



## **DELIVERING STRATEGIC SOLUTIONS ACCA'S 2000 ANNUAL MEETING**

Gunn Partners Full Document Description

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Case Study: Texas Instruments Europe

- 1997 worldwide revenues \$9.8 billion
- 1997 worldwide employees 36,000
- 1997 European revenues \$2.1 billion
- 1997 European employees 4,000
- Operation name Business Support Entity
- European businesses 14 countries; 100% of European revenues and locations serviced
- Services Procurement, including payables, logistics (import, export, warehouse, export control); control and finance (payroll, treasury, general accounting, credit and collection); IT services; facilities; security and telecommunications; business services
- Improvement highlights From 1994 to 1997, reduced staff from 1,500 to less than 500 while supporting similar levels of activity; operating costs dropped from 12% of revenues to less than 5%

### **OVERVIEW**

Texas Instruments Europe's organisation approach, its delivery of broad, pan-European services and its significant improvement results led to its selection as one of the leading providers of European shared services. Created in April 1994, the Business Support Entity (BSE) organisation delivers its services through shared services teams dispersed throughout Europe. Through 1997 support staff was reduced from 1,500 to fewer than 500, while operating costs dropped from 12% of revenues to less than 5%.

The BSE emerged with TI Europe's restructuring around key business centres. The BSE's role has been to reengineer TI Europe's support processes and to co-manage the support activity resources with the businesses. We will be meeting with the team leaders who deliver procurement, logistics, control and finance, and information technology services. They will share their experiences of working with the businesses to ensure that the deployment of resources is aligned with the businesses' needs and that the necessary skills and processes are in place to do this in the most effective manner possible.

We meet with the pan-European management team, which has people in France, Germany, the United Kingdom and Holland as well as shared services employees at the local level. During our visit the BSE team shared what they have accomplished, what they still have planned and how they managed the change process. Highlights of the BSE's efforts include the following:

- Control and finance (payroll, treasury, general accounting, credit and collection): TI Europe has greatly reduced reporting and accounting complexity through standardised processes. Among the results: reduction in close cycle time from seven to two days; adoption of a commissionaire structure; establishment of pan-European banking to allow more-rapid cash pooling at a centralised level; outsourcing of payroll to country-level providers, who are managed by BSE employees on behalf of TI Europe.
- Procurement (purchasing and payables): Redesign of procurement delivery, which included moving payables into purchasing, splitting purchasing into two distinct focus areas: value-added activities that deliver negotiation and supplier management with an emphasis on technical skills to exploit local and global purchasing opportunities, and transaction activities, with an emphasis on process excellence to eliminate and/or streamline overall work. Through the elimination of manual/human intervention, procurement activities have shifted their work from 80% on transaction activities to more than 70% now spent on value-added activities. TI Europe has employed purchasing cards and the automation of transactions, including cataloguing supplies, to achieve this shift.
- Information Technology Services (IT Utility, including hardware, networks and software support; open business system implementation; maintenance of legacy systems; year 2000 compliance): Led TI Europe's move to open systems, which has been a gradual shift from individual businesses developing their own customized systems to joining a global IT effort to improve consistency and standards. These efforts have culminated in a shift to externally purchased IT software solutions adhering to worldwide standards (including the rollout of worldwide SAP in 1999). The IT Utility provides affordable IT service levels agreed upon by the businesses. These services are provided by both internal resources and external suppliers.
- Logistics (import/export activities, warehousing, export control): Focused on delivering a cost-effective mix of truck and air freight options and streamlining their logistics throughout Europe. Logistics improvements allowed inventories to be centralised to one location with equal or better customer service and lower overall inventory costs. This centralisation created an economy of scale, resulting in lower freight costs and a reduction in cycle time. Base logistics operations were moved to the Netherlands to take advantage of that country's business-oriented culture. They have moved to fewer than 15 employees, who manage 120 to 130 contract people in delivering logistics throughout Europe.

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