BUILDING A SHARED SERVICES MARKETPLACE

Recommendations from the Shared Services Roundtable

MARCH 2015

THE SHARED SERVICES ROUNDTABLE IS CONVENED BY THE PARTNERSHIP FOR PUBLIC SERVICE

In 2013, the Partnership for Public Service established the Shared Services Roundtable, a community of private and federal stakeholders dedicated to improving the state of shared services in government and making recommendations for the development of an innovative, scalable and competitive shared services marketplace. Participants in the Roundtable meet monthly to discuss best practices for establishing and managing a shared services marketplace and offer recommendations for advancing the use of shared services.

The Partnership for Public Service is a nonpartisan, nonprofit organization that works to revitalize the federal government by inspiring a new generation to serve and by transforming the way government works.

PARTICIPATING ORGANIZATIONS

FEDERAL SHARED SERVICE PROVIDERS

Interior Business Center, Department of Interior

Administrative Resources Center, Department of the Treasury

Enterprise Service Center, Federal Aviation Administration

Program Support Center, Department of Health and Human Services

Financial Services Center, Department of Veterans Affairs

Global Financial Services, Department of State

Human Resources Solutions, Office of Personnel Management

Shared Services Center, National Aeronautics and Space Administration

INDUSTRY

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Microsoft

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USIS

GOVERNMENT STAKEHOLDERS

Office of Management and Budget

Office of Personnel Management

General Services Administration

Office of Financial Innovation and Transformation, Department of the Treasury

EXECUTIVE SUMMARY

Shared services has an evolutionary history in the federal government, growing gradually over the years through the initiatives of various administrations. Early department-wide consolidations of administrative functions such as payroll led to the emergence of lines of business (LOB), and the creation of government shared services providers. While many shared service initiatives are spearheaded by federal agencies, the private sector contributes to their success by providing critical resources and support.

With the federal government facing acute fiscal challenges and a potential exodus of experienced employees through a wave of retirements, it is time for a bold approach to expand the sharing of resources to improve operational efficiency and reduce costs.

Recognizing this need, the Partnership for Public Service established the Shared Services Roundtable, a community of private and federal stakeholders dedicated to improving the state of shared services in government. In this report, the Roundtable participants offer recommendations to develop an innovative, scalable and competitive shared services marketplace. While the Partnership for Public Service provided the forum for this effort, the recommendations contained in this report are a reflection of the collective work of the participants and do not necessarily reflect the position of the organization.

Throughout 2014, the Roundtable convened working groups and got input from providers, customers, federal LOB managing partners from departments and agencies (hereafter known as managing partners) and government-wide policy offices such as the Office of Management and Budget, the Office of Personnel Management and the General Services Administration to explore how the adoption of shared services could be improved and expedited. While the process uncovered many positive indicators and successes, including the historical consolidation of payroll and the lessons being learned from the financial management LOB, the research also revealed several barriers that, left unaddressed, will impede successful and efficient adoption.

This report builds on a paper produced by the Shared Services Roundtable, "Building a Shared Services Marketplace: Recommendations for a Government-Wide Approach," which outlines a series of recommendations to create a viable and robust marketplace for shared services.

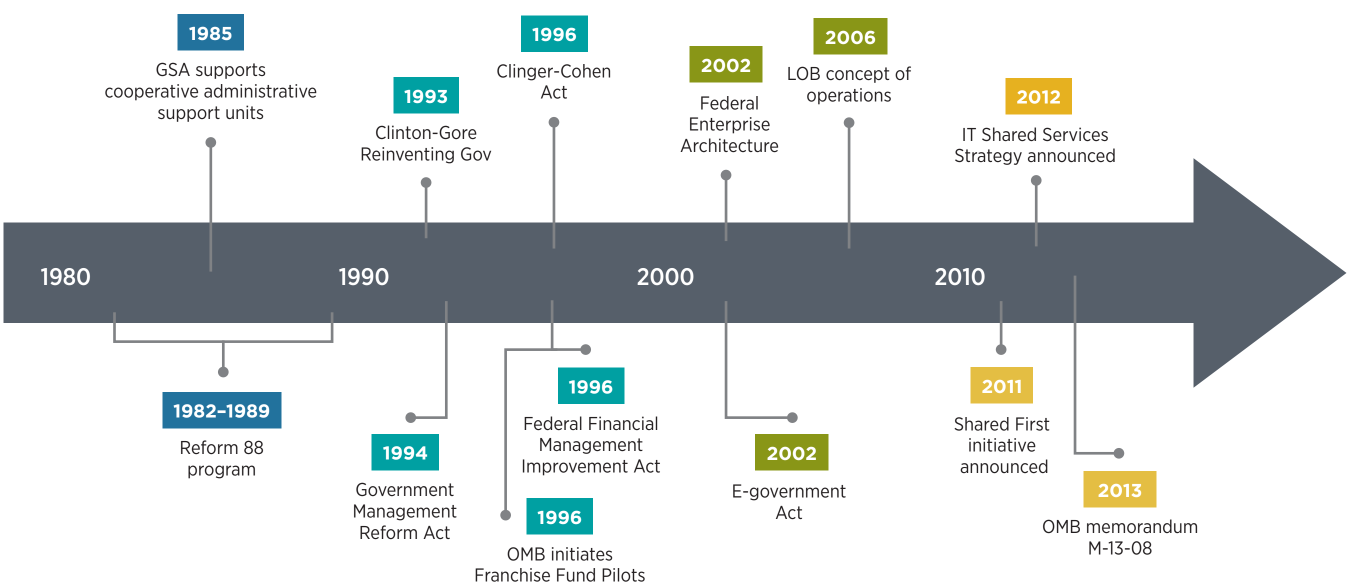
This report expands on those recommendations and provides frameworks for how the federal government can move toward a shared services marketplace in the next two years. For the purposes of this report, shared services includes everything from agencies sharing support services for a single LOB to several support and mission-critical functions shared across departments or between agencies, through a federal or commercial shared services provider.

Key recommendations:

- Create a new governance structure to guide strategy and management of federal shared services
- Create an effective market infrastructure and leverage innovative service acquisition models
- Establish a standardized performance assessment model
- Implement an interactive government-wide catalog of services and providers

There is no doubt that implementing these recommendations will be a difficult task. However, the promise of improved operational efficiency and reduced costs will allow the federal government to free up resources for mission. Through impassioned leadership and the adoption of a new governance framework that drives the use of new technology and acquisition models, the creation of a shared services marketplace that leverages innovation, economies of scale and competition can be attained in the near term.

TIMELINE
POLICIES THAT SHAPED THE FEDERAL LANDSCAPE



INTRODUCTION

In an enterprise-wide marketplace, federal agencies and shared service providers exchange value and provide information on cost, performance, expertise and talent so informed agencies can choose the best provider for their needs.

The federal government has a proven track record of sharing resources and services when responding to emergencies. The response to Superstorm Sandy in the fall of 2012[1] was coordinated across more than a dozen federal agencies and dozens of state and local governments. The U.S. response to the Ebola epidemic required cooperation between the Centers for Disease Control and Prevention, the U.S. Agency for International Development and the Department of Defense as well as several other federal agencies, foreign governments, non-governmental organizations, private donors and private-sector companies specializing in disaster response. These examples make clear that the missions of federal agencies are highly interrelated and multifaceted and that successfully serving the American public requires collaborative approaches. Simultaneously, years of fiscal pressures are forcing agencies to explore shared solutions in order to provide critical services with fewer resources.

Today more than 75 percent of Fortune 500 companies, national governments from Denmark to Dubai, and state and local governments the world over depend on shared service delivery models to improve performance, drive efficiencies and cut costs.[2] For the federal government, that translates into more time and resources to focus on the mission, improved customer service to government stakeholders and the public and, eventually, more integrated and effective mission delivery across the federal enterprise.

CORE CONCEPTS OF THE
SHARED SERVICES MARKETPLACE

- **INNOVATION:** Providers and customers should be encouraged to take managed risks and test alternative models for performance management, funding arrangements and other factors.
- **SCALE:** There should be a focus on maximizing the economies of scale. To drive real cost savings, getting the largest agencies with the largest budgets to use shared services must be a priority. Even greater savings can be realized as services mature and support and mission resources are shared across agencies.
- **COMPETITION**: There should be open and transparent competition to drive high-quality diverse offerings among a mix of public and private providers.

1 Angelo Young. "Hurricane Sandy Anniversary 2014: Billions of Dollars in Federal Aid Still Unpaid," International Business Times, http://www.ibtimes.com/hurricane-sandy-anniversary-2014-billions-dollars-federal-aid-still-unpaid-1715019 (accessed 1 December 2014).

2 Accenture. "Evolution of Shared Services: A Sub-Saharan Africa Perspective," 2013, http://www.accenture.com/SiteCollectionDocuments/Local_South_Africa/PDF/Accenture-Evolution-shared-Sub-Saharan-Africa-perspective.pdf (accessed 1 December 2014).

THE CHALLENGE OF THE MARKETPLACE

Despite several initiatives to promote shared services in the federal government, adoption has been slow. Through research and discussions with federal and private-sector providers, policymakers, customer agencies and frontline implementers, we discovered that the lack of a transparent and competitive shared services marketplace has greatly impeded the growth of shared services in the federal space.

The duplications and redundancies of mission and support services have been well documented. A 2011 Government Accountability Office report found that there were 661 information technology investments in human resources management alone; however, agencies have been reluctant to give up control over these services.[3] In part, that hesitancy is due to the lack of information and infrastructure to allow agencies to assess providers based on past performance, and ensure compatibility with current systems. Bringing transparency and comparability to the marketplace would drive innovation and competitive pricing. Similarly, shared services providers have had difficulty highlighting savings successes due to limited cost data transparency and the absence of standardized performance benchmarks. Federal shared services providers also need additional capacity, governance and leadership to continue to grow their service offerings.

3 GAO. "11-826 INFORMATION TECHNOLOGY: OMB Needs to Improve Its Guidance on IT Investments." September 2011.

SUMMARY OF RECOMMENDATIONS

This report outlines four recommendations put forward by the participants of the Shared Services Roundtable. The Roundtable believes they move government toward the vision of federal shared services in an open, dynamic, well-governed marketplace that relies on innovation, economies of scale, competition and choice by informed customers.

NEW GOVERNANCE FOR A NEW MARKETPLACE

Create a governance structure to guide strategy and management of federal shared services

Building the market infrastructure that will sustain growth, mitigate risks and ensure the viability of a long-term shared services marketplace requires a cohesive governance framework. National, state and local governments that have been successful in cross-government approaches to shared services have established official providers and ensured continuity of leadership, common standards, performance metrics and funding mechanisms. This section outlines an approach to moving governance responsibilities over providers to an existing central management agency, such as GSA. Further review and evaluation may lead to the government moving those responsibilities from that existing agency to a newly established office of federal shared services, maximizing independent oversight over shared services.

MARKET AND ACQUISITION STRATEGIES

Create an effective market infrastructure and leverage innovative service acquisition models

This section makes recommendations for the long-term health and vitality of the marketplace by using acquisition strategies that facilitate the ability of agencies to enter a shared services environment. A sustainable market that maximizes long-term benefit to federal agencies would minimize long-term operating and switching costs; deliver the best solution; provide for innovation and adoption of new technologies and processes; afford cost and quality transparency; and decrease risk to both providers and customers. To advance these essential market characteristics, we propose:

- Creating key marketplace management and mediation roles
- Pursuing market infrastructure initiatives that lower transition costs
- Using acquisition strategies and contract vehicles that enable seamless transitions

> In order to improve the way government delivers services externally, we need to aggressively reform the way government delivers service internally. If we are focused, committed, systematic and intentional, we can make the sort of transformative changes in our service delivery approach that have altered the course of the commercial retail marketplace and reinvigorated American manufacturing.
>
> –CROSS-AGENCY PRIORITY GOALS, U.S. BUDGET 2015

PERFORMANCE AND CUSTOMER SERVICE METRICS

Establish a standardized performance assessment model

Clear performance and customer service metrics are essential to driving the market and for measuring the outcomes of shared service models, not only in terms of efficiency and effectiveness, but also their ultimate contribution to enhancing mission delivery. Additionally, different metrics may be relevant to different stakeholders, including current and prospective agency customers, end users at those agencies and providers.

This section proposes a performance assessment model that provides essential data for stakeholders across five categories of value: financial, direct user, foundational, societal and strategic. After outlining the model, we demonstrate how the framework can be applied to the NASA Shared Services Center's current metrics.

CUSTOMER-FOCUSED TOOL

Implement an interactive government-wide catalog of available services and providers

Once the market is fully defined and standards for services and providers are established, there is an opportunity to increase shared services use and drive competition by improving existing options or developing a new online catalog for all government services users. This catalog would enable prospective customers to compare services and providers based on their past performance, cost and service offerings. By making it easy to access information and make comparisons, this "shared services navigator" would help fuel competition and drive innovation in the marketplace.

THE TIME TO ACT IS NOW: THE CASE FOR CHANGE

The transition to shared services has been slow and the results have been mixed, due largely to lack of continuity in leadership across government, lack of clear governance and standards, and the inability of agencies to adequately assess readiness for adoption. However, several circumstances are in place now that make it an opportune time to overcome these challenges: leadership interest, budget constraints, mature technology, a proven track record and an exodus of talent.

Leadership Interest

In 2014, the Office of Management and Budget established shared services as a cross-agency priority (CAP) goal through 2018. This enterprise-wide shared services strategy directly supports additional CAP goals, including improving mission-support operations, strategic sourcing, smarter information technology delivery and customer service.

A business-cost benchmarking initiative led by OMB is underway to help agencies identify their current costs, which is aimed at providing them with insight into the service areas that are the best candidates for a shared services model. Other government-wide policy offices and federal managing partners for LOBs, including GSA's Office of Government-wide Policy and the Department of the Treasury's Office of Financial Innovation and Transformation are playing critical roles in advancing shared services.

Budget Constraints

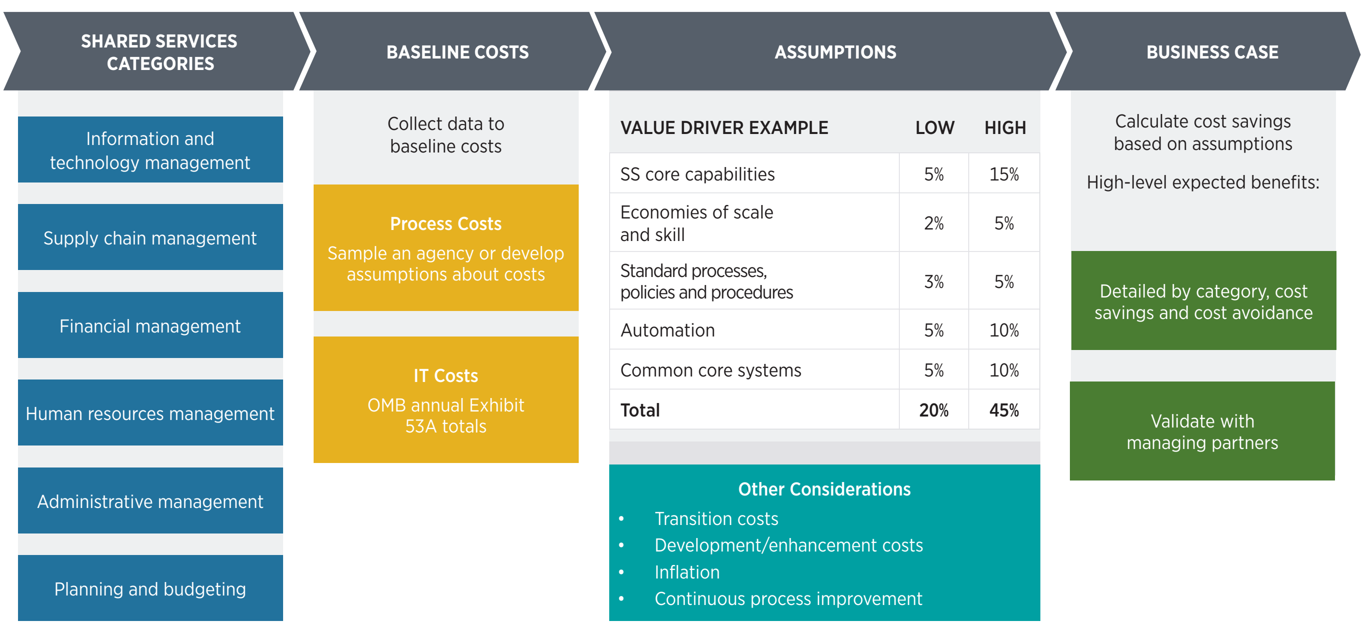
In addition, budget constraints continue to affect worker morale and the ability of agencies to fulfill current and expanding missions. Due to fiscal challenges, many agencies are looking to shared services as a way to continue to provide critical mission and support services in a more effective and efficient manner.

Members of the Roundtable used existing government spending data and conservative assumptions to estimate cost savings through increased use of shared services. These estimates are based on data from the federal and private sectors and identify potential cost savings ranging from approximately $21 billion dollars to more than $47 billion dollars over 10 years (Appendix One).

COST SAVINGS THROUGH THE USE OF SHARED SERVICES

CALCULATION INPUTS	CUMULATIVE ESTIMATED COST SAVINGS PROJECTED OVER 10 YEARS*	
	COST SAVINGS (LOW)	COST SAVINGS (HIGH)
Cost savings	$24.8 billion	$55.9 billion
Migration and transition costs	- $6.5 billion	- $14.5 billion
Continuous improvement	$2.6 billion	$5.8 billion
TOTAL COST SAVINGS AND COST AVOIDANCE	**$21.0 billion**	**$47.2 billion**

For data sources and full discussion of methodology, see Appendix One.



Technology
Budget constraints have compelled leaders to move toward technologies that can consolidate service areas further. For example, both the Federal Data Center Consolidation Initiative and the 2010 "Cloud First" OMB mandate, driven by improvements in data architecture, have allowed agencies to reduce IT overhead while maintaining core support services. By creating a marketplace that encourages innovation and the adoption of new technologies, advancements could be shared across agencies, preventing the need for multiple costly technology upgrades at individual organizations.

Track Record
Shared services now has a proven track record throughout the government, with federal payroll, the first service area to migrate to shared services, reaching a point of stability. The top payroll providers offer an excellent model for service area consolidation, with improvements in process and integration that come with more than 20 years of operation. Other successes include internal shared services providers, such as the NASA Shared Services Center, that have greatly improved productivity and effectiveness of support services and enabled agency leaders to redirect scarce resources to mission activities.

We have also seen federal shared services providers partner with industry to perform services ranging from the operation of health centers to the migration of financial management and HR systems.

Talent
Since 2009, more than 500,000 employees have left federal government, taking with them much-needed expertise and technical knowledge.[4] In the past few years, budget uncertainty has also led to hiring freezes and reduced training budgets in many agencies, making it difficult to replace employees in key, critical occupations. The future outlook for federal employment is also likely to be constrained. Overall, the Bureau of Labor Statistics has projected decreases in employment over the next 10 years across the federal government.[5] In this environment, adoption of shared services may well provide a key risk management strategy for agencies and ensure they are able to continue to meet their critical missions.

4 FedScope, Office of Personnel Management. "Separation Trend (FY 2009-FY 2014)," http://www.fedscope.opm.gov (accessed 15 November 2014).

5 Bureau of Labor Statistics, Department of Labor. "Employment Projections: 2012-2022 Summary," December 2013, http://www.bls.gov/news.release/ecopro.nr0.htm (accessed 15 November 2014).

CHARACTERISTICS OF THE FUTURE MARKETPLACE

Federal shared services would be provided in an open and dynamic, smartly governed marketplace that relies on innovation, economies of scale, competition and choice by well-informed buyers.

TODAY	VISION FOR THE FUTURE
• Agencies have been slow to adopt shared services. • Fiscal challenges are a catalyst for change but also limit agencies' ability to fund migration costs.	• A majority of support services are shared across government. • Customer agencies have the desire, knowledge and resources to buy services.
• Numerous catalogs and tools list different providers' services, and each is owned by a separate provider or LOB managing partner. • Current catalogs lack standardization of services, have missing and obsolete content and offer little ability for agency customers to compare providers and service offerings. • Customer agencies don't know their current cost of services.	• One "enterprise-wide" catalog for shared services is available. • There is a managed marketplace with common performance metrics, data portability and compatibility, and transparency in pricing. • Well-informed agency customers can compare services and make rational business decisions. • Increased competition can lead to greater innovation.
• Adoption of one-off shared services over time has resulted in a lack of standards, varying business models, a need for customer service and a lack of consumer trust and confidence in providers* • Lack of sufficient funding mechanisms for both customer agencies and federal service providers limits financial flexibility and the incentive to change service delivery models.	• Qualified suppliers offer relevant services and products that meet performance and interoperability standards.
• Limited interoperability and high switching costs result in agencies feeling that they are "stuck" with current providers. • Limited recourse is available for customers dissatisfied with the price and quality of service.	• Lower switching costs to agencies ensures competition, improves customer satisfaction and spurs innovation.
• Some LOBs have severely limited service options.	• Lower barriers to entry for providers ensures competition and new service offerings.

*Chuck Santangelo, CIO Council, Gaps and Challenges document

Create a governance structure to guide strategy and management of federal shared services

A governance framework that sustains growth and mitigates risk is the cornerstone of a strong federal shared services marketplace. However, as the breadth, complexity and demand for shared services grows, there is no standard approach to managing shared services across federal agencies or the various lines of business. This section proposes a comprehensive, phased approach to governance, along with the necessary authorities and resources for maximizing organizational effectiveness.

Current Reality of Governance

The federal government has long been organized according to areas of expertise. In the area of support services, each agency, or agency components in many cases, established its own human resources, information technology, financial management and acquisition functions. Many of these functions have gone through the give-and-take of centralization and decentralization, generally spurred by resource constraints.

Current federal shared services providers evolved from the need to deliver support services to their own agencies. With their increased expertise, the providers could offer these services to other agencies. As the market has grown, and more agencies have availed themselves of shared services, these providers have expanded into major operations that provide administrative services to many other agencies; however, providers' operations and objectives are not always aligned with the core mission of their agencies.

The current arrangement worked as a first step, but to grow shared services across government and attract new agency customers strategically and effectively, providers need to be governed by an organization with executive leadership focused solely on the efficiency and effectiveness of provider operations. A shared services leader can plan overall strategies that benefit not only the providers but also the customer agencies, and save the taxpayers money as well.

Capacity of Shared Services Providers

While some shared services providers are poised to support the CAP goal "to aggressively reform the way government delivers services internally," others may lack the capacity to take on large amounts of new work. Under current conditions, in which each federal shared services provider is governed by a host agency, the marketplace of providers for potential new customers is somewhat limited.

A coordinated governance framework would promote common standards and consistent funding strategies, and create widespread awareness of shared services, and new mandates for their use. It's critical to have a governance structure capable of driving common, transparent policies and standards that mitigate risks for potential customers, drive competitive pricing and provide direct comparisons of service delivery options.

PROPOSAL FOR A NEW GOVERNANCE ERA

The Roundtable recommends that in the current environment, a new government-wide governance structure be established in two major phases to provide leadership and continuity for the federal shared services marketplace.

PHASE ONE

The transition of oversight and management of federal shared services providers, and overall policy responsibilities, to an existing central management agency. These responsibilities are closely aligned to the mission of GSA however, further study would be needed to ensure that there are adequate resources for the central agency to provide effective governance over federal providers.

PHASE TWO

Upon review and evaluation of the results of moving shared services to a central management agency, it may be determined that an independent stand-alone agency that focuses solely on shared services may be necessary. In that case, the central agency's responsibilities would transition to a new federal shared services office.

CURRENT STATE		
Lack of integration of shared services	Agency management of federal shared services providers	Lack of competition

PHASE ONE: CENTRAL MANAGEMENT AGENCY		
One voice for shared services	Unified policy and management	Increased competition through a shared acquisition vehicle

PHASE TWO: OFFICE OF FEDERAL SHARED SERVICES	
Single mission focus on efficient and effective shared services, government-wide	Robust marketplace with increased capacity and utilization of shared services providers Removal from conflicting priorities of multiple host agencies

For both phases, the organization's responsibilities would include:

- Working with agencies, the Office of Management and Budget and others to establish new federal shared services providers, as appropriate, and coordinate their offerings
- Implementing a cost structure and transition process that enables small customer agencies and commissions to enter the shared services marketplace
- Continuing and expanding efforts to assess cost and performance of current management activities, and providing agencies with key metrics so customers can estimate the benefits of migrating to shared services
- Developing and regularly publishing performance metrics, benchmarks and best practices, to promote a culture of continuous improvement and innovation
- Designing funding authority, in partnership with OMB and Congress, that would enable the development of a modernized, efficient shared services capability, flexible enough to meet growing demands for new functional requirements and providers; this could potentially be accomplished by amending funding authorities to allow providers who operate franchise funds to have higher rates of retained earnings which could be reinvested in their operations
- Creating and providing oversight for a competitive procurement of commercial shared services providers
- Establishing an independent mediator role for customer issues, along with a due diligence framework and dispute resolution process, and participating in mediation for dispute resolution when required by a designated, independent mediator
- Ensuring competitiveness among providers by standardizing operating norms
- Participating on behalf of the service providers as the one voice for shared services on all government-wide interagency councils (such as the CFO Council and the CIO Council) and with OMB, the Office of Personnel Management and Congress
- Establishing and participating in advisory, customer and stakeholder boards, and establishing an executive board of directors in an advisory capacity, representing the interest of federal stakeholders and providing for commercial participation

While the potential payoff for this governance structure could be considerable, a range of risks and challenges need to be considered, including the cost of implementation; ability and willingness of a central management agency to lead and manage the shared services environment in Phase One; unintended consequences; and the uncertain effect of private-sector participation. A carefully thought-out change management strategy would be necessary to mitigate risks and ensure successful implementation of this governance structure.

PHASE ONE
CENTRAL MANAGEMENT AGENCY

Overview

The agencies now housing federal shared services providers would transition policy and management responsibilities for shared services operations to a central management agency. The providers would remain in their host agencies and geographical locations, and day-to-day management, budget and operational responsibilities would remain the purview of the federal shared services providers. Overall policy and management responsibilities for the providers, including shared services policies, standards and performance assessment, would transfer to the central management agency. In effect, the original host agencies would no longer have substantive authority over the federal shared services providers.

Benefits of Phase One

Transitioning governance to the central management agency would have a number of benefits:

- Better accountability for service delivery, transparency and performance as a result of a centralized focus
- Elimination of issue of providers' operations and objectives not being aligned with an agency's core mission
- Faster adoption of shared services policy initiatives, with the central agency doing outreach and ensuring accountability from customer agencies
- Centralized accountability for policy, strategy, legislation and operational issues
- Increased focus for the shared services providers on customer requirements, innovation, performance, agency migrations and sharing of best practices
- More consistent voice for shared services government-wide, leading an effort for unified policies, standards, budgets and workforce needs

Transitioning to Phase One

To ease the transition, the timeline for the first phase should be synched with the federal budget process. Planning for the transition to the central management agency could begin immediately, contingent on agreement by OMB, the central management agency, Congress and other stakeholders. In FY 2016, the policy and management roles of the central management agency and the federal shared services providers can be phased in. From a budget perspective, however, the transition wouldn't be reflected until the FY 2017 budget. This timing would allow providers to develop service-level agreements with their host agencies for continuing administrative support and user fees for their services through FY 2016. Beginning with the FY 2017 budget, the providers' host agencies would fall under the same cost structure as any other client agency.

PHASE TWO (IF NEEDED)
OFFICE OF FEDERAL SHARED SERVICES

Overview

Ultimately, a single-mission focus on efficient and effective government-wide shared services will be a tremendous catalyst for promoting the shared services marketplace and increasing adoption. Upon review and evaluation, the next step may be to establish an office of federal shared services to centralize governance further.

Establishing the federal shared services office through legislation would provide an independent, stand-alone agency solely responsible for the delivery and oversight of federal shared services, as well as the contracting of commercial shared services.

Benefits of Phase Two

Transitioning to the federal shared services office from the central management agency would bring benefits to providers in addition to those of the first phase, including:

- A sole focus on shared services
- Reduced conflict of interest with host agencies of shared services
- Added potential for legislative authority to support operating in a more business-like manner
- Greater potential for incentives to develop a high-performance organization, including more flexible funding
- Increased incentives and authority via joint public-private partnerships, to innovate and test new technologies

Transitioning to Phase Two

The degree to which the central management agency successfully completes Phase One would shape the legislative content for creating the new federal shared services office and the need for follow-up actions. The new office would inherit the roles and responsibilities of the central management agency through legislation, if Phase Two took place. This legislation may include:

- Creating a non-political CEO position
- Establishing a standardized role for federal shared services providers
- Formalizing governance, funding flexibilities and pilot authority
- Supporting the development of a competitive shared services model that includes federal and commercial providers

Create an effective market infrastructure and leverage innovative service acquisition models

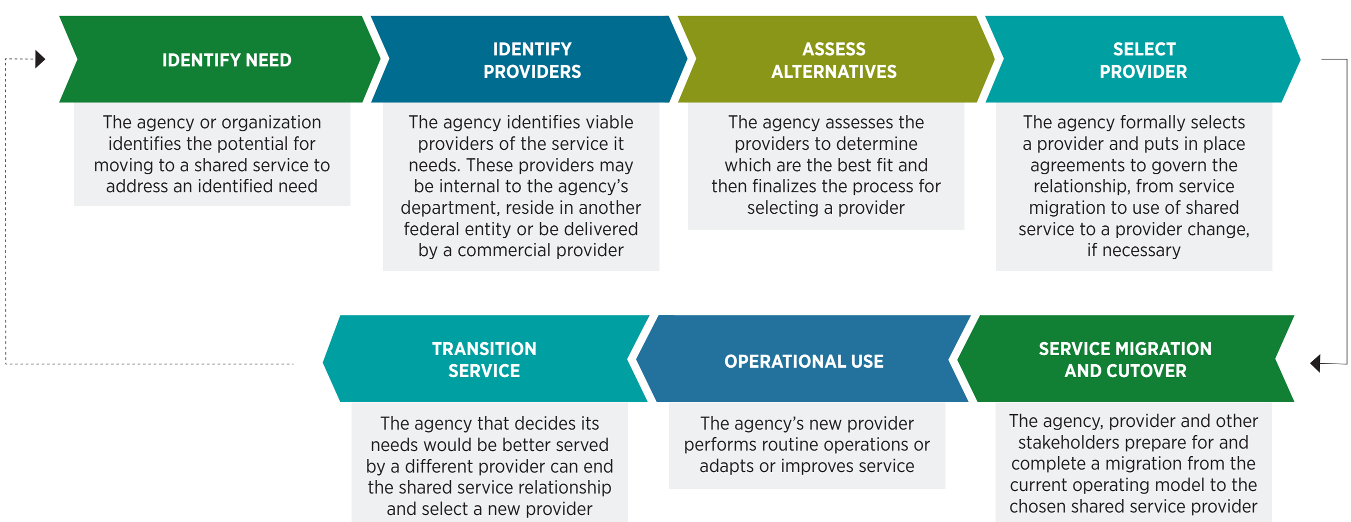
As federal shared services become more complex and widespread, it is critical that the government establish an effective market infrastructure. The establishment of this infrastructure could be managed under the current approach or under a new governance structure as described above. The goal is to sustain market growth and mitigate risks that could erode the market's long-term health and sustainability.

Today's shared services marketplace lacks consistency in how agencies seek and acquire services, varying by line of business and agency experience. Customer agencies should have access to a consistent acquisition model with similar processes for assessing, selecting, procuring and evaluating providers.

To that end, the study examined structural elements of the shared services acquisition process and how those elements contribute to the sustainability of the marketplace for shared services.

Based on interviews with agencies that migrated, and those that are candidates for a transition, the cycle of selecting and moving to a shared services provider includes the seven phases seen below.

PHASES OF SHARED SERVICES ADOPTION



The success of this approach and each of its stages can be assessed by the degree to which the marketplace and its components:

- Minimize operational costs over the long term
- Lessen the switching costs of moving to a new provider
- Deliver the best fit between the shared services provider and the shared services consumer
- Enable adaptability and innovation in support of customer needs
- Provide transparent cost and quality information to inform government decision-making
- Manage risk for both providers and customer agencies

To ensure these outcomes, we propose:

- Creating key marketplace management and mediation roles
- Pursuing market infrastructure initiatives that lower transition costs
- Using acquisition strategies and contract vehicles that enable seamless transitions

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CREATING KEY MARKETPLACE MANAGEMENT AND MEDIATION ROLES

The shared services marketplace today is inconsistent in the way that agencies seek and acquire shared services, and the roles and activities of the governing organizations—referred to as managing partners—vary across LOBs.

The role of a governing organization—commonly found in commercial marketplaces—can significantly affect perceived and actual risks for agencies in the shared services marketplace, and the function of the marketplace as a whole. To best achieve the outcomes outlined above, we propose five marketplace roles owned and performed by the federal managing partners, such as the Office of Financial Innovation and Transformation within the Department of Treasury, or through a central management agency (see below).

Several factors should be considered when determining which organization should carry out these roles:

- The level of objectivity for performing the role effectively
- The degree of subject matter expertise needed to navigate relationships among providers and consumer agencies
- Consistency of the role with other mission objectives of the host agency

RECOMMENDED SHARED SERVICES MARKETPLACE GOVERNANCE ROLES

ROLE	TARGET RESPONSIBILITIES
Market broker	• Furnish market information regarding products, prices and market conditions • Assist in matching consumers to providers in terms of service "fit" and service-level agreement terms
Market maker	• Ensure adequate supply of providers (e.g., grow/manage available capacity) • Monitor and ensure adequate agency demand through encouraging incentives • Define and support unified acquisition processes and service capabilities within the market
Market regulator	• Define and enforce minimum standards for offerings, service provision and governance • Manage discrepancies in meeting minimum standards and elevate concerns to a dispute-resolution process • Establish pricing floors/ceilings
Market mediator	• Establish/manage standard governance processes within marketplace • Identify and mitigate risk in agency/provider relationships (migration, operations, portability) • Assist in managing strains in supplier/consumer relationships
Market monitor	• Centrally monitor and report on service availability, performance and costs

PURSUING MARKET INFRASTRUCTURE INITIATIVES THAT LOWER TRANSITION COSTS

Undeniably, competition among providers is essential for achieving long-term, continuous improvement in efficiency, quality and innovation of the services delivered. If agencies believe that insufficient competition will lock them into a particular provider, they may be reluctant to enter the marketplace, and this will reduce the potential value of federal shared services and the health of the marketplace over the long term.

It is important to ease the process of entering the shared services marketplace and of switching providers by promoting technical and business process interoperability among providers. With investments in interoperability initiatives, agencies would have lower migration costs and reduced risk and market disincentives, and be able to make more informed choices about providers.

The table below provides examples of several such interoperability initiatives.

While the below examples relate primarily to business process-oriented LOBs, comparable initiatives would serve the same purpose for information technology services and emerging mission services.

RECOMMENDED SHARED SERVICES INTEROPERABILITY INITIATIVES

OPPORTUNITY	DESCRIPTION	DOWNSTREAM BENEFITS
Integration brokers/standard integration platforms	Enable standard interfaces and integration approaches for common enterprise systems	• Reduced integration costs, schedule and risk • More opportunities for application consolidation
Data governance processes and standards within provider communities	Makes data more portable through common data exchange and conversion formats	• Reduced conversion risk • Higher levels of data quality • Enhanced agency control of their operational data
Consistent application of business process management standards	Simulate provider business processes through standard business process modeling techniques/standards	• Measurable continuous improvement • Process transparency • Enhanced provider benchmarking

Pilot: Leveraging Private-Sector Capital and Expertise

While cost savings is one of the most frequently cited benefits of moving to shared services, funding the initial migration is a major barrier to adoption for cash-strapped federal agencies. One way to address this shortage of capital is for the administration to explore pilots that would use public-private partnerships to share the risk.

Private-sector providers, under the right arrangement, could provide some of the capital for the upfront migration costs and recover their investment over the lifetime of the service contract. Government could further shift a portion of the risk onto the private provider by significantly tying compensation and cost recuperation to performance goals and demonstrated costs savings.

This could be accomplished by a federal shared services host agency competitively selecting a private provider and providing appropriate oversight and contract management.

POTENTIAL ROLES AND RESPONSIBILITIES

FEDERAL AGENCY	COMMERCIAL PROVIDER	CONTRACT
Select provider competitively	Fund migrating costs	Include data and performance protections for USG
Oversee provider	Include full service provision	Ensure duration is sufficient for cost recovery
	Tie compensation largely to performance goals	

USING ACQUISITION STRATEGIES AND CONTRACT VEHICLES THAT ENABLE SEAMLESS TRANSITIONS

One of the potential constraints on marketplace growth is providers' limited capacity to migrate more agencies onto their service platforms. This could become more of an issue as the market for shared services continues to mature and more agencies desire shared services, and it could affect agencies' ability to switch providers. Some federal providers have designated industry partners to assist with migrating, which has proven successful; however, this practice is not widely used. As a result, the ability of agencies to adopt shared services effectively and transition between providers continues to be a difficult task for most providers.

To improve the ability of agencies to migrate to shared services, it is recommended that federal shared services providers create acquisition strategies and contract vehicles that separate the activities involved in creating, sustaining and improving shared services platforms from the transition services that help agencies migrate to a shared services platform.

These acquisition strategies and contract vehicles can be constructed in a way for:

- Providers and migrating agencies to have a voice in the evaluation and selection process, which cedes some control to the migrating agencies while still allowing providers to define and enforce minimum performance standards associated with their solutions
- Use of firm fixed-price and performance-based contracts, which shift some financial risks of migration away from government to industry
- A balance between small business goals and the depth, breadth and scale of competencies needed to support large agency migrations

The separation of shared services migration and shared service platform management and improvement, not necessarily performed by the same contractor, would have a number of advantages, including:

- Balance and stability, under migration management, allowing providers to focus their particular skills around operations and maintenance service-level management, and to grow the federal workforce and/or their stable of contractor staff more evenly
- Higher migration capacity at lower cost, by allowing market forces to close the capacity and skill gap associated with agency migrations, and giving government more competitive pricing while also fostering innovation within industry

Establish a standardized performance assessment model

Performance metrics that measure and communicate efficiency, effectiveness and mission benefit are fundamental to the success of the federal shared services marketplace, although defining those metrics has its challenges. Services are highly varied and contextual and are prone to change over time due to productivity gains, technology improvements and policy modifications. Currently, federal agencies rely on metrics and service-level agreements to define basic operational performance, but often fail to measure productivity and, ultimately, the benefit to the mission.

To address this need, a comprehensive, cross-government and cross-sector performance assessment model should be developed that is applicable to all phases of the shared services delivery model, stakeholders, performance metric maturity and outcome.

Framework Benefits

For Customers

- Understand the value they are receiving
- Assess whether prices are reasonable and in line with fair market value, and whether the choice of provider improved the agency's ability to meet its mission
- Monitor capabilities, diagnose problems, remain accountable for resources and encourage continuous improvement
- Support and measure results of innovative approaches and pilots
- Align with Government Performance and Results Modernization Act requirements to develop strategic plans that link agency goals to the agency mission

For Providers

- Compare service quality and effectiveness to other providers
- Understand how to improve service delivery

For External Policy and Governance Bodies

- Understand how the overall strategy for shared service delivery can be improved

PERFORMANCE METRIC FRAMEWORK

STAKEHOLDER PERSPECTIVES		PHASES OF THE SHARED SERVICES ADOPTION PROCESS		PROGRESS ALONG THE PERFORMANCE MATURITY SCALE		VALUE DELIVERY
Including from customers, providers, teaming partners and policy and governance agencies	+	With different metrics for different phases	+	Operational metrics, productivity metrics and service enablement metrics tracking mission benefits	+	Value is analyzed according to the value measuring methodology, which includes financial, direct user, foundational, societal and strategic categories

FRAMEWORK OVERVIEW AND APPROACH

STAKEHOLDER PERSPECTIVES

The framework can be used for many different stakeholders, including the following groups:

Customers
The organization receiving services from the shared services provider

Providers
The organization designated as the shared services provider

Teaming Partners
Third-party integrators or software vendors

Policy and Governance Bodies
External stakeholders that set policy and governance standards, such as the CIO Council, the Office of Management and Budget or industry groups.

PHASES OF THE SHARED SERVICES ADOPTION PROCESS

Performance metrics should be tailored for where a stakeholder is in the shared services transition. The given phase will help guide what questions should be asked and what metrics will answer those questions most effectively. To see the phases of shared services adoption, see page 12.

PROGRESS ALONG THE PERFORMANCE MATURITY SCALE

To fully understand the impact of shared services on customer agencies related to a particular provider, performance metrics should focus on three levels of outcomes:

Operational
Tracks timeliness, compliance and customer satisfaction. This level would track more traditional "are the lights on" kind of metrics—those that can readily be normalized and tracked from a customer and provider perspective.

Productivity
Tracks efficiency gains. This level would measure process efficiency and performance compared to industry benchmarks for the product or service. These metrics would go beyond operational metrics and would begin to collect information on longer-term service quality measurement.

Service Enablement
Tracks the mission benefit. This phase would drive an innovative approach to measuring the value of services being delivered to the mission of the organization. Metrics in this level would be outcome-based and would help stakeholders understand the benefits to the mission, not just how the service is being delivered.

VALUE DELIVERY

Once the level of maturity and phase of adoption are defined for a customer agency, measures can be classified further as to how shared services deliver value according to the value measuring methodology. Value measuring provides a scalable and flexible approach for estimating, quantifying and analyzing the value delivered by a given shared service model. Value can be delivered in five major categories:

Financial
What is the financial benefit (e.g., cost savings or cost avoidance) realized by the government, including financial benefits received by the customer or provider as well as other stakeholders?

Direct User
What are the benefits directly realized by users or multiple user groups?

Foundational
What are the improvements realized in current government operations, including enablement of future initiatives?

Societal
What are the benefits related to society as a whole, beyond direct users?

Strategic
What are the benefits that move an organization closer to achieving its strategic goals and priorities as established by OMB and Congressional mandates?

CASE STUDY

NASA Shared Services Center

The three levels of performance metric maturity were defined in collaboration with the NASA Shared Services Center (NSSC) – a fee-for-service entity that provides administrative support to NASA's 10 research, space and flight centers across the country. NSSC prioritizes tracking and reporting performance metrics to best meet its mission "to provide timely, accurate, high-quality, cost-effective, and customer-focused support for selected NASA business and technical services."[6]

NSSC designed and collects performance metrics related to timeliness, customer satisfaction, quality, cost, efficiency and productivity, and utility so it can:

- Inspire confidence and change behavior for larger strategies
- Give clients real-time access to performance data
- Weed and prune measures to get best use with least effort
- Move from analysis to prediction
- Use benchmark data to drive improvement
- Engage with stakeholders to set reasonable cost and efficiency targets
- Educate clients on the intersection of policy, process, service and cost
- Assess the quality of advisory services

6 NASA Shared Services Center (NSSC), https://searchpub.nssc.nasa.gov/servlet/sm.web.Fetch/FINAL_NSSCbrochure2011.pdf?rhid=1000&did=33382&type=released, (accessed 1 December 2014).

OPERATIONAL

At this level, NSSC uses metrics to measure the operational success of the organization by focusing on ticket volume, such as number of calls presented and number of service requests completed, and service-level indicators, such as calls answered and customer satisfaction.

The service level indicators are aligned with NSSC's core priority of customer satisfaction. The NSSC views shared services as a joint effort between the customer and the provider and has implemented broad metrics to measure whether customer requests were completed. These metrics are not punitive but factored into the overall response time of the shared services organization.

PRODUCTIVITY

In addition to measuring operational effectiveness metrics, NSSC has focused on productivity measures, such as cost per invoice, and benchmarks against private industry to focus on achieving high performance levels.

Analyzing these productivity benchmarks helped NASA identify opportunities for improvement such as increased use of automation and process changes.

SERVICE ENABLEMENT

NSSC has a clearly defined guideline to promote NASA's mission to "drive advances in science, technology, and exploration to enhance knowledge, education, innovation, economic vitality, and stewardship of Earth." NSSC can build on its robust productivity metrics to measure the benefit of shared services to NASA's mission.

NSSC OPERATIONAL METRICS

TICKET VOLUME	NOV. 2011	DEC. 2011	JAN. 2012	FEB. 2012	
Calls presented	15,237	12,720	18,711	16,025	
Incidents created	11,297	12,533	19,150	18,807	
Incidents resolved	10,367	13,101	17,679	16,268	
Service requests submitted	2,842	2,972	5,785	6,929	
Service requests completed	329	2,365	1,187	9,689	
SERVICE LEVEL INDICATORS					BENCHMARK
Calls answered in less than 60 seconds	54.6%	82.0%	93.0%	96.8%	> 80%
Call abandon rate	16.5%	5.0%	2.8%	1.9%	< 7%
Customer satisfaction with ESD	90.0%	95.2%	96.1%	95.5%	> 85%
First call resolution	79.7%	79.4%	87.9%	93.4%	> 90%
Right first-time allocation	85.1%	89.6%	87.2%	88.9%	> 85%

Green=Met or exceeded Blue=Missed by < 10% Red=Missed by > 10%

Implement an interactive government-wide catalog of services and providers

Customers need tools to research and compare providers of shared services. Currently, there are a multitude of catalogs and tools, each listing the services of different providers and each owned by a separate provider or a line of business managing partner. As a result, there is not an effective "one-stop shopping" tool to search for all available shared service offerings and where customers can gain information, compare offerings and connect with a shared services provider. Uncle Sam's List, a recent initiative of the CIO Council to capture government-wide shared services, was a step in the right direction for a consolidated inventory; however, the value-add for users is limited. Shortcomings include lack of ownership, lack of standardization, missing and obsolete content, limited access and limited ability for customers to make comparisons between providers and service offerings.

There is an opportunity to enhance the adoption of shared services and drive competition by improving upon Uncle Sam's List or developing a new interactive government-wide catalog of available services and providers.

This catalog would be made accessible via a "Shared Services Navigator" tool and would be an access point to the shared services marketplace that connects customers with providers. Customers would be able to compare services and providers based on past performance and service offerings and connect with a provider directly to gain additional information.

In addition, the following characteristics would ensure that the proposed tool adds value for customer agencies and providers and would promote government-wide shared services adoption:

CENTRALIZATION

To ensure widespread use and site integrity, the tool would be owned by a central agency such as the central management agency or the new federal shared services office. This entity would create standards for the providers and services that can be listed on the site, validate that the listed providers and services meet the standard criteria, and market the site to promote widespread use across the federal government.

ACCESSIBILITY

Operating under the principle that full transparency drives competitive pricing, all interested parties would be able to view and be included on the site.

INCLUDES PROCESS FOR NEW PROVIDERS AND LINES OF BUSINESS

As the shared services marketplace continues to evolve and grow, there would be a standardized, equitable process for including new providers, services and LOBs in the catalog.

EMPHASIS ON THE USER EXPERIENCE

It is important that the tool focus on the user experience by being transparent, relevant, brief and mobile. Audiences would be queried and engaged on a regular basis to learn what they want from the tool and how they wish to use it. The tool owner would monitor the benefit of the tool for the users by tracking the number of site visits and the number of business opportunities that occurred as a result of the site. These metrics would be used to continuously improve the tool.

PRIORITIZATION OF CUSTOMER SERVICE

Properly resourced, this tool would promote customer service and ease of use through a help line, help email and FAQ document. There also would be a method for customers to provide feedback on past experiences, which would inform future customer decisions.

CONCLUSION

The kind of large-scale change required for migration to shared services is challenging and potentially disruptive for agencies. The payoff, in terms of increased effectiveness, cost savings and avoidance, and customer satisfaction requires a long-term, sustained effort across government and between administrations. However, our government is at a critical inflection point where workforce, technological and fiscal pressures necessitate a substantive departure from the status quo.

The kind of reforms outlined in the President's Management Agenda and supported by the recommendations outlined in this report can help agencies focus on mission delivery and lead to more effective interagency collaboration. However, focused leadership from the Office of Management and Budget and the White House, not only under this administration but in future administrations as well, will determine the ultimate success or failure of an enterprise-wide strategy for shared solutions. This leadership has to be backed by increased capacity to help manage the migrations, an intentional effort to harness the expertise, innovation and experience of the private sector, and a Congress that is willing to work with OMB to support the market infrastructure and create incentives for shared services adoption.

The changes proposed by this report, and the changes that would accompany a government-wide restructuring and integration of mission support services, are likely to be difficult as agencies realign business processes and operations. But realizing the vision of a federal government that is leaner, more innovative and better able to serve the American public is well worth the effort.

This study is focused on back-office operational functions listed in Table 1, which represent approximately 60 percent of the FY 2015 federal budget for IT investments.[7 8] The remaining 40 percent support mission-related and other functions. These selected functions are ideal candidates for shared services adoption, since these are common back-office functions that could be shared across the government.

This business case defines the costs and savings associated with implementing a shared services model based on the key shared services categories, baseline current costs, assumptions and scenario analysis. For this business case, shared service categories were taken from the IT Dashboard's Exhibit 53A[9] published by the federal government featuring IT investment data for government agencies. These categories and the total investment for each category, along with a grand total summarizing the IT spending for all categories, are featured in Table 1.

Approach

Building upon the "Shared First" strategy,[10] our methodology focuses on using available information from two principal sources to gather information:

IT COSTS

This information was obtained from IT Dashboard Exhibit 53A data. These costs were reported by each agency[11] as IT investment by categories by year as listed in Table 1.

PROCESS COSTS

Process costs were calculated based on the percentage ratio of IT costs to process costs based on inputs received from Federal Shared Services Providers (FSSPs)[12], government agencies and APQC benchmarking research[13] to arrive at an estimated as-is process costs by shared service category. Process costs include all costs (excluding IT) by category to include agency personnel costs. These inputs were used to estimate projected process costs as shown below.

IT Costs x Process Costs as a % of IT Costs = Process Costs

HR IT Costs x Ratio of HR Process Costs to IT Costs = Process Costs

175,938,694 x 307% = 787,325,656

Assumptions

The following assumptions outlined in this section were used in this business case. These assumptions support a conservative approach and methodology for calculating overall cost savings and avoidance.

A key component in calculating cost savings are value driver cost-saving percentages. These value driver percentages were taken from Accenture Research based on numerous shared services migrations, and were multiplied by the baseline costs to arrive at cost savings and avoidance estimates. These assumptions were used to calculate costs savings for each of the shared service categories for both IT costs and process costs:

- This model was applied to back-office operations as defined in six shared services categories, this does not include all government functions or mission related services.
- Cost savings and avoidance were calculated based on FY 2015 IT and process costs.
- The rate of continuous process improvement is estimated to be 1 percent additional improvement per year in a shared service environment.[14] This is deemed conservative based on 2 to 3 percent continuous process improvement in commercial shared services operations.
- Process costs for this business case are based on conservative estimates as data for process costs as a percentage of IT costs were taken from existing efficient FSSPs. If applied to non-efficient federal shared services provider models, it is likely that process costs would be higher.

7 The spending data contained in this section was compiled by a Shared Services Roundtable working group using publicly available sources as cited. Cost savings and cost avoidance assumptions are taken from Accenture experience from numerous shared service engagement experiences including the State of Ohio, Yale, Florida, Texas, and many others.

8 U.S. Government, Federal IT Dashboard https://itdashboard.gov/ (accessed 30 October 2014).

9 U.S. Government, Federal IT Dashboard https://itdashboard.gov/ (accessed 30 October 2014).

10 Executive Office of the President, "Federal Information Technology Shared Services Strategy," 2 May 2012 http://www.whitehouse.gov/sites/default/files/omb/assets/egov_docs/shared_services_strategy.pdf (accessed 30 October 2014).

11 Includes Cabinet-level agencies and "Other Agencies" cited in the Exhibit 53A.

12 Includes federal shared services provider and agency input: U.S. Department of Agriculture (USDA), Department of Health and Human Services (HHS) and the Department of the Interior (DOI).

13 APQC benchmarking research revealed process costs to be 200% that of IT spending costs for IT management.

14 Based on Accenture experience from numerous shared service engagement experiences including Yale University and the states of Ohio, Florida and Texas.

- Process costs where input was not provided were estimated based on benchmark and similar agency estimates.
- Agencies that are not using a shared services model are likely to experience cost overruns when they modernize their systems.
- Agencies currently on legacy enterprise resource planning (ERP) systems are likely to have higher per-user implementation costs to modernize independently than through migration to a federal shared services provider.
- All other Chief Financial Officers Act agencies will periodically need to upgrade their commercial ERP systems to maintain functionality. Federal shared services providers can upgrade more economically per user than agencies can (Department of Defense and current shared services providers not included in calculation[15]).

15 Per Defense and Justice departments' internal audit reports, interviews, internal benchmarks and team analysis.

TABLE 1
IT COSTS PER EXHIBIT 53A BY SHARED SERVICE CATEGORY

IT SPENDING BY SHARED SERVICE CATEGORY			
SHARED SERVICE CATEGORY	**FY 2013**	**FY 2014**	**BY 2015**
Information and technology management	$35.7 billion	$33.9 billion	$34.4 billion
Supply chain management	$3.5 billion	$3.5 billion	$3.3 billion
Financial management	$2.6 billion	$2.6 billion	$2.5 billion
Human resource management	$2.3 billion	$2.3 billion	$2.4 billion
Administrative management	$0.8 billion	$0.9 billion	$0.9 billion
Planning and budgeting	$0.6 billion	$0.6 billion	$0.6 billion
GRAND TOTAL*	**$45.5 billion**	**$43.8 billion**	**$44.1 billion**

Source: Taken from IT Dashboard's Exhibit 53A and aggregated by the Shared Service Roundtable working groups.
*Components are rounded to the nearest 100 million and they may not add up to total.

TABLE 2
VALUE DRIVER ASSUMPTIONS

#	VALUE DRIVER EXAMPLE	LOW	HIGH
1	Process costs - SS core capabilities (e.g., service management)	5%	15%
2	Process costs - Economies of scale & skill (e.g., centralization)	2%	5%
3	Process costs - Standard processes, policies and procedures	3%	5%
4	IT costs - Automation (e.g., document management)	5%	10%
5	IT costs - Common core system (e.g., ERP)	5%	10%
	GRAND TOTAL	**20%**	**45%**

Source: Based on Accenture experience from numerous shared service engagement experiences, including Yale University and the states of Ohio, Florida and Texas.

Results

Value driver percentages taken from numerous shared services migrations estimate that successful shared services migration will result in 20 to 45 percent cost reduction from the current state. The table below shows the calculation for cost savings and avoidance by shared services category and the total range of cost savings and cost avoidance.

As explained earlier, IT and process baseline costs were obtained by category. These baseline costs were multiplied by the shared services value driver assumptions to arrive at a range of cost savings and avoidance.

Agencies that migrate to a shared service environment will incur initial migration and transition costs, which must be subtracted from cost savings and avoidance to arrive at a final cost savings and avoidance estimate. These migration and transition costs represent the implementation and labor costs associated with migrating to the shared services model. Examples of transition costs may include the development of interfaces, application development, database administration, testing management, new application training, workforce training, and the legacy system technology and labor costs associated with keeping the legacy system running until the shared services model is fully implemented. Based on past public sector implementations performed, it is estimated that transition and migration costs will represent approximately 26 percent of the gross costs savings and avoidance, it is estimated that transition and migration costs will represent approximately 26 percent of the gross cost savings and cost avoidance.

Additionally, development, modernization and enhancement (DME) costs are estimated at 17 percent of total cost savings. However, DME costs have been excluded from this model since they will be incurred in both the legacy environment as well as the potential shared services model.

Total cost savings and avoidance was adjusted over a 10-year period for continuous process improvement. The rate of improvement is estimated to be 1 percent.[16] This is a conservative estimate, compared to private industry annual 2 to 3 percent continuous process improvement regularly achieved.

In summary, for government-wide back-office operations, the conservative range of cost savings over 10 years is estimated to be between $20.9 billion and $47.2 billion. Once shared services are implemented, total savings and cost avoidance from the annual budget would be approximately up to $47 billion per year.

16 Based on Accenture experience from numerous shared service engagement experiences including Yale University and the states of Ohio, Florida and Texas.

TABLE 3
COST SAVINGS BY SHARED SERVICES CATEGORY

CATEGORY	COST POOL	BASELINE COSTS[1]	FUTURE STATE			
			ASSUMPTION (LOW)	ASSUMPTION (HIGH)	COST SAVINGS (LOW)	COST SAVINGS (HIGH)
Information and technology management	Process	$34.4 billion	20%	45%	$6.9 billion	$15.5 billion
	IT	$34.4 billion	20%	45%	$6.9 billion	$15.5 billion
	Total	$68.7 billion	20%	45%	$13.7 billion	$30.9 billion
Supply chain management	Process	$23.4 billion	20%	45%	$4.7 billion	$10.5 billion
	IT	$3.3 billion	20%	45%	$0.7 billion	$1.5 billion
	Total	$26.8 billion	20%	45%	$5.4 billion	$12.0 billion
Financial management	Process	$7.2 billion	20%	45%	$1.4 billion	$3.2 billion
	IT	$2.5 billion	20%	45%	$0.5 billion	$1.1 billion
	Total	$9.7 billion	20%	45%	$1.9 billion	$4.4 billion
Human resources management	Process	$10.1 billion	20%	45%	$2.0 billion	$4.6 billion
	IT	$2.4 billion	20%	45%	$0.5 billion	$1.1 billion
	Total	$12.5 billion	20%	45%	$2.5 billion	$5.6 billion
Administrative management	Process	$3.7 billion	20%	45%	$0.7 billion	$1.7 billion
	IT	$0.9 billion	20%	45%	$0.2 billion	$0.4 billion
	Total	$4.7 billion	20%	45%	$0.9 billion	$2.1 billion
Planning and budgeting	Process	$1.2 billion	20%	45%	$0.2 billion	$0.5 billion
	IT	$0.6 billion	20%	45%	$0.1 billion	$0.3 billion
	Total	$1.8 billion	20%	45%	$0.4 billion	$0.8 billion
GRAND TOTAL*		**$124.2 billion**			**$24.8 billion**	**$55.9 billion**

Source: Based on Accenture experience from numerous shared service engagement experiences, including Yale University and the states of Ohio, Florida and Texas.
*Components are rounded to the nearest 100 million and they may not add up to total.

TABLE 4
TOTAL COST SAVINGS AND COST AVOIDANCE

CALCULATION INPUTS	CUMULATIVE ESTIMATED COST SAVINGS PROJECTED OVER 10 YEARS	
	COST SAVINGS (LOW)	COST SAVINGS (HIGH)
Cost savings	$24.8 billion	$55.9 billion
Migration and transition costs	- $6.5 billion	- $14.5 billion
Continuous improvement	$2.6 billion	$5.8 billion
TOTAL COST SAVINGS AND COST AVOIDANCE*	**$21.0 billion**	**$47.2 billion**

Source: Based on Accenture experience from numerous shared service engagement experiences, including Yale University and the states of Ohio, Florida and Texas.
*Components are rounded to the nearest 100 million and they may not add up to total.

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