March HCM Webinar Part 2: Next Generation Shared Services Centers

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APQC

Introduction to ScottMadden

Your Hosts

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Management

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Agenda

- Speaker Introductions
- The current SSO environment
- The case for transformational change
- 5 guiding principles

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What We Do – Corporate & Shared Services

ScottMadden has been helping clients create greater value for their corporate services organizations for nearly 30 years. Our highly efficient, collaborative teams employ measurable, award-winning methods and deep cross-functional expertise to improve operational performance.

Finance & Accounting	Human Resources	Information Technology	Supply Chain
ScottMadden can improve process efficiency and automation to ensure accurate and timely financial information and compliance.	ScottMadden designs, builds, and implements HR Service Delivery models to ensure efficient and effective HR operations that meet business needs.	ScottMadden helps organizations create measurable IT value engaging technology users to improve IT decision-making.	ScottMadden can craft new supply chain strategies and deliver improvements in operations, increasing the value delivered to customers.

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ScottMadden Clients – Sample

Over 200 SSC Design & Improvement Projects for Global Companies in North America, Latin America, Europe, Asia and Africa

Consumer Products and Services

adidas, AvalonBay Communities, BNSF Railway, CasaLuker, Domtar, Georgia-Pacific, McDonald's, Alpina, Oakley, SAB Miller, Sara Lee, ThermoFisher Scientific, Travelport For Business, T. Rowe Price Invest With Confidence, Unum, Vegas.com, Weyerhaeuser

Manufacturing & Automotive

Agility, Bechtel, Danfoss, DURA Automotive Systems, BMW, Fluor, Hercules, Johns Manville, corona, Michelin, Newell Rubbermaid Brands That Matter

Media and Technology

Ericsson Taking You Forward, Seagate, Johnson Controls, Sprint, Turner, Lockheed Martin, Siemens, Time Warner Cable The Power of You

Energy and Utilities

Bahamas Electricity Corporation BEC, Dominion It all starts here., Georgia System Operations, integrys, Kerr McGee, Laclede Gas, Mirant, Nova Scotia Power An Emera Company, Plains All American, Oglethorpe Power, ppl, Southern California Edison An Edison International Company, STP Nuclear Operating Company, Williams, WPS

Public Sector and Government

Colorado Springs Utilities It's how we're all connected, MS National Multiple Sclerosis Society, NASA, SKF, Woodruff's Art Center

Healthcare and Pharmaceuticals

Advocate Health Care, HCA Hospital Corporation of America, blue of california, Pfizer

Note: Representative sample; not all-inclusive of clients within an industry or industries served. Excludes numerous well-known Global 100 clients due to confidentiality agreements

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The Current SSO Environment

The Current Environment

Shared Services Has Gone Mainstream

- There are now more than ***5,000 delivery organizations worldwide***
  - — ***¾ remain captive*** shared services operations
- In 2004, ***24%*** of global executives ***thought shared services was strategic*** to their business
- In 2011, **89% *think it is***
- Globally, there are now ***more multi-function*** shared services operations ***than single functions***
  - — ***72%*** of all shared services operations ***incorporate more than one function***
- Shared services is becoming a viable solution for smaller organizations
- Focus is shifting from cost savings to ***standardization, global flexibility, and better technology***
  - — ***80%*** believe leading process standards are critical or important
  - — ***76%*** believe global flexibility is critical or important
  - — ***76%*** believe better technology is critical or important

"Global Service Centers" are beginning to replace traditional Shared Services

Source: SS&O Revolution, SSON with input from Hackett and Horses for Sources

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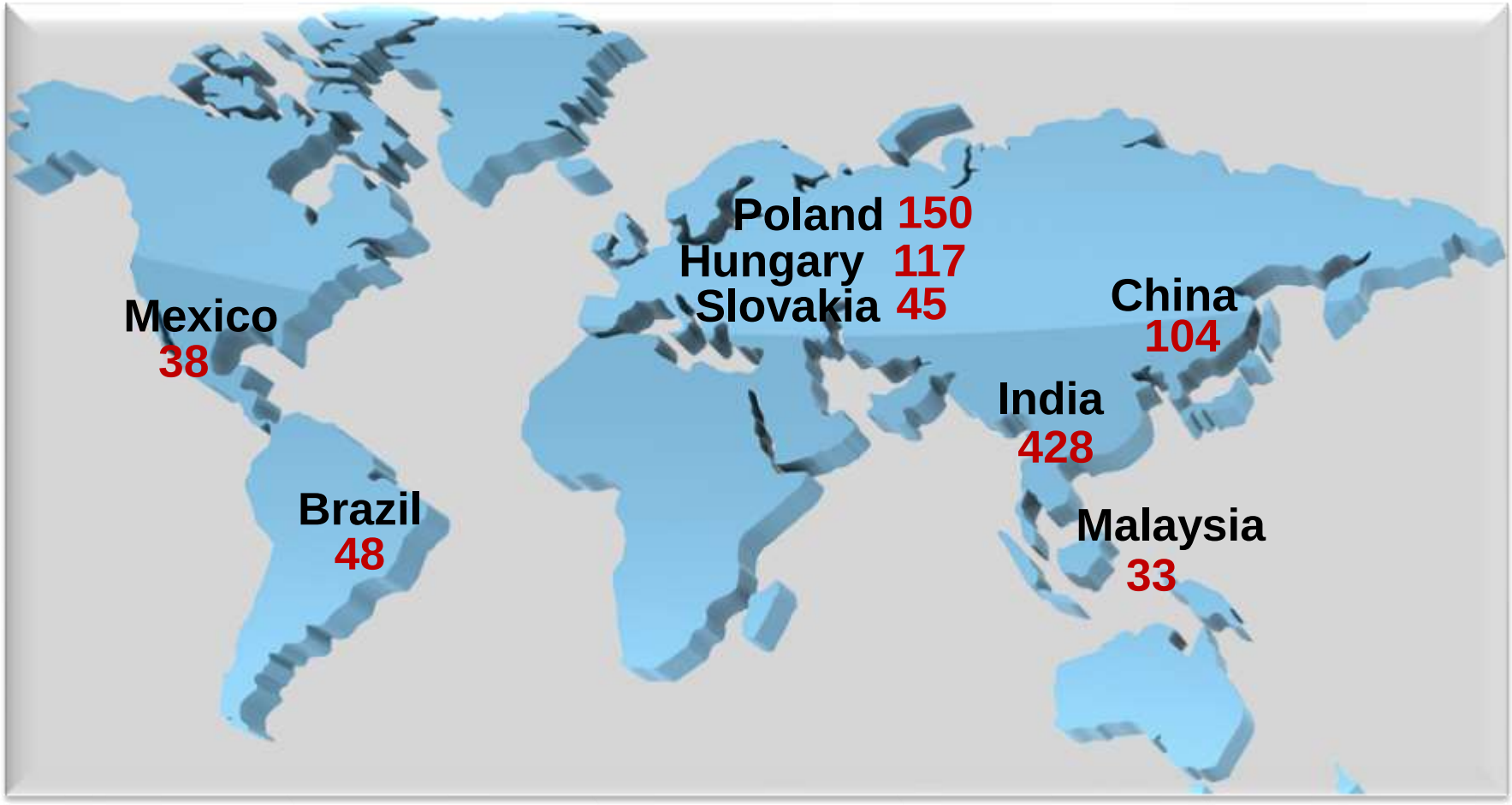
The Current Environment

The Low Cost Providers

These were the emerging Shared Service markets



Source: SS&O Revolution, SSON w/ input from Hackett and Horses for Sources

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The Current Environment

The NEW Low Cost Providers

These are the NEW emerging Shared Service markets

Source: SS&O Revolution, SSON w/ input from Hackett and Horses for Sources

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The Current Environment

Evolution of Service Models

Decentralized Service Model

- Redundant services
- High-cost delivery
- Minimal governance
- Informal business relationship management
- Complex operating environment
- Scattered customer interface points

Shared Services Delivery Model

- Standard services
- Functional/regional shared services
- Transaction efficiency
- Functional contact
- Tech infrastructure (e.g., customer interface, process automation)
- Manual workarounds
- Continuous improvement
- Selective outsourcing

Enterprise (Global) Service Model

- Enterprise optimized
- Single delivery entity
- Process based
- Enterprise governed
- Rationalized IT environment
- Outsourcing of optimized services
- Mature vendor and change management

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The Case For Transformational Change

The Case for Change

Cost Savings Are Achieved – Expectations Not Being Met

Executive Expectations For Corporate And Administrative Services Have Changed

- Standardization and managing complexity
- Controlling costs and supporting profitable growth
- Managing performance and risks

Desired Capabilities Are Still Unmet

- Data analytics and business insight
- Subject matter expertise based consulting support – delivered with an understanding of local knowledge

Complexity Has Increased

- Launches into new markets, geographies, or products
- Multiple acquisition integrations
- Decentralized business operations

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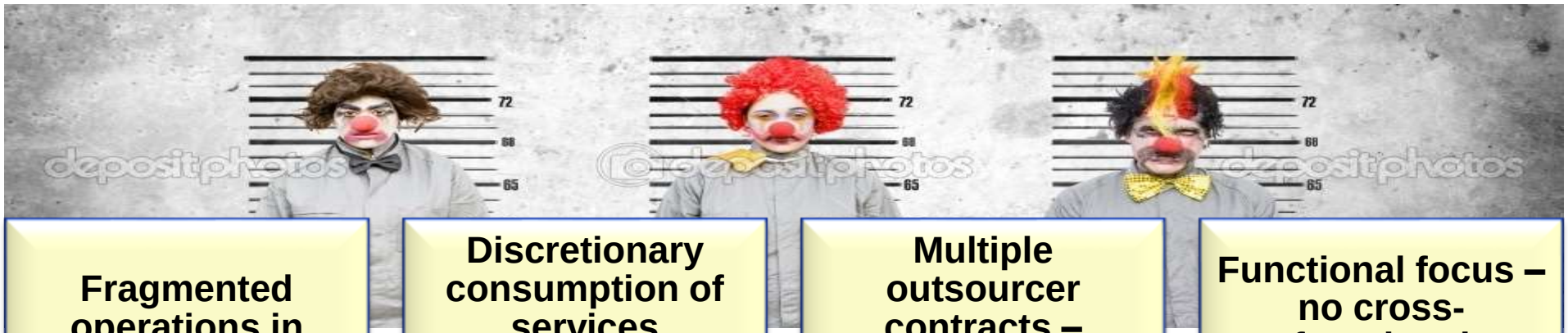
The Case for Change

What Went Wrong? …The Usual Suspects



Fragmented operations in multiple locations	**Discretionary consumption of services throughout the businesses**	**Multiple outsourcer contracts – managed at arms length**	**Functional focus – no cross-functional collaboration**
Non-standard processes	**Manual workarounds (often supported by Excel)**	**Multiple ERPs and supporting applications**	**Minimal integration between tools**
Transactional focus	**Limited or casual governance – weak change management**	**Multiple points of contact and business partner relationships**	**High turnover driven by redundant work with limited career paths**

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What Is Now Required

Requirement	Details
1. Transform from SS to Global Business Service (GBS)	◆A global enterprise vision and supporting governance - Break down country oriented thought habits ◆A focus on both standardization and agility
2. Break Down Functional Silos	◆Enterprise end-to-end process standards, management, and ownership ◆Process governance to manage exceptions
3. Move Beyond Transactions	◆Necessary innovation (and investment) to develop new capabilities – Move up the value chain ◆Ability to adapt to changes in the marketplaces via business intelligence ◆A career path to attract and retain high potential talent

Success Factor: You are continuously asked to take on more services?

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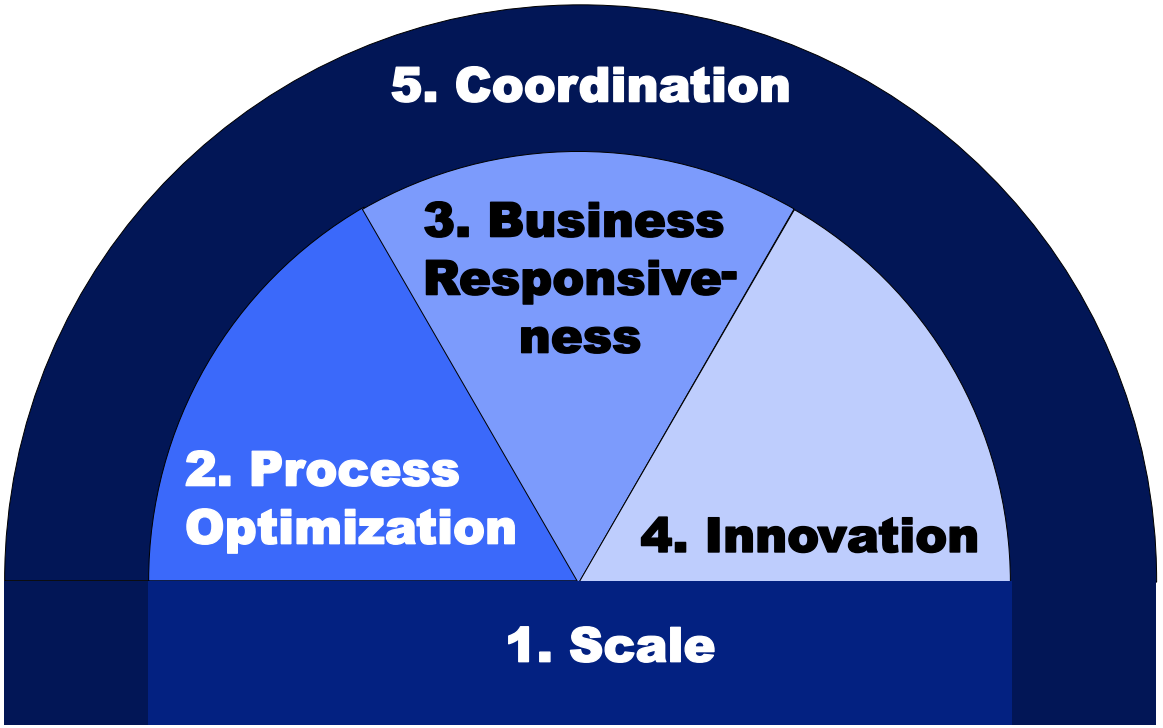
5

Guiding Principles



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1. Some Scale Strategies

Create an Enterprise Services Delivery Entity

- Create a holistic vision for corporate services and shared services organizations
- Consolidate shared service infrastructure
- Create a single, cross-functional service delivery entity

Consolidate Geographic Locations

- Deliver services across enterprise wide sites
- Consider labor arbitrage, economic incentives, geo-political factors, infrastructure, travel & time logistics

Use Technology to Build for Scale

- Rationalize and simplify the IT application environment
- Take advantage of cloud technology & 3rd party providers

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Create a Single Enterprise Service Delivery Entity

Gaining Scale Through Multi-Function SSO

Single-Function Shared Service

When a business consolidates one support function (e.g. Finance) to serve the corporation and its business units, operating as a business within a business, utilizing a well-defined infrastructure to enable higher-value service delivery

Multi-Function Shared Service

Integration of two or more major support functions *(e.g., Finance, HR, Procurement, IT, General Services, etc.)* into a common organization characterized by a common leader, budget, and service management approach. Operations may or may not be located in a common facility

Single Function SS Characteristics	Multi-Function SS Characteristics
• One leader for each function	• One leader over multiple functions
• Freedom to select customized platform	• Some common technology platforms
• Support roles assist one function (e.g. reporting, continuous improvement)	• Support roles assist multiple functions
• Function specific skill sets	• Cross-trained employees
• Processes are specific to one function	• End-to-end process may cross functions

…it's a more robust SSO that shares its own infrastructure to deliver Broader services to internal customers

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Create a Single Enterprise Service Delivery Entity

Structure Concept

Multi-Function Leader
- CSC practitioner
- Client service orientation
- Defender of model
- Visionary of expansion
- Executive presence

Business Intelligence
- Competitive intelligence
- Value added information
- Beyond reporting
- Mining, Modeling, Forecasting

ient Service wnership
Responsible for overall customer experience across ALL functions

Early Centers of Excellence (COE)
- Small pockets of expertise
- Client oriented
- Standard across BU

Corporate & Shared Services (59)

Continuous Improvement (1)

Business Intelligence (1)

Human Resources (14)

Information Technology (7)

General Services (4)

Client Service (19)

COE
Acctg & Report (4)

COE
Benefit Admin (8)
Records Mgt. (3)
Payroll (3)

COE
App Develop (7)

COE
Assets (1)
Personnel (1)
Information (1)

Order to Cash (5)

Purchase to Pay (3)

Transactions & Reporting
Cash App & Deduction Mgt. (4)
Credit analyst (1)
Accounts Payable (2)
Purchase Order Release (1)

Central Tier 1 Issue Resolution Desk
- loggin
- trackir
- escala
- sing
- tric
- t ca

Distributed Account Managers
- Relay Business issues to SSO
- Relay SSO issues to BU
- Negotiate service levels
- Change ambassadors
- Monitor model integrity

Customer Care Center (14)

Account Mgt. (4)

IT Help Desk (5)
AP Exceptions (1)
Collections (1)
Emp. Svs. Center (5)
Gen. Svs. Dispatch (1)
Vendor follow-up (1)

Sierra
Costa
Santa Domingo
Bucay

End-to-End Process Owners
- Scalable leading model
- Focus on standardizing
- Focus on automation
- Focus on skill sets

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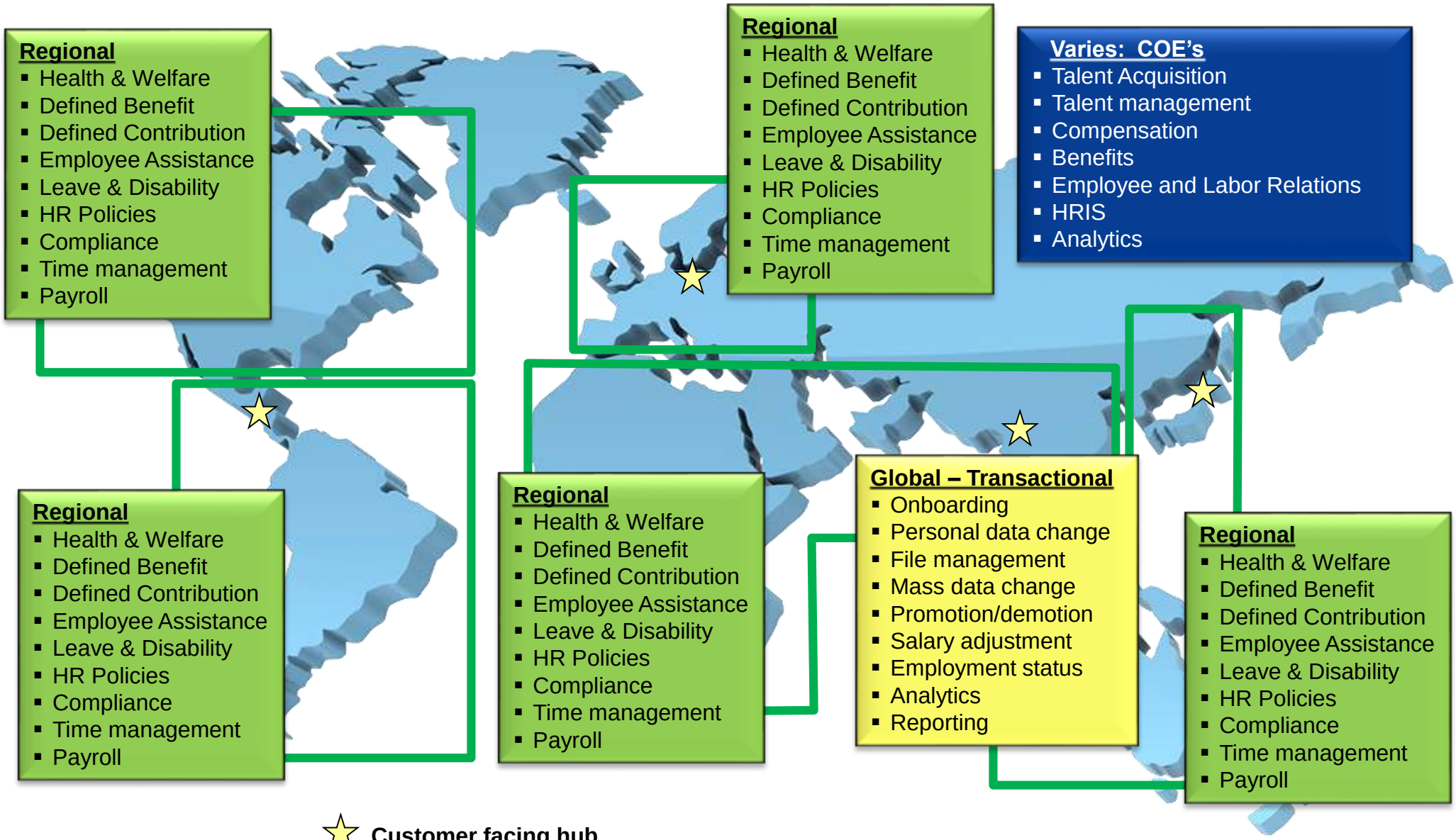
Create a Single Enterprise Service Delivery Entity

Scale through Global Business Service (GBS) Models



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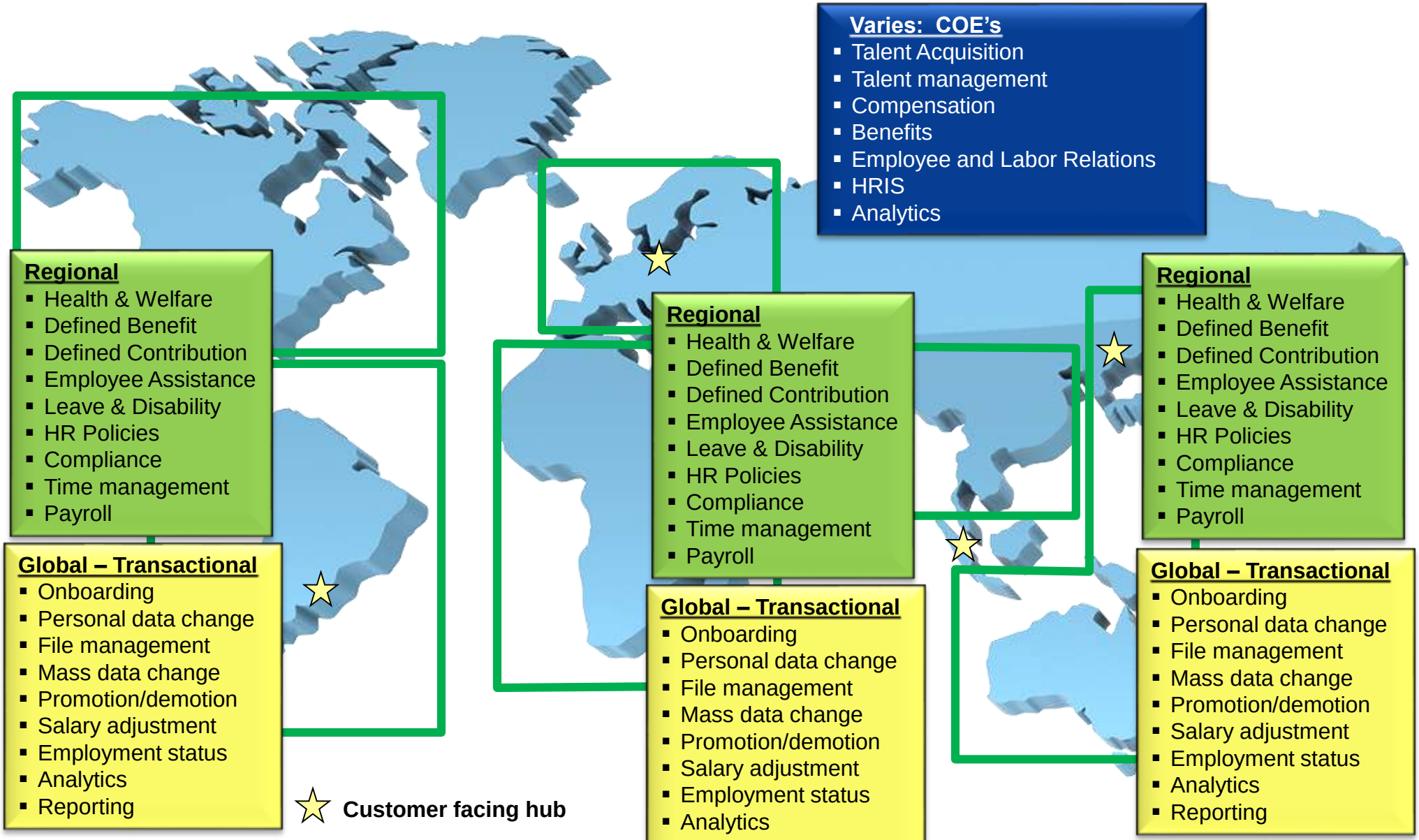
Consolidate Locations

Three "Super-Centers" *Model – Example*



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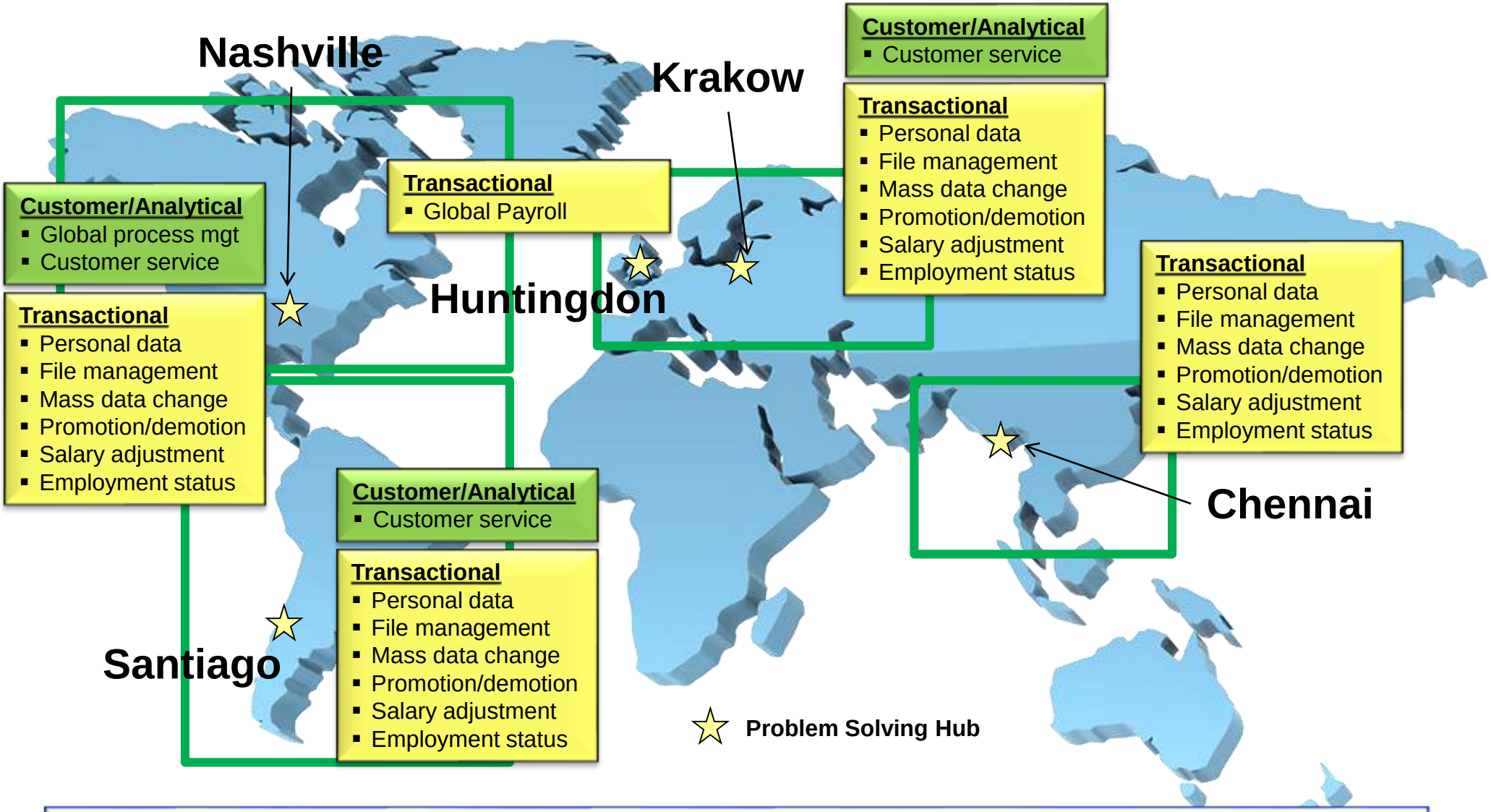
Consolidate Locations

Hybrid Transactional GBS Model – Example



Around the clock processing plus redundant location for continuity

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Survey Question

Describe Your Existing Model

a) Domestic Single Function (e.g. Finance)
b) Domestic Multi-Function (e.g. Finance, HR, …)
c) Early Global Single/Multi-Function (<5 Countries)
d) Mature Global Single/Multi-Function (>5 Countries)
e) Other…

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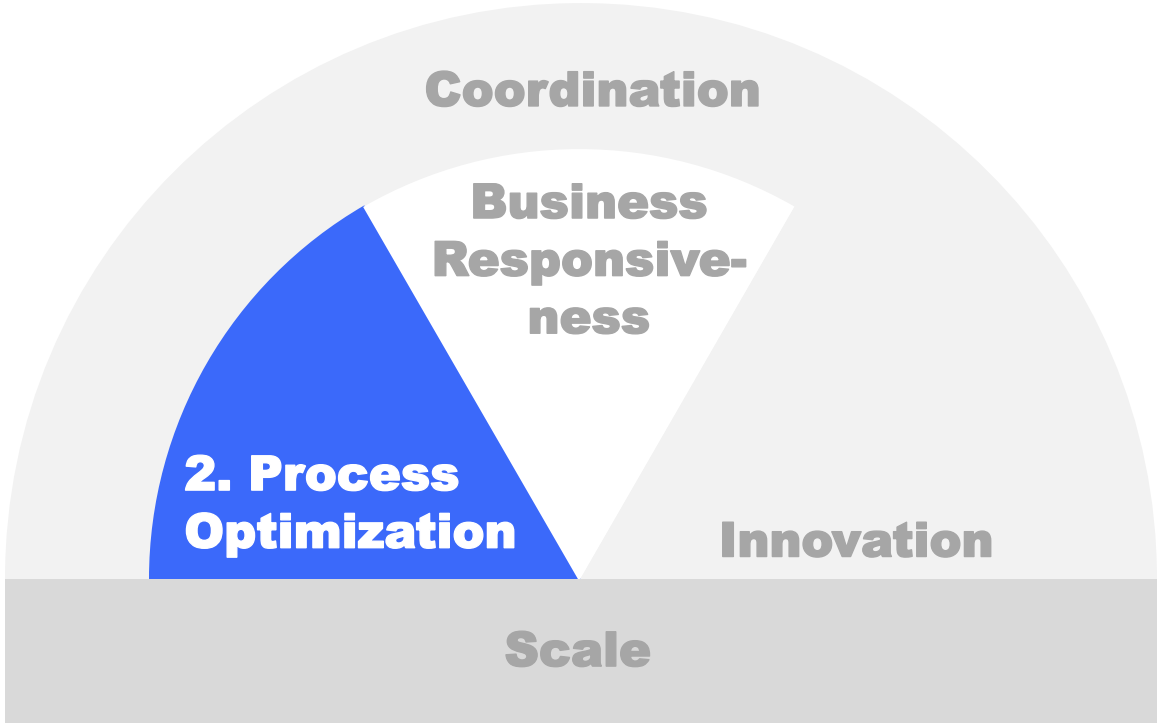

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2. Drive Optimization of Business Processes

2. Process Optimization Strategies

Organizing Around End-to-End Processes

- Create a standard process vision
- Processes become the enterprise language
- Assign enterprise wide ownership

Create Process-Based Governance Rules

- Rules to assess and approve process variants
- Determine legitimate customization (e.g. regulatory, legal)

Create A Continuous Process Improvement Culture

- Create it or buy it with 3rd party providers
- Automate and provide self service
- "Rent" innovation with cloud technology

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Typical Enterprise End-to-End Processes

Order-to-Cash	Procure-to-Pay	Hire-to-Retire	Record-to-Report
Budget-to-Report	Plan-to-Stock	Acquire-to-Retire	Market-to-Prospect
Concept-to-Product	Proposal-to-Reward	Prospect-to-Order	Service-to-Satisfaction

Drive standardization, leading processes, right skill sets, and automation!

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Process Ownership – Responsibilities

Process owners are responsible for managing the SSO process framework.

- Create the process vision and supporting roadmap
- Develop processes and controls
- Communicate process framework to stakeholders
- Manage process policies
- Improve processes
- Create and report on process metrics
- Create and track process KPI's
- Identify and prioritize process projects and investments – interface with IT organization
- Define and manage process master data
- Identify process roles and responsibilities
- Identify process sourcing opportunities and manage 3rd party performance

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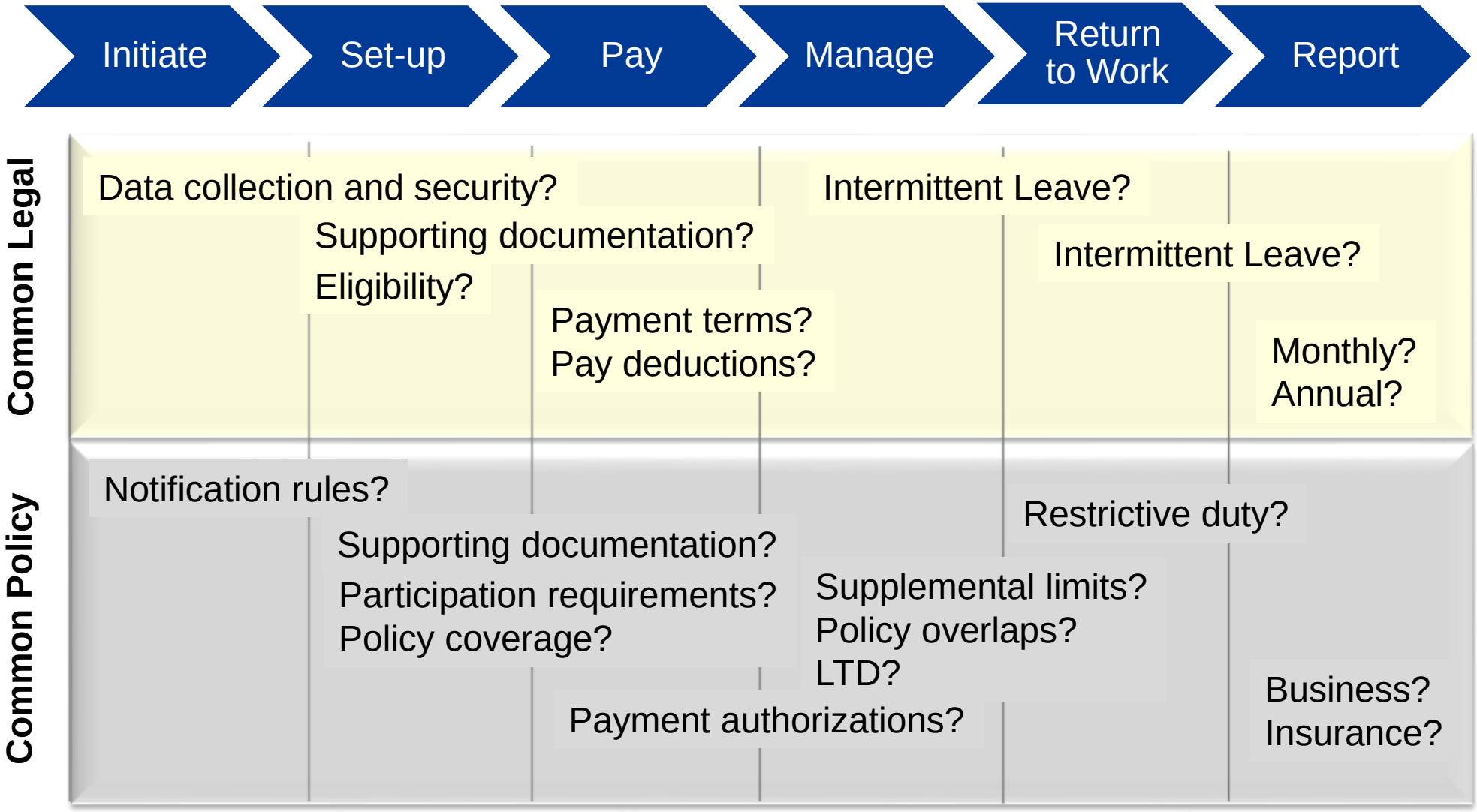
Process Governance Rules

Separating Myths – Law Vs. Policy

Leave of Absence – *Example*



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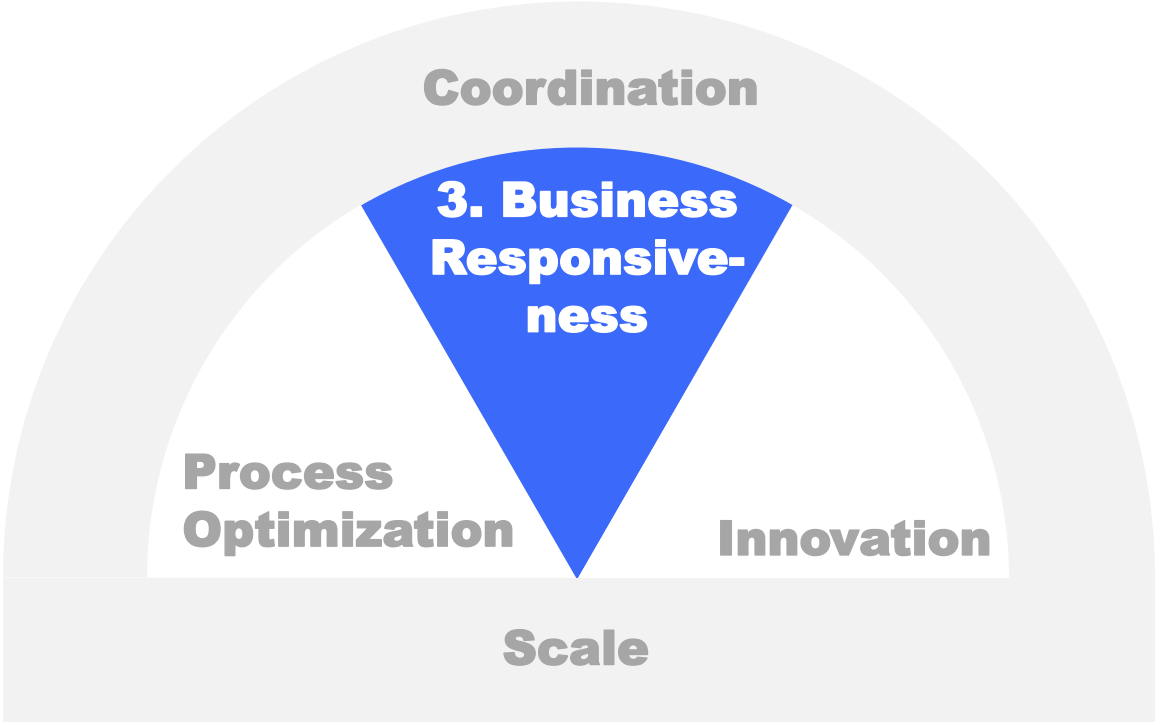

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3. Business Responsiveness & Flexibility

3. Business Responsiveness Strategies

Implement Business Relationship Management

- Provide access to local knowledge
- Align service delivery with business objectives
- Support SSO change management
- Provide service escalation points

Determine Support Strategies for Smaller/Unique Business

- Sometimes one size does not fit all
- Evaluate the segmentation of lines of business and tailoring services to each segment

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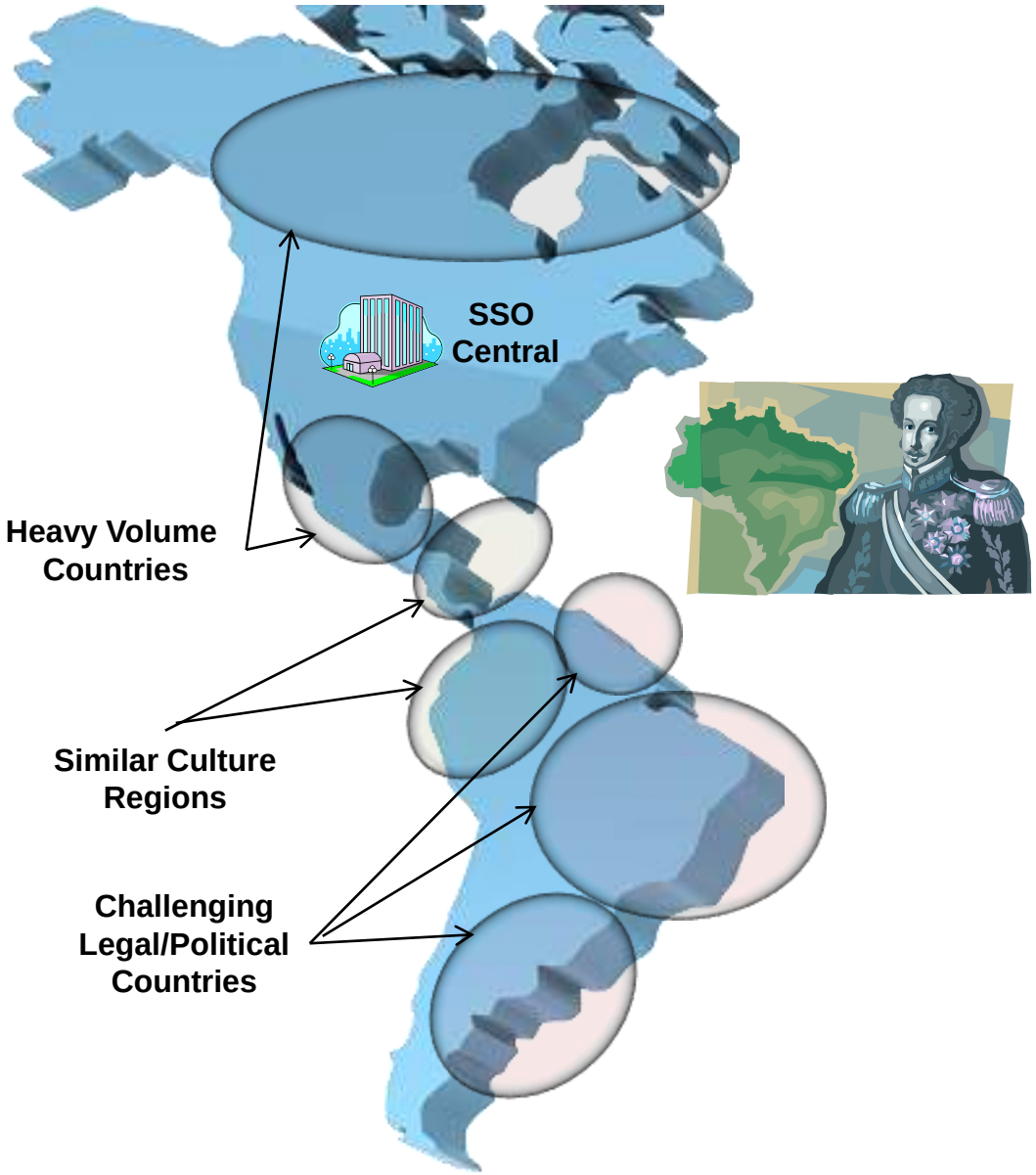
Implement Business Relationship Management

SSO Region/Country Manager



Non-U.S. countries have similar challenges as small businesses … but more complexity

- Language barriers
- Political and legal challenges
- Critical business units with heavy volume
- Cultural differences
- Technology barriers

Distributed SSO ambassadors/managers can balance service levels and improve communications

- Ambassador role (can be part-time)
  - No direct reports
- Manager role (can be full-time)
  - Regional/country direct reports

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Servicing the Smaller Business Units

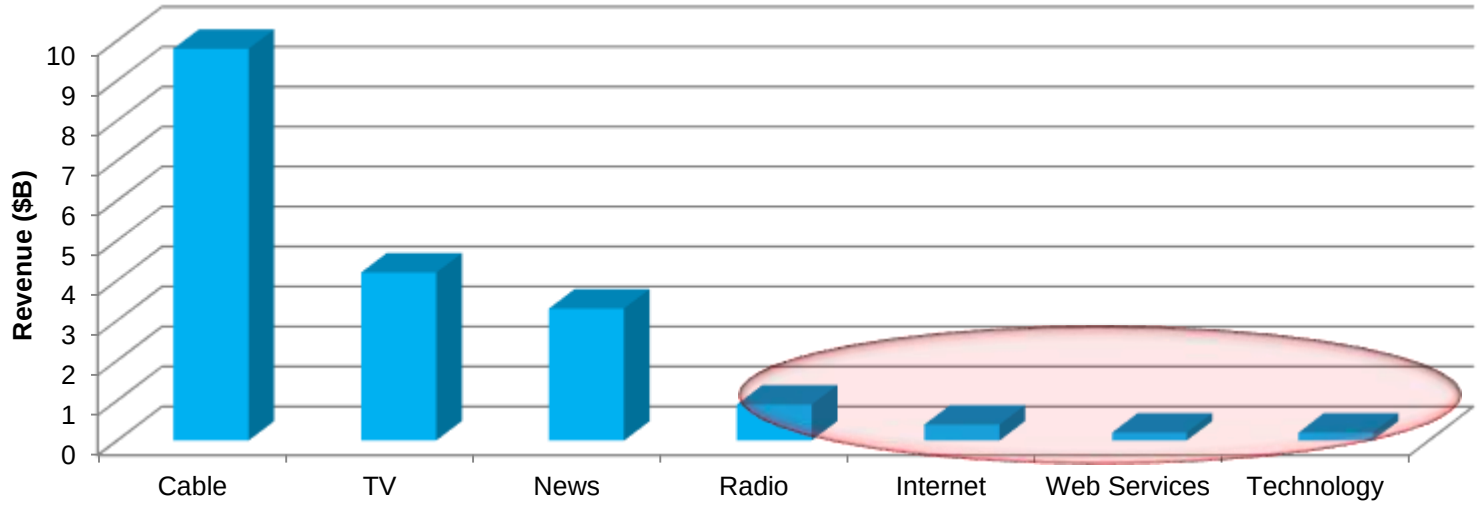
Common characteristics of the smaller business units

- Incubator businesses that need heavy focus on the core business
- Challenged businesses with heavy pressure to increase top line
- Employees trying to balance core work while wearing multiple back office hats

Need the most SS attention, but receive the least!

- Little influence over service levels or process exceptions
- Last to be called back if behind big business unit problems
- Less attention to quality of service

Company Business Units



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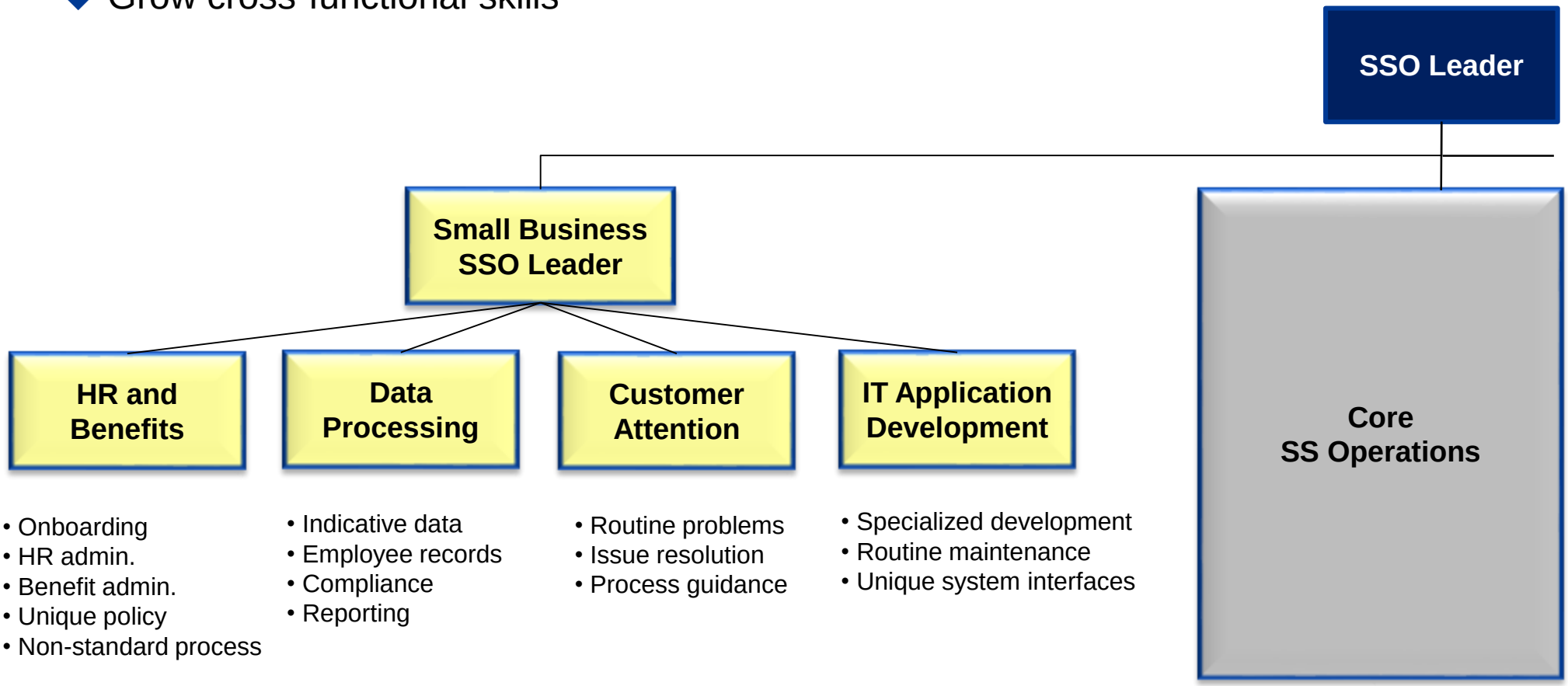
Determine Support Strategies for Unique Business Units

The "Incubator Business Arm" for SSO

Mission

- Provide standard and non-standard services to small internal clients
- Incubate best practices and help integrate into larger clients
- Grow cross-functional skills



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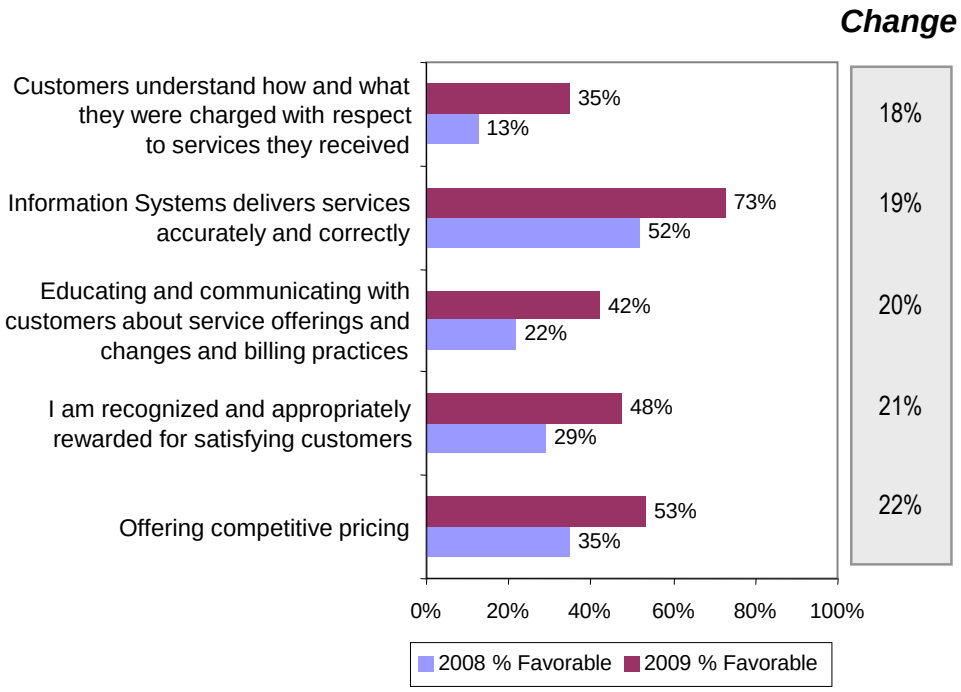
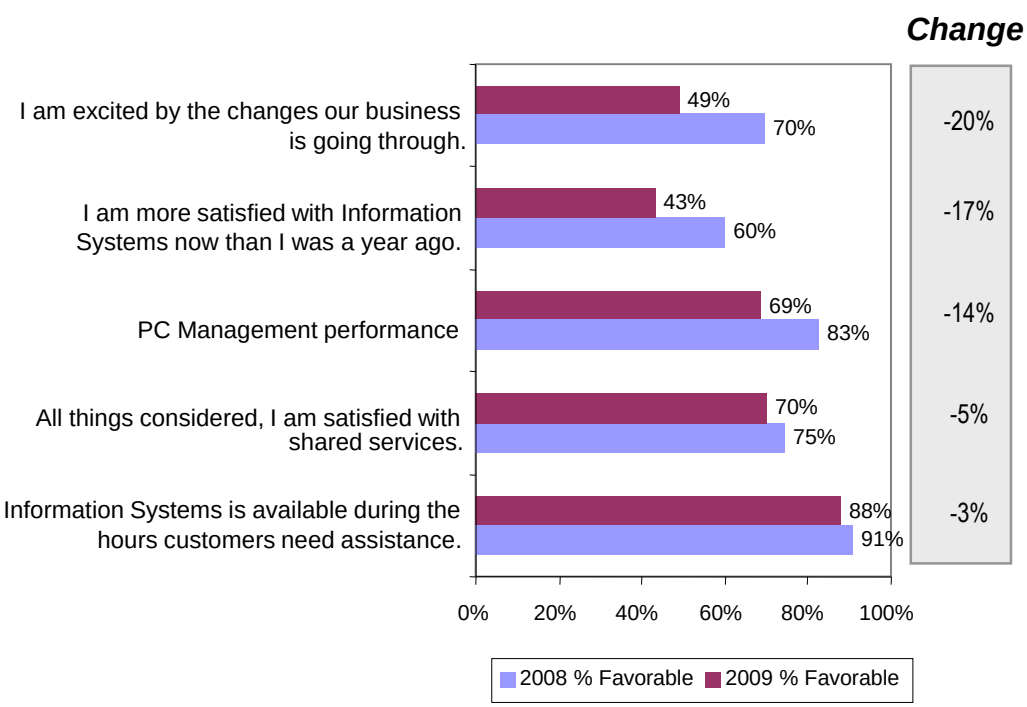
Determine Support Strategies for Unique Business Units
Customer Survey Results – Example

Analyze and prioritize survey results – focus on increase or decrease in service favorability and pinpoint opportunities by customer segment

Greatest Increase in Percent Favorable



Greatest Decrease in Percent Favorable



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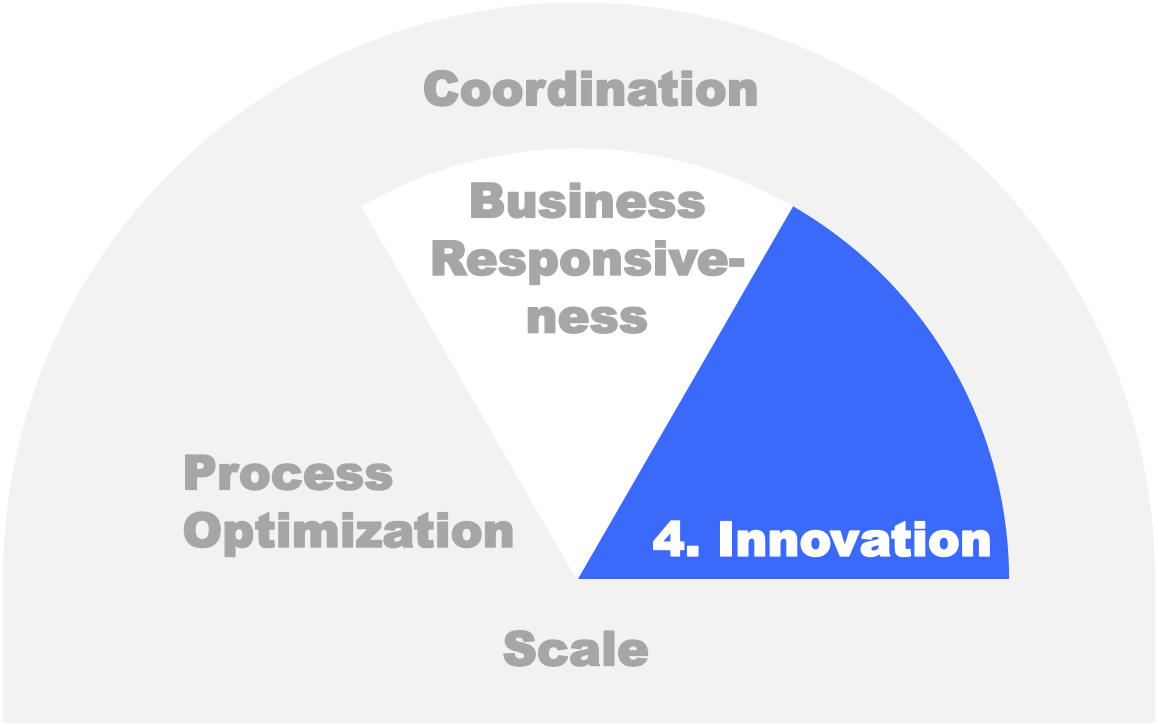

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4. Foster Innovation

4. Innovation Strategies

Foster Innovation Through Centers Of Excellence (COE)	• Can provide an environment that fosters innovation – one of teamwork and creativity • Connect virtually
Adopt Business Analytics Vs. Traditional Reporting & KPIs	• Shift from cost reduction to revenue generation! • Provide businesses with mission critical data

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Foster Innovation Through Centers of Excellence (COE)

Expand to Smaller Higher Value Services

Centers of Excellence

Collaborators: HR Business Partners, SSO Managers

Focus:

- Functional expertise in compensation, benefits, recruiting and workforce planning, organizational development/training, etc.
- Program design
- Vendor management and contract negotiations
- Research and development, trend analysis, best practices

Location: Corporate or remote reporting to corporate (e.g., recruiting)

Center of Excellence	Service Opportunity
Talent Acquisition	Roll-up workforce planning data, assess, and develop corporate plan; manage corporate-wide use of data
Benefits	Determine benefits rates, and charge-backs; build models
Compensation	Conduct market analysis, including survey selection, data inputs, and analysis
Diversity	Roll-up company-wide diversity metrics, analyze data, translate into corporate-wide programs and processes
Employee Relations	Manage exit interviews for targeted population

Close coordination between COE and support center expedites innovation

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Foster Innovation Through Centers of Excellence (COE)

Virtual Problem Solving

Distributed <u>but connected</u>

- Use of high definition video conferencing rooms for real time problem solving
- Connects distributed environment
- Higher touch with the internal customer
- Promotes team working environment
- Higher 1st contact resolution

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Adopt Business Analytics

Expand from Metrics to Analytics

Metrics and analytics are closely related but have major differences.

METRICS	ANALYTICS
Measures performance	• Enables decision making
Historical look back	• Forecasting look forward
Data	• Insights
Scorekeeping	• Story telling
Reporting	• Understanding
Volumes	• Selective
Reactive	• Proactive

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Adopt Business Analytics

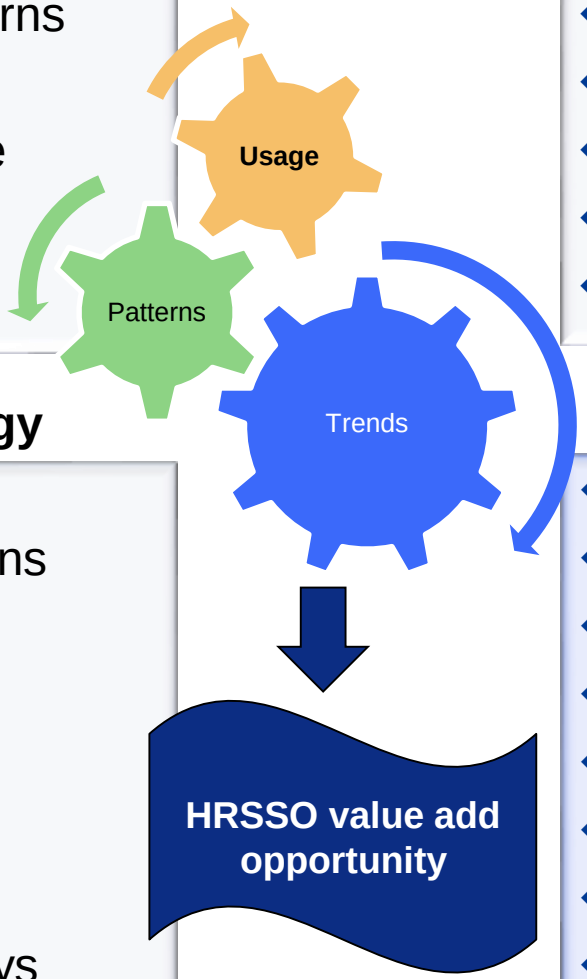
The Data is Already in Your SSO

Financial

- Customer credit risk
- Customer banking patterns
- Cash position
- Investment performance
- Debt interest rates
- Asset depreciation

Purchasing

- Vendor quality scores
- Product demand forecast
- Category spend trends
- Inventory turnover/cycle
- Material purchase patterns
- New vendors/diversity



Information Technology

- Web hits
- Hand held device patterns
- Laptop/desktop spend
- Application value/usage
- Portal usage patterns
- E-commerce success
- Social media hits
- Data center peaks/valleys

Human Resources

- Working patterns
- New hire trends
- Reasons for leaves
- Disability insurance usage
- Retirement demographics
- Time-to-fill positions
- Departure reasons/trends
- Worker health patterns

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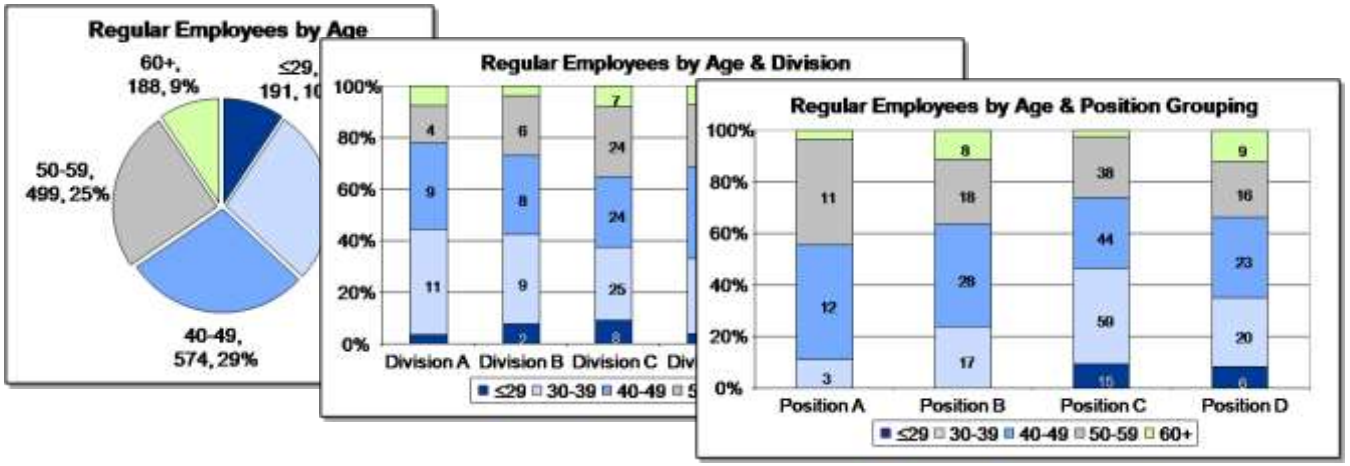
Adopt Business Analytics

Example: Workforce Analytics

A systematic approach to determine staffing requirements and future needs

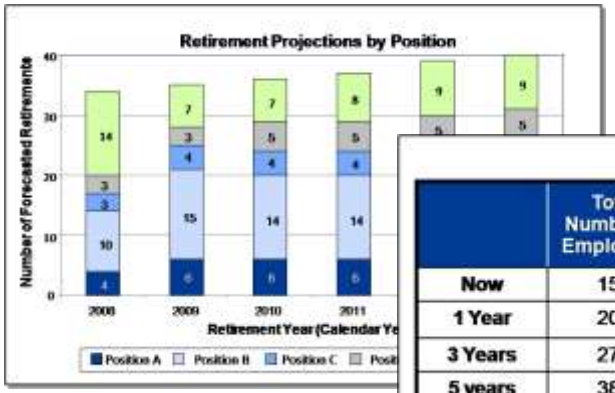
Employee Demographics

Analyze age, gender, and ethnicity trends company-wide and drill down by division and position grouping



Retirement Projections and Eligibility

Calculate retirement eligibility and project future retirements using current employee data and historical retirement trends



Retirement Eligibility

	Total Number of Employees	Percent of Employees	Number of Managers	Percent of Managers	Number of Females	Percent of Females
Now	155	7.9%	35	12.7%	117	8.6%
1 Year	206	10.3%	40	14.5%	137	10.0%
3 Years	279	13.9%	53	19.2%	189	13.8%
5 years	382	19.1%	71	25.7%	244	17.9%

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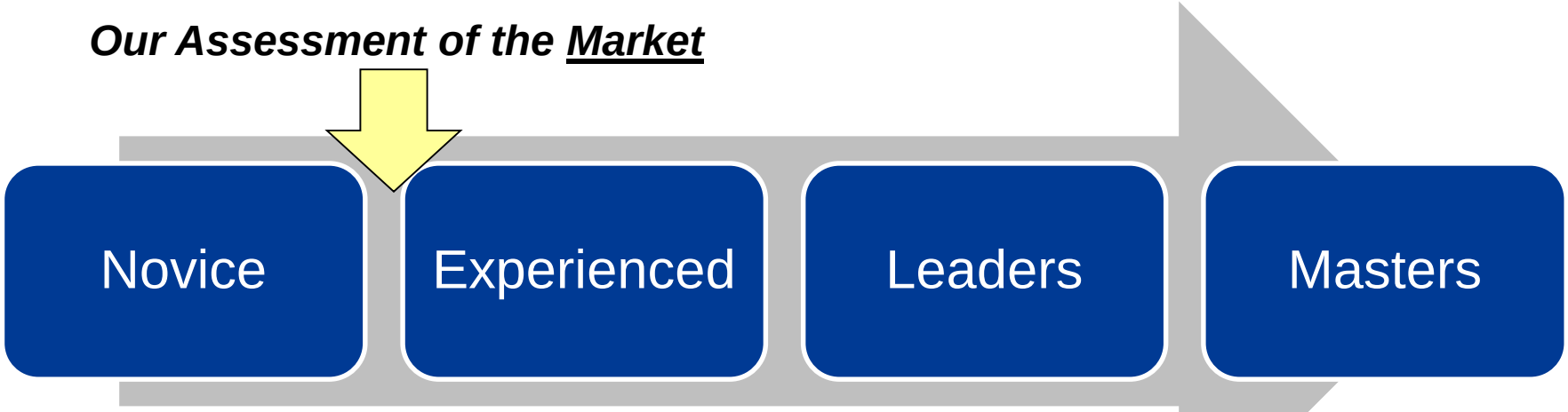
Adopt Business Analytics

Where Does the Market Stand with Business Analytics?

Our Assessment of the Market



- Limited to historical view of data, often through spreadsheets
- Aware that they can do better

- Show broader collaboration across teams, with both a historical and current view, as well as trending

- Employ defined operational and financial metrics across more than one department

- Set top-down goals, allocating resources based on priorities, and shifting dynamics
- Everyone knows the objectives and how they can collaborate

There is a enormous potential to capture value and gain a competitive advantage

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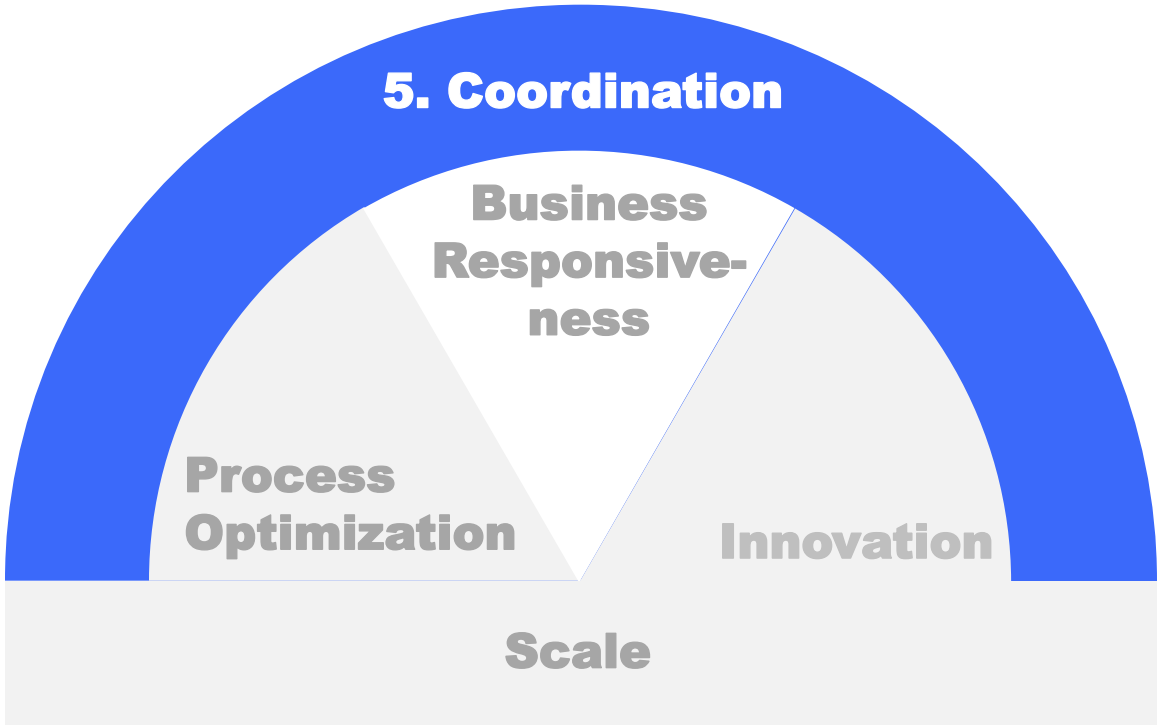

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5. Facilitate Coordination

5. Coordination Strategies

Manage Business Expectations Through More Informal Reporting	• Provide performance transparency • Develop common definition of success • Evaluate the need for continued formal SLAs
Simplify Cost Structuring	• Demonstrate how line of business behavior influences SSO costs • Provide lines of business with the opportunity to control their costs

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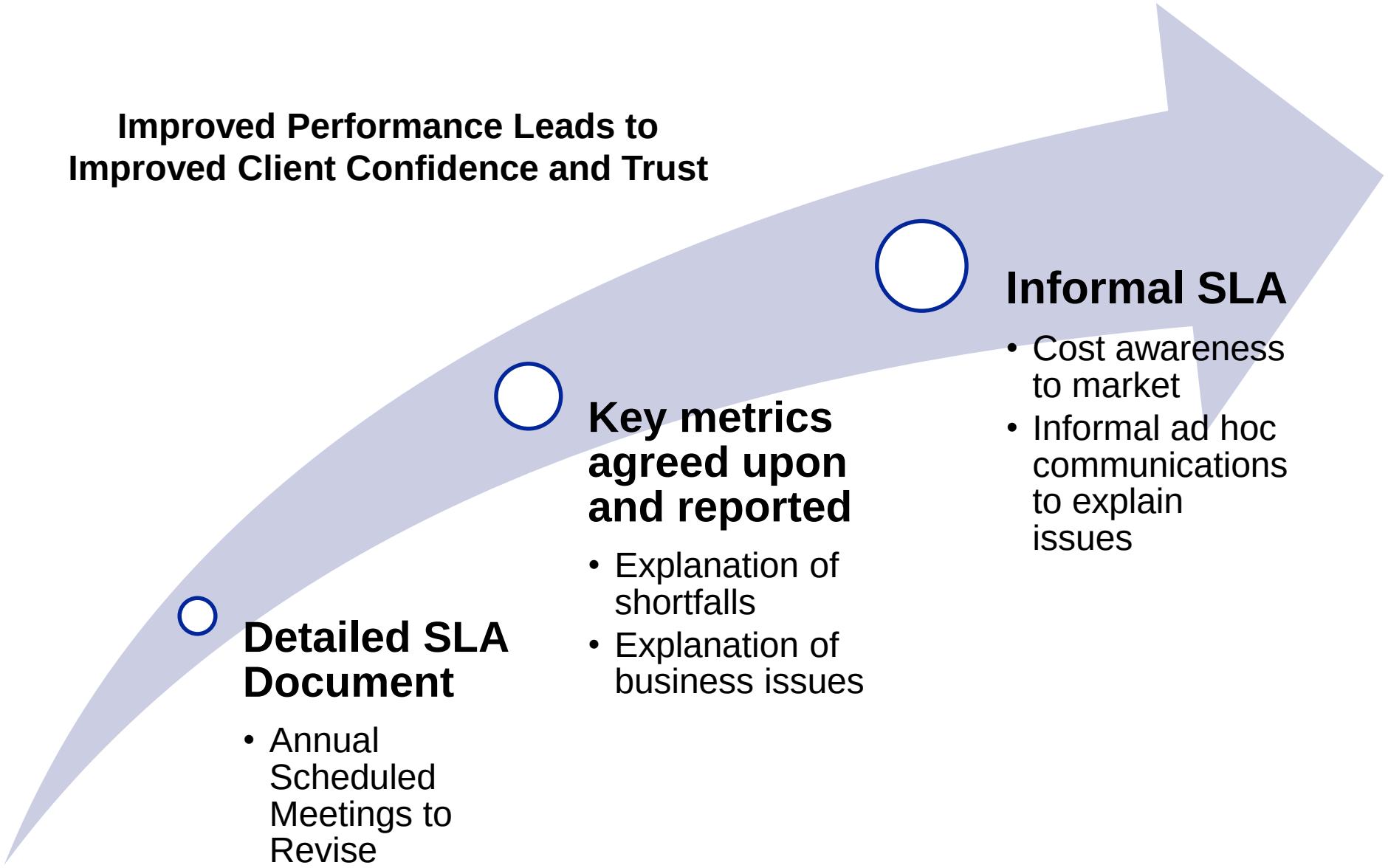
Manage Relationships through Less Formal Reporting

Evolve to Informal SLA's

Improved Performance Leads to Improved Client Confidence and Trust



Detailed SLA Document

- Annual Scheduled Meetings to Revise

Key metrics agreed upon and reported

- Explanation of shortfalls
- Explanation of business issues

Informal SLA

- Cost awareness to market
- Informal ad hoc communications to explain issues

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Simplify Cost Structure

Tie Chargebacks to Easy Logical Work Drivers

Cost transparency is important to understand…

- Cost drivers so you can prioritize improvement initiatives
- Where you stand versus the market to make outsourcing decisions
- How to negotiate a contract when outsourcing decisions are made
- How certain behaviors influence overall delivery costs

Productive chargebacks can accomplish these objectives with minimal effort:

Service	Driver
Finance	Transactions
Payroll	Paychecks
Import/Export	Invoice Line Items
HR	Employees
Corporate Services	Number/Size of Business Units

The Benefits of billing and enforcing penalties on BU's do not outweigh the risks of creating non-productive internal work and tarnishing client relationships

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Summary

Plan Your Vision for "Next Generation" SSC Operations!

The SSO environment is changing fast!

- Business unit demand for consultative services and business intelligence
- Diminishing focus on local/country SSO delivery and more on global/enterprise
- New emerging low cost markets
- More focus on process ownership
- Increased pace of Multi-Function design and build
- Demand for innovation in SSO services and delivery

To continue to offering SSC value, define a vision, gather stakeholders, make the business case, layout detailed initiatives and move "Step-by-Step"

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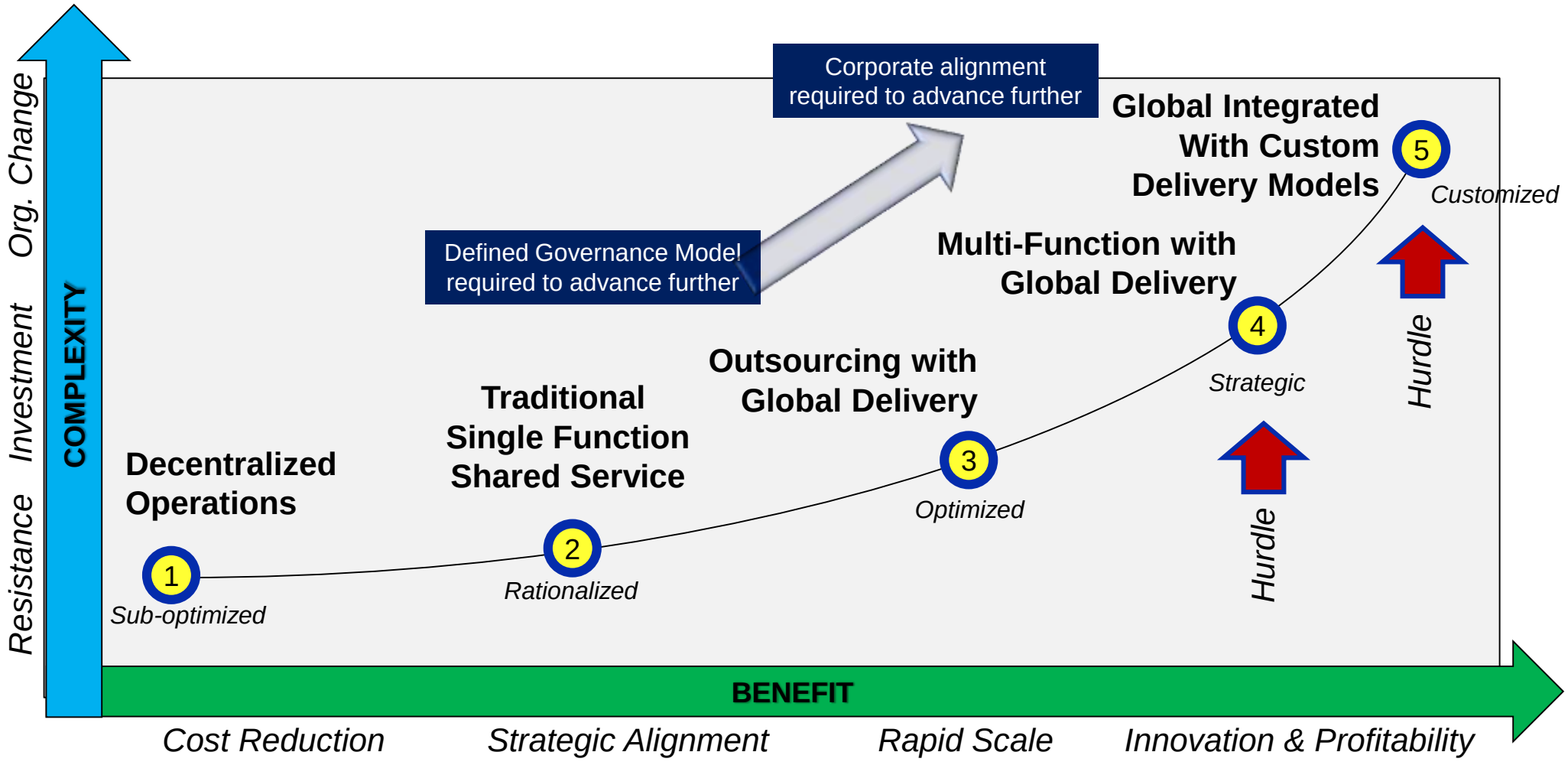
Summary

Allow Time and Move in "Digestible" Stages - *Example*



The Benefits of Advancing Maturity Should be Weighed Against the Cost, Complexity and Appetite for Organizational Change

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Faculty Contact Information

Thank You!

Questions?

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Process Optimization

- Process Management Short Presentations (Collection)
- Building Strong Process Management Capabilities (Collection)
- 6.0 Develop and Manage Human Capital Definitions and Key Measures PCF version 6.0.0

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HR Business Partner Role

- HR Sees Five Areas of Focus in Its Future
- Survey Identifies Future HR Competencies
- Strategic HR Partnerships Survey Results
- Strategic HR Partnerships Survey Results Summary

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