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ESSENTIALS TO MODERNIZE YOUR BACK OFFICE

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This document highlights the building blocks companies must establish to build and maintain a modern back-office organization that achieves operational efficiency and creates satisfied customers.

Traditional Back Offices versus the Modern Back Office

The back office (see sidebar) is charged with completing customer order or service requests accurately and on time to minimize operational costs and ensure business excellence. In fact, the number one goal for all back-office organizations is improving operational efficiency, according to a survey Aberdeen conducted between April and May of 2019 of 354 operations leaders across companies of all sizes and industries across the world.

However, the findings showed that unlike traditional back-office organizations, firms that modernize their back-office activities (see sidebar) do not blindly focus on decreasing cost. They aim to balance efficiency with customer-centricity to drive desired customer experience (CX) improvements. For example, modern back offices are 7.5x more likely to cite providing customers with greater transparency into back-office activities as a top objective (45% vs. 6%). This transparency is achieved by providing customers and managers with more accurate and timely insight into relevant activities such as claims status.

But both modern and traditional back-office organizations face many obstacles when pursuing these objectives. Survey findings reveal the top challenges impacting all back-office activities are:

- Inconsistent management processes
- Outdated technology

Back offices have traditionally managed activities in an ad-hoc manner, meaning different tools, processes, and skill levels among managers. This can result in discrepancies, negatively impacting efficiency and leading to inconsistent customer experiences. Managers often don't have full visibility into the customer outcomes, seeing only their portion of the task or process.

Back-office leaders also cited the absence of technology upgrade investments and legacy systems that don't easily integrate with newer technologies or existing business processes as a major challenge. Together, these indicate that back-office leaders lack the right capabilities needed to drive efficiency and customer satisfaction.

Definitions

For the purposes of this research, Aberdeen makes the following definitions:

Back office: The traditionally non-customer-facing (or behind-the-scenes) operations that execute customer requests, such as order processing, underwriting, claims, and account maintenance.

Modern back office: Companies that don't just focus on monitoring and managing back-office efficiency but aim to balance efficiency with customer-centricity to drive desired customer experience (CX) improvements. In doing so, these organizations use digital tools and AI capabilities such as automation to reduce manual work and align all business departments to deliver seamless customer experiences.

The Modern Back Office

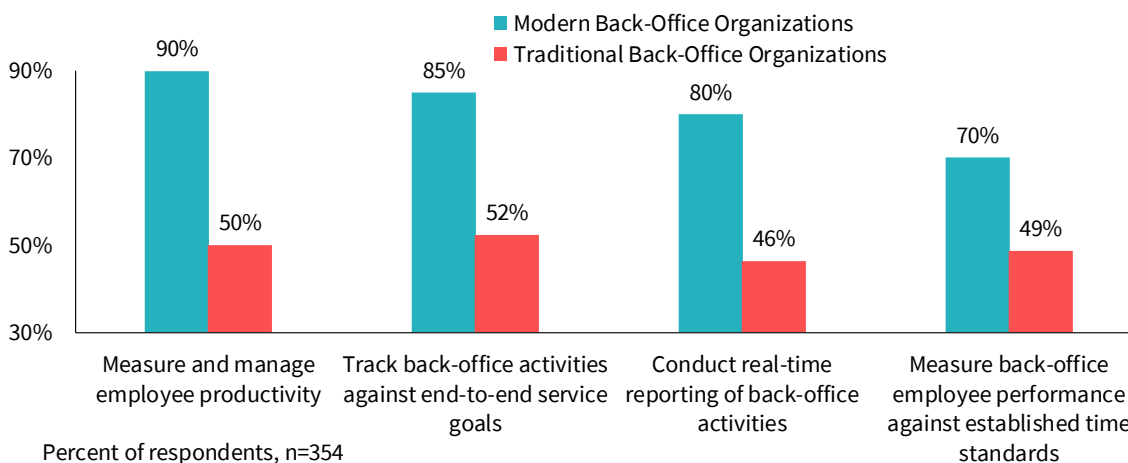
How do forward-thinking back-office leaders differentiate themselves from their traditional counterparts to achieve success? To answer this question, we looked at the widely adopted capabilities present in many modern back-office organizations. These capabilities fall into three categories:

- Optimizing employee performance
 - Real-time management of back-office activities
 - Leveraging automation to improve speed and accuracy
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Optimizing Employee Performance

Activities in this category relate to back-office leaders monitoring and managing employee performance to drive efficiency and transparency into activity status, such as by monitoring the number of claims reviewed. For example, Figure 1 shows that modern back-office organizations are 43% more likely to measure employee performance against established standards (70% vs. 49%). This requires companies to determine, often more through art than science, what the standard should be. An example of this is determining the reasonable accepted average time it should take complete a task, such as reviewing a loan application. Modern back-office organizations track employee performance against these standards, and if employees take longer than average time to complete their tasks, their managers, equipped with visibility into their performance, can provide them with additional coaching and training.

Figure 1: Key Activities to Maximize Employee Performance



Percent of respondents, n=354
Source: Aberdeen, May 2019

Forward-thinking back-office leaders are also 63% more likely to track their activity results against end-to-end service goals (85% vs. 52%). They do so through tools such as dashboards, desktop analytics, throughput and productivity reporting, and work allocation tools to view results against service objectives, such as processing a certain number of insurance claims each day. Visibility towards meeting service goals allows back-office leaders to

The ROI of Modernizing the Back Office

Compared to their traditional counterparts, modern back-office organizations enjoy:

- 11.7x annual increase in employee productivity

- 5.4x annual increase in number of quality service-level agreements (SLAs) met

- 2.8x greater annual increase in customer satisfaction rates

They also report an average 15.3% year-over-year decrease in operational costs, compared to 1.9% increase by traditional back-office organizations.

proactively take corrective action if the company faces the risk of not meeting its service goals.

Figure 1 also shows that modern back-office organizations are 80% more likely to measure and manage employee productivity (90% vs. 50%). Measuring employee productivity requires visibility into employee performance in accurately and efficiently completing tasks. This visibility is gained by using desktop analytics to monitor employee desktop to observe how long it takes employees to complete tasks. Data shows that modern back-office organizations are 48% more likely to use desktop analytics (40% vs. 27%).

Real-time Management of Back-Office Activities and Processes

While historical activity results are helpful for back-office leaders to diagnose operational issues including poor employee productivity or delays in task completion, real-time visibility helps uncover issues as they happen. This helps firms address back-office inefficiencies resulting in unnecessary costs and unhappy customers. Figure 1 shows that modern back-office organizations are 74% more likely to conduct real-time reporting of back-office activities and leverage that data to proactively manage their operations to ensure more timely visibility into their performance (80% vs. 46%).

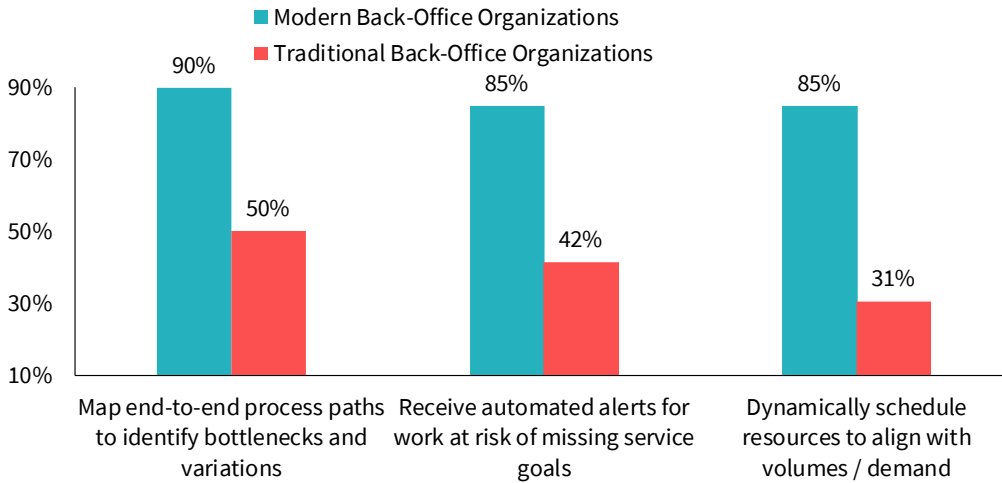
The second set of activities widely used by modern back-office organizations are related to optimizing operations processes such as claims processing and loan origination. To optimize processes, companies must establish visibility into operations including current process flow and time-to-completion. These insights enable mapping key processes to document when and where these processes begin, how they evolve, and how each back-office employee influences the ability to complete them in an accurate and timely manner.

Figure 2 shows that modern back-office organizations are 80% more likely to map end-to-end flow (90% vs. 50%) of their most valued or high-risk processes, and forward-thinking back-office leaders are 25% more likely to use both process and workflow management tools to execute this activity (40% vs. 32%).

Don't stop at analyzing historical activity results to spot and address inefficiencies. Establish real-time visibility to proactively manage your back-office activities to achieve desired results.

Modern back-office organizations are 714% more likely to decrease operations / back-office costs than their traditional counterparts.

Figure 2: Continuously Optimize Back-Office Processes



Percent of respondents, n=354

Source: Aberdeen, May 2019

Real-time mapping and management of key processes is also instrumental for firms to give customers visibility into back-office activity status – the second most common goal driving back-office programs. Firms can accomplish this goal by tracking back-office activities and analyzing whether customer requests have reached a certain point in the process, such as claims payment. This provides customers with more transparency into the back office and its activities.

Process optimization also helps back-office organizations uncover efficiency issues, helping back-office leaders minimize delays in task completion, reduce unnecessary costs such as employee overtime, and reduce customer churn by alleviating client frustration. As an example, delays in handling an auto insurance claim are likely to frustrate the claimant / client, and would increase the risk of the customer not renewing their auto insurance policy.

Figure 2 shows that modern back-office leaders are twice as likely to have processes in place that trigger automated alerts when the company is at risk of missing service goals such as delays in claims handling (85% vs. 42%). Back-office leaders can use these alerts to take preventive action to mitigate issues impacting their ability to meet service goals.

A common reason why back-office organizations fall behind in attempts to meet service goals is unexpected changes in activity volume. One of the many ways this challenge impacts firms is exemplified by insurance firms facing unexpected increases in insurance claims after a natural disaster, such as a hurricane or earthquake. It's vital that organizations adjust their activities when volume fluctuates to be available to address the clientele and their concerns and needs.

Figure 2 shows that organizations with a modern back-office are 2.7x more likely to align employee forecasting and scheduling activities with task volume (85% vs. 31%). Data also shows that these firms are 19% more likely to use predictive analytics to help anticipate employee needs using changes in activity volume (25% vs. 21%).

Modern back-office leaders are 2.1x more likely than their traditional counterparts to incorporate automation within their activities.

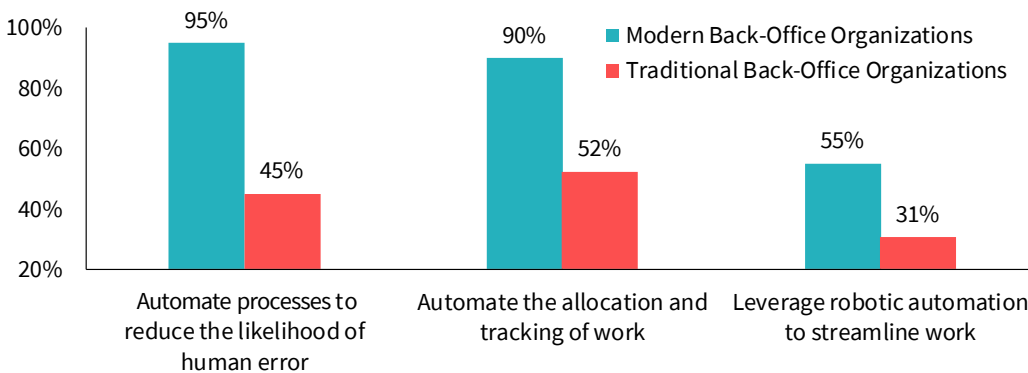
Leveraging Automation to Improve Speed and Accuracy

Once companies optimize their processes and empower employees with the right tools and information, they should make the next priority driving increased efficiency in executing tasks and processes. This helps back-office leaders attain their number one goal of improving efficiency while also reducing costs. Modern back-offices look at automating certain management processes such as:

- Employee performance monitoring and measurement
- Forecasting, planning, and scheduling employees
- Allocating and tracking work against service goals

These organizations also look at leveraging technology to automate the simpler, rules-based tasks employees perform. In fact, Figure 3 shows that almost all modern back-office organizations automate processes with the goal of reducing human errors.

Figure 3: Improve Your Back-Office Performance with Automation



Percent of respondents, n=354
 Source: Aberdeen, May 2019

It's important to note that not every process can be automated. For example, the review of a complicated medical insurance claim is better handled by a trained and knowledgeable human, but parts of this process — such as collecting details about the claim or accessing coverage details — can be completed through automation.

Figure 3 shows that modern back-office organizations are 81% more likely to use robotic process automation (RPA) capability (55% vs. 31%). This refers to using software programmed to repeatedly execute rules-based tasks and activities with consistency and accuracy resulting in efficiency gains and improvement in employee productivity. Those are among the reasons why modern back-office organizations enjoy a decrease in operational costs while creating happier customers.

Key Takeaways

The pursuit of efficiency and cost reduction have traditionally been top-of-mind for back-office leaders. However, as companies look to differentiate themselves from competitors, they increasingly rely on delivering superior customer experiences across all departments, including the back office. Forward-thinking back-office leaders understand their role in delivering a great customer experience. They are far more likely to implement the building blocks allowing them to achieve greater efficiency and economies of scale while providing customers with improved visibility into back-office activities and faster, more accurate service. Additionally, decreasing operational costs remains the number one goal driving traditional back-office organizations. Ironically, while traditionalists observe 1.9% increase in their costs, their peers who cite efficiency and customer-centricity as their top objectives enjoy a 15.3% annual decrease in their operating costs.

Transforming a traditional back-office organization into a modern one can be complicated. The good news is that you don't need to test multiple strategies, wait for their results, and improvise to discover what works. Following the lead of modern back-office organizations by replicating the building blocks they establish in their businesses will help maximize the likelihood of achieving similar results. These building blocks include:

- Optimizing employee performance
- Real-time management of back-office activities and processes
- Leveraging automation to improve speed and accuracy

We recommend carefully reviewing each building block and the tasks and technologies your organization excels at and lacks in its back-office activities. Once you determine these, focus on those you can incorporate into your activities with existing human and financial resources to get immediate benefits and supercharge your organization's modernization process.

Modern back-office organizations prioritize balancing efficiency and customer-centricity as their top goal.

In comparison, traditional back-office organizations cite cost reduction as their number one objective.

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