Feel the Brand:

Sourcing Corporate Services for the Digital Age

**Canon Business Process Services**
Ted Ardelean 
*Director R&D*

Chris Nottleman 
*West Region Accounts Manager*
Feel the Brand: Sourcing Corporate Services For the Digital Age

Ted Ardelean – Director R&D
Chris Nottleman – West Region Accounts Manager

October 16, 2018
### 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
Agenda

1. 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
What’s New in Corp Services and the Workplace Experience
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
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
Digital business

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

- Add technology to current products
- Create new products out of technology
- Use technology in the processes that make the product or service you sell
- Use technology in the processes that support the entire business (back-office)

Examples

- FedEx SenseAware
- Adidas MICOACH Smart Ball

GE Predix Platform

Customer Portals
eCommerce Websites

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

Digital Locker

BPA Business Process Automation
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.

77% of CEOs name technology as one of the top three trends transforming stakeholder expectations.

PwC 19th Annual Global CEO Survey
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?
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.
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.

Labor force participation rate is much lower than in 2008

Labor force participation rates: 16+ and 25-54 years

Note: Shaded areas represent recessions.
Source: Bureau of Labor Statistics
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...

<table>
<thead>
<tr>
<th>Recognition</th>
<th>Action</th>
<th>Final</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-2020</td>
<td>2020-2025</td>
<td>2025-2030</td>
</tr>
<tr>
<td>• Review and adjust work standards or requirements</td>
<td>• Increase wages</td>
<td>• Take advantage of new sources of workers and technology</td>
</tr>
<tr>
<td>• Review job descriptions, skill or experience requirements</td>
<td>• Improve benefits</td>
<td></td>
</tr>
<tr>
<td>• Consider hiring people normally you did not (retired, Temp, Less Experience, less qualified)</td>
<td>• Increase automation</td>
<td></td>
</tr>
<tr>
<td>• Increase training</td>
<td>• Change business processes to reduce headcount</td>
<td></td>
</tr>
<tr>
<td>• Leverage automation</td>
<td>• Hire retired workers</td>
<td></td>
</tr>
<tr>
<td>• Enhance company brand to attract the better workers</td>
<td>• Hire Temp/Contingent workers</td>
<td></td>
</tr>
<tr>
<td>• Increase work flexibility</td>
<td>• Increase work from home</td>
<td></td>
</tr>
<tr>
<td>• “Prepare” to pay higher wages</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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
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%.

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

<table>
<thead>
<tr>
<th>Digital Business</th>
<th>Workforce Shortage</th>
<th>Workplace</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reduces number of workers</td>
<td>• Shortage of workers</td>
<td>• More challenging to support the larger, complex locations</td>
</tr>
<tr>
<td>• Changes process – dual digital/manual</td>
<td></td>
<td>• More challenging to support the smaller locations that do not have the workload for full FTEs</td>
</tr>
<tr>
<td>• Demands technology skills even in low level jobs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Adds complexity – inefficient when tech limits are hit</td>
<td></td>
<td>• Requires new logistics and customer service approach</td>
</tr>
<tr>
<td>• Requires job and function redefinition</td>
<td></td>
<td>• Requires automation and remote services</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Unit cost increases as physical transactions decrease</td>
<td>• Higher training costs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• New technology adds cost</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Capital investment will increase unless a new strategic approach is taken to sunset hardware, software and skill requirements</td>
<td></td>
</tr>
</tbody>
</table>
When the back-office processes are not automated in sync with digital business, efficiencies are not realized.

### eCommerce Workflow

<table>
<thead>
<tr>
<th>Start</th>
<th>Digital Process</th>
<th>End</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer inputs order on website</td>
<td>Seller manually transcribes order into order process system</td>
<td>Order sent to distribution center</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Order fulfilled</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Merchandise returned</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Refund Credit Posted</td>
</tr>
</tbody>
</table>

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

---


- Digital Process (automation)
### Example: Typical back-office automation needed

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

#### 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

---

IWM = Integrated Workplace Management  
IoT = Internet of Things  
RPA = Robotic Process Automation
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
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
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.
Questions

Advancing Business Performance to a Higher Level

Thank you

tardelean@cbps.canon.com
cnottleman@cbps.canon.com

www.cbps.canon.com
Presenters

Feel the Brand: Sourcing Corporate Services for the Digital Age

Canon Business Process Services
Ted Ardelean
Director R&D Marketing
tardelean@cbps.canon.com

Chris Nottleman
Regional Manager
cnottleman@cbps.canon.com
Session information and evaluation how-to’s

Why?
- Your feedback **drives** SIG Event content
- By signing and submitting your evaluation, you are **automatically entered into a prize drawing**

How?
From the **App:**
1. Select **Sessions**
2. Select **Day**
3. Select **Session**
4. Click on **Clipboard Icon**
5. Complete and submit evaluation

This was **session # 4**
Download the App: sig.org/app
Join the dialogue!

Tweet and mention #SIGfall18!