

Keys to Successful Public Sector Shared Services Implementations: Focus on Governance

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Experienced government executives reflect on the keys to driving high performance through shared services.

The future is already here, a technology guru once quipped—it's just unevenly distributed. The same could be said for the take-up of **shared services** models in the public sector.

Previous research published in the Accenture Government Executive Series (see "Driving High Performance in Government: Maximizing the Value of Public-Sector Shared Services" published in 2005 by Accenture) has found that high percentages of agencies have already implemented shared services programs of one type or another. Yet take-up of truly transformational shared services models is still uneven at best.

Our research found several reasons for the inability of many governments to achieve the full potential benefits of shared services. Foremost among those reasons are the unique challenges in implementing a program that achieves cost savings while also delivering service improvements that result in greater value for governments and the citizens they serve. Establishing and realizing a business case, and then defining clear goals and objectives, can be difficult in the public sector, especially one with decentralized decision-making authority. The lack of reliable baseline data hampers the ability of governments to assess their progress and the impact of change. Workforce transition and overcoming resistance to change are also extremely vexing to most government executives.

What can be done to overcome these challenges so that higher numbers of governments can use a shared services model to drive high performance? To answer this question we are preparing a series of papers focusing on specific issues of shared services implementation. Based on our work with private sector organizations that have realized impressive returns on their investments in shared services, we are exploring the implementation considerations that are most challenging when moved over to the public realm.

This paper is the second in a series exploring shared services in the public sector. Our first, produced in 2005, discussed workforce issues that can arise when governments move to a shared services model. In this second paper, we focus in particular on the governance structures and tactics most conducive to success. Government shared services are implemented primarily within the four critical functions of human resources, finance, procurement and information technology. Accordingly, to explore key shared services implementation considerations, we conducted in-depth interviews with government executives from each of those four functions who have successfully implemented transformational shared services programs. As government executives have become increasingly aware of the opportunities and benefits of shared services implementations, there are now a number of important success stories at the municipal, state and federal levels in most regions of the world.

Governance-related topics explored in this paper include:

- Overcoming cultural resistance
- Building effective executive sponsorship
- Planning and executing effective communications programs
- Securing ongoing funding
- Creating pilots and demonstrating quick wins
- Creating accountability and measuring progress

By exploring how to adapt corporate implementation models for shared services, and pairing such models with reflections from government executives, these papers seek to deliver a powerful set of insights lighting the path toward greater public sector value.

Subsequent papers in this series on implementation issues in government shared services will explore additional topics, and may include issues such as:

- Developing a business case for public sector shared services.
- Designing the shared services center.
- Rolling out and operating the shared services program.

From Vision to Implementation: A Model for Successful Shared Services

The process of shared services design, implementation and operations journey is by no means an easy undertaking. It does not happen by accident: it requires desire, discipline and the ability to **execute** to a plan. Shared services is more than simply moving people together into one location and giving them a common system. It involves a change in mindset and an increased focus on the business.

Successful implementations integrate processes, people and technology to deliver a totally new business capability. Based on successful implementations in our experience, shared services implementations can be designed and executed according to four overlapping phases (see Figure 1):

1. Assess the potential value.

In this initial phase, a government agency and its executives determine the value of implementing a shared services model, and they develop a high-level plan. Deliverables developed during the value assessment phase address several vital questions:

- What are the expected benefits of a shared services delivery model?
- What should the shared services organization look like, how will it operate, and where will it be located?
- How is shared services implemented and how long does the implementation take?
- How will the organization make the transformation to shared services?

Ultimately, the assess phase results in a report with a straightforward "Go/No-go" decision: Should the shared services opportunity be pursued or not? A successful assessment phase answers both the detailed questions and the final question whether to proceed by defining the vision and strategic objectives, developing the operating model and implementation plan, and qualifying the opportunity via a business case. This initial phase typically can last from two to three months.

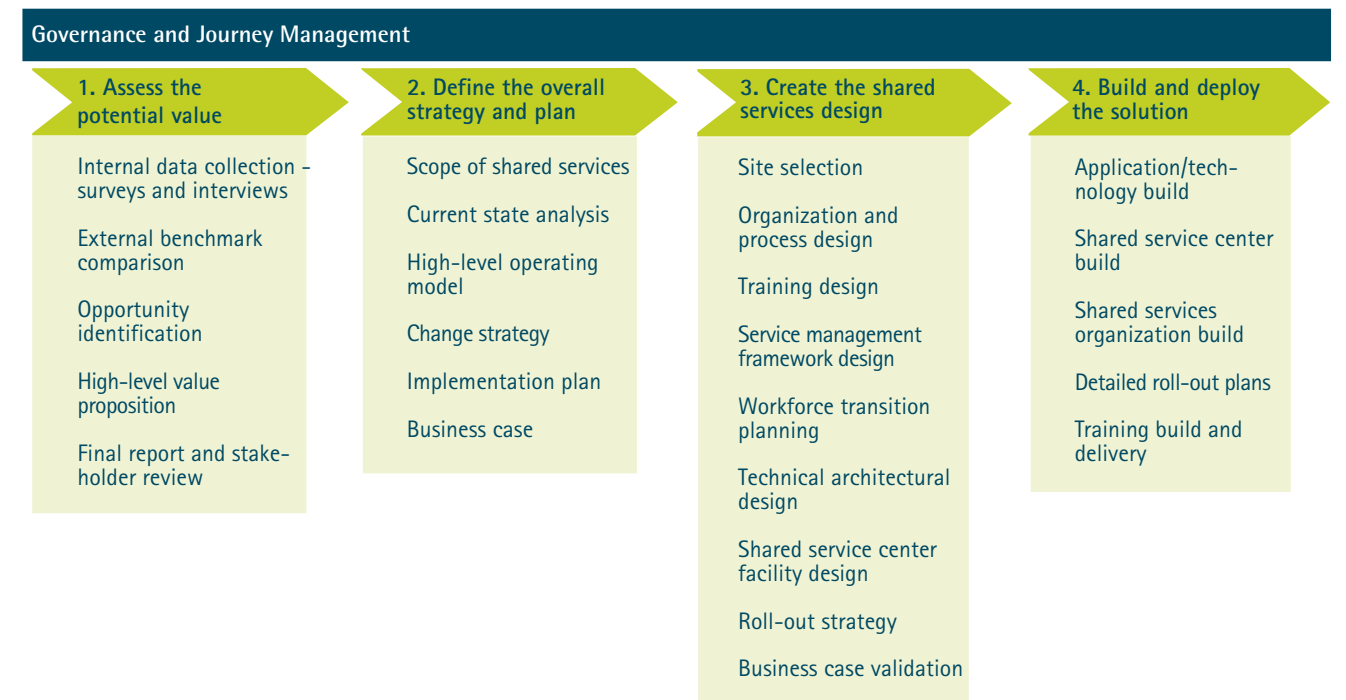
2. Define the overall strategy and plan.

The most successful shared services implementations begin with an effective plan and strategy. The more discrete and compartmentalized the strategy and implementation plan, the easier it is to manage to the desired outcome. The plan must encompass all aspects of the project itself (tasks, deadlines, deliverables) as well as identify the impacts of other concurrent projects, outside of shared services, on the implementation.

Several critical planning activities take place in this phase of work. Clearly defining the scope of the new organization, for example, is essential. The scope must be broad enough to achieve the benefits desired from a standpoint of cost savings and efficiency improvement, but compact enough not to overwhelm the organization as a whole.

Organizations must also conduct a thorough current state assessment that identifies what an improved service delivery model would look like, what gaps must be filled to reach it, and what the value of pursuing the shared services model is to the organization. This gap assessment forms a key input to the development of the operating model and fact-based business case, something begun in this phase of work and then validated in the design phase. The planning and strategy phase of work can be completed in two to three months. Organizations that take more than six months for this phase may be getting into too much detail. Or, worse, a delay

Figure 1: A model for successful public sector shared services implementations



could be a danger sign that the entire project is being derailed.

3. Create the shared services design.

In the design phase, organizations define, in detail, the components of the new shared services operation. The shared services operating model should remain at the heart of the effort, outlining the goals and strategic objectives for the design team. The deliverables developed during the design phase address the following key questions:

- What will the final process scope of the shared services center be?
- How will business processes be executed?
- What will the shared services organization look like? What roles will resources play? What roles will resources remaining in the operating units perform?
- What enabling technologies will be implemented and how will they be designed to work with the business processes?

- Where will the shared services center be located? What will the physical structure look like?
- How will the organization be prepared for the transition to shared services? What communications and training will be provided?
- How will services to customers be managed? What guidelines will be established for measuring service levels, as well as customer and employee satisfaction?

While the major workstreams of the design phase will be conducted by separate teams, close integration is important to ensure the design is holistic and meets the strategic objectives of the new organization. The design phase typically lasts from three to five months. As with the strategy phase, delays here may suggest underlying problems. Internal politics may be taking over the decision making.

4. Build and deploy the solution.

The build and deploy phase moves the shared services program beyond theory so that the shared services center organization, processes, and technology take physical form. Deliverables from this phase bring the shared services vision to life, creating the processes, systems and facility outlined and approved in the design phase. Organizations prepare the shared services center and the operating units to receive the new processes and systems designed and built throughout the shared services program. The final deliverable of this phase is a successfully transitioned shared services operation and workforce.

This final phase of work typically lasts anywhere from six to eighteen months, depending on the scope and scale of the effort. Deployment activities are generally completed in phases, transitioning a subset of the final processes and/or customers each time. A short period of stabilization is advisable after each rollout.

Governance: The "Secret Sauce" to Successful Shared Services Implementations

As implied in the overview implementation model in Figure 1, putting in place **effective** governance structures and then managing the overall journey of change are essential components to successfully delivering a new shared services organization.

It is in governance and decision making that public sector organizations have the most difficulty appropriating models from the corporate sector, since the unique organizational circumstances of governments render private sector governance strategies less effective.

The insights gleaned from our executive interviewees can be broken down broadly into two categories: broader, ongoing initiatives and tactical initiatives.

Ongoing Governance Initiatives and Strategies

Overcoming resistance

Ruth Bramson is currently the senior vice president for National Grid US, the second largest utility in the country. In her previous role as the first Chief Human Resources Officer for the Commonwealth of Massachusetts, she successfully led a major shared services program for the state. For Bramson, two

challenges stand out when it comes to public sector shared services implementations. First, governments tend to be extremely risk averse. "The mentality of most governments," Bramson notes, "is to take the 'if it's not broke, why fix it?' approach. Change is not embraced as a natural part of the workplace." Second, says Bramson, is the very difficult task of asking executives to give up some of their authority and control over both people and budgets. "Based on the new structure that we were putting in place under the shared services model, I was asking the cabinet secretaries to give up their direct authority over their HR people and have them report directly into me with dotted lines to the secretaries."

"My primary purpose in designing that new governance structure," Bramson says, "was to try to break down the various cabinet and agency 'fiefdoms.' I felt that I would never be able to make that change effectively unless I had some kind of authority over the HR directors in

the agencies. Everyone had very much of a parochial kind of mentality. Rather than all working toward a common goal, the effect was to have some people working for Labor, others for the Environment secretariat, others for Housing and Community Development, and so on."

By making this structural change, Bramson was able to address the duplications and redundancy in services across the fiefdoms. "Each of the cabinet secretaries in their agencies had gone off and started to run their own kind of HR," Bramson says. "So there was a lot of duplication in services such as training, and also critical differences in the policies that were being administered. I really needed to pull all that in, evaluate it and come up with something that was going to be much more cohesive and cost effective than it had been."

Harvey Eckert led a shared services initiative several years ago, as the Comptroller for the Commonwealth of Pennsylvania. He witnessed this aspect

of losing control and authority from both sides. On the one hand, his reorganization of the state's Bureau of Payroll Operations took the payroll and systems that formerly resided in each comptroller's office and centralized them. Says Eckert, "I have to tell you that there was a lot of resistance to being reorganized on the part of the comptrollers. They felt they were losing control of something vital to their success."

On the other hand, Eckert also was challenged himself to give up some authority when his Systems Bureau was centralized, providing oversight for a new enterprise resource planning system. "This new organization, called Enterprise Resource Services, would now have centralized responsibilities, which meant that I was losing a number of people that I also saw as vital to the way I had been operating. This was a culture change that affected me personally. I felt I was losing control of something very important."

Not all types of shared services initiatives will meet with similar kinds of resistance. For example, David Yarkin, former Deputy Secretary for Procurement with the Pennsylvania Department of General Services, was the architect of two shared services implementations, one in warehousing and the other in procurement. The warehousing initiative met with minimal resistance. "We had gone from having office supplies dropped off in bulk to 17 warehouses to having a system where they were delivered the next day to the desktop of the end users by a supplier. It was pretty clear to everyone that this new means of delivery meant that we would have hundreds of thousands of square feet of shelf space that would now be empty. So it was obvious to the agencies that leaving 17 warehouses mostly empty was not the right answer. The right answer was to try and consolidate them."

Resistance to that change was minimal—in part, Yarkin believes, because people had less day-to-day interaction with warehousing staff. "The warehousing staff is usually offsite, while the procurement staff office is co-located with the management of the agencies. They are in the same building; they see them on a daily basis and thus they come to depend on them."

In both cases—warehousing and procurement—Yarkin sought to pave the way to success by seeking buy-in a few management levels above the people who would actually be affected by the change. "In the very first meeting," Yarkin recalls, "a Deputy Secretary for the Department of Public Welfare, who had one of the biggest warehouse operations, stood up and said, 'I think we should consolidate the warehouses and I think General Services should manage it in the shared services center.' Once he said that it was really much more difficult for any of the other agencies to object to what we were trying to do."

Building Effective Executive Sponsorship

Yarkin's experience points to one of the keys to successful journey management during shared services implementations: creating and sustaining effective executive sponsorship.

Shared services programs are generally disruptive to the entire organization, affecting people, processes, technology and physical location. As a result, the likelihood of meeting resistance to the change journey is high and potentially damaging, slowing the pace of the project and threatening its success. To counter this threat it is critical to build strong, visible sponsorship for the program throughout the entire organization. Sponsorship ensures that an organization shares a common, consistent understanding of the shared services vision, implementation approach, and the expected behaviors of employees. Effective sponsorship builds acceptance of the shared services program and fosters organization-wide commitment to the change journey for the project's duration.

Part of the sponsorship involves choosing the right leaders for the implementation itself. Strong day-to-day project leaders are a must. These managers must have the knowledge and authority to make decisions on behalf of the organization. They must be recognized for their commitment to delivering quality work within tight timeframes. Above all, the leadership, whether executive or project, must be respected by those around them. The organization will not follow the strategic direction if the leaders are not viewed as being credible and as results-driven managers. A strong individual must be chosen to lead the

shared services center itself. This leader must be a well-respected senior executive who is known for being able to work across all business units.

It is not necessarily the case, however, that the leader of the implementation project is also the right choice for the leader of the operational center. While there are instances where this has worked, the most successful projects have used two distinct leaders for development and operations. The skills and focus of each leader are different. It is particularly difficult for one individual to play both roles during the rollout period. Their time is unfairly divided between issues related to the transition and issues arising from daily operational activities.

Then, however, a shared services planning team must identify executive sponsors—champions for change—whose job is not to contribute directly to the implementation but to pave the way for success across different parts of the organization. As Harvey Eckert of Pennsylvania puts it, "When you do anything like this in government, if you don't have a champion for this or approval from the top down, it just won't fly. When I changed the systems and payroll in my area, I worked to sell the shared services model throughout our state government, right up to the Governor's office. Once you sell the idea at the highest levels, the agencies find it easier to fall into line. You, as Comptroller, can come up with all the great ideas you want, but the agencies can say, 'Hey, I don't work for you.' But if you have the Governor behind you, the Secretary of the Budget behind you, it's going to go."

As Eckert notes, the most successful shared services implementations are led by people who know how to work within the system of government instead of futilely trying to change or resist it—like a martial arts expert who knows how to re-direct an opponent's energy rather than simply fight against it. "Governments have complex governance systems that are highly entrenched. You are not going to change them totally; you have to learn how to work with that structure and get the results out of it. I have seen really sharp and competent people who tried to buck the system and they usually end up leaving Government. With shared services, if you work within the system and get strong sponsorship from the top, the economic advantages are clear enough that eventually it's going to happen."

Another effective part of sponsorship is to get customers to stand up and be advocates. David Yarkin notes that he and his team were successful in gaining sponsorship from the Secretary of General Services on up to the Governor. But what was equally important was "getting a couple of agencies who had become our customers to stand up and say that this is what we as customers want."



Planning for Effective Sponsorship

Gaining and managing sponsors does not happen informally, but is the result of careful planning. A sponsorship plan describes the required levels of **sponsorship**, the roles and responsibilities of the sponsors, and an approach for implementing and sustaining a sponsor network.

When designing the Sponsorship Plan, the Program Management team must consider the variety of operating units, locations and functions involved in the implementation. The plan must define the best way to engage sponsors taking into account their job level, location, and preexisting schedules. Engagement options include one-on-one meetings, group meetings, and conference calls or written communications.

Planning and executing effective communications programs

There can never be too much structured communication during shared services implementations. Early in the project, the implementation team establishes a communication plan that details the types of communications needed, when they need to occur, what format is best suited for the message, who the appropriate communicator is, and the audience for the messages. It is important to understand that the audience will likely differ for each message. Some messages will need to be directed to the entire organization. Others may need to be targeted to a small group of employees responsible for a certain area.

Communications should start from the very beginning of the project. A common mistake is to withhold information in an attempt to shield affected employees from difficult messages. In the end, withholding information generally makes employees more anxious about, and more resistant to, the upcoming changes. As communications are disseminated to employees, it is important to establish a mechanism for them to ask questions regarding the implementation and the upcoming changes. The communications plan should include a dedicated e-mail or voicemail account for the project team and should address who is responsible for monitoring the questions and comments received and ensuring that they are answered appropriately.

Actual sponsors should be chosen based on their skills at fulfilling different kinds of responsibilities:

Provide Leadership	Reward Progress	Communicate
Publicly and privately support the shared services program	Publicly acknowledge individuals who support the change	Consistently articulate the shared services vision and benefits
Remove barriers to achieving a new service delivery model	Celebrate project team achievements and milestones	Communicate the shared services change impact honestly
Set expectations about the desired pace of change	Demonstrate dissatisfaction with those that hinder progress	Listen to the impacted organization and seek feedback

For the HR shared services implementation in Massachusetts, Ruth Bramson planned a variety of communications. "People are skeptical about change," says Bramson, "so the more you talk about it and the more they understand it, the better." One aspect of the communication program was a monthly newsletter called "HR Advantage," which featured articles about each new initiative as it was being rolled out. Bramson and her team also ran focus groups after introducing each new phase to gauge the reaction of customers and to make adjustments along the way. "We also held quarterly HR staff meetings where we would pull all the HR people together and use it as a development day. We would touch upon all the new things we were working on but we would also have breakout sessions to discuss the specifics on things like labor relations, legal, IT and so forth."

Establishing trust is perhaps the biggest reason for effective two-way communication programs. As Harvey Eckert puts it, "People are wary of change, but if they see somebody heading up the change program who they know is fair, they will respond. When you communicate, you establish openness and trust. I have found this has always helped me. In executing the internal changes I made sure the offices knew that I was going to be very fair with them. If they had a problem, they knew that I would listen. You need excellent communications so that people don't get blindsided. If you explain to people why you are changing something, that will benefit you and your entire organization in the long run. I guarantee you that if they are good people they are going to assist you in achieving the goal. But if you go in there and try to push them around, it's not going to happen."

Tactical Governance Initiatives

Securing ongoing funding

One challenge often overlooked at the planning stages of public sector shared services implementations is the matter of ongoing funding for an initiative. Although one may think of shared services programs as self-funding, because of the cost savings involved, that is not always the case. P.K. Agarwal, CTO for the State of California, has been leading the effort for a new, centralized approach to e-mail functionality for the state government. "In probably 9 out of 10 cases," says Agarwal, "government departments have never been funded for things like e-mail. It's all been done by finding a little bit of budget here and a little bit there. Now, though, when an agency wants to move to a shared services model, the realization finally sets in that suddenly there is going to be a monthly bill for something that flew under the budget radar before." The typical response to that situation, says Agarwal, is to go to the legislature do a one time appropriation request. "But that approach only increases the net cost."

In addition, another practical problem regarding funding is that public sector organizations often have difficulty reaching the appropriate scale fast enough to get to the right pricing levels. According to Agarwal, a public sector organization gets caught between two forces. On the one hand, the legislative mandate is for full cost recovery, which means a higher cost of service until one can reach significant scale. On the other hand, many potential clients within the government may elect to wait until there is critical mass. "So scale becomes a big barrier. And that," says Agarwal, "almost begs for a private partnership because then you get past the problem of scale. Also, to reach scale you need rigorous service levels, and we as service providers are not used to doing business that way. So a part of the governance challenge is maneuvering all the stakeholders through these challenges and then, at times, seeking private-public partnerships that can accelerate the change."

From one perspective, these funding challenges amount to matters of perception and organizational change. In fact, these costs are not "additional" and do not require new funding. Government organizations have always been paying them. However, because such specific costs have usually been included in other, larger parts of the budget, they have not been carefully tracked. Creating a shared services organization and documenting its costs will simply make them more transparent.

Creating a solid and thorough business case and publicizing it widely will help overcome a great deal of any initial organizational resistance. If the business case provides as much detail as possible on previously-hidden costs, and then shows that the larger budgets can be reduced to pay for the shared services costs, the argument of required additional funding can be effectively neutralized.

Finally, once the costs for specific operations are finally captured, consolidated and made transparent, the shared services center will be in a far better position to determine the most cost-effective way to deliver those services, whether by in-house staff, outsourced provider or some combination. The shared services center will be able to make that decision far more confidently, knowing that the current costs have been accurately captured and the cash flow reassigned so that those funds can be used to deliver the same services by a different delivery vehicle.

Creating pilots and demonstrating quick wins

Large-scale projects such as shared services implementations should be broken into smaller, more manageable pieces. Project phases or segments should be clearly identified and the expected outcomes should be communicated to those involved, both internal and external to the project. Phasing provides interim goals and deadlines for the project to work towards and helps keep the pace and intensity of the project high throughout the entire

project lifecycle. Rollouts are often conducted in phases as well. This allows the implementation team to provide focused aid to specific functions or business units to ensure that the conversion is smooth. Lessons learned from each rollout should then be applied to subsequent conversions. A common tactic is to implement a pilot whereby a single function or business unit is brought on board first. This allows for the solution to be tested and any issues to be resolved before impacting service levels for large numbers of customers.

Conducting small pilots is one effective approach to managing a longer-term journey of change. As Ruth Bramson notes, "I am a big believer in the value of pilots. You have to try things out in little skunk works before you roll something out to 70,000 people. I also think that you can't expect everything to be absolutely perfect before you move forward. I am a strong advocate for the position that it's better to move forward when you're 80 percent ready than it is to wait until you are 100 percent ready. Because the fact is, you'll never be 100 percent ready. So it's important to implement as soon as feasible and then to keep things moving forward."

Demonstrating quick wins with these smaller rollouts also relates back to the challenge of overcoming resistance to change. As Bramson puts it, "We were most successful once we started to be able to show our people some successes—when we could say, look we've been able to cut this number of jobs, we've been able to streamline this process by X number of weeks. It showed our HR people in the agencies that this change really wasn't such a bad thing. In the long run it was really going to help them do their jobs better and ultimately give better service to the secretaries and to the cabinet, and better service to our customers."



Creating accountability and measuring progress

Performance measurement is critical to achieving a successful shared services implementation; it must be addressed early in the shared services lifecycle and then managed as part of the overall governance structure. Assigning accountability for performance measures/KPIs is critical because it creates more of a performance-oriented culture. It clearly delineates responsibilities for both the shared services organization and its customers, and it facilitates the link between performance measures and incentive compensation. Successful shared services implementations get the HR organization involved in formally linking KPIs and rewards. It is all very well to put the performance measures in place, but if the organization does not have a performance management process that links in effectively, then the job-level KPIs will not be tracked effectively and people will not consider them linked to reward/remuneration. Unless everyone understands the linkage it is hard to get the teams or individuals to sign up to them.

As Bramson puts it, "It's vital to get buy-in upfront on governance issues—on who is going to be responsible and accountable. It's also important to establish some borders or guidelines on the outer limits of what is acceptable in terms of policy, because people want to push the envelope. They want to stay as close to the edge of the policy as they possibly can."

Involving people closely in the process can improve compliance and accountability, according to Bramson. "By getting people involved and letting them understand why it will be good for them and what's in it for them to even comply with the various arrangements is important."

But more rigorous kinds of measurement are also important. "We also did a significant amount of spot auditing, in terms of how people were complying with our redesigned compensation policies, how many people were doing appraisals and how effective they were." Bramson and her team also audited training effectiveness. As she puts it, "We were auditing it not so much for content but for the impact it was having on behaviors. Did the instructors really know how to train people to perform in new ways, or were they just standing up there and throwing the material and the information at them? I wasn't interested in training just for how satisfied the people were with the training experience. I was interested in the transferability of the new skills and behaviors back to the workplace."

In sum, says Bramson, "You really have to make sure that you keep checking up on the measures you have in place, the accountability and the governance. You can't assume that simply because you put a policy on the books or you tell people this is the way you want it done that it's going to be done that way. Invariably, what gets measured gets done."

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Accenture has experience working with hundreds of clients at all levels of government around the world. We have the proven experience in shared services, deep industry insight and the combination of strategic acumen and delivery capability to help our clients achieve high performance.

We can maximize your chances for success by putting the components of a winning shared services strategy into place quickly. Our integrative approach clearly defines the strategic intent, value proposition, process designs, organizational structures, enabling technologies and changing responsibilities across the organization.

Contact

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