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Resource Profitability Analysis – Public Project Summary

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Nowadays, for most companies, having an IT department is a crucial topic within the organization. This is why, during the last 10 years, Shell has decided to handover the responsibility of controlling their infrastructure and technology to T-Systems International GmbH, through their internal department Shell Global Account (SGA).

The German company has been delivering these services globally with the help of all its Local Business Units (LBUs) located in different parts of the world, but with their main headquarters situated in USA, Netherlands, Malaysia, United Kingdom, Hungary and, of course, Germany.

The company's strategy to fulfill the customer's requirements has been focused on splitting the tasks in Projects and in order to understand the goal of this Profitability Analysis is strictly necessary to do a brief explanation about the main projects that exist within SGA.

We can categorize them in 3 big sectors: Chargeable, BAU and Overhead. Chargeable projects are the ones that are focused on delivering some added value to Shell and are created on request from the customer. This kind of projects is the most important one because from this work is where the revenue comes from. One example of a Chargeable project can be the movement of one Data Center from a building located in Houston to a different building.

BAU projects come from the word "Business-as-Usual", which means these are the kind of projects that need to be constantly running in order for the business to not lose its continuity. These projects are not invoicing to the customer, but one part of them is funded by Shell with a fixed-fee income paid at the end of each month. One example of a BAU project is the maintenance of a server for the full year. *Due to the complexity and the different agreements between T-Systems and Shell related to the funding of these project types, it has been agreed to exclude these projects from the Profitability Analysis.*

The third and last project type is Overhead. These projects, basically, register and take the cost from the resources in all LBU's that are not working actively in any project. This represents a net loss for the company, since none of these hours can be invoiced to the customer and the costs are assumed entirely by SGA.

Along these last years, several reports have been created in order to identify and analyze how profitable are the projects inside the SGA; however there has been no report that analyzes the profitability in a resource level.

This is why at the beginning of 2017 it was proposed to the Financial Management and Resource Management heads to define a process where the profitability of the resources could be analyzed in order to increase the revenue and reduce the costs through different action points that will be described below.

Once the project kicked off, the initial steps were the gathering all the relevant information from all the departments involved in the resource management, cost controlling and invoicing to the customer.

With this data in place, it was moment to define the visuals and information to show in the report, so the high management could have a good understanding of the data shown and based on that, define action points to increase revenue and reduce costs.

Due to confidentiality matters, the numbers and names shown in the following pictures have been modified and do not represent any real value.

PLEASE NOTE:
Data period: Jan 2nd, 2017 to Nov 30th, 2017.
WBSServiceTower: GPD Projects - No LCM!
Resources: Only if active on chargeable WBS in 2017

C — Chargeable
FF/IS — Fixed fee / Intersupplier
I — Internal
LM — Line Management
OH — Overhead

NON-GPD HOURS:
- MSL Hours — All Project Types
- Other STs — All Project Types

INFO REVENUE & CHARGE-OUT:
- IOL Rate is *latest* invoiced rate
- REVENUE assumes 100% invoicing
- CHARGE-OUT calculates 100% invoice (C & FF hours) + buy-in amount (I & LM hours).

INFO BUY-IN COST:
- BUY-IN COST estimates cost for *all* hours with the *latest* buy-in rate.

	Entry Status	Region	Resource CC	Resource Type	Resource Name (TW)	C	FF	I	LM	OI	TOTAL	LCM Hours All	Other STs All	Sell Out JG	IOL Rate EUR	(POTENTIAL) REVENUE	(POTENTIAL) CHARGE-OUT	Cost Rate EUR	BUY-IN COST
50	Active	NL	SGA	Internal	AN43	0	0	0	0	0	0	68	1602	JG4	€ 132	€ -	€ -	€ 65	€ -
51	Active	NL	GPD	Internal	AN44	64	0	0	0	192	256	0	1280	JG4	€ 132	€ 8'421	€ 8'421	€ 60	€ 15'360
52	Active	US	Integrated	Internal	AN45	16	0	0	0	0	16	0	1498	JG5	€ 138	€ 2'207	€ 2'207	€ 95	€ 1'514
53	Active	US	GPD	Internal	AN46	0	0	0	0	20	20	0	1610	JG4	€ 166	€ -	€ -	€ 94	€ 1'878
54	Active	DE	Integrated	Internal	AN47	605	0	0	0	0	605	0	482	JG4	€ 150	€ 90'687	€ 90'687	€ 91	€ 55'161
55	Active	NL	GPD	Internal	AN48	252	56	0	0	0	308	0	1414	JG5	€ 111	€ 34'068	€ 34'068	€ 50	€ 15'400
56	Left	SE	Integrated	Internal	AN49	0	0	0	0	0	0	0	508	JG4	€ 139	€ -	€ -	€ 110	€ -
57	Active	NL	SGA	Internal	AN50	0	0	0	0	0	0	0	1248	JG3	€ 157	€ -	€ -	€ 110	€ -
58	Active	NL	Integrated	Internal	AN51	0	0	272	0	90	362	0	860	JG4	€ 134	€ -	€ 16'320	€ 60	€ 21'720
59	Active	UK	GPD	Internal	AN52	100	0	0	0	0	100	0	1423	JG3	€ 138	€ 13'846	€ 13'846	€ 58	€ 5'797
60	Active	CH	Integrated	External	AN53	695	0	0	0	0	695	0	1097	JG3	€ 138	€ 96'229	€ 96'229	€ 139	€ 96'258
61	Active	UK	GPD	Internal	AN54	0	0	0	0	454	454	0	94	JG5	€ 96	€ -	€ -	€ 46	€ 21'033
62	Active	NL	Integrated	Internal	AN55	266	0	0	0	2	268	0	1088	JG4	€ 132	€ 35'002	€ 35'002	€ 86	€ 23'048
63	Active	HU	Integrated	Internal	AN56	0	0	0	0	0	0	1744	0	JG4	€ 97	€ -	€ -	€ 48	€ -
64	Active	HU	Integrated	Internal	AN57	0	0	0	0	0	0	0	482	JG3	€ 110	€ -	€ -	€ 48	€ -
65	Left	MY	Integrated	Internal	AN58	0	0	0	0	0	0	0	296	JG5	€ 34	€ -	€ -	€ 23	€ -
66	Active	US	Integrated	Internal	AN59	10	0	0	0	0	10	0	1232	JG4	€ 166	€ 1'655	€ 1'655	€ 95	€ 946
67	Active	UK	GPD	External	AN60	1264	0	0	2	50	1316	65	104	JG3	€ 138	€ 174'942	€ 175'076	€ 67	€ 88'010
68	Active	MY	GPD	Internal	AN61	1606	0	0	0	4	1610	0	416	JG5	€ 40	€ 63'438	€ 63'438	€ 21	€ 33'072

Main view by resource of the report, showing hours worked in the different projects, plus hourly rate to invoice the customer and hourly cost rate for SGA.
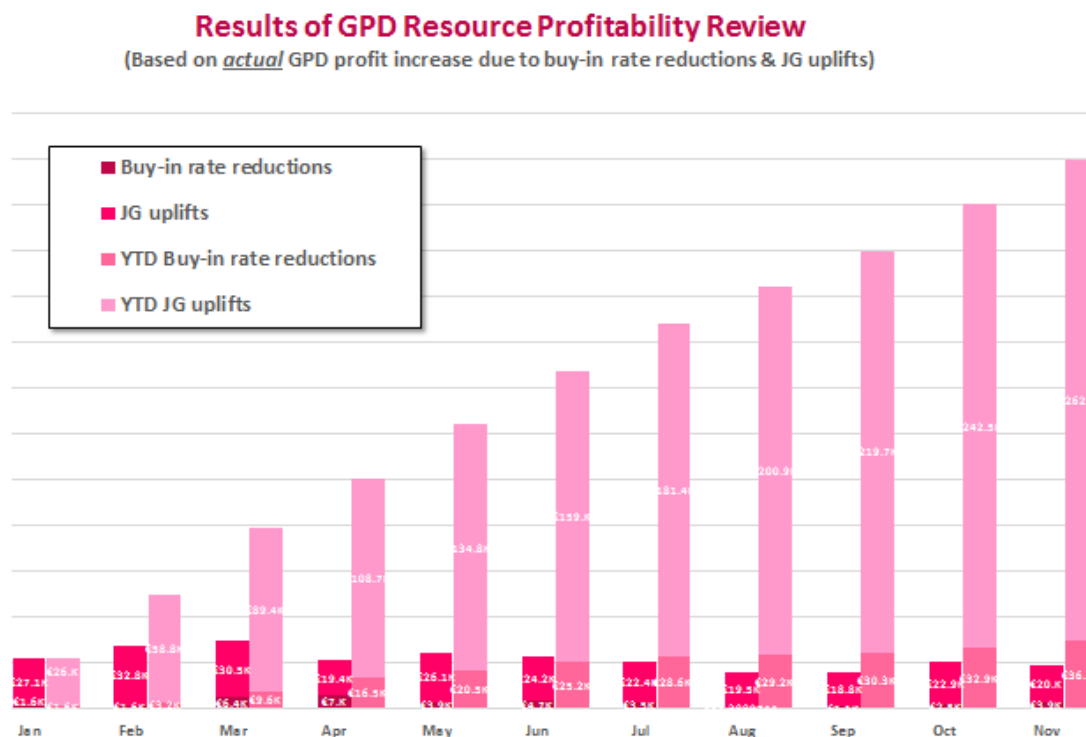
With this data, several action points were defined in order to make the resources more profitable, such as increasing the invoice rate to the customer or trying to reduce the internal cost of the resources.

After several months of running the project, the resource managers from different LBU's were interested about knowing the profitability of the resources working in each region. This is why a new view by region was created and internal thresholds were defined.
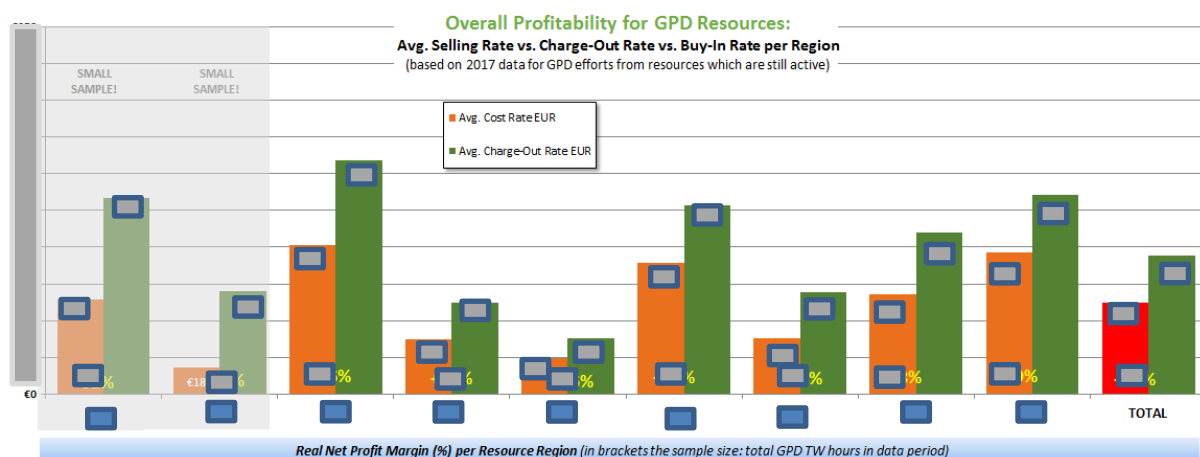
Profitability by region.

And finally, to quantify the achievements made with this project, a new view was created, showing the monthly results and the revenue increase / cost decrease obtained thanks to these actions.

Results of GPD Resource Profitability Review

(Based on *actual* GPD profit increase due to buy-in rate reductions & JG uplifts)

- Buy-in rate reductions
- JG uplifts
- YTD Buy-in rate reductions
- YTD JG uplifts

Achievements quantification for 2017.

Way forward…

With the phase 1 finished in 2017, a new strategy has been recently defined in 2018, trying to define new thresholds and action points to not only increase revenue / decrease costs, but also to analyze utilization of the resources and to define a smarter solution to keep the profitable resources working on Chargeable projects which, at the end, will increase the overall profit margin for the organization.

This paper has been approved to be published by Ute Mossmann, Head of Financial Management team for the Shell Global Account. Due to confidentiality matters, all the financial data contained in here has been modified and does not represent any relation to the real values.

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