2018
B-FAST
SEMINAR
SERIES

SHARED SERVICES:
WHY THE VOICE OF THE CUSTOMER MATTERS

2018 SEMINAR SERIES SUMMARY REPORT

SENIOR EXECUTIVES ASSOCIATION

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION®

SHARED SERVICES LEADERSHIP COALITION

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FOREWORD

A study of organizational characteristics and management practices in a group of excellent American companies, commenced years ago by McKinsey and Company, was undertaken for two main reasons. First, there was a growing sense that while American firms had once been the source of innovation and national growth, they were losing whatever it takes for outstanding performance. The study team felt that there were some truly excellent American companies that merited the same measure of respect being given to foreign firms. They thought that useful lessons could be gained by studying our own excellent companies. Second, these analysts had become increasingly disenchanted with much of the conventional wisdom about "sophisticated professional management" – management by the numbers, mathematical modeling, matrix structures, and so on. More and more frequently, they saw these tools of management turning customers and employees into abstractions, tying up an organization in bureaucratic churning, and substituting analysis for action. They thought taking a new perspective - asking how excellent companies actually manage themselves – might lead to some fresh and useful insights.

Their study, conducted over several years, covered about 35 companies and culminated in the best-seller by Thomas J. Peters and Robert H. Waterman, Jr., In Search of Excellence. That work, and its success, spawned a number of other management books – *Corporate Cultures*, *The One-Minute Manager*, *High Output Management*, *The Change Masters*, *Creating Excellence*, *Managing for Excellence*, *The 100 Best Companies to Work for in America*, *The Supermanagers*, and many others. Recent years have brought more and similar works. But comparable examinations of the public sector remain rare, even though concerns similar to those that inspired Peters and Waterman exist in government.

Just as American business had been directed overseas, public managers have been pointed toward the private sector. In the minds of many, governmental administration is "bureaucratic", private administration is "business-like"; governmental administration is political, private administration is nonpolitical; governmental administration is characterized by "red tape", private administration is not. We are told that successful business managers set policies quickly, have the power to make decisions with a minimum of review, are held accountable for results, not processes, and know they'll last long enough to implement long-term strategies, so long as they continue to make money for the company. The lament of many is, "Why can't government be run like a business?"

Similarly, much of the thrust of White House management reforms over the years has appeared to be on "management tools". There are many arguments

for this emphasis. Federal information and financial systems, acquisition and human resource processes are archaic and, until upgraded, will inhibit strong agency management.

But over the long haul government needs to build better managers, not just better systems. Agencies need to address fundamental weaknesses in the organization and structuring of work, definition of purposes and mission, weeding out low performers, incentives for effective control, and top agency leadership and continuity. This may mean reducing, consolidating or streamlining our middle management staffs; changing the criteria and condition for selection of top executives; and providing incentives to motivate managers to manage because they care.

Over 30 years ago, the Commerce Department — in a project led by Alan Balutis — built on the McKinsey work as part of the President's Council on Management Improvement's (PCMI) Study of Common Administrative Services. We detailed fifteen (15) case studies of specific successes and failures in sharing or combining administrative support were conducted. They included consolidated regional support units, cross-servicing agreements, centralized servicing points, extensive use of contract support, and the like. The case studies were designed to examine a number of common concerns:
- How was the site for the consolidation effort selected?
- What start-up problems were encountered?
- What opposition was encountered from within? From the Congress?
- How were the projects financed?
- How were service charges determined? Reimbursements made?
- What role did clients play in budget and management deliberations? In organizational evaluations? In personnel appraisals?
- Why did this initiative succeed or fail?
- What would the department do differently now? Lessons learned.

The projects included a range of structures:
- Three represented department-wide and nationwide servicing consolidations;
- Eight involved some form of regionalizing support – two from a single site and six from multiple centers;
- Two represented cross-servicing between departments; and
- Two involved National Capital Region consolidations.

These were studies of significant shared servicing arrangements. They provided a full range of administrative support – everything from information technology to warehousing, from accounting to utilities payments. They provided services to over 600,000 of the then 2.3 million federal employees, handled more than 16 million payroll actions and over 1.3 million personnel actions, paid over 10 million invoices, processed almost 100 million printing/duplication requests, maintained or operated over 5,000 structures and 50,000 acres of land, and paid out almost $15 billion.

The case studies themselves represented in-depth, objective assessments of the organizations studied. They were conducted by an inter-agency study team made up of staff from the then-Veterans Administration, OPM, GSA, Energy, EPA, Health and Human Services, USDA, Interior, and Commerce. The fifteen were based on almost 300 interviews and reviews of several thousand documents, studies, and memoranda.

The volume summarized the central findings from these studies and served as a compendium of "lessons learned". And, like *In Search of Excellence,* it described practices of well-run organizations and noted the attributes they have in common. We are grateful to Shannon Henschel, NAPA intern, who did invaluable work to document and integrate these observations for this publication. We are pleased to see this work continue in the Shared Service seminar series jointly sponsored by the National Academy of Public Administration, the Shared Services Leadership Coalition, and the Senior Executive Association.

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EXECUTIVE SUMMARY

For more than four decades the business community and the Federal government have been searching for the answer to a seemingly simple question: how do we consolidate business services at the corporate level to drive efficiencies and improve mission delivery?

The private sector has made enormous strides towards answering that question, moving away from hierarchical structures such as holding companies and embracing agile business processes that have fully matured to what has come to be known as a "shared services" model for human resources, finance, acquisition, legal and other corporate functions. Today, Google, Amazon and other high-performing companies view shared services as an essential corporate strategy that enables them to remain profitable and relevant in highly competitive markets.

Unfortunately, the Federal government has not kept pace. Despite efforts by every Administration since President Reagan to solve the shared services puzzle, Federal agencies are still too often mired in 20th Century business practices and processes. There are examples where shared services have been successfully implemented in the Federal government – for example unified payroll systems – but many agencies still have distributed and disconnected procurement, financial, and other business processes that inhibit efficiencies and prevent mission delivery optimization.

This is why the Shared Services Leadership Coalition (SSLC), the National Academy of Public Administration (NAPA), and the Senior Executives Association (SEA) launched a series of six seminars from April through August 2018 that were designed to identify key issues surrounding Shared Services and to share the perspectives of government and private sector leaders. More than 500 senior- level Federal executives and 9 corporations participated in these seminars, which identified the following high-level conclusions:

1. **Continuous high-level political and career leadership support must be maintained across all phases of implementation.**
   The successful shared services operation enjoys continuous, high-level support. Most shared services implementations involve either a departmental secretary/agency head or a management assistant secretary or equivalent as both <u>initiator</u> and <u>decision maker.</u> Additionally, the more the same senior manager is involved in all phases of the project, the greater the prospects for success, particularly for those projects involving multi-year automated integration activities. Client satisfaction is as integral to the requirement that leaders manifest their support as that support is to client satisfaction. However, while strong political support is a key ingredient to successful management, change is almost a truism; such support must be not

only strong but continuous. There must be commitment and follow-through not just at the early stages, but throughout implementation. Securing political support is a particularly crucial challenge for long-term initiatives like shared services that may span multiple presidential administrations. The Trump Administration's efforts to institutionalize shared services through the Cross Agency Performance (CAP) Goal process – a mechanism inherited and expanded upon from the Obama Administration – is an encouraging development that should become a best practice model to be followed in future presidential transitions.

2. **The "Voice of the Customer" is often missing when shared services frameworks are developed.**

While the ideas behind a shift towards shared services will come from the top-down, success is reliant upon the customer, from the bottom-up. A successful shared services framework is developed with the concerns and needs of the customer in mind. As discussed in the April 5th seminar, "one size doesn't fit all", and the right balance must be struck between choice and scale. Shared services implementation must fit the culture of the agency, while leaving room for the agency to adapt to the new model. The "Sharing Quality Services" CAP Goal process provides for extensive collaboration with the government's administrative professional communities, primarily through the CXO Councils, in standards-setting and other planning and implementation activities. More communication and engagement with program and mission-delivery professional communities are necessary to ensure that the voice of the entire end user/customer community is represented and supportive of shared services transformation.

3. **There is a lack of a mission focus and performance measures that should tie shared services frameworks to improvements in mission delivery.**

Most shared services initiatives are focused on driving efficiencies in administrative operations, but program managers are often left wondering whether greater efficiencies and cost savings will have a negative impact on their ability to deliver on their mission. For example, during the July 19th seminar, the GSA presentation on acquisition discussed the trade-offs between standardization and customization in Shared Services, and stressed the need to strike a balance between gains in contracts, competition, and small business participation that come with a customized system, with the gains in efficiency that come with standardized implementations. The "Sharing Quality Services" CAP Goal initiative actively tracks customer satisfaction with common administrative services on an agency-by-agency and government-wide basis. The Administration should consider expanding performance measures to track mission enhancements enabled by shared services implementation and the cross-initiative leveraged benefits provided by shared services to other CAP Goal priorities, such as cyber security, data standardization,

transparency and analytics, and shifting resources from low value to high value work.

4. **Best practices and lessons learned from industry and government have not been institutionalized in agency migrations to shared services.**
While GSA's Office of Unified Shared Services Management (USSM) has developed extensive tools, roadmaps and guidance for agencies to use when migrating to shared applications (e.g., financial management, human resources, grants, etc.), the agencies' use of these artifacts, particularly agency program and project management structures, has been inconsistent. While trepidation with this type of change is normal, proven shared services implementations in both the private and public sectors demonstrate that failures are rarer than successes when best practices are followed. When they are not followed, failures usually result. Government would be well advised to consider adopting and adapting industry-leading practices for providing transaction processing in a shared services environment.

A positive example has been evidenced recently at the US Department of Commerce. With the concurrence of Congress, Commerce established a separate business unit within the Office of Secretary to lead a department-wide shared services initiative. The sole focus of Enterprise Services, as that unit is now called, has been the aggressive implementation of a multi-function, enterprise-wide, shared services model. This initiative — which leverages such industry best practices as cloud-based applications and managed services — should be promoted and institutionalized throughout government so as to keep pace with rapidly advancing technology and resultant shifts of the market. Failure to adhere to GSA-recommended best practices usually results in failure to meet cost, schedule and performance objectives and incomplete implementations of shared services models, which can be detrimental to the overall enterprise of an agency.

5. **Innovations in shared services that are revolutionizing the private sector, such as artificial intelligence (AI), robotics, and big data analytics are at their infancy in the Federal government.**
Federal agencies and workers are using antiquated business systems and have limited ability to absorb new technologies and retrain staff to use new technologies. In an era of rapidly evolving technology that tend towards fundamental shifts in the way organizations function, it is critical that federal agencies adapt swiftly to receive the maximum benefit of these new technologies. Organizations must understand the technologies they seek to implement, and assess what applications work best for their needs. Proper implementation of new hardware and software can yield significant gains for efficiency and provide meaningful benefits for the organizational enterprise, while

also keeping the agency an attractive, competitive option for workers newly entering the market.

6. **The Federal Shared Services marketplace should provide greater opportunities for commercial service providers to bring investment, scale, and innovation to better meet customer needs.**

   Since its inception in the 1980s, the shared services marketplace has been dominated by Federal Shared Service Providers. The role of the private sector has been limited to providing technology services and staff augmentation in support of these Federal storefronts. This model served the government well in the early stages of shared services, but it has not allowed for services to expand and modernize with the pace of technology change and evolving customer requirements. With the voice of the customer being a paramount consideration, the marketplace must account for that voice and close the gap between customer needs and services available in the marketplace. This can be achieved by inviting commercial providers to compete on a level playing field with Federal providers. Key reforms, like implementing performance-based contracts, "as-a-service" pricing and five-year contract periods of performance could create an attractive business environment for commercial investment to provide greater capacity and customer choice, thereby spurring agency acceptance and migrations.

7. **Shared Services is best implemented when the existing workforce is reskilled or retrained to derive optimal value from the initiative.**

   Shared services will require that an entire organization learn how to utilize new technologies and conform to new protocols. This retraining and acclimation are critical, because the core mission objectives will still be the same, simply aided by newer, more efficient systems. Transformation of the agency culture should not engender fear in the workforce. One of the most pervasive "myths" that was "busted" in the first seminar was that shared services is necessarily bad for employees. In fact, by replacing low-value with high-value work opportunities, shared services can be an enabler of enhanced professional opportunities for most of the workforce. Experienced staff need not be supplanted or replaced by fresher staff brought in with the new systems, as their familiarity with the technical mission content in question will still be needed. In order to effectively integrate shared services, buy-in from extant staff must be achieved.

Shared services has been a White House, GSA and OMB management initiative for over 30 years and, in spite of considerable progress, we are not where we could or should be. We continue to hear questions like "Where should I start?", "What are some of the problems I might run into?", "How do I ….?"

We consider the six seminars sponsored by SSLC, NAPA and SEA to be the start of a journey, in partnership with GSA and the Office of Management and Budget (OMB), to finally crack the code of the shared services puzzle in the Federal government and to make this vital business tool a routine and everyday part of the Federal government's business processes.

This guide is based upon the lessons learned in the six part Shared Services Seminar Series hosted by SSLC, NAPA and SEA,[1] as well as lessons learned from 15 case studies of private sector shared services organizations conducted by PCMI in 1982. It is designed to be a compendium of "lessons learned" – a how-to-do-it guide to conceptualizing, implementing, and operating a shared services framework. This guide supports GSA's Unified Shared Services Management (USSM) initiative and the Modernization and Migration Management (M3) playbook and provides more guidance to help leaders optimize the opportunities within a shared services framework.

This management cook book provides answers. It will dispel myths, resolve obstacles and highlight new innovations in shared services. We are deeply indebted to all of the individuals who have contributed to this guide, including Alan Balutis, who led the 1982 PCMI study, and the many Federal experts who so generously provided their advice and counsel during the seminars. We hope you find it useful.

Bill Valdez	Terry Gerton	John Marshall
President	*President and CEO*	*Founder and CEO*
Senior Executives Association	**National Academy of Public Administration**	**Shared Services Leadership Coalition**

INTRODUCTION

Years ago, McKinsey and Company began a study of organizational characteristics and management practices in a group of excellent American companies. The study was undertaken for two main reasons. First, there was a growing sense that while American firms had once been the source of innovation and national growth, they were losing the competitive edge that leads to outstanding performance. McKinsey's analysts identified useful lessons that could be gained by studying our own exceptional companies. These analysts had become increasingly disenchanted with much of the conventional wisdom about "sophisticated professional management" (e.g., management by the numbers, mathematical modeling, and matrix structures). More and more frequently, they saw these tools of management turning customers and employees into abstractions, tying up an organization in bureaucratic churning, and substituting analysis for action. They thought taking a new perspective- asking how leading companies actually manage themselves – might lead to some fresh and useful insights.

Their study[2], conducted over several years, covered approximately 35 companies and culminated in the best-seller by Thomas J. Peters and Robert H. Waterman, Jr., *In Search of Excellence.* That work, and its success, spawned a number of other management concepts and books, but comparable examinations of the public sector remain rare, even though concerns similar to those that inspired Peters and Waterman exist in government. Just as American business had been directed overseas, public managers have been pointed toward the private sector. In the minds of many, governmental administration is bureaucratic, private administration is business-like; governmental administration is political, private administration is nonpolitical; governmental administration is characterized by "red tape," private administration is not. We are told that successful business managers set policies quickly, have the power to make decisions with minimal review; are held accountable for results, not processes; and know they'll last long enough to implement long-term strategies, so long as they continue to make money for the company. The lament of many is: "Why can't government be run like a business?"

Similarly, much of the thrust of White House management reforms often appear to be on "management tools." There are many arguments for this emphasis. Federal information and financial systems, acquisition and human resource processes are archaic and, until upgraded, will inhibit strong agency management.

But over the long haul we need to build better managers, not just better systems. We need to address fundamental weaknesses in the organization and structuring of work, definition of purposes and mission, weeding out low performers, incentives for effective control, and top agency leadership

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[2] For more information about this study, please see Appendix A. For more information about these sessions and the sponsors and participants, please see Appendix B.

and continuity. This may mean reducing, consolidating or streamlining our middle management staffs; changing the criteria and condition for selection of top executives; and providing incentives to motivate managers to manage because they care.

Technologies have changed dramatically in the three decades since publication of "In Search of Excellence" and the government's earliest ventures into shared services, but the implementation challenges remain exactly the same. A key issue of concern then and now is how to approach and manage administrative support services. Many federal managers conclude that 1) costs are too high; 2) more efficient delivery is both necessary and possible; and 3) current methods are not always responsive to program managers' needs. Over the past 80 years, various commissions and task forces have studied this area. Most frequently they have recommended some type of sharing of these service functions to reduce costs, improve control, and ensure responsiveness. Opponents of shared services have argued the drawbacks: over-regulation, unresponsiveness to customers, and loss of program managers' control. Until the recent establishment of the Uniform Shared Services Management (USSM) program within the General Services Administration (GSA), no consistent central agency direction was developed. Consequently, each department or independent agency followed its own direction in providing administrative services.

In 1982, the President's Council on Management Improvement (PCMI), in its Study of Common Administrative Services, conducted 15 case studies and found that consolidated provision of common administrative services within Departments was the "exception rather than the rule" and that "there are economies of scale" in consolidated delivery of administrative support (i.e., "larger offices are more efficient.") The PCMI subsequently produced The Shared Services Guide, a government study modeled after the work done by Peters and Waterman but focused on government agencies rather than the private sector that is still pertinent today.

Shared services and cross-servicing have again become a major emphasis. The Office of Management and Budget (OMB) strongly advocates shared services as a cost effective method for providing administrative services. In fact, shared services have been a priority for the last several presidential Administrations. This document is intended to help identify proven practices in shared services that can inform current efforts.

This guide is based upon the PCMI's 15 case studies (described further in the Appendix A) as well as lessons learned in the six part Shared Services Seminar Series hosted by the Senior Executives Association, the Shared Services Leadership Coalition and the National Academy of Public Administration, and relies on current set of key terms outlined in the President's Management Agenda.[3]

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[3] For more information about these sessions and the sponsors and participants, please see Appendix B.

2018 B-FAST SEMINAR SERIES

CHARACTERISTICS OF **SUCCESSFUL SHARED SERVICES**

Case study results and contributions from the Shared Services series indicate that the following factors significantly influenced the ultimate success of the consolidated arrangements:
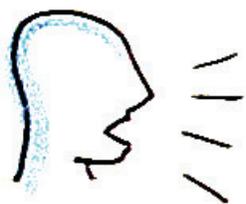
1. **SERVICE ORIENTATION (VOICE OF THE CUSTOMER)**
    The majority of successful shared services are highly client/service oriented. This manifests itself in negotiated service standards, frequent client contacts, a general management commitment to find ways to make shared services work for the client, and continuously accommodating the provision of administrative services to changes in the department's mission and program priorities. This closeness to the customer – a strong external focus – is an important element for success.

2. **HIGH QUALITY OF SERVICE AND RESOURCE COMMITMENT**
    Beyond a general service orientation, clients indicate that quality of services is the most critical operating need. Successful shared services implementations stress quality, flexibility, and responsiveness to the staff providing services. While there is a great deal of guidance for shared services initiatives, there are still considerable challenges and inconsistent processes across government that prevent smooth implementation.
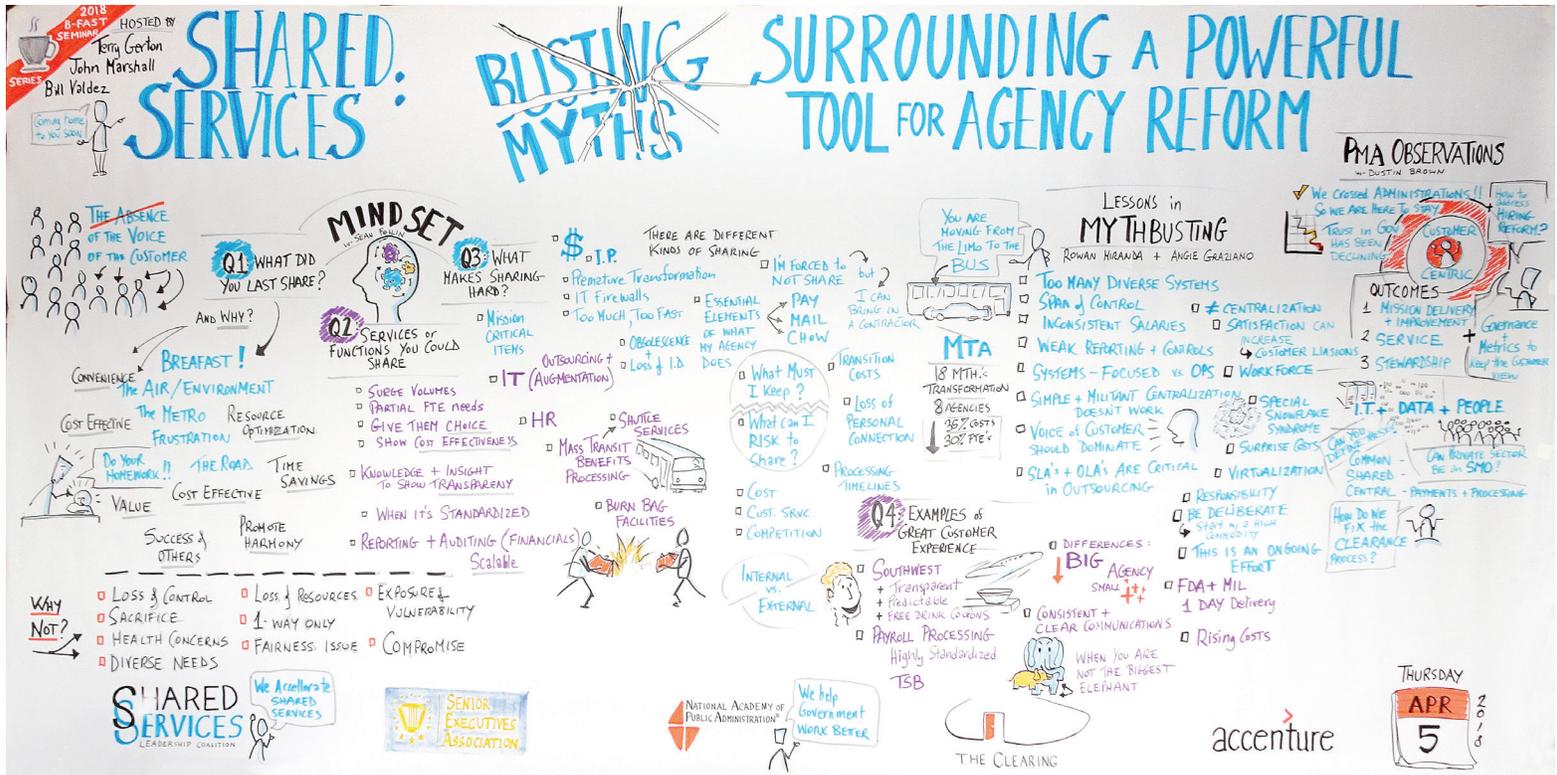
3. PEOPLE ORIENTATION

Shared services has the capacity to change the nature of work being done and how services are delivered. Successful initiatives are focused on changes in work. The most successful shared services demonstrate concern for the affected employees. Often, substantial counseling and reskilling or transitioning efforts are undertaken for employees affected by the shared services. Constant and open communications with employees is the rule.

Almost all organizations say that their employees are their most important assets, but all too few act as if they mean it. They think of their employees as abstractions, not much different from equipment or inventory. They communicate only limited information about their operation or performance, and that in formal and stilted ways. They seek improvements in productivity by calling on management consultants and other "expert" staff, not by seeking the ideas and follow-through of their own people. The excellent organizations are different. They emphasize face-to-face communication, sharing of information, rewards for innovative ideas, and job security. The successful examples of shared services in the Federal space rely on consistent and continuous support for the initiative throughout the lifecycle, which is often a multi-year engagement.

(We must) reimagine the workforce, by: (1) matching workers to work; (2) creating networks of teams; and (3) crowdsourcing tasks.

BILL EGGERS, DELOITTE
SESSION 6 SUMMARY

4. BIAS FOR ACTION

Successful organizations focus their attention on actually getting things done. Management consultants term this the "do it, try it, fix it" approach to life as opposed to the "paralysis by analysis" syndrome. Many of the case studies revealed that once an idea occurred, the department/agency moved quickly to implement the change. Occasionally this involved the establishment of a pilot or an experiment to which clients and/or services could then be added on a phased basis. An essential lesson learned from the private sector has been the need to embrace a deliberate approach to managed risk and not be afraid to fail. This requires an organization to learn quickly and move on. As one Department official described his efforts, "We wanted to establish a beachhead and then expand from there. If we moved too slowly, our Bureaus would have stonewalled us to death."

5. CHANGE AGENTS

Management experts stress the importance of what they term "product champions." These are the people who believe in an idea and are willing to do whatever it takes to make the idea work. As Rosabeth Moss Kanter demonstrated in *The Change Masters,* when environments and structures are hospitable to innovation, people's natural inventiveness and power skills can make almost anything happen.

PCMI's case studies also suggested the notion of "change agents" – one or two key people involved throughout a project who had the idea, helped sell it, gathered support for the proposal, and often were charged with putting it in place. These "agents" were both appointed and career staff who took the risks needed to try something new.

6. DOING WHAT THEY DO BEST

The next characteristic of the successful support organization is an interesting one; as one senior aide put it, they stick to their knitting. Successful arrangements were able to define their strengths, and then build on them. The USDA National Finance Center in New Orleans, LA illustrates the notion of building on existing IT and financial strengths.

7. CLIENT SUPPORT AND INVOLVEMENT

Those shared services which achieve widespread client acceptance experience fewer day-to-day operating problems. The most commonly followed course in achieving acceptance is through client involvement in planning and implementing shared services. That affords discussion of client concerns and facilitates client "buy in." An equally important element in attaining client support is ensuring that cost allocations to the client are perceived as proportional to services received. After operations have begun, frequent operating level communication and formal and informal client feedback processes are essential to maintaining this support.
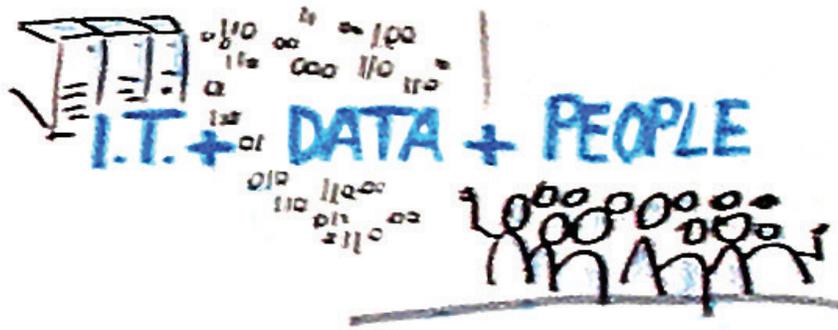
8. INFORMATION SYSTEMS

Shared services rely on effective IT systems. This is particularly true where the provider organization supplies consolidated services nationwide or in cross-servicing arrangements outside the department/agency. A successful automated system, however, requires significant resource investments in time, money, and personnel. A tremendous opportunity exists for the commercial sector to infuse its capabilities in a way that meets of the needs of the federal customer.

9. DETAILED, FLEXIBLE PLANNING AND INCREMENTAL IMPLEMENTATION

Finally, planning, implementation efforts and operational procedures should be detailed, but flexible. In all the case studies PCMI conducted, similar processes for creating consolidated arrangements were followed. Planning teams of senior personnel develop broad objectives to be achieved and general strategies; separate implementation teams developed operational plans and addressed logistical problems. This was followed by incrementally-assumed operations. These steps were always addressed, although in varying depth and sequence depending upon departmental need:

- Motivation;
- Conceptualization;
- Support;
- Implementation/Start-up; and,
- Consensus.

In most successful shared services, organizations assumed their responsibilities incrementally over a period of time. Additional functions or clients were phased in only after acceptable service and satisfaction levels were achieved.

A MODEL FOR EXECUTING **SHARED SERVICES**

WHY DO IT? MOTIVATING FACTORS FOR SHARED SERVICES

Senior managers interviewed in the case studies indicated that a variety of external and internal factors motivated them to consider providing shared

- Central management agency direction, e.g., either general or specific shared services targets contained in GAO audit recommendations or OMB budget pass backs;
- Administration initiatives, e.g., the President's Management Agenda;
- Congressionally-mandated changes in organization structure; and,
- Internal departmental/agency management priorities such as:
  - cost reductions in administration and overhead;
  - an orientation that administrative services should facilitate program delivery;
  - enabling program delivery employees to focus on the mission;
  - standardization in policies, systems, and procedures;
  - need for uniform, reliable and accessible information;
  - need to centralize and automate administrative systems; and
  - changes in program priorities, policies and delivery systems.
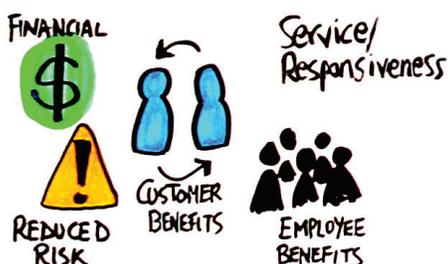
WHAT TO EXPECT AND WHAT TO AVOID WHEN IMPLEMENTING SHARED SERVICES

The case studies indicated that certain areas of the organization are more or less consistently affected. The degree of impact varies, however, and is influenced by numerous factors such as the reason for consolidating, the program and organizational environment within the department/agency, the implementation strategy chosen, and the goals and objectives for the shared services. Senior managers shared their thoughts on where shared services initiatives create opportunities for change, including:

- Standardization, centralization, and coordination of common services programs, policies, forms, and processes within the department agency;
- Greater justification for automation of common services processing because of economies of scale;
- Greater uniformity and compliance with administrative management, legal and regulatory requirements;
- Strengthened internal control of administrative support functions;
- Ability to clarify staff and line roles in both headquarters and the field, and frequently a reduction in organizational layering;
- Reduced administrative burden on program delivery staff;
- Uniformity, reliability, and accessibility of management information; and
- Increased responsiveness to departmental/agency leadership and/or central management agency direction.

> 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.
>
> SESSION 1 SUMMARY

> To successfully acquire and institutionalize shared services across the government, the government community will need to balance its need for standardization against the existing need for customization.
>
> SESSION 5 SUMMARY

In addition to opportunities for improvement, there are risks to be aware of, including:

- Loss of productivity and possible reduction in service levels during start-up/transition period;
- Turmoil within the organization because of reorganization – resistance, lack of control, and changes in the balance of power;
- Loss of control over administrative support at the program manager's level;
- Initial high start-up costs and inability to claim resource savings immediately;
- Impact on personnel previously involved in providing services (e.g., loss or change in jobs) as well as movement of personnel/facilities; and
- Significant resource and time commitments when the development and implementation of automated system is involved.

## CHOOSING SHARED SERVICES – NEXT STEPS FOR THE DECISION MAKERS

Senior managers, who believe that the themes above support their management aims, usually choose shared services as a departmental/agency priority. They have reported coming to some general conclusions on the following issues:

- "Providing" versus "buying" consolidated administrative services Senior managers who opt to <u>buy</u> these services generally do so because internal provision is not feasible due to:
  - Inability to meet economy-of-scale requirements;
  - Uncertainty regarding the direction of the department's/agency's programs, and perhaps, even their continued existence;
  - Unavailability of sufficient numbers of qualified personnel if the department/agency is in a reduced or no growth ceiling posture; and
  - Inadequate time or technology to develop an integrated system where multiple organizations have been reorganized under one department/agency.

The majority of managers confine themselves at this stage to broad issues of shared services – i.e., whether to consolidate internally or become a client. More specific decisions, such as the mix of services to be provided or the type of shared services approach to be implemented, are left for a later time. The one exception is those providers who decide that their department/agency should simultaneously explore shared services and automation.

- Setting up the team approach
  Case study results showed that most decision makers decided to use two separate, sequential teams (planning and then implementation) to perform the work needed to make the shared services operational. The decision maker needs to decide on the number and background of members and the manner in which the planning team will operate, e.g. a team of co-equals reporting directly to him/her; or a team under the leadership of a designated internal or consultant "champion."
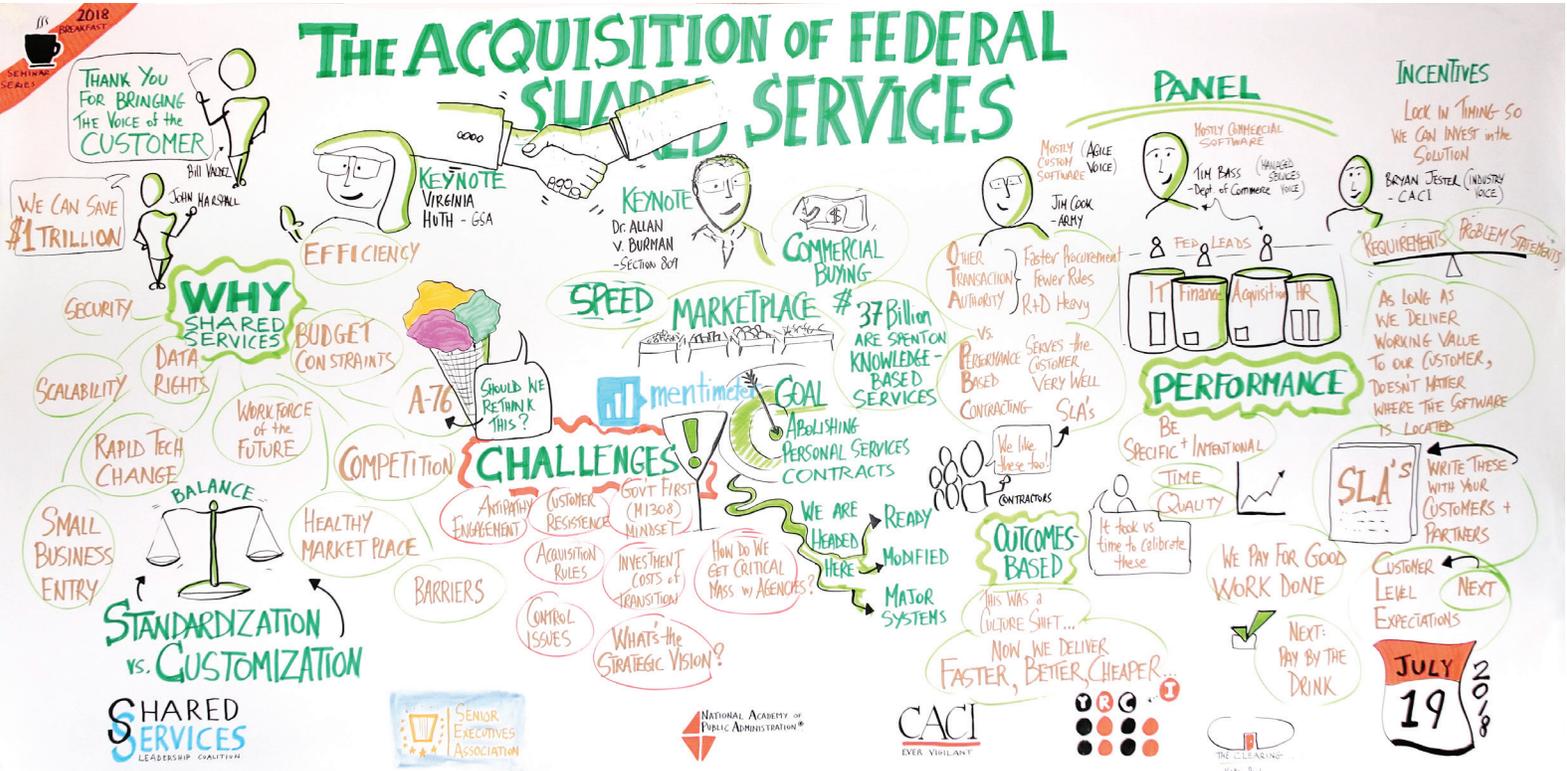
- **Providing Management Guidance**
  Based on personal style, the decision maker comes to some conclusions regarding how extensive an analysis of shared services approaches should be undertaken; what reporting format, including frequency and nature of briefings, is appropriate; what consideration should be given to previous analytical work on the subject and to organizational culture and norms; who will make decisions and in what manner; and at what point the development and refinement of the right shared services approach will be publicized.

STEP 1
PLANNING THE CONCEPT

ESTABLISH A PLANNING TEAM

The department/agency decision maker designates an individual or creates a planning team to refine the concept beyond the original decision. The case studies reveal the following characteristics about this approach:

- A small team (usually 3-5 members) is created;
- Team/individual usually reports to the decision maker, with frequent meetings and status reports;
- Team members usually are senior career management/staff personnel possessing knowledge of the functions to be consolidated or the servicing needs of the program clients;
- Often this phase was used to begin building internal managerial support by including representatives from client areas on the team; and
- This phase lasts from 4 to 12 months but, generally, the overall effort is more successful if implementation begins shortly after the original decision is announced (i.e., the planning phase is kept short).

ASSIGN THE ROLES OF THE PLANNING TEAM

The roles assigned to this person/team vary from agency to agency and are dependent in part upon the specificity of the original decision and the level of direction provided. Typically, however, the team is assigned the following tasks:

- Develop strategy for implementation;

- Develop goals and objectives to be achieved;
- Identify the implementation team; and
- Oversee implementation planning.

The planning team's level of effort was not consistent across the case studies, but consideration was given to each area. Experience levels, the original reason for deciding to consolidate, and the time available for implementation all influenced the depth of examination of each of these areas.

Case study results also indicated the following:
- The more thorough and quick the planning efforts at this stage, the easier the ultimate implementation;
- The more client acceptance is built at this point, the easier the implementation; and
- The closer the consolidated arrangement parallels accepted organizational behavior, tradition and culture, the easier the implementation.

DEVELOP A COMPREHENSIVE STRATEGY

The planning team examines/considers, to some degree, all of the following in development of their strategy:

- General Factors
  - **Departmental/agency environment:** Departmental/agency mission/operating style; leadership characteristics of top management; existing headquarters/field relationships; career/political appointee relationships.
  - **Program environment:** Program history, design and interrelationships; program dollars; type and source of funding; field programs delivery locations; statutory and regulatory constraints.
  - **External environment:** Expectations and potential response of special interest groups, Congress, the Executive Office, other Federal agencies and employee unions.

- Current Administrative Support Systems
  - **Administrative inventory:** An assessment of service functions being provided, identification of problem areas and those with additional needs.
  - **Functional definition:** Development of common understanding of services provided in each support area.
  - **Structure of existing support processes:** The degree of centralization/decentralization of authority and responsibilities.
  - **Management policy and procedure:** The degree of autonomy in the development of administrative policy and the degree of standardization of forms and processes.
  - **Relationships to program components:** The degree of integration of support activities in program organizations.

The SQS model has several "flavors" of shared services; Technology Contracts; Implementation and Integration Support Contracts; and Help Desk and Transaction Support Contracts. These common solutions deliver services to the Federal government that enable the SMO to scale, innovate, and help drive standardization and cost reductions in mission support functions.

Session 2 Summary

- Management initiatives: Current and known future directions affecting administrative support.
- Appropriations: Identifying mechanisms for funding existing support operations.
- Automation: Degree of current automation of administrative support functions.
- Experience with shared services: Identification of currently consolidated administrative support organizations.

- Departmental Resources
  - Human: Availability, location and capability of personnel to perform in the consolidated arrangement.
  - Finance: Availability, source and amount of funding to finance the consolidated arrangement.
  - Information Technology (IT) direction: Current IT plans and direction, available technology and support, degree of currency of departmental/agency administrative systems.
  - Information: Quality, reliability and availability of current management information.

CONSIDER ALTERNATIVE PATHS TO SHARED SERVICES

Typically the planning team constructs broad alternatives for proceeding with the shared services. They identify the functions to be performed, possible configurations of the arrangement (i.e., nationwide, regional or local) and the direction (e.g., phased implementation of functions or clients serviced).
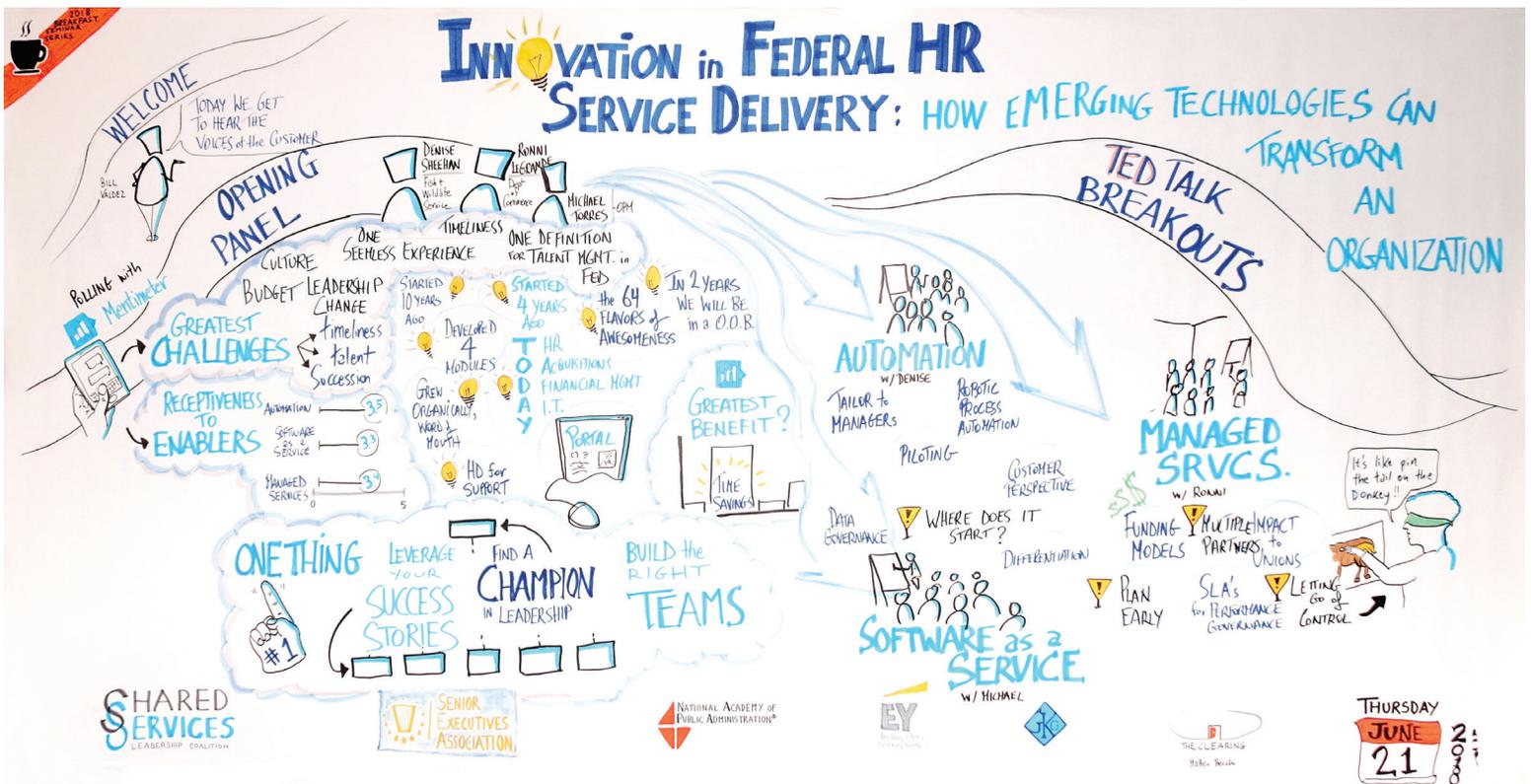
From the case studies, the following characteristics of each of the alternatives are apparent:

- **Nationwide Shared Services**
  - Usually are based upon an administrative service delivered through an IT processing system.
  - Frequently evolve from local or regional shared services based upon growth of automated system(s).
  - Frequently evolve into organizations which can/will provide services to other departments/agencies. Reasons include unused capacity and desire to keep the system and hardware at the "state-of-the-art". Fees will generally help to finance this system and lower the provider agency's direct costs.

- **Regional Shared Services**
  - Majority of agencies start with this type of shared services since risks are less.
  - Generally do not start based upon an IT processing system, although probability of success is enhanced significantly by technology.
  - Tend to be built upon existing consolidated organizations.
  - Tend to start with a single consolidated center servicing a portion of the country and evolve to a network of multiple regional centers.
  - Infrequently provide cross-servicing to other federal departments/agencies.
  - Tend to experience greater difficulties in implementing region-wide service programs where face-to-face contact is desirable (e.g., personnel advisory services, space or facilities management, etc.).
  - Geographical boundaries are normally established based upon program needs and support units tend to be located in a central portion of the geographic area serviced. Client concentration is a large consideration.
  - Follow no single or prevailing pattern of reporting relationship to headquarters, but instead follow existing organizational tradition of the department/independent agency.
  - Majority have a functionally based organization within the consolidated arrangement.

- **Cross-Servicing Providers**
  - Generally provided cross-servicing of highly automated functions and have excess capacity/potential.
  - Frequently evolve from nationwide shared services; really a matured shared services effort seeking to lower costs or improve technology.
  - Develop a "standard" approach to implementing new clients; generally employ the same implementing mechanisms as for internal consumers.

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.

SESSION 1 SUMMARY

State is a provider of shared services to external customer agencies in overseas locations. Mr. Evans noted that despite an 86% customer satisfaction rate, shared services requires constant improvement efforts guided by strong governance and ISO 9001: 2015 standards.

SESSION 3 SUMMARY

- Generally very responsive to external customers; include them in all phases of implementation.

- **Cross-Servicing Clients**
  - Consciously trade direct control of resources performing support functions for contractual-type control over support.
  - Choose provider based upon competitive pricing and quality factors. Will be more likely to enter an agreement if they can select a "fee for service" arrangement rather than transferring personnel.

The planning team's evaluation of the alternatives are presented to the decision maker for appropriate action. Announcements to internal personnel are prepared and released. If external resistance to the shared services is anticipated, a series of engagements with key stakeholders are conducted prior to announcements.

TRANSITION TO IMPLEMENTATION

After approval, the planning team normally creates broad goals and objectives, identifies members for an implementation team, identifies and resolves other major issues, and develops general direction for the implementation team. The following were visible in those shared services cases studied by PCMI:

- **Goals and Objectives**
  With a focus on increasing efficiency and effectiveness of administrative support and reduction in cost of operation, these goals and objectives help to effect greater efficiencies, but short-term cost reductions are not always realized. With the introduction of greater amounts of IT support however, substantial savings are realized in the longer term.

- **Other Issues**
  If, in the opinion of the decision maker or senior managers, selected implementation issues are significant enough to merit senior level attention, this is the time to address these concerns. Frequently these involved issues such as:
  - Location and area of responsibility of the consolidated component;
  - Gaining acceptance of the concept by managers/clients;
  - Staffing levels and resources, as well as sources for such funding, for the new component;
  - Selection of the head of the consolidated activity;
  - Financing for the new component; and
  - Identification of costs for implementation of the shared services.

The general approach used in dealing with these issues is to assign specialists to assist the senior managers in resolving the issue. The most successful shared services have achieved substantial support for the concept among senior department/agency managers and have neutralized external opposition prior to implementation.

STEP 2
IMPLEMENTATION

The prevailing pattern in the case studies was to create a separate implementation team to identify transition issues and perform the detailed work necessary to become operational. The following themes emerged from the case studies and seminar series:

IMPLEMENTATION TEAM

- Larger team (usually 6-10 people) comprised of subject matter specialists (e.g., procurement and personnel managers) was formed. Frequently, the individual eventually selected to manage the consolidated operation served as a team member.
- One or more of the senior managers previously involved in defining the concept usually is designated as the team leader to ensure consistency of direction.
- Often this phase is used to further internal support of the concept by including client representatives on the team; frequent open communications with all affected parties.
- This phase lasts from 3 to 12 months, but the overall effort is more successful if actual operations begin quickly and incrementally.

ROLE OF THE TEAM
- Specifically define the functions to be performed.
- Identify and prepare modifications to delegations of authority.
- Identify exact staffing levels and locations of personnel for each function to be performed.
- Identify employee union impacts/implications.
- Develop internal organizational arrangements, grade structures, position descriptions and reporting relationship for the consolidated organization.
- Identify personnel implications of shared services, identify and plan for appropriate transfers, reductions, reassignments, etc.
- Collect baseline performance data against which to compare future performance of the consolidated organization.
- Develop performance/service standards for the consolidated component.
- Identify and resolve logistical/supply/equipment needs for consolidated organization.
- Identify automation needs and arrange for automated data processing acquisition/transfer and support.

- Identify legislative or regulatory issues affecting the shared services, initiate appropriate action.
- Arrange for transfer of appropriate funds to support current operations; create new procedures for funding the shared services.
- Identify areas where the shared services impact on other administrative systems (e.g., automated accounting/payroll systems).
- Identify expected workloads.

Levels of effort in these areas were not consistent across all the case studies. The needs of the department/agency, the specificity of previous decisions and time available seemed to influence the amount of work done by this team. Throughout the case studies it was clear that all of the above items had to be addressed/resolved. If not done at this point, it took place after operations began.

The teams' approaches to identifying and resolving issues differed from case to case. However, the following characteristics were apparent in the most successful shared services:

- Extensive communications with personnel to be affected by the shared services were critical. Frequent periodic status reports and open meetings are used to facilitate clear and transparent communications regarding changes that impact employees.
- Further managerial support-building efforts are undertaken. Frequent written communications, solicitation of managers' comments, and the use of managerial committees to discuss specific issues were utilized.
- Multiple mechanisms are utilized to address the changing workforce skills and organizational needs that change as a result of shared services transitions. This includes reskilling and training for different roles and responsibilities of affected employees.
- Over-staffing of critical functions often occurs to ensure that appropriate levels of quality and timeliness of support services for clients are achieved.
- Future automation framework and plans are begun – including hardware acquisition.

Each experience is different and will be different. However proper planning, change management during implementation and performance measures that maintain a culture of continuous improvement, are keys to your success.

SESSION 4 SUMMARY

STEP 3
MAKING IT WORK
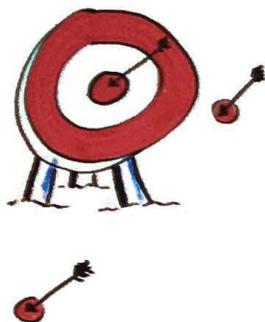
OPPORTUNITIES FOR SUCCESS

The most successful organizations had completed very detailed planning and implementation efforts prior to beginning operations. This appeared to facilitate operations and focused the consolidated organization's staff on ensuring proper support to clients. All issues which were not previously resolved, however, had to be handled in consonance with operations. The case studies showed that regardless of the degree of preparation, some issues continued to require constant attention:

- Building Client Support
  Ongoing efforts, on the part of operational management, are necessary to build higher/continuing degrees of support from clients. This became especially critical when support-building efforts were unsuccessful or were not previously pursued (i.e., if buy in wasn't established earlier).

- Service Orientation
  Operational management must continually stress to clients and its own employees the service role of the consolidated organization. In successful organizations a clear "We can work it out" attitude must prevail. As one implementer put it, "If you want to catch fish, you ought to bait the hook."

- **Ongoing Improvement**
  The environment within the consolidated arrangement is dynamic and characterized by constant change. This is caused by changes in client needs, policy revisions, changes in objectives, systems enhancements, etc. All parties to this shared services arrangement must perceive appropriate reactions to these stimuli as well as constant improvement. Reducing costs and reducing processing times are the most sought-after changes.

- **Flexible and Constant Management**
  The stronger shared services demonstrated a constancy of management and philosophy in guiding the consolidated activity. Management must be extremely flexible and entrepreneurial in nature while assuring appropriate compliance with laws and regulations.

  Evaluations of the consolidated concept, operational efficiency, costs and accuracy are frequently conducted within the two years following the beginning of operations. This discipline is institutionalized in most high-performing organizations.

PROBLEMS AND PITFALLS

Not all the organizations we reviewed were case studies in excellence. One arrangement was achieving "tangible economies as well as a high level of effectiveness" according to one external review, but dissolved after a few years under the pressure of budgetary constraints and Departmental parochialism. Another was under close scrutiny by Departmental evaluators and its continuation is open to question.

But it was deliberate decision on our part to examine failures as well successes. As Herbert Kaufman (a well-known organizational expert) has argued "… one must understand sickness and death to understand health; pathology contains many of the clues to normality." A review of the case study findings clearly identifies some of the problems and pitfalls to be avoided.

- **Lack of commitment and follow-through by key executives**
  The first challenge in accomplishing any major organizational change is the posture of the key executives. If they are perceived as enthusiastic, as advocating and using the changes being made, a major hurdle is overcome in getting the changes accepted. Many managers find themselves caught up in the hassle of day-to-day emergencies and lose sight of their long-term agendas. Theirs is a failure of organization, one that precludes the successful installation of the innovations because the energy required to reinforce and sustain those innovations is drained off by the latest fire that needs their personal attention. The continuous effort of key executives is essential because they are the major holders of power and authority in their organizations. Furthermore, in their behavior they have to be models for the behavior they expect from other members of the organization.

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.

SESSION 1 SUMMARY

PCMI's studies indicated that the motivations for shared support arrangements often came from outside the operating component – either from a higher level within the Department or Agency (i.e., the Office of the Secretary) or from outside (i.e., OMB, GAO, GSA, or in one case, the Joint Financial Management Improvement Program). It appears that motivation for and support of such initiatives from only one source is sometimes insufficient; that organizations who seek to resist change are able to stem off such pressure. A confluence of two or three organizations pushing for change is occasionally necessary to overcome bureaucratic inertia.

- **Taking too long to install the new unit and inadequate supply of change agents**
  These two factors are considered jointly because they are interrelated. People don't like to feel that they are in a state of always becoming, but never being. They want to feel that they will, at some known future point, be able to use the shared support arrangement. Often this unsettled feeling was due to the fact that staff resources were thin – an inadequate supply of change agents. As a result, the support from key executives dwindled as they began to turn their attention – or be pulled – elsewhere.

- **Favoritism**
  Any favoritism in the provision of services – either real or perceived – can be fatal. Clients demand not just good service, but equal, consistent provision of that service. Clients need assurance that the services they receive are identical to those being received by the host's own employees.

- **Premature reductions**
  Savings from shared servicing arrangements, if they do appear, come later – not at the time of start-up. Those organizations that experienced problems either tried to start too lean or took projected savings up front, during the implementation phase. As a result, they never got over the start-up, experienced a number of difficulties, and were tarred by these initial problems.
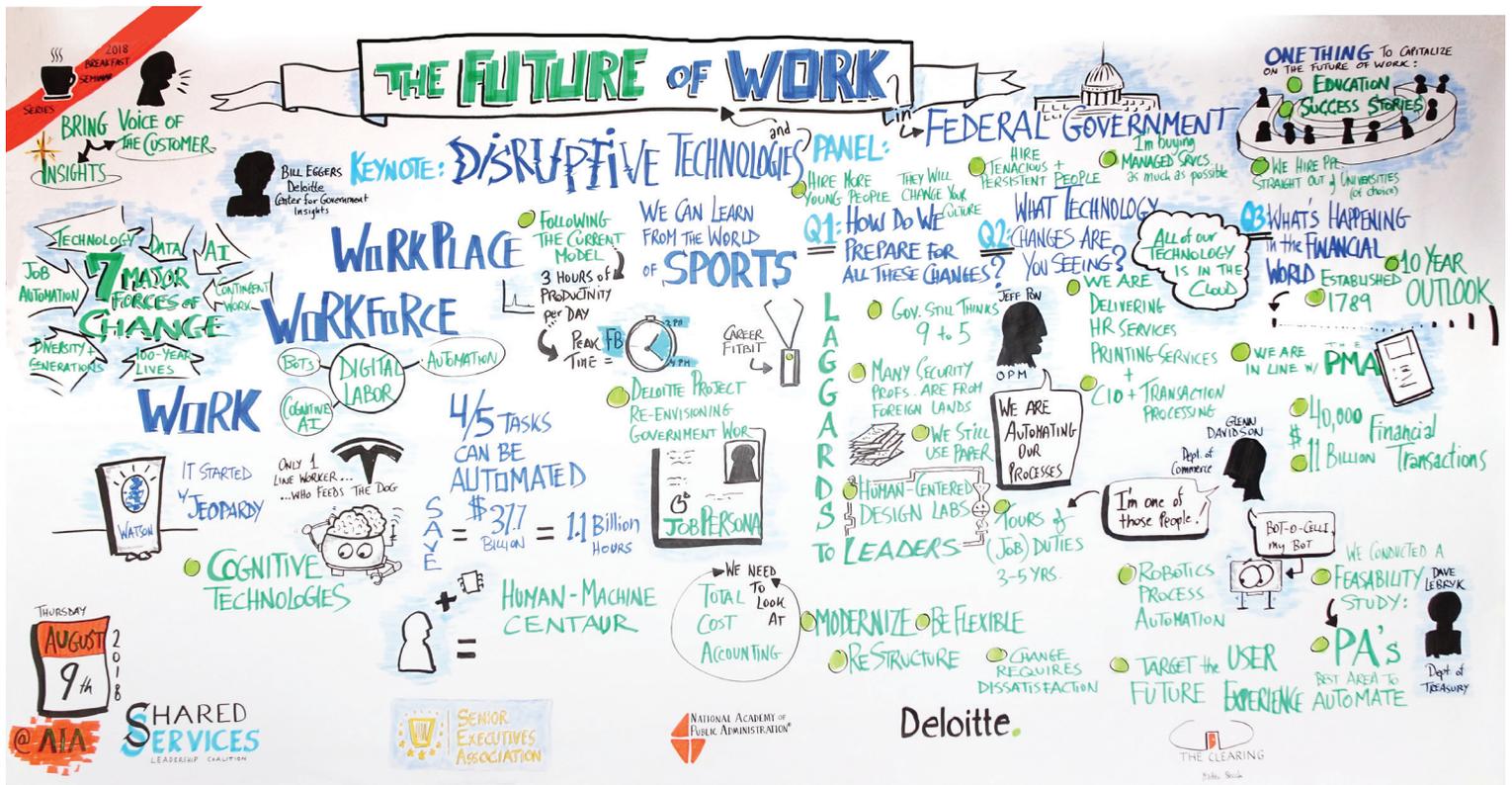
Interviews indicated that while savings often are realized from shared support arrangements, the efficiencies do not appear immediately. In fact, in the short run, the arrangement may prove to be more costly with start-up problems, servicing complaints, transitional issues, new systems and the like.

A careful review of these studies, then, will be helpful if the mistakes of the past are to be avoided in future efforts designed to plan and implement consolidated administrative support arrangements.

CONCLUSIONS

Most management studies have said that private sector success isn't due to magic--it is due to common sense. Great American managers and executives don't derive their expertise purely from academic training or textbook reading—they call on imagination, hard work, and human caring.

The message from this volume should be the same. There are indeed successful public sector organizations, and their success isn't due to magic. The well-run government units foster attitudes about clients and employees that underpin their success. By examining how they got that way and describing them in some detail, we have assembled a study that should be helpful to many public officials. This volume is intended to be a do-it-yourself guide to sharing administrative services, complete with pragmatic questions and suggestions, as well as problems and pitfalls, and to be applied alongside the guidance from USSM. The guide is designed to help Federal managers analyze where they are now, how they got there, and particularly what they might do now to construct successful shared support arrangements within their own organizations. We hope the guide will be useful for those purposes.

APPENDIX A:
PCMI STUDY DETAILS

PCMI STUDY DETAILS

Over 30 years ago, as part of the President's Council on Management Improvement's (PCMI) Study of Common Administrative Services, PCMI detailed fifteen (15) case studies of specific successes and failures in sharing or combining administrative support were conducted. They included consolidated regional support units, cross-servicing agreements, centralized servicing points, extensive use of contract support, and the like. The case studies were designed to examine a number of common concerns:

- How was the site for the shared services effort selected?
- What start-up problems were encountered?
- What opposition was encountered from within? From the Congress?
- How were the projects financed?
- How were service charges determined? Reimbursements made?
- What role did clients play in budget and management deliberations? In organizational evaluations? In personnel appraisals?
- Why did this initiative succeed or fail?
- What would the department do differently now? Lessons learned.

The projects included a range of structures:

- Three represented department-wide and nationwide servicing consolidations and shared services;
- Eight involved some form of regionalizing support – two from a single site and six from multiple centers;
- Two represented cross-servicing between departments; and
- Two involved National Capital Region consolidations or shared services.

These were studies of significant share servicing arrangements. They provide a full range of administrative support – everything from information technology to warehousing, from accounting to utilities payments. They provided services to over 600,000 of the then 2.3 million federal employees, handled more than 16 million payroll actions and over 1 million personnel actions, paid over 10 million invoices, processed almost 100 million printing/duplication requests, maintained or operated over 5,000 structures and 50,000 acres of land, and paid out almost $15 billion.

The case studies themselves represented in-depth, objective assessments of the organizations studied. They were conducted by an inter-agency study team made up of staff from the then-Veterans Administration, the Office of Personnel Management, General Services Administration, Department of Energy, the Environmental Protection Agency, the Department of Health and Human Services, the United States Department of Agriculture, the Department of the Interior and the Department of Commerce. The fifteen were based on

almost 300 interviews and reviews of several thousand documents, studies, and memoranda. The organizations covered were:

- Animal and Plant Health Inspection Service
  Department of Agriculture
- National Finance Center
  Department of Agriculture
- Western Administrative Support Center
  Department of Commerce
- Corps of Engineers
  Department of Defense
- San Antonio Real Property Maintenance Agency
  Department of Defense
- Cross-Servicing Arrangements
  Department of Education
- Field Organization
  Department of Energy
- Regional Administrative Support Centers
  Environmental Protection Agency
- Arcade Plaza Complex
  General Services Administration
- National Capital Region
  General Services Administration
- Regional Administrative Support Center
  Department of Health and Human Services
- Automated Payroll/Personnel System
  Department of the Interior
- Regional Office of the Assistant Secretary for Administration and Management
  Department of Labor
- National Capital Region Service Center
  Department of Labor
- Austin Finance Division
  Veterans Administration

The volume summarized the central findings from these studies and served as a compendium of "lessons learned." And, like *In Search of Excellence,* it described practices of well-run organizations and noted the attributes they have in common.

APPENDIX B:
SESSION REPORTS

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.

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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.

SHARED SERVICES AND HOW A STRONG GOVERNANCE PROCESS WORKS FOR PROVIDERS AND CUSTOMERS

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BACKGROUND

As government begins to consider the implications of the President's Management Agenda, the second of a series of breakfasts on shared services was hosted on May 2, 2018, by IBM at NAPA's offices. At a high level, the session covered a shared services governance structure focusing on the voice of the customer, case studies of successful shared services governance structures, the development of service standards for shared services, and a discussion about grant programs and shared services. Speakers included Lesley Field, Acting Administrator for Federal Procurement Policy in the Office of Management and Budget (OMB) and Shared Services Policy Officer, and Beth Angerman, Acting Deputy Associate Administrator of the Office of Governmentwide Policy in GSA and leader of the Shared Solutions and Performance Improvement Team. A panel discussion followed on how to leverage the voice of the customer that included three executives representing different roles in the government shared services journey: Jeff Koch, Deputy Assistant Secretary for Administration and Management at U.S. Department of Labor (DOL); Tom Muir, Director, Support Services at Department of Veterans Affairs; and Rhea Hubbard, Senior Policy Analyst at OMB and a leader in the grants CAP goal effort.

THE CHALLENGE

Ms. Field focused on the vision of the administration to put a shared services stake in the ground, recognizing that "this is a relay, not a sprint, and one that will take 10 years to complete, and will save an estimated $2 Billion." Reviewing the cross-agency goals, she discussed the relationship between IT modernization, shifting from low value to high value work, and shared services as part of a holistic approach.

Ms. Angerman discussed the Sharing Quality Services Cross-Agency Priority (CAP) Goal and the governance plan for shared services. This is a comprehensive and complicated structure that starts at OMB and the President's Management Council, and drives down to agencies and vendors. There were several revealing ideas in her presentation. Agencies themselves can decide how to start shared services by implementing: i) Technology Contracts; ii) Implementation & Integration Support Contracts; and/or iii) Help Desk and Transaction Support Contracts. There isn't a mandate for agencies to adopt a prescribed shared service approach. According to Beth, "One size doesn't fit all," and it is important to listen to the voice of the customer. The dynamic is to find the right balance between choice and scale. Beth added,

"I really feel like the ground is shifting" in terms of acceptance of a shared services future.

Panelists brought their own experiences to the discussion, but focused on the voice of the customer. While the big ideas may come from the top, the ultimate responsibility and success hinges on the customer's willingness to engage and transform. This is no easy task.

CASE STUDY IN SHARED SERVICES

Jesse Samberg provided a case study in shared services from his time in New York City with the Metropolitan Transportation Authority (MTA). Prior to implementing shared services, the MTA was comprised of seven agencies, each using its own basket of applications for benefits administration, payroll, timekeeping, etc. Post shared services, the MTA now uses one Enterprise Resource Planning (ERP) system, one document management system, and one customer relationship management system. All using a single point of entry for all users.

WHAT YOU NEED TO KNOW ABOUT THE PMA

The President's Management Agenda ("PMA") describes three broad "Priority Goal" drivers of transformation:

- **Modern information technology** must function as the backbone of how Government serves the public in the digital age. Meeting customer expectations, keeping sensitive data and systems secure, and ensuring responsive, multi-channel access to services are all critical parts of the vision for modern Government.
- **Data, accountability, and transparency initiatives** must provide the tools to deliver visibly better results to the public, while improving accountability to taxpayers for sound fiscal stewardship and mission results. Investments in policy, people, processes and platforms are key elements of this transformation and require cross-agency cooperation to ensure an integrated Data Strategy that encompasses all relevant governance, standards, infrastructure and commercialization challenges of operating in a data-driven world.
- The **Workforce for the 21st Century** must enable senior leaders and front-line managers to align staff skills with evolving mission needs. This will require more nimble and agile management of the workforce, including reskilling and redeploying existing workers to keep pace with the current pace of change.

The management agenda looks to these 3 "Priority Goals" to drive the overall change described in the PMA. There are a total of 14 CAP Goals including the above 3. Each goal identifies leaders who will be responsible for implementing the goals, and includes specific target objectives and dates.

These goals are not new to this administration, rather they have been considered as "top of stack" needs since the Clinton Administration put significant focus on them. However, this PMA has taken the effort to the next level by focusing in execution as well as ideas. In particular, there are 14 Cross Agency Priority ("CAP") goals that identify ways to achieve the transformation of government. "The President's Management Agenda identifies Cross-Agency Priority (CAP) Goals to target those areas where multiple agencies must collaborate to effect change and report progress in a manner the public can easily track."

What is most interesting and important about the PMA is the way that these goals intersect with one another across agencies, functions, leadership and outcomes. This is an enterprise view of the workings of government, and the PMA is a means toward finding enterprise solutions.

SHARING QUALITY SERVICES

One critical enterprise solution relates to the CAP Goal; Sharing Quality Service ("SQS"). Shared Services is the consolidation of technology, operations and/or people within the same organization, or across organizations. Shared services are cost-efficient because they standardize and centralize back-office operations, and eliminate redundancy. Along the road to considering many of the above goals, it is in the interest of the government as a whole, as well as individual agencies, to consider whether a shared service operation can facilitate various of the other goals.

The effort of the SQS goals is that "The Federal Government will establish a strategic government-wide framework for improving the effectiveness and efficiency of administrative services by 2020, leading to continual improvements in performance and operational cost savings of 20% annually at scale - or an estimated $2 billion over the next 10 years."

One of the improvements upon previous shared services efforts is the inclusion of a Governance and Operating Model. The Model has several levels of responsibility starting with the President's Management Council ("PMC") setting overall strategy, down to vendors providing services.

Between policy makers and agencies sits a newly created Service Management Office ("SMO"), a "Federal storefront to the commercial service providers. Subject Matter Experts drive standardization, respond to user concerns, manage the creation of Federal unique micro-services, and manage the integration of commercial suppliers. Accountable for overall performance of service."

The SQS model has several "flavors" of shared services; Technology Contracts; Implementation and Integration Support Contracts; and Help Desk and Transaction Support Contracts. These common solutions deliver services to the Federal government that enable the SMO to scale, innovate, and help drive standardization and cost reductions in mission support functions.

WHO IS READY TO MOVE?

One of the interesting dynamics included in the SQS Cap Goal is a chart about satisfaction with the "quality of support and solutions I received from the (Human Capital/Financial Management/Contracting/Information Technology) during the last 12 months." When you review the scores, you will notice that they are all in the 5 range on a scale of 1 to 7, or roughly a B- to B. This says "I'm not in the excellent range, but it will be difficult to motivate me to change."

Based on these satisfaction polls, we need to focus on the *coalition of the willing* in order to build a shared services movement. Many of those who attended our breakfast series are in our corner.

CONCLUSION

A guiding principle of this process is "one size doesn't fit all." While there is an imperative to become more efficient by adopting a shared service model, agencies have the option of taking one or more of the above referenced "flavors". This is a critically important notion that recognizes the complexity of government technology, requirements, workforce, etc. Large agencies may be better served by building a shared service operation within, while smaller agencies would migrate to a Federal Shared Service Provider. In any event, so far that decision is being left to the agency.

SEMINAR 3 MAY 24 2018

FISCAL ACCOUNTABILITY IN FINANCIAL MANAGEMENT AND SHARED SERVICES

This seminar sponsored by CGI engaged a panel of three experienced Federal CFOs (Joe Hungate of HUD, Alan Evans of the State Department, and Matt Roper of the Department of Justice) in a discussion of fiscal accountability issues from the perspectives of providers and customers of shared services. An audience of about 70 government and industry professionals listened and participated in break-out groups following the panelists' presentations.

State is a provider of shared services to external customer agencies in overseas locations. Mr. Evans noted that despite an 86% customer satisfaction rate, shared services requires constant improvement efforts guided by strong governance and ISO 9001:2015 standards.

HUD is a customer of shared services from external providers. Mr. Hungate noted successful migration of numerous core FM services, improved internal controls and data quality, and high levels of satisfaction from having third party providers manage complex processes and compliance requirements for the Department.

Justice is a provider of shared service to internal customer bureaus within the Department. Mr. Roper noted that the agency's viability depends on continuous modernization with gradual evolution over time being an important success factor.

Break-out sessions engaged the audience in discussing issues of process, people, technology, customer satisfaction, innovation and benefits realization. A few key insights included:
- Aggressive change management is necessary to break down attitudes of "we've always done it this way"
- Continuous sharing of information and demonstrating value is necessary to get buy-in, build momentum and keep things moving forward
- A strong customer voice is necessary in standards-setting; too much top-down decision-making can undermine customer satisfaction in services
- SLA's must be managed diligently to realize efficiencies and business case cost savings.

The following recommendations are proposed to support improved implementation and success of the Administration's Sharing Quality Services initiative:

SUMMARY RECOMMENDATIONS:
- Expand number and use of common solutions and use of centralized services
- Promote best-practices through proven commercial innovation and tools

RECOMMENDATIONS TO 5 CORE SHARED SOLUTION CHALLENGES
(received from break-out group work):

1) Old technology, outdated processes, and culture of compliance creating inflexible environment:
   - There is resistance to new processes and ways of conducting business. Recommend ample advanced notice and focused change management practices to increase success of adoption.
   - Promote actions on movement from low to higher value business analysis skillsets
   - Create environment and systems that will attract Millennial and younger talent

2) Enterprise-wide, there are duplicative back-office financial management services (contracts, people, and technology) at hundreds of locations
   - Promote Reimagine efforts across cabinet agencies on how to tackle inefficiencies. Establish target goals and further internal standardization and consolidation efforts.
   - Promote internal agency efficiency through culture of employee upward feedback
   - Create a culture of sharing, best processes, and broader information sharing across agencies that will promote operational improvement

3) There is "low" customer service satisfaction for back office administration activities
   - Providers of service should migrate to customer service orientation with SLA's and feedback mechanisms like those used in commercial industry.
   - Recommend increased, real-time and transparent information sharing

4) Commercial innovation has outpaced Federal capabilities
   - Expand use of public / private partnership models from industry to bring innovation
   - Some agencies finding the budget cycle and process restrictive to acquiring new innovation. Recommend expanded use of multi-year funding and contracting and more flexible acquisition arrangements.
   - Make more R&D funding available to agencies

5) Commercial vs. Government benchmarks are widening
   - Proceed with Federal / Industry benchmarking assessing gaps
   - Utilize tools like tight SLA's and ability to decrease costs.
   - Utilize right mix of public and private workforce and innovation automation to decrease gaps.

SEMINAR 4 THURSDAY JUNE 21 2018

INNOVATION IN FEDERAL HR SERVICE DELIVERY SSLC BREAKFAST

BACKGROUND

As government leaders begin to link talent management and organizational success, the combination of enabling technologies and shared services has quickly become a key component of HR transformation. As part of their ongoing series on enhancing the government's understanding and execution of shared services as mission-enhancing value drivers in Agency Reform Plans, Ernst & Young LLP (EY) in partnership with Golden Key Group (GKG), hosted a panel and in-depth breakout sessions on June 21st, 2018, to explore major trends in human capital and emerging technologies as they relate to shared services. Featured panelists included: Veronica (Ronni) LeGrande: Director of HR Services Enterprise Services (Department of Commerce), Denise Sheehan: Assistant Director for Budget, Planning and Human Capital and Chief Human Capital Officer (U.S. Fish and Wildlife Service, Department of the Interior), and Michael Torres: Program Manager, Human Capital Transformation (Office of Personnel Management. Karen Shrum, a Partner in the Government & Public Sector Practice of EY, moderated the panel. The audience was asked to provide insights on key questions to inform the dialogue throughout the session.

THE CHALLENGE

In the Federal arena, both HR professionals and their program counterparts face difficult HR service delivery challenges that impact their organizations' ability to recruit, hire and retain top talent. When polled, seminar participants identified the top three HR challenges as: (1) Timeliness; (2) Hiring; and (3) Talent.

What is your organization's greatest HR service delivery challenge?		
Tier 1 Timeliness Hiring Talent	**Tier 2** Technology Paper Processes Succession	**Tier 3** Communication, Performance, Security, Sufficient SMEs, Scalability, DEU Certifications, Systems Access, Clearances, Requirements Planning, Responsiveness, Customer Care, Service, Consistency, Competency, Dinosaurs, Efficiency, Knowledge, Analytics, Mindset Change, Accountability, Innovation, Alignment to Strategy, Succession Planning, Reputation, Budget, Funding, Advice, Confusion

Figure 1: Polling Question 1

In response to these challenges, agencies are exploring and adopting three innovations in Federal HR service delivery: Automation, Software as a Service (SaaS) and Managed Services. Participants noted the top benefits of these enablers as (1) Time Savings and Operational Effectiveness; (2) Improved Customer Service; and (3) Consistency and Reliability.

To what extent is your organization receptive to the following service delivery enablers?
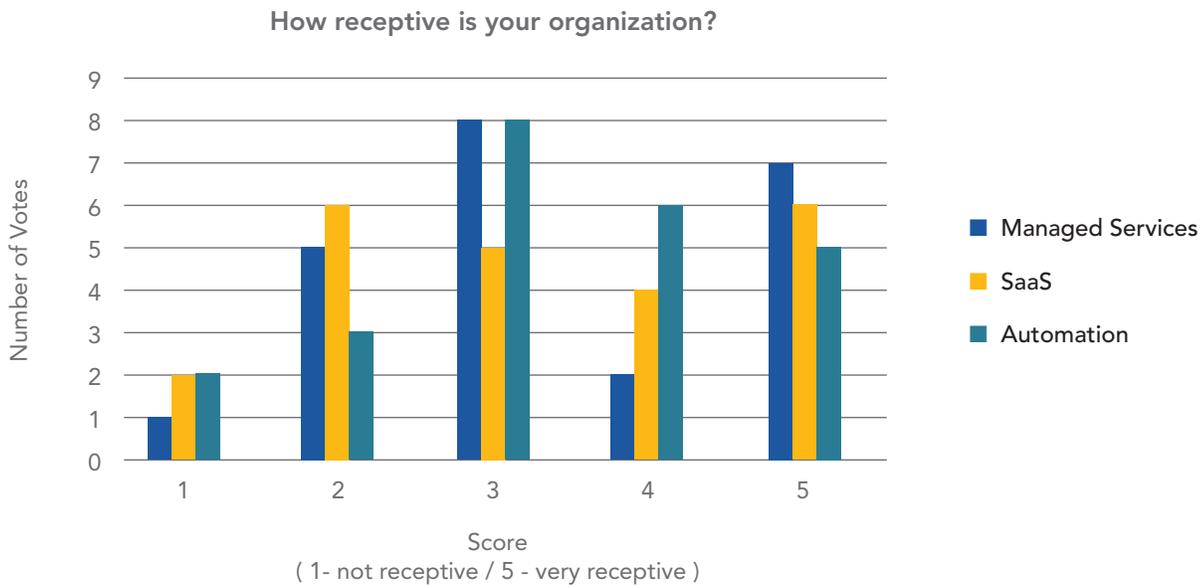
How receptive is your organization?

Figure 2: Polling Question 2

What is the most positive aspect of these enablers for HR Service Delivery?

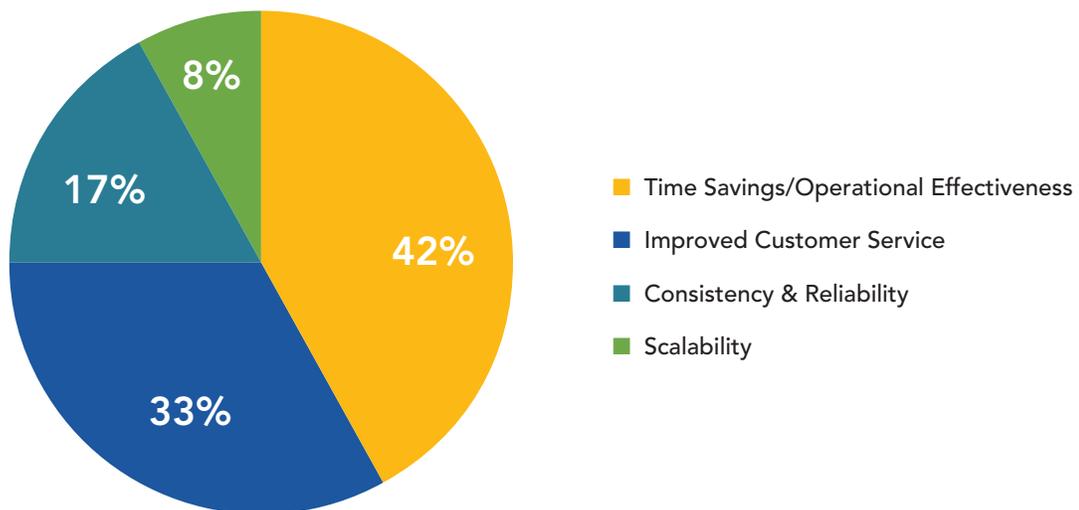**Positive Aspect of Enablers for HR Service Delivery**

Figure 3: Polling Question 3

Through our discussion, panelists provided thought-provoking insights on innovations in Federal HR service delivery that have the potential to empower agencies to successfully accomplish mission and Administration priorities, while also improving user experience. Three primary questions for consideration guided the discussion:

1. One of the challenges that we have seen in implementing the enablers is the recalibration or rebalancing of work. How has your organization begun to address this challenge?
2. What opportunities does the implementation of automation, SaaS, and managed services offer to your organization?
3. What is the number one thing that you might recommend to practitioners as they are considering introducing, or further deploying enablers into their organizations?

CONSIDERATIONS

Potential of Automation to Improve HR

Implementing automation can help alleviate the administrative burden for managers during the hiring process. Hiring activities can often take up a disproportionate amount of time for a manager. Additionally, a lack of structure and appropriate guidance for hiring can often result in an employment offer to a candidate that does not have the appropriate skills for the job. The addition of automation can reduce this type of redundancy and duplication. An example was provided of how an organization effectively implemented a Human Capital Management System (HCMS), streamlining the hiring process and eliminating inefficiencies that had caused unnecessary administrative burden. The organization felt that leadership buy-in and perseverance were the two biggest reasons for their success.

There are several automated web-based tools that can be deployed to heighten core HC functions. These tools can create and store position descriptions, job announcement components, provide managers instant access to their workforce demographics, projected retirements and workforce changes and automate organizational chart development. Ultimately, utilizing the tools available in the market decreased the hiring process cycle time from 115 days to 10 days, provided real time information to managers, automated organizational chart creation and position hierarchy. It was a start to fixing a broken performance appraisal process.

Other automation trends in the commercial space include Robotics Process Automation (RPA). An example was provided of an HR Case Study which depicted the benefits of utilizing bots to automate and streamline the new hire-onboarding process. The bots were able to utilize new joiner forms to validate information via an online system, update the IT platform and send emails to payroll for onboarding new employees. As a result, the organization was able to reduce onboarding time from 138 minutes to 3 minutes, determine 100%

accuracy on new hire data entry, and reallocate time spent by employees on value add activities rather than repetitive tasks.

The SaaS Model for HR

Software as a Service (SaaS) is a software licensing and delivery model in which a third-party provider licenses software on a subscription basis and centrally hosts applications. At the heart of an effective implementation and integration of SaaS within the federal government, is the Human Capital Management (HCM) operating model, developed by OPM, which defines the Federal HC lifecycle. The Human Capital Business Reference Model (HCBRM), created by engaging HR legal, policy and industry experts, represents the 15 functions and 54 subfunctions required by statute and regulations. Talent Management as a Service or TMaas is a solution that provides the federal government the opportunity to solely focus on mission citizen services. There are 3 critical success factors to implementing and sustaining a TMaaS solution:

1. Agile approach to change management
   - Communicate change drivers of a cloud-based solution
   - Define the value proposition and change activities
   - Outline staffing and governance structure, develop a common adoption methodology, and provide training for new roles, responsibilities, processes, and skills
2. Economies of Scale and Vendor management, governance and oversight
   - TMaaS vendors deliver expertise beyond software and hardware
   - A mutually-beneficial vendor relationship/partnership should include: contractual service level agreements (SLAs), a single point of contact to support on-going requirements, and the ability to participate in product development as the needs of your agency evolve
   - All federal entities move away from 'stove-piped' HRIT solutions and adopt vendor-managed TMaaS in the cloud
3. Customer-focused metrics to measure success
   - Align metrics to the value proposition determined at the start of implementation, specifically the customer experience, to drive continuous improvement

Managed Services for Human Capital Management

Managed Services is a service delivery model in which a federal agency openly competes enterprise-wide requirements and outsources select administrative services and/or systems to a commercial (non-federal) service provider. In this model, private marketplace competition drives down costs and incentivizes performance; as a result, agencies have the ability to terminate service agreements in the event of poor performance. While the Managed Services model can lead to better government outcomes and increased business function efficiency, there are a number of factors that an organization should consider when adopting managed services. It is critical to establish internal expertise in the agency to manage the vendor relationships and integrate the managed services with the agency's other service areas. The

Managed Services approach will change the nature of work that the agency conducts: the agency should focus on managing the workforce impacts and rebalancing work. When selecting a vendor, it is important to choose one that has previous experience handling Personally Identifiable Information (PII) and classified information. Ultimately, adopting this approach will require a major change management effort. It is important to communicate changes to all those impacted and engage customers through governance and customer advocacy groups.

CONCLUSION

Shared Services continues to be a pressing item on the federal agenda. Managed Services, Software as a Service and Automation are a few of the options available to federal agencies to improve process efficiency and integration. The experiences shared during this session provided insights and lessons learned to support organizations interested in HR Shared Services. Each experience is different and will be different. However proper planning, change management during implementation and performance measures that maintain a culture of continuous improvement, are keys to your success.

THE ACQUISITION OF FEDERAL SHARED SERVICES
SOLUTIONS FOR CRITICAL CHALLENGES IN THE SUCCESSFUL ACQUISITION OF FEDERAL SHARED SERVICES

BACKGROUND

As government leaders move out to fulfill agency mission goals, objectives, and adhere to new administration priorities, the ability to successfully acquire and operate with shared services will play a vital role for long-term success. Within the Federal Government, successful acquisition of shared services requires the ability to overcome number of challenges that often counter traditional government acquisition contracting methods. The seminar discussed key differences between centralized services and shared services, new acquisition and service delivery trends, best practices in defining shared service delivery models, and Section 809 acquisition reform updates. As part of the ongoing SSLC shared services seminar breakfast series focused on advancing government understanding and the successful adoption and transition to shared services, CACI, in partnership with YRCI, organized two key note sessions and conducted a panel discussion on July 19th, 2018, to explore trends, challenges, and share best practices related to the acquisition of Federal Shared Services across the Government.

Our first speaker, Ms. Virginia Huth, Director, Office GSA Acquisition Policy, Integrity & Workforce, Office of Government-wide Policy, delivered an engaging presentation describing the business case for adoption of shared services across government. Our next speaker, Dr. Allan Burman, Commissioner of the Section 809 Panel, discussed recent updates pertaining to the Section 809 Panel, an effort focused on streamlining, simplifying, and adding agility to defense acquisition processes. Our panel discussion moderated by Renee Courtland, Director of Program Development, YRCI featured both industry and government participants offering a 360-degree view of key acquisition challenges. Our panel members included: Tim Bass, Director of Service Management, Enterprise Services, Department of Commerce, Jim Cook, Assistant Product Lead, Applications Management Division, Reserve Component Automation Systems, Army Program Executive Offices - Enterprise Information Systems, and Bryan Jester, Senior Vice President, Financial Management and Acquisition Solutions, CACI. During our keynote sessions and panel discussion, the audience provided insights on key topics and ask questions throughout the session.
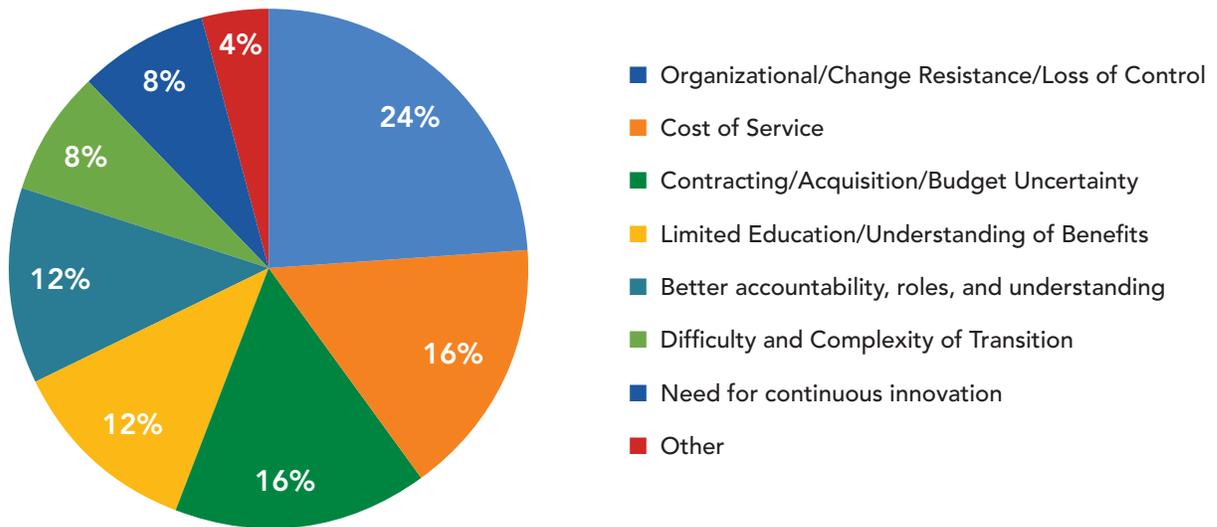
Sponsored by
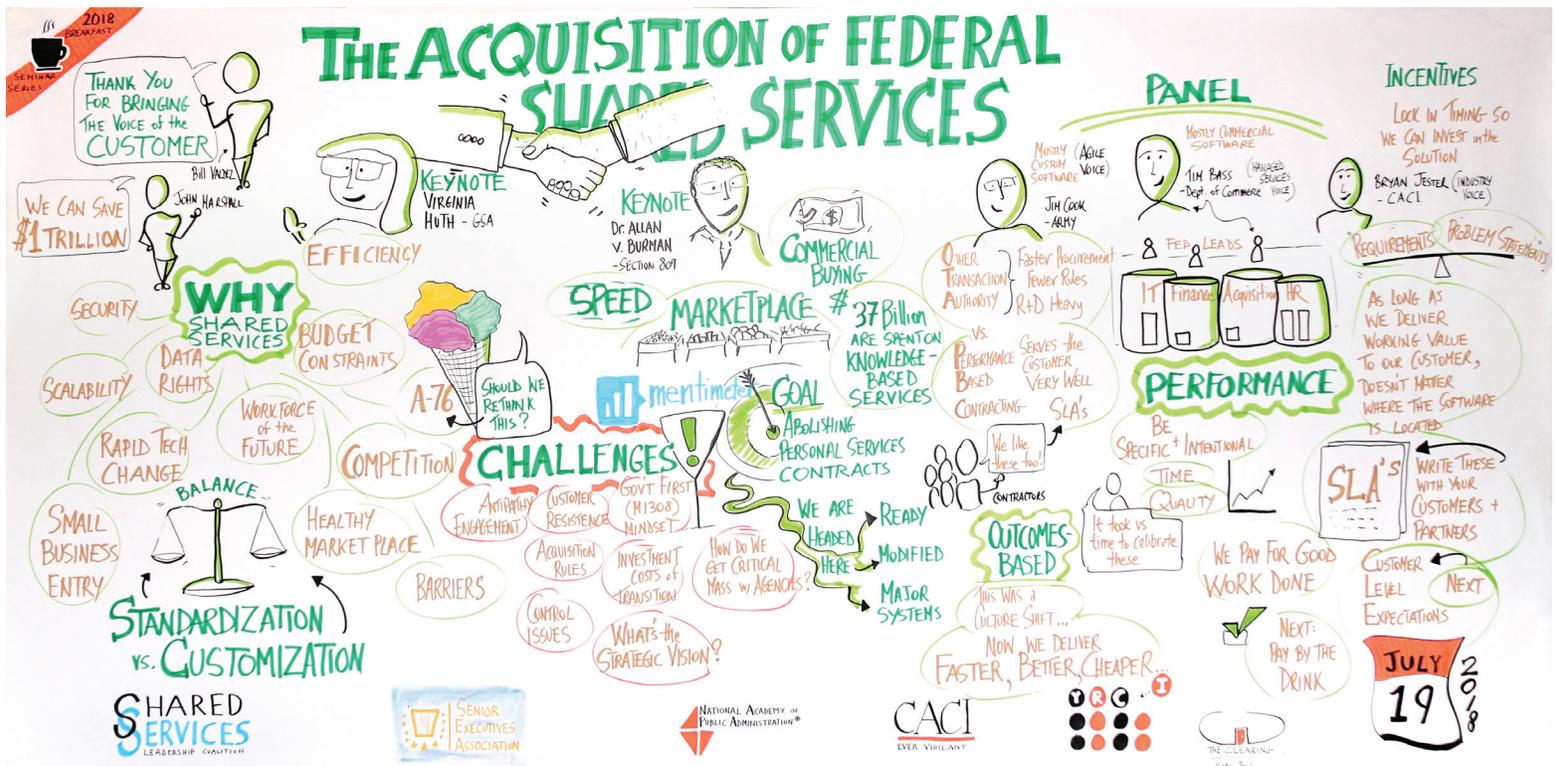
SHARED SERVICES ACQUISITION CHALLENGES

Moving to shared services can help the government overcome multiple existing operational challenges, including increasing ability to migrate away from antiquated, inflexible legacy systems, modernizing poorly designed processes to better leverage advancements in technology automation, and offsetting ongoing pressures to streamline budgets, improve cyber security protections, and increase use of standards to reduce lifecycle costs. Shared services will provide opportunities for the government to transform people, processes, and technology solutions to help achieve the framework needed to support the workforce of the future. Future government workplaces will need to better leverage needed flexibilities for the Gig Economy and a more mobile, increasingly contingent workforce model. Advances in technology including Artificial Intelligence (AI) and Robotics Process Automation (RPA) are in the earliest stages of introduction and can drive enormous benefits in efficiencies, cycle times, and service quality for shared service delivery models.

While the government aims to make best use of taxpayer dollars, procurement and other acquisition factors can create conflict. Sourcing requirements, use of socio-economic, and small business participation factors impact cost efficiencies that can typically be generated by large enterprise-scale shared service providers. On the technology side, a heavy reliance on more expensive tailored solutions in use today typically cost more than standard industry configurations prominent in multi-tenant cloud service provider offerings.

During the seminar, the audience was polled offering free form responses to share from their perspective what are the key barriers to Federal participation in Shared Services. Not surprisingly, the most frequent response fell into the category of organization/change resistance, and/or unwillingness to give up control. Other leading responses included the fear or limited understanding of the actual cost of service including initial service transition and current contracting/acquisition constraints and budget uncertainties due to continuing resolutions. Below is a summary of the audience responses categorize into major themes.

Barriers to use of Federal Shared Services

- Organizational/Change Resistance/Loss of Control
- Cost of Service
- Contracting/Acquisition/Budget Uncertainty
- Limited Education/Understanding of Benefits
- Better accountability, roles, and understanding
- Difficulty and Complexity of Transition
- Need for continuous innovation
- Other

To successfully acquire and institutionalize shared services across the government, the government community will need to balance its need for standardization against the existing need for customization.

SECTION 809 DISCUSSION

Dr. Allan Burman, the chairman of the Section 809 panel discussed the role of the section 809 panel, it's level of impact on DoD acquisition reform regulations and processes, and some of the opportunities from Section 809 reform that can ultimately benefit the acquisition of Federal Shared Services. The Section 809 Panel was congressionally mandated as a part of the FY2016 National Defense Authorization Act (NDAA) to serve as an independent, non-FACA commission tasked with streamlining and improving the defense acquisition process. Section 809 will serve as a catalyst for restoring agility and simplicity to defense acquisition through bold and effective solutions and remains focused on creating an agile and simple defense acquisition process providing warfighters what they need, when they need it. The Panel is tasked to review acquisition regulations applicable to the DoD with a view toward streamlining and improving the efficiency and effectiveness of the defense acquisition process and maintaining defense technology advantage. The

panel is empowered to make recommendations for the amendment or repeal of existing acquisition regulations that are considered necessary that can improve buyer and seller relationships, improve functioning of the acquisition system, ensure financial and ethical integrity, protect the best interests of the DoD, and eliminate unnecessary regulations.

The initial report, Volume I, released in January of 2018, including 24 major recommendations for action. Recommendations covered improvements in the use of a market focused acquisition framework, commercial buying, contract compliance and audit, knowledge-based services contracting, mission focus on execution of small business programs, and statutory office and reporting requirements. Volume II of the report, released in June 2018, included 10 major recommendations focusing on: acquisition process based on readily available market constructs, simplified commercial source selection processes, existing acquisition workforce challenges, services contracting, fiscal policy changes and flexibilities, and moving from program centric to capability portfolio management processes and methods.

Industry inputs into the Section 809 Panel have been vital to the overall process. Some of the key elements factored into Section 809 Panel recommendations include: the need to reduce acquisition cycle times from requirement to contract award, the need to raise threshold levels and delegate approvals, and the need for budget stability and predictability, which is a key requirement for shared service providers to invest more capital into Federal shared service delivery models. Other inputs include increasing the education of the acquisition workforce on the business side of acquisitions and encouraging rewards for risk taking by government and industry, which will help increase the use of innovation and promote the adoption of process improvements that will drive better service delivery.

The final volume of the 809 Panel Report, Volume III is due January 2019. Additional questions or information can be provided by emailing: SEC809@DAU.MIL or by going to the section809panel.org website.

PANEL DISCUSSION - ACQUISITION OF SHARED SERVICES
Our panel discussion included a combination of government and contractor industry perspectives including recommendations on how to improve acquisition processes.

Our panel shared the value of performance-based contracts using specific and intentional measures for measuring time to completion and quality of service. Ultimately, the customer will pay industry for good work performed. After establishing a good, measurable performance baseline, the government will then be in a better position to evolve into "pay-by-the-drink" and "Fee for Service" delivery models.

Reserve Component Automation System (RCAS), an Army PEO EIS portfolio solutions program that supports mission and operational needs of the Army Reserve and National Guard, has evolved over time from use of Waterfall software development lifecycle methods to pure Agile software development and delivery best practices. Since the initial transition and transformation, RCAS has become a model program for use of Agile "at scale" and has been endorsed by the Defense Acquisition Program as a best practice for the Department of Defense. Shifting to an outcome-based model was a major cultural shift for the organization, now that RCAS has successfully made the shift to Agile, it has become a faster, better, and cheaper model for application updates, enhancements, and service delivery improvements.

The panel also discussed the critical importance for the government to lock in timing and financial commitment in acquisitions for industry to invest in new modernized solution offerings. The government needs to reduce the usage of government defined requirements versus problem statements or statement of objectives that enable industry can respond enabling room for innovation. Another typical challenge for industry is the identification of specific software or technology packages or software hosting locations while trying to acquire shared services. The most important factor is that the service provider delivers working value for the customer with SLA's and metrics measuring the improvement, it really doesn't matter what package is being used or where it is located.

CONCLUSION

Increasing use of shared services to reduce duplication of tasks, while creating service, and process efficiencies continues to be a pressing item on the President's Management Agenda and other government wide performance improvement initiatives. Many of the current barriers to widespread adoption are related to either financial constraints or existing organizational and change resistance. To help mitigate these barriers, it is recommended that a campaign should be initiated to educate the government on tangible benefits that can be achieved by moving from existing to shared service delivery models. Acquisition reform will need to institutionalize acquisition models that will better support use of shared service models. Moving to longer-term total cost of ownership and fee-for-service evaluation models versus use of common five-year contract period of performance contractor only cost evaluations can help moderate existing constraints. In addition, modifying start-up and transition costs to not directly impact technical evaluations or factoring these costs using different trade-off analysis methods will help the government maximize best value service offerings to include latest technology and service automation improvements.

THE FUTURE OF WORK: HOW EMERGING TECHNOLOGY AND INNOVATION ARE SHAPING THE WORK, WORKFORCE, AND WORKPLACE FOR FEDERAL ORGANIZATIONS

Sponsored by

BACKGROUND

As government leaders begin to reassess service delivery models and organizational success, the combination of enabling technologies and shared services has quickly become a key component of service delivery and operating model. As part of the ongoing SSLC/SEA/NAPA series on enhancing the government's understanding and execution of shared services as mission-enhancing value drivers, Deloitte Consulting LLP (Deloitte), hosted a panel and in-depth breakout sessions on August 9th, 2018, to explore major trends in the future of work and emerging technologies as they relate to shared services. The session featured a keynote address from William Eggers, Director, Center for Government Insights (Deloitte), followed by a distinguished panel that included Jeff Pon, Director, Office of Personnel Management (OPM); Glenn Davidson, Executive Director, Enterprise Services, Department of Commerce (DOC); and Dave Lebryk, Fiscal Assistant Secretary, US Department of Treasury (Treasury).

THE EVOLUTION OF WORK

Federal organizations are changing the way they work. Through adoption of digital workforce capabilities, process robotics, cognitive technologies, crowdsourcing solutions, and other emerging technologies, the nature of how government work is executed is changing.

By including more innovation into their workstreams, government organizations will become more impactful and productive, increase decision-making capabilities, and better support the overall well-being of their employees. This will have a profound impact on how Federal Organizations execute their mission and how Shared Services Organizations meet customer needs.

Across the Federal government, disruptive innovations are making way for new workstreams to emerge and for existing ones to evolve. These disruptors have the potential to change the way work will be done in the future. Many of these include:

- Ubiquity of technology
- Immense amounts of data
- AI, cognitive computing, and robotics
- Potential automation of jobs

- Diversity/generational change
- Longer careers
- Increased adoption of contingent work

These disruptors are already reshaping the way government and industry perform work, the workforce doing the work, and the workplace where work takes place. The Federal landscape is beginning to address these changes, and will need to stay abreast of emerging technologies, understand their impact, and adapt their delivery and operating models. These innovations will continue to influence the way in which shared services organizations operate and serve the government, both internally and externally.

William Eggers' keynote presentation showed how many labor-intensive, repetitive tasks are highly amenable to automation. Automating certain tasks could save billions of dollars and free up millions of hours across the federal workforce. This does not simply mean removing these jobs from the labor force, but to reimagine the workforce, by: (1) matching workers to work; (2) creating networks of teams; and (3) crowdsourcing tasks. Sample scenarios were given around each of these areas during the presentation. Eggers also highlighted research that quantified the immense return on investment, from both a time and financial savings perspective that the Federal Government could achieve by leveraging Artificial Intelligence (AI) to transform the nature of work.

THE FUTURE OF WORK IN THE FEDERAL GOVERNMENT

The panelists discussed how their organizations are preparing for the future of work, detailing current initiatives to transform the work, workforce, and/or workplace to embrace emerging technologies and other major workplace trends. Each panelist shared their perspective on the potential these initiatives have to change work for the better and lessons learned from previous initiatives.

Director Pon laid out his vision for how federal career paths can be revitalized to provide employees more flexibility throughout their career and to increase knowledge sharing between industry partners and federal agencies. He also spoke to some broader workforce challenges and skill gaps that have been created by disruptive technologies.

Glenn Davidson shared insights on how Enterprise Services has been able to successfully use cloud-based technologies to deploy a wide-variety of shared services across the various bureaus within the Department of Commerce. He discussed the importance of evaluating "as-a-service" delivery models to scale operations.

Dave Lebryk spoke to the vast quantity of financial transactions that Treasury completes every year and how his organization is conducting feasibility studies to determine which transactions could be automated using process robotics and other capabilities.

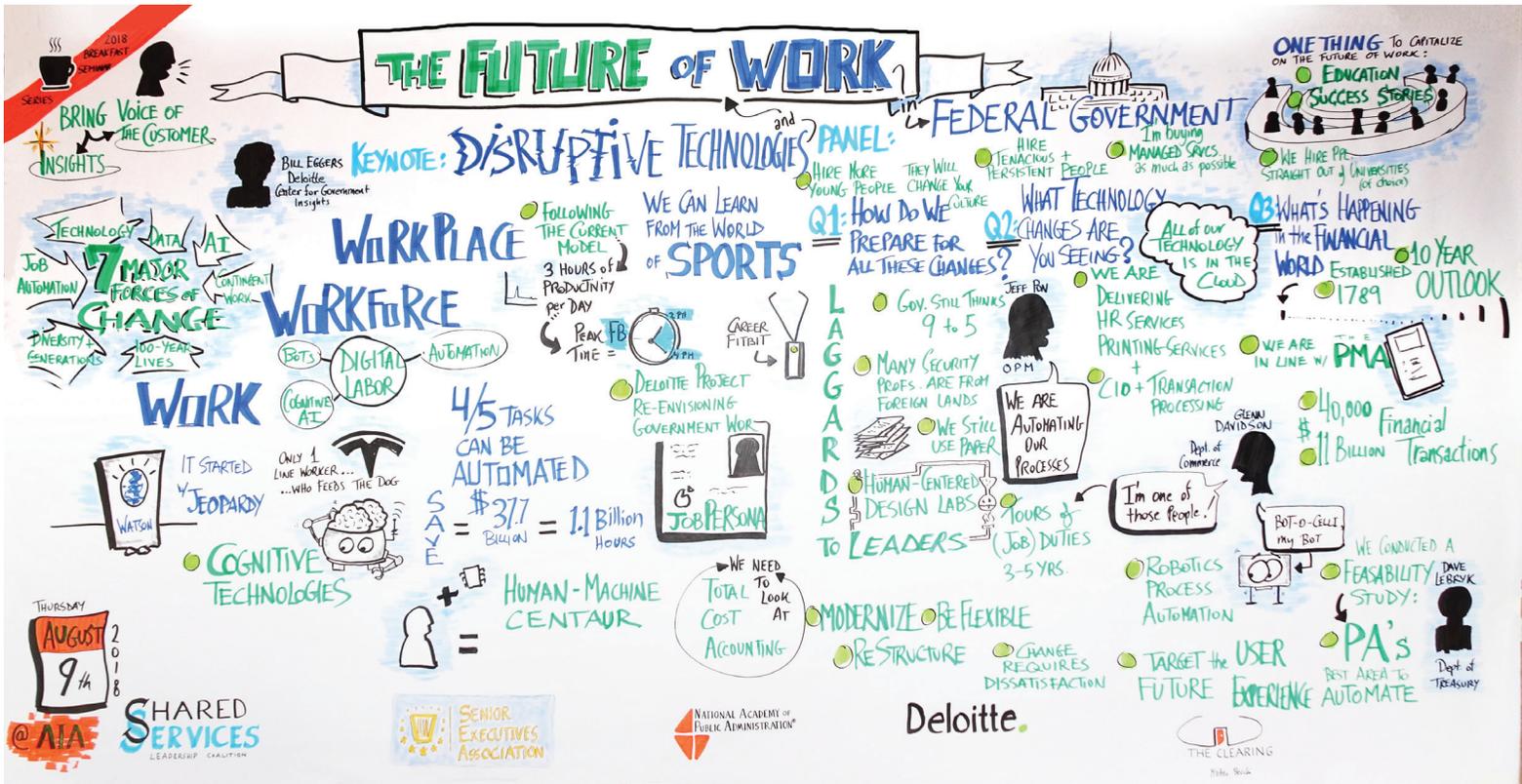Figure 1, below, provides a visual summary of the seminar and panel discussion.

Figure 4 – Graphic facilitation summarizing the FOW seminar

CONSIDERATIONS

Future of Work Impact on Shared Services

As Federal shared services organizations continue to mature, there are increasing opportunities to evaluate the potential of emerging technologies to complete required tasks more efficiently and effectively. Emerging technologies may be used to automate certain tasks. The path towards automation comes in many different forms of technology from rule-based automation, robotics, and cognitive and AI-based technology solutions. Many organizations continue to perform processes because that is how they have always been done, which leads to outdated, redundant, and duplicative processes. Automation can reduce this type of redundancy and duplication, which will lead to freed up labor hours for more complex tasks, enabling workers to be more productive and effective.

Future of work (FOW) technologies are also reshaping the workforce. Bots (think of an application, not physical robots) are becoming a part of the workforce, in conjunction with people. This will enable the government workforce to focus on more complex and analytical tasks. As the government is pushing for the adoption and implementation of shared services, greater consideration of these technologies will help increase efficiency, productivity and build employee morale.

In recent years, several automation technologies have gained traction in the shared services market. Natural language processing, rule-based process robotics, and machine learning are all helping redefine and reshape processes across shared services in finance, IT, HR, and other functions.

CONCLUSION

Shared Services continues to be a pressing item on the Federal agenda. The FOW is only going to continue to change as new technologies are developed, explored, and adopted. The presentation shared during this session provided insights to support organizations interested in the FOW will be performed and the associated technology trends. As one attendee remarked, "the Future of Work is bright;" however, that does not mean it will be without challenges. Adoption of FOW principles may be met with skepticism and even fear that technology solutions will replace jobs or not function as planned. However, these trends and innovations represent great opportunities to improve the work, workplace, and workforce experiences of the future for the private sector, government, employee, and customers. As your organization embarks on a new transformation effort, each experience is different and will be different. Understanding the technologies around the FOW will be key to your success.