

insights

JULY 1997 - VOLUME 1, NO. 2 \$3.50

A RESOURCE FOR ACHIEVING INTERNAL SERVICE EXCELLENCE

Dear Shared Services Leader:

On behalf of The Amherst Group Limited, I want to thank you for the thoughtful responses and comments to our premier issue of *Shared Services Insights*.TM They are particularly helpful in our quest to serve you better.

In early April, we were invited to and had the pleasure of attending ABB's Americas Shared Internal Services Conference by John Faucette, President of ABB Support Services in Windsor, Connecticut. ABB has been in the forefront of companies with Shared Services worldwide. It is with great sadness that we learned of John's passing several days later. We feel honored to have known John and wish to extend our deepest sympathy to his family and colleagues.

We are finding more and more companies at different points on their Shared Services journey. One of the biggest challenges along the way is not only developing and managing customer relationships, but helping all Shared Services providers understand and internalize their role in the process to make it all happen. In other words, how do you transition the organization to becoming customer-focused? We think the articles in this issue will provide some ideas and techniques that may be helpful in your own organization.



Laurel A. Forst
Editor

INSIDE

- **Guest Interview.**
George White of AlliedSignal...*page 1*

- **AGL Perspective.**
Dr. Leland Forst on "Customers"...*page 5*

- **Workshops.**
What, Why and When ...*page 7*

- **Q&A.**
We respond to your questions ...*page 8*

- **AGL Conferences.**
...*page 8*

GUEST INTERVIEW

AGL interviewed George White, Director of Customer Service, Quality and Communications for AlliedSignal Business Services. AlliedSignal is an advanced technology and manufacturing company serving customers worldwide with aerospace and automotive products, chemicals, fibers, plastics and advanced materials. One of the 30 companies in the Dow Jones Industrial Average, AlliedSignal has approximately 77,000 employees and 325 facilities worldwide.

In 1994, the company brought its numerous shared services operations together into a single new organization called Business Services. Today, Business Services has approximately 1,000 employees providing some 75 services to AlliedSignal employees and businesses.

AGL: *George, the concept of a single organization serving the disparate needs of so many internal customers is a bold one. How is Business Services organized?*

(cont'd page 2)

Initially, we organized Business Services into four major service areas: Administrative and Travel; Computing and Technology; Financial; and Human Resources Services.

Over the years, we've made some organizational changes to more closely align our service processes with specific customer segments. For example, we recently restructured Human Resources Services into two distinct organizations to better meet the needs of two different customer bases. One organization is called "Compensation & HR Services," and includes Compensation, Staffing, Diversity & Work/ Life Programs and University Relations. Our employees in this organization serve AlliedSignal's HR Community. The second organization called "Employee Services" includes Benefits, Payroll, Relocation and HR Systems that drive self-sufficiency. The customers for these services are all AlliedSignal employees in the United States, as well as our expatriates.

While we originally structured Business Services in a more traditional way, we're now organized to achieve better synergy and improvement among related processes, and to more efficiently serve defined customer groups.

AGL: Satisfying the internal needs of such a large and diverse organization must be quite a challenge. How do you do it?

We have tried to instill a sense of customer focus in our people. One challenge that any internal supplier faces is getting its employees to recognize that the people who receive services are *customers, not just fellow employees.*

We strove to establish that mindset by requiring all of our employees to attend a 2-day workshop called "Customer First, Last and Always." The creation of the workshop was a collaborative effort with *The Amherst Group*, who helped us develop and deliver the customer-focus orientation. At the heart of the workshop is a one day module which trains our service teams on how to meet with customers to clarify their requirements. We then take that information back and use it to drive Service Level Commitments (SLC). We created a SLC for every service we provide, and we continue to update them annually.

...we're now organized to achieve better synergy...

AGL: Can you tell us more about Service Level Commitments?

The Service Level Commitment formalizes expectations between the supplier and the receiver of a service. It describes what the service entails, lists the team members who provide the service and defines specific performance standards and how success will be measured.

The SLC for Payroll, for example, states that customer issues will be resolved within 72 hours. Our Payroll team members know they are being measured on how well they meet this standard. Every day the Payroll service team meets for about 10 minutes to review the performance metrics from the previous day and allocate resources to address unresolved issues. This keeps them focused on and aware of meeting customer expectations on a daily basis.

Overall, the process of creating SLCs helps to energize our teams and encourages them to meet regularly with our customers.

AGL: How else do your service teams measure their performance?

We're firm believers in surveying our customers. It's another way to keep the lines of communication open and use customer feedback to drive further improvements.

Early on, we wanted to baseline our performance to find out how satisfied our customers were and how much they valued each service. So in 1994, we had *The Amherst Group* assist us in conducting our first comprehensive customer survey across all operations. We used a 1-5 scale (1 being completely dissatisfied, 5 being delighted) to measure customers' overall satisfaction. As a result of the survey, we were able to identify three key areas that were subsequently targeted for improvement:

- Customers Overall Satisfaction with Business Services
- Defect Rating (the percentage of customers who were dissatisfied with our services)
- Improvement Trend (the percentage of customers who observed service improvements during the previous year).

We also asked our customers to evaluate our services in terms of five key quality drivers: accessibility, responsiveness, reliability, technical/interpersonal skills and usability.

Surveys are a vital source of information regarding what needs to be improved. In addition, the survey results provided validation that we were indeed meeting our customers' SLC expectations and requirements, which helped alleviate any lingering skepticism as to whether we could

handle transactional operations as well or better than the business units themselves.

AGL: So the customer surveys are pivotal?

We see the customer surveys as a vital source of information on what we need to improve. Knowing what our customers think is one thing, but using their feedback to drive improvement is the more important part of the survey process.

AGL: How often do you measure customer satisfaction?

We do a comprehensive, formal survey of all of our services once a year, and we conduct monthly customer satisfaction surveys through our front-line help desks. In most areas,

customer surveys are built into the interactive voice response (IVR) technology, so when a transaction is completed the customer has the opportunity to rate the quality of our service. Our teams integrate that feedback into their overall action plans for improvement.

We're also big believers in face-to-face communication, and we regularly conduct customer focus groups, on-site visits and one-on-one meetings to continuously strengthen our partnership with our customer base. This is all part of building a relationship with our customers and letting them know we care by getting their input on issues. We view this ongoing contact, in person and by phone, as integral to relationship building. The more you are in front of your customers, the more opportunities you have to ensure you are on the right track and meeting or hopefully, exceeding their expectations.

AGL: Do you find customers' expectations are realistic?

Surveys are a vital source of information regarding what needs to be improved.

For the most part, yes. In general, we've found that our customers expect two things: consistent service quality and prompt, courteous problem resolution. That's true whether the customer is an employee who has a question about a paycheck or a business unit leader who needs clarification about the cost impact of the services we provide.

AGL: What priorities do business unit leaders have as customers?

These leaders are more interested in the cost-efficient delivery of services...how much do we charge...are we keeping costs competitive...are we achieving our productivity improvement and passing on those savings to the business units.

In many situations, our services are part of a much larger process, so its critical that we build a strong relationship with these process partners, most of whom are in the business units. We've learned to take the lead and discuss issues with business unit leadership upfront. This ultimately creates a stronger partnership. But again, an indispensable aspect of achieving this partnership are the

on-site visits with business unit heads and their staffs, going over key initiatives that impact them, and listening carefully to their input regarding the areas where we provide services.

We're also big believers in face-to-face communication

For example, we provide accounts payable services within the procurement process. We're the ones who prepare and send out checks to suppliers, but procurement really starts in the business units with buyers and purchasing professionals. The same is true with payroll. We're the ones generating the checks, but the business units' HR professionals are often the ones entering the data into the compensation process. These discussions help provide both parties with a clearer sense of the larger processes that often cut across many or most of the business units.

We communicate the information generated at these on-site sessions to our service teams, who can then track these activities closely and quickly feed resolution information back to business units, enhancing our credibility with them. This helps business units understand

In many situations, our services are part of a much larger process...

that they can do things to help us provide them with more timely and error-free service. It also shows business unit leadership what we can do to resolve issues, and strengthens their support for our efforts. Over time, they become apostles for the Business Services model, helping to reinforce the benefits it creates for the overall organization.

AGL: What is the most important aspect of a long-term customer relationship?

I think there are three: *credibility*, consistently doing what you say you'll do; *responsiveness*, timely action or feedback whether you're dealing with a question, problem or service request; and *continuous communication*, listening to your customers, integrating their feedback into your operation and keeping them informed of the actions being taken on their behalf.

AGL: What was the biggest challenge in establishing Business Services?

Considering the scope of the services we were to deliver and the fact that our people came from many different

AlliedSignal organizations, it was critical we quickly accomplished the:

- Development and communication of a consolidated Vision and Mission Statement for uniting our new organization, and
- Integration of compensation and recognition with goal achievement.

The Leadership Team worked hard to develop a Vision/Mission Statement that would focus our energy and resources on the right things. Not only did this line-of-sight management process strengthen the Leadership Team, but it also ensured that each operation and its service teams were aligned and driving toward the same goals.

Then, to further strengthen that alignment and reinforce the behaviors we needed to be successful, we linked employee compensation and recognition with achieving specific customer satisfaction goals.

In this way, our people know what's most important and can clearly see how their day-to-day activities contribute to making Business Services successful and AlliedSignal the premier company that it is. □

OUR PERSPECTIVE ON...

CUSTOMERS: WHO ARE THEY AND WHY WON'T THEY LEAVE US ALONE?

Most Shared Services organizations were established with cost reduction as their fundamental driver. Typically, they were based on standardization, automation and reengineering applications using shared processing transaction centers as the vehicle. While many achieved land-mark results early on, they ultimately realized that focusing exclusively on costs leads to diminished returns. Costs can only be pared so far without going out of business.

When cost is the primary driver and Shared Processing Centers are restricted to volume-intensive and transaction-based services, the corporation as a whole may benefit, but individuals within the Center see little payoff. It is not a robust concept for the Center employees, nor is it necessarily a win for the business units. Sooner or later, organizations come to recognize that while cost is critical, optimizing customer satisfaction is the key to Shared Services' ongoing success.

Exactly when this recognition occurs varies from one Shared Services organization to another,

but its emergence becomes the illuminating moment that spurs the transformation from simply being a low-cost provider to attaining the "supplier of choice" status. The trigger for this transformation often occurs

...focusing exclusively on costs leads to diminished returns.

in meetings with corporate executives where we define what the word *Shared* in Shared Services really means. If

they think of Shared in terms of *pooling* or *consolidating* of services, we help them to see that this perspective will result in a transaction processing group, off to one side, with little likelihood for long-term sustainability.

Conversely, we define the Shared in Shared Services as *the creation of joint responsibility for results between provider and customer*. This may be a definition many organizations have not considered explicitly, but it is this critical distinction underlying what Shared Services can become.

After the concept of joint responsibility is embraced by a Shared Services organization, the transition to that ideal can be laborious, particularly for

OUR PERSPECTIVE ON...CONTINUED

staff groups who have become inculcated in a "command and control" mentality. In Shared Services, the customer, not the staff group or function, has the power to dictate changes. This represents a fundamental cultural change, and, coupled with it, a behavioral change for employees, who must move from "I know what's best for you" to "I'll do what it is you need." Most staff people have not been trained to make this kind of change. Companies who shut down their staff operations on a Friday afternoon and open up their Shared Services organizations on Monday morning fail because they do not recognize the importance of employees having to make the change from "command and control" to what we call "serve and protect," meaning in the best interests of the customer.

Other initiatives, such as reengineering and TQM, began with a similar out-in focus, but over the years, have become information technology-driven, with the notion of customer-focus lost in the pur-

suit. This results in decisions being made by functional staff which satisfy their needs and what they believe is in the best interest of the company. But they have no real sense of what services internal customers need or want or what they do with the products or outputs they receive. Only by putting the internal customer first can an organization make the fundamental change to a customer-driven, service-based approach.

Whose Needs Are Being Met?

The fundamental differences in companies that have made the cultural and behavioral shift is knowing who their customers are and treating them accordingly. An obstacle to achieving this may be the leaders' discomfort with placing more emphasis on customer satisfaction than their own. They must transition from being a boss to becoming champions. The latter is mindful of watching over what is being done so that

recipients of services are truly satisfied, versus the former, who is more concerned with how they feel and ensuring that their own needs are met.

Helping employees become customer-focused is best facilitated through a series of customer skills workshops. Based on the experience of successful Shared Services organizations, these workshops give management the opportunity to introduce new learning skills to employees, critical to the performance of their redefined jobs. The objective is creation of a self improvement framework that promotes greater effectiveness, participant ownership and enhanced motivation to embrace service delivery improvements into their daily activities. Leaders must communicate the need for service-oriented behavioral

Helping employees become customer-focused is best facilitated through a series of customer skills workshops.

changes and apply line-of-sight management to show how their efforts integrate with overall corporate objectives.

Shared Services employees and management must come to appreciate the need for change

and the differences between this customer-focused initiative and previous provider-driven efforts. Employees must recognize that the initiative involves a transformation of basic relationships with customers to establish credibility with them through consistent acceptable performance. They must strive to become the customer's "supplier of choice" by gaining their trust and jointly developing improvement action plans based on quantitative customer feedback.

There may be resistance to change as there is with most change efforts. Shared Services staff must be reminded if business unit customers do not receive better value at lower cost, Shared Services runs the risk of losing them as customers to outsourcers. From the new internal provider perspective, the transition signals the high-water mark in terms of services, in that there is no likelihood more services will be added. In fact, most fear that if customers don't want a service, it will never be replaced. By being introduced to new concepts, they are able to step back and review all the services delivered to a given customer and evaluate how well each is received and the nature of the relationship. Is it a we/they arrangement or are they progressing towards some sort of service partnering status with their customers?

Leland I. Forst,
President and CEO



OUR WORKSHOPS

The workshops are typically divided into a series of experientially-based learning sessions.

The first is *Service Definition and Customer Identification*, where the focus is on defining the services provided to customers. The goals for service provider teams are to describe the services they deliver in terms customers can easily understand and to ensure these services encompass all work performed.

Participants then align customers with the services they receive noting the specific roles they play. Finally, participants assess the interaction patterns by which the service is performed and outputs delivered. This provides the basis for categorizing customers into distinct segments.

The second workshop, *Customer Requirements and Performance Metrics*, builds on the learning produced in the first workshop — common understanding of services and customers — to identify the specific cost, quality and satisfaction aspects of service required by customers. Understanding requirements is key to improving customer satisfaction. Meeting stated or implied requirements results in customer satisfaction while anticipating future requirements results in customer delight. Participants are provided requirements discovery techniques which they apply in communicating with customers to clarify their explicit requirements and to express their implicit requirements. The outcomes serve as the starting point for improvement action planning.

Finally, *Customer Management*, assists Shared Services in creating and implementing a comprehensive process for managing all aspects of customer relationships. Skills are developed in two areas:

- *Organizational contact points.* To assist with developing appropriate service level agreements, billing arrangements, formal feedback mechanisms, joint customer-provider initiatives, and a marketing approach to communicate and work with customers.
- *Personal contact points.* To assist with techniques in conflict resolution, problem solving and customer handling skills.

Workshop participants have the opportunity to apply new skills in practice fields first and then in their daily activities before attaining subsequent training. As such, workshops should be spaced to allow for sufficient attention to build effective customer skills in a systematic, gradual approach and scheduled to permit teams to participate with all members present.

SHARED SERVICES Q&A

Q. How have companies decided where to locate their Shared Services organization?

A. Two key considerations in deciding where to locate Shared Services are availability of existing space and need for “greenfields.” The former avoids incurring additional real estate costs, while the latter identifies a low wage cost area with an available workforce possessing the needed skills. Both offer certain advantages and disadvantages. For example, the existing company culture may impede the transition of staff to services providers. In these cases, “greenfields” can facilitate the creation of a new culture. Conversely, existing on-site space may be preferable when internal customers are located in close proximity to one another, saving time and travel costs.

Q. I have found that many stakeholders and payers do not have a firm understanding of the many services we perform because they are more removed from the service delivery point. Consequently, it is difficult to get a good read on their specific requirements. Any suggestions on how we can engage them more into the requirements process? Should we weigh the users requirements more heavily?

A. While all three customer segments — users, payers and stakeholders — are important, payers and stakeholders tend to be less familiar with all the services provided than do the end users. To overcome this, use the following tools and techniques to engage payers and stakeholders in the requirements discovery process:

- Peer level focus groups - facilitated to foster creative synergies among participants and their thoughts and ideas.
- Requirements-based surveys - formulated to derive response patterns around Accessibility, Responsiveness, Reliability, Skills/Knowledge and Experience, and Cost/Value quality dimensions.
- Service Level Agreements - prepared to focus attention on those services that are most important or have the largest costs without becoming onerous or bureaucratic.
- Relationship Management - predicated on enhanced needs clarification through personal interaction.

Q. How can one make the transition to Shared Services in cases where the organization is highly unionized, supports

minimal qualifications with staffing positions and has stakeholders who can stall/temporarily stop the transition?

A. Under ideal conditions, unions would participate in the Shared Services journey to improve customer satisfaction and cost effectiveness. However, if the focus is perceived as cost and/or headcount reduction instead of service enhancement, this may not be possible. It is important to keep in mind that Shared Services, when done right, results in “wins” for the company as a whole; customers, including stakeholders; and employees, unionized and non-unionized. The key is not to think of Shared Services as a take-away or what is given up, but rather what is gotten in return and how they are better off as a result.

AGL IS PROUD TO ANNOUNCE OUR SPONSORSHIP AND PARTICIPATION IN THE FOLLOWING CONFERENCES

IQPC - Achieving Cost Effectiveness and Shared Services Excellence Through Shared Services

(To register, please call 800-882-8684)

July 21 - 23

Swissotel - Boston, Massachusetts

September 15 - 17

Atlanta Airport Hilton - Atlanta

IQPC - Achieving Cost Effectiveness and Shared Services Excellence Through Shared Services

(To register, please call 011-44-171-421-3500)

September 9 - 10

The Renaissance Amsterdam Hotel
Amsterdam, The Netherlands

ICM - Optimizing the Value of Shared Services

(To register, please call 312-540-3010)

September 11 - 12

The Palmer House Hilton - Chicago

September 17 - 18

Hyatt at Fisherman's Wharf Hotel,
San Francisco

The Conference Board - West Coast Quality Conference

(To register, please call 212-339-0345)

November 5 - 6

San Diego Marriott Hotel - La Jolla

The Conference Board - 1997 Shared Services Conference: Achieving Higher Levels of Performance

(To register, please call 212-339-0345)

November 12 - 14

Hyatt Regency - Chicago

December 3 - 5

Ritz-Carlton Hotel - Marina Del Rey

For questions or additional information about these conferences, please contact Laurel Forst at (203) 531-8500.



THE AMHERST GROUP LIMITED

MANAGEMENT CONSULTANTS

7 RIVERSVILLE ROAD, GREENWICH, CT 06831 TEL: (203)531-8500 FAX: (203) 531-8664 E-MAIL: AMHERST@SHAREDSERVICES.COM