

# Defining the Concept of Shared Services

IPAA Workshop

Friday 10 September

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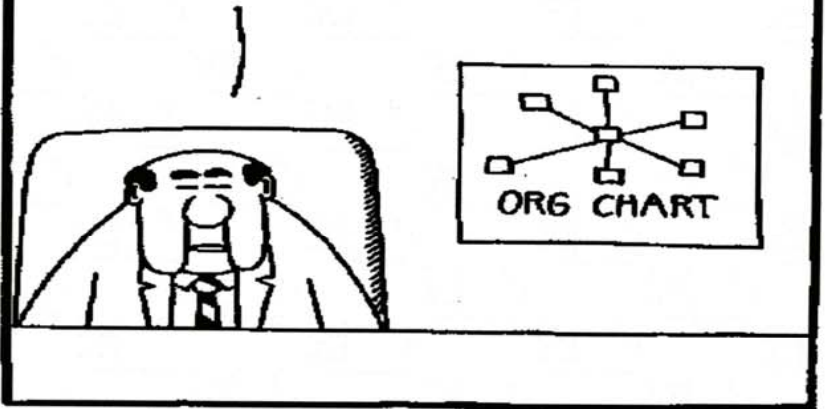
strategic business advisors

# CHANGE FOR THE SAKE OF PROMOTION

YOU WILL APPEAR TO BE A VISIONARY PLANNER IF YOU DECENTRALIZE EVERYTHING WHICH IS CENTRALIZED AND CENTRALIZE EVERYTHING WHICH IS DECENTRALIZED.

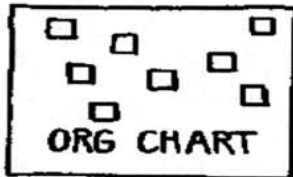


WE'VE GOT TO DECENTRALIZE TO REMOVE THE BOTTLENECKS.



ONE YEAR LATER

WE'VE GOT TO CENTRALIZE TO BE MORE EFFICIENT.



THE MAN IS A MANAGEMENT GENIUS.

S. Adams

# Session Overview

## Discussion Points

1. Defining shared services – What is it and what is it not?
2. What are the benefits and risks of shared services?
3. What are the key principles that underpin service delivery in a shared services environment? What are the critical success factors in implementation?
4. Where are the best opportunities for efficiency gain?
5. What is required to manage shared services in a public sector environment? Does shared services meet the needs of the public sector better than existing arrangements?

# Successful implementation of Shared Services has two pre-requisites....

## Transformation

**A change in culture and behavior is required by Both shared service providers and customers**

Who is accountable?

What skill sets are required?

What are the metrics and rewards?

## Transition

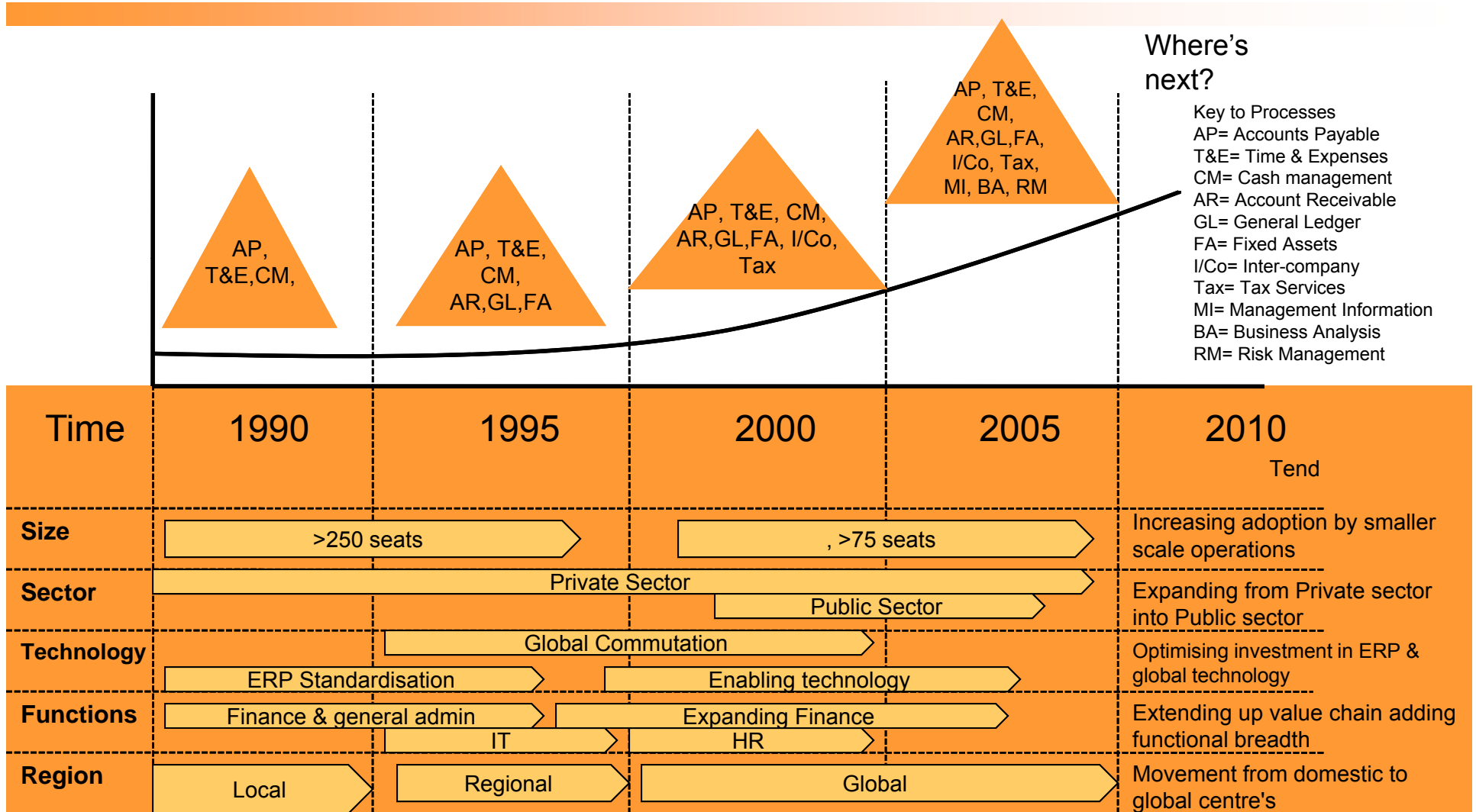
**The people, processes and technology required to provide services fundamentally change**

(What is the critical path and dependencies to move to new arrangements?)

# What is Shared Services?

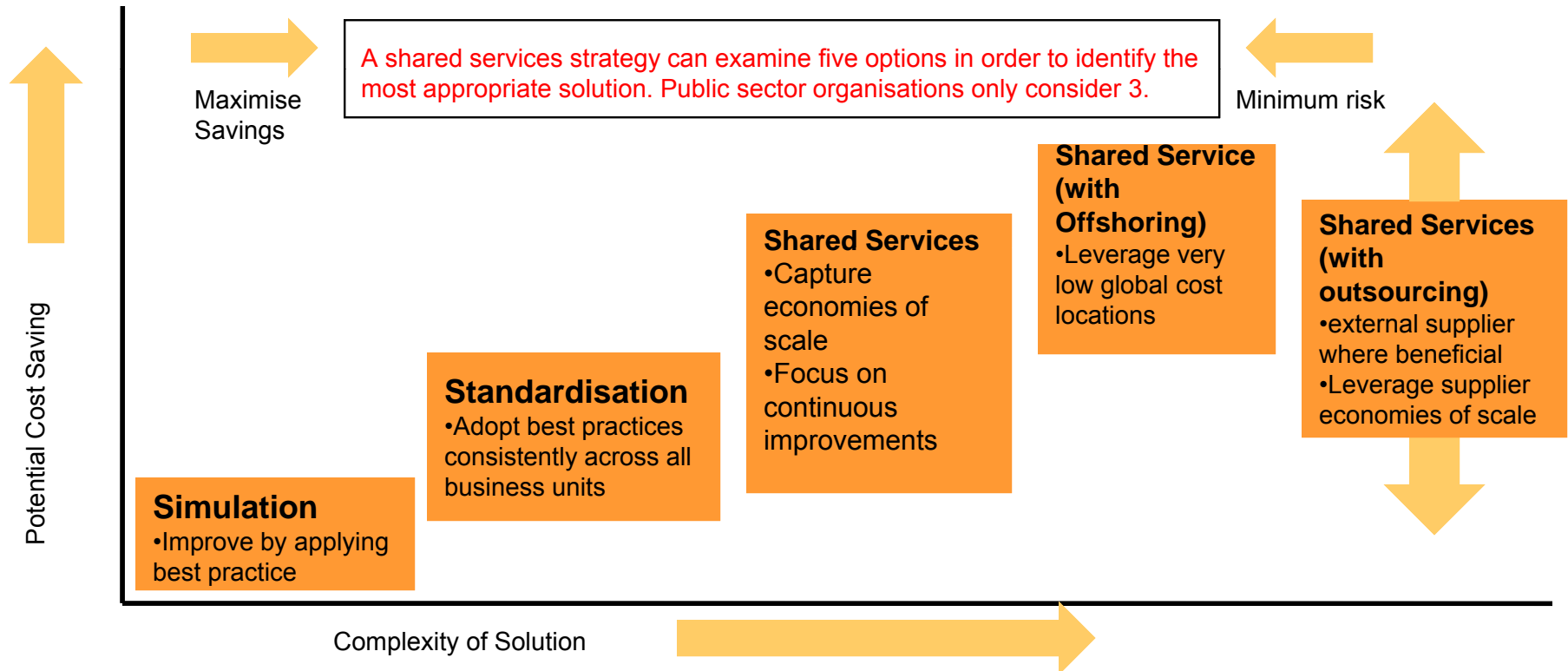
Feature	Description
Definition	<ol style="list-style-type: none"><li>1. A model of service delivery that leverages economies of scale and skill sets by consolidating common processes and services.</li></ol>
Strategy	<ol style="list-style-type: none"><li>1. “transactional processes” are separated into a self contained business or function that is organised to deliver a more effective “end to end” service, at a lower cost.</li><li>2. More sophisticated models include strategic or higher value expertise functions e.g. management accounting, performance management.</li><li>3. Services do not need to be co-located however there should be common governance, service management, employee conditions and performance metrics.</li><li>4. Common IT infrastructure and systems are implemented, preferably with minimal customisation, except for agreed interfaces to retained legacy systems.</li></ol>

# Evolution of Shared Services Centre Model

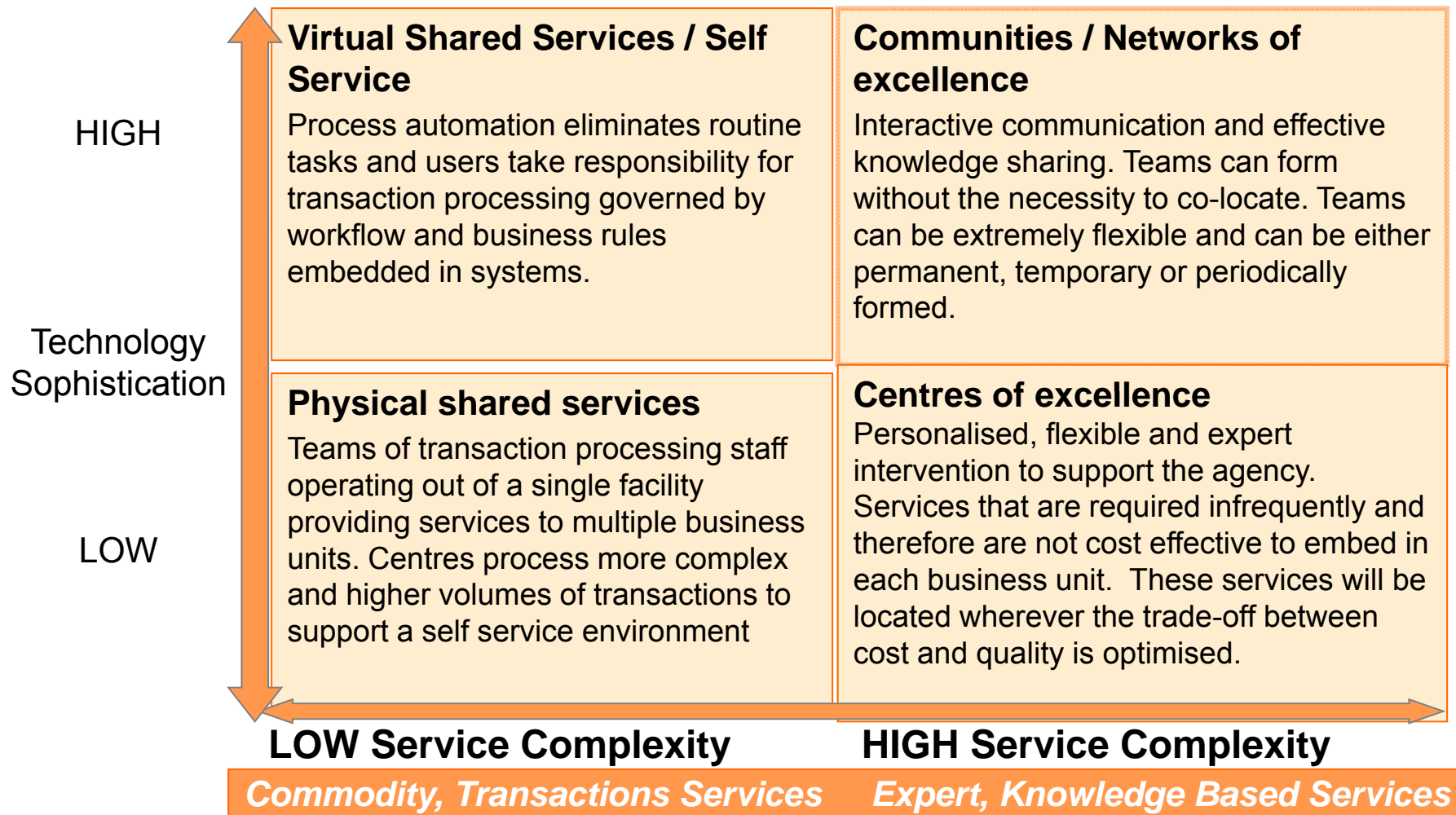


# Shared Services, Off shoring and Outsourcing

- A Shared Service can include elements of off shoring/outsourcing
- Off shoring is putting shared services activities into a low cost location
  - Outsourcing is achieving better results by sourcing and funding using an external partner

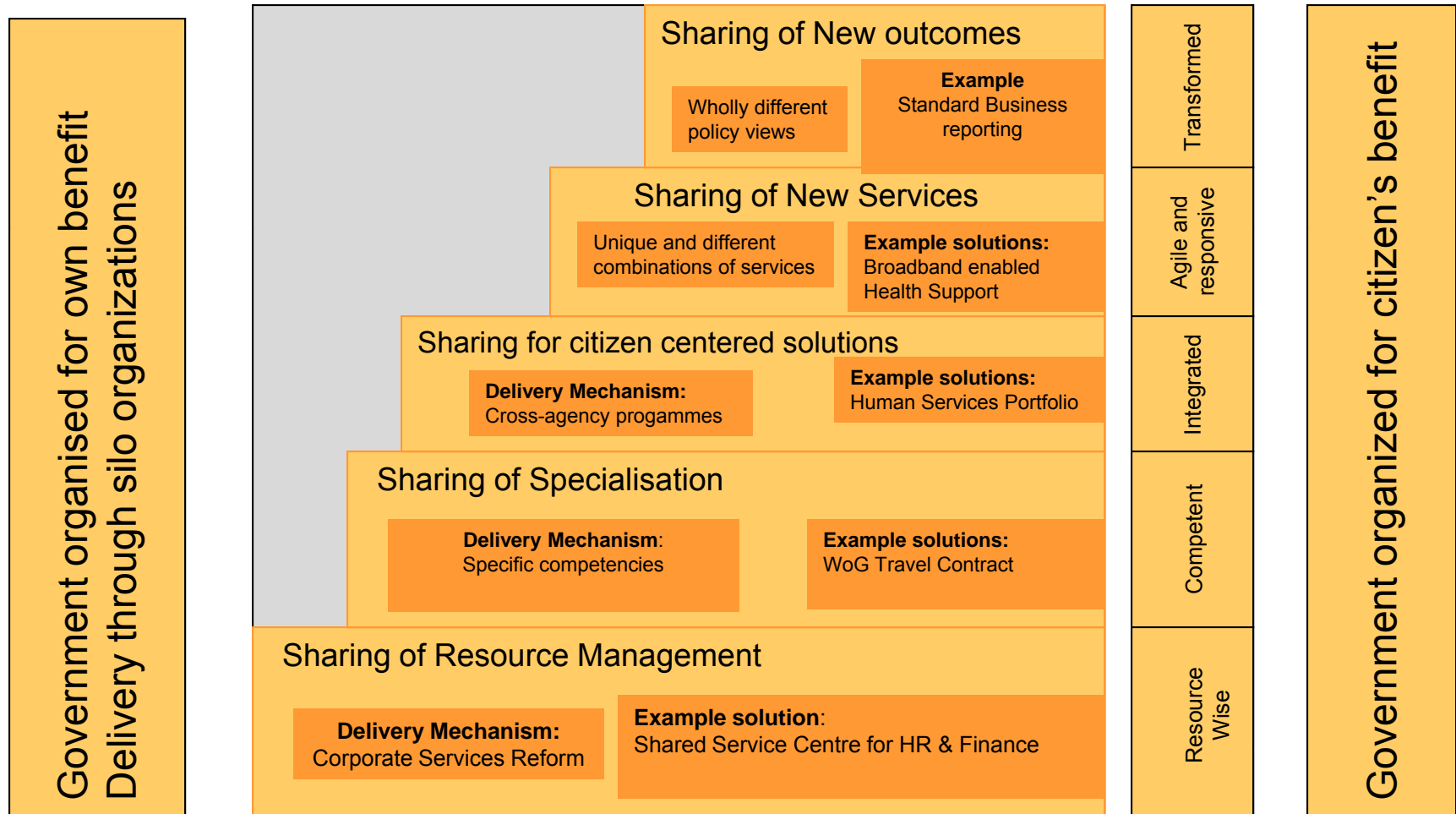


# Technology and service complexity determine the form of shared services adopted

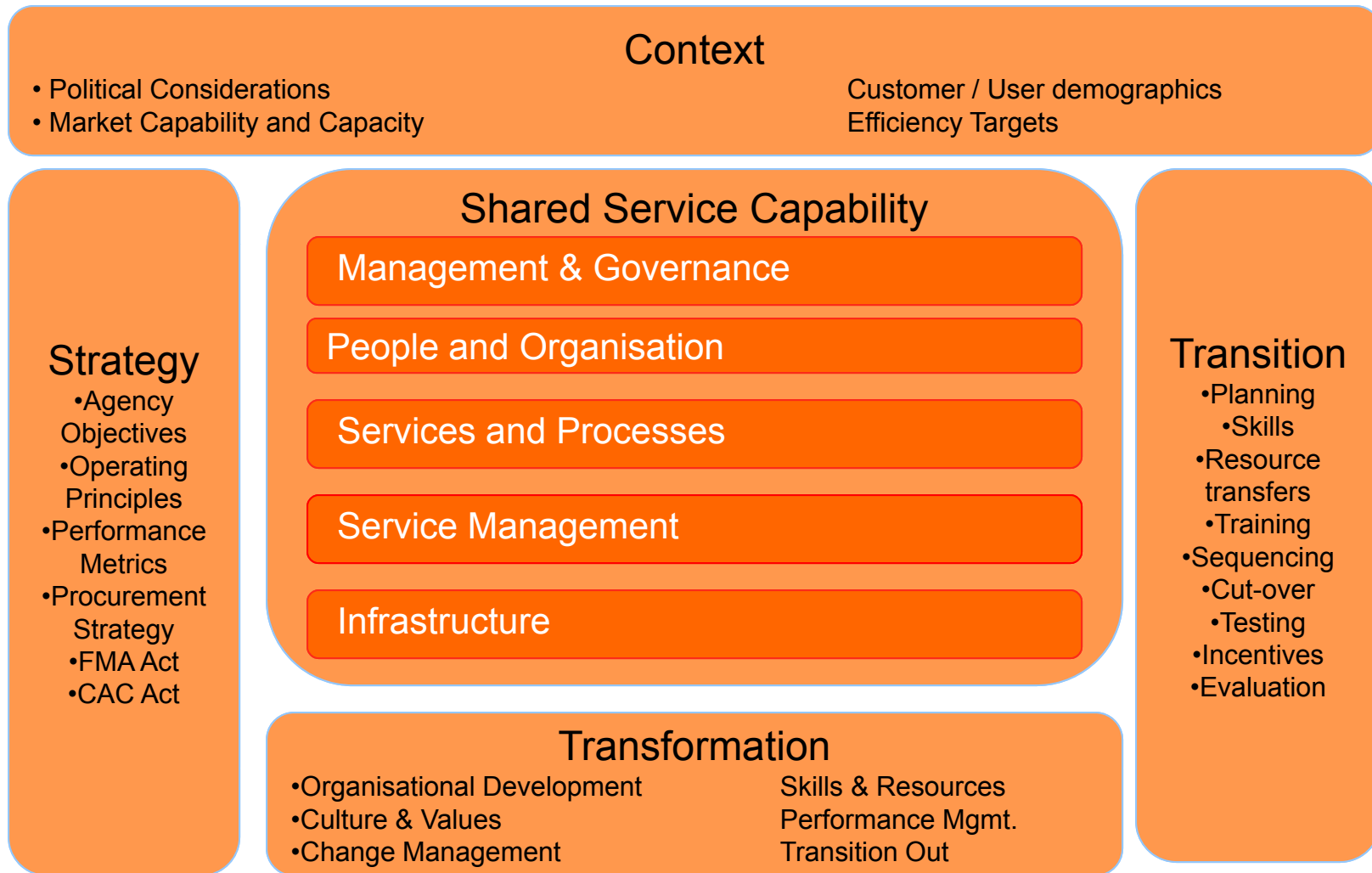




# Shared services can be a core enabler of public sector reform.....



# Shared Services Framework



# Key transformational success factors

Success Factor	Description
Sponsorship	Sponsorship by the Secretary. Leadership by an accountable senior executive with knowledge of the organisation.
Business Case	The strategy must be informed by a robust business case that engages relevant stakeholders and presents a compelling case for change.
Governance	Small but high impact Board / Steering Committee focused on driving the business case.
Change Management	Significant investment in change management to ensure acceptance of new ways of doing business.
Business Focus	“Business” rather than “system” focus, informed by re-engineering of processes, to deliver new business capability.
Benefits Management	Rigorous scope and cost management to capture and track benefits.

# Implementing shared services

Understand Key  
SSC  
Design issues &  
assumptions

What are your organisations specific issues and concerns?

What minimum expectations are there?

What are the “non-negotiable”?

Develop Operation  
Model guiding  
Principles

What are specific guiding principles for developing your shared service organisation?

How would you rank each option?

Develop  
Scenarios

What combinations of business unit, function, process, information flow and location are feasible given guiding principles and issues?

How could these be grouped?

Propose draft  
model

Which aspects of the model are generally agreed?

Which areas need more discussion and evaluation?

Where are the points of contention?  
What options are there to resolve?

Review and  
revise proposed  
model

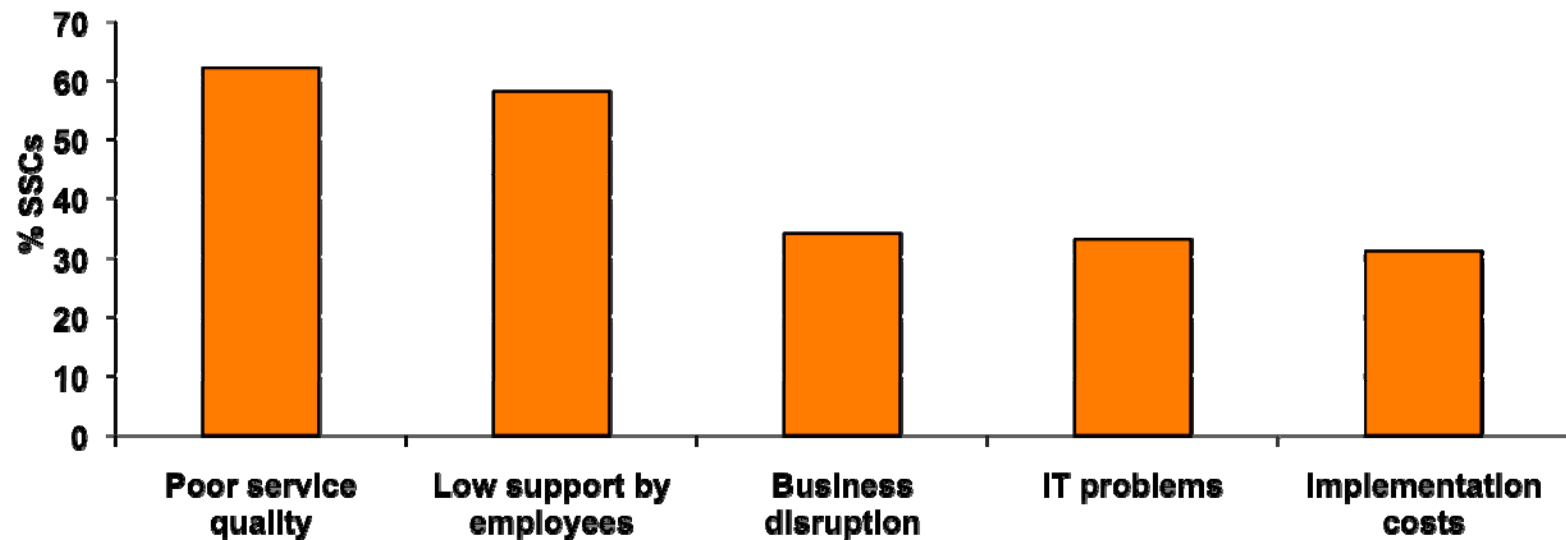
Does the model fit the guiding principles and all discussion to date?

Does the business case match expectations?

Who is the decision maker?

# Poor service quality is often viewed as the greatest risk

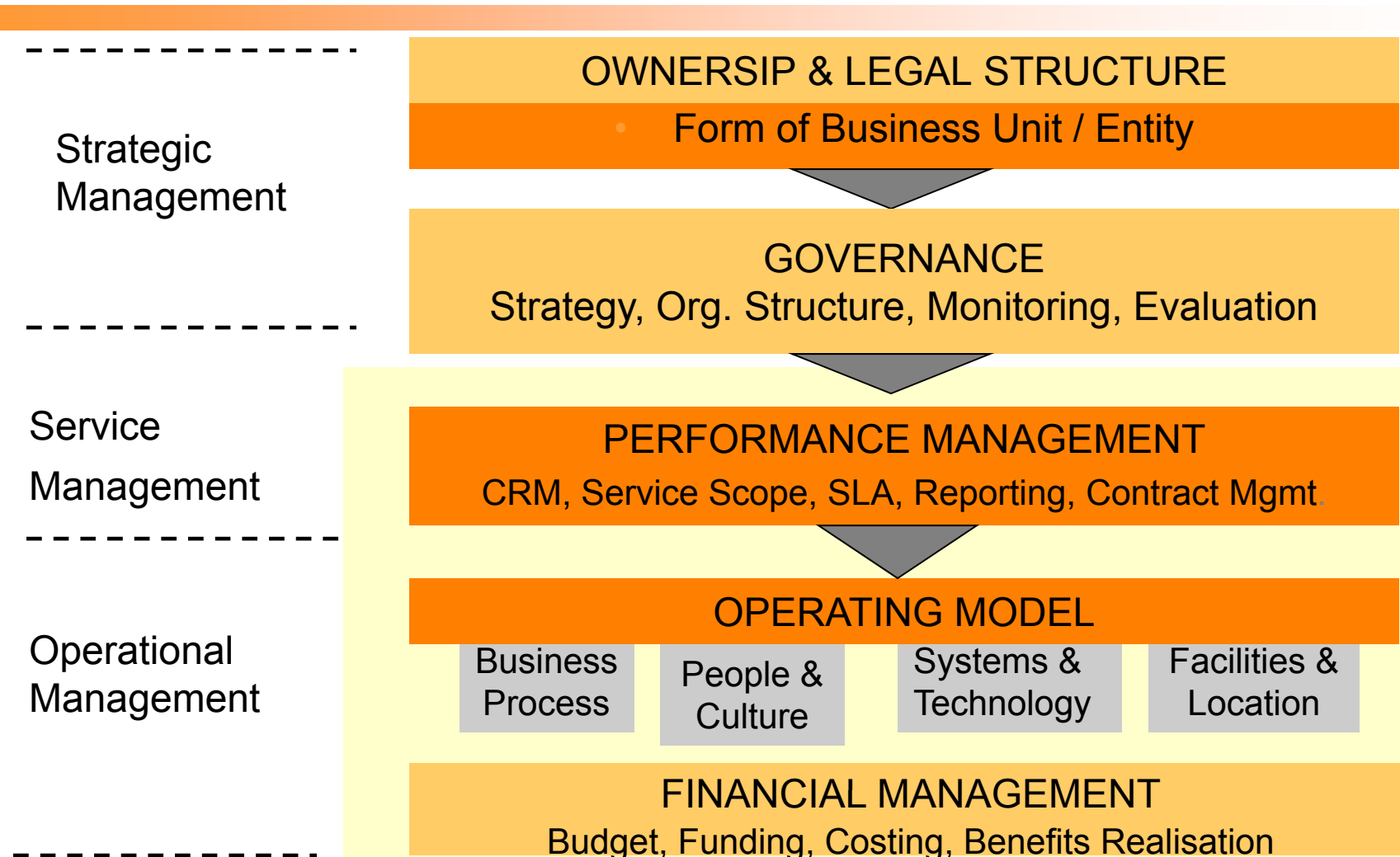
## Greatest risks in transitioning to a SSC



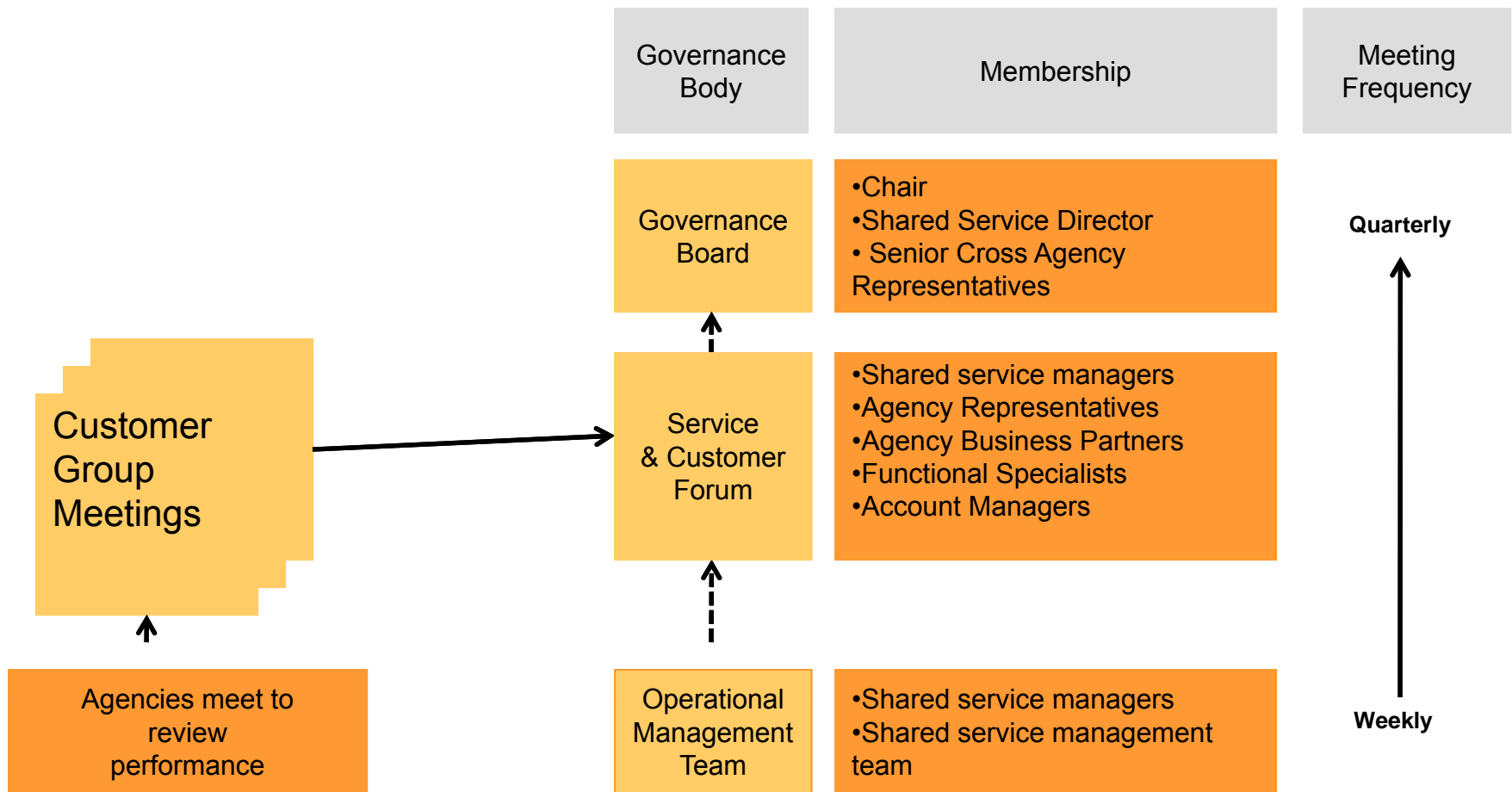
# Key transitional success factors

Success Factor	Description
Staff Transition	Migrate staff to new positions with merit based selection.
Client focus	Engage users in design. Invest in customer service training for shared services staff.
Service management	Document business processes. Implement performance management (SLA's, KPI's, Reporting).
Business Management	Confirm business unit structure. Adopt “business improvement” rather than “systems replacement” mindset for new systems.
Expectations Management	Set realistic timeframes for implementation and stick to them.
Benefits Management	Scope benefits and monitor their achievement.

# Performance Management Framework

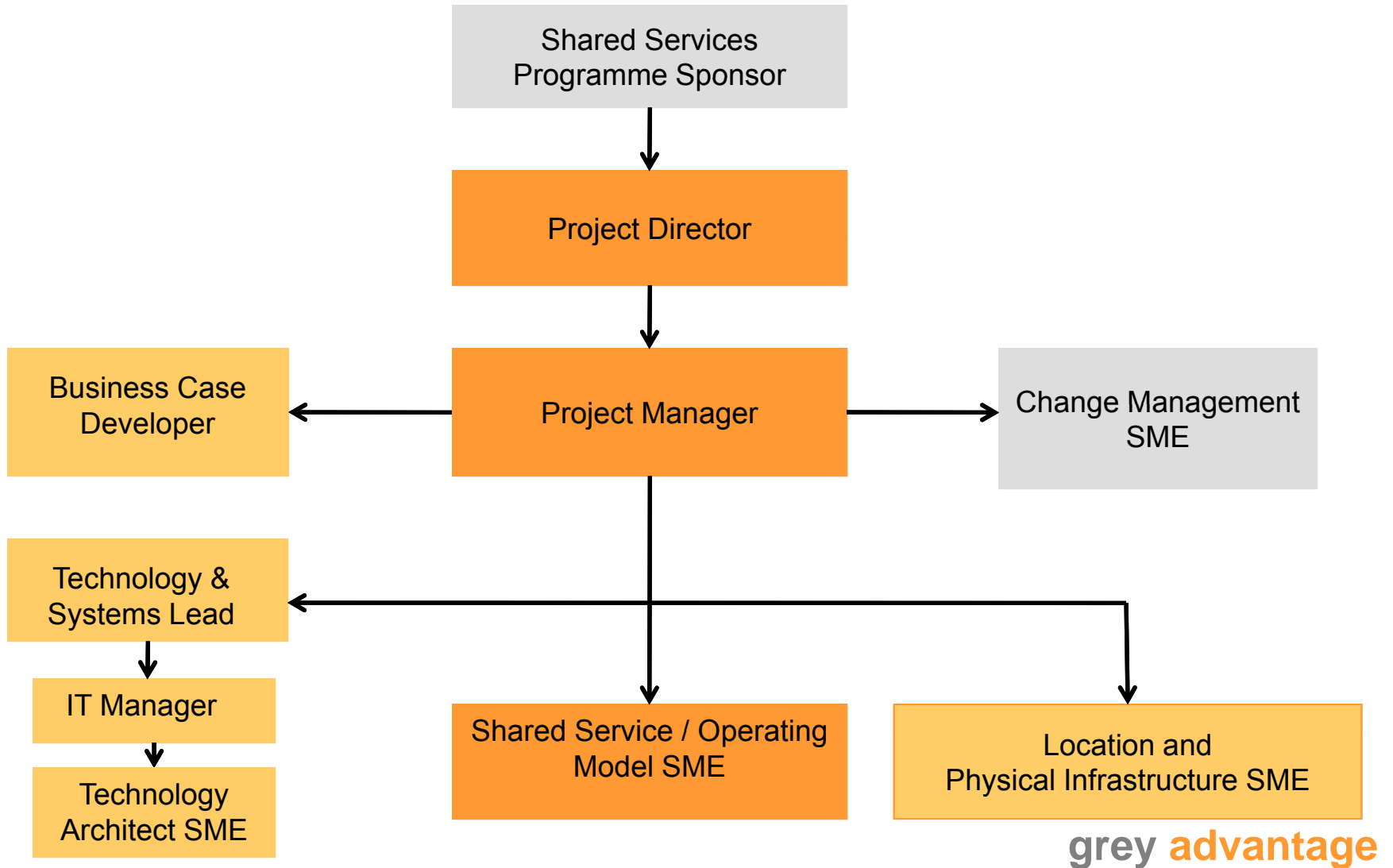


# Governance Board Model

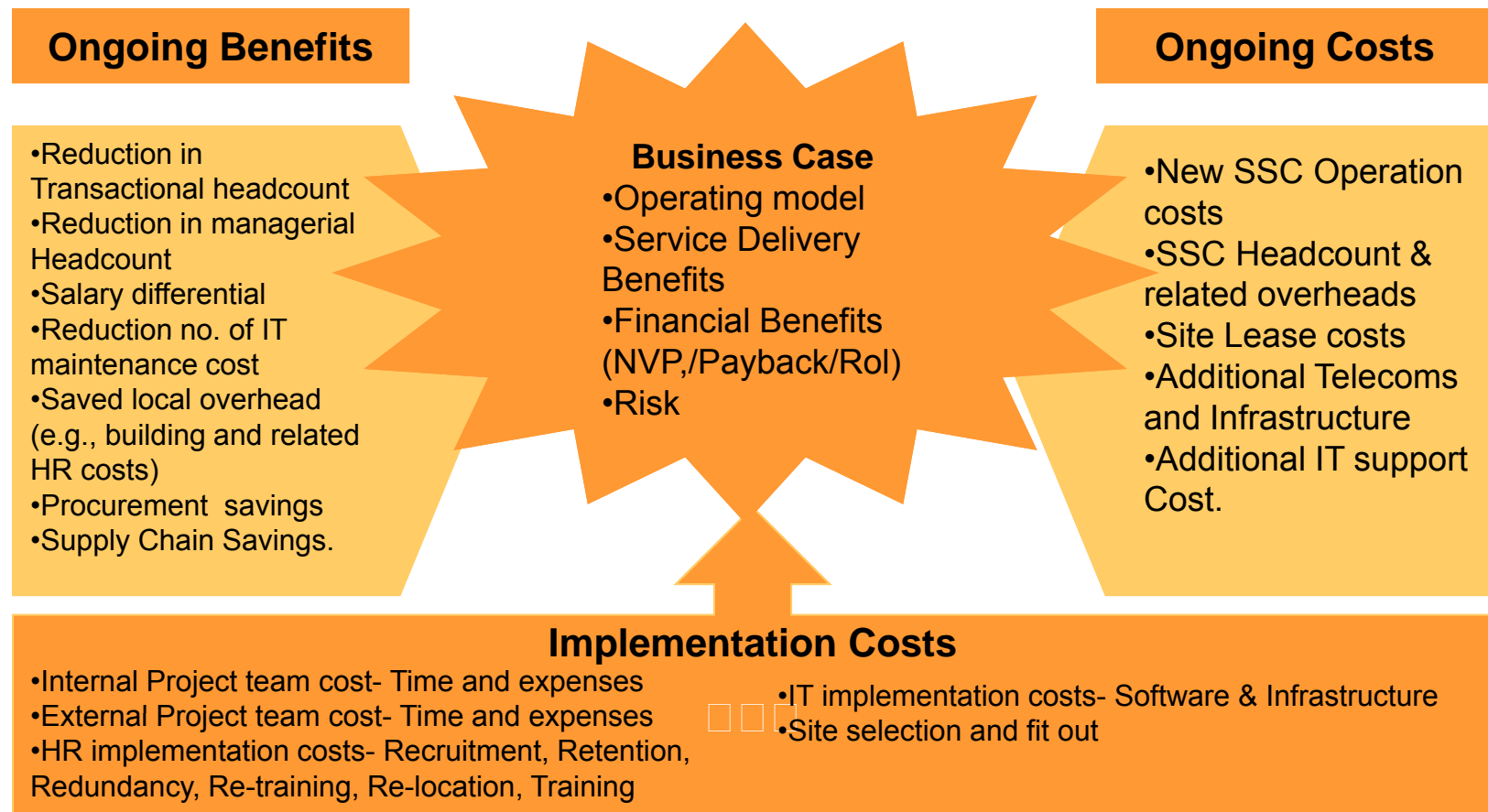




# Project Team Structure



# Components of a typical Business Case



# A minimum efficiency gain of 15% is required to justify the cost of implementation.....

	Finance		Procurement		Human Capital	
	FTE Savings High	FTE Savings Low	FTE Savings High	FTE Savings Low	FTE Savings High	FTE Savings Low
Commonwealth Portfolio	28%	16%	40%	25%	31%	16%
NSW Transport Portfolio	20%	12%	34%	21%	17%	10%
NSW Health Portfolio	18%	11%	26%	18%	19%	12%
Singapore Government	19%	11%	24%	17%	20%	12%

# The arguments for shared services in the public sector.....

	Rationale	Our observations
Efficiency	<p>We can achieve efficiencies of at least 20% through business process improvements enabled by shared services.</p>	<p>An equitable basis for sharing savings is critical. Agencies need to be able to re-invest savings in front line service delivery.</p>
Rationalisation of ICT investment	<p>Many small agencies are committed to legacy ERP systems that they can not afford to maintain or replace.</p>	<p>An opportunity exists for a Central Agency or outsourced provider to provide fully hosted ERP system provided on a Shared Service basis.</p>
Innovation	<p>Citizen centered policy solutions support the wider application of shared services principles.</p>	<p>The Human Services Portfolio is embracing these developments.</p>
Improved Resource management	<p>Shared Services is a proven model for achieving sustained business improvement that will enable agencies to meet their Efficiency Dividend Targets.</p>	<p>.New and innovative ways of delivering government programs are required to achieve efficiency dividend targets.</p>

# The arguments against shared services in the public sector.....

## Rationale

We are not big enough

Smaller agencies lack critical mass of staff to leverage efficiencies.

We cannot afford this investment

Investment is upfront. The biggest costs are Redundancy, Implementation and EPR.

We can get savings through focusing on standardisation

10-25% of savings are typically driven through process efficiency improvements.

We cannot risk this change in current control environment

Compliance risk been a key issue facing CFOs over the last four years. Accountabilities under the FMA Act make Secretaries reluctant to transfer functions to a SSC.

## Our observations

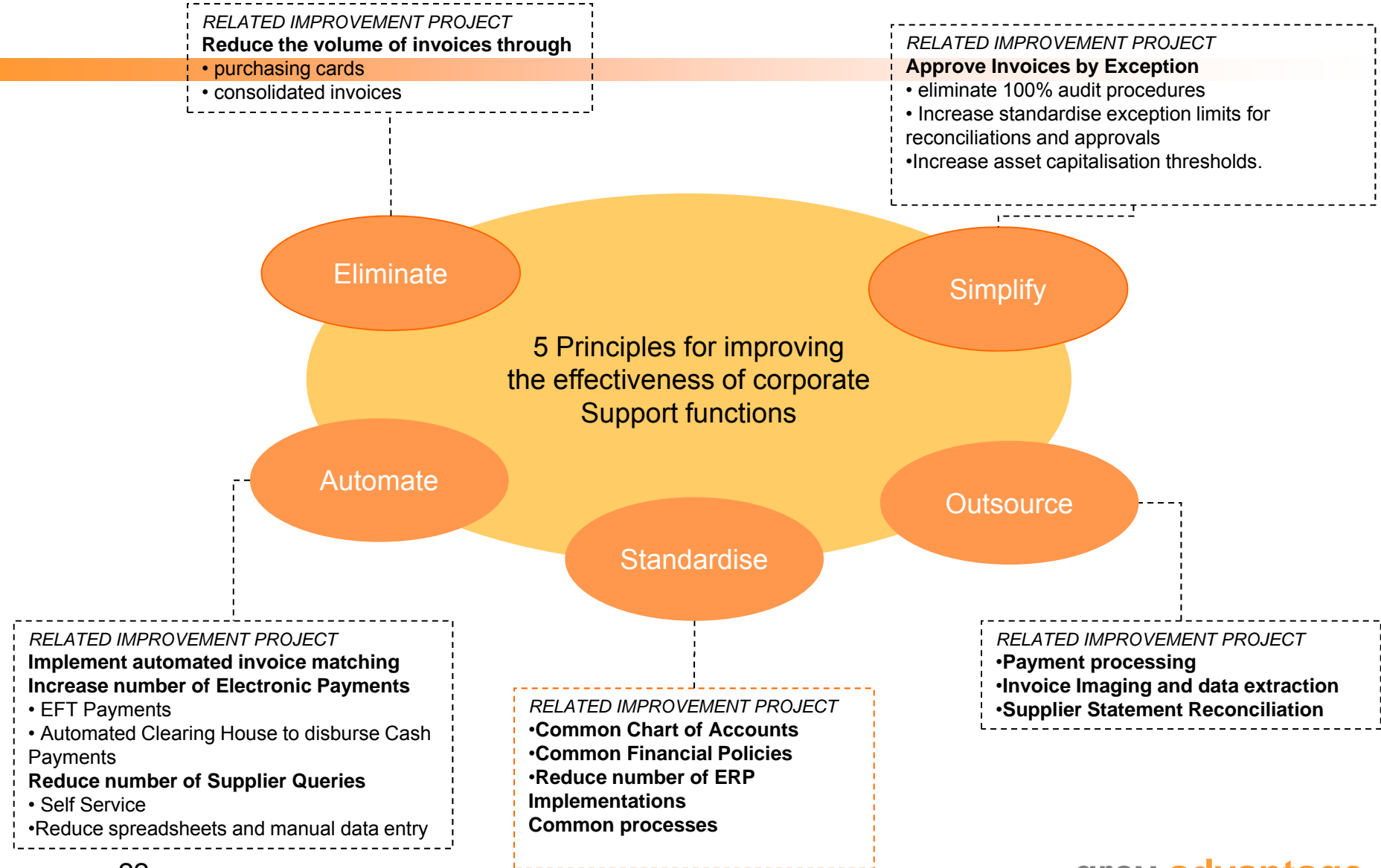
A greater role by Central Agencies is required to establish the shared services infrastructure to support small agencies..

Payback is typically 4-6 years (or longer). Shared services should not be viewed as a silver bullet but as a performance improvement strategy.

Practical tools and approaches need to be developed and shared between agencies. This may require some revision of the CPG's to remove bottlenecks.

Compliance requirements are more onerous in the private sector – but they still do it. The greatest scope for efficiency gain relates to “expertise” rather than transactions services.

# Example Improvement Projects



# Agency Self Assessment

## Denial

- Stay with existing Business Processes and systems
- Seek Protection from Legislative Framework

## Defensive Positioning

- Reduce Costs by re-engineering
- Upgrade / replace legacy systems
- Placate Key Stakeholders through benchmarking
- Shift costs from Corporate to Other Programs. to budget

## Physical / Virtual Shared Services

- Services migrated to/from agency to SSC
- Infrastructure established, including technology and systems.
- Governance and performance management framework implemented.
- Change reporting structure and accountabilities.

## Centre / Community of Excellence

- New Business Initiatives, are delivering citizen centred solutions / breaking down silos
- Strategic Capability established in Partnership with Key Industry Stakeholders
- Virtual teams working across agencies
- Common ICT platform and enabling tools

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- strategic business advisors • program and project assurance
- procurement and contract management • market soundings
- program evaluation • costing • viability reviews • reengineering
- strategic planning • change management • business transformation

[David.Robjent@Greyadvantage.com](mailto:David.Robjent@Greyadvantage.com)