



Success Story: Shared Services Center Development

Client Classification: Major US Direct Mail Marketer and Mass Advertising Mailer

Service Category: Change Management, Operational Strategy, Organization Transformation, Performance Management, Cost Transformation

Situation:

The client had announced a plan to consolidate its 16 regional finance offices into its Eastern US headquarters and create a Shared Financial Services Center (SFS). SFS was to be a centralized organization servicing all 16 regions, 60 sales offices and 12 printing/distribution centers around the country. Employing 4,000 total staff, with the finance organization exceeding 200 employees, the project was expected to have a profound effect on the company.

The announcement had also stated that a significant downsizing was expected as a result of the centralization. There was a great deal of skepticism throughout the company, as it had an inconsistent track record with the implementation of previous change initiatives. The client's senior management team engaged the LoBue Group to execute this centralization effort.

Recommendations:

The project team developed a total of 127 detailed process and organization related recommendations and built capacity plans for each department, projecting a FTE reduction of 44%. The team also developed a detailed regional office consolidation project plan comprising some 300 tasks. At the conclusion of the program, two pilot regions had been consolidated, the run rate savings were on track and LoBue was contracted for an extension to manage the roll-in of 14 remaining regions. Some of the key recommendations were:

- To streamline order processing and eliminate non-valued added work on 77% of all orders reducing the error rate from 25% to less than 2%.
- To redesign the billing process, reducing the cycle time from 5-7 days down to 24 hours.
- To implement a purchasing card system, thereby reducing travel and expense processing work from 40,000 transactions per year to less than 1,000.
- To reengineer the production release process to eliminate the need for human intervention on >80% of all jobs.
- To reengineer the attendance tracking process to eliminate the need for regional payroll department staffs.
- To streamline the payables process and reduce the amount of work by 50%.

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- To redesign the payroll and compensation processes to eliminate 25% of the workload.

The above recommendations were validated during piloting and migrated to the entire organization during the roll-in of the 14 regions.

Results:

According to the client, the project team (and LoBue Group in particular) was widely recognized as having achieved the “impossible.” With a 44% FTE reduction, the Shared Financial Services project was by far the most successful large-scale reorganization in the client’s history.