



Briefing November 2005

Implementing Shared Services in the Public Sector Lessons for Success

Shared services are taking centre stage in governments across Canada. As productivity becomes a watchword in public sector environments, leaders are turning to business models that can help them gain cost efficiency and transform their administrative processes. Shared services present a viable and timely solution to their challenges.

The shared services model has already demonstrated costs savings for the private sector. By consolidating similar business processes in a single entity and applying enterprise-wide technology, companies have upgraded the effectiveness of their delivery of internal services.

A number of public sector organizations in Canada and several other countries are taking the lead in implementing shared services. They have gained direct benefits from shared services by substantially reducing the cost of internal government services. These organizations know

how to tap into the power of technology and use it to streamline processes and move scarce resources to critical areas. Like any change initiative, their success turns on their skill and commitment to implementation.

There is much to be learned from their experience. The Conference Board of Canada, in partnership with Accenture, undertook this study to examine how public sector organizations are implementing shared services. This briefing provides insights on the hurdles governments have overcome and the lessons to be learned from implementing this kind of change.

THE PROMISE OF SHARED SERVICES

There are several tangible benefits derived from shared services. The prospect of saving 20 to 40 per cent on internal services is a strong argument for the pursuit of shared services. For example, public sector organizations have

achieved dramatic savings in the costs of payroll processing, accounts payable and purchasing. Furthermore, shared services can increase customer satisfaction and productivity through the use of call centres, reduce turnaround for recruiting and eliminate rework in financial processes.

Standardization of business processes helps to ensure better and faster access to information in support of organizational decision-making. It also increases management's flexibility, when adapting to new organizational alignment, particularly during restructuring and reorganization. Over time, building capacity in back-office processes helps to free up resources that can be productively applied to front-line service delivery.

While shared services have yielded positive results in public sector organizations, leaders must assess whether a shared services strategy is right for them. For political leaders, there is the question of whether shared services can improve their organization's cost effectiveness. For leaders in senior central agency management and line management, the yardstick will be improvement in the quality of service. These executives must be convinced

that the adoption of a shared services model will help them to improve service delivery and create value for their clients—as demonstrated by improved outcomes at a better cost.

Two-line callout

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Successful implementation requires a sea change in the way the organization is managed. Managers will need to rethink the governance model, strengthen accountability in the organization and develop supporting performance agreements. They must also recognize the distinction between transactional processes and the strategic processes that are part of each functional area. Separating the two provides a basis for identifying the right candidates for shared services. Similarly, they will need to ensure that sufficient service investment is being made, foster client-focused relationships and help staff to move to a service-minded culture.

ADDRESSING THE BARRIERS

Even if governments embrace the concept of shared services, bringing it to life means carefully navigating the barriers and resistance that shared services conjures up. The shared services concept fosters organizational resistance for three important reasons. First, shared services create economies of scale by bringing together similar processes across a range of departments or organizations. Functional managers in these departments may believe that only they can provide services to internal clients. Proponents of shared services should convey the message that consolidating transactional processes will not detract from strategic functions, which will remain the purview of individual departments. And they can demonstrate that shared services help to streamline and improve business processes, providing an enhanced level of service.

Secondly, the natural tensions between horizontal and departmental accountabilities within government give rise to the concern that department heads cannot be held accountable for services provided to them by other organizations. Well-conceived shared services can offer greater clarity about the levels of service delivery, as well as assign responsibility and clear consequences for the provision of services. In this way, accountability can be strengthened.

Learning from Public Sector Practices

Each of the public sector organizations studied moved well beyond the concept of shared services to the implementation stage. Using a case study approach, field interviews were conducted with leaders of shared services organizations as well as clients of shared services to gauge their experience with the provision of shared services. Our findings reflect information provided by:

- Alberta Corporate Services Centre
- British Columbia:
 - Solutions B.C.
 - B.C. Public Service Agency
 - British Columbia Buildings Corporation
- Canadian Blood Services
- RCMP: Canadian Police Information Centre
- Edmonton, Alberta: Capital Health Regional Authority
- United States federal government: Cooperative Administrative Support Units
- Ireland: Eastern Health Shared Services
- United Kingdom:
 - National Health Service Shared Financial Services
- Canada:
 - Natural Resources Canada
- New South Wales, Australia: NSW Businesslink
- Government of Ontario:
 - Ontario Shared Services
- Toronto Hospital Business Services

Third, vying for senior management’s attention is a barrier. As departmental leaders, their primary goal is to deliver programs. Shared services focuses on internal administration, which tends to have less prominence than policy and program requirements. Shared services organizations can help to assure departments that their internal service delivery is being well-managed. At the same time, greater capability in shared services can shift scarce resources away from transactional processes to the front line of program delivery.

IMPLEMENTING SHARED SERVICES: LESSONS LEARNED

Once the vision of shared services is in place, the concentrated effort of implementation begins. Getting to the starting line is a joint responsibility, reflecting both political and administrative commitment. Organizations in this study offer the following lessons in implementing shared services.

1. VERIFY THAT THERE IS STRONG SUPPORT FOR CHANGE.

At the political level, attention must go beyond the announcement of the initiative to ensure sustained engagement throughout the change process. This can translate into political commitment to the funding requirements and facing tough decisions about how and where government’s work will be done. At the same time, organizations need to recognize that change will not happen immediately—a message that is critical to communicate when initial announcements are made, particularly with respect to long-term political commitment.

Three-line callout

Three-line callout

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Strong political support in the earliest stages sends the right signals internally that the government is serious about shared services. Executives must be attuned to the fact that this commitment can vary over time—especially, given the length and nature of the political cycle.

To ensure sustained political support, parallel and equally strong senior management leadership is needed. Direction from the head of the public service is vital for making shared services work. This individual can hold

departmental heads to account for the success of the venture by reflecting commitment to shared services in their performance contracts. The contribution of shared services to overall efficiency is reinforced by reviewing progress and difficulties at regular deputy meetings. Deputies should also be engaged in the transitional planning and the evaluation of the shared services organization.

2. ENSURE THAT THERE IS EFFECTIVE GOVERNANCE AT THE OUTSET.

These public sector organizations have learned—sometimes through hard experience—that strong and balanced governance structures need to be in place right at the beginning. Assuming that good governance can be established down the road can result in delayed investment decisions, milestones missed, unhappy clients and “drift” in the shared services strategy. Clarity about who is involved in decision-making, how decisions are made and accountability arrangements must be determined up front. Disputes about the reporting relationship of governance committees, whether or not they are deemed as full-fledged boards and how their performance is assessed all need to be resolved early on.

Balanced governance is a hallmark of effective shared services. There are three key players in the shared services model: the central policy units that establish standards for the functional areas included in shared services, the user departments purchasing the services and the shared services organization itself. Each has an interest in the strategic success of the initiative.

Balance also enters into the two roles that each deputy head plays. They are CEOs in their own organizations, with responsibility to a minister for program delivery. They are also part of the collective senior management team, responsible for the success of enterprise-wide initiatives like shared services. To ease the potential for conflict between these two roles, shared services organizations should establish service-level agreements, provide some assurance that the immediate impact on the client’s staff and resources will be addressed, and ensure, to the degree possible, minimal disruption to the client’s operations.

Governance must go beyond consultation and “window dressing” to assure users that the decision-making processes are legitimate. Otherwise, key members will send delegates or find other means of influencing the outcomes of the shared services organization. Nor should the governance be delegated to the shared services CEO.

Some organizations tap into the experience and objectivity of external representatives on the board, including those in the private sector and non-governmental sectors, to short-circuit this type of action.

3. ALLOCATE SUFFICIENT RESOURCES TO MANAGE CHANGE OVER THE LONG HAUL.

Implementing shared services generates significant change, and can create a degree of anxiety for those directly and indirectly affected. This can result in confusion about roles and hampered service delivery, leaving people uncertain about their future.

Executives emphasized the need to ensure that the resources—change expertise and sufficient financial support—are in place to smooth the transition. In several instances, too few resources were set aside to enable the shared services leadership group, its staff or its new clients to deal with the impact of change.

Although some of this can be attributed to resource constraints, it also reflects a lack of understanding about how change impacts people's lives. Successful change management requires ongoing attention and nurturing. It also demands an ability to bring reality to the vision which has been articulated for shared services. Clarity and training to support new staff roles and responsibilities within the shared services entity need to be in place. This is particularly critical as new relationships are established—one bad service experience can cause irreparable damage.

Two-line callout
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4. CHOOSE THE RIGHT KIND OF LEADERSHIP FOR THE SHARED SERVICES ORGANIZATION.

The leader of shared services has to be seen as a winner and a positive force in the change process. This person needs to build trust and confidence among skeptics, many of whom are only too eager to see a service breakdown as a sign that the whole concept will not work. The leader must strive to manage expectations about the objectives, the timing of gains and the complexity of the change management process.

The qualities of leadership needed to bring shared services to life include a commitment to seeing the change process through. In some instances, one individual was

responsible for creating the shared services entity, while another was charged with implementation. Sometimes, in the early stages of creating the new shared services entity, transferring staff and rethinking who will carry out administrative processes can demand tough negotiations and generate conflict that make it almost impossible for the shared services creator to carry on successfully.

Several executives leading shared services had experience with implementing shared services, often in the private sector. This honed their belief in the value of shared services. And all executives had a depth of experience in change management processes, providing them with the skills and perseverance that were crucial to their success.

5. ADDRESS RESISTANCE HEAD ON.

Implementing shared services generates both active and passive resistance, based on fear of the unknown, not being persuaded of the benefits or weak support from leaders in client departments. While resistance can slow down the implementation, it can also be turned around to good effect. Challenging questions should not be seen as negative.

Active resistance includes the unwillingness to transfer staff with the needed skills from line departments to the shared services entity. Another form of active resistance comes from the belief that being part of enterprise-wide shared services could be optional. Wavering by senior officials can give licence to those in key bureaucratic positions that it is all right to hold back or opt out as an active avoidance strategy. The personal fortitude of leaders and their ability to communicate effectively are critical success factors in staying the course.

Passive resistance can come in the form of executives who pay lip service to shared services. They take part in the committees, but their actions and behaviours demonstrate a lack of commitment. Their public pronouncements may be supportive of shared services, but their time and resources disproportionately favour their own department's needs.

The value of getting people together in the same room and seeing that they have common issues cannot be underestimated. One executive noted that, "the resistance goes away when you show people what can be done and how it can benefit them. There will always be friction points, but you need to help people see the big picture and that the purpose is right."

6. ENGAGE KEY STAKEHOLDERS IN THE INITIATIVE.

The success of shared services depends on the commitment of all stakeholders—in the user departments, the central agencies and the shared services entity. Not surprisingly, the benefits of shared services are first evident to those who are setting out the vision and leading the change. Shared services leaders have to balance communicating the message that things will be quite different with their conviction that change is manageable and that the results will be worth it. They must also ensure that their clients and the central agencies have effective ways of staying abreast of changes and communicating their own needs. Shared services leaders emphasized the need to interact regularly with users, while consistently demonstrating the power of shared services to provide value to clients.

Department heads must actively support the corporate commitment to shared services for this concept to succeed. They must see something for their organization in the shared services approach—notably, improvement in service quality and greater flexibility. They will value receiving assurance that changes will not impact their operations negatively.

Functional leaders in finance, human resources, information technology and procurement within the related policy organizations have significant expertise. They are a vital component of shared services implementation. Although they may feel that their role has been diminished by the transfer of business processes to shared services, they can provide guidance on policy and standards of service that are core to ensuring relevant and high-quality services. Those leading shared services need to develop mechanisms to enhance the connection to these functional experts.

7. EASE THE TRANSITION OF STAFF INTO NEW ROLES.

The scope of change and its impact on the people in the organization needs to be addressed. Loss of jobs or the threat of job loss, new reporting relationships, working with unfamiliar people, and brand new shared services entities are all difficult for staff. As front-line staff are moved into new roles in the shared services entity, they may feel detached from their home department, anxious about the skills required, or worse, that they will feel like “second-class citizens”.

Thus, departmental leaders and middle managers play a crucial role in supporting people in the transition, helping them take on new roles, often in new physical locations. One leader noted that her first priority upon joining the shared services organization was to “motivate people, tell them they were valued, and quickly develop a brand for the organization.”

Two-line callout

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Engaging unions should be part of the strategy for creating the shared services organization right from the start. Experienced shared services leaders note that, by making this a priority early on, they are much better positioned to benefit from an engaged staff. They have suggested the following approaches:

- Providing timely information to affected staff and their representatives;
- Undertaking consultations with unions and their members; and
- Ensuring that consultation and information processes are consistent for all audiences and take place throughout the timeframe.

There is a significant change in mindset that needs to occur as shared services organizations move to a more client-focused environment. In emphasizing the importance of service excellence, it is imperative that people are not made to feel that they have not provided excellence in the past.

Successful transition to this new culture is aided by workforce training and development, particularly in areas related to customer service and process improvement methodologies. Development is also critical to building “centres of excellence”, in which shared services staff can develop highly specialized skills that provide value across the government.

8. BUILD TRUST THROUGH SERVICE-LEVEL AGREEMENTS.

Shared services leaders need to spend a lot of time, particularly in the start-up phase, building trusting relationships with key players. With new arrangements for buying and receiving services, those in user departments will need to be assured that they can rely on delivery of

those services and that they will have recourse, when there is a service failure. Service-level Agreements (SLAs) provide clarity and value in service delivery and hold both the provider and the client to account. SLAs are also a way of giving the department or agency head confidence in the organization's ability to deliver the service they require.

Creating these SLAs often challenges both parties to define their service parameters for the first time. A positive side effect is that greater accountability can be achieved through more precise measurement. Developing appropriate and detailed metrics is intensive, but essential work.

Most organizations recognized that SLAs need to be reviewed regularly and are likely to evolve over time. As trust is built, service level agreements become less of a reference point and more of a foundation, upon which innovative solutions can be built.

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Four-line callout.

Four-line callout.

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9. BUILD ON PROCESS IMPROVEMENTS.

Organizations recognize that implementing shared services lays the foundation for re-engineering business processes and major improvements in service quality. Standardized business processes go a long way toward improving productivity and performance by eliminating duplication, improving timeliness and making better use of resources. Executives cautioned, however, that shared service organizations need to achieve a minimal level of stability in their processes before they undertake re-engineering.

Organizations in all sectors are moving aggressively to implement common systems, particularly in human resources and finance. These systems, referred to as ERP (Enterprise Resource Planning), were considered to be a valuable tool in standardizing business processes, but not obligatory in the early stages of shared services. Over the longer term, however, ERPs provide a platform for gaining greater operational efficiency and service improvement, enhancing the value-added offered by shared services.

10. CONTINUOUSLY REVIEW PERFORMANCE AGAINST TARGETS.

As shared services are implemented, leaders will need to know whether services are more effectively delivered and whether the new arrangements are being adequately supported. Organizations must develop measures that will give them this information—both inside the shared services entity and within the departments themselves.

Once the shared services operation is in place, it is essential to find out what services are of value to clients, and to measure and report on attributes such as quality of service, timeliness and turnaround, as well as improvements in the cost of services and staff's capability. Over time, organizations can include more complex measures for such features as innovative capability and professional knowledge. Leaders noted that these measures can only be captured later if they are consciously built into business processes during the design phase.

Information about performance can be gathered through surveys or face-to-face dialogue, which can help to identify what aspects of service delivery generate the greatest level of satisfaction and dispel misconceptions about what the client values.

Developing baseline measures on a function-by-function basis creates confidence in senior executives that shared services will result in greater efficiency and effectiveness. This vital information helps them to evaluate the improvements that have been made and what benefits have been gained. One shared services executive emphasized that, "you need to be able to demonstrate the value you are providing. When people see that things are improving, you can get people to change the way they work."

CONCLUSION

The implementation of shared services in Canada and in other countries has created a considerable body of knowledge and experience. Much can be gained from these pioneering efforts and the transitions that these organizations have already been through. As in other change management efforts, the lessons from others must be judiciously applied. Drawing on collective experience does much to reduce resistance and risk, and to open people's eyes to new ways of seeing.

**Two-line callout
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The organizations studied emphasized that shared services can be a driver of further change. As the initial objectives of cost savings are augmented by meeting client needs and ensuring service quality, the barriers to implementing change start to fall away. Building trusting relationships between the service provider and clients provides a foundation for additional innovation in the design and delivery of services, as clients develop new needs and service providers gain expertise.

As organizations tap into the potential for true transformation, their returns grow significantly—but so do the stakes. Issues such as physical consolidation, the movement and/or elimination of jobs and the transfer of responsibility for business processes to others will mean that the principal barriers to change focus less on the processes and more on “people and politics” issues. For those advocating and leading shared services, meeting these challenges will demand courage and determination. In the long run, the sustainability of shared services will come from leaders’ ability to link the change effort to the larger reforms of government, as well as on the ability of shared services organizations to deliver on their promises.

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This briefing is a summary of a detailed report and set of case studies.

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