

CASE STUDY

Pharmaceutical Company

Establishing a World-Class Shared Services Organization

Challenge

As part of a corporate initiative, this pharmaceutical company needed to re-structure five previously autonomous organizations into a single business unit with five divisions.

Solution

Partnered with separate shared services legal entities to create and implement global best practices. Developed innovative point-benchmarks that could be applied to all departments, and established a performance methodology to measure the costs of a shared services structure.

Benefits

Gained a better understanding of and developed best practices for utilizing the shared services group based on the point-benchmarks of top performers within and outside of their industry, resulting in:

- Reduced costs through shared services
- Increased visibility throughout the organization's business units

Challenge

This pharmaceutical company is currently undergoing its biggest corporate restructuring in history, which will establish the company's four business segments as independent operating companies under one holding company. As part of this restructuring, five previously autonomous businesses will be consolidated into a single subgroup with five divisions. The key objectives are to:

- Provide more visibility across the enterprise to ensure that all business units are operating in synchronization
- Leverage best practices and economies of scale
- Enable shareholders to better judge the drivers of success

These benefits will allow the company to achieve a sustained increase in shareholder value.

Due to the restructuring, there will be many common service activities, including procurement, accounting, information technology and human resources. To gain control of these redundant services, this company will be partnering with separate shared services legal entities that will be responsible for administering these services. The company will not only save money through the consolidation of these services, but will also allow the shared services group to provide best practices throughout the new organization. The executive leadership needs to understand what the costs should be to provide these services, especially for their competitors in the healthcare marketplace. Such industry benchmarking data is not commonly available to companies like this one.

Due to Clarkston's involvement with a number of issues relating to reorganization, their depth of experience within the pharmaceutical industry, expertise delivering business strategy solutions and innovative "point-benchmark" approach, this company selected Clarkston to develop and deliver this critical data.

Solution

Rather than rely on industry-wide metrics benchmarks that can be misleading, inconclusive or that do not rep-

resent best practices, Clarkston developed specific examples that could be applied to this company's business – point-benchmarks. The critical difference between point benchmark data and standard benchmarks is that point benchmarks do not include the data of poorly performing or irrelevant companies and business entities.

Clarkston's analysis helped this company determine the costs associated with utilizing a shared services organization. For these benchmarks, Clarkston compiled best practice data from a select group of clients and contacts in the healthcare industry, as well as industries with similar business processes, related to their shared services entities. This best practice data included not only key business metrics, but also an evaluation of the effectiveness of the metrics and how they should be applied to this company. Appropriate data was defined for the point-benchmarks that consisted of factors such as business type, headcount, revenue, organizational structure, resource qualifications, applied technology, required capital expenditures and associated operating costs.

Some examples of the point benchmarks that were presented include:

- Employee and departmental productivity ratios per anticipated entities in the shared services organization
- Headcount/revenue ratios within shared services entities
- Operating costs per shared service entity (sample entities are HR, IT, Accounts Receivable, Accounts Payable and Purchasing.)

Benefits

This initiative helped this company to better understand and develop their own best practices for utilizing the shared services group based on the point-benchmarks of top performers within and outside of their industry. There is the potential for significant savings in the long-term for the company via educated negotiation with the shared services organization. In addition, the point-benchmarks utilized will be leveraged as performance metrics to measure the effectiveness of the shared services group.

Company Profile

This company is a subgroup of a European company with annual sales amounting to 10 billion Euros, and is one of the world's leading, innovative companies in the health care and medical products industry with more than 34,000 employees worldwide.

Clarkston Consulting is a leading management and technology consulting firm that provides strategic business solutions for clients within the life sciences and consumer products industries worldwide. These market leaders turn to Clarkston to help them bridge the gap between strategy and execution to sustain a competitive advantage. Clarkston is a sought-after business partner because of its recognized industry thought-leadership and superior client relationships, as measured by The Conference Board's survey on client satisfaction. For more information, visit www.clarkstonconsulting.com.