

# SECRETS FOR IMPROVED PRODUCTIVITY & PERFORMANCE IN THE BACK-OFFICE

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## Report Highlights

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**Integrated back-office program users enjoy significant increases in customer satisfaction rates.**

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**Best-in-Class organizations are 2.2 times more likely to have real-time visibility into the status of all processes.**

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**Process management solutions lead to gains in efficiency, customer delight, and profit margins.**

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**Knowledge management helps back-office organizations with enhanced visibility.**

Businesses need to balance myriad objectives all at once. They must add value to shareholders by maximizing financial results, ensure compliance with relevant industry regulations, as well as track and address the rapidly evolving needs of customers. The back-office plays a crucial role in determining an organization's ability to accomplish these objectives.

This report delves into the business value of optimizing back-office activities through better visibility of employee productivity and performance. It also provides a roadmap that enables firms to maximize their efficiency and effectiveness in the back-office.

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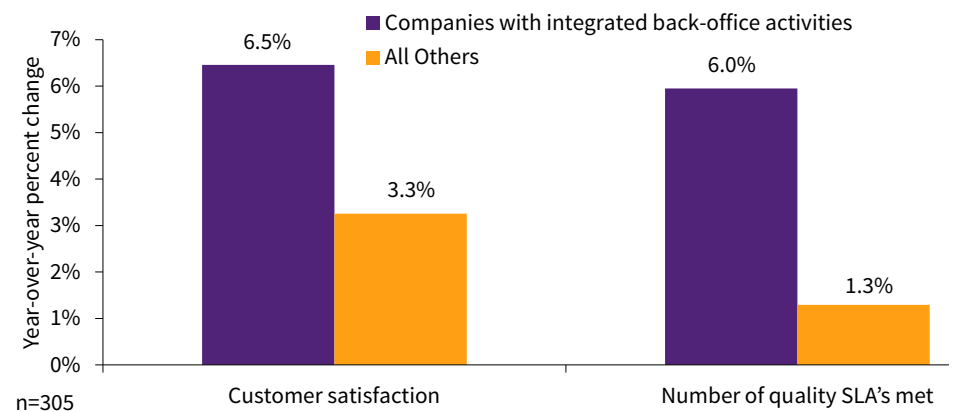
**Back-office activities don't directly contribute to growth in top-line revenue; however, optimizing these processes through visibility can significantly impact the business.**

## Establishing an Integrated Back-Office Program Ensures Business Success

Companies are in constant pursuit of opportunities to slash costs and boost revenue. Back-office activities (see sidebar for definition) don't directly contribute to growth in top-line revenue; however, failure to optimize these activities has severe consequences - in the form of lost business opportunities and additional costs.

For example, what happens when a financial services organization faces delays in processing mortgage applications? Some of these prospects might have applied for mortgages elsewhere, so competitors that are more efficient in the back-office would win their business. Similarly, delays in processing insurance claims would likely frustrate customers, increasing the risk of losing clients come policy renewal time. To this point, Figure 1 shows findings from Aberdeen's October 2013 *Advanced Case Management: Empower the Knowledge Worker* study, where companies with integrated back-office activities (see sidebar) enjoy a 97% greater annual improvement (6.5% vs. 3.3%) in customer satisfaction rates, compared to those with poor back-office activities

**Figure 1: Companies Optimizing Back-Office Activities Enjoy Better Annual Performance Improvements**



Source: Aberdeen Group, July 2014

### Definitions

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

**Back-office:** Programs and activities that companies conduct without directly interfacing the customers or prospects. Examples of such activities include order fulfillment, insurance claims processing, and mortgage application processing.

**Integrated back-office activities:** A formal program through which companies constantly strive to improve the productivity and performance of employees in the back-office.

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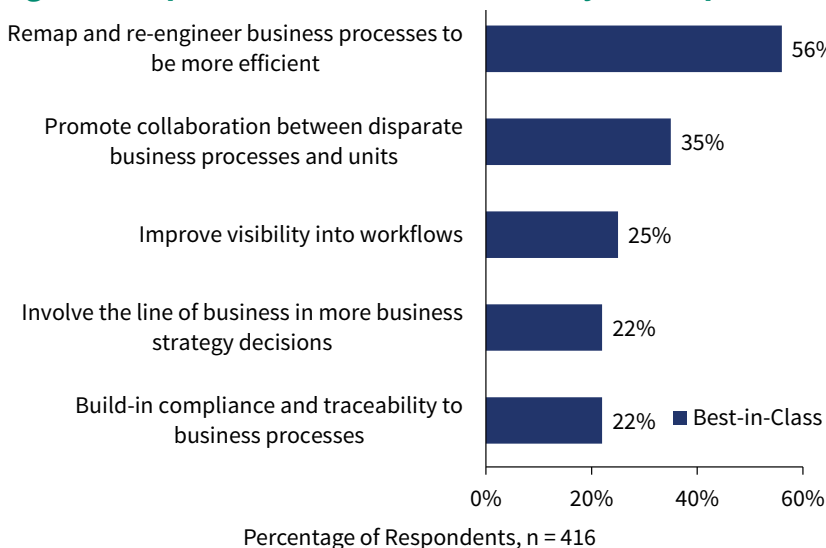
The ability to consistently address the operational needs of customers, through integrated back-office activities, is a key enabler helping firms create satisfied clients. Another benefit of establishing integrated back-office activities is improvements in attaining quality service-level agreements (SLAs). This is a key area, as failure to meet the SLAs committed to clients means lost customer trust, missed business opportunities, and unnecessary costs arising from the need to repeat back-office activities to attain SLAs.

An integrated back-office program is one where companies constantly strive to improve the productivity and performance of employees. For when such focus is lacking, businesses risk suffering from bottlenecks and inefficiencies that hinder their overall activities. Data collected for Aberdeen's *Business Process Management: Looking at the Plan in the Mirror* shows the key strategies that Best-in-Class firms (see sidebars on this page and the next) use as they aim to improve their business processes, both internal and external (Figure 2).

The Aberdeen maturity class is comprised of three groups of survey respondents. This data is used to determine overall company performance. Classified by their self-reported performance across several key metrics, each respondent falls into one of three categories:

- **Best-in-Class:** Top 20% of respondents based on performance
- **Industry Average:** Middle 50% of respondents based on performance
- **Laggard:** Bottom 30% of respondents based on performance
- Sometimes we refer to a fourth category, **All Others**, which is Industry Average and Laggard combined.

**Figure 2: Top Performers Provide Visibility and Improve Efficiency**



Source: Aberdeen Group, July 2014

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In Aberdeen's *Business Process Management: Looking at the Plan in the Mirror*, respondents were ranked on the following criteria:

- **Improvement in profit margins over the past 2 years:**
  - Best-in-Class - 18%
  - Industry Average - 6%
  - Laggard - 0%
- **Complete and on-time delivery:**
  - Best-in-Class - 96%
  - Industry Average - 88%
  - Laggard - 75%
- **Change in cycle time of key business processes over the past 12 months:**
  - Best-in-Class - 18% decrease
  - Industry Average -4% decrease
  - Laggard - 15% increase

When the above strategies are applied to the back-office, it becomes clear that top performers must both alter the ways in which they do business on a day to day basis, as well as provide better information to business leaders so that they get an accurate understanding of what works (to enable continuous improvement). Fifty-six percent (56%) of the top performing businesses are re-mapping and re-engineering their processes to become more efficient. In some cases this may include collaboration. In others, this may include building and maintaining a compliance program, which is particularly important in the back-office, where employees may be utilizing sensitive customer or financial information.

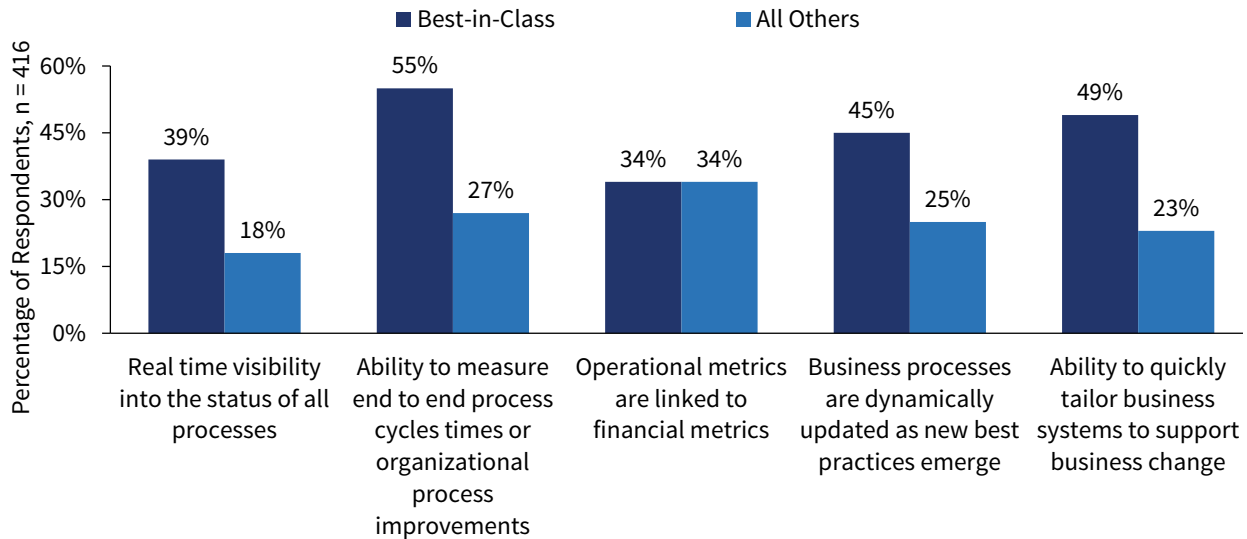
In order to become more efficient, business leaders must truly understand what is happening in the back-office on an ongoing basis. To this point, establishing visibility into back-office activities helps firms gauge the effectiveness of each process, as well as assess employee performance. For these reasons, improving visibility into workflows ranks among the top three Best-in-Class strategies.

#### Improving Visibility in the Back-Office Improves Performance

By comparing the capabilities that have been implemented in Best-in-Class organizations to All Other organizations, it becomes clear how greater visibility can help to improve the back-office (Figure 3). Best-in-Class organizations are 2.2 times more likely than All Others (39% vs. 18%) to have real-time visibility into the status of all processes. This enables business leaders to step in when processes go off course, determine which employees need coaching, monitor compliance, understand how defined processes work in practice, and also get a better idea of what works and what does not through analysis. Note that the Best-in-Class are twice as likely as All Others (55% vs. 27%) to have the ability to measure end to end process cycle times.

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**Figure 3: Visibility Leads to Better Decisions**



Source: Aberdeen Group, July 2014

Measurement of cycle times is the first step towards determining which processes are successful, but it is not the only one. Many back-office managers have difficulty determining which Key Performance Indicators (KPIs) they should be measuring their employees on. It is interesting that Best-in-Class organizations are exactly equal to All Others when it comes to linking operational metrics to financial metrics. This indicates that it may not be all about the bottom line costs, particularly in the back-office. Multiple different types of metrics may need to be linked to create new metrics that become the business-specific KPIs. Business leaders must be able to wrap their heads around the factors that lead to success, which starts by enabling visibility and measuring the processes themselves.

But how does visibility enable back-office managers to improve performance on an ongoing basis? By measuring processes and employees, analyzing data, and making changes, managers can identify new practices that may be more effective and efficient. Best-in-Class organizations are 80% more likely than All Others

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(45% vs. 25%) to be able to dynamically update processes as new best practices emerge. And these changes should be extended to the solutions that support these processes. Therefore, the Best-in-Class are 2.1 times as likely as All Others (49% vs. 23%) to be able to quickly tailor their technology systems to support change in business processes.

Business Process Management (BPM) solutions are among the key technologies that help companies establish the visibility levels outlined above. The benefits of visibility, through BPM, are uncovered by comparing organizations with BPM to organizations without (Table 1). Organizations with BPM saw 9 times the decrease in the cycle time of business processes over the past 12 months, in comparison to organizations without BPM. This improvement helped companies remove unnecessary steps or non-value-add steps in the back-office, thus boosting efficiency. As a result of simplified processes, BPM users are more likely to stick to internal schedules. This impacts customer responsiveness, which is illustrated by the fact that organizations with BPM saw 5 times the improvement (decrease) in response time to client requests over the past 12 months, in comparison to organizations without BPM. Ultimately, responding to customer needs in a timely fashion helps firms improve their bottom line, as evidenced by the 8% improvement in profit margins that organizations with BPM have experienced over the past two years.

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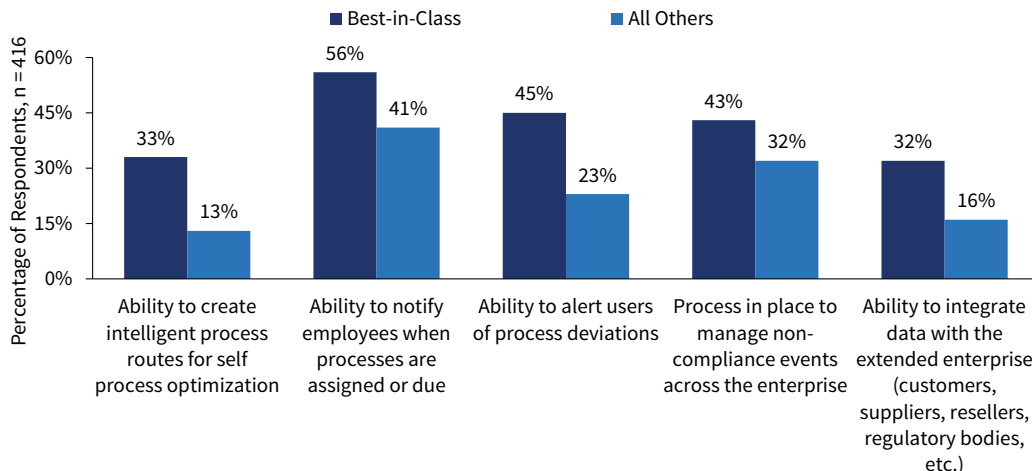
**Table 1: Process Solutions Lead to Improved Performance**

Current and year-over-year performance findings (n=416)	Companies using BPM	Nonusers
<b>Improvement in profit margins over past two years</b>	8%	6%
<b>Internal schedule compliance</b>	90%	87%
<b>Decrease in cycle time of key business processes over past 12 months</b>	9%	1%
<b>Decrease in number of manual steps in key business processes over past 12 months</b>	13%	4%
<b>Decrease in response time to customer requests over past 12 months</b>	10%	2%

Source: Aberdeen Group, July 2014

So once visibility is established, how does process improvement work, in practice, in the back-office? For example, the Best-in-Class are 2.5 times as likely as All Others (33% vs. 13%) to have the ability to create intelligent process routes for self-process optimization (Figure 4). This capability could manifest itself as the ability to continuously improve predictive models to enable better, more logical, decisions in claims management.

**Figure 4: Empowering Back-Office Staff with Knowledge Management Capabilities is a Key Differentiator**



Source: Aberdeen Group, July 2014

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Back-office success comes through enabling agility. Employees should be able to act immediately and in alignment with best practices. The organization should do all it can to remove any confusion about what needs to be done in any situation. Fifty-six percent (56%) of the Best-in-Class have the ability to notify employees when processes are assigned or due, in comparison to 41% of All Others. Furthermore, the Best-in-Class are 96% more likely than All Others (45% vs. 23%) to have the ability to alert users of process deviations. These alerts not only help to ensure that processes are as efficient as possible, but also enable compliance monitoring on an ongoing basis (as well as reporting, through the visibility referenced above). Lastly, Best-in-Class organizations are twice as likely as All Others to be able to share data with the extended enterprise, including customers. By sharing insight into the status of claims with customers, top performing organizations improve the effectiveness of service delivery and enhance customer retention.

#### Visibility → Knowledge → Employee Empowerment

Once companies establish visibility into back-office processes and implement the process management techniques outlined above, it is crucial that they also fine-tune back-office activities to meet the evolving needs of the knowledge workers. Empowering knowledge workers in the back-office means providing them with the ability to access the right data at the right time so employees can do their work effectively, hence contribute to the company objectives.

Knowledge management (see sidebar) is a critical technology enabler that provides employees with access to relevant insights needed to do their jobs. It serves as a central repository; accessible by all of the relevant stakeholders when and where they need content (e.g. accident reports, loan application documents, etc.). Data from the Aberdeen's October 2013

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#### Definition: Knowledge Management

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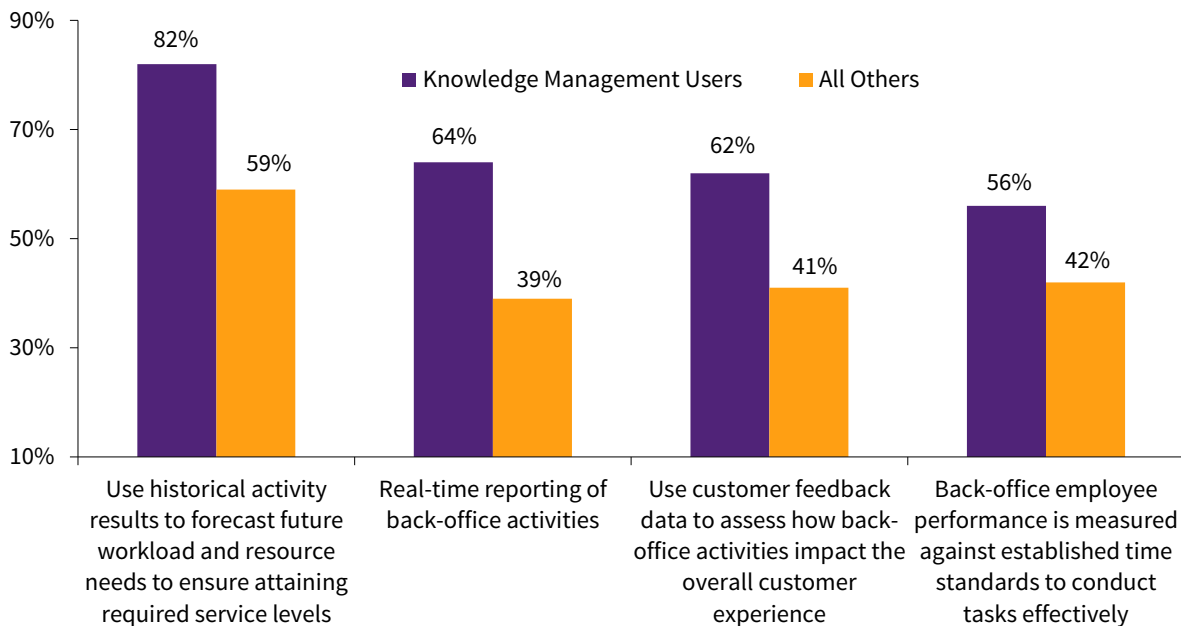
For the purposes of this report, Aberdeen defines knowledge management as a technology enabler where businesses maintain critical data (e.g. product or service information, client cases, etc.) for the purpose of collaboration and insight sharing. This system is accessible by all of the relevant stakeholders and aims to support employees as a centralized system for storing relevant data, thus reducing the need for employees to seek information to do their jobs.



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*Advanced Case Management* study shows that 48% of companies with integrated back-office activities use a knowledge management system. An additional 30% of these businesses also indicate plans to deploy this key technology in 2014. However, simply incorporating knowledge management within back-office activities will not boost employee productivity or performance. Companies need to complement the use of this technology with several key activities. Figure 5 illustrates some of these important capabilities.

**Figure 5: Empowering Back-Office Staff with Knowledge Management Capabilities is a Key Differentiator**



Percent of respondents, n=305

Source: Aberdeen Group. Julv 2014

Scheduling work orders in the back-office is not dramatically different than scheduling enough contact center agents needed to serve customers. The number of support requests received by contact centers varies based on multiple factors, and so do the tasks that need to be completed in the back-office. For example, a financial services firm might observe a spike in the number of

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**Back-office activities  
have a direct impact  
on the customer  
experience.**

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loan applications during a certain period and thus would need to allocate more employees to conduct loan origination work – while maintaining SLAs.

Knowledge management users are 39% more likely (82% vs. 59%) to have a process in place where they record historical back-office activities within the knowledge management system, and use analytical tools such as business intelligence (BI) to determine average activity levels for numerous back-office tasks for specific time periods. Use of this activity requires firms to ensure that back-office tasks are well-integrated with the knowledge management system in order to ensure that each task gets captured. This enhances the reliability of activity level forecasts when scheduling employees in the back-office.

Knowledge management users also ensure that they track employee performance in completing tasks effectively. They do so by using desktop analytics to monitor if employees are completing tasks within the established time standards. When deviations are observed, management can take action or use the information to improve processes. For example, employees who complete tasks in more time than it normally takes are provided coaching and training. And if the deviation indicates that an employee is completing tasks in less time than it normally takes, the management team can observe their processes to uncover potential opportunities to improve the overall employee performance and reduce task completion times – without compromising quality. Knowledge management users are 33% more likely (56% vs. 42%) than non-users to have this process in place to support their back-office activities.

It's also important to note that while back-office employees don't directly interact with the customer, they have a direct impact on the customer experience. For example, a mistake or tardiness in processing an insurance claim will frustrate the

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customer and will reduce the chances that they renew their policy. To align back-office activities with customer satisfaction, knowledge management users would need to deploy BI tools to correlate back-office activity data with customer feedback. This allows for an understanding of which specific tasks in the back-office yield poor or positive customer sentiment and feedback. By identifying those tasks that yield poor results, companies have the ability to determine issues with back-office activities and address them appropriately. Businesses deploying knowledge management to support an integrated back-office strategy are 51% more likely to have this capability in place, compared to back-office organizations without knowledge management.

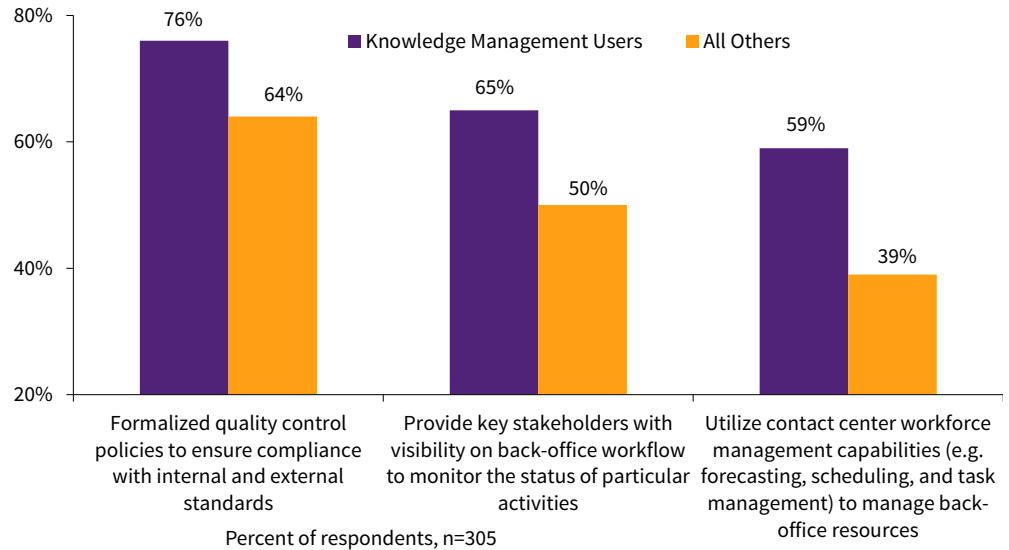
Figure 6 further solidifies the earlier analysis; visibility is a key differentiator in the back-office. Knowledge management endows relevant stakeholders (such as supervisors) with the ability to monitor the status of overall, or individual, tasks in the back-office. It does so by providing the ability to filter on specific tasks and monitor their status. Knowledge management users are 30% more likely to provide such visibility on back-office activities, compared to non-users. It's important to note that in order for this activity to work effectively, businesses must have already integrated knowledge management within their back-office activities. A lack of such integration will result in partial visibility on activity results and will yield incomplete or inaccurate conclusions.

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**Knowledge management users are 30% more likely to provide visibility on back-office activities, compared to non-users.**

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**Figure 6: Visibility on Effectiveness of Knowledgebase Articles is a Necessity**



Source: Aberdeen Group, July 2014

**Key Takeaways and Recommendations**

**The use of workforce management and process management technology capabilities in the back-office helps companies reduce manual activities, which improves productivity and performance.**

The back-office may not receive the glory that other functions do when management evaluates the business, but that does not mean that they cannot significantly impact success. The back-office provides valuable utility, such as claims management, that directly impacts the customer experience and when run efficiently, can be a source of cost savings. In order to turn the back-office into a foundation for success, top performing organizations should provide greater visibility into processes and use the knowledge gained to improve efficiency. This can be accomplished by following these recommendations:

- ➔ **Determine the yardsticks of success.** You cannot manage what you cannot measure. But before you can measure, you need to understand what determines success. Look for the links between individual actions and success.

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- ➔ **Monitor performance for a better future.** When business leaders understand what is going on in the organization, they can step in to provide coaching, alter processes on the fly, and make better decisions. Best-in-Class organizations are 2.2 times as likely to have real-time visibility into the status of all processes.
- ➔ **Turn visibility into a competitive advantage.** Ensure that employees are on the road to success. Use the visibility gained through business solutions to scrutinize performance on an ongoing basis. For example, Best-in-Class organizations are 104% more likely to have the ability to measure end to end process cycle times.
- ➔ **Enable agile processes.** Employees should have the freedom, and tools, to ensure that they are performing as efficiently and effectively as possible. This can be accomplished through alerts, guides, templates, or automated processes.
- ➔ **Foster creativity and innovation.** As business leaders analyze performance in the back-office through measurement, new ideas may emerge. Ensure that employees, and the tools that support them, are flexible so that best practices are always adhered to.

These recommendations are the secrets to improving productivity and performance in the back-office through enhanced visibility.

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For more information on this or other research topics, please visit [www.aberdeen.com](http://www.aberdeen.com).

#### Related Research

[\*Enterprise Social Collaboration in Customer Service: Better Teamwork Unlocks Customer Delight\*](#); January 2014

[\*BPM and EPM: The Perfect Pairing for Process Excellence\*](#); December 2013

[\*Advanced Case Management: Empower the Knowledge Worker\*](#); October 2013

[\*Business Process Management: Looking at the Plan in the Mirror\*](#); July 2013

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