daunting for corporates seeking to leverage innovation to improve efficiency and deliver added value for the business. Fortunately, support is available. Corporates should consider working with a bank that has a proven history of innovation, a track record of consistent investment in technology, knowledge of regulatory and infrastructure changes, and a deep understanding of the changing needs and priorities of SSCs around the world.

Citi partners with more than 1,400 SSCs around the world and continues to expand its portfolio of digital solutions, including Citi® Smart Match, CitiConnect® API, Citi Payment Outlier Detection and Payment Insights, to help clients drive operational efficiency and mitigate risks. As importantly, Citi prioritizes cyber security - a major challenge for companies: 76% of organizations have been the victims of payment fraud - and has developed a cyber security advisory toolkit with checklists, best practices and case studies for clients to consider<sup>2</sup>.

SSCs will continue to evolve their operating model, scope, technology and talent management strategy to support business units in a dynamic macroeconomic, regulatory and digital environment. Digitization is changing the role of SSCs - they are set to become centers of expertise, with a reduced emphasis on completing lower level manual tasks and a greater focus on knowledge-based processes as well as devising and launching innovative and efficient service options. Citi is ready to support its clients on this exciting journey.

<sup>2</sup> 2018 AFP Payments Fraud and Control Survey Report, <https://www.jpmorgan.com/content/dam/jpm/commercial-banking/documents/fraud-protection/afp-survey-2018.pdf>