Focus on Value:

The Case for Shared Services in the Public Sector

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Governments face a widening gulf between the rising expectations of those they serve and the ability to deliver. With the global economy in a persistent slump, governments do not expect new funds to be forthcoming. New claims on existing funds (whether to fund homeland security, battle an outbreak of disease or provide benefits for a growing unemployed population) add to the financial challenge.

Even with limitless funds, governments still might not be able to meet the demands with existing internal staff resources. Some government departments face retirements that could claim up to 50 percent of their executives and experienced workforce within the next five years. These demographic factors put tremendous pressure on remaining government employees to perform at higher levels than ever before. If rising expectations of government are to be met within constrained budgets and with fewer personnel, then public-sector productivity must increase.

Many governments have begun the process of improving productivity by making significant investments in Enterprise Resource Planning (ERP) systems. Those governments that were primarily seeking to update obsolete technologies generally were satisfied—they did receive some value from their ERP investments. However, many organizations have told us they have not realized the full benefits of their ERP implementations because they were focused more on technology upgrades and less on operational efficiency and overall service improvement.

Accenture's research confirms that the majority of public-sector ERP implementations over the last 10 years have not achieved organization and process transformation benefits. Business processes were not changed to the extent that would have exploited all of the capabilities of ERP systems. Although governments were aware of the importance of business process change, technology needs (driven by Y2K, the advent of client server and Web technologies, etc.) superseded all else, and difficult political issues surrounding workforce changes made it tempting to minimize business process change. In the end, users lapsed back into habits that were fraught with inefficiencies. Clearly, the time has come to start putting those organizational and process improvements in place.

Accenture believes the place to start is shared services. The essence of shared services is the consolidation of administrative functions into stand-alone organizational entities whose only mission is to provide administrative functions as effectively and efficiently as possible. We have written this paper to help government organizations on their journey toward high-performance administrative processes. It is meant as an overview of shared services and its potential impact on the public sector. It is not meant as an all-inclusive blueprint. Instead, we hope it sheds light on a topic that is just coming onto the public-sector radar—one that we believe will have dramatic implications.

Shared services results in the private sector

Over the last 10 years, few large private-sector companies invested in new ERP systems without also moving to a shared services operating environment. Private-sector Fortune 500 companies have embraced shared services as an operating model to transform administrative business processes while dramatically decreasing the costs of delivery. Simply defined, shared services means creating world-class support functions that most efficiently perform routine administrative transactional processes. As stand-alone entities, they serve very specific needs of an organization in a focused fashion.

These private-sector companies are achieving significant benefits, too. Shared services is a way to trim operating costs as well as better reallocate the time key employees spend on low-value routine functions to higher-impact strategic ones.

For example, before implementing its financial shared services center, Marriott International discovered that 75 percent of its hotel controllers' time had been spent on managing routine administrative processes, such as accounts payable and accounts receivable. Since launching the shared services center, controllers have more time to work with line managers to improve profitability at individual hotels. Marriott's shared services center now supports 200 full-service hotels in North America and has generated millions of dollars in annual benefits for the company.

In addition to freeing up valuable management time, the costs of administrative transactions are reduced. Accenture recently conducted a survey with the Shared Services Business Process Outsourcing Association and found that the average organization implementing shared services expected net cost decreases in the neighborhood of 25 percent. While not all hit this level, the overwhelming majority of these organizations believed they had made the right move by implementing shared services. When asked, "If starting over again, would you implement a shared services model for your organization?" an astounding 98 percent replied yes.

Now is the time for public-sector organizations to take notice of these private-sector results. Based on decades of experience working with hundreds of private-sector clients, Accenture has seen how the shared services model can result in a high-performing culture. The benefits we have seen have significant implications for the challenges governments face today. Shared services is a key component of Accenture's vision for enabling governments to become high-performing organizations. Shared services can help governments become more effective and efficient in their back-office processes. Freed-up resources can then be redirected to front-line service delivery that returns more value for the taxpayers.

What is high performance in a government context?

In the face of mounting pressure to deliver increased public value with shrinking resources, governments are being asked to perform at a higher level than ever before.

Our definition of a government organization achieving high performance is one that is:

- **Responsible.** It develops adaptive (and workable) strategies to deal with a multitude of pressures and satisfy a wide array of stakeholders. A government organization that achieves high performance is driven by a sincere desire to foster the well-being of those it serves, while striking the right balance between delivering outcomes and operating cost effectively.
- **Accessible.** It seeks to transform its business models, promoting self service as much as possible so that limited resources can be redirected to more value-added activities. It also creates stakeholder support by fairly balancing and serving the needs of all its customers based on individual needs and preferences.
- **Accountable.** It develops process performance improvements and greater cost-effectiveness in its back-office functions, with minimum burden on the citizens and businesses.

The net result of being responsible, accessible and accountable is that when a government organization achieves high performance, it more effectively delivers outcomes that meet the interests of citizens and other stakeholders. At the same time, improvements are made in cost effectiveness related to delivering those outcomes.

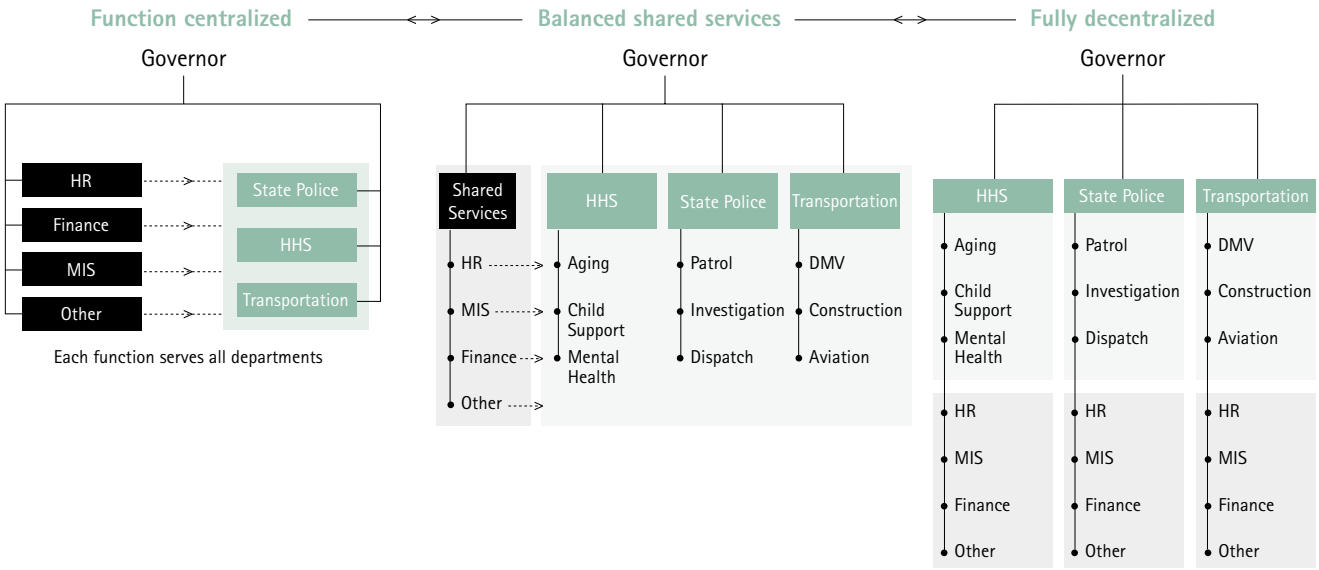
Shared services defined

Organizations typically provide administrative support functions in one of three operating models—decentralized, centralized and, especially in the private sector, shared services. Figure 1 provides an illustration of the organization structure for each of these three models.

Decentralized. This is a traditional operating model. In a decentralized model, each department or agency under the umbrella of a larger government entity (for example, all of the departments under one federal agency or all of the agencies under a state or provincial government) manages its own administrative support functions. In this model, multiple human resources, finance and information systems units exist across the government, each one focused on the needs of the one department it serves. Although this model has the benefit of putting local people in control of their own environments, administrative functions are performed in many different ways across the government, with no clarity as to how well functions are being managed. In addition, resources are not shared in ways that could lower costs and improve services.

Centralized. In a centralized model, components of these individual administrative support organizations are consolidated into one existing department, such as a department of finance. But this department usually has strategic functions as well as routine administrative responsibilities. For example, a centralized department of finance may have budget preparation and legislative financial analysis responsibilities as well as oversight of accounts payable and purchasing. The centralized administrative functions are often relegated to secondary importance by executive management. The result is often less focus on deliv-

Figure 1: The administrative functions operating model spectrum



ering those services efficiently, cost effectively and with the most benefit for the service recipients.

Shared services. The essence of shared services is the consolidation of administrative functions into stand-alone organizational entities whose only mission is to provide administrative functions as effectively and efficiently as possible. It involves dramatic redesign of business processes—typically leveraging the latest automation technologies—and transformational change of organization structure and workforces. A question typically asked is how the shared services model differs from the centralized model. Governments that consolidate in a centralized model are taking a step toward shared services, but this approach falls short for a number of reasons. The differences are outlined in the next section.

Centralized vs. shared services

Although the two operating models share some superficial characteristics, the differences between shared services and centralized models are significant. Most important, centralized models fall short of the organizational culture and service-focused aspects of shared services. Take the human resources function in a state or provincial government as an example. In a typical centralized model, a statewide human resources department oversees policy development and union negotiations—both strategic functions—in addition to more routine administrative tasks, such as processing new employees and managing benefits claims. Upper management typically focuses most of its attention on the strategic tasks and expects routine administrative processing to "take care of itself." The effect on the people who perform the routine administrative functions is tangible. They see no clear career paths within their agency, because the heads of their organization possess an entirely different set of skills. Their sense that their work has little strategic importance sets the stage for a culture that is unlikely to support process excellence and high standards of service.

In a shared services model, the only function of the shared services organization is to run these administrative functions as effectively and efficiently as possible. Shared services elevates the importance of administrative functions to the highest management levels. Traditional back-office responsibilities take on a front-office perspective, increasing customer focus and employee motivation and ownership. The key reason for working in a shared services organization is to deliver these very specific functions, as opposed to taking on these functions as additional responsibilities. The employees have clear career paths and are more integral parts of a team. A new, high-performing culture quickly evolves into one that truly partners with its customers to achieve better results and continuous improvement.

"Shared services elevates the importance of administrative functions to the highest management levels."

In addition, a shared services model emphasizes customer service in a way that a centralized model does not. Each shared service organization operates as a distinct entity with a clearly defined purpose. Shared services ensure that parties on both sides of the service (that is, the provider and the customers of the service) have clearly defined responsibilities to get the administrative task done. Unlike centralized service organizations, shared service organizations typically operate under service level agreements (SLAs), which promote a clearly defined standard of delivery. The departments that centralized organizations serve are hostage to their responsiveness, their attitude and their accuracy, with little recourse for underperformance. End users are not treated as customers or partners.

Figure 2 provides a useful comparison of the shared services and centralized models' attributes.

The scale of shared services

Shared services organizations for governments can vary considerably in scale. Shared services does not necessarily imply one organization or one location. For example, Accenture is implementing a shared services financial management system for three of Norway's four universities. The system is being implemented at one university, which will run the system for the other participating universities.

Shared services can incorporate multiple centers and business models (which may or may not be linked in a networked environment) or exist as a stand-alone entity. It may support a single agency, a cluster of agencies (such as all human services agencies or all justice agencies) or all the agencies within a government. A truly leveraged government shared services organization can even support multiple independent government

Figure 2: A comparison of shared services and centralization

Attribute	Traditional view of centralization	Objectives of shared services
Customers treated as...	End users	Clients (can include departments, end customers, vendors, etc.)
Governance	Department manager	Independent unit—Client Advisory Group (organizational construct varies with organizational objectives)
Location	Capital, central administrative office (typically)	High-skill, low-cost area
Primary focus	Cost control	Service excellence, high performance, cost control, continuous improvement (service and costs)
Service responsibility	Central administration	Shared between shared service center and clients, as stated in service level agreements
Service management	Optional	Service level agreements, key performance indicators, performance reporting
Customer contact management	Ad hoc	Multiple channels (voice, e-mail, web); contact center staffed with customer service reps; contact management software; client relationship managers
Typical management processes	Recruiting, workload management, cost management	Performance measurement, continuous improvement, client relationship management, communication, people development

entities, such as a state government shared services center also supporting all the local governments in the state.

As more departments or agencies tap into the shared services organization and increase the overall value a government is likely to receive, they also increase complexity. This is a significant point for governments, which now look primarily to the private sector for examples. Few private-sector organizations can match the scale of large government entities.

Yet scale can be added over time and should not be a showstopper. In fact, the greater the scale of the shared services center, the greater the cost savings as investments in technology and people skills are leveraged across a larger number of customers. As a general rule, organizations need a vision of the ultimate scale of their desired shared services center, but the shared services program itself can begin small—incorporating only a few functions or supporting a few departments. Even on a small scale, the model is worthwhile. According to the Accenture/Shared Services Business Process Outsourcing Association survey, some private organizations are already realizing benefits with only five or fewer of their operating units tapping into the shared services organization.

Shared services candidates

Several administrative functions and activities are eligible for placement within a shared services center. The most common examples include:

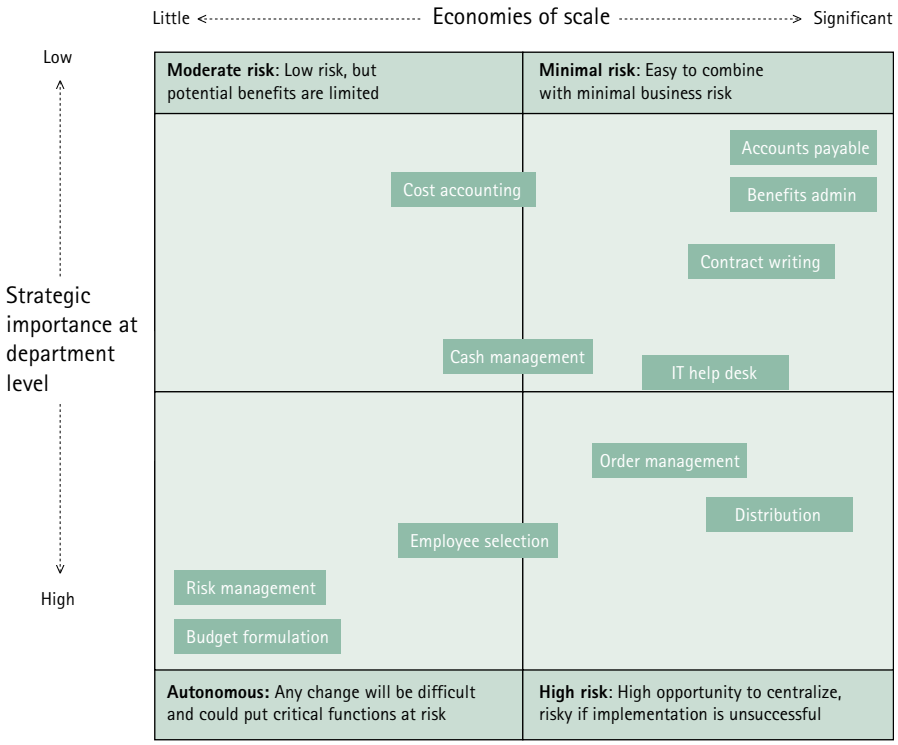
- **Human resource functions—**including payroll processing, compensation, records, hire-to-retire functions, benefits administration and travel and expense.
- **Finance functions—**including general ledger, accounts payable, travel and expense processing, accounts receivable, cash management and internal audit.
- **Logistic/materials management functions—**including strategic sourcing, asset management, warehousing, inventory management and transportation.
- **Purchasing and supply chain functions.**
- **Customer service functions—** including call centers, credit and collections and order management.
- **Training and education functions.**
- **Information technology functions—** including standards, technology/development, desktop support, applications development, data center operations, application maintenance, telecommunications and hardware and software acquisition.
- **Other support functions—**including litigation support and coordination, communication services, risk management, insurance and regulatory compliance.

Figure 3 illustrates a potential decision matrix for determining whether or not to move a function into shared services. In general, ideal processes for shared services have low strategic impact on the organization and can achieve significant economies of scale. Strategic processes typically remain within agencies, and transactional processes go to shared services centers.

Tactical or operational functions are usually up for negotiation. Depending on the government entities involved, the nature of the function may have greater or less impact on the overall mission. For example, one agency may not consider accounts payable to be critical to its mission. A child welfare agency, however, may feel very protective of its accounts payable function because of the potentially harmful impact and political ramifications if something goes wrong with the function in the new model. The shared services decision makers will spend considerable time deliberating over "middle-ground" functions such as these.

The sidebar on page 9 provides useful questions that may point the way to shared services for specific functions.

Figure 3: Example of a decision matrix for moving to shared services



Is shared services right for your government organization?

Moving to shared services means committing to transformation. Although the benefits are striking, the changes can be wrenching for those affected, and the potential workforce challenges are considerable. Many government executives simply will not have the appetite to undertake the change. However, others who are ready for a more radical approach to reap big benefits very quickly (or those who have been mandated to make radical change) will need to look at each back-office process, one at a time, to determine whether or not to change the status quo.

When determining whether a government organization is a good candidate for moving to a shared services model, executives should ask themselves the following questions to help guide their decision:

- Do we face budget constraints and need to divert funds from back-office to citizen-focused activities?
- Do we face critical staffing shortages from impending retirements?
- Do we suffer from a scarcity of specialized skills?
- Are skills duplicated unnecessarily in multiple departments or geographies?
- Do we have operations in multiple locations with independent support organizations?
- Do we have above-average processing costs for transaction-processing capabilities (or do we suspect that we might)?
- Do our administrative support functions process large volumes of transactions?
- Do we have a high management-to-staff ratio in a number of locations?
- Is a high proportion of our employees located in high-cost areas?
- Are we facing increasing demands for services?
- Are we facing significant investments to make necessary enhancements to the systems and processes associated with our support services?
- Do we suffer from inconsistent delivery of satisfactory service levels across the organization?

Organizations that could benefit from implementing shared services typically will answer yes to the majority of these questions.

Shared services benefits

Although governments are only beginning to explore the shared services model, Accenture knows that the benefits realized in the private sector can also be achieved in the public sector. We have seen the benefits that some of our public-sector clients have already gained. For example, before moving to a shared services model, the State of Hesse in Germany had largely decentralized finance processes that wasted economies of scale and skill. Since creating the Hessisches Competence Center (HCC), a shared services model, it has standardized statewide finance administrative processes, allowing ministries and departments to focus on their main duties while realizing cost savings and higher process quality. In fact, in 2002 the HCC handled 13,000 accounts payable invoices, 9,500 accounts receivable invoices and 12,000 master data entries—with only 20 percent of its total rollout completed.

Moving to a shared services model yields a wealth of operational improvements—economy of skills and technology investments, economy of scale, flexibility and standardization—and an increase in quality of service. These benefits not only have economic value, which is often the primary impetus for implementing a shared services model, but also hold far-reaching strategic implications. In this section, we categorize and discuss these benefits in more detail.

Economic value

Economic value arises from a lowering of total costs of an existing administrative support function. There are immediate economies of scale, as consolidated functions and processes eliminate redundancies and minimize the cost of transaction-processing activities.

Facilities costs are lowered with the typical aggregation and reduction of what previously may have been many disparate locations providing the same function. Real estate, maintenance and operating costs all can be slashed simultaneously. Once a move has been made to a shared services model, the sites of the service centers may be relocated to lower-cost locations for additional savings.

Systems costs typically *increase* during the initial design and implementation of a shared services model, as organizations make the necessary investments in technologies to automate previously manual and labor-intensive processes. These increases in technology spending are almost always offset by reductions in stand-alone systems and related personnel costs. As additional organizations become supported by the shared services centers over time, these existing technology assets can also be leveraged across a broader customer base, effectively shrinking the technology costs per organization.

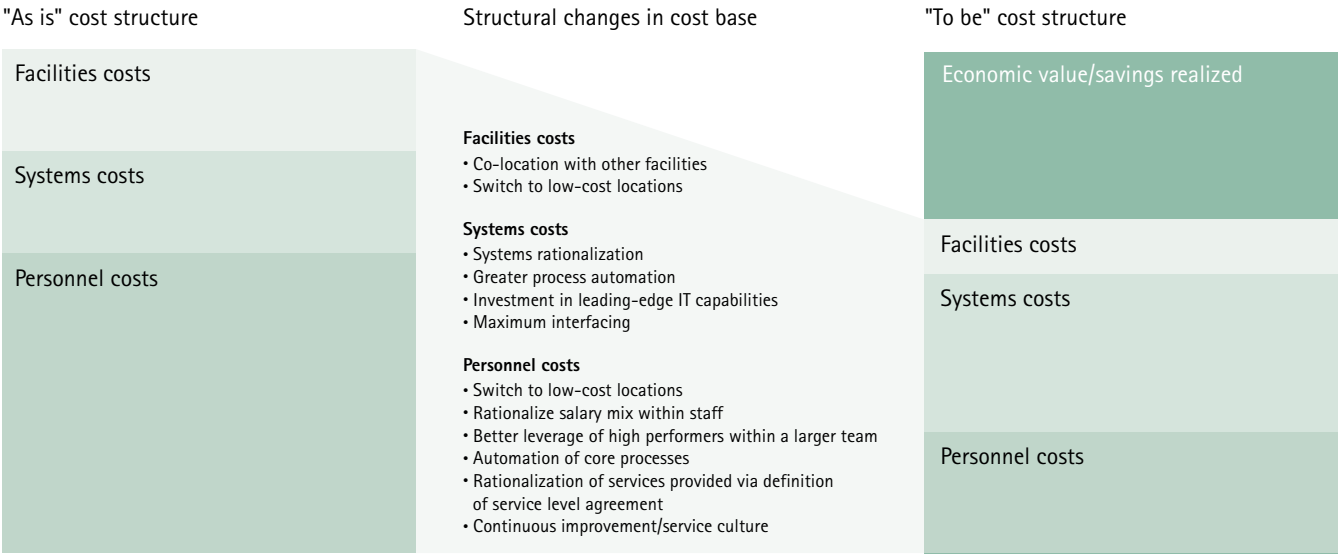
The move to shared services will allow an organization to rationalize the salary mix within the administrative

organization—shared services organizations are not "top heavy." As workforces are pooled, high-performing individuals can be better leveraged to focus on tasks that will provide more strategic benefit to the overall shared services organization. The automation and standardization of many labor-intensive but low-value functions will yield economic benefit as well, removing inefficiencies and eliminating process steps. Finally, the use of SLAs—a standard practice in a shared services model—will allow an organization to rationalize the costs of services provided.

Figure 4 illustrates the ways in which facilities and personnel costs are reduced in a shared services model, yielding a significant overall economic benefit.

Accenture's experience helping our clients implement shared services organizations in the private sector has

Figure 4: Illustration of ways in which shared services reduces facilities and personnel costs for overall economic benefit



pointed out several consistent trends. Typical cost reductions from moving enterprise-wide administrative processes to a shared services delivery model range from 25 to 55 percent, with human resource shared services organizations typically returning a 35 percent decrease in costs and general accounting functions typically returning a 55 percent cost reduction.[1] (See Figure 5.)

As an example, our experience has shown that, over a 12-year period, the introduction and growing popularity of shared services models in finance organizations has correlated with a significant decrease in the cost of their operations. As Figure 6 shows, the average decrease during that time period was 52 percent.

Strategic value

The economic value described here is enough to build a strong case for shared services, yet cost savings are only half of the picture of the potential benefits of shared services. At least as important are the significant strategic benefits an organization will realize in implementing shared services.

First, the shared services model delivers economy of skill. It is built around the concept of developing "centers of excellence" for the functions to be performed. These centers allow individuals to develop highly specialized skills, which can then be leveraged across an entire government. The end result is higher employee productivity,

Figure 5: Typical shared services cost reductions

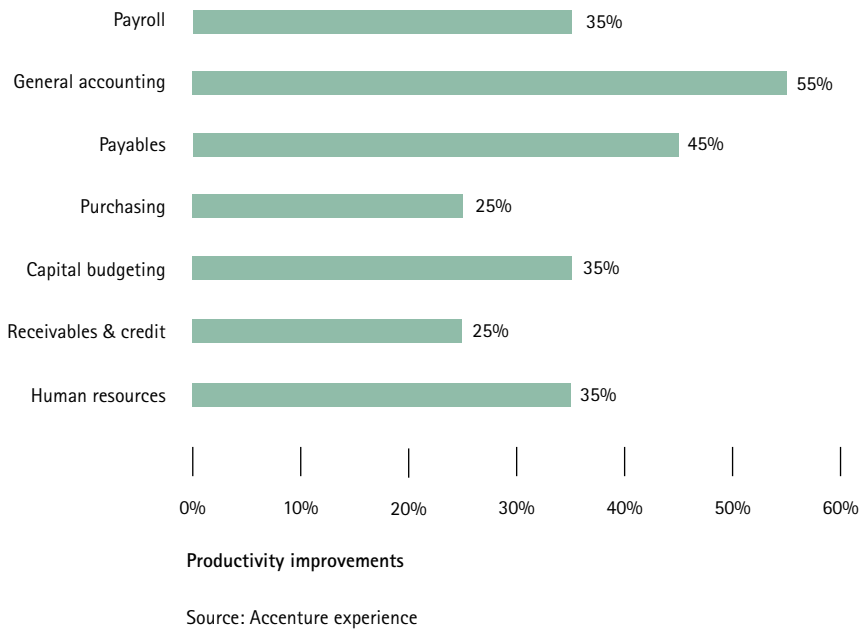
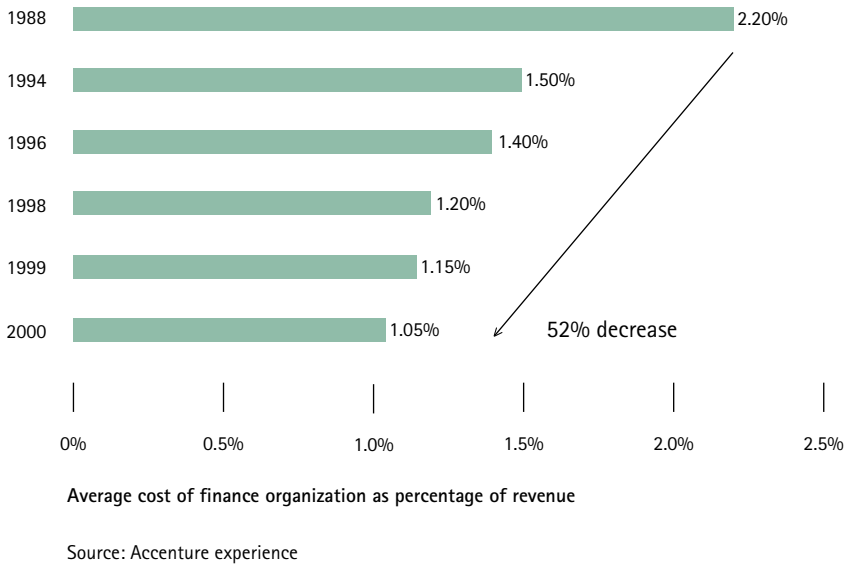


Figure 6: Illustration of cost decrease in finance organizations over time



[1]Actual cost reductions may vary.

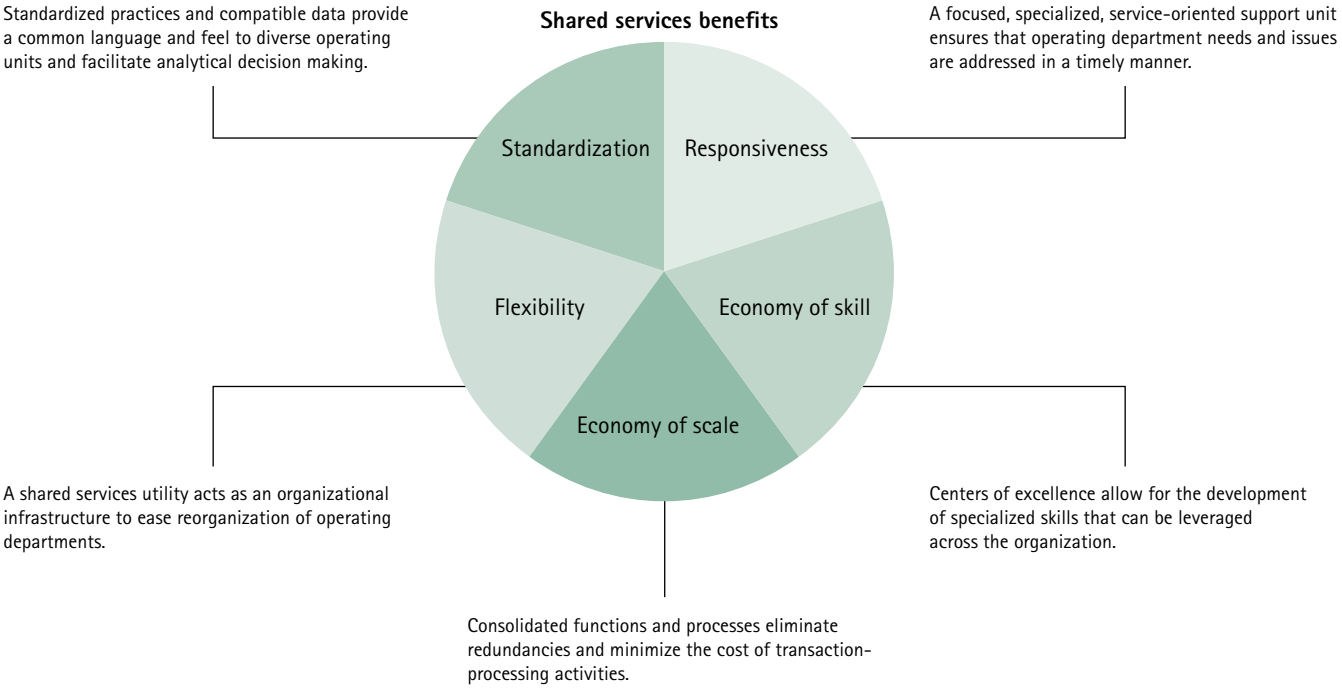
reduced error rates, increases in process speed and reduced cycle times. There is an associated increase in responsiveness, as a focused, specialized, service-oriented support organization ensures that the supported entities' needs and issues are addressed in a timely manner. Once freed from the burdens of routine administrative procedures, management and key employees can focus on strategic activities that add more value to the government's program delivery goals.

The flexibility of shared services centers means that they can support diverse and changing organizational models. They also can act as an organization infrastructure for making future reorganization of operating departments easier. The standardized business practices and data provide a common comparative basis across diverse operating units, facilitating enterprise-wide analytical decision making so that executives can make better-informed policy decisions. For example, with a shared services purchasing organization, managers easily determine whether all employees are buying commodities on contract. Understanding the total purchases a government makes across all its operating departments enables governments to negotiate better prices with vendors.

Figure 7 is a simple illustration of the many benefits shared services delivers.

Taken together, the economic value and strategic value of shared services models add up to governments being able to meet increased demand with fewer resources. A shared services reform agenda can assist a government in achieving its other strategic objectives by freeing up funding for other initiatives that have greater direct citizen impact.

Figure 7: Benefits of a shared services model



Making shared services a reality

It takes very little time for most public-sector executives to understand the benefits of shared services. When it comes to implementation, however, there can be significant challenges. Fortunately, governments can leverage the private sector's substantial shared services implementation experience. Although government-specific challenges (such as the potentially larger scale of transformation and the higher likelihood of turnover of executive sponsors) make a direct private-to-public translation impossible, we believe government organizations can leverage the proven processes, methodologies and technologies to be well on their way to their desired ends. (For example, the sidebar "Leading practices in shared services" on page 20 gives an overview of exemplary practices Accenture has seen in its experience implementing shared services centers with clients.) External consulting expertise also is available to guide the implementation process and help support new shared services centers.

Determining the best implementation approach, however, is no simple matter. When it comes to implementation, executive sponsors must address a few critical questions to get on the proper path to shared services for their organizations:

- What is the business case for implementing shared services?
- How much change is the organization willing or able to take on to accomplish its objectives?

These two questions are directed at developing a strong rationale for undertaking a transformation of this magnitude. This must be balanced with an honest assessment of a government's willingness to change.

Once government leaders know what they want to do, they can ask, "How are we going to do it?" There is no one right answer. Shared services can be implemented either through a "big bang" approach, in which all participating organizations adopt the new administrative processes and structure at the same time, or through a phased approach. The big bang approach gives government the potential to achieve the benefits of shared services more quickly, but it also carries much greater implementation and initial operations risk. The typically large scale of shared services implementations for governments (resulting from the sheer size of many individual departments or agencies) and the relative newness of the model in the public sector may tip the scale toward choosing a phased approach. However, government organizations that are smaller in size or those that need more radical change and faster returns on their efforts may pursue a big bang approach and still be quite successful, particularly if they leverage outside expertise.

The sourcing spectrum

We have discussed some of the biggest questions associated with undertaking a shared services transformation. A government organization must have a clearly defined rationale for doing so. It must consider the ultimate scale of the shared services, in terms of functions the centers will perform and the number of organizations they will support, and it must determine the implementation pace it can sustain. The final big question is sourcing.

The options for sourcing employees for a new shared services center fall along a spectrum, typically defined by four strategies: in-house sourcing, co-sourcing, public/private joint venture and business process outsourcing. (See Figure 8.) Each of these approaches has its merits and considerations.

Figure 8: The administrative functions operating model spectrum

In-house sourcing

With in-house sourcing, government employees staff the shared services centers. In-house sourcing is attractive because it may minimize some of the political, union and internal workforce issues typically associated with transforming the workforce model through other means, such as traditional outsourcing. For example, personnel can be reassigned, and it may be possible to reduce headcount through attrition rather than layoffs. By working with an existing staff, the shared services centers' workers are also likely to be familiar with government policies. Customers may be more willing to accept the new model, as they already may know and trust the center employees.

When considering in-house sourcing, the management challenges of transforming business processes, organization structures and technology infrastructure should not be underestimated. Government organizations usually lack personnel with experience

in creating and managing a shared services center, and they must learn as they go. They do not have access to best practices and may not have the project management and implementation experience to undertake such a transformation. Thus, with an in-house implementation, what may begin as a cost-containing endeavor may actually end up costing more if the implementation is flawed or never fully completed.

Co-sourcing

Co-sourcing is a promising model for public-sector shared services. In it, the government uses a strategic business partner that links its remuneration to the achievement of agreed-upon benefits. Co-sourcing typically involves a long-term relationship with a vendor and gives appropriate control to the government and its partner. The decision making, the transformation process and the subsequent running of the shared services centers are all a joint effort. The government typically retains ultimate control and oversight of the organization, although the partner has significant involvement in making decisions.

Co-sourcing shared services has yielded some spectacular successes in the private sector. For example, when travel company Thomas Cook UK needed a business turnaround, it decided to move its finance, information technology and human resources operations into one shared services center. However, it determined it did not have the skills or money to set up a shared services center on its own, especially given the magnitude of other tasks on its managerial plate. The company also did not want to move in small steps. Through co-sourcing, Thomas Cook UK contracted with a long-term provider that could offer not only an infusion of shared services skills but also flexibility to smooth implementation and operating costs over time. Its business partner shares in risks and savings, which are reinvested in the business. Thomas Cook UK credits the co-sourcing arrangement as a major part of its recovery from a UK£ 20 million loss to a £36 million profit in one year.

Governments may find co-sourcing an attractive option because it gives them the benefits of private-sector skills without requiring the employee transfer typically associated with full outsourcing. It also provides governments a way to pay for the move to shared services; co-sourcing typically is a value-based arrangement. The external provider usually pays for initial investments and then recoups those costs as the new model begins to realize savings for the government. With that incentive, the vendor will continually look for new ways to get the shared services operations to return greater benefits more quickly. By getting an infusion of private-sector skills during the transformation process and running of the shared services centers and by linking remuneration to agreed-upon delivery levels, governments also reduce the risk of failure.

Public/private joint venture

In this model, a public-sector organization mitigates risk by sharing responsibility with a private-sector partner. In this way, it is similar to co-sourcing but in a legal construct. A joint venture is a relatively new model in the public sector, but it is generally undertaken when a government wants to be more entrepreneurial. The government's long-term view may be to have the shared services organization actively solicit and eventually add other unrelated government entities. The result will be to continually drive down its own costs by spreading costs across multiple organizations.

People performing administrative tasks in the joint venture's shared services centers typically are contract workers, and management and oversight remain primarily government responsibilities. The approach has the advantages of giving visibility and insight into the whole shared services operation. The government organization reduces the chance of unpleasant surprises, because it remains involved at the management level with the operations of the shared services center. It frees itself from much of the human resource effort associated with employing a large staff. By employing contract workers, it may realize benefits from a lower-cost workforce.

When the government has management and oversight of the shared services operation, however, it also has ownership of the associated headaches. This model is open to many of the same workforce challenges inherent in true outsourcing, such as labor union resistance. Management may have difficulty dealing with issues that may arise in a culture clash between two organizations operating with distinctly different motivations. Without the financial incentives of meeting deadlines for management, budgets and schedules can slowly expand. Because it will not have access to the insight that comes from belonging to a parent organization that implements shared services centers on an ongoing basis, the leadership team will be in a poor position to take advantage of process and technology improvements as they occur. In addition, once the service center is up and running, there may be less incentive for continuous improvement than when the centers are operated solely by a private-sector company continually looking for ways to improve financial returns.

Business process outsourcing

Business process outsourcing is at the far end of the shared services sourcing spectrum. In this model many of the government employees become employees of the private-sector provider. For example, the City of Copenhagen recently entered into a six-year transformational outsourcing arrangement with a vendor, in which a third party vendor runs payroll and basic human resource services for the city. In the process, 100 city employees have joined the third party vendor's staff and a brand-new human resources services facility will be established in the city.

Business process outsourcing has great appeal for governments facing intense pressure to change and economize in a short time frame. For a government in financial difficulty, business process outsourcing provides a means to guarantee that the shared services centers will be completed and holds the prospect of returning the benefits quickly. It also provides the government the most predictable costs by transferring the risks of increasing costs to the outsourcing provider. When flexible financing comes into play (for example, pay-for-performance models), business processing outsourcing becomes especially attractive.

Business process outsourcing also may be the most effective way of ensuring a transformational outcome. Implementing successful shared services is not easy. It requires a level of expertise that may not exist in the government organization but which an experienced business process outsourcer can provide easily. True shared services is about transforming the business processes and transforming the organization. Usually, the best way to do so is to start with a clean slate, which business process outsourcing provides. As part of the transformation, shared service implementations usually involve new and complex technologies, such as modern ERP systems, workflow capabilities and imaging equipment. By using an experienced outsourcer, specifically one with a track record for implementing technology to improve business processes, the government organization has a good measure of assurance that the job will get done and will get done right.

Accenture believes that the trend toward sourcing shared services centers will move increasingly toward business process outsourcing in the private-sector arena. In the public sector, business process outsourcing brings with it a number of political challenges, particularly in workforce reductions, keeping jobs local and labor union issues. The business case for building shared services centers through business process outsourcing relies heavily on labor savings. Much of the value comes from moving to a shared services model that uses fewer employees and lower-cost employees (potentially at remote locations) while providing the same level of service. A government entity may believe it cannot reduce its workforce or must provide jobs to citizens within its jurisdiction. In that case, what is its incentive to explore business process outsourcing?

The answer is in the additional value that a business process outsourcing provider can bring. A provider may already have administrative systems implemented that can be leveraged for the new government client. In this case, the government entity taps into the shared services operations that an outsourcing vendor is already running, giving the government an implemen-

tation at a much faster pace. The US Transportation Security Administration (TSA) took this approach. It outsourced its core human resources activities and had a comprehensive human resources services system available for all 64,000 of its employees just six weeks after the contract start date, with enhanced functionality phased in after the initial service start-up.

Outsourcers are also able to provide focus and commitment to an extent that is usually not achievable within an internal organization, given other business imperatives. An outsource provider can bring industry and process specialization that drive continuous improvement and increases in service levels. What was a back-office support function is a core business for the outsource provider.

Finally, an outsourcer can provide motivators that are different from those of governments, through greater financial incentives and more career options. Although not attractive to employees who may be willing to trade lower pay for greater job security, these incentives often are effective in attracting a very capable workforce. When each worker is more highly motivated, productivity improves—and the government realizes greater value for every dollar directed toward salaries.

Despite all the reasons for the trend we see toward outsourcing, government organizations will still face significant challenges in pursuing this option. First, they will need to overcome a distrust of outsourcing that is pervasive in the public sector. We believe the way to do so is to investigate the backgrounds of potential outsourcers to find one with a reputation for honesty and fair dealing. Then both parties should approach the relationship as partners rather than as contractor and customer. Implementing clearly defined SLAs that provide for continuous improvement also mitigates the risks—and the fear.

Dealing with labor issues is another looming challenge. These issues include securing labor union agreement to change the number and types of jobs, as well as the possible need to revise working condition agreements, grievance procedures and other parts of the typical labor agreement.

Accenture research into government outsourcing has shown that workforce issues are not insurmountable, but they do take dedicated focus and attention. In a recent Accenture study, *Outsourcing in Government: Pathways to Value*,[2] executives who had dealt effectively with workforce issues all echoed a common theme: the need to involve union representatives early and often. They suggested identifying the sticking points—fears of job loss, loss of pensions and other benefits—and mapping out a strategy for dealing with each one. Finally, they suggested that whatever the strategy, the government organization must communicate aggressively and make workforce transitions as rapidly as possible to minimize disruptions.

[2] For a copy of this report, please visit www.accenture.com/government.

Leading practices in shared services

Accenture experience shows that the considerable gap between average shared services centers and top performers is directly related to the extent to which the leading centers employ these critical leading practices:

Garner and sustain executive management sponsorship.
Moving to a shared services model affects an entire government. Do not try to lead it through an information technology department. Instead, a high-impact executive steering committee focused on driving the business case must champion the cause.

Articulate a well-defined mission, vision and future operating model.
The project should be organization focused rather than systems focused, resulting in a greatly improved service delivery capability for internal government operations.

Clearly define the business strategy, objectives and the scope of services.
Once the mission and vision have been defined, develop a shared services strategy that is designed to get the organization to that visionary end point. Abandon extraneous objectives.

Build a strong business case.
There must be compelling rationale before undertaking change of shared services' magnitude. A strong business case will allow the government to make sure the shared services program is on track and is what reform leaders will reference to prove that the implementation is delivering value. A strong business case will be a constant—helping the shared services implementation weather ups and downs that may arise from election turnovers, changes in organizational strategy or budget crises—by always delineating the initiative's value.

Focus on improving customer service.
Improved customer service is a huge, often overlooked benefit of shared services. If service quality suffers, customers gradually move back to their old ways of doing things. Focus on service from day one, and keep it a priority.

Collaborate closely with unions.
Governments frequently point to union issues as the largest roadblock to implementing shared services. To build union support for organization/position changes, involve them early. Build a workforce model that anticipates the major sticking points and have a solid plan for dealing with each one of these. This is particularly important when using business process outsourcing.

Put quality shared services center leadership in place.
The shared services leadership team refers to the person with overall responsibility for the shared services centers and the people who report directly to him or her. Important attributes for these leaders include deep end-to-end knowledge of the shared processes/functions, a customer-oriented mindset, an entrepreneurial flair, strong interpersonal skills, an ability to delegate effectively and a process improvement mindset.

Acquire quality shared services center personnel.
To serve an undoubtedly diverse customer base, the people at the heart of a shared services center should bring a strong team skill set, significant breadth of experience and a diversity of perspectives.

Implement rigorously standardized and automated processes.
The path to shared services excellence is through rigorous process standardization and automation across the entire government. Any data that comes into the transaction-processing shared services centers should be normal, standard and expected. Making the customer share responsibility for the process helps catch errors and, over time, motivates the customer to get it right the first time.

Emphasize change and journey management.
Successful shared service project leaders emphasize change management techniques to ensure acceptance and traction of the outcome. They invest considerable time in communicating the changes to come and developing training to ensure a smooth transition.

Build a solid technology platform.
The technology infrastructure of the shared services program is the basis for all automation improvements and for supporting additional organizations over time. Therefore, it is the key to realizing additional value over time. Make sure the technology platform chosen is equipped to add scale or enhanced technologies over time.

Use a "Greenfield site" if possible.
A Greenfield site is a shared services center that is built from scratch as an entirely new entity separate from the parent organization. If feasible for the government organization, Greenfield sites can take advantage of lower-cost facilities and lower-cost local personnel who are not tied to an old way of doing things.

Build a call center in the shared services center.
The very best implementations include building a call or contact center that acts as the front door to the shared services center. This is a frequently neglected practice. Call centers give a way to track demand, manage workload, provide best service and, most important, keep process workers focused on their core duties by freeing them from answering frequent phone calls.

An implementation road map

No matter how the work to move to a shared services model is sourced, the typical shared services program progresses through a series of five phases: opportunity assessment, operating strategy, design, build and test and rollout.

Opportunity assessment. Shared services reforms begin with an understanding of where key improvement opportunities are. A government organization starts by benchmarking its operations. By comparing current operations to accepted benchmarks, the government can determine where to focus efforts to improve. Once it has identified the opportunities, it defines at a high level the value likely to be gleaned from pursuing the opportunities. This information is written as a report and reviewed by all stakeholders. It becomes the qualitative basis of the business case for moving to shared services.

Operating strategy. In this phase, the organization defines the business process scope of the shared services implementation and analyzes the current state of the functions to be transitioned. The organization defines a high-level operating model and implementation plan and quantifies the business case, which will become the ultimate benchmark of the initiative's success. It is at this stage that the affected government entities discuss the critical issues of governance of the shared services centers and what the workforce model will be.

Design. In the design phase, the government organization chooses the shared services center sites and designs all of the associated components, including the:

- Organization and process design.
- Training design.
- Service management framework design.
- Technical architecture design.
- Shared services center facility design.

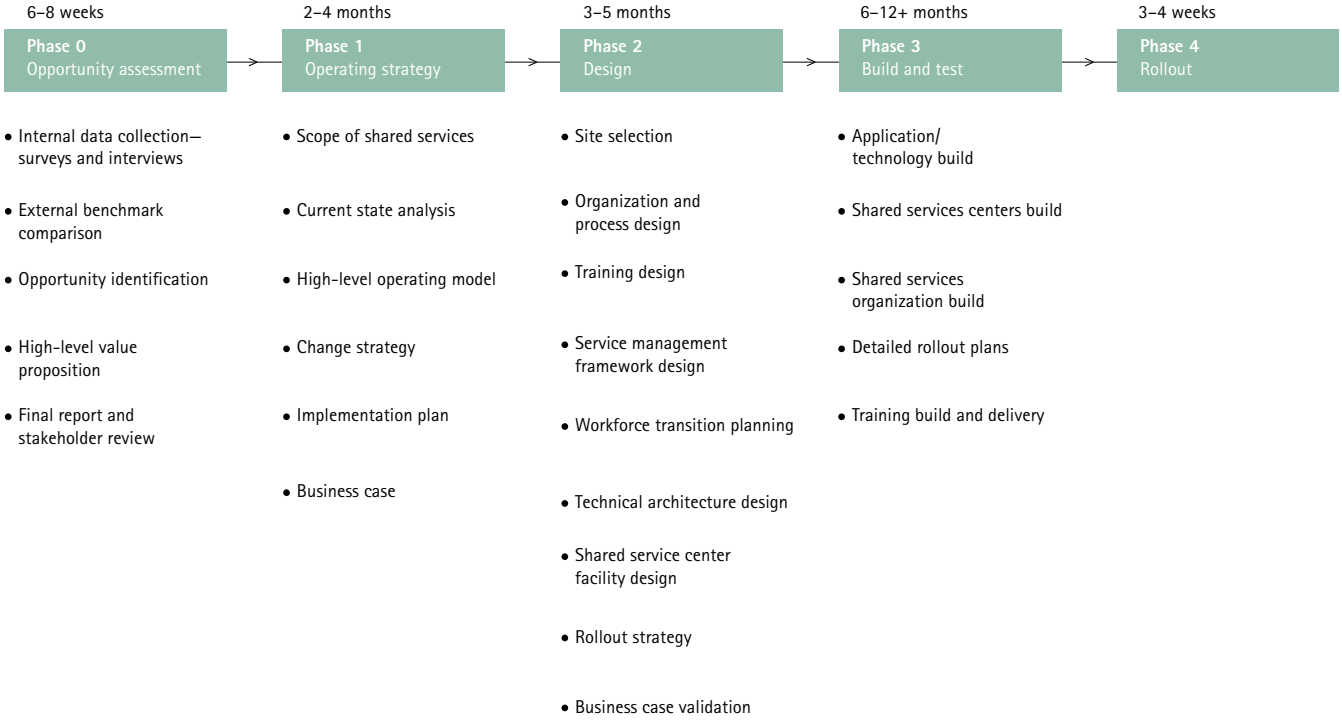
It is at this point that the organization also develops its plans for workforce transition to the new shared services model and its rollout strategy and begins to validate its business case.

Build and test. During the build and test phase, the government actually assembles the system applications and technologies, builds the shared services centers, conducts the associated training and develops very detailed rollout plans.

Rollout. In the rollout phase, all the components that have been planned in the previous phases are finally implemented. The government organization puts all of the infrastructure in place—from installing hardware, phones and desks to making sure the buildings themselves do not have leaking roofs. In this phase, the organization conducts end-user process training and issues final communications about how to interact with the shared services centers. The government organization also completes all conversions of data so that the services are ready to go from the start. After the intense rollout phase and start, the shared services move into ongoing operations and maintenance.

Although the time frame will be specific to each government organization, Figure 9 illustrates a typical shared services implementation road map.

Figure 9: Example of a shared services road map



Note: Time frames are illustrative and vary depending on organization size, shared services scope, central vs. department objectives, greenfield vs. brownfield, ERP solution status, etc.

Building shared services: before, during or after an ERP implementation?

There is no standard approach to sequencing technology and organization change. Shared services can be timed either before or after an ERP implementation, and each approach has its own advantages. Some consider implementing the ERP technology last as more efficient, because the exact requirements of the new operations will have been defined; all that is necessary is to map the right technology back to those requirements. On the other hand, starting a shared services project after an ERP implementation is advantageous because knowledge of the ERP capabilities will be much greater after the ERP system has been implemented. It will also help deliver the business case for the initial ERP investments.

Simultaneous technology and organization change takes a high level of management discipline, but the benefits include a highly integrated business solution in which all components (people, process, technology and physical facility) are designed with quality from the start. There can be no deferral of key requirements to be solved at a later date. An integrated build approach forces immediate innovation. New ERP solutions are quite process rich, and it is time consuming to develop a new process model on old technology and then reengineer when new technology is deployed. Alternatively, deploying a new ERP backbone before organizational change requires the user community to go through major changes twice, adversely affecting the ability to maintain much-needed sponsorship. When an ERP and new shared services organization are designed and built together, there is an opportunity to staff thoughtfully and train the new service organization on the new technology without adversely affecting existing operations.

Accenture believes simultaneous implementation (building the shared services centers at the same time as the ERP implementation) enables the fastest path to maximum benefits, but we acknowledge that including shared services and ERP implementation all in the same program can be overwhelming for some governments, both from a budget and a change management perspective. The ultimate decision will rest on such factors as the reasons for undertaking the changes, organizational readiness to deal with the changes and total cost.

Conclusion

Accenture believes governments are more than just *ready* for shared services—governments *need* shared services. The combined forces of increased citizen expectations, fiscal constraints and workforce demographics require governments to do much more with much, much less. These factors provide the impetus for clearing many of the political, statutory and organizational obstacles that historically have stood in the way of governments adopting shared services. Shared services will be key to transforming governments into the high-performing organizations they must become. At the same time, governments are searching for ways to get additional benefits from the investments they already have made in ERP systems. Shared services capitalizes on these investments by introducing process improvements that take advantage of the capabilities of these systems.

Implementing shared services is ultimately about undertaking government-wide business transformation. As such, it involves making political decisions with which many government executives will struggle. Yet the economic and social environment is pushing governments to make transformational change. When done properly, with an acknowledgment of the issues and a carefully considered strategy to manage them, shared services can deliver benefits that will silence critics and naysayers: better productivity, lower costs, better service for customers and greater opportunities for the workforce.

The private sector has proven the compelling benefits of shared services. It has also provided models for implementing shared services that government organizations can leverage. Although we have not covered all that can be learned from private-sector experience, we hope we have provided a catalyst for generating discussion about shared services for government organizations. The potential benefits are too remarkable to be ignored. The time is right for governments to embrace business process transformation and make shared services the standard for government administrative business processes.

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About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Committed to delivering innovation, Accenture collaborates with its clients to help them become high-performance businesses and governments. With deep industry and business process expertise, broad global resources and a proven track record, Accenture can mobilize the right people, skills and technologies to help clients improve their performance. With more than 83,000 people in 47 countries, the company generated net revenues of US$11.8 billion for the fiscal year ended Aug. 31, 2003. Its home page is www.accenture.com.

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