

insights

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A RESOURCE FOR ACHIEVING INTERNAL SERVICE EXCELLENCE

Dear Shared Services Leader:

We believe Shared Services provider organizations must adopt a customer-focus mindset and translate it into the behaviors and attitudes of their staff to succeed and remain viable. Susan Mersereau, Vice President of Quality at Weyerhaeuser and a Shared Business Services Council member, reported at The Conference Board 1997 Shared Services Conference that "Shared Services is not just a change in organization, structure and reporting relationships. It is a fundamental shift in *belief systems*, processes and roles of internal staff support groups about how work gets done." Based on an informal survey, we learned that little time and emphasis has been devoted to training staff on customer service and relationship management which are critical for Vision attainment.

Leading Shared Services organizations, recognizing this deficiency, have developed programs for their staff which, in some cases, include customer participation as well. The articles in this issue address key considerations on how best to get started and techniques which can be employed that may be applicable to your situation or circumstances.

All of us at The Amherst Group Limited hope you had a joyous Holiday Season and wish that 1998 rewards you with happiness, good health, prosperity and personal growth!



Laurel A. Forst
Editor

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GUEST INTERVIEW

AGL interviewed David Work, Senior Vice President of Shared Services at Amoco Corporation. Amoco, an early adopter of Shared Services, has been an innovator in exploring new ways to fulfill its promise. The company's Shared Services business unit — with 41,000 Amoco workers as customers — encompasses approximately 7,000 employees in fourteen functions with an annual budget in excess of one billion dollars.

Amoco began its quality journey in the late 1980s, and in 1994, adopted The Amoco Business Model, "Building on Baldrige," and determined that all of its businesses should do an initial business assessment to find areas for improvement.

About eighteen months ago, Amoco Shared Services launched a "Continuous Partnering" initiative in response to its assessment.

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AGL: David, can you give us a little recent history?

We formed our Shared Services organization in 1994, with people coming from corporate roles as well as Amoco operating companies. The process of providing services had been managed from the perspective of overhead costs, not around customer satisfaction issues. We came to realize that, from a structural sense, Shared Services would have to make a transition from a decentralized staff with embedded relationships to one with functional centers of expertise, service centers and brokering services. This we have done in less than three years.

The creation and ongoing training in our Shared Services' *Continuous Partnering Initiative*

is what supports this customer-focus transition. We have moved from reducing basic overhead costs for providing services, through what I call *value cost leadership*, that is, getting every possible cost out during our downsizing, to ultimately arriving at customer focus.

Reengineering the way we related to and interfaced with our (internal) customers was a critical part of this transition. We had to acquire the skills to market and dialogue with our customers to learn what their needs are or will be. So while previously, Shared Services had an embedded or corporate role with minimal accountability for establishing customer relationships and recognizing their needs, that has now dramatically changed. A new customer focus, Continuous Partnering, has emerged and our Shared Services people are learning, through ongoing training efforts, how to make the transition from merely being a product provider to understanding and meeting customer needs.

AGL: Why did Amoco create its own business model versus simply adapting the Baldrige Model?

Amoco began building its model—the Amoco Business Model—in the early '90s; the Baldrige criteria at that time was primarily targeted to manufacturing, so we took what was applicable and adapted it to the petroleum business. We also wanted different score weighting so we could drive the right behavior.

From a business perspective, our model has become the backbone of how we view our company, how we measure business unit performance and leadership, and how we try to improve. Every Amoco business, including Shared Services, must go through an assessment every 18-24 months.

I would estimate about 85% of the company has gone through an initial assessment, with perhaps 15-20% having gone through a second assessment since. Of course, assessments aren't worth much unless you develop action plans and follow up, which we do.

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AGL: How did Shared Services do in its initial assessment?

As one might expect, our lowest scores were in customer and market focus areas, which pointed out where we needed to improve to get our scores up. The Baldrige criteria gave guidance to our training efforts and helped create a balance so we would not continue to focus on just one area (cost reductions). We have to intensify efforts in all six initial Baldrige categories: Leadership, Strategic Planning, Customers, Human Resources Development, Information Analysis and Process Management. And we are keeping an open mind about what and how much to achieve.

Human Resources training evolved, at least partially, in response to the assessment's customer satisfaction scores indicating we weren't doing as much as we should. We may have been a bit naïve in thinking our people possessed most of the competencies necessary to switch from corporate roles or embedded relationships with their customers to a service orientation. What we found was that people weren't always willing to work at acquiring the competencies they needed or, in some cases, it wasn't the direction they wanted for their careers.

In the past, a customer would throw a requirement over the wall; the service provider would build what he thought needed to be built and throw it back.

Someone on the front lines in the IT organization, for example, would say "I was hired to be a technician or a software maintenance person, not a marketer or a consultant." In some areas, there was some resistance to change and to taking on the role of managing customer interfaces. So about a year ago, recognizing this polarity, we began installing a series of training programs supportive of and consistent with the Continuous Partnering initiative. We are striving for our Shared Services people to spend more time with customers in determining what they need, and gaining a better understanding of what the customer is trying to do both strategically and operationally. In response, we can then design, build and deliver the right products to meet those needs.

AGL: What is the toughest part of this process?

Breaking down the walls to build a workable interface between provider and customer. In the past, a customer would throw a requirement over the wall; the service provider would build what he thought needed to be built and throw it back. Now we have reconfigured that relationship, using training rooted in our Baldrige-based model, so

providers understand customer objectives and can build the right solution, not just any solution.

Our Shared Services organization is run like a business, charging our customers for every product or service delivered. Since inception of Shared Services, we contract annually to establish rates and usage volumes...which I call the relationship between Contractor (the Shared Services function management) and Buyer (the business unit head or CFO). This is ongoing and needs to be continuous because needs

change during the year. But while the rates are agreed upon, we don't always know what the volume will be throughout the year, so now we meet and discuss volume regularly. If we have a customer who is using more volume than anticipated, rather than just billing more, we sit down with the customer and say, "You're using more volume and spending over budget; is that what you want or do you want to reduce it?"

This is an important advantage that we provide over an outsourcer. I doubt they would come to their customer and say, "Can we help you cut your spending?"

AGL: So your training efforts are now directed towards facilitating this change from a cost-driven focus to customer-service orientation?

Yes. There is only so much you can squeeze out of a department's direct expense sponge before it is wrung dry. We have pretty well done that. If we are to make additional improvements, it will be in redesigning how work is done, simplifying the processes in order to bring greater efficiency to our customers. Or, we have to eliminate what I call *rework*. Often, there are checkers checking the checkers due to mistakes.

If the customer has to maintain competencies to check the product we deliver, then we have redundancies that can be driven out. We have to deliver a quality product that does not require additional checks by our customers.

The challenge here is to communicate the terms of the contract to the consumer.

AGL: Besides the Contractor/ Buyer interface, what else are you addressing right now?

Another focus is the Provider/Consumer interface. By provider, I refer to the Shared Services employee delivering the product to the user. The challenge here is to communicate the terms of the contract to the consumer. For example, the cost for computer maintenance support varies greatly depending on whether the buyer wants someone on the floor for immediate availability or if that person could be located elsewhere in the building, or even in another city. Of course, the choice dictates what kind of response the buyer and his employees will get if they have a problem. On the one hand, someone from down the hall can be summoned; on the other, while phone response is available right away, there may be a day's wait for someone to physically show up. If the user doesn't

understand that up front, there will be high frustration when he has a problem and is told it will be a day or so before help arrives. That is why we are trying to educate our people and their customers on contracts, specific provisions and the impact on budgets.

When we get together for Continuous Partnering kick-offs, we try to bring all parties — Consumer, Buyer, Contractor and Provider— together for agreement. This way, if the buyer wants to arbitrarily cut the budget 10%, the consumer (his employee) can provide input whether such a cut can be accomplished without crippling something vital.

Building the right interfaces at the right levels is critical.

While we meet annually to establish *Service Level Agreements*, they are just a small part of the Continuous Partnering initiative. What has taken precedence is building the *right levels of interfaces* to continuously monitor customer needs and address customer issues, as opposed to hearing about problems just once a year.

Building the right interfaces at the right levels is critical. Often, the person signing the

contracts is not the right interface on a weekly or monthly basis to talk about the types of services or levels needed. Contracts are usually done with the buyer; that's not where you usually get the information you need to provide quality service on a routine basis. All we're really doing at the buyer level is talking about costs; when talking with the consumer, the actual user of the service, we're talking about creating value. Setting up customer interfaces involves determining who the appropriate people are and who will take responsibility for maintaining that interface. It takes time to do this. There are definitely headaches involved in the process; you can't merely flip a switch and make it happen.

AGL: So your customers have to be trained as well?

Yes. We are in the process of meeting with each business unit separately, and holding three-day seminars we designed with the assistance of The Amherst Group to educate them and explain how the new customer-interface benefits them. We have had resistance from customers to come to the session, but without exception, once they are there and understand what we are trying to do

to improve our service to them, there is little resistance to our interface model. They live the vision. Of course, the proof is in the pudding. We have only been rolling this out since the first of the year, but the groups that have experienced it for 3-6 months are all very positive.

AGL: Any advice to other Shared Services organizations?

Any Shared Services entity reaches a point of diminishing returns on cost reductions, and must look elsewhere. If cost is your exclusive focus, you are probably better off eliminating your service organization and become a brokering organization, going outside to the best

available contractors. But if you are to continue to move forward with Shared Services, you must look at improvements in customer service and value creation with the customer and that means partnering with your customers, installing effective customer/provider interfaces and training both parties. And training with a Baldrige model or similar backdrop that helps your people and your customers understand how their efforts will contribute to the achievement of the overall corporate objectives. They must understand what they do is not just a job, not just provide a product, but that they are part of an important and permanent transition to a customer satisfaction-focused organization.

OUR PERSPECTIVE ON...

CUSTOMER-FOCUSED SHARED SERVICES

Typically, Shared Services organizations have evolved as a result of their enterprise having determined that there was a cost or performance differential of such magnitude, it compelled them to identify the key work that needed to be done and the costs associated with that work. Many of these companies then initiated new systems or systems upgrades that allowed them to perform the work activities on a basis that moved the work away from individual business units and towards some sort of Shared Services structure.

So most Shared Services organizations were established in response to the need for cost reductions, productivity improvements, work simplification or as part of a systems integration upgrade. The notion of service correlated primarily with improvements in such things as the timeliness and accuracy of payroll processing. The significance of customer satisfaction or building customer relationships generally was neither recognized nor appreciated at this early juncture.

As Shared Services organizations moved away from a cost-determined focus and began contracting with customers, they realized that the attendant issues were not as simple or as smooth as they had anticipated. That's when they began to understand there was more to this *Shared Services* idea than simply cost reduction and productivity improvement. Initially, this recognition revolved around simple considerations, such as *how do people who historically have operated in isolation from those receiving these services now enter into dialogue about the work, whether the users of these outputs received real value, how their expectations could be fulfilled better and what would help them be more effective in their jobs.*

Traditionally, providers spent more time justifying or explaining what they were doing or why it was right versus knowing how to engage internal customers in constructive dialogue, soliciting feedback on the quality dimensions and service levels needed to convert their customers from compliant users to delighted customers.

OUR PERSPECTIVE ON...CONTINUED

HOW TO GET STARTED

But how are these discussions convened? How do providers glean the salient points and translate them into action? Reorientation of the people performing the work is a vital need for training. The contracting process becomes the “playing field” for transitioning providers from a “Here’s what I am going to do for you, take it or leave it” attitude to a “Have we defined that this is what will make you happy and satisfy your needs? If not, what else needs to be discussed?” Training must enable your providers to push the contracting process forward, into as many rounds of discussion, questioning and listening as is necessary, to distill from what is said to what is needed for them to be successful contributors.

A related training requirement, without which progress towards achieving customer satisfaction is unlikely, is **improvement action planning**. Here, Shared Services providers use customer input to identify where the discrepancies are between the work being performed and the work

needed to satisfy the customer. Internal customer surveys or similar types of satisfaction measurement will yield critical results needed for action planning. If the satisfaction measurement is done thoroughly, providers will have input at the work-activity level, permitting them to know which services are most important but not meeting customer needs, and focusing their

“Training must enable your providers to push the contracting process forward...”

immediate attention on them. Priorities are not set on what they would like to improve or what is easiest to improve, but on the basis of what the customers are telling them — directly through the contracting process or indirectly through survey results or other satisfaction measurement techniques.

SATISFACTION MEASUREMENT IMPORTANCE

Best practice suggests conducting a formal survey of satisfaction measurement at least once a year. Over time, the updated information will reveal different results for the same

services. New priorities may emerge as a result of line management feedback, which should stimulate providers to revisit their customers to gain further knowledge about important but unfulfilled services. This should continue over time until providers have addressed all the services they provide, with particular focus on those services which have

“...Shared Services providers USE customer input to identify where the discrepancies are between the work being performed and the work needed to satisfy the customer.”

a “gap” between the importance and its fulfillment as perceived by customers.

All of this facilitates work improvement. But it does not address the critical transition from functional excellence to service excellence, namely, the establishment of *positive customer relationships*. Ongoing focus on relationship measurement provides an environment in which provider/customer interaction is not reliant solely on survey feedback or the annual contracting process. Relationship management demonstrates to customers the provider commitment to devote the appropriate time and effort to gather customer input on a regular basis.

The overriding goal of the interaction between the two parties is the development and maintenance of an environment of *trust*. Trust on the part of the customer that the provider will understand what it is the customer needs and why, and is motivated to help the customer achieve the objectives. In our view, the whole contracting process is not an end unto itself, but rather a means to drive towards *relationship management*. The challenge is that many providers have no experience establishing or maintaining relationships with the customers they serve. In the past, they have been rewarded for satisfying their boss, not increasing candor or building a more enriched relationship with their customers. Now, in addition to focusing on how efficiently they can do their work, providers also must learn how to build and maintain customer relationships, including what they can do to improve customer operations and facilitate what the customer is trying to do.

DIFFERENT ISSUES FOR EXPERTISE SERVICES

Customer demands tend to be even higher at expertise-based service levels. At the transaction-based services level, payroll for example, the focus is typically on trying to meet a best practices cost level of \$1.10 per check, accurately and on time, which depends on timely receipt of needed information. Whereas at the expertise level — if Legal is asked to retrieve a contract or assist in a due diligence issue, or if Training is designing a new curriculum — the customer interface, knowledge and relationship become far more important.

At the expertise-based services level, this exchange is characterized more as consulting, research and general counsel, such as an outside law firm or consulting group might have with an internal customer in the sense that it is project-based work. So even though work goes through the contracting process at the beginning of the year or in advance of the business planning process, relationship management at the expertise level now means the

provider organization must be aware of and anticipate the various project-type needs that will be required so they can deploy their resources optimally against them. Expertise service providers must also be vigilant to identify customer needs not currently offered by the providers, a common practice at professional service firms.

The concepts surrounding *account management* and *business development*, terms used freely at professional services firms, are rarely recognized or used within most Shared Services organizations, principally because they continue to regard internal customers as fellow employees rather than “arms-length” customers. Of course, Shared Services management can tell its employees “We want you to become account managers,” but this is a bit like telling someone to become a world class marathon runner. The difference between the articulation of the role or responsibility and its realization is meaningful **experiential training**. This involves not only understanding the concept, but also having the opportunity to cultivate the skills in a non-threatening environment and then deploying the skills in an actual work environment. The same holds true for honing business development skills.

Is there a Shared Services executive who has not heard someone in their organization say “Hey, this requires sales and marketing expertise; One of the reasons I went into accounting was so I wouldn’t have to sell or market!” There is a natural resistance to be expected, particularly from employees whose preference is to practice their trade or profession. Often, this resistance is grounded in a lack of knowledge or experience in this area. But if a Shared Services organization expects to be successful in the expertise-based services arena, management must accept that they are competing with professional service firms who by their very nature, have become proficient at these activities, both to survive and flourish.

SHARED SERVICES Q&A

Q. *How do you achieve a customer focus in a transactional environment?*

A. Creating a customer-focused environment is especially challenging for staff and internal support groups because it requires adopting a totally different mindset from which they have been operating in the past. As a first step, Shared Services staff need to clearly know the services they provide, the customers they serve and understand their customers' needs and expectations. Second, customer feedback is essential to facilitate this understanding and identify process improvements. While there are various factors which help drive customer focus in a transactional environment, the key is for staff to internalize that the work they are doing is for real, live people. The more opportunities they have to relate to people through natural or engineered interactions, the better. Have users, payers come to the center, have staff go to user sites. Satisfaction surveys are good, focus groups are better. Requirements discovery can extend this further. The staff will gain a better understanding and appreciation of customer needs and are more likely to have a vested interest in meeting those expectations.

Q. *When providing "consultative" services, how do you create a demand for them?*

A. Providers typically believe that customers will not want expertise services due to cost reduction pressures. Our experience suggests something different. First, payers don't know what services they get today. Second, they don't know necessarily the value they have derived from them. Third, they don't know how to make optimal use of them going forward. Ergo, adopt a professional services firm outlook and mindset in terms of creating a business case for consultative services and engaging in relationship management. And lastly, provide outstanding service which will generate repeat business and word-of-mouth advertising to other customers within the organization.

Q. *Our generalists feel they will lose contact with their customers if we pull transactional work away from them. How do you re-create their role and show them a new way of building relationships?*

A. This is not an uncommon reaction from generalists because they recognize that so much of their time and the basis of their interactions with customers has been on transactional services. This left little time for the value-added and strategic or business specific services. The paradox in the question is that the customer interaction associated with transactional work is typically remote, by telephone or electronic. Generalists typically move into Expertise Centers or become Business Partners. Both of these entail significant amounts of customer interaction in the normal pursuit of their job responsibilities. Defining and segmenting all services, identifying the customers served and the interaction patterns in serving them is key in re-creating their roles. This paves the way, along with some skills training, for relationship management.

AGL IS PROUD TO ANNOUNCE OUR SPONSORSHIP AND PARTICIPATION IN THE FOLLOWING 1998 CONFERENCES

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The Conference Board - 1998 European Quality Conference
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May 27-28, 1998 Hilton Hotel - Brussels, Belgium

The Conference Board - 1998 Shared Services Conference
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October 8 - 9, 1998 Le Meridien - San Diego

October 27 - 28, 1998 New York Sheraton - New York

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



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