IBM Global Business Services

Shared Services in Government
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Agenda

1. Shared Services Defined
2. Why are organisations investing in Shared Services?
3. Shared Services Framework
4. The Australian Government Shared Services Landscape
5. Three key dimensions of effective Shared Services
6. Lessons Learned about Shared Services
What are Shared Services?

A broad and confusing concept that can mean different things to different people

**Defining Shared Services**

Bringing together a set of common services/functions to serve multiple business units under a single governance structure that is customer-focused and performance-managed.

These services share standard business processes and enabling technology.

In government, the organizational scope of shared services may be multi agency, multi jurisdiction or even multi levels of government.
What is a Shared Service Centre (SSC)

“Shared Services involves taking common processes out of multiple business units and locations and moving them into a separate Shared Services organization”

(Gartner)

“The Service Centre is an organisationally distinct business unit. Its mandate is to provide common services at lower cost or higher quality than individual business units could provide. It should operate like a business, rather than a support function. Its operating model encourages benchmarking against competitors, assessing customer needs and setting internal performance targets.”

(Petiffer & Campbell, Ashridge paper “Creating the e-Corporate Centre”)

A Shared Service Centre is distinct from centralised services:
- Centralised services typically provide a standard predefined service to all internal customers
- In the case of Service Centres, the scope and levels of service are jointly agreed between the provider and the individual customer group
The scope and models of government shared services vary widely

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<thead>
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<th>Scope</th>
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<tr>
<td><strong>Organizational scope</strong></td>
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<tr>
<td>- Single department</td>
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<td>- Multi-department clusters</td>
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<td>- Whole of government</td>
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<tr>
<td>- Multi-government</td>
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<td>- Multi level of government</td>
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<tr>
<td><strong>Process or functional scope</strong></td>
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<td>- <strong>Back office functions:</strong></td>
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<td>- HR, IT, Finance, Procurement</td>
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<td>- <strong>Front office functions:</strong></td>
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<td>- Revenue collection, citizen services, business services</td>
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<th>Models</th>
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<td><strong>Business Models</strong></td>
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<tr>
<td>- In- house or Captive</td>
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<td>- Joint venture</td>
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<td>- Outsourced or Outtasked</td>
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<td><strong>Economic Models</strong></td>
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<td>- Appropriations</td>
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<td>- Cost recovery</td>
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<td>- Competitive pricing</td>
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Governments everywhere face a new, more complex and quickly changing array of challenges

- **Economic Environment** – start of a new economic era and a new role for government, requiring closer multi-lateral collaboration, greater economic stimulus, and increased funding of social services as families cope with unemployment and financial uncertainty.

- **Evolving social relationships** – Expectations citizens have of government are rising.

- **The World is flat** – globalization is making countries and societies more interdependent and subject to the effects of an economic slowdown.

- **Pervasive technology** – Citizens are increasingly comfortable with technologies; governments have opportunities to use these to improve services.

- **Going green** – Society and governments are more attuned to what the earth can provide and tolerate.

- **Demographic shift** – aging populations add to demands for government services and reduce the size of workforce

- **Growing threats to social stability** – Risks of terrorism, civic unrest, armed conflict, natural disasters and pandemic demand coordinated preparation and response.

Smarter governments are pursing collaborative networking and technology innovation to protect and connect citizens, share information more quickly and, ultimately, elevate smart decision-making.
Governments globally are developing and optimizing shared services.....

Initially launched in 2002, the E-Gov initiatives sought to improve services to citizens and to increase the efficiency and effectiveness of government operations.

At the time, this concept presented a significant change to the status quo, but as we near the end of 2008, it is a reality.

- Results.gov (2008)

Governments must move to a Shared Services Culture – in the front-office, in the back-office, in information and in infrastructure – and release efficiencies by standardization, simplification and sharing.

– UK Transformational Government, 2006
The Australian Government Shared Services Landscape

Northern Territory: Department of Business & Employment, Corporate and Information Services Division

Queensland: CorpTech, Shared Service Agency, QLGA

NSW: Service First, BusinessLink, Health Support Services, Various Councils

Australian Capital Territory: ACT Government Shared Services

Victoria: DTF Government Services Group CenITex, ITSS, RandL Municipal Association of Victoria

South Australia: Shared Services SA LGA

Western Australia: DTF Shared Services Office of Shared Services

Tasmania: Onstream, DPC (TMD & LGD), Various Councils

Also:
- Commonwealth Government
- Local Government
Shared Services Framework – Services and Functions

### Unique Characteristics

<table>
<thead>
<tr>
<th>SS Lifecycle</th>
<th>SS Bus. Models</th>
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<tr>
<td>Strategy / Feasibility</td>
<td>In-house</td>
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<tr>
<td>Detailed Design</td>
<td>Joint Venture</td>
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<td>Implementation</td>
<td>Outsource</td>
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<td>Optimisation</td>
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### Services/Functions

- **Customer Facing (Front Office)** – very immature at present, seen as higher risk, but interest growing. Examples include, social services, revenue and taxation, health, security and justice, transport, CRM, case management.

- **Corporate Services (Back Office)** – most common candidates for shared services. Examples include Finance, HR, Procurement, Asset Management, Real Estate/Facilities.

- **Information** – gathering pace in private sector but still immature in government. Includes common information repositories, federated databases, Management and Performance Reporting.

- **Infrastructure** – quite mature especially in outsourced ICT contracts. Includes Information technology infrastructure and operations and application development.
# Shared Services Framework – Unique characteristics

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<tr>
<th>Unique Characteristics</th>
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<tr>
<td><strong>Shared Services is about…</strong></td>
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<tr>
<td><strong>Innovation</strong> in the operating models: governance, economic and business</td>
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<td><strong>Transformation</strong> to a culture of service and performance</td>
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<td><strong>Optimisation</strong> of technology and business investments</td>
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<tr>
<td><strong>Standardisation</strong> of business processes and technology</td>
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<tr>
<td><strong>Shared Services is not …</strong></td>
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<tr>
<td>Business as usual &amp; one size fits all</td>
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<tr>
<td>Creating new business functions</td>
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<td>Technology implementation (but technology is a key enabler)</td>
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<tr>
<td>Centralisation or consolidation</td>
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Three inter-related dimensions in the Shared Services Business Model shape relationships between provider and clients

- Three dimensions are inter-related and must be considered together
  - **New governance and accountability**
    - reflecting the horizontal nature of shared services
  - **New economic models**
    - covering costing, pricing, funding, capital
  - **New business models**
    - in-house, joint venture and outsourced

Decisions in these areas are critical for Shared Services to establish win-win dynamics with incentives for all parties to implement a successful Shared Services environment and for the Shared Services Operator to deliver sustained high performance and continuous improvement.
Governance of Shared Services Operations reflects the horizontal nature of the shared services

Governance is key to building trust and confidence that the Shared Services Operator will deliver services to the agreed levels, at agreed costs
Because there is no natural owner of the Shared Services, an effective governance structure must balance Inclusiveness and Responsiveness.

**Inclusiveness**

Engage client business and functional leaders early and broadly to build shared understandings and expectations.

**Responsiveness**

Provide for clear accountability and speed in decision making.

*The challenge is to build governance structures and processes that accomplish both*
Consider key principles in designing Shared Services Operator Economic Model

- Drive desired behaviour
  - Service provider – client engagement; efficiency and responsiveness
  - Client – efficient use of services; contingencies

- Provide stable multi-year funding for the Shared Services Operator

- Budgets/savings remain with clients

- Cost transparency and clear accountability

- Adaptability and scalability

- Upfront investment costs shared (based on who benefits)

- Clear Capital Investment Model (Allocation or retained earnings)

- If the Shared Services selects a mechanism that requires charging, the following billing issues must be addressed:
  - Drivers
    - Transaction Basis (i.e. cost per transaction)
    - Arbitrary Basis (i.e. headcount, revenue)
  - Frequency
    - Daily/weekly/monthly
    - Quarterly/semi-annually/annually
  - Pricing
    - Accuracy/Simplicity
    - Cost Recovery/Retained Earnings
    - Market competitive
    - Budgets remain with the client organisations
    - Sensible Invoicing
Business Models for Shared Services

- An existing or purpose-created agency is the service provider in “in-house” Shared Services
  - An existing functional group may become the service provider for that particular function
  - Or, a new shared service unit may be set up to provide shared services across multiple functions

- Shared Services provider may be structured as a joint venture
  - Two or more client organisations

- The Shared Service Operator may also outsource some or all of the services
  - For example, application management may be outsourced while transactions are processed through the in house shared service operator (Not as common in Government organisations)
So far, most public sector shared services are “in-house”

- Extending the mandate of an existing functional unit to incorporate the Shared Services Operator can present some challenges
  - Loss of focus on core mandate as the parent provider organisation seeks to develop shared service delivery capacity
  - Building trust among client organisations
- In-house Shared Service Operators face some complex challenges
  - Establishing sufficient independence to operate efficiently
  - Garnering funds for investment in further development – such as new systems – when operating on a pure cost recovery basis
  - Driving the needed culture change when most staff are in “same old, same old” jobs and sites
Joint venture

- A joint venture is an arrangement where two or more parties work together in a limited and defined business undertaking.
  - Ordinarily, all participants of the joint venture contribute assets, share risks, and have mutual liability.

- A joint venture agreement may not be a continuing relationship between participants.
  - For example, the venture may be for one specific business project. Once the project is completed, the joint venture ceases to exist.

- Generally, participants in a joint venture name one participant to be the "joint venture operator".
  - This entity accounts for the day-to-day operations of the joint venture.
Lessons learned - Generally

- Regardless of the form of business model, win-win is essential.

- Understanding and managing the expectations of each and every stakeholder on an ongoing basis is crucial in all Shared Services arrangements.

- Establishing a performance-based agreement and relationship helps client organisations and providers focus on win-win outcomes.

- A best practice is for the client and provider to come up with solutions that meet both parties' needs.
  - ask each other questions such as: "Help us understand what the challenges are for you" and "How can we get to a shared-interest solution?"

- Build in flexibility. Change is a constant and it is essential that the form of business model allow for adaptation and responsiveness to emerging priorities while maintaining the vision of the Shared Services Operator and the drive to realise benefits.
Lessons learned - Chargeback

- All services should be charged to the client organisation

- Costing of services can be refined; otherwise, the operator gains a better understanding of client requirements, demand trends, cost drivers, and opportunities for efficiency improvements.

- Keep pricing method as simple as possible.
  - Use broadly defined fees vs. detailed per unit pricing, where appropriate.
  - Use appropriate billing methods for different services.

- Billing should be based on usage - not on the size of the organisation or ability to pay.

- Need to establish floor and ceiling levels to maintain “core” operations.

- Pricing methods should be transparent and easy to understand by clients.
  - Avoid overly complex models and billing that can cause the Shared Services Operator to lose focus on its core competency.
  - Administratively simple.
Issues and challenges summary – Managing for Success

- **Strategic Objectives** – Service/Cost
- **Sponsorship** – Ownership/Mandate
- **Governance** – Inclusive/Responsive
- **Economic Model** – Funding/Charging
- **Business Model** – In-house/Joint/Outsource
- **Communications** – Frequent
- **Business Case** - at business unit level
- **Transition Management** – Expectations
- **Service Delivery** – Performance Based
- **Knowledge Transfer** – Operator/Client
- **Pricing** – Refine as you go
- **Implementation** – People, Organization, Location, Processes
- **Technology** – Enabling the Service

**STAY FLEXIBLE!**