



scottmadden

MANAGEMENT CONSULTANTS

Smart. Focused. Done Right.®

Supply Chain Governance

SSON Supply Chain Learning Series

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About ScottMadden



Who We Are

ScottMadden is a management consulting firm with more than 30 years of deep, hands-on experience.

We deliver a broad array of corporate and shared services consulting services—from strategic planning through implementation—across many industries, business units, and functions.

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W E D O

**WHAT IT TAKES
TO GET IT DONE
RIGHT**
.....

CORPORATE & SHARED SERVICES

EXPERIENCE

Our experienced team has been a pioneer in corporate and shared services since the practice began decades ago. We employ deep, cross-functional expertise to produce practical, measurable solutions.

SCOPE

We have completed more than 1,100 projects since the early 90s, including hundreds of large, multi-year implementations. Our clients range across a variety of industries from entertainment to energy to high tech. Our areas of expertise span the spectrum of middle and back office corporate and shared services.

SERVICES

We have helped our clients with business case development, shared services design, shared services build support, and implementation.

.....
Our corporate and shared services knowledge, expertise, and experience are unmatched—no other firm has helped more clients with more unique solutions.

Capabilities and Areas of Focus

ASSESS & PLAN

- Strategic planning
- Feasibility analysis
- Benchmarking
- Leading practice assessment
- Performance evaluation
- Project planning
- Leadership education and buy-in
- Staff evaluation
- Change readiness assessment
- Site visits

BUILD

- Project management
- Service and transaction center build
- Detailed organizational design
- Staffing
- Process redesign
- Technology design, selection, implementation, and support
- Education and training
- Facility design and setup
- Change management
- Sourcing implementation

FINANCE AND ACCOUNTING

HUMAN RESOURCES

INFORMATION TECHNOLOGY

SUPPLY CHAIN

BUSINESS ADMINISTRATIVE SERVICES

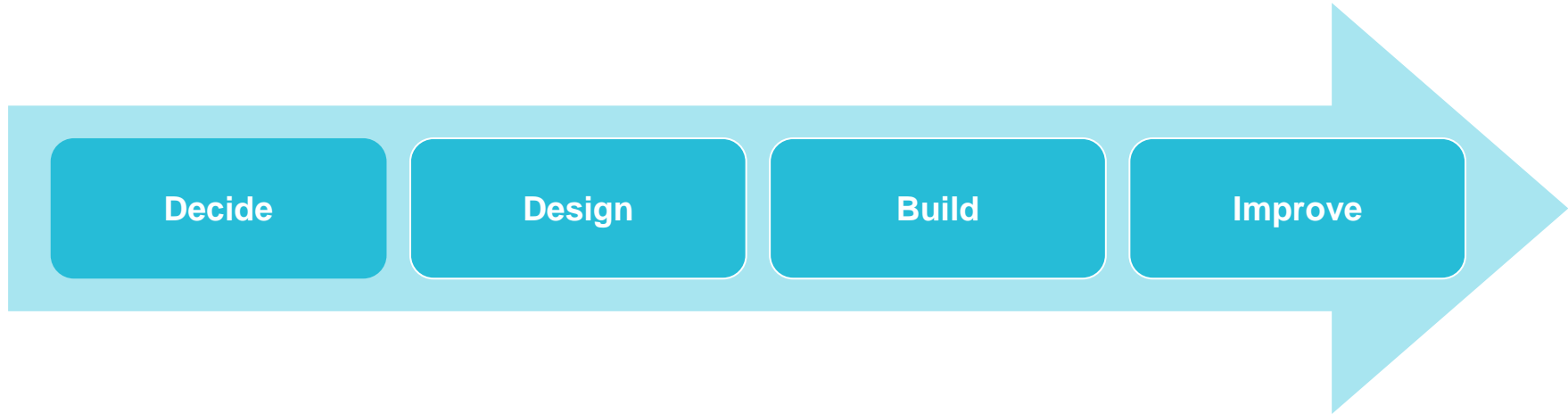
DESIGN

- Current state analysis
- Future state design
- Business case development
- Service delivery model design
- Work scope delineation
- Sourcing evaluation
- Organizational design
- Technology evaluation
- Transformation planning
- Implementation planning
- Change management

IMPROVE

- Analytics setup and deployment
- Operations improvement
- Governance
- Service expansion
- Cost reduction
- Process redesign
- Technology upgrade
- Merger and acquisition integration
- Field resource development
- Customer satisfaction measurement
- Metrics and performance management

What We Do In Shared Services








We are the leading shared services management consulting firm.

Governance Overview



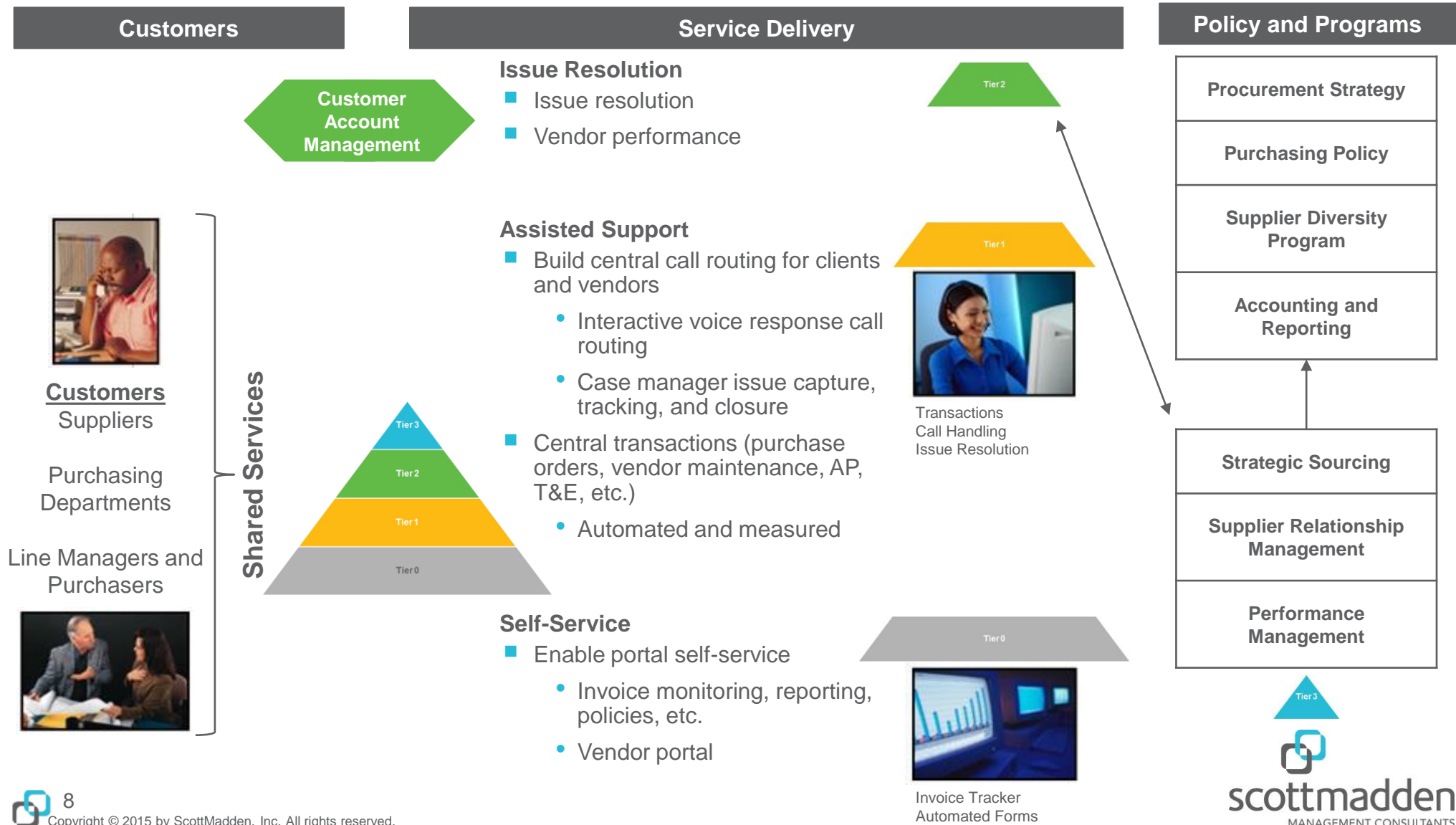
Transitioning to a Shared Services Delivery Model

Moving from a “reactionary state” to a “future state” shared services model is a challenging endeavor. The graphic below highlights the key differences between these two states.

Characteristic	Reactionary State		Future State
Supply chain focus	Transactional		Channeled – strategic and transactional
Relationship with business areas	Independent		Partner
Sourcing practices and knowledge	Location-specific, limited		Centralized, centers of excellence leveraged
Roles and responsibilities between supply chain and business areas	Unclear, flexible		Well-defined, enforced, accountability-based
Processes and procedures	Location-specific, inconsistent		Integrated, well-defined

Transitioning to a Shared Services Delivery Model (Cont'd)

Creating the type of service delivery model we covered during the previous article in the Supply Chain SSON series necessitates a keen focus on understanding business unit needs, an ability to align the work to be performed with the necessary skills, and managing information flows and issue resolution in an effective manner.



Shared Services Delivery Model Success Requirements

Effective governance is one of the over-arching requirements for shared services success.

Strategy

- The shared services strategy must be in alignment with the organization's overall strategy
- It should be clear what services are to be performed, for whom, and for what reason

Governance

- Clear guidelines should exist regarding who has responsibility for policy development, monitoring, enforcement, and arbitration
- Appropriate structures should be in place to provide these governance functions

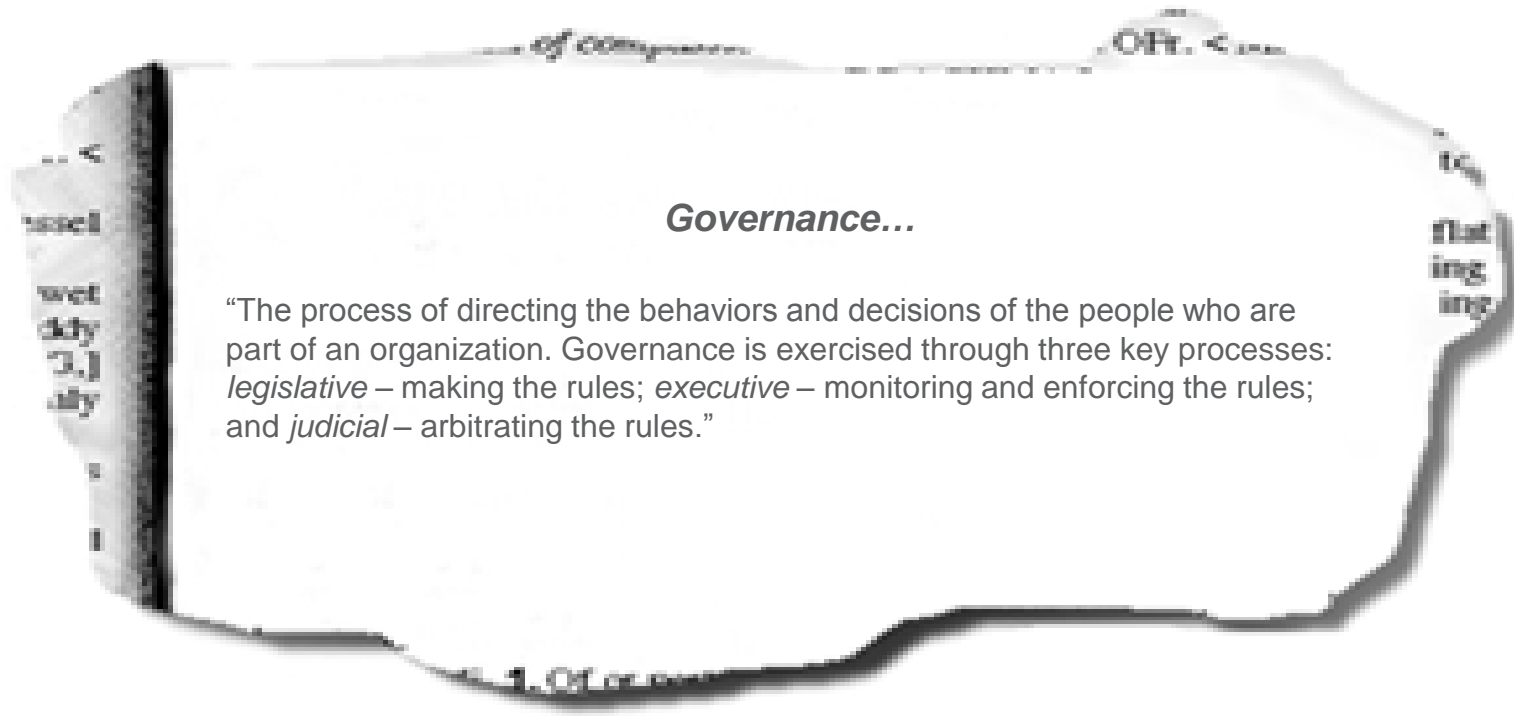
Performance Management

- Performance should be benchmarked against external service providers
- KPIs should be identified, tracked, and communicated
- External best practices should be monitored routinely
- Outsourcing opportunities should be periodically assessed

Enabling Technology

- Technology is used to streamline and push administrative activities to cost effective channels
- Technology enables the shared services organization to track and report on the metrics and manage the business

“Governance” Defined



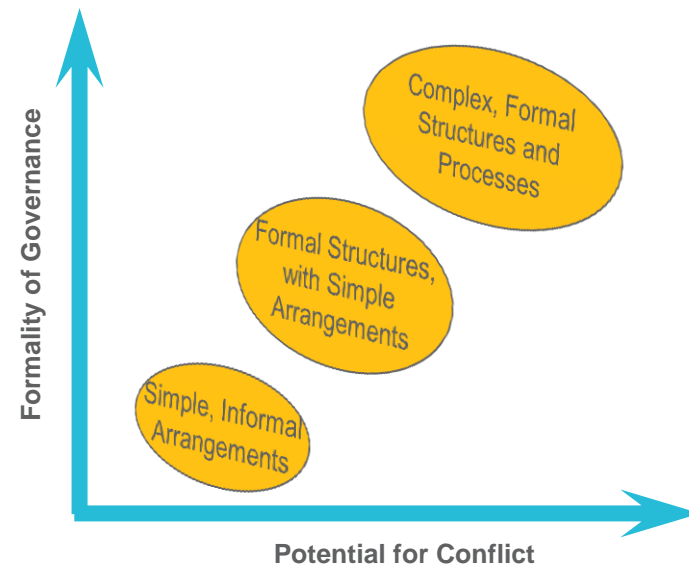
Firms with superior governance have at least 20% higher profits than firms with poor governance, given the same strategic objectives.

The Case for Governance

A governance model is created to ensure that the shared services organization is held accountable for providing a consistent level of service to its customers (e.g., the business areas or corporate divisions). The model also provides structure for evaluating requests or arbitrating issues between the shared services organization and its customers.

The level of governance required is often based upon the culture of the organization or the trust towards the shared service center

- From internal customers:
 - Resistance to let go
 - Belief that “we are different”
 - Desire for high customization
 - Resistance to pay for services
- From shared services:
 - Desire to take on too much too fast
 - Poor perceived service
 - Allowing no customization for exceptions
 - Poor reporting practices

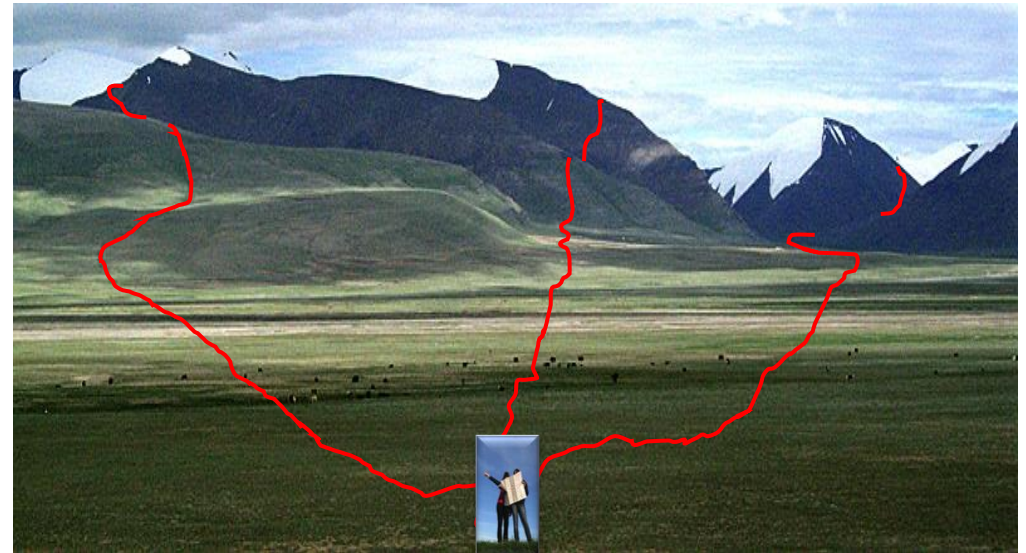


Little formal governance is required when the potential for conflict is minimal, and the potential for conflict increases as the number of customer groups and services increase.

“He who governs least, governs best.” — Thomas Jefferson

Components of an Effective Governance Model

- A formal structure to manage the process
- Clear demarcation of decision roles and responsibilities
- Clear goals and principles
 - Goals outline the purpose for the shared services organization
 - The principles establish the ideals or values upon which the organization operates
- Well-articulated policies, processes, procedures, and standards
 - Policies, processes, and procedures define how decisions are made, how issues are escalated, and what criteria are used to govern the process
 - Standards determine what is expected and to what level of service the work is performed



Organizations, like individuals, may see the same issue from very different perspectives, and without effective governance, it can be extremely difficult to find the right path forward.

Governance Components



Formal Governance Structure

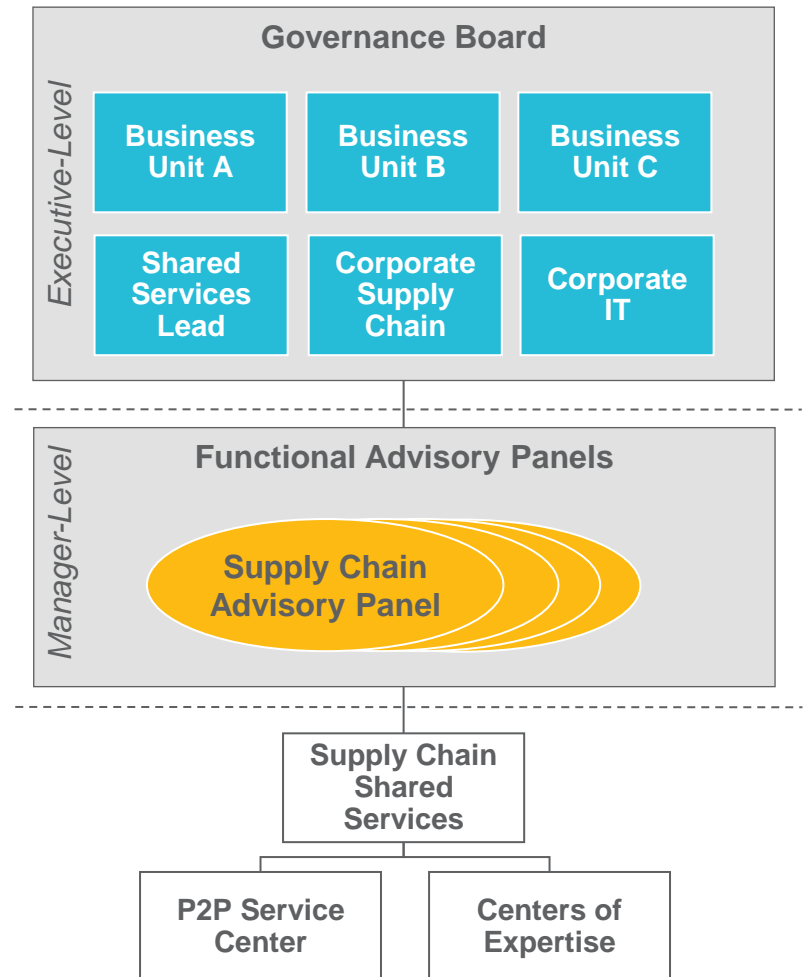
The formality and participating members in a governance structure is influenced by factors such as size of the organization, the number and complexity of services, organization culture, and hierarchy.

Governance Characteristics

- Governance Board is comprised of executives from key business units, the head of shared services, and support organization leads (e.g., Supply Chain, IT, etc.)
- Functional Advisory Panels for each support organization are comprised of support organization and key business unit managers
- Board has strategic vision, service alignment, and high-level issue resolution responsibilities while the Advisory Panels handle tactical performance direction and issue resolution/escalation activities

Key Benefits

- Shared services organization obtains representation among senior management for key business decisions
- Business unit customers are able to strongly influence the direction of shared services and ensure that shared services are responsive to business unit needs
- Advisory Panels create a formal process to control spending, prioritize initiatives, and integrate with other business initiatives



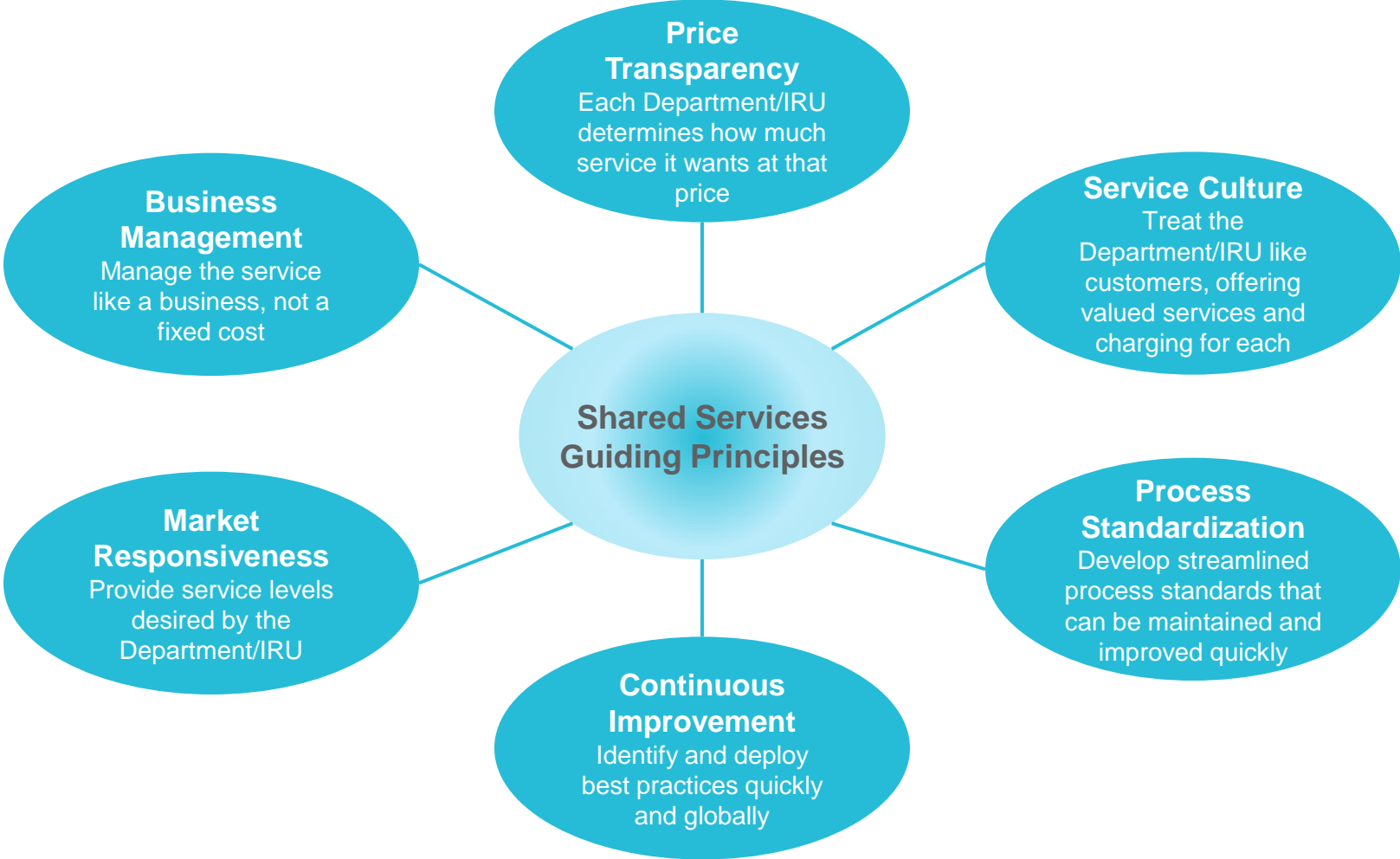
Roles and Responsibilities

Each governance structure group should have key responsibilities identified within the overall model.

	Responsibility	Description
Governance Board	Govern	<ul style="list-style-type: none"> ■ Approve projects and funding ■ Endorse policies, processes, and practices ■ Define service levels ■ Serve as arbitrator for disputes
Advisory Panel(s)	Oversee	<ul style="list-style-type: none"> ■ Monitor, assess, and evaluate performance versus standards ■ Perform independent analysis of performance, trends, forecasts, and variances ■ Review and approve recommendations to ensure policy boundaries are maintained ■ Review and evaluate action plans to close gaps vs. governance standards and performance goals
SSC/	Support	<ul style="list-style-type: none"> ■ Provide value-added, supplemental resources or services to those performing the work, e.g., technical expertise, guidance, staff support, etc.
Line Manager(s)	Execute	<ul style="list-style-type: none"> ■ Develop plans to achieve the results required by governance standards and performance goals ■ Execute plans and do the work ■ Maintain functional competence and capability that compare favorably to industry standards

Goals and Principles

Guiding principles represent the shared vision around which decision rights, policies, and standards will be established.



Source: Shared Services: Management Fad or Real Value? Booz-Allen Hamilton

Policies, Processes, Procedures, and Standards

Governance and operational rules should be documented and communicated in some manner.

Relationship Governance
Executive leadership

- Governance focused organization
- Performance management focused

Commercial Management
Contract/pricing, SLAs, department development

- Clear issue escalations mechanisms
- Linkages to business unit plans
- Effective policies and guidelines

Operational Performance Management
Day-to-day operations and relationship management

- Communicate benefits
- Executive sponsorship

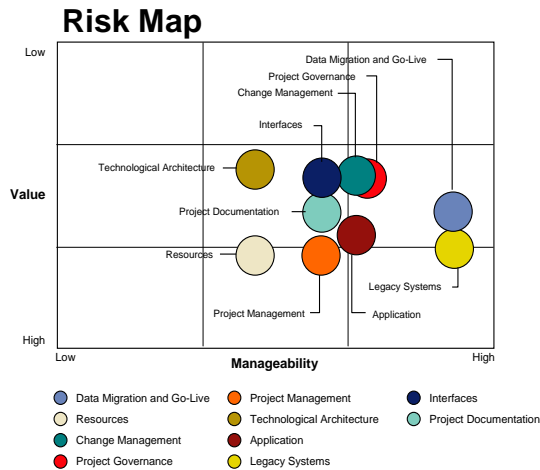


- Policies
- Processes
- Procedures
- Roles and responsibilities
- Service level agreements
- Incentives
- Performance scorecards

Policies, Processes, Procedures, and Standards (Cont'd)

Effective Governance requires establishing adequate methods for monitoring performance

- Shared visibility to both service providers and Business Unit customers
- Information updated on a real-time or near real-time basis



Dashboard

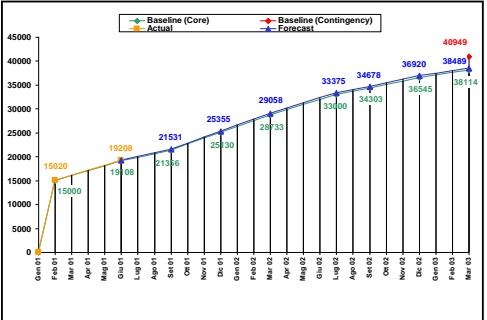
PROJECTS DRIVING BOARD															
Order	Project	Description	Project Manager	Type	Impact	Status	Tendency (previous)	Tendency (actual)	TIME			COST (Euro)		Open issues	
									Baseline Start	Baseline End	Forecast End	Budget	Actual		Forecast
2MRO202	PRGT098	Pow ethernet	Serrano	F	M	OK	OK	OK	1-Nov-01	11-Aug-01	11-Aug-01	26,550	26,085	26,550	
2MEV007	PRGT152	Ingl. Verona Plant	Serafino	F	M	OK	OK	OK	15-Jan-01	28-Sep-01	28-Sep-01	62,633	0	62,633	
2MSR015	PRGT260	HRMS new. Devol.	Rully	F	H	OK	OK	OK	1-Jan-01	31-Dec-01	31-Dec-01	108,785	0	108,785	
2MSR015	PRGT304	Web professional	Rully	F	M	OK	OK	OK	15-Apr-01	31-Dec-01	31-Dec-01	71,976	0	71,976	
2MSR015	PRGT071	Entera	Di Carlo	O	L	OK	OK	OK	7-Feb-01	30-Jun-01	30-Jun-01	23,789	0	23,789	
2MSR015	PRGT342	U.S. HR FGP	Rully	F	L	OK	OK	OK	1-Jan-01	31-Jul-01	31-Jul-01	77,469	0	77,469	
2MSR028	PRGT014	Engine Sports Appl	Brasiger	O	M	OK	OK	OK	12-Apr-01	31-Dec-01	31-Dec-01	158,479	0	158,479	
											Total	586,600	26,085	586,600	

Service Delivery Scorecard

The Service Delivery Scorecard displays a stack of project performance dashboards. Each dashboard includes sections for:

- Project Overview:** Name, ID, Type, Date (05/17/2001).
- Information:** Description, Start/End dates, Status.
- Costs:** Initial Budget, Actual Cost, Forecast, and Variance.
- Issues:** Open, Closed, and Total issues.
- Overall Project Status:** Visual indicators for Budget, Cost, and Issues.
- Best Practice Adherence:** A scale from 0 to 4.

SLA Tracking



Costs Detail

ORDER	COMM	Name/Comm	BASELINE VS ACTUAL VS FORECAST			F.G.P.
			Baseline	Actual	Forecast	
PROJECT	PRGTannn	Implementation				← back to index
Cost Type	Cost Element		Baseline	Actual	Forecast	Notes
System Development	Development & Implementation		18,550	2,434	18,550	
	External Resources		0	0	0	
	Operational/Applicational Mgmt		3,783	3,783	3,783	
	Total System Development		22,333	6,217	22,333	
Hardware Management	HW/SW Design & Consultancy		1,572	1,572	1,572	
	HW/SW Acquisition		6,500	6,500	6,500	costi relativi all'architettura tecnologica variano dettagliati al termine della fase di definizione dei requisiti
	SW Licences		3,145	3,145	3,145	
	Total HW/SW Mgmt		11,217	11,217	11,217	
Total External Costs			33,550	17,434	33,550	
Total Internal Resources			4,564	1,674	4,564	
Partial Project Total			38,114	19,108	38,114	
Contingency			2,815	100	275	Stato stato attivato 3 Scope Change Request
Overall Project Total			40,929	19,208	38,410	

Performance Reports

PROJECT PRGTnnnn Implementation		MONTHLY STATUS REPORT	
REF.		1 / 24	
MONTH	MARZO 2001		
PHASE	PRODOTTAZIONE		
PROJECT STATUS:			
E' stato definito il System Integrato. E' stato definito il Piano di progetto.			
E' stata impostata la proposta di Struttura Organizzativa di Progetto. E' stata impostata la baseline per i costi di Progetto			
Sono state attivate le Procedure di Gestione Scope Change Request, di Gestione Issue List e di Gestione della Documentazione.			
E' stato Definito il tool di gestione della documentazione di Progetto. E' stata impostata l'Analisi del Rischio.			
OPEN ISSUES		ACTIONS	RESPONSIBLE
1- L'Ambiente di Prototipazione non è disponibile.		Preparare ambiente prototipazione	IT Project Manager
NEXT STEPS			
Ufficializzazione Struttura Organizzativa di progetto. Definizione dei componenti del team da parte dei Responsabili/Referenti.			
Verifica profilo di spesa e budget Architettura Tecnologica. Impostazione attività di Quality Assurance.			
APPROVED CHANGE REQUESTS			
Nr.	Description	Approval Date	Allocated Contingency

Governance Lessons Learned

- Mandates do not typically work well
 - Must find effective ways to make decisions as a team and move forward
 - Best to build and prove shared services from the bottom up
 - Must include all the stakeholders in the P2P process
- Executive sponsorship and commitment reinforce the importance of process alignment
 - If not structured properly, governance models can conflict with existing budget structures
- Communicate results and celebrate successes
- Multiple governance models can be used for different types of decisions – the key is to develop an effective method to set strategic direction, monitor performance, and arbitrate issues that Advisory Panels or project teams cannot resolve

The key is to develop an effective method to set strategic direction, monitor performance, and arbitrate issues.



Supply Chain Topics



Supply Chain Topics

The **ScottMadden and SSON Supply Chain Series** includes the following topics:

- Topic 1: The Enterprise Supply Chain
 - The key characteristics of the enterprise supply chain will be the focus for this topic. A discussion of each area (i.e., planning and forecasting, strategic sourcing, procurement, logistics, materials management, and accounts payable) will include notable characteristics of leading practice supply chains as well as key “pain points” ScottMadden has observed that keep companies from achieving an optimized supply chain
- Topic 2: How Purchase-to-Pay Fits Within an Enterprise Supply Chain
 - This topic will focus on the key attributes of a successful P2P transformation and the role technology plays in enabling the capture of the synergies and savings associated with P2P in a shared services delivery model
- Topic 3: Supply Chain Governance
 - This topic will explore the key building blocks of effective supply chain governance models including decision rights, performance metrics, service level agreements, and issue escalation/resolution. We will also present methods to create alignment across an enterprise for a consistent supply chain strategy that clearly differentiates transactional efficiency from higher-value, strategic activities

Contact Us

For more information, please contact us.

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