

Recipe For Success: Property Management in a Shared Services Environment

BY RON REGALADO, NORTH TEXAS CHAPTER

Abstract

Following a Northrop Grumman corporate-wide reorganization in 1998, the Integrated Systems sector was formed from four operating divisions, each with a stand-alone property accounting and property accountability system and policies and procedures. The cultures of these divisions were very diverse because each came from a different legacy company. Within four months, the shared services and common systems initiative was launched within Integrated Systems Business Management.

Northrop Grumman Integrated Systems Financial Service Center (FSC) was chartered as the business organization to implement and deliver property management and accounting shared services. The key enablers of the financial shared service were the common systems initiative and the formation of councils such as the Property Process Council.

Background

At the FSC, property accounting and company/government/customer property accountability is performed for over \$1B in company assets and \$6B in U.S. government/customer property. Since the inception of the FSC, Integrated Systems sector has slashed indirect costs and improved shareholder value through the efforts of the FSC Property Process Council – the catalyst for service excellence.

Business Management Process Councils



FSC Process Council Approach

Councils such as the FSC Property Process Council and other such centers of excellence, combined with the

involvement of key employees, are truly the change agents that make this possible. The Property Process Council provides leadership and guidance with respect to policy and process and is responsible for the integrity, consistency, reliability and continuous improvement of related business processes. The advantages the Property Process Council provides include:

- Increased vertical and horizontal communication across the organization
- Synergy gained from teaming of subject matter experts
- Sharing of Best Practices and Lessons Learned
- Minimizing costs of training, procedures, etc.
- Eliminating redundant or non-value-added activities

Shared Service Approach

Centralized financial shared services facilitate common processes and standardization. In this instance, transactional property accounting and property management process ownership are centralized at the Integrated Systems sector main location, but the company/government/customer property accountability is performed by groups that are co-located with production activities, at the business unit (Business Area Shared Services) level.

Process Council Approach

Process Councils Are a "Teaming/Partnering" Approach to Achieve the Benefits of a Common Business Management Organization, While Reporting to Multiple Business Areas. We Are Able to Gain an Advantage By:

- Increasing Communication Across the Organization
- Gaining Synergy From Teaming of Subject Experts
- Sharing "Best Practices"
- Utilizing "Lessons Learned"
- Minimizing the Cost of Training, Command Media, etc.
- Assessing the Need for Unique Requirements
- Eliminating Redundant or Non-Value Added Activities



Benefits of FSC Property Process Council

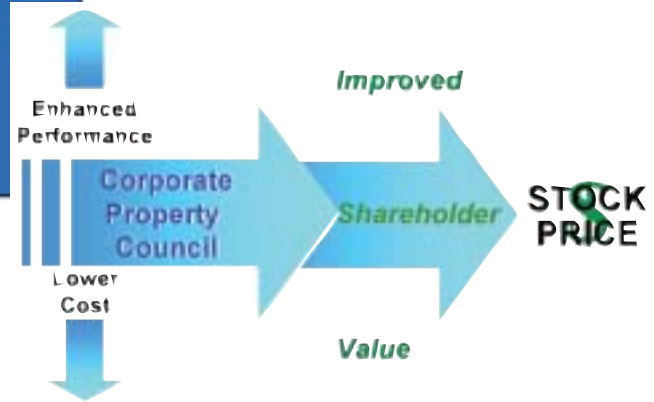
Use of Common Systems

- ◆ Retired six (6) legacy accountability systems and three (3) accounting processes/systems. Established common property accounting and company/government/customer property accountability process/system.
- ◆ Established a web-based asset redeployment/screening

Consolidated	
<ul style="list-style-type: none"> Payroll General Accounting & Tax Accounts Payable Company Property Accounting and Property Management Process Ownership Process Integrity Continuous Improvement & Compliance 	<ul style="list-style-type: none"> Cash Management Travel Accounting Timekeeping Project Accounting <ul style="list-style-type: none"> Labor & Allocations Accounting Material Accounting Financial Reporting
Operation Specific	
<ul style="list-style-type: none"> Property Management <ul style="list-style-type: none"> Government Property Asset Tagging & Inventories Disposition Project Accounting - Onsite Specific <ul style="list-style-type: none"> Labor & Allocations Accounting Material Accounting 	<ul style="list-style-type: none"> Process Integrity & Improvement <ul style="list-style-type: none"> Compliance Command Media Audit Assistance Petty Cash Management Billing & Invoicing

120,000 employees, resulting in multiple legacy approaches for managing property.

Northrop Grumman Corporation is a \$25 billion defense enterprise headquartered in Los Angeles, California and is responsible for over \$5 billion in company assets and \$16 billion in Government/customer property.



repository for nation-wide screening and disposition.

- ◆ Instituted wide-spread use of barcode technology for performing physical inventories.
- ◆ Successfully converted asset financial records from numerous companies acquired by Northrop Grumman Corporation into a common system.

Optimize Common Processes

- ◆ Implemented surveillance, by geographical area, for major suppliers who utilize/retain property assets for production use (e.g., tools and fixtures).
- ◆ In conjunction with key government/customer representatives, published numerous acquisition reform Single Process Initiative (SPI) Concept papers to decrease indirect cost and reduce cycle and throughput times to deliver customer requirements at a reduced cost and ahead of schedule.
- ◆ Instituted common physical inventory practices to accomplish inventory by exception.
- ◆ Began the use of management reserve funds to settle customer property disputes involving loss of lower valued property.
- ◆ Reduced outlying business area procedures by 41% (77 procedures) as processes were consolidated.
- ◆ Maintain Positive Relationships with External Customers
- ◆ Established a Joint Integrated Systems sector/Government Property Council to re-engineer processes using lean principles documented in Single Process Initiative (SPI) Concept papers in support of U.S. Government acquisition reform initiatives. The joint council is directly accountable to the Northrop Grumman Integrated Systems sector Joint Management Council (JMC).
- ◆ Facilitated the development of the newly chartered Northrop Grumman Corporation Property Council to cross-pollinate ideas and professional expertise between Northrop Grumman sectors. This council is significant for a company that has grown, through multiple mergers, from twenty-one (21) legacy companies within a short period of time and from 40,000 employees to over

Conclusion

The overall objectives of the Northrop Grumman Corporation Integrated Systems Sector FSC Property Process Council are to ensure that internal and external customers receive the highest value and service. These objectives are met by developing motivated and knowledge-based employees. Cross-business unit capabilities are leveraged to maximize our competitive position through the use of subject matter experts. Employees with a strong aptitude and ability to exploit technology and process improvements in the property arena are identified and encouraged to further develop those skills. The Property Process Council uses a teaming/partnering approach to achieve the benefits of common business processes, while reporting to multiple business units. By enhancing performance and lowering costs, the council improves shareholder value. This results in a positive effect on stock price. Process Councils have proven to be an integral part of a highly effective business model at the Integrated Systems sector and within the Corporation. The council represents a way to control and manage property within the enterprise in the development of meaningful strategies, goals and objectives.

Your company could also benefit from using similar councils to achieve savings or cost avoidance, enhance your firm's bottom line and provide improved customer service. ◆

RON REGALADO is the Manager, Property Management & Property Accounting, for Northrop Grumman Corporation Integrated Systems Sector Financial Service Center (FSC). Ron has over 21 years experience in property management and property accounting. Ron has held property positions with the Defense Logistics Agency (Defense Contract Administrative Services), Rockwell International and Northrop Grumman. His education includes a BS degree in Business Administration from California State University at Northridge. He has managed property under DOD, DOE and NASA. Ron can be reached at 214-596-6282 or email: regalro2@mail.northgrum.com