



# BACK TO THE BOTS

Robots are making it possible: a growing number of processes long considered too costly for high-waged countries such as Germany, Austria or Switzerland are now being clawed back from lower-income countries. This applies not only to production, but also, increasingly, to repetitive administrative tasks in shared services centers. This *Roboshoring* represents an interesting alternative to offshoring for companies.



Since the mid-90s, bundling and outsourcing production, administrative or service-related tasks to neighboring countries or countries located further away (nearshoring or farshoring) has been considered one of the most effective strategies for reducing personnel costs. Tens of thousands of jobs have been outsourced from German-speaking countries to more cost-efficient locations. At first, these were mainly in the area of production, but since the turn of the millennium, an increasing number of jobs in the administrative sector have also been affected. The main objective of this tactic is to take advantage of lower factor costs.

In general, administrative tasks are bundled in shared services centers (SSC), some of which are based abroad. At the end of the last decade, for example, consumer goods manufacturer Henkel became one of the first DAX companies to outsource a large number of its administrative processes overseas, and now operates multiple shared services centers all over the globe.

### High-potential automation

Offshoring may soon lose its attraction in terms of factor costs, however. In the course of automation and with the advent of Industry 4.0, we need to reevaluate the effectiveness of labor arbitrage in Asia or Eastern Europe, compared with high-wage countries such as Germany, Austria or Switzerland. This is because the cost reductions that can be achieved by increasing efficiency through automation mitigate the effects of labor arbitrage.

This may prove particularly beneficial to sectors with high digitization potential and heavily rule-based processes. It is relatively easy to transfer transactional operations in these areas from humans to software robots. These include a wealth of operational activities in service companies, as well as back-office processes



*Robots offer enormous increases in efficiency when it comes to performing repetitive processes in the shared services sector.*

in all sectors. There are a number of appealing applications, especially for companies that have standardized administrative tasks in the areas of purchasing, HR and accounting in recent years. Typical examples include transactional processes (e.g. procure to pay) or data administration processes (e.g. master data). "Companies are expecting to make considerable savings through the use of bots. A recent survey by Horváth & Partners revealed that decision makers estimate the savings potential at 30 % on average, with some believing it could be as high as 50 %," says Kai Essiger, partner and Global Head of Process Management at Horváth & Partners.

### **Humans and machines, hand in hand**

The use of automated systems supports uniform process execution, thereby improving quality. "Among other measures, introducing central governance – i.e. a uniform legal and factual framework – has been proven successful for sectors such as IT or data protection. However, it's essential that responsibility and accountability for processes and results are also regulated," explains Essiger. "The entire system, comprising both humans and machines, requires holistic resource management. After all, bots are also involved in operations that cannot be automated consistently and integrated into a 24-hour operation." In order for operations to be efficient, therefore, all upstream and downstream processes must be coordinated for use with robots. Both in the design and structuring of SSCs and when

developing automation solutions, companies can avail of substantial support to establish efficient resource management for robot-aided SSC operation within their organizations.

### **Bots ahead of the curve**

Roboshoring – the implementation of automated processes – can also offer strong support to shared services companies. The benefits are obvious: using RPA in repetitive service processes can help companies to significantly increase efficiency. In addition to the clear advantage in terms of personnel costs, the minimal error rate of the machines also pays dividends. The workload can be distributed as effectively as possible thanks to 24/7 availability and activities can be documented and audited in full. The benefits of RPA truly come into their own when compared with human-based processes in typical offshore countries such as India, since RPA supports the establishment of standardized processes. There is often a risk of communication problems due to language barriers and – for example in the case of SSCs in the Far East – the time difference also gets in the way of seamless operations. All of these factors combined can lead to losses in quality which can be mitigated by the use of robots.

The potential of RPA is not only of interest to companies wishing to increase efficiency in their shared services centers, but also to businesses that have not yet bundled and outsourced their administrative tasks. "Companies considering establishing an SSC abroad should examine the possibilities offered by automation before making a decision," stresses Essiger. Thanks to the high efficiency of the robots, many processes – whether organized locally or in SSCs – can also be competitively managed within the country, with the appropriate preparation (e.g. optimization, bundling, governance). ■

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