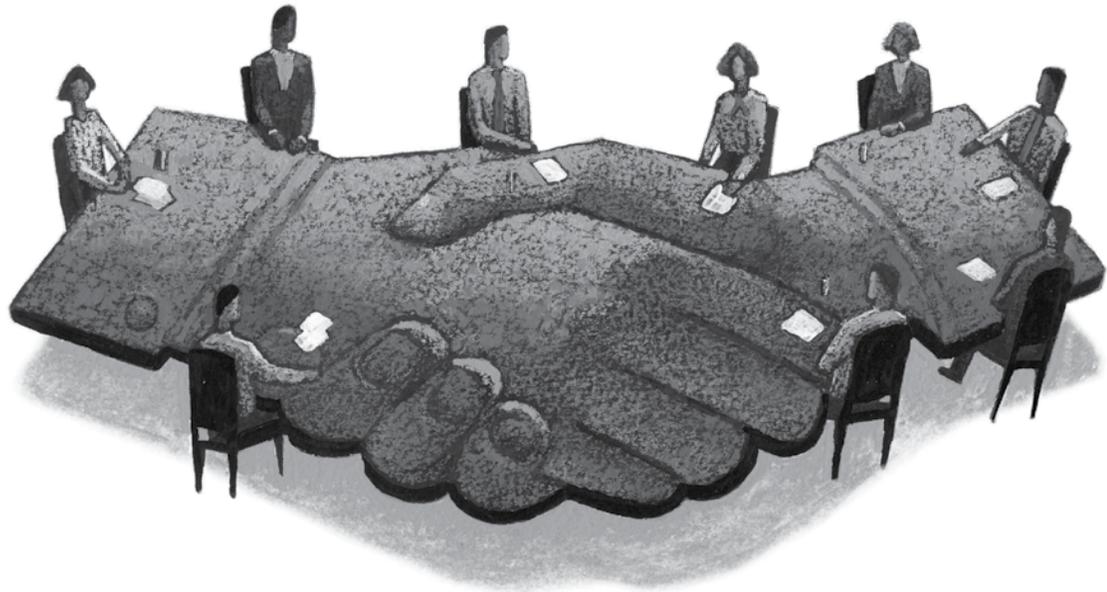




Competition, Choice, and Incentives Series

Success Factors for Implementing Shared Services in Government



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IBM Center for
The Business of Government

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FOREWORD

On behalf of the IBM Center for The Business of Government, we are pleased to present this report, “Success Factors for Implementing Shared Services in Government,” by Timothy J. Burns and Kathryn G. Yeaton. The report assesses the lessons learned from government organizations that have successfully implemented shared services and recommends best practices for those considering doing so.

For a decade, the IBM Center for The Business of Government has published research on improved approaches to management within the government. The researchers we support evaluate what works and what doesn’t, and make fact-based and actionable recommendations for public managers. The results on shared services are particularly important as shared services is rapidly becoming the norm for many business processes in the private sector. The use of shared services often results in cost savings of 30 percent or higher, coupled with improvements in user satisfaction. Shared services permits organizations to operate at greater economies of scale with improved business rules, while ensuring greater user satisfaction through a strong governance framework, metrics, and benchmarks.

In this report, Professors Burns and Yeaton conclude that the successful transition to shared services depends on a combination of strong management skills, senior-level support, effective communication, a strong change management program, and a phased approach to implementation. It requires more than business as usual to be successful.

The “rolling out” of shared services crosses organizational lines. It changes the jobs of those who performed the service in the past and requires users to get support from new people in new ways. It requires explicit service level agreements and trusted mechanisms for problem resolution. The project manager must deal with significant complexity and dedicate the resources needed to help users adjust to the changes shared services bring. Sustained leadership is critical.

Although there are differences between the government and the private sector, Burns and Yeaton find that shared services can be successful in the government as well. It is not just for the private sector.



Albert Morales



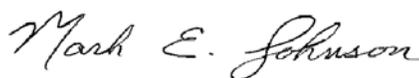
Mark E. Johnson

In fact, they find the public sector using shared services effectively for functions that are purely governmental.

Public managers face increasing challenges in service delivery while facing budgets that are getting tighter. Shared services offers one way to meet the demand. We hope the lessons learned from the organizations evaluated in this report will help others in meeting those challenges.



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EXECUTIVE SUMMARY

As governments continue to be under increased scrutiny to improve efficiency and be ever more vigilant with their use of public funding, they are increasingly adopting alternative models and approaches to providing services. Business organizations address similar issues of efficiency and accountability on a daily basis and, consequently, have developed methodologies that could be applied in a governmental setting.

One innovative approach gaining acceptance within business organizations is the use of shared services. This entails the consolidation of administrative or support functions (such as human resources, finance, information technology, and procurement) from several agencies into a single, stand-alone entity with the singular objective of providing services as efficiently and effectively as possible (Rahman 2005). Implementing a shared services approach involves complex structural changes requiring diligence and extensive time and energy. When properly implemented, however, the benefits have the potential to be immense.

There have been numerous reports of successful implementations within the private sector. The implementations have reported both cost savings and improved efficiencies. Shared services has the potential to provide similar benefits in governmental organizations. In fact, numerous federal, state, and local governmental agencies have reported successful shared services implementations that have resulted in improved services, efficiencies, and cost savings.

This report presents key success factors that can be employed by government in implementing shared services. The data was collected through inter-

views, focus groups, surveys, discussion boards, and analyses of relevant documentation. Research participants were individuals who were either involved in a governmental shared services implementation in the past or are currently engaged in a shared services implementation. These individuals provided robust responses to our survey questions and were often willing to engage in lengthy dialogue to share their insights and understanding of the implementation process. The respondents represented all levels of government—local, state/provincial, and federal/central governments—and were from the United States, Canada, Europe, Australia, and Asia.

While participants made numerous suggestions as to factors to consider and approaches that had proven successful for their organizations, five areas were consistently mentioned and emphasized by individuals at all levels of government, regardless of which services the organization was planning to share. Consequently, as identified in this report, the five key success factors for a successful shared services implementation are:

- Strong project management skills
- Senior-level support
- Effective communication
- Strong change management
- A phased approach to implementation

These five areas require attention early in the planning so that the appropriate mechanisms can be developed and built into the implementation process.

Success Factor 1: Strong Project Management Skills

Project management is composed of the tools and techniques used to organize and manage resources so that a project can be successfully completed within defined scope, quality, time, and cost constraints. Shared services initiatives need clearly defined goals for the implementation and strong project leadership, not only at the senior level but also at the project team level. A carefully chosen project team should facilitate the planning process and serve as the liaison between the various constituent groups. For the implementation to progress as smoothly as possible, there is a need to unambiguously define an appropriate governance structure and assign responsibilities so that individuals can be held accountable for the progress of necessary tasks.

Although most research participants indicated that their greatest challenges were “people” oriented, it is clear that exceptional planning, budgeting, and scheduling is of critical importance to the success of a shared services implementation. Strong project management was a recurring theme in the examination of documents as well as the survey responses.

Success Factor 2: Senior-Level Support

Senior-level support entails someone willing to champion the shared services project and sell the concept to constituencies. This leader should have both credibility and tact. Senior-level support further ensures that both financial and human resources will be made available to support the project.

Having senior-level support was consistently identified by research participants as being absolutely critical to the success of a shared services implementation. Individuals at the senior level of the organization willing to champion the shared services cause cannot be underestimated. These individuals sell the concept to all constituencies and ensure appropriate funding levels for the project.

Success Factor 3: Effective Communication

A comprehensive communications plan should be developed during planning and executed throughout the planning and implementation process. A

communications plan should address three elements (Saia 1999):

- The audience and their communication needs
- The most effective means of communicating with this audience
- Who should deliver the message

A recent Computing Technology Industry Association (CompTIA) survey indicated that the most common reason an IT project fails is due to poor communication (Rosencrance 2007). Communication among the constituent groups should start in the information-gathering process and demonstrate the collaborative nature of significant cultural and organizational changes. After noting that “communication can never start early enough,” one research participant further indicated that “employees will fill the void caused by a lack of information.” Many participants also mentioned the need to listen to concerns and to adequately address any issues raised by constituencies.

The method of communication will vary depending on the involvement of the various constituent groups. Some forms of communication, such as newsletters and e-mail, are convenient and able to be transmitted to numerous individuals simultaneously. While these forms of communication are convenient, the research participants expressed concern that people are inundated by e-mail and other printed materials. Most participants stressed the need for face-to-face communication to alleviate confusion and ensure that affected parties are receiving a clear message. Meetings allow individuals opportunities to voice concerns and clarify areas of confusion. Open communication during the planning and implementation should convey how the various constituencies will be affected. Employees are often fearful of the impact that a shared services implementation will have on their job. These fears need to be addressed and allayed as soon as possible in the process.

The organization should establish a governance structure that facilitates appropriate communication. Most frequently, participants described a three-tiered approach to internal communication: communication with and among the strategic leadership, communication with and among the mid-level management,

and communication with and among the technical and/or operational personnel.

Success Factor 4: Strong Change Management

The complex structural changes often required by shared services initiatives require special attention during the implementation process. On more than one occasion, research participants indicated that their organization should have begun their change management efforts earlier. Change management provides a structured approach designed to transition an organization from its current state to the desired future state.

Change management efforts should begin very early in the planning and implementation process. In fact, a comprehensive change management plan should be developed during the planning stage of the implementation. Marchewka (2006) proposed a formal change management framework that included four stages:

- Assess the organization's willingness, readiness, and ability to change
- Develop a strategy for change
- Implement the change management plan and track progress
- Evaluate experiences and address lessons learned

Success Factor 5: A Phased Approach to Implementation

There are three approaches to system implementations:

- A direct cutover approach
- A parallel approach
- A phased approach

In general, most participants recommended a phased shared services implementation. This means that while the entire shared services implementation may be planned at the same time, most participants recommended taking the systems online in a phased process or incrementally. A phased process was deemed more manageable and less risky than a

direct cutover approach, or "big bang" approach, whereby all systems go online simultaneously.

Staying the Course

There will be times during a shared services implementation when technological transitions do not go smoothly or employees or other constituents express dissension. "Staying the course" will be necessary. While flexibility is needed during the implementation, it is important for managers not to get discouraged and for them to continue on the selected course.

Understanding Shared Services

This report introduces success factors for implementing a shared services approach in a government agency. It is based on data collected from over 45 public agencies at the federal, state/provincial, and local levels of government, located in the United States and several other countries around the world.

The goal of this research was to develop a best practices framework specifically designed for public organizations that are undertaking, or would like to undertake, a shared services implementation. Several best practices frameworks have been introduced for private sector shared services initiatives (A. T. Kearny 2005, Aguirre et al. 1998, Cecil 2000), and some initial frameworks have been developed for public sector initiatives. The framework presented in this report was developed through impartial, empirical research. Given the potential for cost savings, increased customer satisfaction, and increased organizational efficiency offered by the shared services model, a best practices framework could be a valuable tool.

This report is organized into three main sections, followed by an appendix that details the research methodology employed and a second appendix that includes the questionnaire and follow-up interview questions. The remainder of this section is devoted to understanding the shared services model and to showcase several public agencies that have already implemented this approach. The next section presents the findings from our survey and interview research, and summarizes the responses given to our online survey and subsequent follow-up interviews. The final section uses the document review, the survey findings, as well as the interview findings, to extrapolate a set of success factors.

What Is Shared Services?

It is important to start with a clear definition of “shared services.” Most authors define shared services as the concentration or consolidation of functions, activities, services, or resources into one stand-alone unit (Bergeron 2003, Fyfe 2006, Irwin 2005, NASCIO 2006, Rahman 2005, Schulman et al. 1999). The one unit then becomes the provider of the functions, activities, services, or resources to several other client units within the organization.

The shared services model is often described as being akin to an open market system (Bergeron 2003). The provider and client units enter into partnerships called service-level agreements (SLAs) on a “for fee” basis, in much the same way a company enters into an agreement with its customers. This arrangement implies that the client could potentially go elsewhere for the service and thus pushes the provider to offer the best possible product at the best possible cost, much like a competitive open market.

It should be specified that shared services and centralization are not the same (Schulman et al. 1999). Centralization implies that there is one central authority and one physical location. Shared services, on the other hand, implies that one provider is responsible to multiple units and thus multiple authorities. Furthermore, modern information technology (IT) allows for the provider to operate from multiple physical locations.

Shared services implementations often have stated goals of increased efficiency and increased effectiveness (Bergeron 2003, Fyfe 2006, Irwin 2005, NASCIO 2006, Rahman 2005, Schulman et al. 1999). Those goals are realized through cost savings from

Salvation Through Shared Services—But Only If You Get the Governance Right

By G. Martin Wagner

Economies of scale continue to increase for most business processes. Because of the desire for economies of scale, what was previously done internally within an operating unit becomes a service to be provided either by someone else in the larger organization or by a contractor. In a desire to achieve economies of scale, what was under an organization's direct control becomes a service from someone working for someone else. Thus, the management problem of our time is how to capture the benefits of these economies of scale in a way that ensures good customer service.

This is not as simple as it might look. Earlier waves of consolidation captured savings, but sometimes at the price of unhappy customers. They might find it harder to do their job, face increased costs in other areas, or need to create "cuff" accounts for features not available from the central system. Mechanisms for addressing customer satisfaction were often ad hoc, and complaints sometimes got short shrift from the monopoly provider.

It takes sustained executive leadership and an attention to change management to convert to a shared services approach. Shared services is the approach discussed in this report to achieve desired economies of scale. The history of consolidation makes shared services a harder sell than it might otherwise be, but it also explains why shared services is an improvement over earlier rounds aimed at accomplishing economies of scale.

Shared services has the potential to solve the problem of getting an efficient economic solution and also improving customer satisfaction. The key to achieving both economies of scale *and* customer satisfaction is to get the governance right. The right governance strategy links an efficient provider to a responsible user. An appropriate governance strategy puts in place a framework with metrics and benchmarks in which the provider and user each has accountability and there is a means to resolve problems.

Effective shared services requires: (1) a framework for linking user satisfaction to service delivery costs, (2) service level agreements between users and providers, (3) metrics, (4) external benchmarks, (5) a framework for raising and resolving issues, and (6) an optimized and, yes, a consolidated business process.

1. **A framework for linking user satisfaction to cost.** The service provider must be accountable for delivering a defined quality of service for a specific cost. There must be a link between that cost and user satisfaction. This can be done through fee-for-service arrangements that emulate the free market or some other mechanism, but the organization must be able to trade off value for cost.
2. **Service level agreements.** This link must be reflected in agreements between providers and users. These agreements must impose requirements on users as well as suppliers. The service provider needs to be accountable, but so does the user. The provider may be accountable for a price and service quality, but the user needs to be accountable for using the service appropriately (for example, conveying a requirement that is defined well enough to be met).
3. **Metrics.** It is important to be able to quantify at least some of what the organization is getting through a shared service. Storytelling is not sufficient. Quantification should involve more than just the direct costs of a service, though this may be the easiest to measure. Quality matters, too. Since not everything can be quantified, there may be a need for qualitative measures as well. Managers also need to be prepared to update metrics as they gain experience with the service.
4. **External benchmarks.** Knowing how one compares to "best in class" solutions is important and will point to where further improvements can be made. Benchmarking against "best in class" providers is better than depending on providers to explain how good they are. It is also important to understand the reasons for differences.
5. **Issue resolution framework.** There needs to be a trusted mechanism for raising and resolving the inevitable issues that will arise. Ideally, an authority above both the provider of the service and the users will oversee this process.
6. **An optimized shared business process.** Despite the many successful examples in the private sector, not every business process lends itself to a shared service. An effective process will have economies of scale that are larger than can be captured by the organizations using the service. It will use a set of business rules that work well for these organizations despite arguments some may make for having unique needs. It will probably blend information technology and specialists in standardized jobs following a standard process for most transactions.

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economies of scale, standardization of processes, increased expertise in the service, increased service levels, the freeing of resources for the client units, and increased flexibility for the overall organization. The client units, once free from the distraction of supplying a service to themselves, can focus their efforts on the core competencies of their unit and ultimately their customers.

The services shared are most likely to be from the financial, administrative, or support areas such as human resources, finance, information technology, or procurement (Bergeron 2003, Fyfe 2006, Irwin 2005, NASCIO 2006, Rahman 2005, Schulman et al. 1999). Our research has shown, however, that in a government agency the shared services model can also be applied to public services such as police and fire protection, waste disposal, and water treatment. In essence, the model can be applied to any service or product required by multiple units within the overall organization.

Shared Services in the Private Sector

There have been numerous reports of successful shared services implementations in the private sector (A. T. Kearny 2004, Cecil 2000, Deloitte 2005, Donnelly 2005, Forst 2001, Peters 2005, Rahman 2005, Searle 2006). Successful implementations have been reported at companies such as Dell, DHL, Shell, and Citibank, among others (Rahman 2005). In fact, Gould and Magdieli (2007) noted that:

... more than 30 percent of U.S. Fortune 500 companies have implemented or transferred to a shared services framework and are reporting cost savings in the general accounting functions of up to 45 percent, according to the English Institute of Chartered Accountants.

A 2006 survey conducted by SharedXperts indicated that business entities generally establish shared services organizations for three primary reasons: to improve service, to manage costs, and to improve organizational efficiency (Searle 2006). These benefits are achieved by leveraging economies of scale, technology, organizational realignment, labor arbitrage, best practices, and end-to-end process re-engineering (Searle 2006).

An A. T. Kearny survey reveals that 70 percent of senior executives claim success with their shared services programs. They cite reduced costs, improved productivity, and better trained employees among the benefits (A. T. Kearny 2005).

Shared Services in the Public Sector

Shared services has the potential to provide great gains in efficiency and significant cost savings within governmental organizations as well. Gould and Magdieli (2007) suggested:

The results achieved by the private sector hold promise for the public sector in the area of reduced risk, lower costs, increased quality of service, and more predictable results.

Gould and Magdieli (2007) further proposed that, with careful implementation, governmental agencies should be able to reach the “top end of the estimated 20–40 percent cost savings that have been the benchmark savings rate in the private sector.” In fact, there are reports of public organizations already achieving significant cost savings. For example, the use of shared services allowed the U.S. Postal Service to save \$71.4 million and reduce the cost of its finance function by 16 to 18 percent. Similarly, the Queensland, Australia government saved AU\$10 million in the first year of their shared services implementation and had saved in excess of AU\$73 million through fiscal year 2006–2007.

Anticipating the savings as well as the improved efficiencies observed in the private sector, many governmental agencies have begun actively pursuing shared services planning and implementations. In fact, many governments around the world are mandating such approaches in an effort to achieve these benefits.

Recent studies (BEA 2006, Deloitte 2005) have clearly demonstrated the demand for shared services in the public sector. These studies indicated that a vast majority of government respondents believe that shared services will play a role in supporting their organizations’ strategic goals and that more than half of government agencies have already implemented or are in the process of implementing a shared services initiative. These studies further indicated, however, that few have yet to realize the full potential of shared services strategies. The

benefits of a shared services implementation can be found at the local, state, and national government levels and have already manifested themselves in governments around the world (A. T. Kearny 2005).

Unfortunately, there are some indications that the shared services model is harder to implement in the public sector than in the private sector. Fyfe (2006) proposed three potential causes of why implementing shared services in the public sector is difficult:

- A lack of “up-front investment” can cause the project to be underfunded. This can significantly hinder shared services efforts and hurt morale.
- Public sector organizations sometimes lack “commitment to long-term change.” This can be caused by election cycles and shifting political agendas.
- Shifting the philosophy to a demand (that is, one where a service is purchased at an agreed-upon fee, volume, and standard) rather than a supply-driven service culture can be hard to implement within a governmental entity.

We heard examples of these issues from our research participants, and while these issues clearly present challenges within the public realm, they are not insurmountable. With the appropriate leadership and change mechanisms, there is evidence that public organizations can achieve the same benefits from shared services as private organizations.

Examples of Shared Services in the Public Sector

While conducting our research, we came across numerous public agencies that have successfully implemented, or are in the process of implementing, a shared services model. These agencies exist at all levels of government, both in the United States and abroad. Consequently, to better understand the processes involved in implementing a shared services model, the following profiles describe examples of public agencies that have embraced this approach.

Federal Government

The Food and Drug Administration

The Food and Drug Administration (FDA) is an operating division of the Department of Health

and Human Services (HHS) with 10,000 employees. In support of the President’s Management Agenda, HHS established its “One HHS” initiative to consolidate, streamline, and standardize administrative programs. Under the “One HHS” initiative, the FDA established an Office of Shared Services and undertook several consolidation efforts including IT, acquisitions, financial, and other administrative operations.

The FDA’s IT consolidation effort alone has realized many benefits. Included in those benefits are over \$10 million in cost savings over several years, documented and standardized business processes, consolidation of the IT infrastructure, improved communication and efficiency, and improved decision making. Furthermore, FDA officials say the reorganization has made the agency more streamlined and competitive in taking on bids from contractors to outsource the agency’s administrative functions.

The FDA IT shared services effort earned the agency high marks from the U.S. Government Accountability Office, which assesses how well agencies manage IT using enterprise architecture. In September of 2005, the FDA won the prestigious Excellence in Enterprise Architecture Award. More information on the FDA’s efforts can be found at their Office of Financial Management website: www.fda.gov/oc/oms/ofm.

The National Aeronautics and Space Administration

In 2001, the National Aeronautics and Space Administration (NASA) identified business service consolidation as an important agency goal. As a result, the NASA Shared Services Center (NSSC) was organized. The NSSC ultimately pursued shared services in four lines of business: financial management, human resources, IT, and procurement. In its first 10 months of operation, the NSSC transitioned 34 activities across the four functional areas.

Their shared services implementation has enabled NASA to realize a number of benefits. These benefits have ranged from the ability to deliver services at lower costs to improved timeliness, accuracy, and consistency of information, and stronger strategic management of resources (NASA Shared Services Center: A Brief History 2007; NASA SSON Application for Best New Shared Service 2007; NASA Shared Services Center Implementation Plan Report 2003).

Additional Examples of Shared Services in Government from *Optimizing Government Effectiveness Through Shared Services: Perspectives from IBM Corporation*

By Kathryn Gould and Amit Magdieli

United States, State of New Jersey, Somerset County. Somerset County, New Jersey, began transitioning its municipal offices and school systems to a shared services model in 1993. For the services targeted as shared service functions in 2005, the savings were \$13.6 million. In 2006, the county calculates that it saved over \$19.6 million through the shared services initiative, an increase of 44 percent from the previous year. The county's efforts are steered by a coordinating council working with county, city, and school officials. In many areas the biggest savings were in purchasing and IT.

Canada. In the mid-1990s, the Canadian government reduced its FM and HR systems from well over 100 to seven financial systems and 14 HR systems. The consolidation has improved efficiency and reduced costs for the operations and maintenance of core systems.

In September 2005, a research paper by the Parliamentary Information and Research Service outlined the expected benefits as the Canadian government prepared to implement a shared services framework for internal IT, financial services, HR and procurement functions in addition to what they had already accomplished through consolidation and technology modernization. The study called this move to shared services "a mini-revolution in federal public service," noting internal services as a major source of government inefficiencies. Adoption of a shared services framework is expected to achieve direct savings of \$4 billion (US\$3.4 billion) over the next decade.

The Canadian government cites several specific benefits from the transition to date. Improved internal management has provided a foundation for delivering quality services. Shared services has improved decision making and accountability through consistent and high-quality information across the government. The quality of internal services for managers and employees has also improved to better support them in achieving their core program and policy goals. As a result of such benefits, the Canadian government has achieved efficiencies that led to cost savings, allowing funds to be re-allocated to other government priorities.

United Kingdom. In the United Kingdom, the government is currently pursuing a central drive for efficiency and is working from an overall plan for realizing the benefits of shared services. The Cabinet Office has established a team specifically tasked with the role of accelerating the adoption of shared services and developing the strategy for all government departments to consolidate functions as appropriate. This enables the realization of benefits not only within individual departments, but also from synergies between departments. Nine government sectors, including Defense, Health, and Education, have each developed extensive plans for sharing services in three to seven years. Implementation of shared services in HR and finance alone will save 20 percent, or £1.4 billion (US\$2.7 billion), per year from a total budget of £7.7 billion (US\$14.8 billion) for these two functions.

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Specific benefits have included:

- Meeting or exceeding service levels
- Reducing the grants process steps by 22 percent and improving timeliness by 36 percent
- Resolving 93 percent of routine customer inquiries within one day
- Having 91 percent of customers being satisfied or very satisfied with NSSC service

NASA projects that NSSC will provide cost savings of \$6.6 million per year and a \$100 million return on investment over a 10-year period. In 2007, the NSSC was the runner-up for the Best New Shared Services Award presented by the Shared Services & Outsourcing Network (SSON). More information on NASA's efforts can be found at the NSSC website: www.nssc.nasa.gov.

The Environmental Protection Agency

The Environmental Protection Agency (EPA) has initiated the shared services model on several fronts.

In February of 2007, the EPA joined the list of large federal agencies moving to a shared services provider for financial management (FM). Under the U.S. Office of Management and Budget's FM Line of Business Consolidation initiative (FM LOB), agencies are required to move to shared services providers when appropriate. As a result, the EPA has begun a Financial System Modernization Project.

The EPA has also announced plans to establish human resource shared services centers in three locations to process personnel and benefits actions for the agency's 17,000 employees. The centers—to be located in current EPA facilities in Cincinnati, Ohio; Las Vegas, Nevada; and Research Triangle Park, North Carolina—will also process vacancy announcements throughout the agency. According to EPA press releases, the move will improve the effectiveness, efficiency, and customer service of agency human resource operations and standardize work processes. More information on EPA's shared services programs can be found at: www.architectureandgovernance.com/articles/04-fda.asp and at: www.gcn.com/print/26_04/43164-1.html.

State and Local Governments

Numerous shared services initiatives have also been undertaken at state and local public agencies.

State of New Jersey

In the summer of 2007, the New Jersey Legislature held a special session to address the state's high property tax burden. Out of the special session, the Legislature recommended and enacted a series of consolidation and shared services reforms, including the creation of a permanent commission to administer these programs. In addition, Governor Jon Corzine's 2007–08 budget proposed nearly \$20 million to encourage shared services.

In 2005, New Jersey established the SHARE program, short for Sharing Available Resources Efficiently. This program provides financial assistance to local governments—including municipalities, counties, fire districts, school districts, and nonprofits that act as regional coordinators—for the study or implementation of shared and regional services between local entities. The SHARE Program has awarded more than \$4.2 million in 86 grants over the last two years.

New Jersey also established the COUNT program aimed specifically at county governments. This program encourages counties to use their central positions to coordinate shared services arrangements among local entities. To date, six counties in New Jersey have created a full-time shared services coordinator position. More information about New Jersey's shared services program is available on the New Jersey Division of Local Government Services website at: www.njslom.org/magart0207_p12.html.

Erie County, New York

Erie County, located in northwestern New York, is a large county consisting of over 1 million residents. The county encompasses nearly 30 cities, towns, and villages including Buffalo, which is the second largest city in New York State. In late 2000, Erie County decided to reorganize its technical infrastructure to “facilitate the integration of service delivery processes across functional domains and to create single, easy-to-use portals for clients and staff to access integrated product/service suites”—in summary, an IT shared services initiative. This represented a significant change to the IT structure of Erie County, as most departments and agencies were responsible for their own technology.

Over the next five years, the Erie County government designed and implemented a shared services technical infrastructure. This effort was divided into five infrastructure layers: workstations, networks, server/mainframe, storage/backup, and applications/enterprise resource planning (ERP). A project team was created for each of the five layers and all worked in close collaboration with each other. The following are the highlights of the implementation and its benefits:

- Reduction of human resources by 10 percent.
- A standardized workstation that provided a \$6.7 million savings over a five-year period.
- Consolidation of five e-mail systems into one enterprise-wide e-mail system.
- Consolidation into one county data center and the creation of a county backup system.
- The replacement of six legacy systems with an ERP system resulting in a \$3–4 million annual savings.

- The integration of 26 police service answering points into one, reducing the cost and increasing the quality of the 911 environment for the county.

Additional information on Erie County's shared services initiative can be found in "The Computerworld Honors Program, Case Study 2006," which can be accessed at: www.cwhonors.org/case_studies/ErieCountyNY.pdf.

International Governments

The shared services model is by no means unique to the United States. Public agencies around the world, at all levels of government, are embracing shared services.

Australia

In October 2001, the Queensland Government in Australia decided to examine its service operations. The outcome was an extensive shared services initiative estimated "to provide an additional \$100 million every year for services delivered to the community." The stated vision of the Queensland shared services initiative was to deliver "high-quality cost-effective corporate services" by "leveraging economies of scale and skill, and is underpinned by standardising business processes, consolidating technology, and pooling resources and expertise across Government" (Building the Queensland Government's Shared Services Initiative 2002, Overview of the Queensland Government's Shared Service Initiative: Part of the Queensland Government's Business Plan for Shared Service 2002).

The shared services implementation process in Queensland was designed to take place over the period 2003–2008. These implementation efforts are managed and tracked using a framework that "provides mechanisms for planning and measuring performance." Specifically, the initiative utilizes a balanced scorecard to measure performance in four key areas:

- Benefits (the financial perspective)
- Customers (the customer perspective)
- Improvement (the business process perspective)
- Capability (the learning and growth perspective)

Although the implementation process is not complete, the Queensland Shared Service Initiative has already reported a number of milestones and achievements. As indicated in the Queensland Government Initiative Achievements 2006–2007, these achievements have included:

- A new whole-of-Government Finance Business Solution in six government agencies
- A completed pilot of the Human Resources Business Solution
- Cumulative cost savings, as of the end of fiscal year 2006–2007, in excess of AU\$73 million

More information on the Queensland Government's efforts can be found at the Queensland Government Shared Services website: www.sharedservices.qld.gov.au/.

Survey Findings

So that we could gain insight directly from individuals and organizations involved in a shared services implementation, a survey instrument was developed (see Appendix II). An extensive list of potential contacts was then identified and compiled. These contacts were organizations and/or individuals involved in implementing government shared services at public agencies at all levels of governments throughout the world. An e-mail was compiled that explained the purpose of the research, included a link to the survey, and requested participation. The e-mail was then sent to over 300 individuals on the contact list. The response rate was slightly higher than 15 percent, with 46 respondents completing the survey. In this section, we summarize the findings from the survey.

FINDING 1: The Goal of Most Shared Services Initiatives Is Cost Savings

Table 1 shows that the stated goals of the participants for implementing a shared services model were varied. The most frequent response (21) was cost savings, followed by efficiency and the desire to provide higher quality service. Respondents were allowed to list multiple goals, and several gave “other” responses such as effectiveness and increased collaboration. As one respondent put it:

“It was determined at that time to implement a shared services model to reduce duplication and costs, which would permit agencies to focus on their core services to citizens and business.”

Table 1: Goal of Shared Services Initiative

| Goal | No. | Pct. |
|--------------------------------|-----------|------|
| Cost savings | 21 | 22% |
| Efficiency | 16 | 16% |
| Provide higher quality service | 15 | 15% |
| Reduce redundancy | 14 | 14% |
| Standardization | 8 | 8% |
| Economies of scale | 5 | 5% |
| Other | 18 | 18% |
| Total Responses | 97 | |

FINDING 2: The Majority of Participants Achieved Their Goals

As indicated in Table 2, the vast majority of the participants (34 out of 46) felt that they had achieved their goals in implementing shared services. Those that felt they had achieved their goals gave answers such as:

“Yes, there has been standardization of processes across government. This has resulted in reduced costs.”

“Yes, we have achieved efficiency in our processes by adopting best practices among the institutions.”

Nine of the respondents felt that they had only partially achieved their goals (although all of them believed that they were on their way to fully completing the goals). Typical answers from this group were:

“Yes, we are still transitioning, but the initial effect has been to see an increase in customer satisfaction.”

“Yes, but we continue to identify and refine the shared services offered.”

Only three participants felt that the goals of their shared services program had not been met. One respondent summed up the challenge of implementing shared services by saying:

“We are much further along than even a year ago and light-years ahead of five years ago.”

Table 2: Were the Goals Achieved?

| Answer | No. | Pct. |
|------------------------|-----------|------|
| Yes | 34 | 74% |
| Partially | 9 | 20% |
| No | 3 | 6% |
| Total Responses | 46 | |

FINDING 3: The Most Common Goal Measurement Was Cost Savings

The most common measurement of achievement of goals was cost savings, followed by increased effectiveness, customer satisfaction, and reaching stated goals, as reported in Table 3. One respondent outlined the difficulty of measuring goals:

“Measurement has been a struggle. As indicated earlier, tracking savings has been a challenge. Even where we can demonstrate real savings, our clients are skeptical.”

However, many of the respondents were able to establish metrics such as this one:

“Product and services vary greatly from organization to organization, but all have metrics that measure some aspects of customer satisfaction, employee satisfaction, and operational efficiency.”

Table 3: How Goals Were Measured

| Measurement | No. | Pct. |
|-------------------------|-----------|------|
| Cost savings | 15 | 31% |
| Increased effectiveness | 9 | 18% |
| Customer satisfaction | 8 | 16% |
| Reaching stated goals | 8 | 16% |
| Increased efficiency | 7 | 14% |
| Other | 2 | 4% |
| Total Responses | 49 | |

FINDING 4: The Most Positive Result of Implementing Shared Services Was Improved Service

Table 4 (see page 18) lists what the respondents thought were the most positive results of implementing shared services. The responses, while fragmented, most often listed improved service and increased collaboration as the greatest positive results. One respondent gave this overarching answer:

“There are several positive results from our initiative. First, there is very broad-based support for the business process and performance standards that are being developed by the initiative. There is extensive participation from agencies, software vendors, and integrators. This has provided a tremendous consensus for these standards.”

Another respondent felt that the most positive result was the proof that shared services works: “proof that shared services can work and offers a very real alternative to multiple/duplicate/decentralized operations with the same end game.”

However, the most typical answer is best illustrated by this one:

“Within each business area, there is now a vastly improved sense of accountability for achieving targeted business results and [each area] is much better able to divert resources to critical challenges when the situation dictates.”

Table 4: Most Positive Result of Implementing Shared Services

| Result | No. | Pct. |
|-------------------------------|-----------|------|
| Improved service | 10 | 19% |
| Increased collaboration | 7 | 13% |
| Standardized services | 6 | 11% |
| Increased efficiency | 4 | 7% |
| Increased focus | 4 | 7% |
| Cost savings | 4 | 7% |
| Consolidation of services | 3 | 6% |
| Increased awareness | 3 | 6% |
| Increased constituent support | 3 | 6% |
| Other | 10 | 19% |
| Total Responses | 54 | |

FINDING 5: The Most Negative Result of Implementing Shared Services Was “People Issues”

Conversely, the most commonly cited negative result (as shown in Table 5) was people issues. People issues included things such as lack of change management, political turf wars, and job losses. Respondents gave answers such as the following:

“Jealousy by those that felt threatened (loss of control) by our success.”

“Unfortunately, moving to a shared service model necessitates job losses.”

“Turf issues, especially in large agencies who still want to maintain control of all functions they deem ‘critical’ to their mission—and who have the resources to sustain them.”

One respondent felt that the people issue related to the lack of respect for the shared services staff and stated their negative result as “shared service staff being regarded as a lower order, not being strategic or frontline.”

Many of the respondents felt that there were no negative results to their implementation of a shared services model. This was the second most popular answer among the participants. One respondent summed up this concept best:

“There really hasn’t been a negative result thus far. There have been many obstacles, including garnering advocacy, staying on track, finding and nurturing the ‘right’ people, getting funding, et cetera.”

Table 5: Most Negative Result of Implementing Shared Services

| Negative Result | No. | Pct. |
|----------------------------|-----------|------|
| People issues | 23 | 43% |
| None | 9 | 17% |
| Mistakes in implementation | 7 | 13% |
| Increased confusion | 5 | 9% |
| Other | 10 | 19% |
| Total Responses | 54 | |

FINDING 6: Shared Services Was Most Often Initiated By Leaders Within the Agency

Table 6 indicates the reasons reported for undertaking a shared services implementation. The majority of respondents reported that leaders within their organization had initiated shared services, with a large number stating that it was a committee within the agency or a mandate from a higher agency. As one respondent put it:

“Shared services need to be driven from the top; in our experience the most successful projects are those which have full CEO and senior-user backing.”

Table 6: Who Initiated the Shared Services Implementation in Your Organization

| Who Initiated? | No. | Pct. |
|-----------------------------------|-----------|------|
| Leaders from within agency | 19 | 40% |
| Committee/group within agency | 15 | 32% |
| Policy mandate from higher agency | 13 | 28% |
| Total Responses | 47 | |

FINDING 7: The Impetus to Undertake Shared Services Was Most Often Cost or Service Variables

The largest number of survey respondents reported that it was cost or service variables that provided the impetus to undertake the project, followed by a mandate from a higher agency. One respondent said that they knew they were ready “when a critical mass of leaders within all agencies and municipalities were able to steamroll any parochial obstacles to the project.”

Some respondents felt that they weren’t ready but had no choice, reporting: “We were not ready—but you have to start sometime!”

Table 7: What Was the Impetus to Begin the Shared Services Implementation

| Impetus to Begin | No. | Pct. |
|---------------------------------------|-----------|------|
| Mandated by cost or service variables | 17 | 39% |
| Mandated by higher agency | 12 | 27% |
| Leaders in agency pushed it | 6 | 14% |
| Public prompting | 4 | 9% |
| Other | 5 | 11% |
| Total Responses | 44 | |

FINDING 8: The Most Significant Lesson Learned from Implementing Shared Services Was That “Change Management Is Key”

Table 8 demonstrates that the list of significant lessons learned by survey participants is quite fragmented. The most frequently cited lesson learned was that “change management is key.” Many of the participants also answered that “communication is key,” “management support is key,” and “stakeholder support is key.” Some of the responses received were:

“There is no success without a political power spender; there is no success without knowledge of change management.”

“Do not underestimate the amount of change management and communications needed.”

“Just keep plowing ahead, despite friction, disagreement, and everything else that is thrown in your way to try to prevent the changes.”

“There is a tremendous amount of communication necessary to ensure that all parties are represented and opinions reflected in the final outcome.”

Table 8: Most Significant Lessons Learned

| Lesson Learned | No. | Pct. |
|-----------------------------------|-----------|------|
| Change management is key | 17 | 24% |
| Communication is key | 11 | 16% |
| Management support is key | 11 | 16% |
| Stakeholder support is key | 9 | 13% |
| Need good governance/ planning | 6 | 9% |
| Other | 16 | 23% |
| Total Responses | 70 | |

FINDING 9: The Biggest Mistake Made in Implementing Shared Services Was Insufficient Change Management

Table 9 (see page 20) presents the biggest mistakes made by the respondents in implementing a shared services model. Many respondents (12) felt that their biggest mistake was not having sufficient change management. This was typified by this response:

“Determining the right pace of change is very difficult. When we pushed too hard and too fast, and did not bring people along, we failed.”

This response was followed closely by the respondents who felt that poor project management was their biggest mistake. For instance, one respondent said, “Public servants do not make good project managers.” Surprisingly, a large number (6) of respondents felt that they had made no mistakes at all; as one respondent summed it up, “We didn’t make any big mistakes (thank goodness!).”

Table 9: The Biggest Mistakes That My Organization Made

| Biggest Mistakes | No. | Pct. |
|--------------------------------|-----------|------|
| Insufficient change management | 12 | 25% |
| Poor project management | 7 | 15% |
| No mistakes | 6 | 13% |
| Lack of resources | 5 | 10% |
| Insufficient communication | 5 | 10% |
| Poor planning | 4 | 8% |
| Other | 9 | 19% |
| Total Responses | 48 | |

FINDING 10: The Thing Most Organizations Did Well Was Project Management

The participants were divided as to the answer most frequently given for the things that their organization did particularly well (Table 10). Project management and collaboration were the answers most often given. When combined these two answers represented 59 percent of the responses. Respondents' answers included:

“We met the timelines to build a new data center and move all the computing, network, storage, security of the participating agencies into the data center and started operating on day one.”

“We set a deadline and stuck to it.”

“We brought three very different cultures together and within a few months had them forget where they came from.”

“Created the relationships so there could be frank and honest discussions.”

Table 10: Things My Organization Did Well

| Things Done Well | No. | Pct. |
|--------------------------|-----------|------|
| Project management | 13 | 28% |
| Collaboration | 11 | 23% |
| Change/people management | 5 | 11% |
| Planning | 4 | 9% |
| Good project execution | 4 | 9% |
| Standardization | 4 | 9% |
| Other | 6 | 13% |
| Total Responses | 47 | |

FINDING 11: The Greatest Challenges Came from People Issues and Were Overcome with Communication

Tables 11 and 12 show the major challenges that the respondents faced in their shared services implementation and list the details of those challenges. The overwhelming majority of respondents felt that the greatest challenges were people oriented and were the result of resistance to or fear of change. As one respondent stated, “The greatest challenge I observed was the difficulty people had accepting change.”

Another summed it up:

“As is well-known, change creates uncertainty for employees. They fear having to learn new skills, they fear the potential of losing their jobs. Changing business processes is highly complex and plain, tough work to do in a government setting. Fortunately, we have had more successes than failures in this area.”

Communication, primarily in the form of meetings, was the most frequently cited action for overcoming the challenges faced (Table 13). Some of the responses were:

“Lots of meetings, briefings, a website, training—everything in the change management bag of tricks.”

“Constant communication, and more on the listening side than talking side.”

“Communications was (and still is) one of the four critical goals of the shared services organization. Involving the workforce in our

strategic priorities, keeping them informed of changes, involving them in appropriate decisions, recognizing performance that supports organizational initiatives, all are critical aspects of building a stronger organizational culture and the loyalty of the workforce.”

Table 11: Source of Greatest Challenges

| Greatest Challenges | No. | Pct. |
|------------------------|-----------|------|
| People oriented | 35 | 67% |
| Process oriented | 10 | 19% |
| Technology oriented | 7 | 13% |
| Total Responses | 52 | |

Table 12: Details of Challenges

| Details of Challenges | No. | Pct. |
|---------------------------|-----------|------|
| Resistance/fear of change | 22 | 58% |
| Process of government | 4 | 11% |
| Learning new systems | 4 | 11% |
| Inferior system | 3 | 8% |
| Project management issues | 3 | 8% |
| Other | 2 | 6% |
| Total Responses | 38 | |

Table 13: How You Overcame Challenges

| How Overcame Challenges | No. | Pct. |
|-------------------------|-----------|------|
| Meetings/communication | 19 | 41% |
| Change management | 7 | 15% |
| Encourage collaboration | 6 | 13% |
| Good governance | 4 | 9% |
| Good planning | 3 | 7% |
| Other | 7 | 15% |
| Total Responses | 46 | |

FINDING 12: The Key People in the Implementation Were Agency Leadership Internally and Consultants Externally

The key people within the organization are displayed in Table 14. Most respondents felt that organizational leadership was key. As one respondent

indicated, “Senior management must buy in from the top down.” Another said:

“I think having a strong, focused, committed leader who is steadfast in his/her belief in shared services being the right thing to do is absolutely paramount.”

Gaining significantly less responses were governance committees, project leaders, and technical people. As one person stated:

“Key people exist at every level, but the most effective were those who were given a task, developed a vision of the task’s successful implementation, and implemented the task while demanding perfection.”

Table 14: Key People Inside the Organization

| Key People | No. | Pct. |
|------------------------|-----------|------|
| Agency leadership | 30 | 52% |
| Governance committees | 8 | 14% |
| Project leader | 7 | 12% |
| Technical people | 7 | 12% |
| Other | 6 | 10% |
| Total Responses | 58 | |

Most respondents felt that the key people outside of the organization were consultants that they had hired (Table 15). A typical response was:

“We had a team of five consultants for the last two years assisting us in this endeavor. They brought specific technical skills to the table that we were short on with our staff. They also brought prior experience in establishing frameworks, and SOA [service-oriented architecture].”

Table 15: Key People Outside the Organization

| Key People | No. | Pct. |
|-------------------------|-----------|------|
| Consultants/contractors | 21 | 49% |
| System vendors | 10 | 23% |
| Outside public entities | 9 | 21% |
| Other | 3 | 7% |
| Total Responses | 43 | |

FINDING 13: Most Implementations Were Done Using a Phased Approach

Table 16 shows the respondents’ answers when asked if a shared services implementation should be conducted incrementally in a “phased” approach or tackled all at once in a “big bang” approach. Over two-thirds of the participants felt that an incremental approach was the best strategy. As one person put it, “Ours is definitely incremental and happening in stages.”

However, a significant number felt that the decision had to be based on the circumstances of the project. For instance, one respondent indicated:

“Phased or big bang depends entirely on the service being shared and the capability of the organization, both supplier and recipient, to cope with the change.”

One of the participants who felt it should be done all at once said, “Do it all at once and absorb the pain.”

Table 16: Phased Implementation or “Big Bang”

| Implementation Approach | No. | Pct. |
|--------------------------|-----------|------|
| Phased | 23 | 68% |
| Depends on project | 6 | 18% |
| All at once (“big bang”) | 5 | 15% |
| Total Responses | 34 | |

FINDING 14: Best Advice Is to Collaborate with Stakeholders

Table 17 lists the responses that were given by participants when asked to give advice to someone just starting a shared services initiative. The answers most frequently given were: “collaborate with stakeholders,” “have change management skills,” and “ensure senior-level support.” Some of the responses included:

“Remember that organizations are made up of people and it is vitally important to recognize the huge impact the change will have on the workforce that will get the work accomplished.”

“Government is challenging—requires change management and learning of new skills.”

“Plan, plan, plan ... include all stakeholders and ensure buy-in/support.”

“Have a solid business plan, good leadership, know your costs, have solid change management and communications plan in place.”

One respondent felt that the best practice was to look at other implementations: “Learn from others—it’s getting pretty common and there is no sense starting from scratch.” Finally, one respondent said, “Stop studying and start doing!”

Table 17: Advice to Someone Starting a Shared Services Implementation

| Advice | No. | Pct. |
|---|-----------|------|
| Collaborate with stakeholders | 13 | 20% |
| Have change management skills | 10 | 16% |
| Ensure senior-level support | 9 | 14% |
| Have strong project management/leadership | 6 | 9% |
| Plan well | 5 | 8% |
| Have clear goals | 4 | 6% |
| Use a phased approach | 4 | 6% |
| Have a good project team | 4 | 6% |
| Communicate | 4 | 6% |
| Other | 5 | 8% |
| Total Responses | 64 | |

FINDING 15: Communication Is the Number One Best Practice

When asked to provide a list of best practices in implementing a shared services model, the responses were distributed across several topics (Table 18). The most popular responses were “communicate,” “have performance metrics,” “good governance/project management,” and “plan well.” Here are some sample responses:

“Have a ‘bible’ with everything in it: business plan, communication plan, SLAs [service level agreements], process maps, etc., to show that you know what you’re doing to all the doubters.”

“Communication from day one.”

“Good communication plan and time to have dialogue. Support for the change is needed. The functional model comes first, technology second.”

“Open communication—make the process as transparent as possible.”

“Accurate goals and extensive planning. Establish realistic deadlines and be proactive. Communicate with all stakeholders throughout the process.”

Table 18: A List of Best Practices

| Best Practices | No. | Pct. |
|------------------------------------|------------|-------------|
| Communicate | 13 | 22% |
| Have performance metrics | 7 | 12% |
| Good governance/project management | 6 | 10% |
| Plan well | 5 | 9% |
| Collaborate | 5 | 9% |
| Have senior-level support | 5 | 9% |
| Change management | 5 | 9% |
| Clearly defined goals | 4 | 7% |
| Other | 8 | 14% |
| Total Responses | 58 | |

Key Success Factors

Shared services implementations often result in extensive organizational changes. Widespread organizational changes require effective planning and coordination at all levels of the organization. As a result, prior to a shared services implementation, the scope and objectives of the project should be clearly identified and delineated. This requires gathering the information necessary to support the goals and objectives and to limit risk and minimize issues (Kerzner 2004). These efforts should also

... generate sufficient information to clearly establish deliverables that need to be completed, define the specific tasks that will ensure completion of these deliverables, and outline the proper level of resources (Kerzner 2004).

This research, both the documentation review as well as the survey, has indicated that throughout the planning and implementation of a governmental entity's shared services, there are five areas that require special focus and consideration. Many of these areas cut across all stages of planning and development and, hence, require attention and diligence throughout the process. These five key success factors are:

- Strong project management skills
- Senior-level support
- Effective communication
- Strong change management
- A phased approach to implementation

These five areas require attention early in the planning so that the appropriate mechanisms can be

developed and designed into the implementation process. These five key success factors, plus an additional factor that emerged in our follow-up interviews, are discussed in the following sections.

Success Factor 1: Strong Project Management Skills

Project management is composed of the tools and techniques used to organize and manage resources so that a project can be successfully completed within defined scope, quality, time, and cost constraints. Strong project management necessitates that the project have clearly delineated goals and be well planned. A well-executed shared services implementation requires strong project leadership, from the senior level as well as the project team. A carefully chosen project team should facilitate the planning process and serve as the liaison between the various constituent groups. While most research participants indicated that their greatest challenges were "people oriented," it is clear that exceptional planning, budgeting, and scheduling is of critical importance to the success of a shared services implementation.

Kerzner (2004) proposed that, for simplicity's sake, projects take a four-phase approach to planning the project implementation. These four phases are:

- **Proposal:** Project initiation and definition
- **Planning:** Project planning and requirements definition
- **Development:** Requirement development, testing, and training
- **Implementation:** Rollout of develop requirements for daily operation

The proposal and planning phases should culminate in a document, or business case, which communicates the formal economic rationale for pursuing the shared services implementation. The purpose of the project should be clearly defined and any threats, opportunities, and needs that are driving the project should be identified (Longman and Mullins 2005). The document should also address any concerns about the feasibility of the project as well as present a cost-benefit analysis.

The timeframe for key deliverables should also be established during the planning phase. This requires that all implementation tasks be identified and a schedule, or road map, be established for completion of the shared services implementation. Target dates and tasks should be set with measurable goals established. While our research did not indicate any specific tools used consistently by our participants (for example, Gantt Charts, Critical Path Analysis, or PERT), strong project management was a recurring theme in our examination of documents as well as our survey responses.

During the planning process an unambiguous governance structure should be developed. The plan should clearly assign responsibilities so that individuals can be held accountable for progress or lack thereof. Holding people accountable, however, requires both clearly assigned responsibilities as well as measurable performance metrics. Many of the organizations involved in the research described the use of a balanced scorecard as a tool that provides a framework for performance metrics.

The traditional balanced scorecard includes four primary perspectives and suggests organizations develop and analyze performance metrics within each of the perspectives. As developed by Kaplan and Norton (1992), the four perspectives are:

- The learning and growth perspective
- The business process perspective
- The customer perspective
- The financial perspective

A balanced scorecard provides a mechanism by which the organization translates strategy into operational terms complete with performance measures and targets. While most of the organizations

redesigned the scorecard to better reflect the perspectives critical to the success of a shared services implementation, the issues addressed were similar to those described in the original scorecard concept.

Success Factor 2: Senior-Level Support

Many of our research participants identified senior-level support as a crucial factor in the success of a shared services implementation. Having senior-level support provides someone willing to champion the project and sell the concept to constituencies. Such a leader, who needs both credibility and tact, will help maintain organizational focus and drive the organization toward success. Senior-level support further ensures that resources will be made available to support the project.

Having senior-level support cannot be underestimated. Kerzner (2004) noted:

Visible executive support can reduce the impact of many obstacles. Typical obstacles that can be overcome through executive support include:

- Line managers who do not support the project
- Employees who do not support the project
- Employees who believe that project management is just a fad
- Employees who do not understand how the business will benefit
- Employees who do not understand customers' expectations
- Employees who do not understand the executives' decision

In numerous instances, shared services implementations have been mandated by policy or law, thus requiring government managers to support these efforts. Less frequently, the implementation concept originated at a lower level within the governmental entity. In these cases, for the implementation to be successful, the senior-level management had to be sold on the idea so that, ultimately, they would champion it to all constituents.

Success Factor 3: Effective Communication

Multiple research participants commented that it was extremely important to “communicate, communicate, communicate.” Communication among the constituent groups should start early in the information-gathering process and demonstrate the collaborative nature of significant cultural and organizational changes. Early and frequent communication is critical to the success of the project. In fact, a recent Computing Technology Industry Association (CompTIA) survey indicated that the most common reason an IT project fails is due to poor communication (Rosencrance 2007). In another research report, Kliem (2004) noted:

Ironically, many project managers really do not communicate frequently and if they do, they do so poorly. Their messages may be incomplete or inaccurate. The way they come across is often negative. They may choose an inappropriate medium or they may fail to tailor messages to the audience.

Whatever the reason, poor communication can prove damaging. It can increase negative conflict, can cause needless rework, can lower morale, and can strain relationships with key stakeholders. These are only a few of the consequences. Good project leaders recognize the importance of effective communication and treat it seriously.

A comprehensive communication plan should be developed during planning and executed throughout the planning and implementation process. A communication plan should address three elements: (1) the audience and their communication needs, (2) the most effective means of communicating with this audience, and (3) who should deliver the message (Saia 1999).

The Audience and Their Communication Needs

Longman and Mullins (2005) suggested five constituent groups from whom a project will need commitment and involvement. These groups are:

- **Project team members:** People designated ... to be on the project team. The project team usually produces the bulk of the project work.

- **Contributors:** People who are not on the project team but who are asked to contribute their time and/or effort to the project.
- **Stakeholders:** People who are impacted by the project now or in the future. Some stakeholders will exert enormous influence on the project, like sponsors who typically provide the political, financial, and logistical support, champion the project, and approve the results; others, like functional managers, provide human and other resources such as equipment, facilities, and so on.
- **Customers:** People for whom the project results are produced; they can be internal or external customers and usually are also considered stakeholders.
- **Experts:** ... [T]hese individuals hold special experience, knowledge, or skills that relate to the planning or implementation of the project....

In nearly all shared services implementations, these five groups will be the focus of the communication efforts. The information requirements as well as the means of communicating with each group will need to be addressed. Each of these constituent groups should be involved early in the planning and development phases of the implementation. This will allow all groups to take ownership of the process and not merely feel like observers of the process.

The Most Effective Means of Communicating with the Audience

The method of communication will vary depending on the involvement of the constituent group. Some forms of communication, such as newsletters and e-mail, are convenient and able to be transmitted to numerous individuals simultaneously. While these forms of communication are convenient, the research participants expressed concern that people are inundated by e-mail and other printed materials. As a result, individuals often either do not read the information distributed this way or do not read it closely enough.

Most participants stressed the need for face-to-face communication to alleviate confusion and ensure that affected parties are receiving a clear message. Many individuals try to “read between the lines” to glean additional information or draw conclusions

that have no basis in fact. As a result of these concerns, generally, meetings are the most effective communication forum. Face-to-face meetings enable participants to share and communicate significant information. Face-to-face meetings prevent misunderstandings as they allow the various constituencies to ask questions and state concerns. Many of the research respondents mentioned the need to listen carefully to concerns and to adequately address any issues raised by constituents.

Although meetings are the recommended venue for communication by our research participants, Longman and Mullins (2005) note that people involved in projects have often cited “time spent in meetings” as one of their top workplace complaints. These authors state that the reasons for these complaints include the following:

- There is no clearly stated purpose for the meeting.
- Participants are ill-prepared.
- The right people are not present or the people who are present have no real involvement.
- The meeting does not focus on one issue at a time.
- Results could have been achieved as well or better without a meeting.
- The meeting runs too long.
- The meeting dissolves rather than ends.
- Participants are unclear on the next steps following the meeting.

These issues need to be addressed prior to each meeting as agendas and participants are being established. Careful planning should mitigate many of the stated complaints.

The frequency of communication should vary depending on the level of involvement of the constituent group. The communication should be frequent enough that stakeholders can develop trust for the implementation leadership.

Some of the individuals interviewed indicated that they had a prepared “dog and pony show” that they used to communicate their implementation business case early in the process. This presentation was made to various affected and/or interested parties. On more

than one occasion, this type of presentation was referred to as a “sales pitch,” as it was used to sell the benefits of shared services.

Who Should Deliver the Message?

Although the project manager will drive the majority of the communication, senior-level managers will need to convey a supportive, unambiguous message both within the organization and to external constituents. A number of the individuals interviewed specifically mentioned the need for a governance structure that facilitated appropriate communication. Most frequently, these discussions described a three-tiered approach to internal communications:

- Communication with and among the strategic leadership
- Communication with and among the mid-level managers
- Communication with and among the technical and/or operational personnel.

Meetings with the strategic leadership or senior leadership occur less frequently—for example, a monthly briefing with interim written communications between meetings.

One last note about communication: It is necessary to clearly define your goals and performance metrics. Goals and performance metrics are two of the primary communication tools used by the organization throughout implementation and help to ensure all members are working toward the same ends. Having said that, nearly all the individuals interviewed stressed the need to celebrate your victories and accomplishments, no matter how small. This reinforces the progress being made and encourages the individuals’ efforts.

Success Factor 4: Strong Change Management

Kerzner (2004) noted, “Improvement in overall *efficiency and effectiveness* of the company is difficult. It often requires change in corporate culture, and culture changes are always painful.” Governmental organizations implementing shared services are often undergoing significant cultural and structural changes simultaneously. As a result, there are

processes, procedures, and organizational relationships that must be modified.

Change management provides a structured approach designed to transition the organization from its current state to the desired future state. A comprehensive change management plan should be developed during the planning stage of the implementation. Marchewka (2006) proposed a formal change management framework that included four stages:

1. Assess the organization's willingness, readiness, and ability to change.
2. Develop a strategy for change.
3. Implement the change management plan and track progress.
4. Evaluate experiences and address lessons learned.

The first stage of Marchewka's framework requires that the parties involved in the change be identified. Very often, the focus will be on employees. Employees can react very emotionally to changes and are often fearful of the impact that a shared services implementation will have on their job. This is when communication can alleviate or at least address some of the concerns of the employees. The issues of job loss should be discussed openly, and the organization should strive to settle such issues as soon as possible. If employees are to be reassigned to other areas of the organization, communicate this as soon as possible. Reassure workers who are moving into the shared services organization that they are learning new skills that will ultimately make them more valuable.

Much of the change management plan involves communication with the various constituent groups. Before implementing shared services within a governmental entity, the shared services concept must be communicated and sold to the various constituent groups, particularly employees. Open communication during the planning and development should convey as honestly as possible how the various constituencies will be affected. For example, customers must be reassured that, although customer interfaces may change, service will not diminish as the result of these efforts and ultimately should improve.

Affected parties should be encouraged to take ownership of the implementation. Senior managers may

resist organizational changes that require them to "lose personnel" or "headcount." Within governmental entities, there may be some turf battles that must be addressed and overcome. There will be times when things do not go smoothly or there is dissension. Change management should begin early in the implementation process in order to address concerns of the stakeholders and minimize the dissension.

Success Factor 5: A Phased Approach to Implementation

There are three approaches to system implementations:

- A direct cutover approach
- A parallel approach
- A phased approach

Using a direct cutover approach implies that the old system is shut down and the new system is turned on. The advantage of the direct cutover approach is that implementation can be quick, but it may also be risky if the system is not fully tested (Marchewka 2006).

A parallel approach to implementation provides for the old and new systems to run concurrently for a period of time. This approach provides a safety net in case the new implementation encounters problems but can take longer and cost more money (Marchewka 2006).

The third approach is the phased approach. This approach to implementation introduces the system incrementally. A phased approach allows for an organized and managed approach to implementing system modules. As noted by Marchewka (2006):

A phased approach may ... allow the project team to learn from its experiences during the initial implementation so that later implementations run more smoothly. Although the phased approach may take more time than the direct cutover approach, it may be less risky and much more manageable.

Although some research respondents felt that the direct cutover "got the pain over quicker," in general a phased approach to shared services implementation seems to be the most manageable and most often

advocated by those who have participated in implementations. Clearly, the appropriate approach to the rollout will depend on the type of shared service being implemented and the extent of changes involved.

Staying the Course

After conducting follow-up interviews with selected survey participants, another key factor emerged: Staying the course. It was mentioned again and again by our research participants. As discussed earlier, shared services implementations often require major organizational and cultural changes, and there will be times when things do not go smoothly or there is dissension. Do not become discouraged or change course merely because the transition is not smooth. Wessels (2007) notes:

One of the most common mistakes leading to project failure is not staying the course. Even organizations that get off to the right start ... often toss the entire strategy out the window as soon as anything goes wrong. They simply return to a reactive, just-do-it mode. It takes a great deal of business acumen to stay the course.

Implementing shared services within any organization is challenging, and this is no different for a governmental entity. It can involve extensive cultural and structural changes within the entity as well as adjustments in how the entity interacts with its constituents. If planned and executed effectively, however, the potential benefits to the governmental organization and its constituent groups can be immense.

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Appendix I: Research Methodology for the Development of a Best Practices Framework

This research was conducted using a “grounded theory” approach. Grounded theory was developed by sociologists Barney Glaser and Anselm Strauss in the 1960s. In the grounded theory approach, conclusions are drawn and theories are produced by analyzing a body of data. In essence, the theories that are produced are “grounded” in the data (Glaser & Strauss 1967).

The best way to explain grounded theory is to contrast it to the traditional scientific method. The “hypothetico-deductive” model of the scientific method, popularized by Karl Popper, is the most common scientific research methodology used today. In this model the researcher follows these steps to discover the “truth” (Popper 1963):

1. Gather observations about something that is unknown, unexplained, or new.
2. Hypothesize an explanation for those observations.
3. Deduce a consequence of that explanation (prediction).
4. Formulate an experiment to see if the predicted consequence is observed.
5. If the consequence is observed, go to step 3. If not, the hypothesis is falsified. Go to step 2.

In contrast to the “deductive” approach employed by the scientific method, grounded theory looks at the world from an “inductive” viewpoint. In its simplest form, this means to observe and analyze a phenomenon and to draw conclusions. When using the grounded theory approach, researchers are not allowed to formulate hypotheses in advance.

Unlike the scientific method, grounded theory does not aim for the “truth” but rather to conceptualize what’s going on by using empirical data (Glaser & Strauss 1967). A goal of grounded theory is to discover the participants’ main concern and how they try to resolve it. The researchers keep asking, “What’s going on?” and “What is the main problem of the participants and how are they trying to solve it?”

Grounded theory is considered by many to be a “qualitative” research method. A qualitative research method is one where the researcher is the primary data-gathering instrument and the data that is collected is mainly in the form of words, pictures, or objects. A “quantitative” research model is one where the researcher uses tools such as questionnaires or equipment to collect numerical data. In reality, grounded theory allows for data collection via qualitative or quantitative means.

Regardless of how it is collected, the data is then analyzed in order to identify patterns. In its purest form, there are a series of steps and rules that the researcher must follow (although Glaser and Strauss eventually went on to have a difference of opinion as to what exactly those rules and steps are).

Developing a best practices framework using the grounded theory approach requires analyzing organizations and participants that have implemented a shared services strategy. For this study, this was accomplished using a variety of techniques such as interviews, surveys, online focus groups, and document analysis. The documents that were analyzed included previously published case studies, industry reports, and internal agency publications.

Data Collection

The research process began with an extensive review of existing literature in order to identify and investigate cases of government shared services implementations. This review revealed numerous examples of successful implementations and provided an initial list of potential contacts. A conference on shared services was then attended by the authors. New Jersey, like many states, has begun an extensive effort to encourage the use of shared services among the states' municipalities. As a result, many municipalities have been discussing and exploring opportunities to share services. In order to further encourage these efforts, Mercer County, New Jersey, organized a shared services conference. The conference introduced New Jersey's efforts to promote shared services initiatives at the local and state level.

So that we could gain insight directly from individuals and organizations involved in a shared services implementation, a survey instrument was developed (see Appendix II). The survey questions were initially created based upon discussions with individuals within the shared services field. A small focus group was then asked to give feedback concerning the survey questions. The focus group consisted of individuals that work in the shared services field. Their comments were incorporated into the survey as appropriate. The final version of the survey was published on a website (www.formsite.com) that specializes in conducting web-based surveys.

An extensive list of potential contacts was then identified and compiled. These contacts were organizations and/or individuals involved in implementing government shared services at public agencies at all levels of government throughout the world. The list was created using publicly available sources, such as the Internet or published materials, as well as referrals from existing contacts.

An e-mail was compiled that explained the purpose of the research, included a link to the survey, and requested participation. The e-mail was then sent to over 300 individuals on the contact list. The response rate was slightly higher than 15 percent, with approximately 46 respondents completing the survey. The survey responses were analyzed, codified, and dissected, and patterns were identified. Particular attention was paid to survey answers that appeared anomalous.

After examining the survey responses and identifying five areas of best practices, we developed interview questions pertaining to these areas and conducted follow-up telephone interviews with selected respondents. The interview questions were designed to delve more deeply into the topics identified as best practices and gain a thorough understanding of the approaches used by governmental entities in the implementation of shared services.

To examine potential similarities and differences across levels of government and country borders, interviews were conducted at each level of government—federal, state, and local—as well as with international respondents. The interviews provided meaningful depth to each of the five areas and allowed us to examine approaches utilized by each level of government.

Tables A.1 through A.3 show the demographic breakdown of the study participants. The majority of the 46 were from the United States (27); however, there was also substantial representation from Canada (7), Europe (7), and Australia/New Zealand (4). One respondent was from Asia.

Table A.1: Location of Participants

| | |
|-------------------------------------|-----------|
| U.S. | 27 |
| Canada | 7 |
| Europe | 7 |
| Australia/New Zealand | 4 |
| Asia | 1 |
| Total Number of Participants | 46 |

Table A.2 shows that all three levels of governments (federal/central, state/provincial, and local) were fairly equally represented in the sample. One of the respondents indicated that they did not clearly fit into any of those three categories.

Table A.2: Level of Government of Participants

| | |
|-------------------------------------|-----------|
| State/Provincial | 18 |
| Local | 14 |
| Federal | 13 |
| Other | 1 |
| Total Number of Participants | 46 |

The services indicated as currently shared by the participants (Table A.3) included information technology (IT), purchasing, accounting, payroll, and human resources (HR), among others. IT was chosen slightly more often than the other services as the one that was currently shared. However, the other services were indicated proportionately, with each selected by 15 to 17 percent of the participants. The respondents who chose “other” indicated that they were sharing services such as emergency response, waste management, real property, communications, and numerous others. As can be noted in Table A.3, the number of services shared is greater than 46, the number of respondents. This is because most respondents indicated that their organization shared more than one service.

Table A.3: Services Shared by Participants

| | |
|------------|----|
| IT | 30 |
| Purchasing | 27 |
| Accounting | 26 |
| Payroll | 25 |
| Other | 25 |
| HR | 24 |

In order to provide another source of input, an online discussion forum for individuals involved with public agency shared services was created and monitored (www.govss.proboards98.com). To encourage participation, an e-mail with a link to the discussion board was sent to the project contact list.

Appendix II: Questionnaire and Follow-Up Interview Questions

Government Shared Services Questionnaire

This questionnaire is part of a research project funded by the IBM Center for the Business of Government. The purpose of the research is to create a set of “best practices” guidelines for implementing shared services within a government entity.

All information that you share with us will be held in the strictest confidence. Your name and the name of your agency will appear in the acknowledgments of the final report (unless you request that you remain anonymous), so that we can properly acknowledge your contribution to this research. However, none of your specific answers to the questions will be reported, as all data gathered through this study will be reported in aggregate form.

Thank you for contributing to this research!

Background Information

Please answer the following questions as best as possible. An asterisk (*) means that a response is required.

* Name: _____ * Title: _____

* Organization: _____ * Email: _____

* Phone #: _____

May we call you to discuss your answers?

No, Do not call Yes, Call anytime Yes, Call mornings only
 Yes, Call afternoons only Yes, Call after hours

* **Level of Government:**

Local State Federal International Other _____

* Month/Year that Shared Services Implementation Began (MMYYYY): _____

Month/Year that Shared Services Implementation Completed (MMYYYY): _____

Services Shared:

Accounting Human Resources Information Technology Payroll Purchasing

Is it OK to list your name and agency in the “acknowledgements” section of the final report?

Yes, you may list my name as a contributor No, I prefer to remain anonymous

Would you like a copy of the final report when this research has been completed?

Yes No

Questions on Goals

What was the goal of your shared services implementation?

Has that goal been achieved? Please explain.

How did you measure if you achieved the goal(s)?

What is the most positive result of the shared service initiative?

What is the most negative result and how could it have been avoided?

Who pushed this strategic initiative within the organization? Whose idea was it?

How did you know when you were ready to undertake your Shared Services project? What was the impetus?

Questions on the Implementation Process

What were the most significant “lessons learned” from your shared services implementation?

What were the biggest mistakes that your organization made and what would you do differently?

What were the things that your organization did especially well?

Were your greatest challenges (choose one):

People Oriented Technology Oriented Process Oriented

Please explain these challenges.

What steps did you take to overcome the people, technology, and process challenges?

How did you become involved in the initiative?

From within your organization who were the key people in implementing your shared services initiative and why?

From outside your organization (i.e., vendors, consultants, etc.) who were the key people in implementing your shared services initiative? What role did they play both during and after the implementation?

Is there a preferred order of implementation (i.e., should certain tasks or jobs get implemented first, second, etc.) or does it all happen at once?

Advice for Other Government Agencies Implementing a Shared Services Program

What services would you recommend as most ideal to share?

Accounting Human Resources Information Technology Payroll Purchasing

What advice would you give to someone just starting a government shared services implementation?

If you were asked to provide a list of “best practices,” what would be on the list?

Are there any other comments that you would like to make (about this research or anything else)?

The administrators of this survey are looking for more people for this research. Please provide contact information of other people that you know who have participated in implementing shared services in a government agency and who might be interested in completing this survey. Thank You.

* * * End of Questionnaire * * *

Follow-Up Interview Questions

1. It appears from the data that we have collected so far that communication among stakeholders, strong project management (i.e., organization), and strong upper management support are key “best practices” to successfully implementing a shared services program. What steps did you take to ensure the communication process?
2. Were there any special project management techniques or tricks that you employed?
3. How did you ensure upper management support?
4. It appears that the biggest challenges are “people oriented.” How did you get the people most affected (or those who could potentially lose their jobs) to buy in to the initiative?
5. Some respondents have indicated that an incremental approach (whereby the shared services consolidation takes place a little at a time) is better, where others have recommended a “big bang” approach. Which do you advocate? And why?

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