

insights

JANUARY 1997 - VOLUME 1, NUMBER 1

A RESOURCE FOR ACHIEVING INTERNAL SERVICE EXCELLENCE

Dear Shared Services Leader:

This is the premier issue of *Shared Services Insights*, a newsletter intended to help current and future practitioners of Shared Services within leading corporations to exceed today's challenges and tomorrow's sustainability.

Over the past two years, The Amherst Group Limited (AGL) has sponsored numerous conferences and workshops around the globe attended by over 1,200 participants from some 300 organizations. Our most recent conference, co-sponsored with *The Conference Board*, was filled to capacity and many who wished to attend had to be turned away. Speakers included Shared Services executives from AlliedSignal, Amoco, Kaiser Permanente, Rhône-Poulenc, Pacific Bell, Tenneco and Weyerhaeuser.

The enthusiastic response to these Shared Services assemblies and the expressed desire for information prompted us to create this newsletter, targeted to organizations with Shared Services in place, as well as those contemplating the implementation of Shared Services. Its primary objectives will be to:

- Respond to the needs of Shared Services practitioners
- Introduce new concepts and challenge conventional wisdom
- Facilitate networking among Shared Services organizations
- Serve as a forum on the best practices in Shared Services
- Provide a clearinghouse for position openings and incumbent job moves

Some interesting observations have been drawn from meeting with and listening to conference participants. It seems despite the widespread interest in Shared Services, very little information is currently available on the subject, and until now, there has been no easy way for companies to identify and network with others who have already embarked on Shared Services in order to share their experiences.

Shared Services entities are pursuing various approaches, depending on their priorities and the issues they need to address, which vary because not everyone has the same issues or is at the same point on their Shared Services journey.

These are some of the issues we will focus on in this and future issues of *Shared Services Insights*. We welcome your comments, questions and feedback to better serve you, our readers.



Laurel A. Forst
Editor

INSIDE

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GUEST INTERVIEW

We interviewed Tom Dille, retiring Chairman of North American Shared Services (NASS) for Rhône-Poulenc Inc., part of Rhône-Poulenc S.A., a company with 80,000 employees, in 19 separate enterprises focused in basic and specialty chemicals and life sciences.

***AGL:** Tom, Rhône-Poulenc (RPI) is generally regarded as a leader in implementing Shared Services, but you are also pioneers in adopting business planning to Shared Services. How did you do it?*

Well, there is some background I should discuss first. As part of a reengineering process, RPI was exploring ways of delivering staff services more efficiently. At the same time, we wanted to find a way to push decision-making further down in the organization into our enterprises, which is what we call our business units. There were discussions of how we could ensure delivery of cost effective staff services to nineteen different enterprises such that there would be equity in what the enterprises would pay for received services. We evaluated a number of options for accomplishing this objective and landed on Shared Services as the best approach. We saw Shared Services as a means of leveraging valuable, experienced people so they would be available and responsive to the needs of all nineteen decentralized enterprises.

To facilitate this transformation, we had to change the tendency of internal service providers whose focus was to please their bosses. They were told “These are the services you provide,” and so they provided them. They did not try to determine what the ultimate user, the internal customer, wanted. So, like most other companies, we were provider-driven rather than

customer-oriented. Service providers simply presented a menu of services. Typically, there was not even a discussion of what the services would cost.

RPI wanted to change this traditional behavior pattern to one that not only offered needed services but also facilitated internal customers and service providers partnering together. So after some 40 years of internal services being driven by service providers trying to please their functional boss whether Human Resources, Health, Safety & Environmental, Engineering, Legal or Finance; we had to transform into an organization that focused on offering services that satisfied the needs of internal customers.

To do this, we first had to define our services in terms of the specific activities which comprise them. Instead of saying a service was simply HR,

...we first had to break the services down into specific activities.

it might be classified as recruiting, management of ex-patriots or training. Next, we had to determine who for each activity the customer was, such as sales manager, business analyst, plant manager, etc. Then, we had to look at our capabilities and determine what services could be offered. Importantly, we also had to assess whether we were competitive, not only with companies we benchmarked against for service and cost levels, but also with anyone outside the organization who could provide the same service.

This forced our organization to do an exhaustive internal self-assessment to determine our skills and competencies and to identify our customers. In some cases, we had to evaluate whether we even wanted certain customers where our services didn't match their needs or where we lacked the skill level necessary to deliver the service. It forced us

to think more like a business and become more entrepreneurial.

One of the seminars The Amherst Group conducted with all of the North American Shared Services Team leaders helped us to break through traditional thinking, become more customer-focused and allowed us to forge partnerships with our customers, something most internal service providers have not done.

People begin to feel greater control over their own destiny...

***AGL:** What were the most critical elements in making the transition to a customer-orientation?*

One element is identifying exactly who your customers are. This sounds rather basic but I believe most of us are not very definitive regarding who is a customer. For example, we have Agricultural and Chemical sectors within RPI. Ag has been fairly self-sufficient in its Information Technology while Chemical, made up of fourteen different enterprises, has a less solid IT structure. So each required a different degree of expertise and service. By breaking down activities and knowing who the customers were for each activity, we were able to communicate directly with the users and quickly reach a decision on what needed to be done. This also forced service providers to change their attitude. Instead of attending a budget meeting and dealing exclusively with a high-level financial person, they now deal with service users, discussing needs, satisfaction levels and potential solutions.

Another practice that helped us focus on the customer was employing surveys that measured service usage and customer satisfaction. On a scale of 1 to 7, we solicited their ratings on both the importance of and their fulfillment with each

particular service. We learned we had services where the customer rated fulfillment high but didn't think it was important, telling us we were probably spending too much time on them. Looking at those services rated as most important to customers allowed us to focus our attention on them, and devote more emphasis to those where our service levels were not as high as they should be. So, we were able to shift resources to improve service levels and at the same time, create continuous partnering relationships with our customers.

An interesting aspect that emerged as a result of this customer focus was that when we first began, our customers wanted everything yesterday, at a lower price, and were not particularly satisfied with our services. We, the service provider, on the other hand, think customers are overly demanding, want everything too cheap, and are never satisfied with what they get. The beauty of the business planning process shows that enlightened customers soon figure out they have to work together with the providers to come up with better solutions that

Early on, you have to do some benchmarking...

achieve higher satisfaction and lower costs. For RPI, the business planning process we went through probably did more to focus us on the customer than anything else.

Another important subtlety is that when we had functional hierarchies, headed by Senior Vice Presidents of HR, Engineering, or General Counsel, for example, with everybody reporting up to them, there was a tendency for service providers to do things to please their functional boss and not the customer. With Shared Services at RPI, and we may be unique in this, our senior functional executives have not really been out front, being visible external leaders; they have been more behind-the-scene coaches, stressing that the real boss we serve is the customer. Our

customers judge us on whether we are doing things right or not. This is a subtle but very important distinction. Shared Services Team leaders learn that pleasing their bosses or the NASS board is not critical, but by pleasing internal customers, they also please all others.

This helped us move away from being a traditional hierarchal organization to being more of team-based environment where everybody works together to serve the customer. This transformation is probably one of the most important things people have to go through to become customer-focused. Otherwise, they are constantly falling back to please some hierarchal boss.

AGL: How were you able to generate enthusiasm for the Shared Services transformation?

When we began, people were afraid of Shared Services because it was new. In the traditional structure, providers did not have to worry about selling their services. Someone was there to tell them what to do and they didn't have to go out and get buy-in from customers; it was easier in many respects.

So, we had to make a tremen-

dous behavior change to get service providers to become more entrepreneurial. The enthusiasm, momentum, and motivation came from people trying new things, taking different approaches and being innovative. Anyone becomes motivated after the things

they are doing are complimented and requested by internal customers. It doesn't always come easy; it takes time

and the transition can be subtle. But, the fact that providers begin making decisions themselves versus simply carrying out orders that came from someone else generates self-pride and drives motivation. People begin to feel greater control over their own destiny, and have more opportunity to make an impact.

There are still disappointments and challenges. The negotiating process for service level agreements, for example, can be hard on service providers when they propose what they believe is a great, innovative idea but customers

decline because of budget constraints. While this can be disheartening, the upside of it is that providers recognize they must then go think of some

other way to remain competitive and generate revenues to keep their organization going. So even though they occasionally feel like they have run into a brick wall, they realize they can do something about it. They might look at creating new services to sell or find other internal customers for the service. Here again, the entrepreneurial spirit arises and providers are prompted to take action, rather than waiting for someone to come by and tell them what to do. We have found that in most cases, when a real challenge has been placed in front of our SS organization, they come up with innovative solutions, and they take pride in this.

AGL: What advice would you offer to other organizations regarding the use of business planning in Shared Services?

It is critical to change service providers from looking up

It is critical to change service providers from looking up for guidance to a customer focus.

for guidance to focusing on customers. Also, produce baseline data as quickly as possible, because you have to move rapidly to fact-

based decision making and you can't do it without reliable data. Along with baseline data for costs and activities, uncovering redundant areas and

focusing on the needs of customers, you must do some competitive analysis. You must know what you are competing against or it will be hard to gauge how much to improve. Early on, you have to do some benchmarking, not as a score-

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card, but rather to identify areas where you have potential for small or great improvement. You learn by looking at the best in class to see what are the things they are doing that you could do to improve.

But you also have to look at the outside provider who could be a competitor. For example, if your Engineering Services only target being competitive with big, multinational corporate engineering departments, and not external engineering firms available locally, you may make a real mistake. You must be competitive with people who provide your services on the open market. The baseline data you amass helps you know with certainty how you compare to others with whom you will compete. □

OUR PERSPECTIVE ON...

RUNNING SHARED SERVICES LIKE A BUSINESS

The underlying philosophy driving Shared Services is: a business-oriented unit employing common management practices and focused entirely on delivering needed services at the lowest cost, will produce the greatest value to internal customers. This provides accountability within the organization that is more effective than having multiple points of responsibility and varied management practices.

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same "best practices" used to gain a competitive advantage with external customers are applied internally to create a harmonious partnership that addresses both sides of the internal equation. Consequently, internal cus-

tomers can specify what services and how much they need and expect service providers within Shared Services to be responsible for meeting those requirements. Similarly, service providers can expect to have their performance evaluated objectively as a result of having measurable criteria in place.

The Amherst Group Limited (AGL) has been a consulting pioneer in the emergence of Shared Internal Services, beginning in 1988 when we were engaged by Johnson & Johnson. Today, Shared Services is embraced by an increasing number of leading companies, including Allied Signal, Kaiser Permanente, Rhône-Poulenc, Monsanto, Amoco, RR Donnelley and others, and recent developments point to continued growth.

Shared Internal Services programs, sponsored by AGL, have attracted 1,200 people from more than 300 organizations in cities in the U.S., Canada, England and Australia.

The Conference Board now has a Shared Business Services Executives Council that facilitates networking among leaders overseeing multi-functional Shared Services organizations operational for one year or longer. There are already 21 members with more nominated.

Substantive articles on Shared Services have appeared in Across the Board, Personnel Journal, Professional Journal, Enterprise Reengineering, Healthcare Strategic Management, The Journal of Business Strategy and Financial Executive. Additional articles are upcoming in Supervision and Chief Information Officer magazine. (Copies are available from AGL upon request.)

As a consulting firm dedicated to Shared Internal Services, we have been retained by 20 companies this year alone for help with their Shared Services initiatives

We have informally started to serve as a job clearinghouse for Shared Internal Services, responding to both corporate position openings and incumbent advancement aspirations.

These developments suggest that corporate interest is building, the pace is quicken-

ing and the opportunities are expanding. Continued growth will likely be contingent upon companies being able to operate Shared Internal Services as a business. To do so, a new framework and mindset will be necessary to create and sustain optimal conditions for the behavioral and cultural changes that both the service providers and the rest of the organization must undergo.

Every service provider must be instilled with a service-oriented, business-based contributor mindset. Service-oriented means they understand the customers and their requirements for each service delivered. Business-based refers to the total staff and non-staff delivery costs, the time and resources expended and productivity, on a service basis as well as how they compare to external service providers. Contributor mindset means being predisposed to serving internal customers, and possessing the necessary technical competencies.

A well-defined framework and mindset will help service providers forgo corporate safe-

ty nets and position Shared Internal Services to become a stand-alone business which can compete to survive. The framework must also address the issue of sustainability.

Management concepts come and go. Shared Internal Services faces the same uncertainty. But just as businesses survive because they are able to successfully compete for cus-

tomers and maintain their confidence, the same rationale applies to Shared Internal Services. What will define the best Shared Internal Services businesses will be the management and operating principles they incorporate and the continuous improvement commitment they envision.

Shared Internal Services does not exist in vacuum. It must recognize the priorities, pressures and needs operating on all organizational levels, and adopt a win-win-win perspective such that the corporation as a whole wins, each business unit and their employees win and the service providers win.

In terms of the overall corporation, Shared Internal Services

A well-defined framework and mindset will help service providers forgo corporate safety nets and position...

must understand and contribute to the initiatives it adopts and, looking ahead, link its plans to overall company goals, assessing how it can optimize its contributions on behalf of all parties. For business units, it must help them achieve their productivity goals by continuously improving delivery of services and leveraging additional services. This implies that Shared Internal Services exists within a changing environment and must adapt to new conditions.

It is the responsibility of Shared Internal Services to educate its customers on the services it performs, the results delivered and the opportunities for improvement. As customers become more knowledgeable, their expectations and requirements will change. The impact of this will be that service providers will have ongoing dialogues with customers in anticipation of these changes, positioning Shared Internal Services to become the supplier of choice and creating the foundation for partnership.

In moving from a traditional staff role to a customer-focused environment, the lives of service providers are

altered dramatically. Given most people want to be valued for what they do and the impact they have on their customers, service providers will have to understand what their customers do with what is delivered and how it is used in meeting external customer demands.

This is called line-of-sight management and the information gleaned will help Shared Internal Services be even more responsive and potentially exceed their customer's expectations. In so doing, more value will be attributed to risk-taking and *intrepreneurism*, high performance work teams, recognition and rewards tied to business unit results and customer satisfaction ratings. This will necessitate more training of service providers to ensure they have the needed skills to

...Line-Of-Sight Management...

meet these challenges which suggests Shared Internal Services should adopt the Learning Organization principles to provide both practice field and playing field time for all. Otherwise, it just won't happen.

Operating Shared Internal Services like a business is fundamental to its sustainability. In the future, more and more

will be up for grabs with fewer and fewer givens. Shared Internal Services must prepare itself for competition with external service providers and outsourcing firms. They are profit-oriented businesses and manage themselves accordingly. Success dictates being on equal footing with them so they do not secure a competitive advantage.

Your corporation competes, as do each of its strategic business units, so why not your Shared Internal Services business unit? It has the inside advantage which allows it to unleash its true potential and meet competition head-on. You know your company, its culture and the players better than any outsourcer ever can. Capitalizing on your inside advantage to outdo them at what they do is why Shared Internal Services is uniquely positioned to create that win-win-win.

*Leland I. Forst,
President and CEO*

*A Speech presented at
The Conference Board 1996
Shared Services Conference*



SHARED SERVICES Q&A

Q. *Can you give a specific definition of what you mean by Shared Services; i.e. what does Shared Services do, what don't they do?*

A. Shared Services is the delivery of staff and support work to two or more business units with the goal of meeting stated internal customer needs, creating value, reducing costs and improving service levels. Services that meet this criterion can be found in SG&A and COGS areas, e.g. Human Resources, Finance, Legal, Purchasing, Marketing Communications, Environmental, Health and Safety, etc. Some of the services are transaction-intensive and others are expertise-based. The key is to define and segment services and eliminate those that are Governance and business unit-specific from the scope of Shared Services. Its principal point of differentiation is that Shared Services only performs that work which its customers "buy." □

Q. *Describe the distinction between customers and consumers and how does this pertain to Shared Services? And, how does it impact the way you manage?*

A. *Customers*, are often the payers for services received who have a need for competent resources employing "best practices" to respond to their problems and situations. Typically, they are teams, departments, supervisors and managers and they "drive" what we call the expertise-based services. Conversely, *consumers* are often the service users, including all employees, or large groups with similar requirements. They expect timely and accurate responses to their administrative needs, as such, they "drive" transaction-intensive services. Both services types are performed by Shared Services because they offer the most opportunity for leveraging service delivery.

Many Shared Services practitioners have found self-directed, high-performance work teams as the

most effective management technique. This permits teams to make decisions (within stated guidelines) to meet their customers' needs and requirements. □

Q. *Has Shared Services changed how line units view these formerly "staff" or "overhead" functions in terms of value and contribution?*

A. Yes, however, it is evolutionary. Initially, business unit heads resent losing control of resources for fear of increased costs and reduced service. Overcoming this requires on-going communications and the development of good customer relations. Also, this depends on the role they play with respect to Shared Services and the prerogatives which they can exercise. If Shared Services delivers services that the line units have identified as important and do so with a customer service orientation, they will be appreciated and recognized. The keys are service, service, service!!! □

Q. *Assuming there is a clear understanding/appreciation of Shared Services by management, do employees understand and appreciate the Shared Services group and the value they bring?*

A. The understanding of Shared Services begins at the top of the organization. The degree to which this understanding filters down in the organization is contingent upon effective communications by both Shared Services to all levels within the company, as well as, senior and middle management to their own staffs. Employees tend to appreciate Shared Services when they experience it firsthand, either personally getting an answer to a benefits inquiry or professionally in performing their work. □

We welcome your comments and suggestions. If you have a question for Shared Services Q&A, write us and we will try to answer it in a future issue of Shared Services Insights.



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