Shared Services makes the case for Charter project

Shared services operate within organizations by providing services to internal clients. They operate on business principles and provide internal services at a cost and quality that is acceptable to its clients, when assessed against alternatives. They are referred to as shared services, because their activities are shared by units across entire organizations, instead of duplicating similar services within each unit.

"Shared Services: Mining for Corporate Gold" by Barbara Quinn, Robert Cooke and Andrew Kris (© 2000 Prentice Hall, London) fully illustrates this concept; it translates particularly well to Iowa's **Charter Project** for shared services among State of Iowa information technology applications.

Why shared services?

By adopting a shared-services policy, companies have demonstrated typical savings in the 25-30% range, rising to 50% in some cases. But equally important is the improvement in service to internal business units.

The concept is not restricted to the corporate world and is increasingly being put into practice by forward-thinkers in the public sector. National and local government organizations worldwide are also adopting shared services as a means of providing greater value for money for tax dollars and increased accountability.

Establishing a shared-service unit allows internal clients to choose the type, level and quality of services they want at a price they are willing to pay. The service providers, on the other hand, can charge an appropriate fee for their services, building in all the associated costs, including overhead. Internal clients pay the true cost of the services they receive, just as they would if they had gone to an external service provider. This means, however, that the shared-services unit must match external performance levels or at some point clients will advocate a need to use alternative suppliers.

Shared Services *(cont'd. from p. 1)*

Goals of shared services

The primary goals of moving into a shared-services environment are to:

- **enhance** corporate value to the enterprise

- **focus** on partner service and support

- **liberate** business and operating units to permit focus on the strategic aspects of their operations

- **transfer** business units' non-core activities into shared-services units

- **create** a motivated team that provides consistent, reliable, cost-effective support

- **lower** costs and raise service levels

- **make the best use** of investments in technology

- **focus** on continuous improvement

- **harmonize** and **standardize** common business processes to reduce duplication

Key findings on Shared Services practices
(From a 2001 survey conducted by akris.com*, consulting firm of Shared Services co-author Andrew Kris)*

- North American parent companies still account for the highest proportion of organizations involved in shared services — 38%

- While shared services are clearly on the up, most shared services centers are comparatively young — only 41% have over two years' experience. We can expect the number of shared services centers to continue rising, with a healthy 23% of the survey respondents now in the discussion or planning stages and an additional 18% in their first year.

- ERP continues to be a fundamental technology for shared services.

- There is widespread management recognition that the key to a successful shared services center is its people — 74% of respondents see the availability of skilled people as one of the top criteria in site selection.

- The support and commitment of senior management is considered to be a critical success factor - 85% of respondents see senior management commitment as one of the top five factors for success.

Shared Services *(cont'd. from p. 2)*

- Many organizations are neglecting to take on a holistic shared services program, thereby finding it difficult to realize the expected 30-40% savings that should result from a successful shared services operation. Cost saving of at least 20% was planned for by 58% of the respondents, but only 36% reached that target. Instead, 36% achieved actual cost savings of 10-20%. Respondents confirm that the most common payback period, both planned and actual, is two to four years.

- Formalized agreements are still not broadly adopted — just under half of the respondents (46%) use formal contracts such as a service level agreement (SLA).

Future Trends

Shared services will undoubtedly remain a permanent fixture in the future. The cost savings are too compelling to ignore for both the private and public sector. Real money is going to the real bottom line. Precious government funding is going to public programs. All over the world, CEOs and public officials are waking up and demanding that their staff adopt a code of permanent and ruthless self-examination.

Driven by economic realities and technological development, shared services is increasingly becoming more than a cooperative notion. Capturing synergies is not just about brainstorming how we might work well together. The challenges of the present demand that those who build shared services in the future do so in ways that are much sharper and more intelligent.

Additional source for this story: akris.com

Charter action mirrors Shared Services path

Work is moving forward on the State's Charter project for consolidating and centralizing IT services across the State of Iowa enterprise. As with a Shared Services model, planning groups and advisory councils have been meeting regularly to find out the operational needs from customers on features and functionality of the 5 Charter services: email, data warehouse, storage, servers, and Web hosting.

The Shared Services approach suggests that transforming an internal service unit to a valued internal enterprise requires the same leadership and planning skills as any other form of organizational change.

The following 10-step approach—reflective of the current Charter planning process—is advised:

1. Analyze the service unit and understand the need for change.
2. Create a shared vision and a common direction.
3. Make the break with the past.
4. Create a sense of urgency - survival is a great motivator.
5. Lead from the front.
6. Line up political sponsorship.
7. Build an implementation plan - involve key members of the unit.
8. Develop an infrastructure that supports and sustains the new direction.
9. Communicate - communicate - communicate - involve people - be honest.
10. Reinforce and institutionalize change.

Schedule of planning milestones for the Charter project

5/24/02	Draft enterprise IT strategy posted and discussions with Customer Advisory Councils held
6/04/02	Department comments compiled and summarized
6/11/02	Preliminary decisions made on enterprise IT charter strategy
6/11/02	Draft Service Level Agreement (SLA) templates, pricing policies and performance standards posted
6/12/02-6/26/02	Department comment period
6/28/02	Enterprise IT charter strategy established
FY'03 – 1st Quarter	IT DHS and ITD implementation plan completed and implementation of enterprise T services begins

Definitions

Strategy or Enterprise IT Strategy: The description of enterprise level IT services addressed by the charters
Service Level Agreement (SLA) templates: Written agreements that specify performance expectations between customers and the enterprise IT service provider.
Performance Standards: Performance expectations specified by customers and included within a Service Level Agreement. Sometimes referred to as customer acceptance criteria or performance measures.

The current "As Is" state of State IT systems

   To arrive at intelligent, enduring solutions for Charter services, you have to know where you're starting from. In "Shared Services" this is called the "As Is" model, a requirement to "specify and delineate the range of products and services and to clarify to whom they are delivered." Only from the "as is" starting point and with customer needs input can a Shared Services initiative proceed intelligently. ITD and the charter planning team and advisory councils have delved deeply into the As Is segment of Shared Services.

   Here are some highlights on how various state IT services currently operate.

Servers

- ITD has a large base of servers in its secure, climate-controlled server operations area in the Hoover Building, and these servers generally are used for file and print, E-mail, web hosting, database, firewall, and other services.

- The ITD model for Windows-based server deployment is moving from stand-alone workgroups and multiple NT domains to a consolidated Windows 2000 Active Directory implementation, which is under way at ITD.

- The department also supports a variety of non-Microsoft platforms, including UNIX-based solutions from IBM and Sun Microsystems.

As Is *(cont'd. from p.4)*

Storage

- While most ITD server-based storage currently resides as direct-attached internal storage devices, an effort is underway to migrate servers to storage based on an external storage area network (SAN). At this time, only five servers currently are attached to the IBM-based SAN that ITD has established.

- The current direction of ITD storage planning is to support servers with limited internal direct-attached disks where applicable. Servers needing greater than 20GB, or that have application needs that dictate the advantages of SAN or network-attached storage (NAS), will be connected to the appropriate storage solution. This reduces rack space for server installation along with server power and cooling consumption, thus reducing costs.

E-Mail

- ITD currently provides E-mail services to about 22 agencies. ITD manages about 3,200 E-mailboxes across two primary E-mail systems: Microsoft Exchange 5.5 and Lotus Domino R5. Both systems provide directory synchronization with the IowaHub. The two pass E-mail between them via the SMTP Internet connectors. Calendar syncing is currently not in place between these systems.

- The universe of State E-mail currently consists of many de-centralized systems. Each department can develop and maintain independent systems. These are mostly Exchange servers, Lotus Notes servers and GroupWise servers. These systems are interconnected only with the IowaHub for directory replication. There is no known cross calendaring between systems. All E-mail between these systems must travel by SMTP – thereby being treated the same as Internet mail. At least 33 separate Internet SMTP gateways and 53 E-mail domains have been identified in the executive branch. Cost savings opportunities seem likely through centralizing these systems.

Web Hosting

- ITD currently offers multi-level web hosting for more than 50 state departments, divisions, and other groups ranging from low-bandwidth, self-publishing web services to high-traffic, large-scale solutions. ITD provides secure, firewalled networks; multiple high-capacity server platforms; database access and resources; E-commerce services; multi-media services; specialized application development services; backup and archival services; and measured, high-availability support for hosted applications. Automated forms management is provided by Adobe solutions. Client self-publishing supports Microsoft FrontPage publishing or remote file transfer methods, such as FTP or secure SCP.

As Is *(cont'd. from p.5)*

- Internet and intranet web servers for UNIX, Linux and Microsoft-based operating systems support application languages such as Java, ASP and PHP. Application servers running IBM WebSphere support web-enabled applications accessing multiple databases such as DB2, Microsoft SQL Server, mainframe IDMS, Oracle, MySQL, Teradata and other ODBC-compliant databases. E-commerce services include a web pay engine for credit card payment support.

- A wide range of secure, multimedia web-hosting services include instructional courseware applications; audio, video, and photo digitization; live web casting; CD-ROM production and duplication; and GroupSystems electronic meeting software. A complete and secure web application environment for development, testing, and production is available for UNIX, Linux, and Microsoft platforms.

Data Warehouse

ITD's enterprise data warehouse is a collection of hardware, software, and processes designed to meet certain information needs. These needs can include large dataset analysis, integration of disparate datasets, and serving information necessary to support executive or decision support structures. There are a variety of different types of uses within each of these broad categories. However, the solution employed by the State of Iowa is geared toward those uses that do not require heavy transaction processes.

Data warehousing is designed as a supporting technology. It receives data from other source systems, applies modeling techniques such as dimensional modeling, and reserves the information to support its intended uses. The current uses of data warehousing within state government are secular in design as separate databases to support department-specific goals. Access procedures ensure that privacy of data is protected for owners of data (departments).

The current challenge within data warehousing as a primary focus of the charter include:
- Creating the core capability for an enterprise decision support system.
- Creating a scaled environment that mutually rewards users as the system grows in lower costs and reduced data redundancy.
- Creating an internal talent pool familiar with data warehouse concepts and Teradata skills to support user development and production needs.