

# **Business and HR Transformation, Accelerating Shared Services at Diversey**

**Joe Hanson, *Principal JCH Partners / 1point0 Network***  
**John Nelson, *VP Learning and Organization Capability, Diversey***

## **Executive Summary**

Diversey, Inc., after confronting challenges associated with restructuring debt, absorbing a major acquisition and surviving the 08-09 recession remained committed to profitable growth, enhancing service to global customers and leveraging proprietary solution portfolios. To accomplish this goal a more integrated organization had to replace the legacy organization that consisted of separate regional business units.

Diversey recognized the need for outsource resources and contracted with John's L&OC team and consulting colleague Joe Hanson to lead a transformation initiative labeled *Organizing for Efficiency and Growth* (OEG).

The results of this initiative include:

- Regional commercial teams have a renewed focus on forward growth strategies with realigned organizations and management.
- Marketing Portfolio Management and R&DE have been integrated together in a global product lifecycle management team.
- Regional function support in HR, Finance, IT, are better aligned across the globe.
- Value Chain has aligned as the initial truly global function, driving significant operational efficiencies and positioning for greater customer support and responsiveness.
- A platform is now established for exploring shared services opportunities across many of the support organizations.

## **About Diversey**

Diversey, Inc., with \$3 billion in revenue, is a leading global provider of commercial cleaning and hygiene products. It provides a comprehensive solution set including: food safety, food and beverage hygiene, floor care, housekeeping and room care, laundry, hand hygiene and industrial cleaning.

Additionally, the company offers a wide range of value-added services, including safety and application training, consulting, and hygiene auditing. With sales into 170 countries, Diversey serves institutional and industrial end-users such as food service providers, lodging establishments, food and beverage processing plants, building service contractors, retail outlets and health-care facilities. The company, with its approximately 10,000 employees provides products directly to consumers and through distributors.

## Context for Change

In 2009, Diversey capped a tumultuous five-year period of turnaround and survival with a private equity partnership investment from CD&R, the private equity firm. This monumental milestone topped off management's challenges to restructure burdensome debt, continue to grow revenues and profitability during the 08 - 09 recession, and satisfy commitments to the founding Johnson family and Unilever owners after it absorbed a major acquisition from DiverseyLever in 2002.

To support continued profitable growth, better serve global customers and leverage proprietary solution portfolios, Diversey is attempting to move towards a more integrated organization model from the historic legacy of separate regional US and European businesses which were combined in the earlier acquisition.

In line with this intent, Diversey contracted the **HR Learning and Organization Development team (L&OC)** to lead a transformation initiative labeled *Organizing for Efficiency and Growth* (OEG). The initiative was designed with several objectives:

- 1) Focus the organization to more fully integrate businesses and globalize functions.
- 2) Ensure delivery of new and enhanced strategic value propositions to customers
- 3) Realize continuing cost savings as part of a mandate for zero-overhead growth.

**Under the direction of Jim Larson, John Nelson (leader of L&OC) and consulting colleague Joe Hanson** applied a proven, proprietary design methodology they had jointly adapted over several years that served as the basis for the OEG initiative.

The methodology included the following intended outcomes:

1. Develop a consistent, integrated design approach to ensure global connectivity
2. Create new models of doing business
3. Translate the new evolving strategy into defined processes, roles and structure
4. Close delivery gaps to improve capabilities needed for execution.

This initiative would have to overcome many cultural challenges deeply engrained in the existing organization. Historically, Diversey had successfully operated as a quasi-independent set of regional businesses. Europe has been the predominant operating entity, producing two thirds of the revenue and profitability, while the US business contributes just less than one third, and Asia Pacific continues to develop as an emerging market model.

The organization tended to operate through independent region and functional entities, each with an entrepreneurial bent around certain products and services aimed at local markets. Diversey goes to market globally with several hundred products and tens of thousands of sku's, and operates in 170 countries with multiple languages and organizational cultures. This independence drives a "local" orientation that makes it harder to scale global products, standard process and cost efficiencies quickly across the organization. One global customer indicated that they really liked Diversey's new proprietary product solutions, but they were frustrated that Diversey could not implement

these new innovations quickly into all the customer's subsidiaries across multiple countries. Many of these global initiatives met local "logjams" in implementation

Attempting this kind of major organization change with limited internal or external consulting resources, in a zero-overhead growth environment, presented a monumental challenge for the L&OC team. There was no misguided belief that they could do this quickly or easily, but 2009 was targeted as the initial foundational year for the changes.

## **Approach**

The L&OC team took a foundational position that to meet their strategic objectives Diversey's internal Regional Business and Functional teams would need to *own the issues, deliver the outcomes and manage a defined redesign process*. This was not going to be driven by a massive external consulting effort, which would tend to drive the exact opposite effects and create dependency for execution. The senior executive body—the Operating Committee (OpCom)—sponsored the effort beginning in January 2009. Initially, regional business teams, and subsequently the global support functions, would follow a common approach and methodology for their design decisions, and then share recommendations with the OpCom via a project management office co-chaired by Finance and HR.

The methodology encompassed four key elements to achieve the four intended outcomes of OEG as stated previously:

**Element One:** *Strategic Consistency*. Each team had to state their organization unit strategy in terms of alignment with overall Diversey strategy.

**Element Two:** *Work Process Categorization*. Major processes were identified and evaluated for strategic impact to the business. The categorization framework included core strategic processes, which directly determined Diversey competitive advantage, and strategic support work defined by critical processes that leverage core work. The remainder work processes are categorized as necessary (foundational support to managing any business) and compliance type of work (this work is done only if required by legal/regulatory/policy making entities). Finally, with any new strategy and process improvement, some legacy work is no longer needed. This work would be categorized as unnecessary work!

**Element Three:** *Grouping of work processes into key roles and ultimately an aligned structure*. The resulting structure would align the work processes into groupings consistent with the work categorization, with the premise that different types of work should be separated structurally. A second outcome sought clarity about location and ownership of the processes: should they be global and central, distributed and local, or some combination in between? This would break down the logjam caused by every locale having to own and control all their work.

Once the appropriate structure was defined *linkages* were designed to bridge the gaps in process inherently created by the structural and location decisions. Finally, any new roles

in the redesigned structure had to be defined for accountability and decision rights. Pulling all this together, the region and function teams had to complete detail structure and staffing plans for the new organization.

At the completion of these three elements, each team presented these proposed macro structures to the Project Management Office (PMO) where discussions would center on the appropriate alignment of each team with overall Diversey strategy and identify key integration issues across other units of Diversey. With PMO endorsement, the teams were then mandated to move into a micro-design phase which encompassed the following additional elements.

**Elements Four and Five:** Two remaining components—*organizing systems and implementation planning* were targeted at building the supporting infrastructures and implementing approved macro design. Teams progress at paces relevant to their respective situations as they move to implement approved designs.

**Project Management Office:** Overall efforts have been coordinated by the project management office (PMO) shared by HR and Finance. The teams report bi monthly, first in an administrative review of tasks and activities and second with respective recommendations from selected teams regarding design progress and approval from the PMO.

### **Emerging Results and Benefits**

As of Spring 2010, Diversey has completed macro design work for 23 out of 29 of teams, who are now working on micro design and implementation. In addition, the OpCom has taken responsibility for resolving important, but more difficult cross-organization issues such as Global Strategic Accounts—accountability and processes, and the integration of Product Lifecycle Management (R&D) and Marketing Portfolio Management.

The efforts at recovery, redesign and forward positioning were rewarded in the fall of 2009 when CD&R, the private equity firm, agreed to invest close to \$500m in Diversey, help restructure onerous debt obligations and provide ongoing advisory roles in manufacturing and finance.

The benefits of this OEG process to date are significant and encompass the entire organization. Specifically:

- Regional commercial teams have a renewed focused on forward growth strategies with realigned organizations and management.
  - The Americas Food and Beverage organization integrated North and South America and exceeded business performance goals for 2009.
  - The US distribution business was completely redesigned
  - An America's marketing organization was established and staffed
  - Asia Pacific built up required regional functions and implemented a new and improved regional Food and Beverage business unit to take advantage of a market opportunity

- Europe installed regional processes better connected to global portfolio management to facilitate quicker adaption and integration of new solutions
- Marketing Portfolio Management and R&DE have been integrated together in a global product lifecycle management team. This is significant because historically they have operated in complete silos with resulting conflicts and misalignments of product development and marketing strategies.
- Regional function support in HR, Finance, IT, are better aligned across the globe (more on this in the HR/Shared Services section below)
- Value Chain has aligned as the initial truly global function, driving significant operational efficiencies and positioning for greater customer support and responsiveness.
  - Implemented a single global “make” organization for manufacturing
  - Coordinated a global sourcing strategy
  - Developed regional value chain business partner capabilities to responsively service the needs of regional businesses.
- A platform is now established for exploring shared services opportunities across many of the support organizations. For example:
  - HR is designing to an integrated global function, focusing on shared services efficiencies and upgrading enabling support in talent management, learning, and total rewards.
  - Finance OEG is currently in progress, with a target to align global shared services and regional functions and provide significant savings from the restructuring.

## **Leadership Development Aspects of this Initiative**

The OEG design approach intentionally involved senior managers and professionals because of the key development opportunity for individuals and teams participating in the design process. Historically, leaders have tended to be parochial and regional and needed more forums for networking and building bridges. This was an ideal process as a stepping stone across the “ponds”. Overall, teams have gained greater global perspective and improved collective capability in Organization Design. Greater clarity and appreciation for linkages exists across structures including the need for clarity of roles and responsibilities. Furthermore, greater consensus now exists within leadership teams regarding direction and organization choices and priorities.

## **HR Design and Shared Services Alignment**

HR is rebuilding from a disastrous failed attempt at outsourcing in 2005, and a subsequent cost reduction in 2006, which eliminated most COE capability within HR. The entire shared services operation was brought back in house, and in 2007 a new

Oracle-based technology platform was redesigned. The following table illustrates this evolution.

<i>2002 – 2003 Co Dependency</i>	<i>2004 – 2005 False Beginnings</i>	<i>2006 – 2007 Rebuilding Basics</i>	<i>2008 – 2010 Evolving New Model</i>
<ul style="list-style-type: none"> <li>• In sourced HR – HRIS, Comp/ Benefit Admin – to SC Johnson and Unilever</li> <li>• Operational systems working well</li> <li>• HR Mandate – integrate HR programs and set up "own JD" systems</li> <li>• Challenges – insufficient capability and systems expertise, insufficient time – insource ends – go live on our own – 1/1/04.</li> </ul>	<ul style="list-style-type: none"> <li>• Go live with own system – SAP 10 countries – US, Canada, Western Europe. Rest of world manual spreadsheets</li> <li>• HRIS, Benefit Admin (US) Payroll, Arinso outsource partner</li> <li>• Unmitigated disaster – nothing works, payrolls late, integrated HR team without sufficient systems support</li> <li>• Business challenges compounding HR problems</li> </ul>	<ul style="list-style-type: none"> <li>• New Leadership Team to rebuild HR – "get the basics right" and execute profit hunt</li> <li>• HR manual interim processes</li> <li>• New system design, implemented mid 07 – HRIS, Payroll, Benefits</li> <li>• Technology platform – Ceridian, Oracle, Workscope</li> <li>• Profit Hunt – significant HR reductions – reduced regional HR headcount, eliminated OE, operations roles</li> </ul>	<ul style="list-style-type: none"> <li>• New model, new systems - roll out new global system</li> <li>• Globalize new CoE's – process design and improvement for PM, ES&amp;D, Sales Comp</li> <li>• PSG – US/ Canada, HR global transactions</li> <li>• Basic operations work well</li> <li>• Current mandate: Extend ESS/MSS/SS globally and drive adoption, transition to a new HR operating model</li> </ul>

Figure 5. Recent HR History and Current Context

Against this backdrop, Jim Larson, SVP HR began building a new HR global model in conjunction with L&OC. In June of 2009, he formalized the HR OEG process with his global leadership team to reposition HR for improved performance. The team began with a voice of the customer process, surveying all of the senior management across Diversey. The findings were significant: great progress had been made in reestablishing the basic operations – HRIS, Payroll and Benefits; in fact, there was low need for future focus.

The biggest gaps for which management wanted greater focus were in strategic areas of Leadership, Learning and Development, and Talent Acquisition. HR had turned the corner from 2008 in performance and credibility with the business, and now could be positioned to focus more on value add services. The following graph shows the progress the HR made over the 2007 – 2009 period.

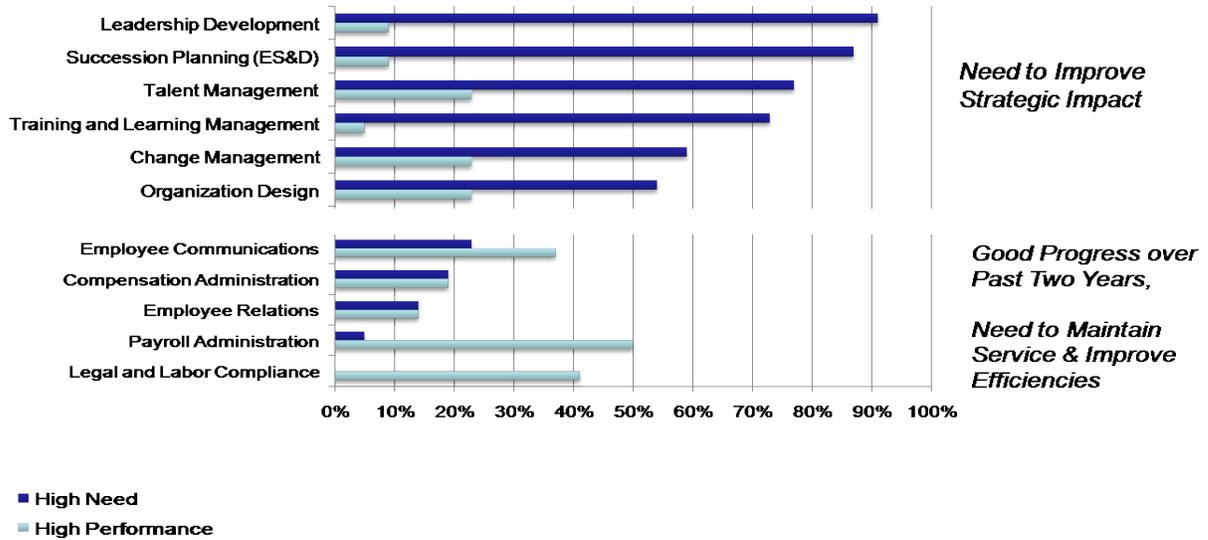


Figure 1. Voice of Customer Feedback: Areas with greatest need for improvement include Talent, Learning, Leadership, and Succession Planning

Fundamental to the approach was a requirement to reduce costs and reinvest savings within HR, in essence reallocate constant resource levels within a zero-overhead growth environment. There would be no investment funds available, nor approval to increase overhead costs.

The HR OEG team conducted a global activity survey of 232 HR processes to baseline current FTEs, costs, and location of all HR work. This analysis concluded that Diversey spent a disproportional amount of resources in administrative work across most functions and locations

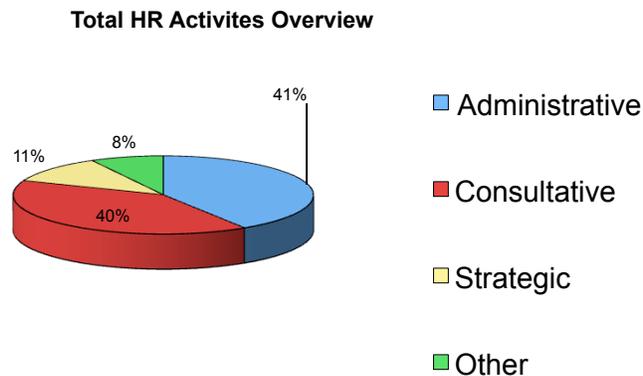


Figure 2. Internal Assessment: The HR Activity Survey reinforces the need for improving both administrative efficiencies and strategic focus.

The other significant finding was the lack of clear role and activity segregation between operational and strategic work. By and large, everyone did some of everything. As an example, HR business partners who should be focused strategically actually performed 207 of the 232 activities.

Role	# of Activities
COE -Compensation	41
COE -L&OC	50
COE -Talent Acquisition	45
HR-Admin	136
HRBP	207
SS	122

Figure 3. Roles vs. Number of Activities (HR Activity Survey)

It was clear that roles needed to be redefined and activities specifically allocated if Diversey HR was going to improve both effectiveness of strategic work, and efficiencies of operational and transactional work.

To refocus work, the HR team assessed each process and categorized the work in multiple dimensions such as:

- Strategic versus operational
- Global versus regional/local
- Candidate for shared services and potential outsourcing
- Current performance and need for improvements

The breakthrough in this analysis was the recognition that over 80% of Diversey HR process should be global. By definition, global means that there should be a common global process, common systems and tools, and that there should be one global owner of the process. This didn't necessarily imply centralization, but it certainly pointed to the fact that *Diversey could better leverage location of the work to region or global levels from local countries, to optimize both efficiency and effectiveness.*

The remaining 20% of processes that were not deemed global were in areas of employee relations, local time keeping and tax reporting, and should be owned by local plant and region operations. The other significant outcome of this exercise was the identification of 32 process groups that could be organized in a global shared services model and evaluated for potential outsourcing.

With this comprehensive diagnosis, the HR OEG team went about redesigning the global HR function from scratch. The intent was to start from the *strategic* as the primary focus and then build out the *transactional* and *operational*. A Global HR Operating Model was agreed by the team premised on four key roles: Business Partner, Generalists, Centers of Excellence (CoE's) and Shared Services Operations. A subsidiary specialists role was identified in support of the CoE's and Generalists.

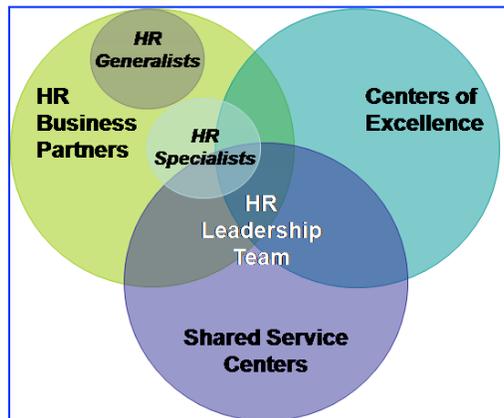


Figure 4. Global HR Operating Model Example (Source: Towers Perrin Shared Services Benchmarking Study, 2009)

Following a principle of designing around future work and business impact, not legacy assumptions or people, the team then mapped process and work conclusions into each of these operating model roles. As impetus for improving efficiencies and detail design, current services and cost structures were scrutinized in a “20% exercise”. If HR had to reduce 20% of HR resources, how would work change to both improve service and cut costs?

Each region and key function recommended both improvement and cost reduction opportunities, such as a operating a macro organization that focused business partner roles to 12 specific business units, forming a global shared services structure, and consolidating HR operations and generalists to region and sub region groupings. In addition, Global Centers of Excellence were reinforced in *Total Rewards*, *Learning and Organization Capability*, and *Shared Services Design*.

## Shared Services Model

In regards to HR Shared Services, the team defined the broad architecture for the shared services structure. Additionally, the team identified key processes and percentage of work that would be consolidated within shared services, the equivalent of one third of all HR FTE's.

## **Selective Processes to Transition to *Shared Services***

<b>Process Name</b>	<b>Administration</b>	<b>Consultative</b>	<b>Strategic</b>	<b>Other</b>
<b>Talent Acquisition and Recruiting</b>	<b>50%</b>	<b>20%</b>	<b>0%</b>	<b>0%</b>
<b>Payroll and Time &amp; Attendance</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Benefits</b>	<b>80%</b>	<b>20%</b>	<b>0%</b>	<b>0%</b>
<b>Employee/Labor Relations</b>	<b>70%</b>	<b>20%</b>	<b>0%</b>	<b>0%</b>
<b>Systems and Employee Data</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Compensation</b>	<b>80%</b>	<b>20%</b>	<b>0%</b>	<b>0%</b>
<b>Learning Management and Training</b>	<b>50%</b>	<b>10%</b>	<b>0%</b>	<b>0%</b>
<b>HR Communication</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Organizational Effectiveness (OE)</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>HR Department Management</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Safety</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>HR Strategy and Measurement</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>Miscellaneous</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

Baseline measures for cost and performance were also initiated along with FTEs that will guide the future targets. The one question left unanswered in the initial review was whether the process should be *captive* or *outsourced*: was there an outsourced provider that would be interested and willing to take on this consolidation? In an initial search, only two providers emerged who were both interested in the work and had sufficient credibility in their capability. The dilemma for Diversey is that the large scale providers with capability to handle the multi-country challenges and culture complexities aren't interested in the smaller scale of current Diversey. On the other hand, smaller vendors wanting to grow, or expand from financial services into HR don't seem to have sufficient capability to warrant the execution risk assumed, particularly given Diversey's previous negative experience.

Given these external limitations, Diversey decided to move forward with a captive model and build an insourced shared services. They are now evaluating best locations across the globe to service 33 European countries in a pan European consolidation to Eastern Europe, Central and South America within a shared services center in Buenos Aires, and leveraging Southeast Asia in Malaysia or Eastern Europe. Their current core shared services operation and technology center is in North America, a high-cost location, and needs to be reevaluated for sourcing to less expensive geographies.

Many options can be considered due to the fact that Diversey has many facilities across the world and a current outsourcing provider for Finance in Eastern Europe. HR can take advantage of cohabitation within these facilities and spared the cost of building out new facilities. They also have state-of-the-art technology with HRIS/Oracle platforms developed in 2007 that can easily scale with the additional work. So incrementally, the

primary costs will be minimal in *personnel transition* and *technology* with expansion amounts that can be justified financially in this current environment.

## Implementation Planning

Diversey HR is currently developing transition and implementation plans to move forward with the captive shared service model. The team has already begun implementing some quick and easy cost solutions and is positioning to redefine work process and roles consistent with the new HR Operating Model. Selection criteria and processes are being developed to select specific business partner and generalist roles based on the new work and location decisions. Finally, change management strategy and support are in place to help manage the broader HR teams through the transition.

## Three-Year Vision and Expectations

Continuing the shared strategy, over the next three years Diversey HR intends to

- Globalize 80% of HR processes in a simplified and standardized approach
- Redefine roles and work across the board to drive greater focus for HRBP's, Generalists, COE's and Shared Services. Redefine 157 of 190 positions.
- Upgrade capabilities by consolidating the transactional into a shared services organization and reinvesting in the new HRBP and Generalists roles.
- Drive full utilization of ESS/MSS, LMS & E-Recruit
- Execute a global HR shared services organization

Overall, this effort will provide saving in the range of 20% - 30% off current baseline spend and meet critical IRR and payback requirements. More importantly, it provides reinvestment capability to improve process effectiveness globally and invest in strategic COE and HRBP roles critical to driving the strategic HR agenda with the business.

## L&OC Key Learnings

- **Service and efficiency.** Diversey's global footprint creates a difficult Gordian knot for its support functions—managing complexity of a large global multinational, but only possessing the scale of a smaller company. This makes it difficult to balance both service and efficiency.
- **Team-based process.** This process required the team to embrace issues, understand the analytics, and accelerated change. Our OEG team didn't need elaborate detailed analyses to get to the bottom of the issues and recommendations. Business Teams are usually well aware generally of what should change, but need a "safe harbor forum" to surface, debate and resolve key dilemmas.
- **Technology drivers.** Previous investment in Oracle-based HRIS technology providing the basis for global shared services was a critical foundation (without

this prior investment, HR could not have made the business case for the current plans)

- **Scalability.** Scale matters significantly, both internally with process effectiveness and efficiencies, and with external partners
- **Consultant Advisory Role.** Consultants can provide value in advisory roles, but the HR team gained from owning their own project and providing their own project management and analyses. L&OC didn't have to manage a large team of external consultants to do the work they were fully capable of doing themselves as a core part of their jobs!