2018 B-FAST SEMINAR SERIES

2018 SEMINAR SERIES EXECUTIVE SUMMARY REPORT

SHARED SERVICES: WHY THE VOICE OF THE CUSTOMER MATTERS

EXECUTIVE SUMMARY

SENIOR EXECUTIVES ASSOCIATION

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION®

SHARED SERVICES LEADERSHIP COALITION

? How do we consolidate business services at the corporate level to drive efficiencies and improve mission delivery?
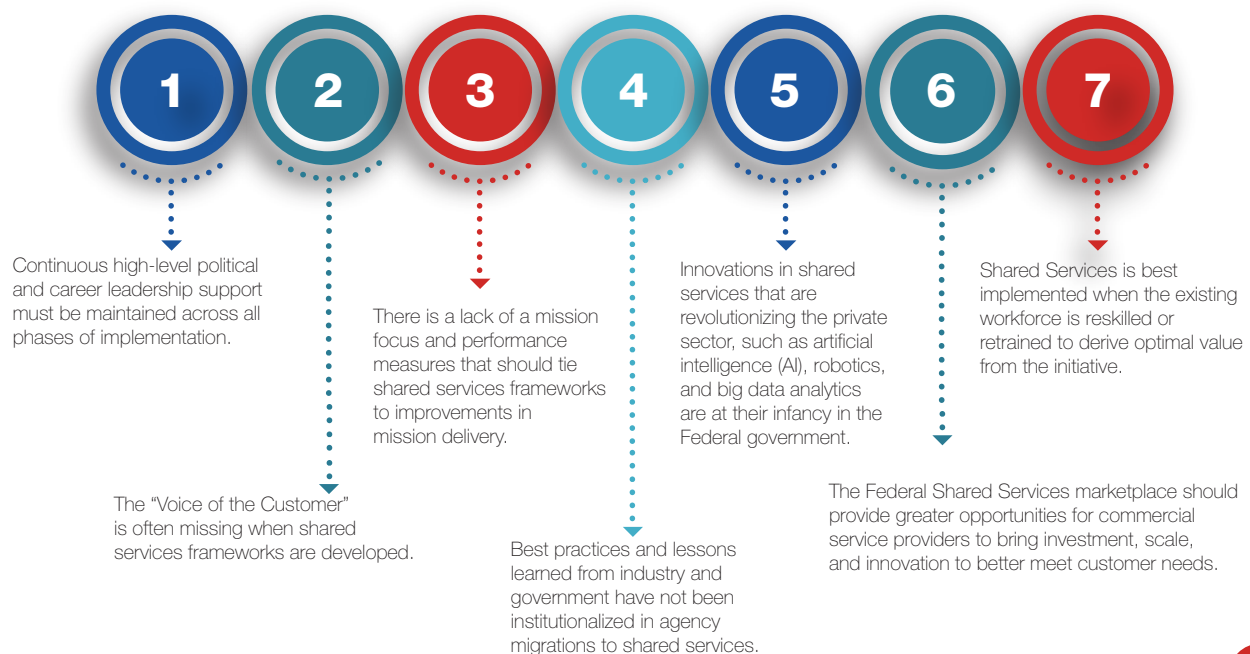
EXECUTIVE SUMMARY

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

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

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

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

1 Continuous high-level political and career leadership support must be maintained across all phases of implementation.

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

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

4 Best practices and lessons learned from industry and government have not been institutionalized in agency migrations to shared services.

5 Innovations in shared services that are revolutionizing the private sector, such as artificial intelligence (AI), robotics, and big data analytics are at their infancy in the Federal government.

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

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

1

Continuous high-level political and career leadership support must be maintained across all phases of implementation.

The successful shared services operation enjoys continuous, high-level support. Most shared services implementations involve either a departmental secretary/agency head or a management assistant secretary or equivalent as both initiator and decision maker. Additionally, the more the same senior manager is involved in all phases of the project, the greater the prospects for success, particularly for those projects involving multi-year automated integration activities.

Client satisfaction is as integral to the requirement that leaders manifest their support as that support is to client satisfaction. However, while strong political support is a key ingredient to successful management, change is almost a truism; such support must be not only strong but continuous. There must be commitment and follow-through not just at the early stages, but throughout implementation. Securing political support is a particularly crucial challenge for long-term initiatives like shared services that may span multiple presidential administrations. The Trump Administration's efforts to institutionalize shared services through the Cross Agency Performance (CAP) Goal process – a mechanism inherited and expanded upon from the Obama Administration – is an encouraging development that should become a best practice model to be followed in future presidential transitions.

2

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

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

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

3

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

Best practices and lessons learned from industry and government have not been institutionalized in agency migrations to shared services.

4

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

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

3

5 **Innovations in shared services that are revolutionizing the private sector, such as artificial intelligence (AI), robotics, and big data analytics are at their infancy in the Federal government.**

Federal agencies and workers are using antiquated business systems and have limited ability to absorb new technologies and retrain staff to use new technologies. In an era of rapidly evolving technology that tend towards fundamental shifts in the way organizations function, it is critical that federal agencies adapt swiftly to receive the maximum benefit of these new technologies. Organizations must understand the technologies they seek to implement, and assess what applications work best for their needs. Proper implementation of new hardware and software can yield significant gains for efficiency and provide meaningful benefits for the organizational enterprise, while also keeping the agency an attractive, competitive option for workers newly entering the market.

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

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

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

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

Shared services has been a White House, GSA and OMB management initiative for over 30 years and, in spite of considerable progress, we are not where we could or should be. We continue to hear questions like

"Where should I start?", "What are some of the problems I might run into?", "How do I ....?"

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

In addition to the foregoing Executive Summary of the seminar series, we have produced a full-length report and implementation guide based upon the lessons learned in the six part Shared Services Seminar Series hosted by SSLC, NAPA and SEA, as well as lessons learned from 15 case studies of private sector shared services organizations conducted by the President's Council on Management Improvement in 1982. It is designed to be a compendium of "lessons learned" – a how-to-do-it guide to conceptualizing, implementing, and operating a shared services framework. The guide supports GSA's Unified Shared Services Management (USSM) initiative and the Modernization and Migration Management (M3) playbook and provides more guidance to help leaders optimize the opportunities within a shared services framework. It will dispel myths, resolve obstacles and highlight new innovations in shared services. We are deeply indebted to all of the individuals who have contributed to the guide, including Alan Balutis, who led the 1982 PCMI study, and the many Federal experts who so generously provided their advice and counsel during the seminars. We hope you find it useful. It is available for download at this link: http://sharedservicesnow.org/shared-services-report/

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[1] For more information about these sessions and the sponsors and participants, please see the above referenced report