



Shared Services

What are the challenges and opportunities associated with Shared Services?

What are the Best Practices for government in moving from every department “owning their own?”

How does consolidation of IT infrastructure, standards and technologies fit with Shared Services?

The Department of Technology Services and Gartner invite you to attend a presentation that will answer these questions.

Presentation By: Andrea Di Maio

Gartner Vice President

Andrea Di Maio is a vice president and distinguished analyst in Gartner Research. He focuses on the public sector, with particular reference to e-government strategies, Web 2.0, the business value of IT, open-source software and the impact of technology on the future of government. Prior to joining Gartner, Mr. Di Maio was with the European Commission, where he was responsible for part of the Research & Development framework program, Year 2000 problem resolution and the IT impact of the European single currency. Before the European Commission, he held management and technical positions in the systems and software industry. He has more than 20 years of experience in IT.

East End Complex Auditorium

1500 Capitol Ave.
Sacramento, CA

June 3, 2008

1:30 — 3:00 PM

Please RSVP to:

SHR_DCRSVP@DTS.CA.GOV

David Distefano
Dept. of Technology Services
916-454-8063

Cynthia Edwards
Gartner
916-414-2243



Introduction

- **Welcome!**
 - **Stan Ota**
DTS Customer Delivery Division Deputy
 - **Presentation Slides will be available on the DTS website soon.**
 - **Please complete your Evaluation Surveys!**
 - **More Events coming soon!**
 - **Including Gartner T-Day on ITIL Next Steps (9/25)**

Shared Services — Great Idea, Hard to Do

Andrea Di Maio

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So What Do You Mean by 'Shared Services'?

These take many forms. What you pick and what to expect depend on the political conditions and desired expectations. You may have no choice!

	Enterprise Leadership	Governance	Biggest Challenge
Consolidation (All to One)	Top-Down	Autocratic	Avoiding Monopolistic Behavior
Clusters (All to a Few)	Top-Down	Mixed (autocratic or departmental)	Unnecessary Costs
Shared Services (Some to Some)	Bottom-Up	Customer-Driven	Too Many Moving Parts to Execute
Distributed (Do Your Own Thing)	None	Departmental	Huge Unnecessary Costs

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Key Issues

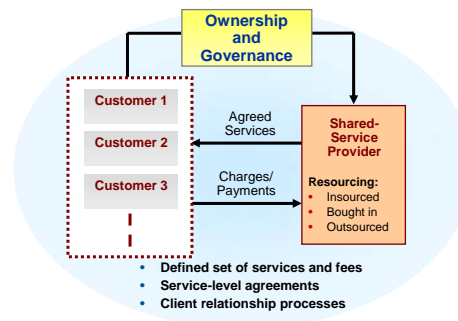
1. Which shared service models are most prevalent in government?
2. What are the main lessons arising from the most mature shared-service initiatives?
3. What key skills and competencies need to be developed for success with shared services?

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Shared Services Promise Much, But Delivery is Hard

The Promise ...

- Benefits arising from:
 - Aggregation
 - Consolidation
 - Simplification
 - Standardization
- Focused especially on financial benefits
 - operating *and* capital costs



The Results ...

- Successful global examples show cost savings are being achieved:
 - Private sector: typically 14 – 17% ¹
 - Public sector: some examples of 15 – 20% ²
- Savings result predominantly from headcount reduction and
- But almost always these savings are lower than initial targets, with elongated project timeframes and delayed benefits realisation.

¹ Source: A T Kearney, "Shared Services in Government 2", 2007

² Source: U.K. National Audit Office, "Improving Corporate Functions Using Shared Services", Nov 2007

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Gartner Shared Services Definition

The manner in which a service provider's people, processes, technology, structures, and funding will be orchestrated to meet specific business value expectations – NOT an operating model like centralization

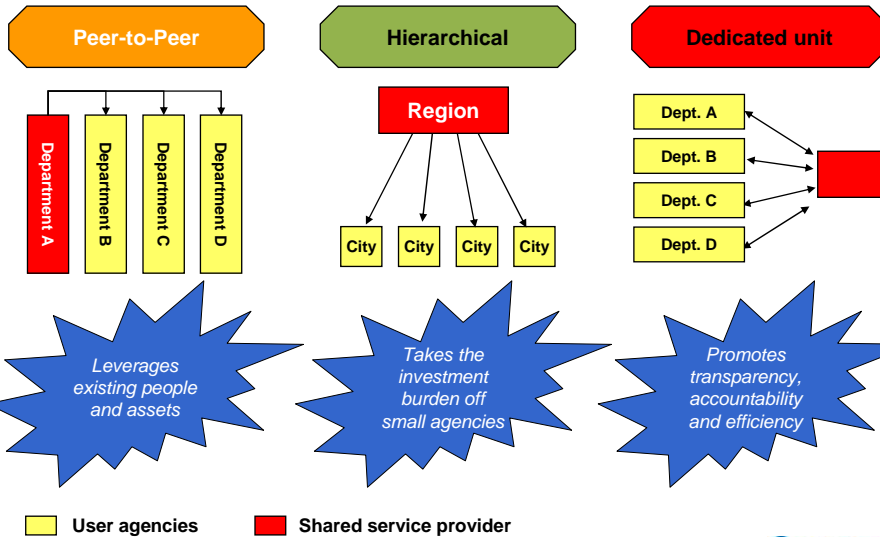
Shared services is a **service delivery model** where organizations achieve economies of scale through the creation of a **separate entity** in which the **"customers"** have a **degree of ownership** and determines the **types of services** and **service levels** provided

A dedicated governance model

Focused on selected business or IT services

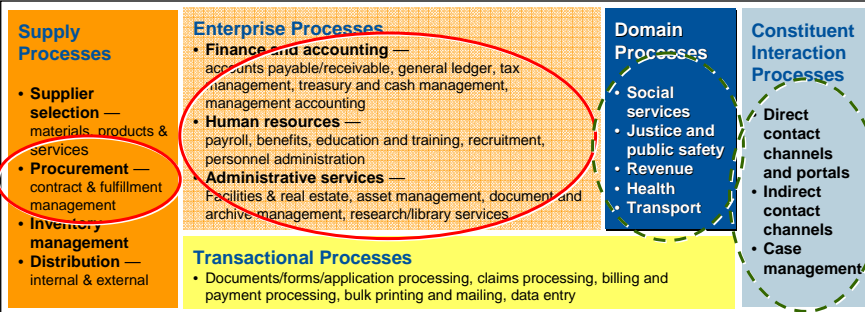


Organization Delivery Model

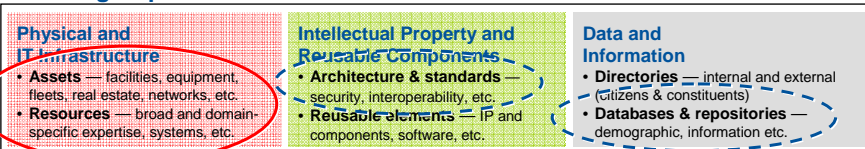


Potentially Shareable Services

Processes

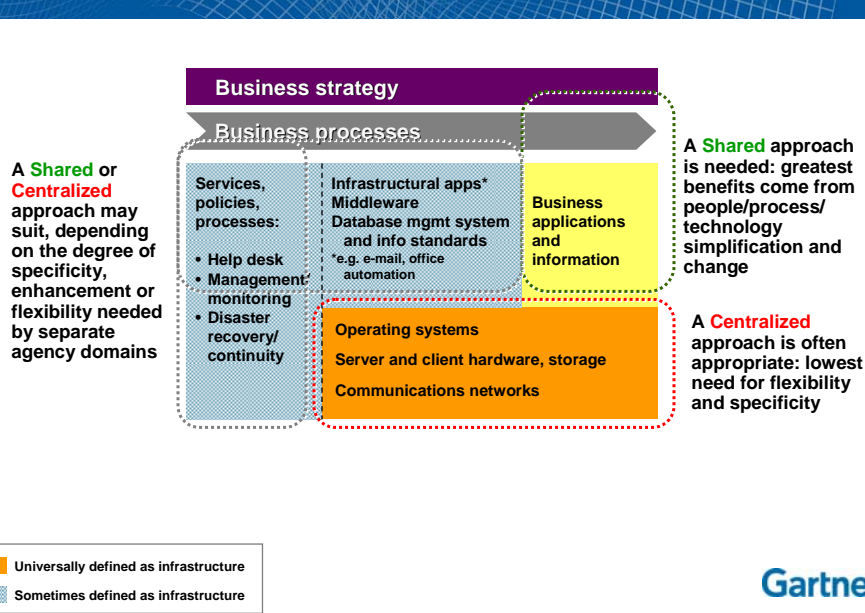


Enabling Capabilities



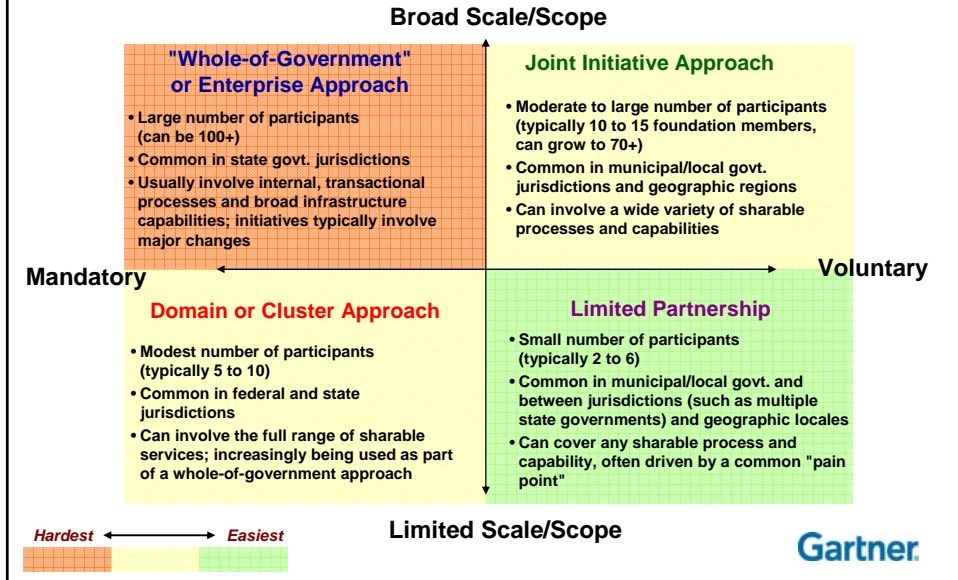
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Shared Services or Centralization With IT Infrastructure?

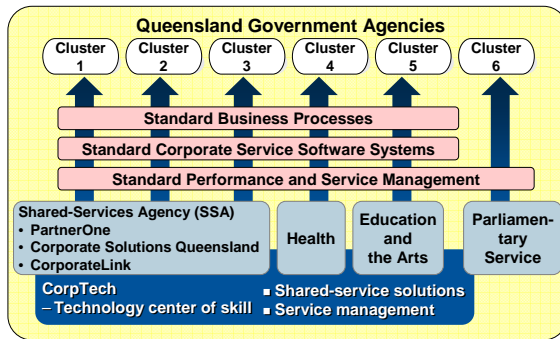


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Approaches to Shared Services



Case Study: Queensland Shared-Service Initiative

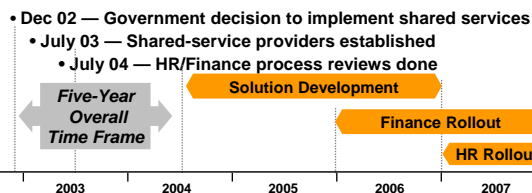


A Very Big Initiative

- Over 100 agencies
- HR, finance, procurement, document and records mgmt., and more
- Targeted to save \$100+ million annually
- Strong but shared overall governance arrangements

The Model Is Evolving

- Six shared-service providers, being consolidated to four
- Treasury: A stronger role



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Case Study: U.S. Federal Government's Line of Business Initiatives

The President's e-Government Initiatives

- Government to Citizen
- Government to Business
- Government to Government
- Internal Efficiency & Effectiveness
- E-Authentication

Line of Business (LOB) Initiatives

1. Grants Management (GM) **Domain-based processes**
2. Budget Formulation and Execution (BFE) **Domain-based processes**
3. Case Management (CM) **Domain-based processes**
4. Financial Management (FM) **"Horizontal" processes**
5. Human Resources Management (HR) **"Horizontal" processes**
6. Geospatial LOB **Enabling capabilities**
7. Federal Health Architecture (FHA) **Enabling capabilities**
8. Information Systems Security (ISS) **Enabling capabilities**
9. IT Infrastructure (IO) **IT platform**

Challenges:

- Utilizing — or creating — the necessary 'interests-in-common' amongst varying agencies (for example differing size and/or focus)
- Orchestrating the various initiatives to implement and deliver services in concert
- Dealing with factional interests and partial realization of goals and timelines.

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Shared Services Case Study: NHS Shared Business Services, England

Political commitment to shared services from top of government

NHS
Shared Business Services

Problem: 600+ autonomous NHS trusts, each with its own finance and accounting department

xansa

Offering: finance, accounting, HR, payroll, e-procurement

NHS piloted shared services before forming joint venture

NHS gets 2/3 of profits

Participation by NHS trusts is optional. They get

- Guaranteed cost savings
- Better quality data
- More effective use of staff

140 NHS trusts have signed up – more than ¼ of total

The JV is approaching profitability

Challenges: Resist demands for customization, help with pain of migration

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Case Study: Multi-Jurisdictional Shared Services — Nova Scotia ERP



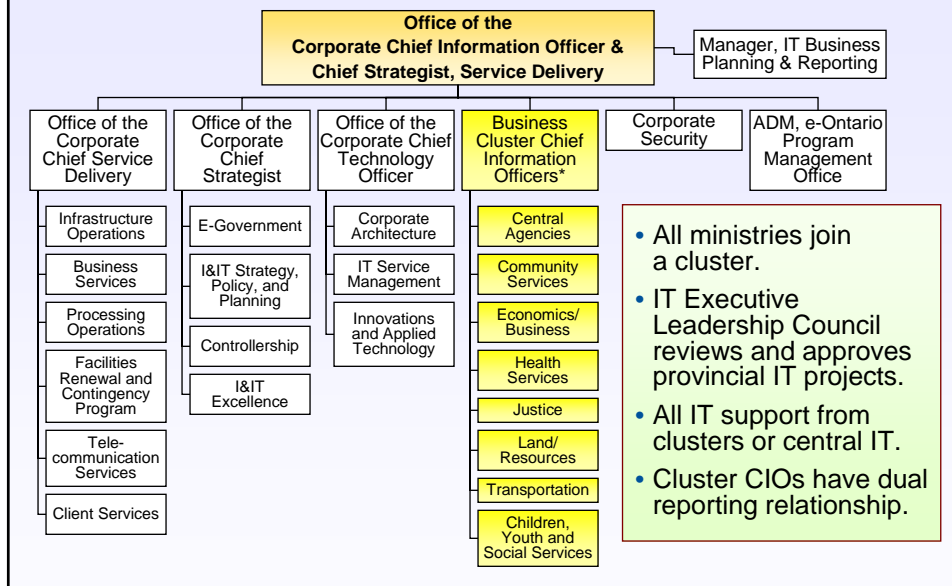
Participants

- The Provincial Government
- Municipalities
- Academia (Universities and Community Colleges)
- Department of Health (Health Authorities)
- Department of Education (K-12)

How It Works

- Provincial government provides the software licenses
- Nova Scotia provides the computing infrastructure and competency centre
- Nova Scotia provides the help desk support
- User organizations engage systems integrator for implementation
- Local government participation is optional
- Participation is mandatory for organizations with more than 50 percent provincial funding

Case Study: Ontario Cluster Model



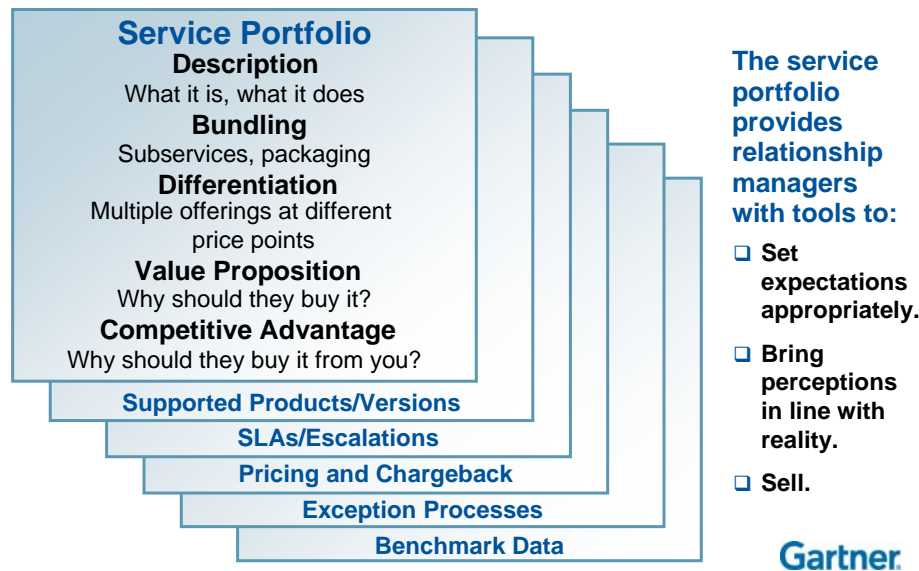
- All ministries join a cluster.
- IT Executive Leadership Council reviews and approves provincial IT projects.
- All IT support from clusters or central IT.
- Cluster CIOs have dual reporting relationship.

Hard Lessons From Experiences in the Public Sector

- Shared services are not technology projects, they are about **business change**. Business and technical engagement is needed throughout.
- There is a need to build **consensus** which takes time and effort, especially around **stakeholder management**.
- A strong **business case** is a powerful facilitator for change. Sound baseline data provides a vital underpinning.
- **Funding** is problematic and often insufficient for the expected outcomes. Work very hard to ensure budgets and funds are adequate.
- **Effective communications** are vital. From the outset, rumours will spread very fast. Your programme must manage this.
- In government, the required **cultural change** is a significant barrier to success and must be thoroughly addressed.
- Getting **high-quality internal staff** engaged in the project is critical. This is often a primary reason that initiatives don't succeed.

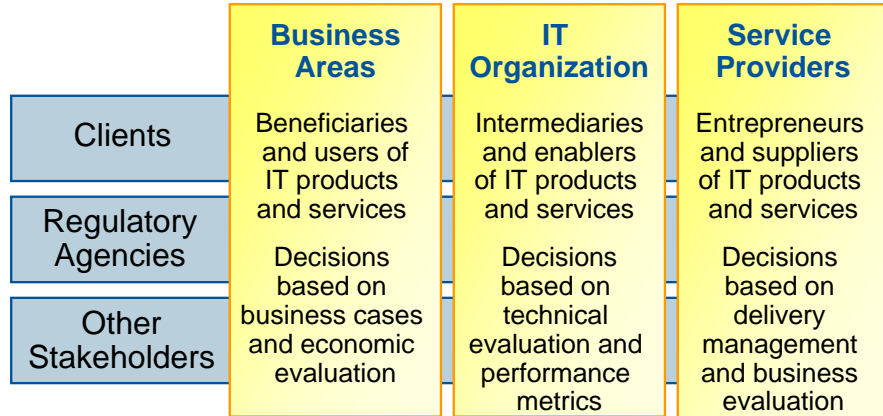
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You Need a Well-Positioned Service Portfolio/Service Catalog



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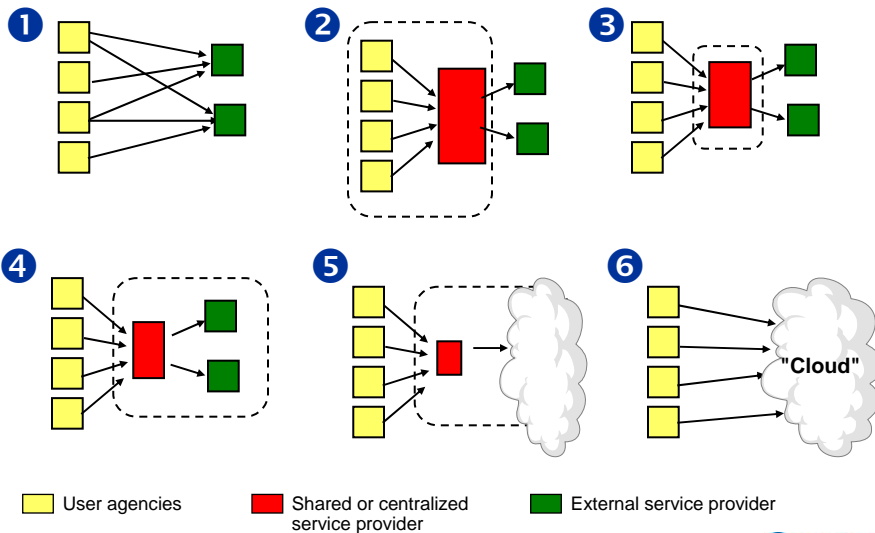
Governance Roles: The Problem Is ... Just About Everybody Chips In



In successful initiatives, the shared-service provider is usually a separate entity — organizationally and legally — with a board or governing council, executive and operational management.

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A Possible Future for Shared Services



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Key Messages and Recommendations

- ✓ One size definitely does not fit all.
- ✓ An effective shared-services arrangement requires:
 - Sufficient interests in common
 - Agreed and consistent mechanisms for funding, charging and operating standards
 - Client/supplier relationships that are seen to yield value
- ✓ Effective governance is crucial to success, with appropriately shared ownership
- ✓ Implementation requires consistent and persistent communications and change management — regardless of people or political fluctuations.
- ✓ Shared services can be the solution, a stage toward the solution, or a problem: fight the battles that is worth fighting (and you have a chance to win)

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