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How to maximise and realise benefits of your Shared Services Centre

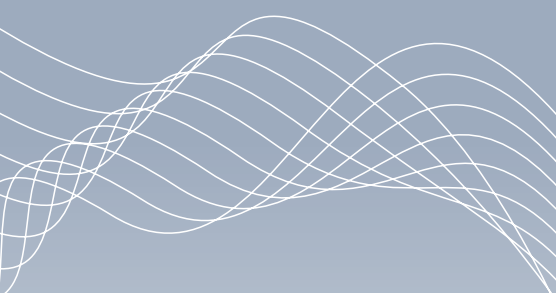


Welcome to the Chaucer Quarterly Review Issue 9

This year is an important milestone for Chaucer, as we are ‘Celebrating 25 years’.

We have delivered many thousands of projects successfully. We are a unique and special business consultancy providing support to clients globally.

We have an enviable reputation and we are very proud of our achievements and awards. Why not let us help you...



**Bob Laslett**  
 Chairman, Chaucer  
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Creating a Shared Services Centre, which brings together support functions in service of the rest of the organisation, is a journey that many companies have taken in recent years.

By choosing to centralise work and keep the resources in-house, the organisation retains control over processes which may be unique to the organisation and therefore of competitive advantage. The Shared Services Centre is there to meet the needs of its ‘customers’ - the people and businesses that it serves in its day to day operations. The question is, having taken the decision to concentrate resources in this way, how do you make sure that the Shared Services Centre continues to deliver the envisaged benefits over time?

Chaucer has significant experience of working with major Internationals to set up and optimise their Shared Services Centres and it comes as no surprise that the reasons for creating the Shared Services Centre are consistent across many of our clients. Common drivers include:

- Create a centre of excellence
- Reduce risk
- Support a scalable structure
- Provide a more responsive service
- Drive down costs
- Improve control with streamlined processes
- Release resource to focus on other organisational priorities

# An effective route to Economic Recovery?



*With economic forecasts being rather less than optimistic, it is no wonder that many governments and businesses are looking for budget cuts.*

But as well as cutting costs, the route to recovery may be found in being more effective (doing the right things) and more efficient (doing those things well).

Chaucer is often asked by its clients "how to" reduce costs in business. Many organisations have already been through multiple cost cutting exercises and it can seem that there is little else to prune. Quick wins have been identified and delivered in earlier iterations making the task of scoping further cost reductions more challenging. This is where Chaucer can help.

There are, of course, many ways to reduce costs in an organisation. One point to consider before embarking on cost reduction reviews or implementation is whether this activity may impact business as usual. Keeping day to day activities running is crucial to ensure that the benefits from the cost cutting exercise are not eroded by a shortfall in delivery elsewhere in the organisation.

A further consideration is whether the activity can be managed and delivered by internal resources or whether third party support may be required.

Some areas often considered to reduce basic business costs are:

- **Efficiencies:** Costs can be reduced through increases in efficiencies.

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# How to maximise and realise benefits of your Shared Services Centre

*Continued from page 1*

However, the relative weighting of individual drivers or combinations of drivers to set up or improve Shared Services Centres is often different, and, more importantly, the relative weighting can change over time. So it is relevant and valid to ask:

- "Are the drivers that stimulated your business to establish its Shared Services Centre the same now – and when was the last time you reviewed those drivers and their relative weighting?"
- "Are you measuring KPIs relating to those drivers and if so, how often, who reviews them, who provides feedback – you, your staff, your customers?"

The diagram in Figure 1 traces the key stages of development of a Shared Services Centre over time and in terms of measured benefits or value.

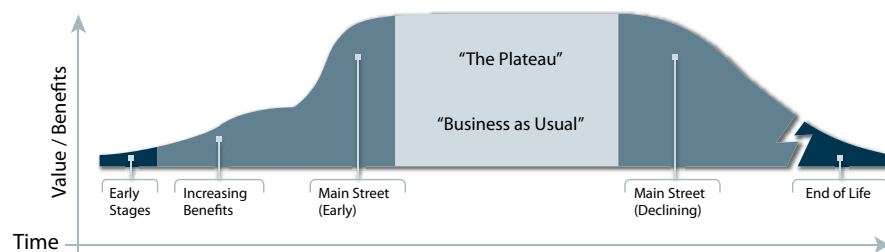


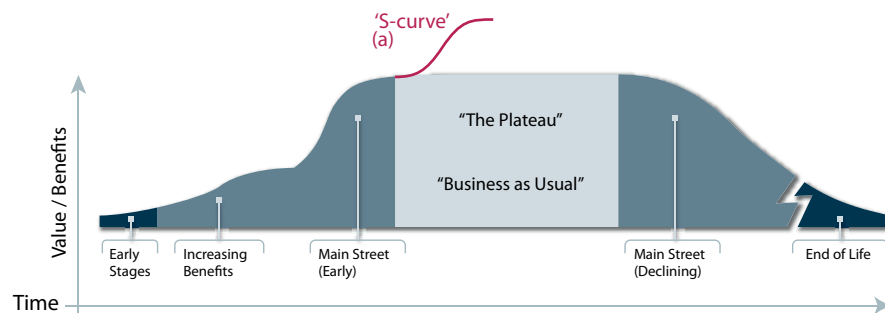
Figure 1 – Typical Development Stages of a Shared Services Centre

On the Y-axis we look at measured benefits: whatever benefits are important to your Shared Services Centre and customers and that you are measuring effectively. This could be money saved, customer response time, headcount reduction or any other combination of sources of value.

The X-axis measures time, which could range from months to several years, depending on how dynamic the business is.

In our experience, most Shared Services Centres follow a path not dissimilar to that of any other business unit from start-up to established "business as usual" and, unless they evolve to meet changing customer requirements, ultimately decline. Irrespective of where the Shared Service Centre is on the graph, the key question is "how do you maintain and more importantly maximise the benefits?" This illustrated in the following diagrams as an 'S-curve' of additional value achieved over a short interval of time to reach a new level of performance.

a) At early stages, how do you maintain increasing benefits?



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# An effective route to Economic Recovery?

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With our experience Chaucer can help you consider a wide range of potential efficiencies. Sometimes these may involve setting up shared services or outsourcing to third party suppliers and services

**Business Process Re-engineering:** Business processes can often be simplified or pockets of best practice can be identified and shared across the business. Processes can quickly become inefficient and costly. Involving those who use the processes every day can be a great way to identify inefficiencies and pinch-points which can be eliminated as processes are improved

**Continuous Improvement:** This can be one of the most cost effective ways of reducing costs quickly within an organisation especially where there are many operations and/or processes that need to operate as part of business as usual. There are a number of tried and tested Continuous Improvement methodologies. Chaucer can work with teams to identify an appropriate solution, tailored to the needs of the organisation

**Performance Improvement:** A Performance Improvement project can be targeted at a specific area of a business where significant potential cost savings have been identified. These cost savings may come from various individual sources or there may be serious cost savings to be made in a linked array of processes or operations. Chaucer has frequently managed Performance Improvement for a variety of clients, which have involved:

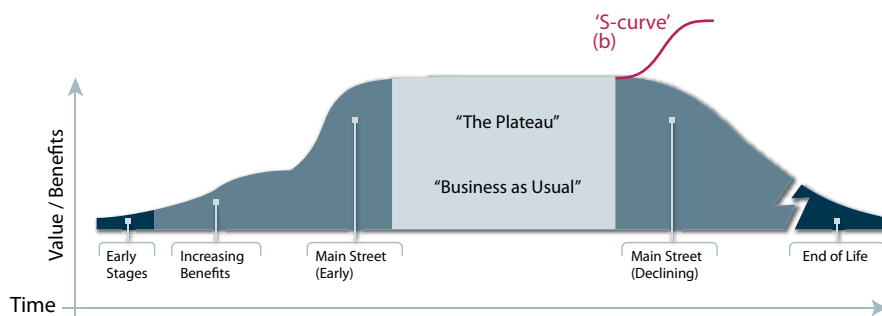
- ▶ Leadership or support of cost reduction initiatives
- ▶ Development of lean six sigma program
- ▶ Operational efficiency reviews

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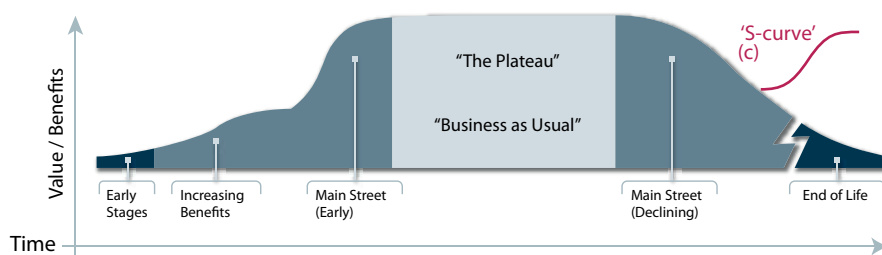
# How to maximise and realise benefits of your Shared Services Centre

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b) For established Shared Service Centres, how do you ensure that you continue to deliver increased benefits and maintain “business as usual” in the face of changing customer needs over time?



c) If your Shared Service Centre is already showing signs of failure to meet its customers’ needs, how will you halt the decline and turn around performance?



Too often, the strategy and objectives defined as the business rationale for establishing a Shared Services Centre are “put in the drawer” when business as usual becomes the norm. So we suggest it is time to take them out and review them.

It’s important to understand whether the original objectives have been met and the original benefits realised before you start to ask the questions and do the analysis to understand whether you are “fit for purpose” today or whether changes to how you operate are required. The following questions may be useful as you challenge yourself:

- When was the last time you benchmarked the Shared Services Centre with your competitors and the best in class from other sectors?
- Do you track, measure and share KPIs – and who with?
- When was the last time you shared your performance with your customer?
- Are your core services still integral to your customer – outsource vs. shared services?
- What activities should you include/exclude in the future?
- Are you still in the right place geographically?

Once you have undertaken a review of your Shared Services Centre, its current structure and its customers’ future requirements, if you establish that transformation is required, we recommend four key actions to deliver successful operational change.

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## An effective route to Economic Recovery?

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- ▶ Metrics systems development
- ▶ Development of performance management
- ▶ Development of competency regimes

At Chaucer we recognise that it can be difficult to identify cost reduction and efficiency improvement opportunities especially when involved in the day to day operations. This is particularly true where a business has already cut staff so pressure on business as usual has to take priority. In today's workplace there are often limited or no resources available to focus on cost efficiency. At Chaucer, we have been involved in many cost reduction and process improvement projects as well as project managing business process simplification and efficiency increase programs. The use of an experienced business consultancy such as Chaucer can often bring significant benefits that can make a business more efficient and hence more profitable. It could be the differentiator to take a business from being a loss maker or breakeven business into a profit generator.

### A Final Note:

In addition to budget cuts, the UK and other governments are looking at investment in major capital projects to improve their national infrastructure – roads, rail, energy, water and broadband. In the next issue of the Quarterly Review, we will look at how Project, Program and Portfolio management can be applied to great effect on such major projects.



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## How to maximise and realise benefits of your Shared Services Centre

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The detail in these actions will vary significantly for each business, but in summary they are:

Key Actions	Possible Tools
1) Define what "fit for purpose" looks like now and in the coming years, aligned to your customer's strategy – quantify and qualify the next and future 'S-curve' as best as possible	Develop a business case, benchmark, etc
2) Map out the journey you need to take to re-align your Shared Services Centre with your customers 'S-curve'	Consider the practical implementation plan, facilitate stakeholder engagement, change management framework, etc.
3) Ensure that you have the dedicated project, program and/or change management resource to manage the change needed to achieve the quantified/qualified benefits	Consider organisational design tools, process mapping, performance management tools, etc.
4) Ensure that you build a robust review process – you need to be constantly reviewing the Shared Services Centre and taking action to realise greater benefits through your change management process and team	Reporting and feedback loops, performance management and benefits tracking tools

Chaucer can provide the focus and dedicated resources to help you implement these actions and drive the changes through to completion and success. If you would like to talk to us, we would be delighted to explore how we could help you maximise the benefits of your Shared Services Centre.



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### Chaucer's experience in supporting the successful implementation of Shared Services includes:

- In Russia - Setting-up Shared Financial Services Centre for an international Oil & Gas JV
- In Hungary - an International Car Rental Company moving and setting up a Shared Services Centre
- In the USA - Change Managing the set-up of a Procurement Shared Services for an Oil & Gas major
- In the Middle East - Improving Processes and Operational Performance in a Shared Services Centre for a major Financial Services enterprise
- Outsourcing Clinical Trials Operations across Europe for an international Pharmaceuticals corporation
- In Asia - Setting-up an HR Shared Services Centre for a leading international energy company
- A Europe-wide process to set up a Sales and Support Shared Services Office for an Oil & Gas major

Chaucer's unique approach to Shared Services has been captured in a new methodology, 'The Chaucer Way – Shared Services', which can be downloaded from [www.chaucer.com](http://www.chaucer.com).

## Case Study

**Client:** Global Petrochemicals Company  
**Project:** Worldwide Procurement Change Management

### Description of Project:

Our client wished to reorganise its Chemicals Management Services (CMS) procurement from a dispersed basis to one realised from three key global providers. The objective was to release annual savings of \$20m by developing a more market-facing procurement capability.

The concept would not only require significant change in internal process and resourcing, but also demand a completely revised procurement mind-set focused on long term solution-based relationships, rather than simple transactional supply arrangements. A change program was therefore set up across all of the client's refining and chemicals manufacturing facilities around the world - to manage both 'hard' and 'soft' change agendas.

Chaucer was retained to provide program management expertise to ensure delivery of the financial prize. In addition, Chaucer's supply chain expertise, deep understanding of our client's business activity and proven capability to co-ordinate simultaneous program activity in Europe and America were seen as key components in our successful delivery.

### Chaucer's Scope:

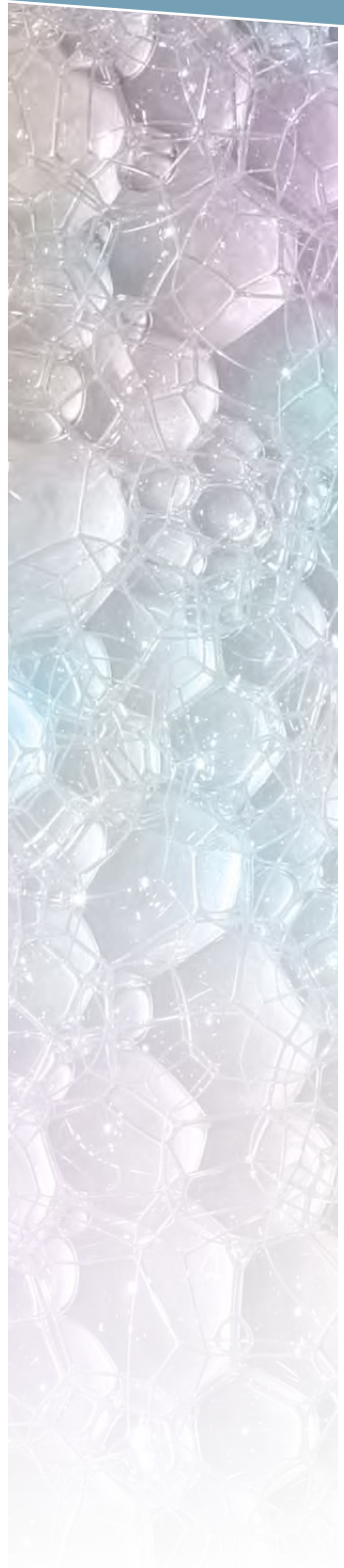
- Chaucer established a full scale program office to control this complex program.
- Creation of consensus by devising and communicating high-level program strategy & principles.
- Development and maintenance of bespoke program management tools including a dedicated web-based collaboration tool, MS Project plans, issues management, and detailed actions trackers.
- Regular production of activity lists for key program individuals.
- Rigorous risk assessment and delivery of risk mitigation plans.
- Regular reporting, with escalation as required.
- Continuous guidance on team effectiveness, including elements of communication and mentoring.

### Benefits:

The CMS program was able to fulfil its delivery of the \$20million saving. This was not only due to Chaucer's focus on outcomes, but also on our work identifying and neutralising significant program risks – some of which were 'soft' and required complex management – these were identified by Chaucer very early on in the program.

Chaucer's in depth procurement knowledge and change management experience meant that we were able to contribute additional benefits over and above the Program Management brief. These included providing content in the fields of procurement transformation, culture change, leveraging supplier expertise, supply base rationalisation, and global technical standards. These additional skill sets helped facilitate the development of detailed activity schedules and planning required to effectively and efficiently governing the program going forward.

Being regarded as a program of significant value to our client, CMS became a showcase for best-practice program management techniques. These were subsequently applied to the top 5 programs in 6 strategic performance units within the client's broader Procurement Transformation initiative.



# Evolutionary talent management: Building a fit-for-purpose process

Managing talent within organisations has been a top priority for Executives for some years, certainly since the 2001 seminal HBR article 'The War for Talent' and subsequent book were published.

Talent is never explicitly defined in the book, though it is noted that, "A certain part of talent eludes description: You simply know it when you see it...managerial talent is some combination of a sharp strategic mind, leadership ability, emotional maturity, communications skills, the ability to attract and inspire other talented people, entrepreneurial instincts, functional skills, and the ability to deliver results."

The war for talent in the USA and Europe intensified over the past decade or so thanks to demographic challenges; the number of talented individuals available simply decreased as there are fewer post-baby-boom workers to replace the baby-boom retirement. This drove many companies to manage their talent pools and leadership succession pipelines more rigorously: as they saw people with critical skills in key roles retire, it was not always obvious who to replace them with. Whilst turning to the external market is an option, it is often more costly, leads to people in role without organisational context or understanding of sometimes complex processes or operations, and frustrates those lower down who do not get the opportunity to rise and fulfil their potential.

At a fundamental level, a talent management process is about identifying those with talent, ensuring that individuals are identified to succeed those in critical roles over different time periods, and supporting and creating career paths. The process must ensure that future leaders are identified and have the breadth of knowledge they need across the organisation's operations or business areas to take on those future critical leadership roles.

This can be a complex process to manage, with lots of information to source (for example, performance measures, personal data) and activities to be undertaken (such as determining future potential, career preferences). Most powerfully, talent is managed enterprise-wide, which often means joining up different business entities and functions, and reaching agreement on, for example, how far an individual might progress up the organisational ladder.

Implementing an IT enterprise-wide talent management system is usually where this business requirement points to. But implementing this can be a mighty task and has a number of system, process and cultural dependencies. From decision making through to go-live can take many years. But during this time, how do you manage and extract value from the talent pool?

For sure, managing top talent (top 50, 100, 150 etc.) is a task that can be undertaken with lots of manual interventions, using a range of slide decks and spread sheets. But scaling

this up to manage talent deeper in to the organisation needs a bit more structure, process and a well-thought through tool kit to capture potential ratings and complete integrated organisation-wide succession planning across business units, functions, countries, tiers or grade groups. The good news is that it can be done, and relatively easily (as long as you have a source of relatively accurate people data from your HR information system...).

Whilst Chaucer is supporting the implementation of a global talent management solution, we have also been managing a manual process for the past few years that captures critical talent management information for the top few thousand distributed across 50+ countries.

Our processes and tool kits evolved from 9 box grids, succession plan and health check slides into a range of slick, well-designed and integrated spreadsheets using Visual Basic functionality. These are distributed with guidelines within a global timeline and delivery framework to HR business partners to capture outputs from talent conversations and workshops. What has been of real benefit is the ability of these partners and business or function HR Directors to analyse their data in real time, rather than this analysis only being possible once all the data is collated. The distributed data can be quickly assimilated to build a complete talent story for senior management and executive review and intervention through standard or easily adaptable ad-hoc reports.

So this option means you do not need to invest in what is inevitably going to be a more expensive system than you imagined. But even if you do go down this road, this approach has unique value as it builds knowledge and understanding around talent management processes and system requirements, and experience that vastly improves the ability of the organisation to select the right system to meet its current and future needs; it also develops and embeds the culture, process and familiarity with talent management tool kits within the organisation, enabling a smoother and cheaper future system implementation.

If an enterprise-wide IT solution is not what is needed, then it provides a cheaper, faster alternative that can more easily adapt as your talent management issues evolve and your organisation changes to meet these and other future challenges.



**Terry Shane**

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# Tack or Gybe? We Need to Change Direction in this Economic Storm

The world's best yachtsmen spend hours and days practising how to change direction quickly and smoothly.

On a racing yacht this means co-ordinating complex movements and systems to shift the yacht's power source, its sails, without loss of speed during the change in direction. Yacht races, like business competition, are often won or lost by how well the competitors change direction in response to environmental factors, albeit the weather, the economy or competitors' moves.

In the current economic climate, when margins and cash flow can be tight, starting a change project can be a risk that a business may not want to take, but as Darwin is often quoted as saying, "It is not the strongest of the species that survives, nor the most intelligent, but the most responsive to change." However, if your organisation feels more like a super-tanker than a racing yacht or perhaps you sense change weariness in your organisation from previous poorly implemented changes then it is fair to ask whether the risk, effort or cost is worth it.

The key is to change direction efficiently and get to where you want to be without extra cost or delay, which requires experience and focus on the change and the objective. Athletes benefit from the experience of their coaches and Chaucer's clients benefit from the breadth and depth of experience of implementing change that Chaucer can bring to bear in any situation. That experience can be seen in action by the speed of change

that can be delivered when a focussed team and methodology are applied to the challenge.

The speed of change is important in troubled or competitive environments, be they economic or nautical in nature. Excellent sailors use subtle shifts in weather to gain advantage whilst pursuing their race strategy. Excellent businesses do the same. They have a core strategy built on medium-to-long term decisions and then they use those strategic principles to shape their choices, when buffeted by the economic weather, to maximise the opportunities available to them.

The speed of any change is obviously influenced by its scope and impact. For example a major structural change like an acquisition is bound to take longer than launching a new product or service that is an incremental improvement over current offerings. To a large degree the scale is not the issue here. What makes organisations 'change nimble' is having a leadership team and culture that spots opportunities, is 'change agile' and uses good change management and project management practices to derive maximum value from their initiatives by making sure they are delivered and fully implemented and embedded, so that the organisation doesn't experience it as change for change's sake.

In this economic climate, not changing is at least, if not more, risky to a business as being bold and seeking

new opportunities in markets or with products and processes that add extra value to customers. The experience that Chaucer can bring to bear on a change project can help you make a strong strategic decision and then drive implementation. This is because we know, as shown in our Change Management Chaucer Way, just how challenging it can be to deliver and benefit from a change project. The issues and complexities are many but we have a systematic approach that draws on many years of experience in many industries that has delivered value and a clear return on investment for our clients.

Returning to the sailing metaphor to close; choosing your partners and team members carefully is a key aspect of long term success which is why we spend time understanding your needs and building the cohesive relationships that work within your business, its teams and its culture. We offer that our experience and structured approach could be the key to you leading the successful implementation of your next change project.



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# Cloud Computing – saving your business



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In geek circles, there is a legend that at a 1981 computer show, Bill Gates said, in defence of the newly introduced IBM PC, “640K of RAM ought to be enough for anybody.” Now it doesn’t matter if you don’t know what RAM is, or how much 640K is. Just know that any modern device (probably even your toaster) has a capacity many tens of thousands of times greater than this.

It turns out that Bill’s statement was taken out of context, but what about Ken Olsen, founder of Digital Equipment Corporation (now part of Hewlett Packard)? He achieved fame by saying in 1977, “There is no reason for any individual to have a computer in his home.”

No surprise, Ken too believes his remark was taken out of context. Whether these industry heavyweights really did get it so wrong doesn’t really matter. They are useful legends to remind us that technology, like everything else, tends to grow exponentially and consume resources faster than anyone could ever imagine. The demands we make on technology today, were unthinkable 20 years ago.

This presents a problem when it comes to planning. Put yourself in the shoes of a Functional Manager or IT professional. You want to make sure the decisions you make today don’t lumber you with inefficient, unnecessary or inappropriate systems, processes or people, several years down the line. What you need is access to the latest software &

systems, without necessarily investing in new infrastructure, staff training, or software licensing. You also want to be able to flex capacity or add capabilities as your business changes.

So, could cloud computing provide the answer? Cloud computing as a term has not yet made it into the Dictionary, so let’s turn to Wikipedia, which defines cloud computing as:

“Cloud computing is a marketing term for technologies that provide computation, software, data access, and storage services that do not require end-user knowledge of the physical location and configuration of the system that delivers the services.”

An important omission from this definition is that generally you share the cloud infrastructure with many other consumers, allowing the service provider to achieve great economies of scale and leverage expertise on your collective behalves. So then, it’s actually something that Chaucer and our clients are already familiar with: shared services, applied to technology and infrastructure.

The concept of cloud computing, or shared technical service centres, stems from the era just post the dotcom bubble of the 90s. ECommerce business fell off a cliff and companies like Amazon had enormous data-centres, running at around 10% capacity. Someone suggested selling some of this excess capacity as a service and the concept was born. Before this time, if you wanted software, you bought hardware too. It was a game changing moment, and this trend looks set to continue.

A recent survey conducted by the business technology company CSC indicated that 82% of businesses saved money from their last cloud implementation project. Consider your average tech project success rate, cloud computing has reversed the numbers, usually 80% of tech projects fail to realise the stated benefits.

So we’ve established that it’s a smart idea and potentially a good thing for your business, so what are the key considerations when adopting a cloud computing strategy? As ever the key to getting this right will be choosing the right place in your organisation to apply it, the vendor selection, contract negotiation and management, transition management and the ceaseless pursuit of benefits realisation. In short, you need to apply principles of robust supply chain management.

This is however a market in its infancy, which presents both suppliers and consumers with a number of challenges. What those challenges are, and how they might be overcome will be the subject of a future article. But it is already clear that cloud computing is potentially great for your business and here to stay.

## Articles upcoming in the future issues

**Issue 10** Project, Program and Portfolio Management

**Issue 11** Trading in emerging markets