Case Study Series

Chazey Partners

COCA-COLA HELLENIC: 3 STEPS FROM TRANSACTIONAL TO COMMERCIAL SERVICES

Coca-Cola Hellenic Bottling Company : from Business Case to Implementation

"Chazey's team all have a strong background as CFOs or Finance or HR leads in global organizations, and understand the ins and outs of a Shared Services environment. They are familiar with all phases, whether a new launch or a mature operation. That's the kind of knowledge that even a good consulting team cannot give you. It's based on real-life experience. In addition, Chazey has access to a wealth of benchmark data based on their own experience across different industries. These best practices proved valuable when analyzing processes to incorporate into our own model."

Manolis Fafalios
Shared Services (Transition) Director
Coca-Cola Hellenic

"Just four years ago the concept of Shared Services was relatively unknown. Today, our team has acquired sufficient skills and understanding, and has gained the confidence of senior management, to the extent that we are able to take on the more sensitive processes directly facing the end-customer"

Coca-Cola Hellenic Bottling Company (CCHBC), one of the world's largest bottlers and vendors of products of The Coca-Cola Company (and the largest in Europe), is the result of a 2000 merger of Coca-Cola Beverages and Hellenic Bottling Company. Today, CCHBC covers 28 countries – from Ireland in the west to the eastern tip of Russia – including mature markets as well as emerging ones.

10 years post merger: service integration

The Shared Services concept was first raised for consideration in 2007, but a business case study commissioned at the time was not compelling enough for management and the idea rested a few more years before being resurrected in 2010, following a 2008 initiative to shift to one ERP platform. This marked the beginning of a transformation towards a Business Services Organization (BSO) led by Manolis Fafalios, the new Shared Services Transition Director, who took over responsibility for the project.

The new team faced a fairly steep learning curve, as Manolis explained: "None of us had any Shared Services experience to speak of so the first priority was to educate ourselves through networking, at conferences, and via online resources. It was important for us to benchmark with practitioners who already had the experience of implementations, and to learn from their mistakes."

It was at one of the industry conferences that Manolis met Phil Searle and David O'Sullivan, founding partners of Chazey, who became valued and trusted partners in this venture.

"Chazey's team all have a strong background as CFOs or Finance or HR leads in global organizations, and understand the ins and outs of a Shared Services environment," Manolis said. "They're familiar with all phases, whether a new launch or a mature operation. That's the kind of knowledge that even a good consulting team cannot give you. It's based on real-life experience.

"In addition, Chazey has access to a wealth of benchmark data based on their own experience across different industries. These best practices proved valuable when analyzing processes to incorporate into our own model.

"Chazey was very effective as a sounding board for us, as well as lending the necessary credibility to getting internal stakeholders on board."

Two towers are better than one

Realizing that the Shared Services implementation would face some resistance from in-country functional heads, Manolis was determined to take a "slow and steady" approach to implementation, and only ramp up the services once the business had gained trust in the model.

The initial processes that were transitioned into the Business Services Organization included Accounts Payable, Fixed Assets, General Ledger, and Travel & Expense, within Finance – and Personal Administration and Organization Management within HR. While many of the SSOs that launched in the 1990s tended to start with a single service or function, the CCH team benefitted from being relatively late to the party in terms of recognizing that a multifunctional center (in their case, Finance & Accounting, and HR) would reap far greater rewards across their operations.

"We knew that including two towers from the start, and bringing them under one director and onto one system would provide better standardization and support across our business," said Manolis. "The Chazey team gave us a lot of confidence in making this decision, as they had the numbers and real life examples to back up this strategy."

The multifunctional implementation was supported and defined by a unified governance framework, which included one business services director who was responsible for managing both services towers, and set rules that managed the migrations.

Phased go-live allows for steady migration

The transition plan consisted of a three-phase approach, each phase targeting select processes for migration, while at the same time already preparing the groundwork for the next stage. "We allowed five to six months for each phase," said Manolis, "and where needed provided for an additional three months with more of an 'intensive care' aspect."

The migration was not based on "lift and shift," as is sometimes preferred in implementations. Instead, processes had to meet set standards of readiness before being moved into the Business Services. It was important, for the BSO leadership team that all processes were standardized to one level (exceptions were made only for legal & fiscal reasons) across the 22 countries being migrated in, so that the transfer would be seamless and not cause any service interruption, and assimilation of countries would be made easier. To get to this stage, only processes already on SAP, i.e., on the common ERP, were considered. In addition, each phase was characterized by "readiness criteria," and a related set of Key Performance Indicators (KPIs). Only once these KPIs and the readiness criteria were met would the process migrate within the transition period. This is where most of the effort was focused, in the six months leading up to the transfer. Where a process was not meeting the agreed criteria, an additional handover period was agreed.

While each phase covered different processes, starting with the most transactional and simple and extending to the more complex, a strategic decision was made, from the start, not to include any processes that touched the customer. This meant that billing, pricing, etc., were kept out of the plan in the early stages, and would not be considered until Phase 3, which goes live in 2015, and will cover commercial processes.

"Although we believe in the merit of rolling commercial processes into the Business Services, we knew the business would be nervous about doing so from the outset, and we did not want to cause any more concern than necessary," said Manolis. "Phase 2 went live in October 2013 and included AR/Credit Management, thus the concept was proven and the countries now have faith in our processes and capabilities."

To outsource or not? – the burning question

The question of outsourcing caused a lot of heated debate from the start of the project. While some of the Executive board was in favor of gaining the cost advantages that outsourcing offered, Chazey's input was instrumental in steering the project down a different path. Shifting to outsourcing from the start would have granted all the value resulting from standardizing under a common model to the outsourcer, with the company gaining only a cost advantage. Instead, the BSO team fought to maintain most of the services inhouse.

This did mean standing up to the Board, however. "The team from Chazey helped us to communicate the importance of understanding the data and perfecting the process first – and incorporating the value thus released – before even considering handing the process to an outsourced partner," said Manolis. This was an important factor for the BSO and one that Manolis believes will define the value of the model for years to come. While the focus will always be on cost, he concedes, it's important to look beyond initial savings, at the sustainable value that the BSO will deliver in future. Much of that is based around data and supporting the customer's operational targets, and keeping the BSO inhouse means closer collaboration.

There was one exception however: Travel & Expense was outsourced immediately, because almost every country involved had a different process, and these were all highly manual. In this one instance, the CCH team believed it was easier to standardize processes for all 28 countries through a business services outsourcing agreement, even if it meant releasing some of the inherent value.

Location

When the project was first launched, one of the big decisions to be made was where to locate the center, with options considered being limited to territories covered by CCH's operations. From an initial list of 15 possible locations, Bulgaria and Romania emerged as the two strongest contenders. "We relied heavily on Chazey for the location evaluation, as we simply would not have had the resources to allocate to this job," Manolis explained. "They knew what to look for in terms of what would impact the success of a center, and provided us with comparative data on the risk, cost, IT networks, graduates, etc., that we needed to make a decision."

Bulgaria eventually won the day. The center was established in Sofia, where CCH already had offices and the IT Shared Services was based, and brand was therefore a positive factor.

While many SSOs tend to differentiate between support provided to Central and Eastern Europe (CEE) and Western Europe, the experience of CCH in Sofia proves that any concerns about excessive bureaucracy in CEE countries limiting service effectiveness is misplaced. And while tax regulations do differ widely across the countries in scope, adding somewhat to the complexity of each process, the center in Sofia has been able to deal with this quite easily, said Manolis.

Challenges

While the BSO has gained recognition and admiration internally as well as externally for the cost advantage, quality of service, and value it has brought to CCH's operations, it has also faced a number of challenges, most significantly around convincing in-country leaders to adopt the new operating model. From the start, it was difficult to persuade the functional heads that they would not be losing power by transitioning processes to the BSO. After all, Manolis emphasized, they still owned the process – whether this related to the balance sheet or recruitment. Communicating this positive message effectively and credibly, and differentiating the message across different stakeholder groups, was one of the most significant drivers of the model's eventual success.

BSO: the future

Now that the BSO has assimilated the lessons of the past four years, and chalked up experience in Shared Services methodology, it will be embarking on the Phase 3 rollout of the collections process on its own. This in itself is a tremendous achievement, Manolis explained: "Just four years ago the concept of Shared Services was relatively unknown. Today, our team has acquired sufficient skills and understanding, and has gained the confidence of senior management, to the extent that we are able to take on the more sensitive processes directly facing the end-customer."

CCH was determined to drive maximum value out of the Business Services Organization, which required the team to do a good job promoting and marketing itself to customers. The improvements that have been gained as a result of this model can be measured in cost, quality, standardization, and efficiencies, and include the following:

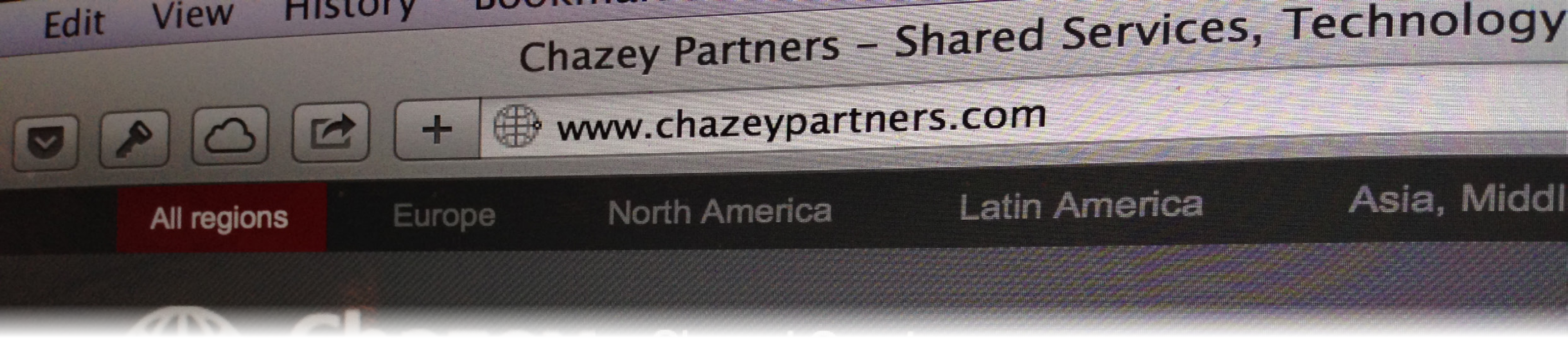
- Achieved big improvements in P2P first time match rate: 76% match between Purchase Order, Invoice, and Good Receipt/Service receip
- Applied "No P.O. No PAY"
- Hit 100% SPA levels – only exception is AP (84%)
- BSO error rate is at 0.1% (vs. target 0.5%)
- Recruitment process now takes 36 days, much less than pre BSO.

"One thing that I believe is important," says Manolis, "is that we decided not to go with a 'Shared Services' name as this is too frequently interpreted as only reducing FTEs. Instead, we wanted the focus shifted to what we could do to support the business, so we promoted Service Partnership Agreements (SPAs) instead of the generally used Service Level Agreements (SLAs), to emphasize our role as business enablers, working alongside our customers – not just 'providing services' to them."

Although slight, this change in definition has made a big impact, Manolis believes. The BSO logo and tagline reflect its commitment to 'standardization, quality, and efficiency' and its unified leadership means that this commitment is driven throughout the Finance and HR processes today, as it will through the commercial processes directly touching the customer tomorrow.

"One thing that I believe is important," says Manolis, "is that we decided not to go with a 'Shared Services' name as this is too frequently interpreted as only reducing FTEs. Instead, we wanted the focus shifted to what we could do to support the business, so we promoted Service Partnership Agreements (SPAs) instead of the generally used Service Level Agreements (SLAs), to emphasize our role as business enablers, working alongside our customers – not just 'providing services' to them."

Manolis Fafalios
Shared Services (Transition) Director
Coca-Cola Hellenic



For more case studies

Please visit our website at www.ChazeyPartnersinc.com/clients,
or subscribe to our newsletter at www.ChazeyPartnersinc.com/subscribe

Meet Our Practitioners

Phil Searle CEO & Founder
Chazey Partners
+1 408 402 3008
philsearle@chazeypartners.com

Esteban Carril Managing Director, Latin America
Chazey Partners
+54(911) 3085 5140
estebancarril@chazeypartners.com

Rob Serjeant Managing Director, Asia-Pacific
Chazey Partners
+852 9540 2821
robserjeant@chazeypartners.com

Chas Moore Managing Director, North America (West)
Chazey Partners
+1 855 692 6229 Ext 201
chasmoore@chazeypartners.com

Robert Towle Managing Director, North America (East)
Chazey Partners
+1 862 812 7851
roberttowle@chazeypartners.com

About Chazey Partners

Chazey Partners is a professional management advisory business that is committed to adding significant value to our clients through a partnership approach. We bring together a unique wealth of expertise and real life experience in Business Transformation, Shared Services & Outsourcing, and Technology Enablement. We pride ourselves in having built, operated and turned around some of the world's most highly commended and ground-breaking Shared Services Organizations, and for implementing many highly successful multi-sourced (shared services and outsourced) delivery solutions. Over the last 20 years, we have delivered numerous programmes globally, in the US, Canada, UK, Continental Europe, Ireland, India, Eastern Europe, South America, Singapore, Australia, China, Middle-East and Africa. Our experience covers both Private and Public Sectors, providing expertise in a wide spectrum of business functions, including Finance, HR, IT, and Procurement.

Learn more about us at www.ChazeyPartnersinc.com.

Follow us on: