Digitalisierung in Finance Shared Services
Praxiserfahrungen
Kai-Eberhard Lueg | März 2019
What is the impact of digitalization?
Digitalization is impacting all of us
...deriving some parallels and having a look at Industry 4.0

1st Industrial Revolution
1800 Water and steam, single part production

2nd Industrial Revolution
1900 Electricity, mass production

3rd Industrial Revolution
2000 Automation, flexible mass production

Today
Digitalization, individualized mass production
Digitalization is impacting all of us
…deriving some parallels and having a look at Industry 4.0

„Any customer can have a car painted any color that he wants so long as it is black.“

Henry Ford
Founder of Ford Motor Company
Digitalization is impacting all of us
...individualized mass production: Some examples

4th Industrial Revolution

Digitalization, individualized mass production

...more personalized B2C offerings
Digitalization is impacting all of us
…individualized mass production: Some examples

So what has changed?
From a standardized, stable and predictive…
…to a flexible, volatile and individualized environment

<table>
<thead>
<tr>
<th>Past</th>
<th>Present</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classic and standardized products: “The lowest common denominator” made it to production</td>
<td>Digitalization makes the production of the individual product possible. Integration of the customer to the production process.</td>
</tr>
<tr>
<td>Standardized production for economies of scale</td>
<td>Digitalization makes the production of the individual product affordable</td>
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<tr>
<td>Flexibility and mass production were opposing targets</td>
<td>Digitalization allows for a highly flexible production</td>
</tr>
<tr>
<td>Products and services were delivered by a “middleman” – call him wholesaler, retailer, service provider…</td>
<td>Direct delivery and exchange due to close interaction with the customer</td>
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</tbody>
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Digital Transformation towards a VUCA\(^1\) environment

\(^1\)VUCA: Volatility–Uncertainty–Complexity–Ambiguity
What does that mean for Shared Service Organizations?

...and for their finance & accounting partners?
Digitalization also has an impact on the evolution of service operating models towards higher integration and customer value.

- **Fragmented Service Centers**
  - Region or BU specific service delivery locations

- **Functional Service Centers**
  - Functional services factories with common delivery framework

- **Multifunctional Service Centers**
  - Evolution of E2E services and CoEs across Functions

Changing environments call for a changed set-up and service offering.
Digitalization also has an impact on the evolution of service operating models towards higher integration and customer value.

**Fragmented Service Centers**
- Region or BU specific service delivery locations

**Functional Service Centers**
- Functional services factories with common delivery framework

**Multifunctional Service Centers**
- Evolution of E2E services and CoEs across Functions

**Global Business Service Centers**
- Increased flexibility and agility through E2E services / solutions
- Standard processes can be individualized
- “Digitalization as a service”

**Digital Transformation towards a VUCA\(^1\) environment**

\(^1\)VUCA: Volatility–Uncertainty–Complexity–Ambiguity
The digital transformation requires a change in the Shared Services set-up

Set-up
- From many interfaces to simplified and integrated set-up

Digital Transformation
- From isolated digitalization projects to systematic digital transformation

Partner of Choice
- From mandated services to partner of choice
An E2E set-up on joint platforms prepares for the challenges of the future

Global Business Services …

- provides high quality, cost-efficient, user-friendly services based on customer demand
- serves the internal and external market as an autonomous Service Company
- continuously drives **process innovation, automation** and **digitalization in Shared Services and beyond**
- focus on performance, transparency and customer satisfaction

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**Global Business Services**
- Joint operations and digitalization platform
- Shared support functions
- Finance & Accounting Shared Services
  - O2C
  - R2R
  - P2P
  - H2R
- Business Solutions and Services
  - Opportunity-to-Cash
  - Record-to-Report
  - Purchase-to-Pay
  - Hire-to-Retire

**Key facts**
- 15 years of experience
- ~600 entities serving
- ~6000 employees worldwide
- 10 Key centers serving
- 8.7 user satisfaction index
- 80 countries serving

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1. 8.7 out of 10. Achieved for CF R FSS in 2018
GBS’ Finance & Accounting Shared Services leverage E2E process optimization on joint platforms

**P2P**
- Scanning / OCR
- Invoice clarification and posting
- Payment run
- Inter Company Clearing
- ...

**R2R**
- General Ledger
- Controlling services
- Tax and Customs services
- Fixed Asset and Master Data management
- Closing and Reporting incl. upload to consolidation system
- ...

**O2C**
- Cash allocation
- Dunning
- Cash collection
- Credit risk management
- Guarantee management
- ...

**Supporting Services**
- Transition and Transformation services
- Digital services (e.g. BPM, RPA)
- KPI / BVI Reporting and Process Mining
- ...

* Further services available
Our unique expertise in business services creates valuable impact specific to our customers' needs.

We design, transform and efficiently operate business services.

As Partner of Choice we are passionate in providing smart and digital end-to-end solutions through our powerful global internal and external network.
From isolated digitalization projects to systematic digital transformation

Global Business Services

Opportunity-to-Cash
Record-to-Report
Purchase-to-Pay
Hire-to-Retire
Business Solutions and Services

Finance & Accounting Shared Services
O2C
R2R
P2P
H2R

A powerful digitalization platform across functions…

…implements and provides cross business line as well as GBS external digital services
…orchestrates digital program activities
…creates transparency
…ensures re-usability across business lines

Joint operations and digitalization platform
Shared support functions
There are multiple ways to drive digitalization:

Introducing the digital ecosystem

1. **Backend / ERP**: On-premise systems of record with complex, standardized value flows and core processes – enables deeper optimization of data and processes, but long ROI

2. **Middle Layer Platforms**: Cloud platforms for end-to-end integration of processes across many backend systems – lower complexity to deploy standards, higher flexibility and usability (multi device)

3. **Robotics & AI/CA**: flexible mix of on-premise and cloud services to enable user level and cognitive automation without changing existing processes or systems/platforms – enables automation without standardization with short ROI

There is no one size fits all. The right technology mix (toolbox) is key!
Based on these three technology layers, we have built a powerful Finance and Accounting ecosystem.
P2P Digitalization – a cross-functional initiative to digitize the E2E Purchase-to-Pay process globally

Targeted benefits through P2P Digitalization:

- **Digitization** of >80% transactions end-to-end from order to invoice (>90,000 suppliers, ~220 factories)
- Increased process & cost efficiency (saves up to ~40 minutes manual effort per process)
- High **standardization** globally
- Control through better **transparency**
- Reduced **cycle times**
Business Process Management - providing individualized solutions based on one joint platform

GBS BPM Layer Architecture offers…

- Single workflow / management (middle-layer) platform replacing existing local/regional solutions
- Fully integrated into existing landscape
- Re-use of already set up layers
- Real time integration
- Mobile use
- Accessible by Siemens externals (e.g. customers / suppliers)
- …

1E.g. based on different Customers, Processes, Regions, etc.
Example: End-to-End Process set-up
…full responsibility for all sub-processes

Expected benefits of E2E set-up\(^1\) combining four formerly separate organizations

- Significantly better process cycle times (*cycle time reduction, meaning faster service for our Siemens customers*)
- Typically *increased process efficiency* (time/effort reduction for GBS, and for internal partners e.g. in Siemens sales)
- Increased *customer satisfaction* as a result of a more holistic customer service and a *reduced error rate*
- Harmonized *automation landscape* with better *data quality* and transparency, less process interruptions
- and improved employee satisfaction as a result of co-creation of processes

\(^1\) Estimations - Extended team responsibility when fully operational and scaled; validated by two pilots in Portugal and Malaysia which started already with end-to-end process responsibility
Global Master Data Mgmt – a global platform driving end-2-end digitalization and efficiency

What is it about?
- single, globally aligned digital workflow solution for business partner master data mgmt.
- full integration in to existing IT landscape and external data sources
- covers creation, updating, extension, blocking and unblocking of business partners

What are the main advantages?
- combines standardized process with local flexibility
- automated data validations ensure data quality and increases efficiency
- user friendly UI and workflow process
- transparency for all Siemens entities over data maintenance process and efficiency

Achievements so far
- # of countries live: 24
- Users in total: ~21,300
- SAP systems connected: 8
- Companies live: 102
Quality Dashboard - Our journey so far
...from descriptive to prescriptive analytics

- Operations planning
- Fraud prevention
- Optimal strategies
- Production optimization

- Performance reporting
- Fault reports
- Operation dashboards

- Diagnosis
- Root cause analysis
- Alarm management

- Demand prediction
- Fault prediction
- Price forecasting

- Operations planning
- Fraud prevention
- Optimal strategies
- Production optimization

Added-Value & Complexity

Inform

Analyze

Act

Descriptive Analytics

Diagnostic Analytics

Predictive Analytics

Prescriptive Analytics

What happened?

Why did it happen?

What will happen?

What to do best?

Examples

Analytics Applications

Big Data

Smart Data

Data Lake

Data Mining

Process Mining

Added-Value & Complexity

Inform

Analyze

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Descriptive Analytics

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What happened?

Why did it happen?

What will happen?

What to do best?

Examples

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Process Mining
Quality Dashboard – Data Analytics providing transparency on a global level

We cover E2E processes across all service lines:

<table>
<thead>
<tr>
<th>28 KPIs</th>
<th></th>
<th>591 entities</th>
<th></th>
<th>52 ERPs</th>
<th></th>
</tr>
</thead>
</table>

**ACCOUNTS PAYABLE**
- FTE Productivity, Automation, Late Payments, EDI Ratio, Adjustment Ratio, Backlogs

**ACCOUNTS RECEIVABLE**
- Automatic Allocation, Unallocated Cash, finCIS

**INTERCOMPANY CLEARING**
- Unposted ICC IDOCs, Clarifications, Automation

**CLOSING AND REPORTING**
- ESPRIT Reopens, Validation Errors, Complexity

Key Benefits:

- Comprehensive & Complex Analysis
- Fast & Dynamic Analysis
- Automated & globally unified reporting tool
- 24 months of data
- Drilldown to single transactions
- Monitors performance & helps identify areas for improvement
- Increased transparency and fact based discussion
- Perform internal and external benchmarking activities to indicate best in class performance
- ...
Robotic Process Automation (RPA) today paves the way for the smart ‘Digital Workforce’ of tomorrow.

RPA today
rule-based, routine and predictable tasks based on structured, stable data

Robotics 2.0
judgement-based, dynamic/ad-hoc and unpredictable processes based on unstructured, volatile data

- Multi-channel: chat, mail, voice
- Multi-talent: observe, interpret, evaluate, learn, decide
- Multi-purpose: understand data, generate insights, predict outcomes, perform actions
Overview
What is RPA?

Candidates for RPA

Multiple Data Entry in disparate systems
Manual Processing
Limited Exception Handling
Structured and Digital Data
Rule-Based Decision Making

What robots can do...

Read structured digital inputs
- E-mail
- Spreadsheets
- Work Flow
- PDF (digital type)
- Database
- ERP/CRM
- Web services

Interact via user interface
- Click
- Extract
- Compare
- Copy

Decisions based on business rules

Output/Upload the data
- E-mail
- Spreadsheets
- Work Flow
- Database
- ERP/CRM
- Web services
- Report

Robots use existing user interfaces to automate instead of heavier backend integration.
Example: Energy Management in UK - Purchase Order Creation

12,000 Purchase requisitions had to be processed manually...

Problem Statement

- High manual efforts
- Non-standard process steps
- Excel, Paper based requisition approvals

Solution

- IT Workflow solution integrated with Robotics
- Standardized Requisition, approval and PO creation process by reducing process steps
- Identified required data in multiple systems like Outlook, Excel and SAP

Impact

- Automation of 70% volume
- Effort reduction by 65%
- Prevent Invalid Data entry
- Reduced cycle time by 80%
RPA – global CoE to digitalize processes “on demand”
3 hubs ramped-up in less than a year

Robotics as a Shared Service

Collaboration

Speed

Impact

“Learn”

Achievement FY17:
~ 50 processes
~ 80,000 hours automated

Achievement FY18:
~ 200 processes
~ 300,000 hours in 1 year
(Siemens overall)

“Deliver”

Go-Live
October FY18

Global CoE structure:

Prague
São Paulo
Bangalore

# hours automated

Time

# hours automated

Go-Live
October FY18
The RPA service and delivery model is based on close cooperation between Shared Services and IT.

CoE as part of Shared Services due to high degree of process competencies required.

Hub setup leverages synergies and ensures customer proximity.

RPA service and delivery model

RPA customers, e.g. Divisions, Functions, ShS

ShS-Unit Define

ShS-CoE Design

Build Operate

Go-live

IT Strategy & Platform Infrastr.

ShS-Unit Use
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Multi-purpose
- Understand data
- Generate insights
- Predict outcomes
- Perform actions
Our chatbot ‘Payton’ is able to answer invoice status related inquiries using real-time data.

What is the status of my invoice?

-- Past: Service

Call / Mail
Agent
Frontend
BI Layer

-- Today: Self-Service

Chat
Machine Learning

HANA Data Lake
What’s next?
In 2025, GBS‘…

…digital workforce handle every back-office process, cognitive and enhanced workflow capabilities enable them to interact with humans seamlessly.

…human workforce focus on exceptions and value-adding, relationship-based activities, always working closely with technology.

…digital transformation has achieved enormous efficiency by consequently harnessing automation and by leveraging disruptive trends early, resulting in leaner cost structures, individualized processes and new digital service offerings.

…customers enjoy exceptional services – individual customer-oriented services, seamless interfaces and faster, easy-to-use workflows.
The role of Shared Services is changing…

From a cheap industrial mass production set up…

- Factory set-up
- Repetitive process execution
- Transactional tasks
- Labor Arbitrage
- Standardized delivery
- Process Bundling

…to a Partner of **Choice**

- Digitalization driver
- Active contributor to change
- Transformation machine
- Innovation ambassador
- E2E optimization
- Process re-design
- Customized service delivery

…to a Driver of **Change**
Any Questions?
Thank You
Contact Details

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