Trade Around the World: Digitization in Trade and the Future of Shared Service Centers in Central and Eastern Europe

The Central and Eastern European (CEE) region has long established itself as a prime location for centralizing treasury and trade functions through Shared Service Centres (SSC). The region is rich with resources due to its highly educated, multi-lingual workforce; investment in technology and infrastructure, and its advantageous location bridging east and west time zones in the heart of Europe.

Central and Eastern Europe as a Hub for Business Services

In a world where corporates and multinationals can scale globally yet seek to centralize and optimize functions, SSCs can leverage a company’s investment in technology, simplify operating models and drive corporate governance. Centralization and data also go hand in hand. Centralization creates a process of verification and standardization which is critically important in managing data quality.

SSCs automate and standardize processes, whether regionally or at a global level, and improve the efficiency of many back office functions (e.g., payment processing, accounts receivable and financial reporting) by reducing duplication. In doing so, companies often find that they can improve working capital and optimize cash flow, support growth with increased productivity, and position themselves to more effectively manage risks. By centralizing such functions, companies also avoid the difficulties of having to replicate the necessary infrastructure and skills in each market as they grow organically, or through mergers and acquisitions.
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In the Heart of It – Perfecting the Centralized Model

Over the last number of years, many SSCs in CEE have evolved from low-cost, high-volume processing hubs to centres of excellence, moving towards global organizations, often referred to as Global Business Services, leveraging scale to achieve even greater returns on investment. By bringing together operational activities across multiple functions and regions under a single organizational framework, companies are able to achieve end-to-end ownership of significant functional processes such as: cash, digitisation of paper processes, data protection and technology standards.

Many companies have now widened the scope and accountability of their SSCs to address improvement in working capital, data, technology, risk and compliance. Indeed as the SSON ‘State of the Global Shared Services Market Report 2019’ notes “the past couple of years have shown a clear trend away from transactional, human-based work towards knowledge-driven activity enabled by data and automation.”

Citi’s unrivalled network and global presence makes it an ideal partner for SSCs. Citi partners with over 1,400 SSCs around the world and continues to expand its portfolio of digital solutions, including Citi’s® 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 which continues to be a major challenge for companies.

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. Trade is just one example the expanding role of SSCs is clearly visible.

Global Trade Flows Through It

As global trade and trade services also continue to be disrupted and enhanced by technology and digitisation, it is increasingly becoming an area of business where efficiencies can be achieved by incorporating the function into a Shared Service Center. Citi continues to digitize its platforms and processes to optimize the latest innovation available. As a part of this strategy, Citi digitizes over 25MM trade-related pages annually with optical character recognition (OCR). Citi has also launched a next generation initiative with EY and SAS, an artificial intelligence-powered risk analytics scoring engine, to streamline risk reviews in the highly-manual process of evaluating over 9 million transactions annually. The initiative will utilize artificial intelligence (AI) technology to automate manual processes. All of which leverage the key themes coming from Shared Service Centers - using Big Data and leveraging emerging technologies.

Additional strategies towards digitization include offerings such as kompo, a Blockchain-based platform aimed at transforming commodity trade finance, as well as Trade Information Network, to help enable financing deeper into supply chains. Through technology, these new advancements also may provide a variety of enhanced data insight analytics to add value throughout the transaction life cycle. Citi’s Global Trade business strategies continue growing with not only end-to-end offerings, but proven capabilities to help ensure successful program execution.

A Holistic, Integrated Approach for Simplification and Sophistication

Through offerings such as CitiDirect BE, with its trade module, multinationals can efficiently generate reporting on trade instruments, supply chain finance and document methods of credit on a global basis without having to go into a separate system. Having a banking partner with a consistent global platform not only allows multinationals to better optimize data synergies, but also may reduce the cost associated with investing in multiple treasury systems.

Global technology integration and standardization, made possible by Citi, allows multinationals to more efficiently manage treasury and trade flows, enabling SSCs to support the business in a much more strategic way.

Over the coming years, we expect to see SSCs play a crucial role in making complex, global treasury transactions easier. By centralizing and leveraging technology, SSCs offer potential for simplification. With improved use of metrics, enhanced automation tools, digitisation of processes, and an evolution of a robust technology and operational risk management architecture, SSCs will continue to see their value grow. We also see SSCs incorporating and centralizing more functions such as trade, and as a result acting as an integral partner to the business in the achievement of business objectives.