

Introduction

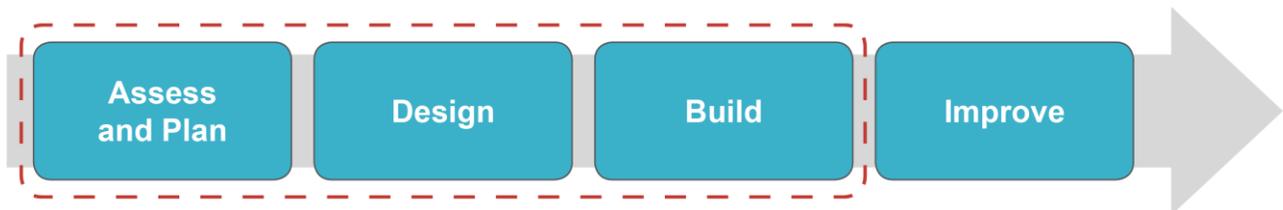
ScottMadden was engaged to evaluate and implement shared services for a top multinational defense, security, and aerospace company. Because defense industry spending was declining, cost management had become a priority, and the client was interested in identifying opportunities to reduce operating costs. Its competitors had reduced operating costs by successfully implementing shared services, so this model provided a significant avenue for improvement. ScottMadden worked with the client to evaluate and implement shared services to enhance the delivery of finance services, decrease operating costs, and increase competitiveness.

The Challenge

The client wanted to improve several key finance services, including accounts payable, travel and expense, payroll, and time collection and reporting. Historically, the company had grown through acquisitions, and its business units operated as independent entities. Because many of its acquisitions were loosely integrated, there were disparate financial systems and non-standard processes that led to costly and inefficient operations. Finance policies and processes varied by location, and multiple ERP systems were in use. Forty different payrolls and 15 different travel policies added to the overall complexity and inefficiency. Also, a number of government compliance requirements were an integral part of policies and processes. The lack of standardization limited the company's agility, hindered its ability to efficiently integrate organizations, and made it difficult to realize cost savings.

How We Helped

ScottMadden worked with the client team during three key phases of implementing shared services:



- **Assess and Plan:** strategic planning, benchmarking, leading practice assessment, site visits and selection, project planning
- **Design:** current state analysis, business case development, service delivery model design, organization design, technology evaluation, implementation planning
- **Build:** project management; staffing; policy and process redesign; technology design, selection, implementation, and support; education and training; performance metrics, change management

ScottMadden combined its proven methodology, leading practices repository, tools, and templates and its collaborative approach to develop a solution that was customized to the client’s business requirements.

Assess and Plan

During the Assess and Plan phase, ScottMadden assisted the client in determining the strategy and value proposition for shared services. This phase provided a baseline measurement of costs, productivity, and business drivers, compared the company’s performance to industry peers, and provided a foundation for the Design and Build phases. Specific steps and activities are shown below:

Strategic Planning	<ul style="list-style-type: none"> • Articulated overall objectives for finance shared services • Developed future state vision and strategy for finance shared services • Designed finance operating model to support future state vision • Determined phasing of work necessary to achieve future state vision
Benchmarking	<ul style="list-style-type: none"> • Compiled profile of current functions • Allocated headcount and headcount costs to each function • Collected labor costs and allocated across functions • Analyzed current productivity and costs to relevant industry metrics
Leading Practice Assessment	<ul style="list-style-type: none"> • Collected transactional data for work activities and conducted interviews to gain context • Summarized current practices • Compiled relevant leading practices and identified gaps with current practices • Determined improvement opportunities and options for future state operating model
Site Visits and Selection	<ul style="list-style-type: none"> • Identified sites using agreed-upon evaluation criteria • Collected information, metrics, and statistics to evaluate sites • Scored and ranked sites and presented recommendations to project sponsors
Project Planning	<ul style="list-style-type: none"> • Developed project schedule for Design and Build phases • Determined project team structure • Developed and disseminated necessary communications

The results of this phase provided the justification to proceed with design and implementation of finance shared services.

Design

During the Design phase, ScottMadden worked with the client to determine the detailed future state infrastructure, quantify benefits of shared services, and develop the operating model. The project team organized separate teams for each work stream, as outlined below. ScottMadden assisted each team throughout the Design phase.

Current State Analysis	<ul style="list-style-type: none"> • Compiled profile of current processes, work activities, and technology used • Allocated headcount and headcount costs to each product and service • Analyzed time activity data for current processes and activities • Collected volume metrics to assess current productivity
Business Case Development	<ul style="list-style-type: none"> • Evaluated future labor cost structures and potential site costs • Created baseline implementation timeline • Estimated future state staffing • Collected cost data for technologies and other required investments • Assessed range of potential implementation results
Service Model Delivery Design	<ul style="list-style-type: none"> • Mapped services into appropriate delivery channels • Developed functional organizational and summary responsibilities • Identified supporting tools and technologies • Determined best-fit sourcing options • Recommended facility design and technology/telecom infrastructure
Organization Design	<ul style="list-style-type: none"> • Validated organization and positions determined in service delivery model design • Updated staffing from business case • Developed position responsibilities, competencies, and descriptions
Technology Evaluation	<ul style="list-style-type: none"> • Validated specific technologies to support service delivery model • Developed high-level functional requirements based on redesigned processes
Implementation Planning	<ul style="list-style-type: none"> • Determined implementation phasing options and recommended best-fit phasing • Developed implementation plan for the financial shared services center • Developed implementation team structure • Defined project team roles and responsibilities by position

The Design phase produced the following key infrastructure elements:

- Detailed organization for required functions including transaction processing, customer care, and business operations
- Service delivery model for the in-scope finance functions
 - Travel and expense: travel approval, expense report submittal, travel expense audit, non-travel business expenses, and P-card
 - Accounts payable: invoice imaging, entry, validation, approval, and disbursement
 - Time collection and reporting: work authorizations, time entry, travel time, labor training
 - Payroll: pay collection and processing, pay calculation, distribution, tax preparation, and pay accounting
- Supporting technologies included an accounts payable system for invoice processing, validation and approval; case management system; process scheduler to automate payroll functions (e.g., file loading, pay calculation, error checks); web-based payroll interface to enable self-service of supplemental pay entry, PTO adjustments, and deductions
- Recommended facility in selected location

Build

In the Build phase, ScottMadden provided ongoing project and change management support required to implement the future state operating model. As in the Design phase, separate teams managed the implementation of each work stream. Key work activities are listed in the figure below:

Project Management	<ul style="list-style-type: none">• Maintained integrated project plans and status reports• Oversaw the quality of key deliverables• Helped resolve issues• Prepared executive and project steering committee presentations
Staffing	<ul style="list-style-type: none">• Supported project team during staffing process, including recruiting, interview preparation, candidate evaluations, and selection• Helped develop the onboarding process for new staff
Policy and Process Redesign	<ul style="list-style-type: none">• Prioritized finance policies and processes to be harmonized• Documented finance processes through shadowing at 10 major sites to understand how work was being performed• Aligned policies and processes for accounts payable, payroll, travel and expense, and time collection through more than 30 workshops attended by business representatives• Rewrote policies and facilitated required approvals• Redesigned processes for shared services, ensuring alignment with rewritten policies and key business drivers
Technology Design, Selection, Implementation, and Support	<ul style="list-style-type: none">• Validated requirements documented during the Design phase• Developed vendor evaluation criteria for new technologies• Evaluated vendors and applications and facilitated selection of best-fit applications• Identified and interpreted detailed functional requirements for technical design• Developed test cases and assisted with test execution• Supported technology deployment and data migration• Supported resolution of defects and additional enhancements in production
Education and Training	<ul style="list-style-type: none">• Revised processes, as needed, to reflect clarifications of technology capabilities• Developed training plan, materials, and schedule• Developed and executed process simulation for shared services staff• Supported execution of training for shared services staff and business users
Performance Metrics and SLAs	<ul style="list-style-type: none">• Defined metrics framework, including service-level indicators and measures used to manage work activities• Drafted preliminary service-level agreements and reviewed them with business unit stakeholders• Obtained approval of final service-level agreements from business unit stakeholders and senior management
Change Management	<ul style="list-style-type: none">• Identified impacted employee/customer groups and drafted communications for them• Coordinated the change management process and specific activities with corporate shared services initiatives• Conducted regular meetings with stakeholders to monitor project perception

Results

With ScottMadden's help, the company successfully implemented a shared services operating model based on leading practices. As a result, the company has realized the following benefits:

- Harmonized policies and processes enable consistent and accurate service delivery and allow the company to leverage its scale.
- Supporting technologies provide greater automation, increased efficiencies, and accessible self-service.
- The new organization, which is structured based on the type of work performed, provides a career path for employees.
- A robust metrics and reporting framework gives greater visibility of performance.
- Standard processes, performed in a consolidated service center, reduce compliance risk and simplify internal and external auditing processes.
- The new delivery model increases the agility of the company by streamlining processes required to integrate newly acquired companies.

The new shared services model has improved the company's competitive position and is projected to save millions of dollars annually. Additional benefits include improved levels of service, stronger controls, and a platform to accommodate future growth.

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