Shared Services:
Busting the Myths Surrounding a Powerful Tool for Agency Reform

Background

As shared services picks up momentum in the federal space, there are a number of myths that surround its use. This Breakfast Seminar engaged participants in discussions regarding definition of key shared services concepts as well as the common myths. Featured panelists included: Jason Briefel (The Clearing) as well as Angela Graziano and Rowan Miranda (Accenture Federal Services).

Concepts and Practices

The Breakfast Seminar began by engaging the audience on describing terms that they associate with the term "shared services." Among the terms used by the audience included "convenience," "cost-effective," "time savings," "resource optimization" and "value." In terms of characteristics of services that would be attractive for sharing, the participants cited "scalable," "surge volumes," "partial FTE functions," and "can be standardized." "Mission critical items" were cited as the factor that makes sharing difficult. After the engagement exercise, presenters described the various concepts and practices related to shared services and how the model differs from centralized delivery.

Shared Services involves the consolidation of business support functions (such as finance, HR, procurement and IT) from several units within an organization into one or more standalone entities ("Shared Services Centers" or SSCs) whose sole mission is to provides services as efficiently and effectively as possible. In the commercial world, the term "shared services" applies to operational unit consolidation. The Department of Commerce extracting select HR processes from its bureaus and shifting the work to the new Enterprise Services Division is an example of operational consolidation. In the federal space, the term "Shared Services" can also refer to the sharing of technology systems. The Department of Commerce's use of the HR-Connect system managed by the Treasury Department is an example of shared systems.

The shared services concept involves restructuring services to minimize duplication and achieve economies of scale and skill with services still being delivered by government employees. The term "Business Process Outsourcing" or "BPO" describes a service delivery model where the government contracts with the private sector to deliver the service. Confusing matters is that some agencies that are designated "Federal Shared Services Providers" (FSSPs) will often rely on the private sector to deliver a portion or all of the service with government employee involvement being limited.

Characteristics of the Shared Services Model

A shared services model has several key characteristics that make it quite different from decentralized, standardized, or centralized approaches such as:

- ***Distinct Unit***- the SSC is a separate organizational unit that has strong governance in place that gives customers a voice in service delivery.
- ***Customer Centered Processes*** **-** the users of shared services as viewed as customers and business partners who rely on outcomes of business processes.
- ***Defined Service Expectations***- service delivery is managed through formal service-level agreements (SLAs) that define the responsibilities of both the SSC and its customers, with metrics and costs for performance.
- ***Performance Driven Culture***-the SSC workforce is evaluated based on metrics and feedback regarding how well the business processes are functioning, all the way down to the individual SSC employee level, to foster continuous improvement.
- ***End-to-End Ownership***-the SSC manages the critical business processes behind the services it provides and monitors controls and compliance to established standards.

As federal agencies migrate to shared services models, the typical concern is that most, if not all, services could be swept up in a manner that prioritizes savings over service. Effective shared services initiatives begin by engaging a broad base of employees, customers and stakeholders to define a common process for high-volume, routine administrative services requirements. With this approach, a shared services program achieves greater consensus as to what services are best suited for the unit to retain, and what services are best performed by the SSC.

Common Shared Services Myths

With definitional concepts and practices in place, the Breakfast Seminar proceeded to examine common myths related to shared services models. Table 1 describes ten specific myths that were described and discussed.

	Myth	Description	Reality
1	Shared Services Equals Centralization	*"Our prior experience in centralizing IT was terrible. Not only did we give up our people and budget, we then had to rehire new staff."*	Shared Services differs from centralization because of the primacy of the customer in governance and service management.
2	Service Satisfaction will Decline	*"If we rely on another agency to provide financial systems to us, how do we know that we will be a priority to them?"*	Service Level Agreements (SLAs) are utilized to document contract-like expectations regarding performance and cost.
3	It is Bad for the Workforce	*"Service Center work is dehumanizing compared to the interesting jobs people have in our agency have today."*	SSCs provide greater opportunities and formal paths for career advancement for employees and provide timely performance feedback that help employees grow.
4	SSC Can't Address Our Unique Needs	*"Shared Services uses a 'one size fits all' model. We have very unique needs that must be met to effectively carry out our mission."*	Although standardized service is important in shared service models, there are ample opportunities through SLAs to vary service to meet a customer's unique needs.
5	My Agency Can Do it Cheaper	*"We conducted a 'make or buy' study. Our costs are much lower if we provide the service"* and/or *"Costs may start out lower but prices will increase sharply over time."*	Typically individual agencies do not accurately account for costs (e.g., leaving out facility space costs or utilities) in their make or by analysis.
6	Shared Services Equals Outsourcing	*"Sure it saves money -- by outsourcing jobs to the private sector who pay lower salaries and reduced benefits."*	SSCs primarily utilize government employees in service delivery. Only a small portion of the process is typically outsourced (e.g., background checks in HR). This differs from a BPO arrangement that relies on private sector workers.
7	Virtual Shared Services Works	*"Staff will work where they are today and report 'virtually' to a new shared services organization."*	A key element of the shared services model is the "co-location" and "collaboration" that requires the SSC workforce to be in proximity. Although remote working arrangements are increasingly common for a portion of the SSC workforce, a virtual model is difficult in achieving scale economies and creates other logistical issues.
8	All Responsibility is Shifted to the Shared Services Center	*"Shared Services allows us to get completely out of a line of business. We are no longer responsible."*	The processes under a shared services model require joint-responsibility. For nearly every process, there are specific responsibilities for the SSC, for the unit/customer, and for central functions (e.g., policy, audit and compliance).
9	Any activity can be moved into a Shared Services Center	*"Lets move all of HR or Finance from our Bureau to the Shared Services Center."*	Candidate processes for inclusion in a shared services model are typically those that can be standardized, constitute routine tasks, and associated with high volumes. There are many processes that don't have these characteristics that are often retained at the unit level.
10	Shared Services has a Beginning and an End	*"When implementation is complete, our work is done."*	Continuous improvement is a key element of the shared services model. Whether the focus is on cost, quality or compliance, high performing SSCs improve year after year.

Conclusion

Given the publicized struggles of organizations that seek to adopt shared services models, the concerns of federal agency executives may be warranted. Designing and implementing shared services is challenging precisely because it constitutes a transformation – organization structures, processes, workforce roles, policies and procedures, and technology are often changing all at once in a shared services initiative. Yet the evidence for shared services is compelling. More than 90% of the Fortune 500 rely on the shared services model in some way. The federal government has many more successful examples of shared services (e.g., Treasury Accounting Resource Center, Interior Business Center, National Finance Center) than failures. This first SSLC-NAPA-SEA Breakfast Seminar introduced the shared services concept, discussed myths associated with it, and outlined its promise to transform federal agency administrative structures.