Pathways to Transformation

A report from the 2012 Public Sector and Education Shared Services Summit on the campus of Harvard University

LEADERSHIP FOR A
NETWORKED WORLD

Introduction: The 2012 Public Sector and Education Shared Services Summit

A LOT HAS HAPPENED SINCE THE FIRST SHARED SERVICES SUMMIT WAS HELD AT HARVARD KENNEDY SCHOOL IN 2008. Public sector and education leaders have felt the immediate strain of a fiscal crisis and the long-term impact of a global economic and social shift. Compounding the global dynamics are the challenges and opportunities presented by aging populations and retirement in the developed world, the emergence and demands of the "Millennial Generation" and robust new forms of technology and networks such as social media and cloud computing. This has sparked a wave of reform based on more efficient, effective and transparent government – and collaboration through shared services has been a pathway to transformation.

Over years of Shared Services Summits, leaders have advanced swiftly on their journeys. Early on, participants learned about and assessed the potential of shared services in government and education to meet future demands. Now leaders are delivering real value.

A glimpse at past Summit presentations shows the impact:

- The United States Department of Health and Human Services Shared Services Center is delivering 60 service and product lines and approaching $1 billion in revenues.

- In Ontario Canada, leaders are realizing $1 billion in annual savings while pursuing game-changing innovations such as environmentally sustainable technology and procurement.

- In higher education, Yale University is preparing for growth and maturity through its new Business Services Center and is realizing 60 percent more efficiency in back-office transactions.

- New York City's Metropolitan Transportation Authority (MTA) is growing a multi-service center and in its first year has processed more than $4 billion in accounts payable transactions.

- The Republic of Kenya, a country of 41 million people, is forming a new democracy and positioning collaboration and shared services as a pillar of its new government.

While it's clear that leaders are moving forward with shared services as a strategic imperative, their strategies and tactics of implementation highlight the different pathways to transformation:

- **Gaining Stakeholder Support:** When visioning and launching a shared services initiative, an array of legislative, union, workforce and community pathways are presented in the quest to gain support – challenging leaders to clearly articulate the value of shared services, develop a sound business plan and governance model and mobilize stakeholder resolve to move forward.

- **Managing Service Lines:** From start-up through growth of a shared services enterprise, multiple pathways are open for the type of services offered, when to launch each service, how to price each service and eventually how to end a service line – requiring that leaders understand how to build and pace a service portfolio and the impact on return on investment.

- **Collaborating Across Boundaries:** While launching and growing a shared services initiative, different pathways are presented by the ability to coordinate, merge, contract or create a new entity across jurisdictional and organizational lines – demanding deep understanding of the politics and policy of structuring cross-boundary business models.

- **Measuring and Managing Performance:** Throughout the stages of shared services, multiple pathways of measuring, managing and communicating results can be utilized to ensure high-performance service levels and build a predictive and proactive enterprise – requiring leaders to understand the metrics and analytics that drive organizational transformation.

All of this made the 2012 Shared Services Summit timelier than ever. Organizations and individuals committed to shared services know that it is difficult to create this kind of transformation alone: New forms of engagement are required between organizations and across sectors, new knowledge must be created and new roadmaps for action are needed.

To meet these issues head-on, the Technology and Entrepreneurship Center at Harvard, Leadership for a Networked World and Accenture convened senior public, private and education sector executives for The 2012 Public Sector Shared Services Summit: Pathways to Transformation.

As a product of the summit, Leadership for a Networked World is pleased to present this whitepaper, Shared Services: Pathways to Transformation. This paper will help public sector and education leaders envision a transformation journey for their organizations and realize their vision through concrete actions. To inspire and guide efforts, the paper couples insights and cases from the Shared Services Summit.

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Shared Services Horizons of Value

The goal of the Shared Services Summit is to help you – public sector and education sector leaders – develop the leadership attributes and strategic insights that will guide you along your shared services journey.

At Leadership for a Networked World, we define shared services as the consolidation of administrative and/or support functions (such as finance and accounting, information technology, procurement, human resources etc.) from several departments or agencies into a single autonomous organization whose mission is to provide the consolidated services as effectively and efficiently as possible. Unlike centralized models, shared services organizations are typically responsible for providing services to an agreed upon service level and reporting on service effectiveness to its customers or "clients."

Shared services and collaborative business models can be applied across the traditional jurisdictional boundaries within which we typically work. We call this "cross-jurisdiction collaboration": a model in which government and its partners work across traditional jurisdictional boundaries to increase overall capacity, efficiency and effectiveness. With this broader view in mind, leaders assess the value of business model innovation and shared services across jurisdictions from the start – looking for opportunities to partner with higher education communities, school districts, cities and counties.

Sharing ideas and working on the strategies and tactics for moving your organization (and partners) along an ever-increasing trajectory of value generation was a central charge of this summit. To facilitate this, Leadership for a Networked World and Accenture provided participants with their model known as the "Shared Services Horizons of Value." The "Horizons" model integrates best practices in shared services with research on cross-jurisdiction business models. The model is not a one-size-fits-all prescription, but rather a guide that can help leaders plan a shared services journey.

Broadly (and briefly), the "Horizons" maturity levels are described as:

Innovation in
Organizational Model

Innovation in
Technological Model

- **Horizon One – Visioning:** The leadership team is mobilizing a value-oriented service portfolio, business model and governance.

- **Horizon Two – Launching:** Leadership is pacing the implementation of the business model(s) and service portfolio.

- **Horizon Three – Growing:** Leadership is balancing scale and adoption with innovations in service and governance.

- **Horizon Four – Sustaining:** Leadership is guiding the collaboration in creating new forms of value and enabling transformation.

As we learned at the Summit, and as the cases in this whitepaper will show, each level has key competencies and strategies. Progressing through the maturity levels is feasible for most, but requires sound judgment and leadership to effectively implement the new possibilities and to create a high-performance environment.

Visioning

Case in Point: Commonwealth of Massachusetts

Innovation in
Organizational Model

**Transformation
in Capacity**

Sustaining

Growing

Launching

Visioning

Innovation in
Technological Model
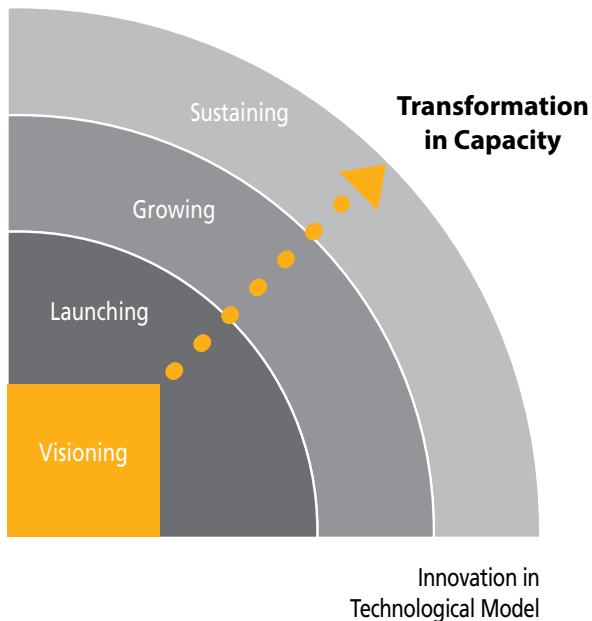
Horizon One – Visioning: The collaboration and shared services leadership is actively assessing the potential of deploying a shared services start-up. At this horizon leaders are solidifying a partnership and securing support for concerted action. The focus of their work is on projecting the value and feasibility of collaboration and shared services through a robust benchmarking, cost, risk and return-on-investment analysis. Complementing and packaging the analysis is a strategic plan and governance framework that ensures high-performance service delivery. Ultimately, the goal is to clearly articulate a value proposition, choose a portfolio of initiatives and produce a sound strategy and business plan with executive sponsorship and support from executive and legislative officials, unions and external stakeholders. Key actions and competencies at this level include:

- Securing Value (portfolio) and Executive Sponsorship
- Developing a Strategic Plan and Governance Model
- Choosing a Business Model and Service Delivery Framework
- Preparing for Implementation and Change

For a number of years, Massachusetts has been a model for effective IT consolidation and improvement. Now, the Commonwealth is leveraging consolidation work by moving forward with sharing human resources services.

Gaining and keeping stakeholder support is a critical action item when visioning and launching shared services and Commonwealth officials realized that they would have to align the "C-Suite" – the leaders of business units – within and across their agencies in order to have the support they needed to move toward a shared services model.

"One of the things we're focusing on now is communicating both what the plans are and also what our target outcomes are and what we're expecting – so we're driving engagement through every level," says John Glennon, Deputy CIO, on plans associated with this effort. This engagement is critical for both near and long-term adoption. In practical terms, Commonwealth officials are working to get 90,000 people operating on the same timekeeping and human resources systems which in most cases requires employees to shift the way they knew and interacted with human resources – creating a significant change management challenge for leaders like Glennon.

A key step for Glennon and his fellow staffers was to set up an initial pilot group of 700 employees to work with the system and have project managers gather implementation recommendations directly from the staff. In addition to engaging with workers and human resources officials at all levels, the core project management team also underwent a comprehensive review of the available options. "From the human resources business side, what was critical, was before we had a mandate and before we had a project, we worked with the human resources stakeholders in the executive branch, and we spent the better part of a year working with Hackett, Gartner and Accenture, taking a look at the current state of human resources, and then through the academic, free-of-risk environment, we took a look at what is best practice, and what's possible," explains chief human resources officer Paul Dietl, who worked with Glennon on the IT effort needed for the project.

The project team also undertook an operational audit of how processes were historically managed. They realized that some 600 people were involved with managing time and

Left to right: **John Glennon,** Deputy Chief Information Officer; **Paul Dietl,** Chief Human Resources Officer; **Martin Benison,** Comptroller, Commonwealth of Massachusetts

attendance through the current system, spending more than 450,000 hours annually. Under shared services, the Commonwealth would be able to bring that number down to 200,000. Providing transparency and communicating the value from sharing services has been important in gaining buy-in and resolve, Dietl notes.

This review led to a series of options for service and governance models. From those options, human resources officials chose what they felt was the best plan and worked with the legislature to gain the necessary funding and support. In addition to making executives realize the benefits of the project, the project team also understands that any support the administration provides is term limited, bringing added urgency to the deployment timeline. "One of the things we've been discussing now is can we get that live before the new administration because if we're sitting here with the design we're building, we suspect any new administration is going to want to start over again," says Massachusetts Comptroller Martin Benison, who also serves on the project team.

To ensure progress is sustainable, officials are coordinating through internal "change agents" to maintain momentum and reach a greater level of maturity before any elected leadership changes. This process is also helping to manage any threats to operational funding that may arise as a result of budget shifts affecting the Commonwealth.

The coming months will be pivotal for Massachusetts officials, but with the strategies and insights learned from attending the Shared Services Summit each year they're ready. "We've taken lessons and are applying them on our journey. The value is clear, and we're moving forward to capture it," Glennon says.

Launching

Launching Shared Services: Indiana University and the University of Texas

Transformation in Capacity

Sustaining

Growing

Launching

Visioning

Innovation in
Technological Model
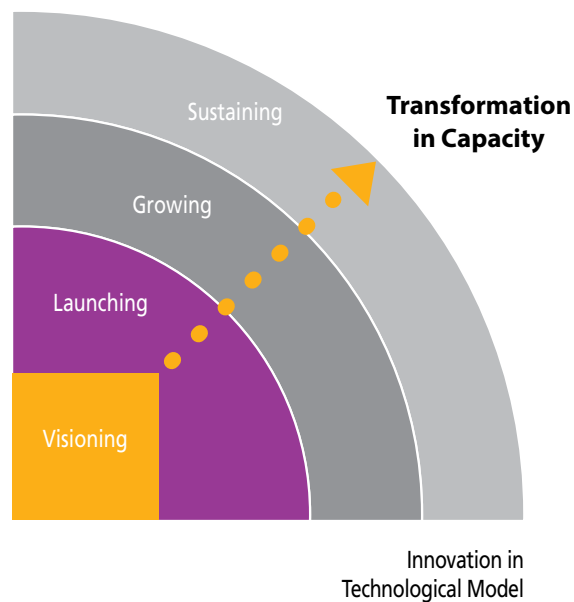
Horizon Two – Launching: The collaboration and shared services initiative has a defined portfolio, business and implementation plan and is in start-up mode. At this horizon the collaboration and shared services initiative is firming and launching the portfolio of services and innovations. Strategically, the primary objective is to build-out the business models of the collaboration and execute the strategic plan and governance model to ensure buy-in and resolve. Operationally, the enterprise is working to stage and roll-out its first portfolio of services to its customers via a well-planned migration and implementation plan. Leadership of the organization is also training the workforce on new processes and business practices and rolling-out a systematic set of change management and communication actions with all stakeholders. Key actions and competencies at this level include:

- Launching the Business and Service Model
- Implementing the Service Portfolio
- Creating a High-performance Culture and Organization
- Managing Change and Communication

As private sector and public sector organizations have realized performance gains from shared services, higher education institutions have taken note. In fact, the number of educational institutions attending the Shared Services Summit has increased each year. At the recent Shared Services Summit, representatives from both the Indiana University and University of Texas systems discussed their initiatives to use shared services as a means of consolidating and improving IT systems efficiency throughout large, multi-campus, multi-city education systems.

At Indiana University, Associate Vice President Jim Kennedy led the effort to implement shared services for the student services branch of the university system. Within Indiana University, student services incorporates admissions, student records, financial aid, student financials, bursar and advising. In total, the project will affect the approximately 110,000 students that attend Indiana University, spread across 8 campuses and comprising 19,000 staff members.

As a launching point, Indiana University is leveraging its enterprise resource planning (PeopleSoft and Oracle) system and their base of cross-university system users to implement a multi-phase shared services program. The goal is to realize greater efficiencies within the system's $3 billion operating budget.

To begin this work, Kennedy and his team conducted a benchmarking study during the 2010-2011 year to understand the landscape of the university student services system, human resources, and marketing, as well as the technology available. This initial audit showed that with shared services, the university would be able to realize an immediate savings of $7.7 million, with an additional $4 million in future savings.

"The University has eight campuses and thus we have eight bursars, eight registrars, eight financial aid directors and an array of different processes. We're trying to look and see what we can do better in the back office processing in a shared services environment," Kennedy explains. He notes that while the current service level across all eight campuses is relatively the same, the way each university staff gets there varies widely – creating the opportunity for efficiencies that could improve system and student services.

Armed with this data, Kennedy implemented phase two, a university-wide socialization into what implementing shared

Left to right: **James Kennedy,** Associate Vice President, Student Services and Systems, Indiana University; **Richard St. Onge,** Associate Vice Chancellor, Office of Health Affairs, University of Texas System

services will mean for the staff and asking for feedback. Kennedy and his team toured all eight campuses, hosting large, open forums wherein he presented the data from phase one and collected initial feedback. "We really just sat back and listened, and we compiled all the questions that came out and put those out there for everyone. And I think at the end of our tour, we had incredible buy-in to this project because we really talked about how we're going to design this," he says.

Listening was pivotal as many people reacted strongly to the change, worried over potential job loss as well as having to learn new processes that at first seemed unnecessary. Throughout the process, the team pitching the idea carefully compiled responses into open question and answer documents that were made publicly available and are still available to anyone with questions about the current process.

Now in Phase 3, Kennedy and his team are undertaking a full review of university business processes to find and improve inefficiencies, and create standardization throughout all campuses. "Training is the key when we were doing the business process review and we've got quite a few business processes making sure that people understand exactly what we're trying to compile," he says. For him, the next challenge will be to continue shepherding people through the process and create a high-performance culture and operation.

At the University of Texas, when they made the decision to implement shared services many of the same challenges existed, says Richard St. Onge, Vice Chancellor. The University of Texas system has been working toward a shared services model since 2006, when their initial plan was approved by the local board of Regents.

The University of Texas system is comprised of nine academic universities, six health science centers, more than 211,000 students, 18,000 faculty and an additional 68,000 staff. The system also has the added geographic challenge of being spread over an area that takes more than one day to drive from end to end.

For St. Onge, implementing shared services goes beyond realizing simple cost savings and into realizing the time and process savings of the standardized governance approach that comes alongside a shared services implementation. These benefits not only provide additional justification for implementing the plan but also bringing in some of the smaller campuses within the system, which others thought would only add to the cost of the project. The University of Texas approach diverges from Indiana's in that it is more project-oriented, opting to implement shared services based on responses from individual campuses within the system that are then submitted for approval through a central project management office. Part of this divergence is driven by the unique needs of Texas' health campuses which naturally have to manage their shared services differently from more standard university campuses. Managing these disparate service lines is a key challenge and opportunity for St. Onge: "The academic campuses are implementing one instance of PeopleSoft, yet there are different flavors. Even if they're on the same version, they're customized differently. They're configured differently, but we're trying to drive business across our academic and health campuses," he explains, noting that once each team is more established and a standardized governance structure is in place, the process should smooth out.

St. Onge is also working to effectively implement strong virtual teams to overcome the distance issue throughout the UT system. He hopes that this will improve communication, collaboration and processes across jurisdictions and institutions. He is taking a similar approach to supply chain management which has yet to be standardized across the full system, as each campus has implemented a variety of vendor relationships over their history. Working through these challenges will mark the next phase of the broader project.

"It started back in 2006. It's a daily journey. I think a journey is a great description of it. We had several early successes. We've heard about the importance of those from several of the speakers. We're continuously learning, coming to the Shared Services Summit, networking with other systems, other entities from across the country, and always looking to plug that into our perspective," St. Onge says.

The Sharing Economy:

What Can Be Learned from Zipcar?

As governments around the world work their way out of the financial crisis, one thing is certain: Sharing resources, functions and services is becoming the new normal. This is even truer in the consumer marketplace, where the "sharing economy" has spawned a new type of customer who prefers buying in "pieces" rather than "wholes." From AirBnB, which facilitates single-day home rentals, to Uniiverse, which enables individuals to share everything from power tools to accounting services, peer-to-peer sharing and an ethos of collaborative consumption is on the rise.

A prime example is car sharing, where people purchase time blocks (an hour, a day) for a car instead of purchasing their own car that would often sit idle. Zipcar, the world's largest car sharing company, runs a web-based platform that facilitates the sharing and benefits:

- Consumers can "get wheels when they want them" and lower their average monthly cost – while enjoying the benefits that come from having a car.

- Zipcar can leverage economies of scale to spread the cost and usage of vehicles across a large user base – while earning revenues that sustain the enterprise.

- Society can make more efficient use of vital resources (with less congestion and less pollution to boot) while fostering a more sustainable environment.

It's a win-win-win model. And it's a movement that's growing.

The + Factor

In the sharing economy, government and education can generate more efficiency and effectiveness through new models of shared services:

Deeper: New capabilities to coordinate and share strategic or customer-facing services as well as non-strategic back-office services.

Customer-Facing "Front Office" Services

One-Domain Sharing

Multiple Domain Cross-Jurisdiction Sharing

Wider: New capabilities to create, procure/produce and deliver services across organizational and jurisdictional boundaries.

Organizational-Facing "Back Office" Services

Despite the growth of the sharing economy in the private and consumer marketplace many pockets of government and education haven't adopted sharing models. A common refrain is, "We've been sharing and working together for a long time – what's new?" Besides urgent budgetary pressures to do more with less, what's different now is that sensor technology, Global Positioning Systems (GPS) and data-mining/matching – all wrapped within web-based platforms – create "deeper and wider" opportunities for organizations to share:

- An organization can track the whereabouts and usage of an asset in real-time – enabling a deeper level of 24/7 sharing (without paper-based tracking, phone calls, pleading and cajoling).

- An organization can track more types of assets – from open shelter beds to accounting systems to broadband networks to fleet vehicles – offering a broader range of asset sharing.

- An organization can synchronize usage of an asset with people who want to use it more efficiently and dynamically – growing the customer-centricity of sharing.

Dan Curtin, Vice President of Operations and Service Quality for Zipcar noted at the Shared Services Summit that current information technology is what makes the Zipcar model possible. "We can now connect assets seamlessly in ways we couldn't before. Without technology that synchronizes people, vehicles and geography, car sharing would require a lot of overhead and a lot of self-reporting from members." (Sounds like a sector of the economy that starts with "G" doesn't it?) The information technology also makes the sharing service scalable as Zipcar now has more than 700,000 members worldwide, sharing 10,000 cars. Yet adoption of the sharing model requires behavioral change and a sense of community across the member base. "Sharing requires a different mindset. People think about car usage differently, and they realize that they're 'partnering' with other people in a way that benefits all members," says Curtin.

Zipcar reinforces this community and sharing ideal with robust customer service and an intense focus on building trust. If a car has a mechanical problem, or is in an accident, or if the member simply wants to add time to their reservation, Zipcar's mobile application or phone center strive to help immediately. These sensitive "moments of truth" build trust and community across the "Zipster" community and increase adoption and sharing. For government and education settings, this customer-centricity and trust-building is even more critical, as organizations that used to be silo-based and inward looking will need to reframe their view to one of collaboration – being a customer for certain services and providing customer service for other services.

Underpinning the sharing economy is cost savings, and Zipcar sets a prime example. "When you look at Zipcar members, they spend about 6 percent of their income on transportation versus 19 percent of their income for car

Dan Curtin,
Vice President of Operations and
Service Quality, Zipcar

owners," explains Curtin. "When you look at the community impact, each shared car takes roughly 15 cars off the road and that's a combination of folks who have either made the decision not to purchase a car or actually made the conscious decision to sell a car. We see people selling their cars in favor of car sharing every day. So it is real, it does happen."

As the "sharing economy" gains steam, particularly in government and education, Zipcar can provide several key lessons:

- Start thinking about IT-enabled platforms that can be created to leverage new ways of sharing both deeper into operations and wider across organizational boundaries.

- Prepare employees, organizations and stakeholders now for the cultural and behavioral changes necessary for sharing services.

- Identify assets, resources, systems and tools that are ripe for sharing, and develop pilot programs to prove the benefits.

- Learn and employ the customer service skills that are pivotal to successfully building trust and buy-in across a sharing community.

Forward-thinking government leaders are taking note – and taking action on the sharing economy. What can you do in your community to move progress?

Growing

Growing Shared Services: The Texas Department of Licensing and Regulation

Innovation in
Organizational Model

Transformation in Capacity

Sustaining

Growing

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Visioning
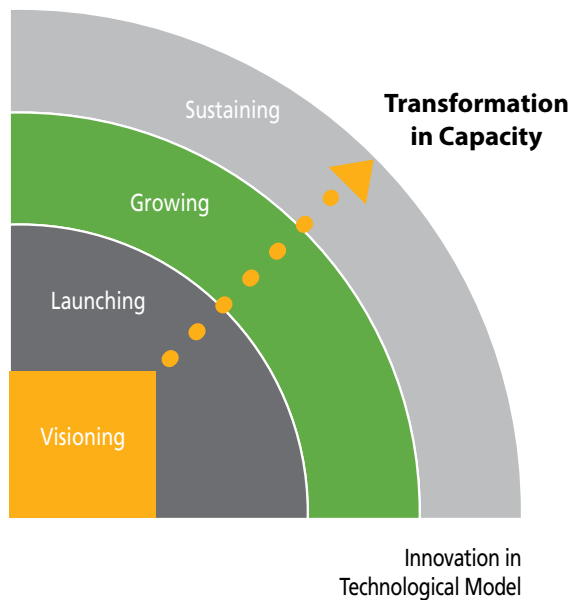
Innovation in
Technological Model

Horizon Three – Growing: The collaboration and shared services enterprise is up and running, has operational experience and is actively extending and scaling its services. At this horizon the collaborative business model has operational experience with a portfolio of services. Strategically, the business is focused on balancing service adoption and scale with incremental innovation. Operationally, the business actively uses metrics and measures to adjust governance and service management. Additionally, the organization and partnership is developing and moving to a commercially oriented and performance-based culture that is adept at designing and rolling-out new processes and services based on customer input and demand. Key actions and competencies at this level include:

- Scaling Service Adoption and Operations
- Designing New Processes, Standards and Services
- Adapting Governance and Partnership Structures
- Measuring Value and Outcomes

It's said that "A crisis is a terrible thing to waste," and Bill Kuntz, Executive Director of the Texas Department of Licensing and Regulation (TDLR), put that sentiment into action when his department launched shared services.

TDLR's shared services are the result of a broader organizational shift that started when the state legislature mandated an and end to all funding for the department or radical reform. The legislature's rationale was compelling – at the time, TDLR was failing to meet important functional objectives and was losing money each year. Something had to change, and Kuntz was brought in to pursue a turnaround.

As Kuntz took the reins of the Department, he drafted a plan that was designed to work the Department out of its financial crisis by highlighting and honing in on process inefficiencies that were leading to unpaid licensing and regulation fees. "In looking at where we were, I started analyzing every expense, all of the cash flow, and I noticed that there was no money coming in for the late fees for elevator inspections," he says. "I had a report that showed that we had a lot of elevator inspections that were late, not filed at all, or were filed late, and there's a hundred-dollar penalty for late filing."

The staff in charge of following up on "late filers" never did because they were too busy with other tasks. It was through this realization that Kuntz took the first step toward shared services. "We changed things around and solved a lot of those types of problems to bring in the revenue that we needed. We cut expenses, and then we had to raise a few fees in order to be able to make progress," Kuntz says. Through his plan, the Department worked its way out of the shortfall within 10 months.

The next step was to build a larger plan and platform for streamlining and sharing services. This was no easy task as TDLR has 28 statutes under management and approximately 650,000 licenses they service. During this shared services implementation, the TDLR sought to better align organizational goals and customer service in addition to realizing other efficiencies through the transition.

The twofold goal of improving services while gaining efficiency was and is the central strategy of TDLR's shared services program. For every service TDLR provides they review potential business models through both the customer service

and process efficiency lenses. For example, the number of licenses issued each by the Department was helpful in achieving the critical mass needed to implement shared services. Because the number is so large, the Department was able to outsource the manual process of issuing license cards and realize the savings in terms of increased staff productivity on customer-focused work rather than manual process work.

Beyond processes, Kuntz has progressively eliminated all silos within the Department and broke them into integrated functional areas so that the Department collaborates more effectively between offices. He also worked across management teams to ensure that workers were being managed and supervised effectively, raising the morale and broader engagement of the staff. This communication is key to achieving the staff buy-in needed to continually move forward. "One of our core values is open and free communication. That open communication is the reason why we've been able to be successful in bringing people into the fold and understanding what we're going to do with our functional model," Kuntz notes.

Open communication has also been important as the Department integrates other licensing agencies under its shared services umbrella. Staffers at those agencies are assured that their jobs will get better, not worse, and that they will have an ownership role in executing responsibilities. "We make sure that the employees coming in are not left out, that they have a real shot at becoming employees of the new agency, and our track record is that most of the employees of the agency being absorbed are hired by us," he says.

As the project moves forward Kuntz remains focused on ensuring that processes are standardized and align with the Department's broader customer service and human resources goals. "What happens with that standardization is that our customer service section can answer calls from any of those 28 statutes and look those things up quickly," Kuntz explains.

William Kuntz, Executive Director, Texas Department of Licensing and Regulation

TDLR's shared services is now in its growth phase, and the Department is working to remove much of the physical paperwork from licensing and bring more of that online in order to improve processes and realize labor cost savings. Now, 72 percent of licensing applications are online and the Department is realizing time and cost savings. TDLR has also realized $20.4 million in cumulative fee reductions by improving the onboarding process for new agencies as they come under the Department's umbrella. This equates to a savings for both the Department and the taxpayer.

"We're continually evaluating our operations to fine tune our shared services. That's the growth part that we're involved in now. We're trying to measure success, and I'll make sure that we are really on top of things so that we stay there," Kuntz says.
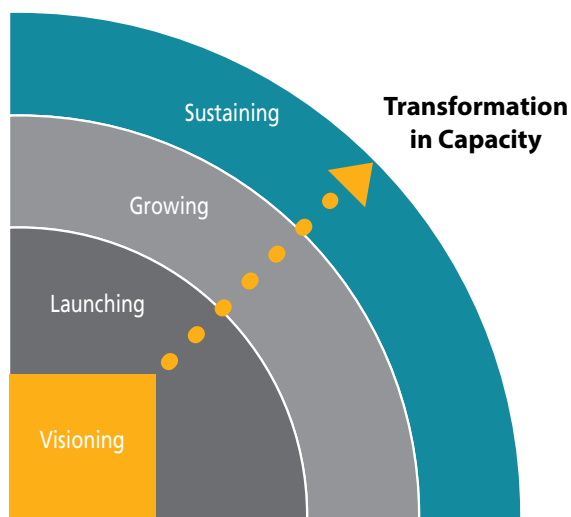
Sustaining

Sustaining Shared Services:
United States Department of Transportation

Innovation in Organizational Model

Horizon Four – Sustaining: The collaboration and shared services enterprise is at scale and has grown beyond transactional services to create new forms of value and enable transformation. At this horizon the shared services business is positioned as a strategic partner to its customers. Strategically, the business is growing by bringing in new sets of customers and creating a professional services culture whose focus is now on proactively helping "clients" through large-scale innovation supported by comprehensive project and change management capabilities. Operationally, the enterprise is highly adept at reducing the costs of services through advances in technology, process optimization and strategic-sourcing. Key actions and competencies at this level include:

- Optimizing the Service Portfolio and Partner Mix
- Maintaining a Professional Services Culture
- Ideating and Launching New Platforms
- Communicating Measures of Value, Equity and Transparency

When talking about successful large-scale models of shared services, most think of global private sector firms. Yet best-of-breed models can be found within The U.S. Federal Government. One such example is the U.S. Department of Transportation, with a shared services enterprise consisting of 1,200 federal employees and subcontractors accounting for a revenue base of $170-180 million.

The mission and portfolio of the DOT's shared services enterprise historically is the result of an initiative that originated in the George W. Bush Administration and accelerated in the Obama administration to promote the use of shared services at the federal level. Through that push, the Department was designated as an OMB-certified shared service provider for financial management and was also chosen as one of nine by the General Services Administration to act as a cloud services assessor for other agencies.

The U.S DOT's shared services mission is clear: "What we are in business to do is to achieve economies of scale through consolidation and standardization of processes and shared services that produce the best value and lowest cost for our clients and ultimately produce a lower cost of government for the U.S. taxpayer," explains Marshal Gimpel, Executive Director of the Enterprise Services Center of the US Department of Transportation. He notes that the Department offers these services in much the same way as a private sector professional services firm would; however, Gimpel and his team also lean heavily on non-profit values and ethics. "We are a Federal entity. This is our way of serving and we feel very strongly about that fact," he says.

According to Gimpel, bringing these pieces together involves a broad base commitment from Washington to the multitude of separate offices that comprise the Department's main, 1,100 acre campus in Oklahoma. By uniting these offices around a core mission and set of values, the Department was able to make the critical operational and cultural shifts required to successfully implement shared services internally and then leverage that to provide the same support externally.

The U.S. DOT's shared services organization is cutting-edge in that its activities are fee-for-service based, meaning that its entire operating budget comes from what is paid in by users and not from budget allocations. Within the federal government, the shared services organization provides a full-service finance

and accounting shop with 25 product and service areas including accounts payable, accounts receivable, fixed assets, inventory, cash operations, treasury operations, financial statement preparation, audit support and travel payments.

Taken together, the range of services and mission outlined by Gimpel define how the Department approaches shared services internally and externally. Since implementing a shared services model, the Department of Transportation has become the first and only federal agency to operate its financial system off of a single instance of financial software. Historically, this and other agencies have used multiple instances of the same software or have deployed a variety of different software on a per-office basis. By working with their technology development team, the Department was able to find a way to generate all of the financial books and statements from the core software platform – a feat that is rarely accomplished in the private sector and is virtually non-existent in the public sector.

"Because of these efficiencies, we have fewer issues with audit, and we also have enhanced delivery," Gimpel says. Through these efficiencies, the Department was able to run month-end and year-end financial statements – 44 in total for 22 clients in 32 hours – a significant improvement over previous time spent on the same activities.

In addition to these financial activities, the Department also operates a hosting and data center, including an IT help desk for its client base. This service line is comprised of approximately 700 servers, housing 1,300 Terabytes of data storage. The IT help desk serves approximately 50,000 customers who submit nearly 20,000 tickets per month. Through a shared services model, the Department has been able to maintain an IT customer satisfaction rate of 96 percent.

Marshal Gimpel, Director, Enterprise Services Center (ESC), Federal Aviation Administration, U.S. Department of Transportation

These service levels and economies of scale are also critical to helping the Department's external client base realize not only long-term budget savings, but also short-term drops in price to use the services it offers. He notes that the Department also looks for ways to make pricing consistent throughout, helping customers avoid periodic spikes and dips which can make costs more difficult to track – and in many cases this stabilization also results in a net price reduction for a given product or service. "It's important for our folks and for our management team to know that if you make an investment here and the return is downstream, that is credited on both ends and that the organization as a whole benefits from that. If you separate that out too much, if it gets too attenuated, I think you lose that line of sight," Gimpel explains.

Sustaining the shared services enterprise and finding new paths for creating value is a central goal for Gimpel and his team. "We look at a service and its processes and say 'is it something that can be done in a more standardized way?' And if the answer is yes, our mission is to do it that way. That's how we get our economies of scale and that's how we grow value for our customers and the taxpayer," Gimpel says.

View from the Top: Insights from Teri Takai, CIO of the United States Department of Defense

Teri Takai, Chief Information Officer of the United States Department of Defense, spoke at the Shared Services Summit. LNW took the opportunity to pose questions on technology, innovation and her hopes for the future. The following is an abridged version of the conversation

LNW: There's a lot of hype about every new technology and what it can do to improve organizational performance. As you've worked through the facts and the fiction, how does technology really help improve performance in government?

Takai: There was a time where I would have said that the technology hype is independent of the business practice changes, and that the two didn't necessarily coincide. And I've changed my view on that significantly. I really believe that the advances from the technology perspective provide the platform to actually drive change. So let me give you a couple of examples of that. First, look at the move in mobile devices and how the ubiquity of the technology is going to change the way that enterprises look at how they run their business, both from the standpoint that their customers, i.e., the citizens or, in my case, the war fighter, has access to a different type of technology, but also that it's going to drive technology to the center of what people do, and so the processes are going to change as a result of that. Second, look at cloud computing. Cloud computing, by virtue of the way the technology has evolved, is actually going to be a much stronger enabler of shared services because it's going to make it easier to overcome the technical barriers of bringing together shared services and dealing with large data than what we've had before. So I think that we're really going to see some actual shifts and changes by virtue of the technology that's available.

LNW: Large-scale technological innovation often requires large-scale organizational transformation. When you put the two together, it's pretty disruptive. How can leaders better prepare their organizations to pace and sustain the change necessary to reach their goals?

Takai: It's important as you think about the pace of change to really assess your organization in terms of their ability to take on change, and pacing in some sense involves looking at who are the champions within the organization, how can they take on the leadership roles, and how they can be the individuals that influence their peer group, their subordinates, and, in many cases, the individuals that they work for. Managing change doesn't – in fact it shouldn't – always have to be top-down. It's also important to have an end vision for where you want the technical change, as well as the business process change, but then you have to implement in small steps, and you have to be willing to change the directions based upon the way you see the organization reacting to that change. As long as you're getting to the end goal, which is either improved citizen services or, in my case, it's improvement of delivery to the war fighter, it really doesn't matter whether you're getting there on the same game plan you started with or whether it's changed based upon what the organization sees as the pace of change.

LNW: What's your vision of governance and governmental institutions over the next 10 to 20 years? What do you hope for?

Takai: I do worry about polarization and how different political views impact the way that government institutions actually operate. However, on the bright side, within organizations now, particularly with the budget challenges, there are pockets where we're really seeing collaboration. There are pockets where people are seeing that they have to do government better. And the one bright light for me is always that public servants and individuals who work in government, while we might not necessarily think they work together as well as we would like or there's a challenge, are enormously dedicated, and they believe in the public good. They're not in their jobs because its a job, they're in the job because it's a public service job and they have chosen that as a career path. And that's a bright light in terms of going forward.

At the Summit, participants enjoyed hearing keynote speaker Teri Takai describe her personal journey to strong shared services leadership, beginning at Ford Motors, through her careers with the States of Michigan and California, and finally, to her current role as CIO of the US Department of Defense. From her speech, we've summarized "Teri's Top Ten" lessons learned:

10. **Go for the money:** While it's important to go out and evangelize, until there's a bottom line, it's hard to get people in line.

9. **Engage the stakeholders early:** What matters is who has the voice and who can move things to happen.

8. **Make sure the boss likes you:** The boss must like you and be willing to stand up for you.

7. **Be brave: Stand up and be counted:** Sometimes you have to go out on a limb and push at senior levels to make things happen because they just aren't going to happen from the bottom up.

6. **Make lemonade!** During fiscal downturns, find available funding sources and link them to your transformation effort.

5. **History is important, but move forward anyway:** Avoid a clean sheet of paper. Learn who and what is already in place and build on that history, but talk about what could be done differently.

4. **Find ways to deliver tomorrow's solutions with today's people:** Everybody likes the "common" way—as long as it is their way. So at some point, it becomes a leadership question about making the decision and going forward.

3. **Avoid the "Grand Plan:"** Adherence to a vision without understanding how to do the "zigs and zags" along the way is really tough. Learn and adjust the plan.

2. **Shared services is NOT the end game:** Focus on value, continue to improve and recognize that sometimes you may only be able to set up the environment that enables the next person to pick up the mantle.

1. **They'll never love you!** Shared services needs perseverance. In the end, find a champion and make sure you keep a friend!

Summary

The public service and education community has a capacity challenge. The environment of increased demand, compressed resources, complex social challenges and changing demographics has challenged the ability to deliver "public value" – the measure of how effective and efficient an organization is in achieving outcomes.

The need for renewed capacity has sparked a wave of reform based on more efficient, effective and transparent government – and collaboration through shared services has been a pathway to transformation.

To help public sector and education leaders move forward with shared services and collaborative business models, the Technology and Entrepreneurship Center at Harvard, Leadership for a Networked World and Accenture convened the 2012 Shared Services Summit, held at Harvard University. The Summit featured topical sessions and case studies on how an organization moves progressively through the Visioning, Launching, Growing and Sustaining levels of the Shared Services Horizons of Value Curve, enabling business and technological models to mature and improve the organization's ability to deliver public value.

As the cases from the Summit show, new shared services business models will have a customer-centric mission, will work across organizational boundaries to align goals and will pursue a laser-like focus on outcomes. In traversing the Shared Services Horizons of Value, leaders will have to guide their organizations and stakeholders to new models of governance, new organizational structures, new enabling technologies and new methods of delivering services.

Forward-thinking leaders are embracing the challenge as they realize the successful achievement of shared services is vitally important to our nation's public solvency, economic competitiveness and capacity to deliver needed services. We now have the strategies and technologies to move forward – it's time to realize your pathway to transformation.

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During his time at Harvard, Mr. Oftelie has created practitioner-recognized frameworks and maturity models for organizational innovation and value creation including the Shared Services Horizons of Value, the Public Sector Value Chain and the Human Services Value Curve. As an application of his research, Antonio advises senior government and business executives on organizational transformation by helping them to evolve their mission and strategy, ideate new business and service models, build adaptive strength and create performance and value measures. In this capacity, he has directly advised three governors, five federal agencies, numerous state and local governments and private and public companies on topics ranging from IT outsourcing and shared services to homeland security and pandemic response to economic development, product and service design, organizational collaboration, government relations and public-private partnership strategies.

Mr. Oftelie holds a BS in Management and Ethics from Crown College and an MPA with a Business and Government Policy concentration from Harvard University – where he focused his studies on leadership, finance, and public policy at the Harvard Kennedy School, and on strategic management, technology, and innovation at the Harvard Business School. He can be reached at Antonio.oftelie@post.harvard.edu, followed on Twitter @AntonioOftelie and on Facebook at facebook.com/AntonioOftelie.

About Leadership For A Networked World

The mission of Leadership for a Networked World is to help leaders activate innovations and realize transformations that generate capacity and sustainable public value.

Founded in 1987 at the John F. Kennedy School of Government at Harvard University by Dr. Jerry Mechling, LNW is now a think-tank that works with the Technology and Entrepreneurship Center at Harvard and academic institutions globally to provide uniquely powerful leadership summits, transformation programs, and advisory services. Since 1987, LNW (E-government Executive Education - "3E," prior to 2005) has conducted more than 200 learning events and gathered more than 12,000 alumni globally.

Currently, LNW initiatives are focused on the global "capacity challenge:" Structural deficits; demographic changes and citizen demands are rapidly changing the operating environment and competitive landscape of government, pressuring ability to provide public value. To succeed in this new era, leaders must innovate and transform organizational capacity to deliver current services, create new solutions, increase transparency and equity, and - most importantly - help people, families and communities realize their full potential. To ensure success, leaders have to make difficult decisions and choices about the level of reform and the pace of adaptation, and LNW helps guide the journey.

The 2012 Public Sector and Education Shared Services Summit: Pathways to Transformation, was developed by LNW. Find more information at lnwprogram.org.

About Accenture

Accenture is a global management consulting, technology services, and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful organizations, Accenture collaborates with clients to help them become high-performance businesses and governments.

As a premier thought leader in cross-jurisdiction collaboration, shared services concepts, and industry leading practices, Accenture has been at the forefront working with government organizations and educational institutions on innovations to improve public-sector value and transform citizen service delivery. Accenture works with organizations to help navigate the unique requirements of a public sector environment, including transformation of business processes, policies, organizational structure, personnel management and technology.

The 2012 Public Sector and Education Shared Services Summit: Pathways to Transformation, held at Harvard University, was developed in collaboration with Accenture. Find more information on Accenture's shared services capabilities and thought leadership at accenture.com/sharedservices.

About The Technology And Entrepreneurship Center At Harvard

The Technology and Entrepreneurship Center at Harvard (TECH), part of the Harvard School of Engineering and Applied Sciences (HSEAS), is both a real and virtual space for students, faculty, alumni, and industry leaders to learn together, collaborate, and innovate.

TECH's mission is to advance the understanding and practice of innovation and entrepreneurship through experiential education: by initiating, advancing and informing student projects. TECH helps faculty create and deliver innovation and entrepreneurship project courses, provides students with project support and sponsors and advises student groups working to build the Harvard innovation community.

TECH is based on the belief that boundaries – between disciplines, people, organizations, and ideas – need to be crossed continually to create the insights that lead to innovations because socially useful and commercially viable advancements require the right mix of scientific and engineering knowledge, entrepreneurial know-how, and worldly perspective. TECH enables this holistic exploration by serving as a crossroads of innovation education and by supporting many opportunities for the innovation community to gather and exchange knowledge, including courses, study groups, mentorship relationships, and educational summits.

The 2012 Public Sector and Education Shared Services Summit: Pathways to Transformation, was hosted by TECH. Find more information on TECH at tech.seas.harvard.edu.

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