

Feel the Brand:

Sourcing Corporate Services for the
Digital Age

Canon Business Process Services

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Director R&D

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West Region Accounts Manager





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CANON BUSINESS PROCESS SERVICES, INC.

Presented by

Ted Ardelean
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R&D Marketing*



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West Region Accounts Manager

About Canon Business Process Services, Inc.



**Subsidiary of
Canon U.S.A.,
a Canon Group
Company**



Services

- **BPO:** AP, Claims Process, Auto Fin, Cr Card processing, Legal coding
- **DPO:** Imaging, Records management, Print, Mail
- **Office Services:** Reception, Hospitality, A/V, Admin Services
- **Discovery:** Physical, digital, consulting, technology
- **Workforce:** Material Handling, Logistics, Administrative, Light Industrial



4,500 people



Service delivery

- On-site, Off-site, Off-shore processing centers
- Six-sigma process excellence methodology
- Customized, supplementing client technology with CBPS technology



**IAOP Top 100
Global
Outsourcing
Leader 2007 to
2018**

BPO Business Process Outsourcing
DPO Document Process Outsourcing



CANON BUSINESS PROCESS SERVICES, INC.

Agenda

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What's New in Corp Services and the Workplace Experience

2

Forces driving change in back-office

3

Strategies to maintain order and control costs

4

Case studies, take away, and Q & A

1

What's New in Corp Services and the Workplace Experience

Overview - The Back-Office



Corporate Services

People-interfacing activities
that support core and admin
functions aka: Office
Services, Business Services



Shared Service Centers

The corporate functions such as HR, F&A, Legal, Procurement, SCM



Facility Services

Services related to Space & Infrastructure and to People & Organization (IFMA)

Overview - The Back-Office

Experience centric

Factors Influencing Workplace

- Employee Engagement (experience at work)
 - Technology
 - Amenities
 - How work gets done
 - People assisted by Digital
 - Digital assisted by people
- Attractiveness
- Cool Factors
 - Design
- Amenities

ISG survey suggests that workplace managed services are undergoing a paradigm shift, from being device-centric to user experience-centric.

ISG Provider Lens Quadrant Report – Managed Digital Workplace Services, Large Market for the US



2

Forces driving change in back-office

A

Digital Business

B

Systemic Workforce
Shortage

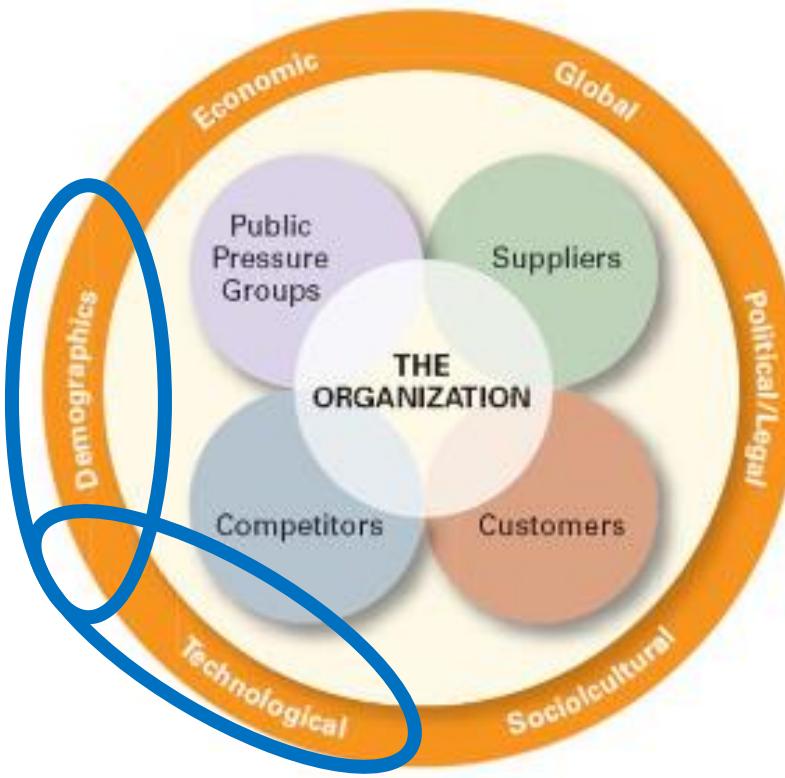


C

Workplace Change

Environmental Factors

Demographics and Technology is permeates strategic decisions



A- Digital Business

Digital business

...means using technology in every corner of the business to create value for customers or increase operational efficiency

Examples

- Add technology to current products



FedEx
SenseAware



Adidas
MICOACH
Smart Ball

- Create new products out of technology

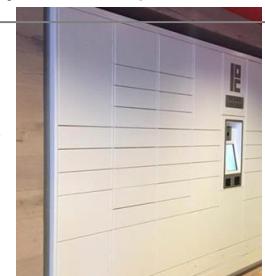
GE Predix Platform

- Use technology in the processes that make the product or service you sell

Customer Portals
eCommerce Websites

- Use technology in the processes that support the entire business (back-office)

Automated data capture/extraction/validation/correction
Document Management, RPA
P2P Automation, Virtual Receptionist, eDiscovery
Workplace Services (Employee Experience)



Digital
Locker

A- Digital Business



Digitising and disrupted.

Technological advancement is seen as the most disruptive of the megatrends, profoundly affecting the way organisations are organised and run. 77% of CEOs say it's behind a fundamental shift in their stakeholders' expectations.



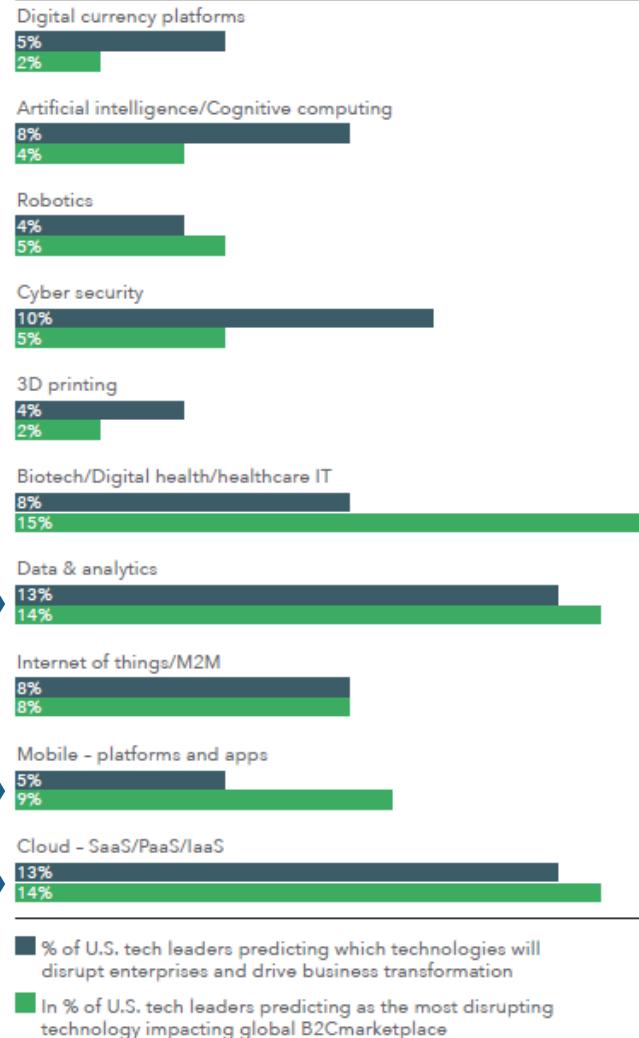
of CEOs name
technology as one of the
top three trends transforming
stakeholder expectations.

PwC 19th Annual Global CEO Survey

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Figure 2.2: The Most Disruptive Technologies over the Next Three Years



Source: KPMG³²

B- Systemic Workforce Shortage is developing



Workforce changes

- Baby boomer generation retiring quickly
 - Worker shortage
 - Knowledge loss
- Culture change from analog to digital
 - Millennials expect digital work, digital office
- Multiple generations present conflicting needs for employers
- Shift from employee to non-employee relationship

...anywhere from 8 to 40% of the workforce may consist of temp, contract, outsourced or shared-job employees...

Source: Department of Labor's Bureau of Labor Statistics (BLS)
GAO-15-168R Contingent Workforce

In Corporate Services...

average age of facilities staff is 52

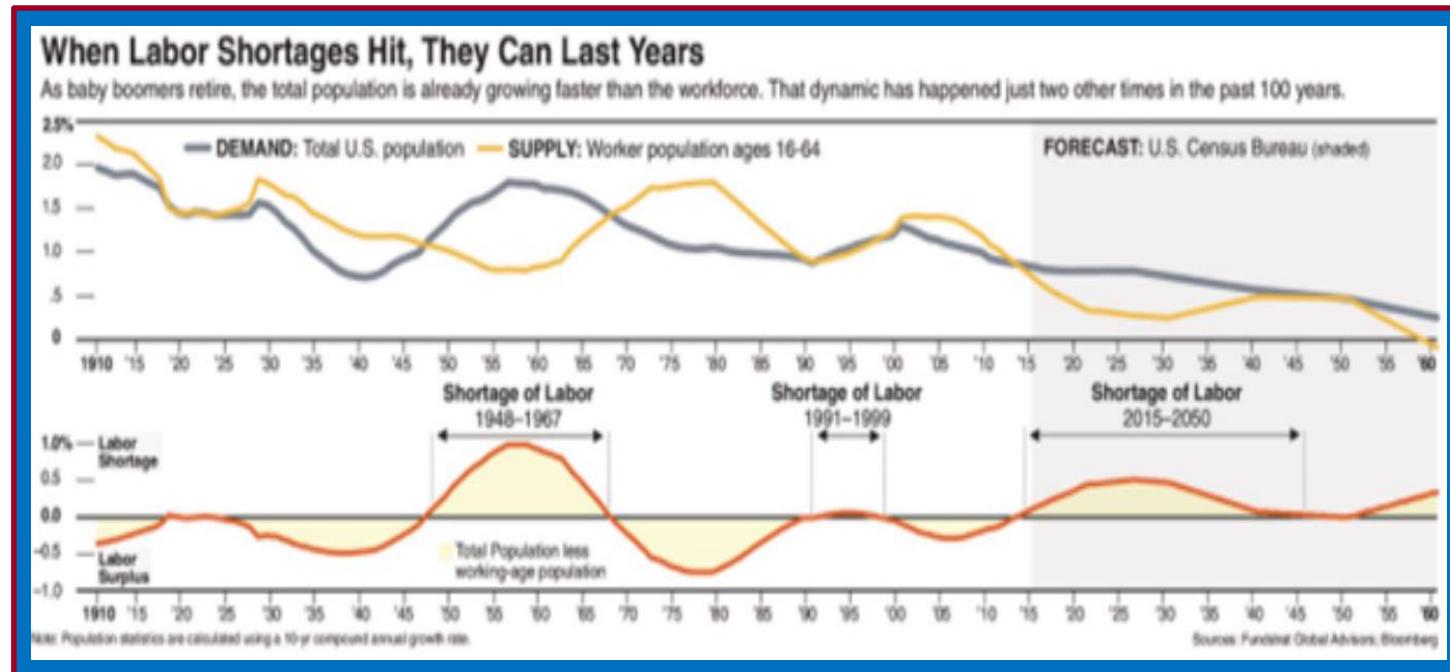
60% will retire in next 10 years

There is no formal supply pipeline for FM and Administrative workers

Poll Q: What is your policy about use of non-employees?

B- Systemic workforce shortage is developing

According to the Employment Policy Foundation (EPF), a systemic labor shortage is expected to transform the workplace over the next 15 years as the gap between the retiring baby boomers and the number of younger workforce entrants widens due to the boomers' mass retirements.



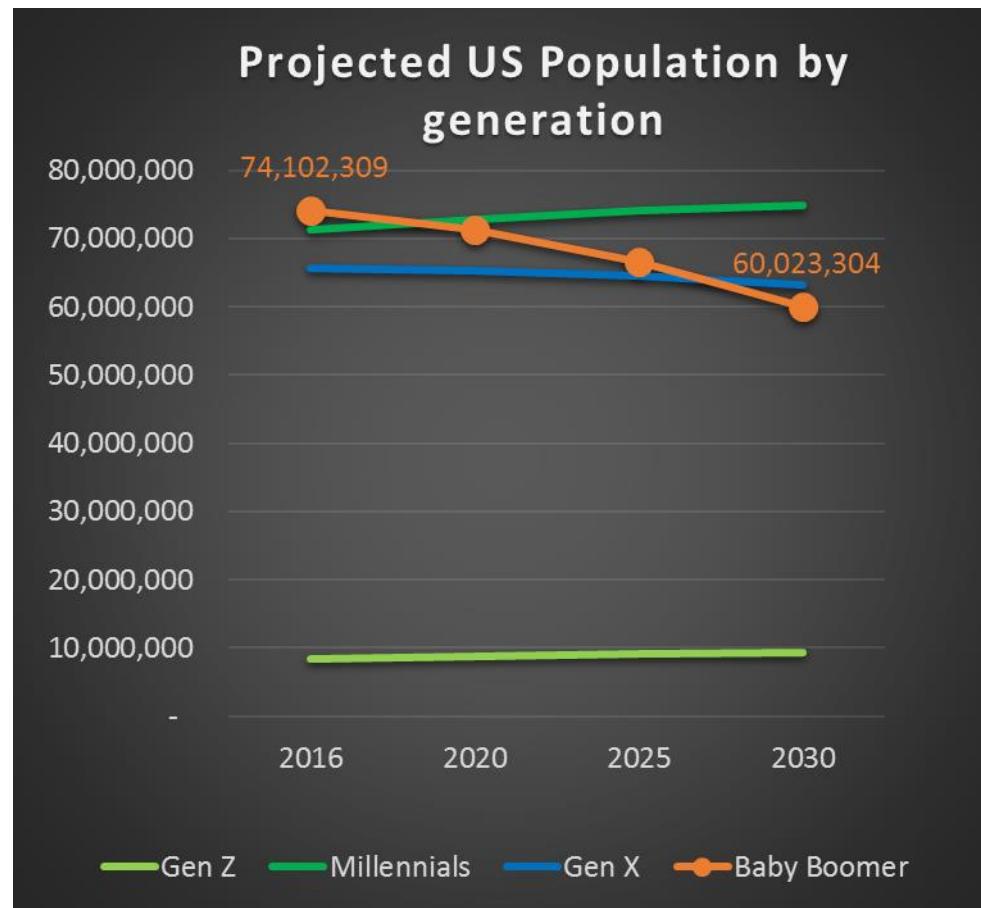
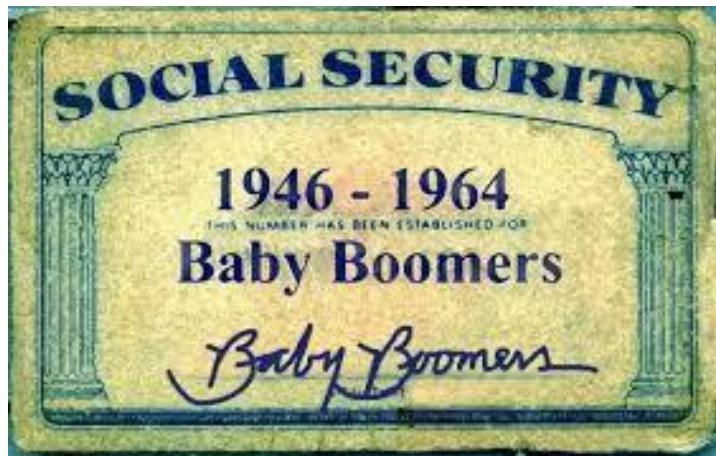
B- Systemic workforce shortage is developing

3 Factors...

1 Demographic changes

Approximately 14 million Baby Boomers (from 74 to 60 million) will retire between 2019 and 2030.

The following generations (Z, Millennials and X) will not be large enough to fill available jobs.



Note: Millennials refer to population ages 20-35 as of 2016.

Source: US Census Bureau population projections released December 2014 and 2016 population estimates.

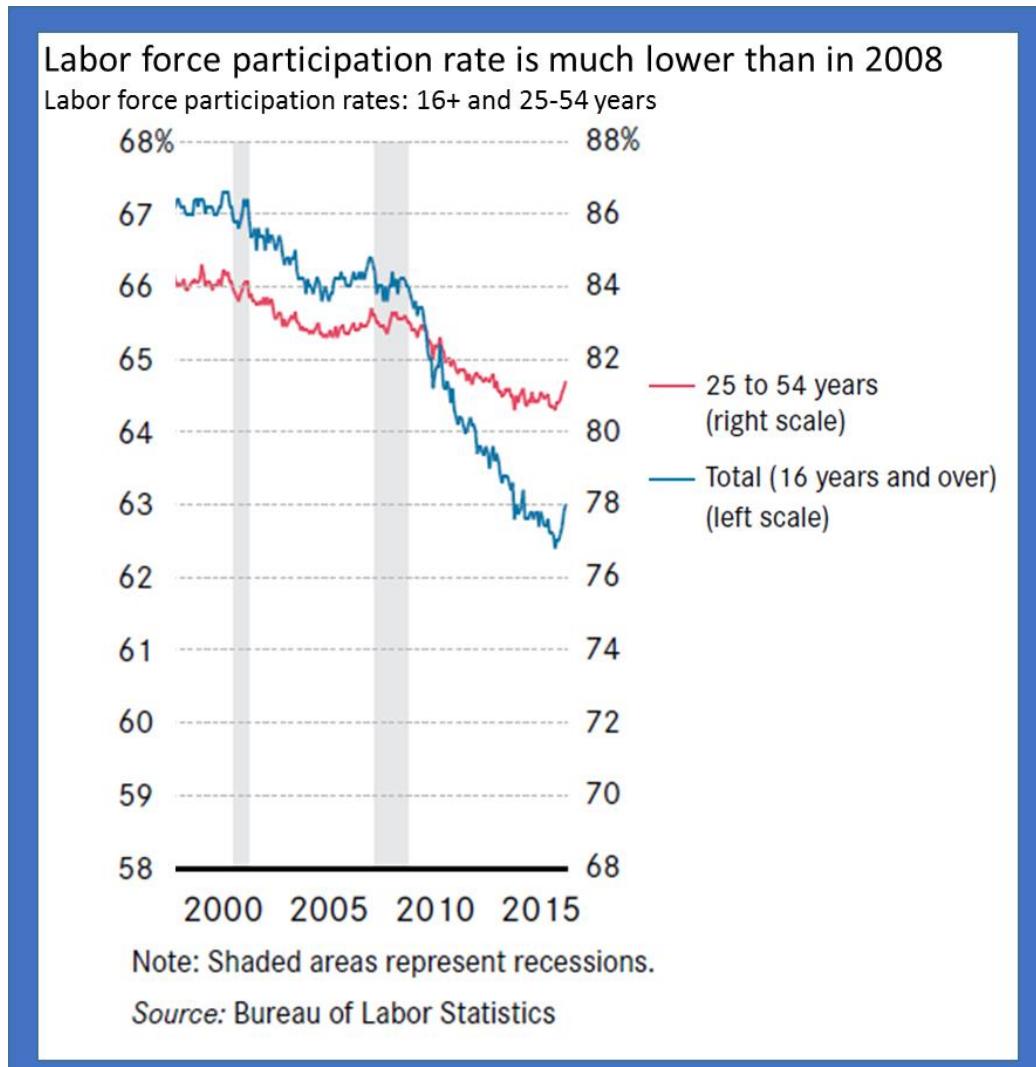
B- Systemic workforce shortage is developing

3 Factors...

2 The decline in labor participation rate

The labor force participation rate, which measures the percentage of the adult population that's working or actively seeking employment, has dropped to 63% (in 2018) from 66% in 2000.

Over the past 10 years millions of people have dropped out of the workforce for various reasons.



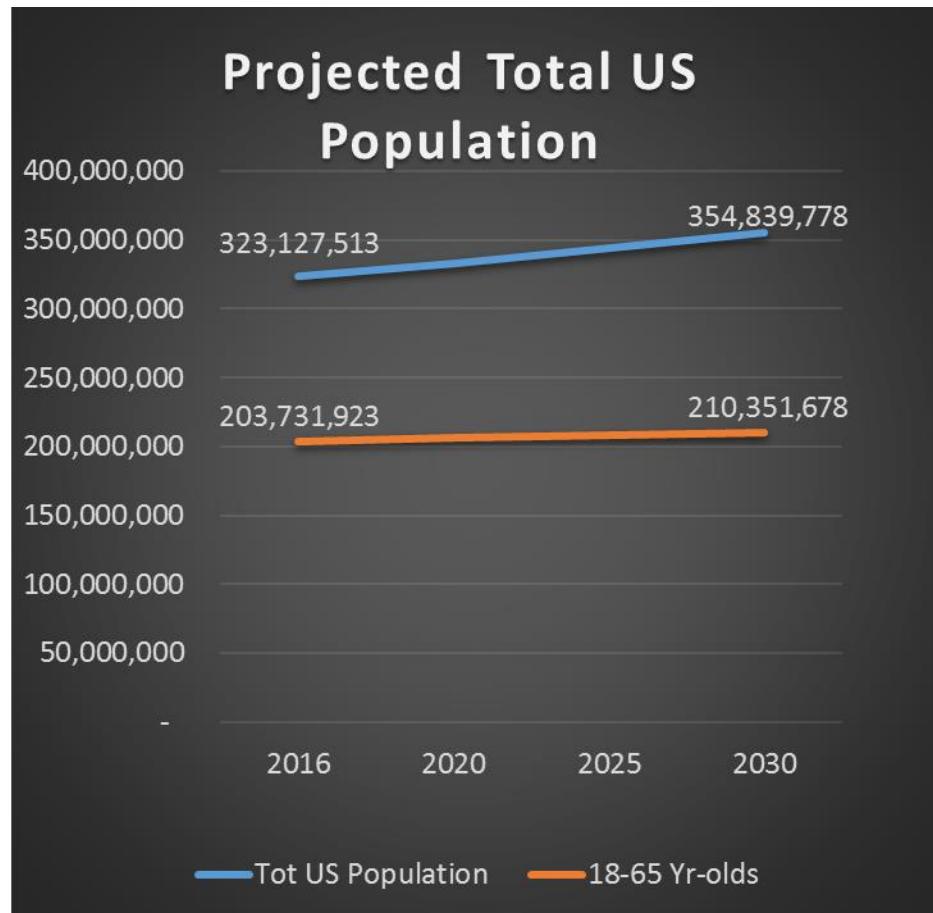
B- Systemic workforce shortage is developing

3 Factors...

3 The growing US population.

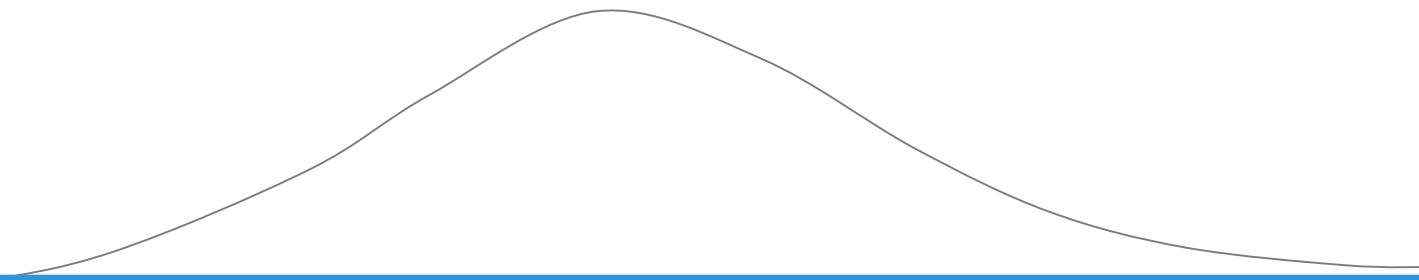
The total US population is projected to grow at .67% per year (32 million) between 2016 and 2030. But the working age (18-65 yr.-olds) is projected to grow at a slower rate of .23% (6 million).

When the population grows the number of working age people should be growing at a similar rate to be able to support the needs of the population.



B- Systemic workforce shortage is developing

The typical cycle and potential actions companies take...



Recognition	Action	Final
2015-2020	2020-2025	2025-2030
<ul style="list-style-type: none">• Review and adjust work standards or requirements• Review job descriptions, skill or experience requirements• Consider hiring people normally you did not (retired, Temp, Less Experience, less qualified)• Increase training• Leverage automation• Enhance company brand to attract the better workers• Increase work flexibility• “Prepare” to pay higher wages	<ul style="list-style-type: none">• Increase wages• Improve benefits• Increase automation• Change business processes to reduce headcount• Hire retired workers• Hire Temp/Contingent workers• Increase work from home	<ul style="list-style-type: none">• Take advantage of new sources of workers and technology

B- Systemic workforce shortage is developing

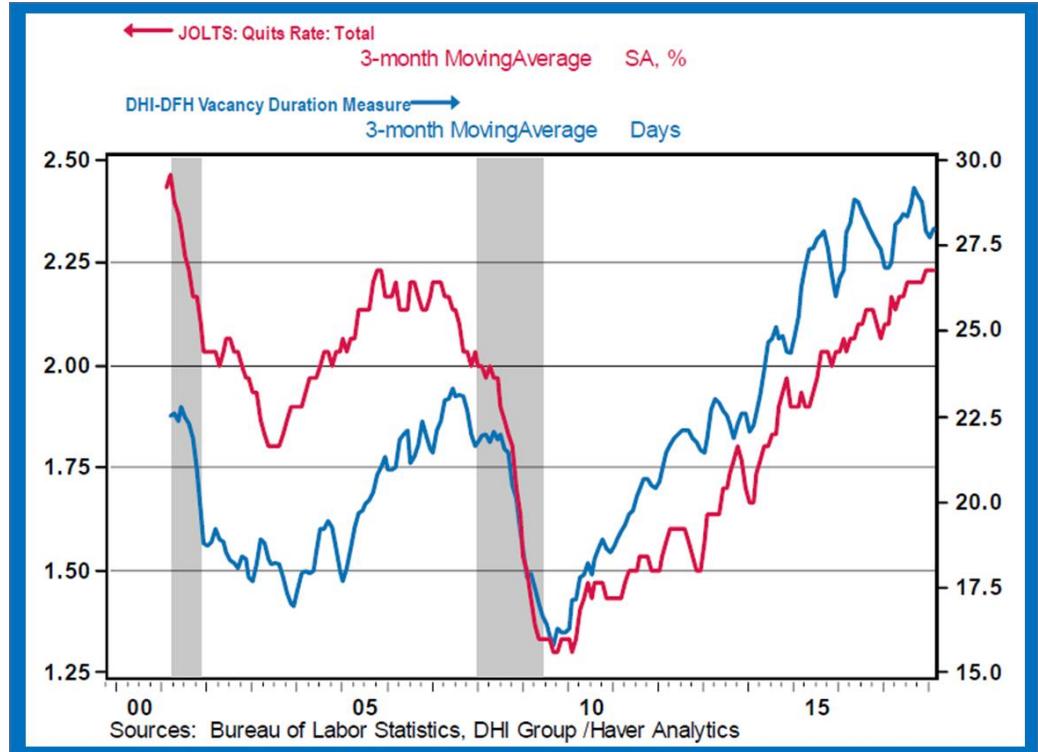
Vacancy Rates Trending Upwards

Much longer to fill positions now than in 2007

Vacancy rate: 28 days
(blue right Y scale)

Quit rate 2.1% (employer cost index)
(red, left Y scale)

Vacancy rate is the average days to fill a position



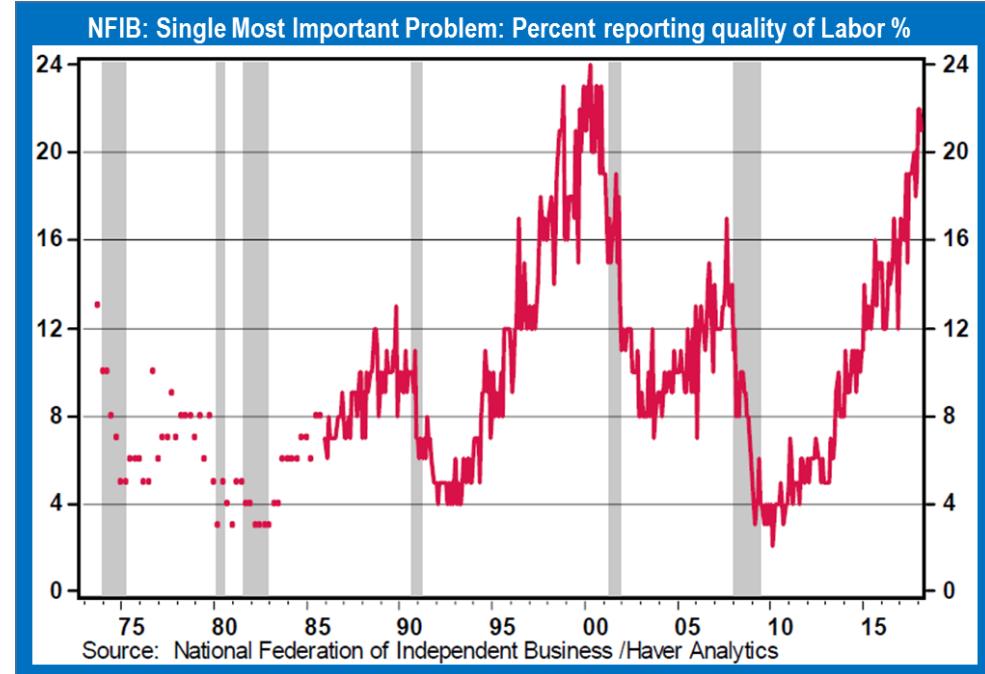
Poll Question: Is it taking longer to fill positions in your business?

B- Systemic workforce shortage is developing

Workforce quality is a growing concern for companies

More companies are reporting labor quality is a growing concern

- Less qualified job candidates
- Higher turnover require more training



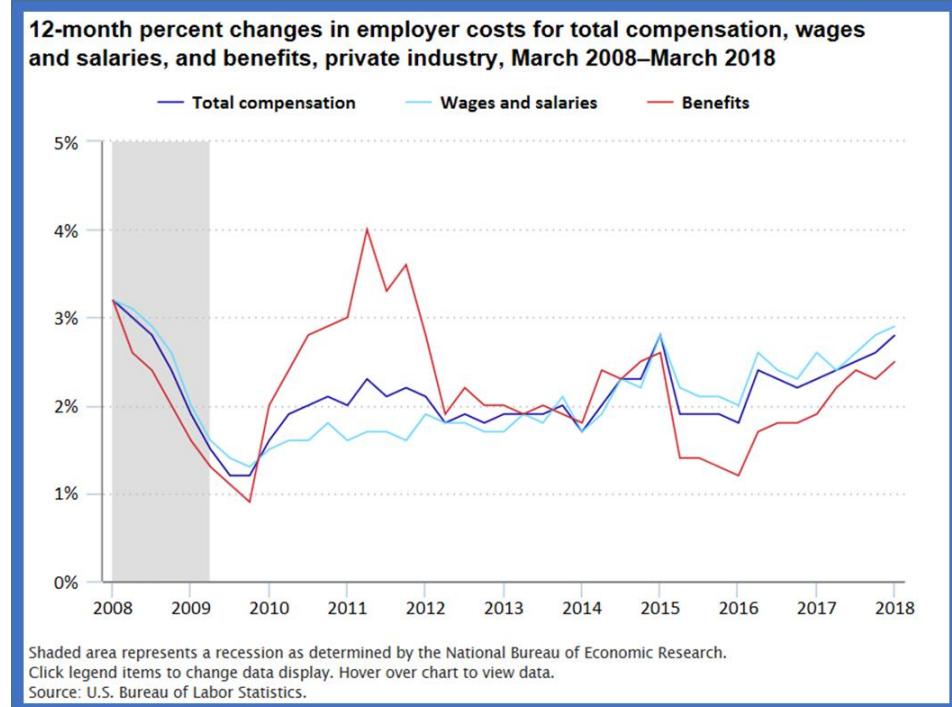
B- Systemic workforce shortage is developing

Employer total compensation costs are beginning to trend upwards...

Compensation costs for private industry workers rose 2.8% over the 12 months ending March 2018.

Wages and salaries, which make up about 70% of compensation costs, increased 2.9% over that period, while the cost of benefits rose 2.5%.

Source: Bureau of Labor Statistics, U.S. Department of Labor



C- Workplace Change



Quality of life at work experience

- Fewer larger facilities
 - Amenity rich
 - White glove service
- “...rather go to work than work from home...”
- Focus Real Estate & Facilities Management on employee engagement productivity, well-being
- Digital ways of working and tools
 - Deskless
 - Access to all tools and files on the go

The flexible work arrangement has reduced the space per employee to 150 sq ft compared to 400 in 2005

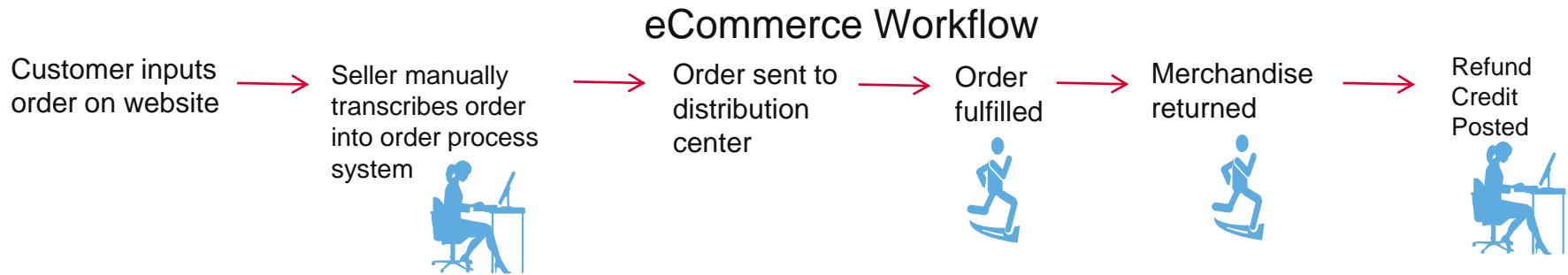
C- Workplace Change

Disruption and Impact on Back-Office Operations

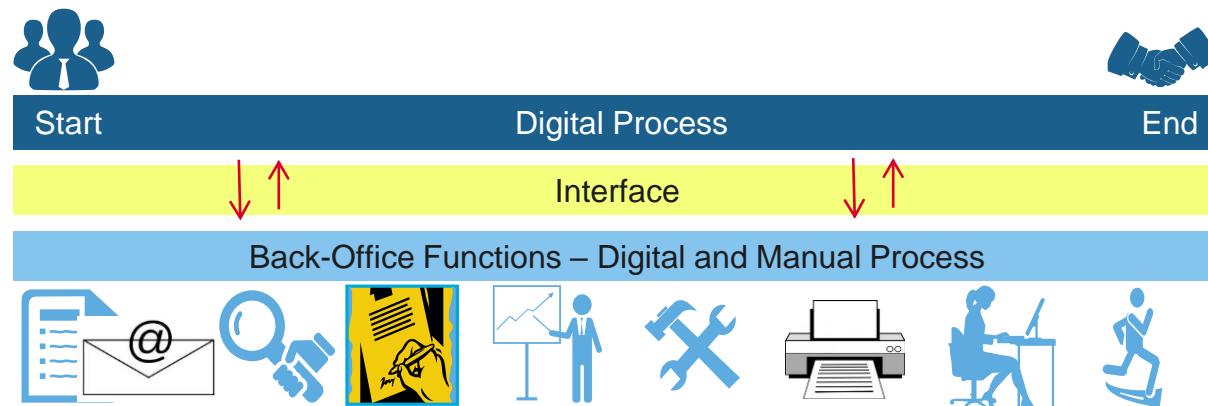
Digital Business	<ul style="list-style-type: none">Reduces number of workersChanges process – dual digital/manualDemands technology skills even in low level jobsAdds complexity – inefficient when tech limits are hitRequires job and function redefinition	<ul style="list-style-type: none">Unit cost increases as physical transactions decreaseNew technology adds costCapital investment will increase unless a new strategic approach is taken to sunset hardware, software and skill requirements
Workforce Shortage	<ul style="list-style-type: none">Shortage of workers	<ul style="list-style-type: none">Higher training costsRedefine job responsibilitiesMore contingent workers or service providers neededReplace workers with digital solutions
Workplace	<ul style="list-style-type: none">More challenging to support the larger, complex locationsMore challenging to support the smaller locations that do not have the workload for full FTEs	<ul style="list-style-type: none">Requires new logistics and customer service approachRequires automation and remote services

Example

When the back-office processes are not automated in sync with digital business, efficiencies are not realized.



If the back-office process is not 100% digital, interfaces (manual) are usually created to complete the process.



Example: Typical back-office automation needed



Start		Digital Processes			End	
		Interface				
		Support Function		Digital Upgrade Opportunity		
Office Services	Print/Mail	Records Mgmt	S&R	Real Estate & Facility Mgmt	Finance & Procurement	Legal
Virtual Reception	Return Mail Digitization	Automated data capture	Tracking	IWM	AP Automation	eDiscovery
Hoteling	Multi-Channel/Media Comm	Scanning/OCR	Dynamic Rates	Space Optimization	ACH, P-Cards	Case Mgmt
Collaboration		Digital Records	IoT Sensing	IoT Sensing	Vendor Portal	e-Filing
AV Conferencing		Workflow		Energy Mgmt	Digital Invoice	
Office Print Security				Surveillance	eBilling	

Labor cost optimization through job pooling, cross-training
Facility space optimization through outsourcing, function consolidation
Efficiency and labor cost cutting through strategic use of RPA, Data Capture

3

Strategies to maintain order and control costs

Strategies to maintain order and control costs in the Back-Office

If managed in-house

- Consolidate functions, pool labor
- Outsource activities that require capital or expertise
- Go digital, all the way
- Pool contingent jobs and convert into SOW service

When Outsourcing

- Keep minimum essential staff on-site
- Move declining activities to vendor's shared services
e.g. mailroom, print room, imaging, paper processing, Help Desk
- Use vendor hardware/software to avoid capital investment
- Go digital - automation, cloud, mobile, analytics

Use six-sigma to improve process

Tip: use service provider's 6-sigma resources if you do not have your own

Let your operational data drive decisions

Tip: If data is not available ask service provider for benchmark data



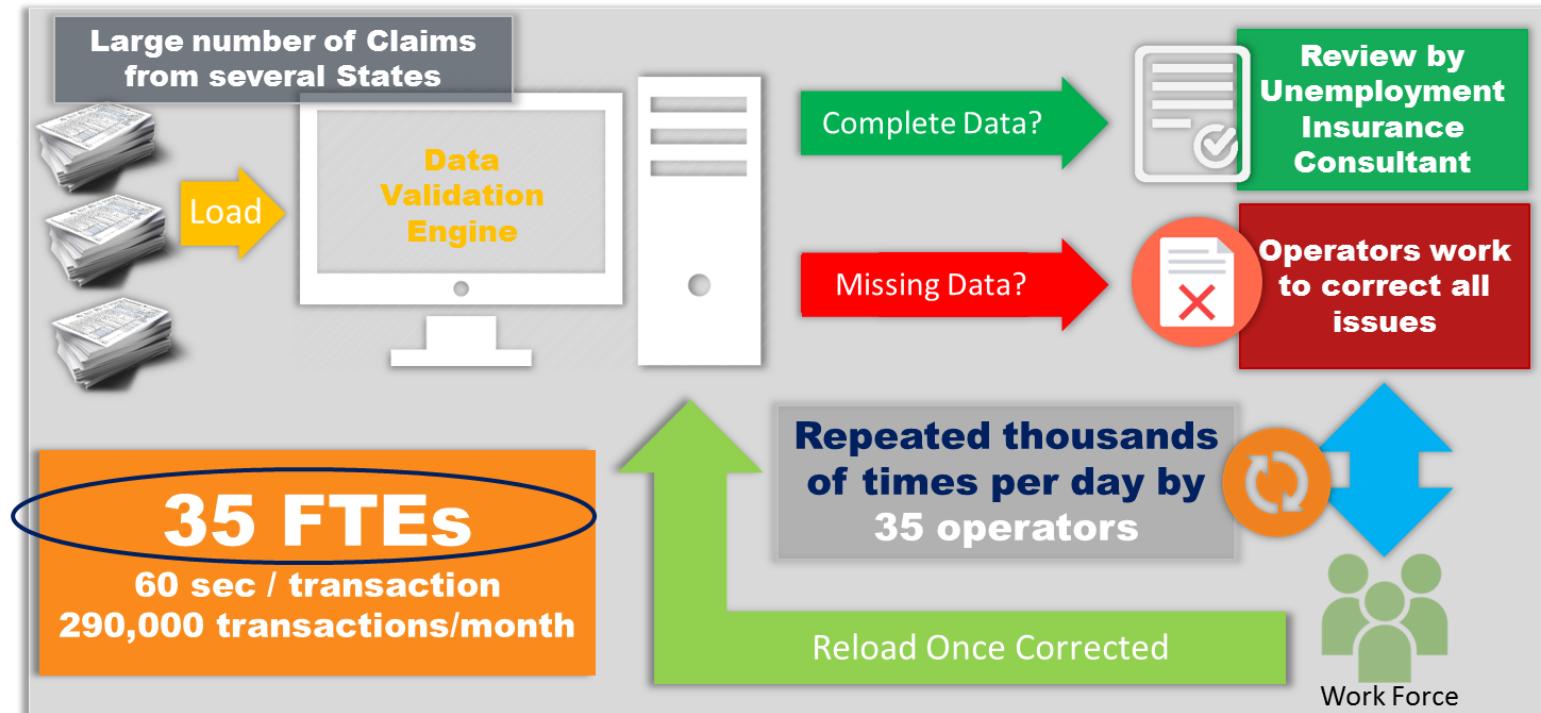
4

Case studies, take away, and Q & A

Case Study – Claims Process

Baseline start: Manual data entry – required number of people 70 FTE

Step 1: Add Scanning + OCR – reduce FTE by 50% to 35 FTE

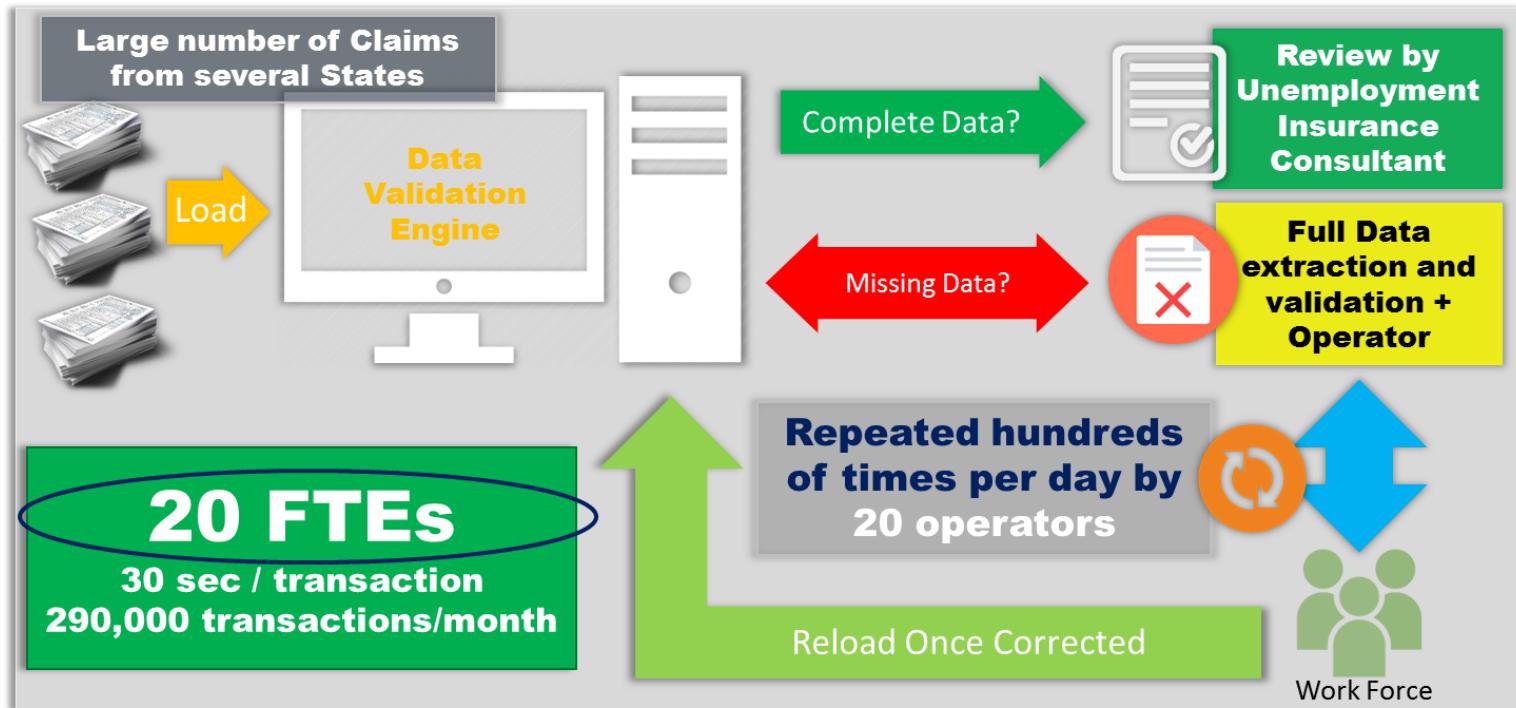


Case Study – Claims Process

Baseline start: Manual data entry – required number of people 70 FTE

Step 1: Add Scanning + OCR – reduce FTE by 50% to 35 FTE

Step 2: Add Automated Data Extraction and Validation – reduce FTE by 42% to 20 FTE



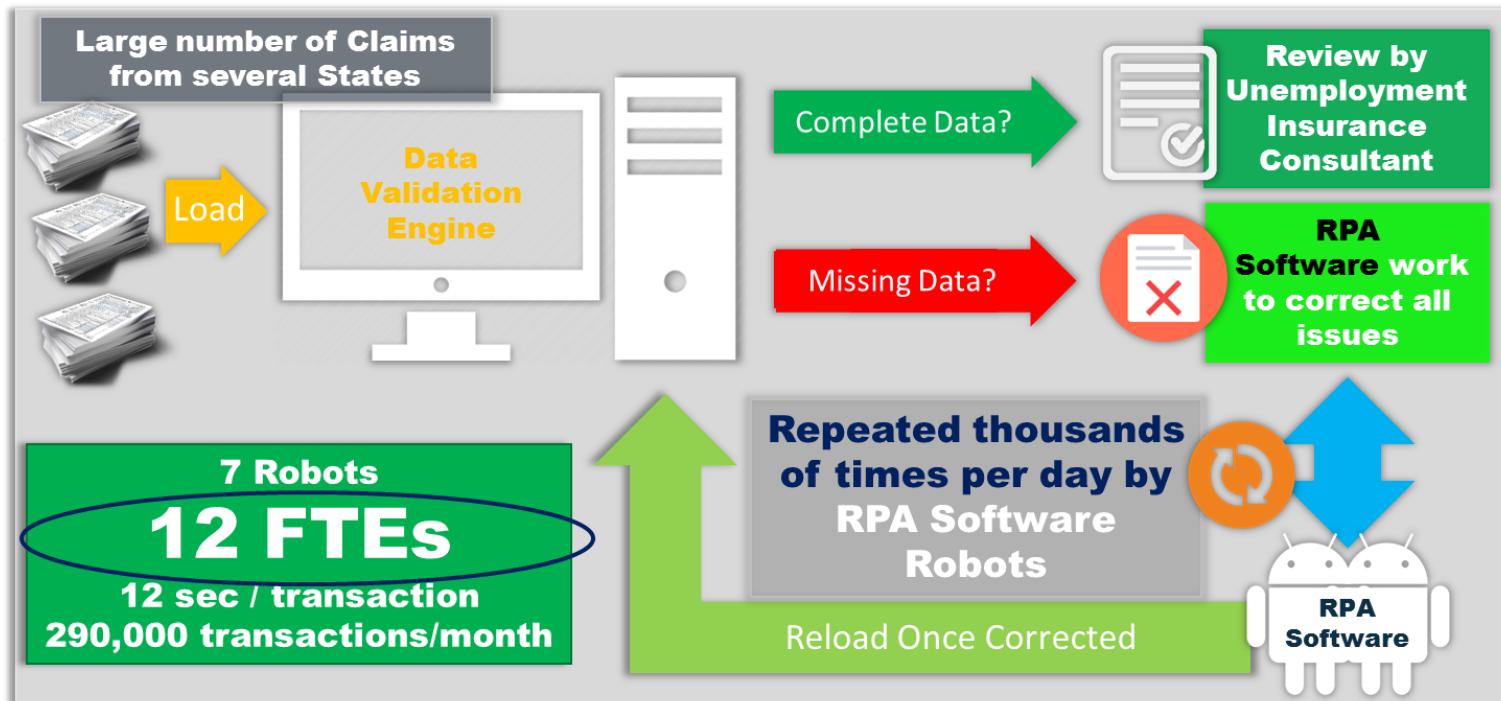
Case Study – Claims Process

Baseline start: Manual data entry – approximately 70 FTE

Step 1: Add Scanning + OCR – reduce FTE by 50% to 35 FTE

Step 2: Add Automated Data Extraction and Validation – reduce FTE by 42% to 20 FTE

Step 3: Add RPA – reduce FTE by 40% to 12 FTE



Take away

Digital business, demographics, and workplace design are changing the structure of the back-office including skills needed, job responsibilities, and services provided

A systemic workforce shortage is developing and companies will face changes in finding and keeping workers.

Back-office functions are mature, non-core, and need investment in skills, hardware, and better technology. Companies are opting to outsource to maintain level of service and access technology.

To combat the workforce shortage, companies are increasing use of technology and outsourcing.



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Questions



Thank you

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Advancing Business Performance to a Higher Level

Presenters

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