

Case Study: PSEG Services Corporation Shared Services Diagnostic

At A Glance

Company Profile

Public Service Enterprise Group (PSEG), a \$12.9 billion, NYSE-listed, diversified energy company that produces and delivers gas and electric services to nearly 3M customers.

Services Featured

- Shared Services Diagnostic
- Strategy and Assessment

Business Processes Involved

- Finance & Accounting
- Information Technology
- Human Resources
- Supply Chain Management
- Law and Corporate Services

Executive Summary

PSEG's Services Corporation (SC) provides multifunctional support to the PSEG operating companies. Though successful and mature, SC was looking for significant improvement opportunities. EquaTerra provided the analytical framework, insight and experience to help PSEG identify desired savings and develop a roadmap for transformation. EquaTerra's Shared Services Diagnostic was integral to the engagement, and helped uncover hidden value opportunity in SC's shared services offerings.

Business Challenge

After launching shared services in 1999, SC rapidly grew to more than 1,100 dedicated professionals providing services to internal clients in 21 separate practice areas spanning all back-office functions. Through consolidation and process improvement, SC has consistently delivered excellent service and value to its clients. As continuous improvement gains diminished with time, however, SC was keen to explore delivery model and other transformational changes that could enhance its value proposition in terms of both performance and cost.

How We Helped

PSEG engaged EquaTerra to conduct a strategic assessment of SC's processes, functions, operations and costs. The overall objective was to identify opportunities for improving its overall cost structure and efficiency. The primary goal of the initiative was to identify a portfolio of opportunities, including high-level implementation plans, from which PSEG management could develop a more detailed roadmap to move forward.

EquaTerra collected and analyzed current state service, cost and volumetric data, and analyzed benchmark results from APQC and similar benchmarking firms. We also conducted interviews with functional leadership and subject matter experts, and created an economic model to assess the viability of the business case for the proposed improvements.

Shared Services Diagnostic

EquaTerra's proprietary Shared Services Diagnostic was a core element of the project. The assessment is a diagnostic service that helps shared services leaders identify strengths and weaknesses in their deployed shared services model, and provides an actionable roadmap for improvement. Based on EquaTerra's Shared Services Excellence Framework, the assessment analyzes multiple dimensions of shared services operations including: leadership; governance organization; customer relationship model; best practice deployment; enabling tools and technologies; process control framework; customer satisfaction; and linkage to business outcomes.

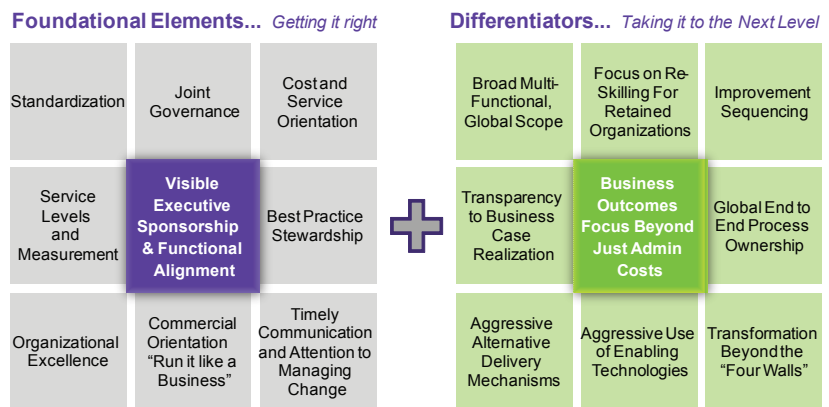


Figure 1

Results

EquaTerra identified annual savings opportunities of \$50 million, or roughly 12.5 percent of the in-scope process areas. Major improvement opportunities were consolidated under 10 core themes:

- Centralizing business partner groups
- Purging non-value-add work activities
- Improving how work is processed
- Rebalancing of the more and less tenured workforce
- Refining of the pricing/charging approach
- Expanding the transaction center
- Moving the transaction center to a lower-cost location
- Increasing SC's commercial orientation
- Leveraging service provider value-add
- Capitalizing on offshore wage arbitrage

With EquaTerra's help, we were able to identify opportunities and focus our efforts on key strategic initiatives that would help us continue to improve our value proposition to our operating company clients.

- Martin Shames, PSEG Performance Process Improvement

Advisor Insights

The shared services delivery model has witnessed substantial growth in popularity over the past decade. Today, roughly 80 percent of Fortune 500 firms are using shared services as a core mechanism in the delivery of support services. As the graphic below illustrates, early adopters of shared services have evolved the concept considerably from its early days in the 1990s. For them, it's clear why shared services is often referred to as a journey rather than an end-state. Leaders in the field today are striving to achieve a greater impact on business results, not just the cost, quality and service levels of shared service processes. And new entrants are looking for ways to leap-frog to a more fully evolved future-state model sooner on their journey.

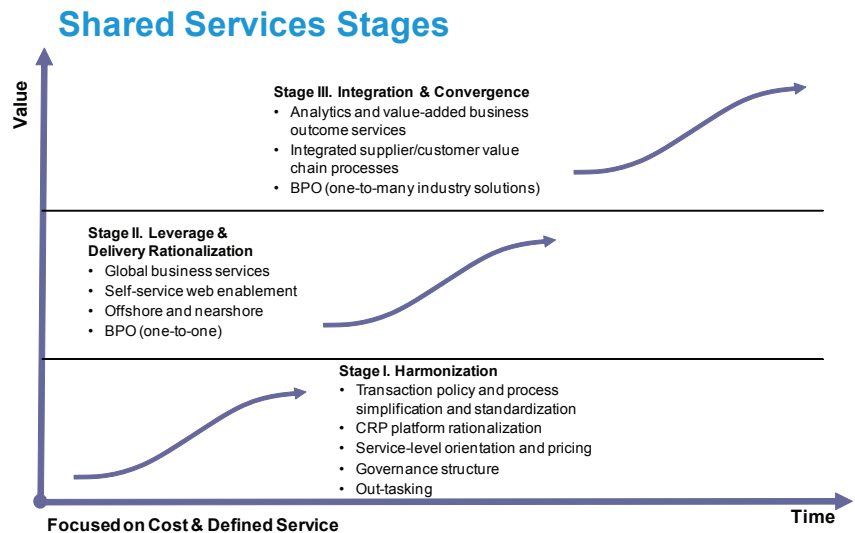


Figure 2

Evolution of Shared Services

In response to numerous client requests, EquaTerra has developed a proprietary scorecard, which is a component of our Shared Services Diagnostic, to help them evaluate where they are on their shared services journey and, more importantly, where they can focus efforts to accelerate improvement. The assessment, or diagnostic – based on best practices learned via “road testing” across many leading shared services engagements on which we have advised – in essence defines whether a shared services organization is “doing the right things” to be successful. Clients often combine our diagnostic with an external benchmarking exercise to determine the extent to which it is meeting or beating external measures of success. Collectively, these two views provide a strong analytical foundation for a transformational roadmap.

About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported over 2000 transformation and outsourcing projects across more than 60 countries. Supporting clients throughout the Americas, Europe, and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

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