



Shared Services Now!



WHAT COMES NEXT: SHARED SERVICES BEYOND 2020

AN ACTION PLAN TO ACCELERATE SHARED
SERVICES IN THE NEXT ADMINISTRATION

NOVEMBER 2020



TABLE OF CONTENTS

ACKNOWLEDGEMENTS2

INTRODUCTION3

WHAT’S WORKING WELL5

WHAT CAN BE IMPROVED.....7

APPENDIX13

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INTRODUCTION

This paper assesses recent progress in Federal shared services implementation and proposes actions SSLC believes could accelerate the government's adoption of shared services to improve program affordability and effectiveness.

Shared services is a business model for delivery of common administrative services (human resources, financial management, grant administration, purchasing, etc.), infrastructure services (e.g., cyber security) and common mission-related services (e.g., geospatial referencing services). Customers of shared service organizations receive services from third party providers with high capacity platforms that can serve multiple customers more efficiently and effectively than individual entities can serve themselves. While the focus of this paper is primarily administrative shared services, significant opportunities also exist in common mission-related services.

The Technology CEO Council¹ has identified nearly \$1 Trillion in potential savings that could be realized if the government reduced its overhead cost ratio from today's approximately 30% of mission spending to 15%, a figure comparable to well managed commercial enterprises. Shared services can be a powerful fulcrum for leveraging industrial scale efficiencies and significant improvements in service quality and cyber security throughout the government's administrative structure.

The Federal shared services marketplace is not, and never will be, a perfectly competitive marketplace. It will always be a hybrid with a mixture of features including those of a competitive, standards-driven commercial marketplace as envisioned in "Sharing Quality Services" Cross Agency Priority (CAP) Goal Strategies 1 and 2, monopoly centralized government providers as in Strategy 3, and government centers of excellence, such as the Federal Shared Service Providers (FSSPs).

The Shared Services Leadership Coalition (SSLC) favors policies designed to make the Federal marketplace as open, competitive, and innovative as possible. Robust industry participation will be necessary to provide the greatest range of high quality and affordable services to customer agencies. Attracting industry investment and innovation will require that:

- The government communicate a clear commitment, plan and timetable for migrating agencies to shared services providers;
- Government demand for services is sufficient to provide industry reasonable return on investment opportunity;
- Unreasonable barriers do not block the entry of new providers into the marketplace, discourage firms from offering industry leading solutions, or inhibit agency switching from one provider to another; and

¹ *The Government We Need*, Technology CEO Council, January 2017. Savings are estimated over ten years.



- Government and industry collaborate in business partnerships with high levels of trust and transparency.

Perspectives in this paper have been gathered from industry leaders serving the Federal shared services environment and from current and former government executives who are leading or have led shared services initiatives in their agencies and across the government. Findings and recommendations are presented in two sections below addressing:

- What's working well in the current implementation approach; and
- What can be improved with straightforward changes or shifts in emphasis within the current model.

The recommendations have been informed by and are largely consistent with insights gathered from current government shared services leaders summarized in an appendix.



WHAT'S WORKING WELL

The current and previous administrations have taken important steps to set the stage for government-wide shared services transformation. Some of the most talented executives in government have been assigned to lead implementation efforts. Through the combined efforts of hundreds of dedicated professionals, a sound foundation of policy and governance is being put in place to guide implementation forward. The following elements of the current implementation approach seem to be working well:

- **Establishment of Sharing Quality Services as a Cross Agency Priority (CAP) Goal.** The CAP Goal process appears to be an effective mechanism for aligning and marshaling support for initiatives requiring high level integration and interagency coordination (e.g., Sharing Quality Services, Shifting from Low Value to High Value Work, Results-Oriented Accountability for Grants, etc.). We would like to see this process remain in place going forward to provide an effective bridge for continuity across future administrations.
- **Leveraging OMB's strategic planning and budgeting process.** The July 2020 revised OMB Circular A-11 budget guidance requires agencies to address shared services (and other CAP Goal initiatives) in strategic plans, budgets, and performance plans². This is important because it leverages the power of the Executive Office of the President and the budget process to drive agency adoption and benefits realization.
- **Initiation of Quality Service Management Offices (QSMOs).** Standing up the QSMOs in host agencies with resident technical expertise in their respective functional domains (e.g., Treasury for FM, HHS for Grants, DHS for Cyber Security) seems to be a sensible approach.
- **Technical guidance issued to agencies.** GSA's Office of Shared Solutions and Performance Improvement (OSSPI) has issued useful guidance to agencies, including the Federal Integrated Business Framework (FIBF) and the Modernization and Migration Management (M3) Playbook. These and other OSSPI advisory services have been well received and are viewed as important components of an effective policy and governance infrastructure.
- **Adoption of centralized services.** Three of eight CAP Goal Strategy 3 centralized services offered by Treasury and GSA have achieved between 88% and 100% adoption in CFO Act agencies.
- **Governmentwide standards process.** In the view of many industry and government stakeholders, the standards setting process driven by the designated FIBF Standards Leads in collaboration with the QSMOs seems to be getting traction, particularly in financial management and payroll where related work has been underway for over a decade.

²OMB Circular A-11, Preparation, Submission and Execution of the Budget, Section 220, Cross-Agency Priority Goals and Federal Performance Plan, July 2020.



- **Customer engagement processes.** Robust customer engagement mechanisms are in place through the FBIF Standards Leads, QSMOs and agency Senior Accountable Points of Contact (SAPOCs) enabling active stakeholder participation for continuous improvement and performance management of solutions.
- **Growing customer acceptance of shared services.** Understanding and acceptance of shared services as core management tools of government modernization appear to be growing throughout the Federal environment. This is particularly apparent for the financial management and payroll functions with the longest track records of experience.
- **Increasing professionalism and sustainability.** A growing professional community of government and industry practitioners from multiple functional disciplines is coming together around a common vision of the future with a high level of enthusiasm for shared services. They seem to view themselves as change agents in a long-term project with attractive career paths in government and industry. Increasing numbers of shared services events with growing attendance indicates that shared services has passed an inflection point and achieved a level of sustainability in the government modernization agenda and the good government community.



WHAT CAN BE IMPROVED

Government leaders deserve credit for significant progress in a highly complex and challenging initiative. They recognize that they are engaged in a long-term project that must be managed by successive generations of leaders handing off the baton from one to the next across an implementation horizon of a decade or more.

A realistic assessment must also acknowledge that important progress at enterprise governance levels has not been matched by concomitant advances in shared service adoption, retirement of legacy systems, or measurable improvements in business results in most agencies. The following issues need to be thoughtfully considered and addressed:

- Shared services are partly, but not fully integrated with implementation program deadlines, performance metrics and cost savings goals into government-wide strategic planning and budgeting processes;
- Pilot projects and prototypes have not been used to rapidly test and bring innovations in service delivery into the marketplace;
- Some departments with failing legacy environments (e.g., Commerce, Labor, DHS, and VA) are not waiting for QSMO services to reach the market, but are moving forward with internally-led modernization initiatives, thereby reducing the pool for government-wide solutions offering the greatest economies of scale and skill;
- QSMOs are still in the early stages of their standup and must rapidly mature into their roles as solution designers and marketplace managers; and
- The Congress has expressed impatience with the slow pace of IT modernization and legacy system retirements³; however, this has not yet led to a more comprehensive effort to improve understanding and support among authorizing and appropriations committees for an increase in investment capital necessary for more rapid shared services modernization.

The recommendations below are opportunities where straightforward changes or shifts in emphasis can address these challenges and enable improved implementation progress and benefits realization. We urge that these actions be considered for immediate implementation and that OMB include in its forthcoming guidance a requirement that agency strategies and plans for moving to shared services be included in the President's proposed FY 2022 budget.

³ House Oversight and Reform Committee hearing, "Federal IT Modernization: How the Coronavirus Exposed Outdated Systems," July 20, 2020.




1. **Communicate a clearer vision and roadmap to the future.** We recommend that OMB develop and publish a clear and compelling long-term vision and roadmap towards a future state in which delivery by dedicated government or commercial shared service providers is the default business model for managing common mission support services. Exceptions to this rule should be considered by OMB on a case-by-case basis where the agency demonstrates that there is business and risk mitigation value in an intermediate step of consolidating certain functions internally within the agency, such as that economies of scale and service improvements from consolidation across agency sub-components are approximately equivalent to cost and performance metrics available from QSMO marketplace providers.

Communicating a clear direction and timeline is important so that agencies can understand, accept, and plan for the reality of change, and so that industry can plan for the proper investments in a timely manner. In our interactions with agencies, SSLC has observed that many agencies are unclear about OMB's expectations and how they are to respond in the near term before the arrival of future QSMO marketplace services. Questions they are asking include, do we have to use an external shared services provider, in whole or in part? Can I choose which one? Can I choose a Federal or commercial provider? Is there a transition process over time? How will I know what is best, and if/how it will improve operations? Agencies are looking to OMB, in collaboration with OSSPI and the QSMOs, to provide direction. More effective ways of comparing current agency operations with shared service opportunities are also necessary.

2. **Strengthen integration with and leverage the full power of the Federal budget process to drive adoption.** Management initiatives like shared services require tight coupling with OMB policy and budget initiatives to gain traction with agency decisionmakers and become agency implementation priorities. The July 2020 revised OMB Circular A-11 budget guidance requires agencies to address shared services and other CAP Goal initiatives in strategic plans, budgets and annual performance plans; however, it does not require them to report time-bound, trackable plans for migration or cost savings and performance improvements to be realized and tracked in the budget – a feature that will be necessary to track agency progress as QSMO marketplace services become available. Stronger alignment between OMB's "Management Side" and the Resource Management Offices (RMOs) could leverage more of the power of the Executive Office of the President and the Federal budget process to drive improved performance and fully realize business results in the agencies.

As a next step, we propose that OMB create a new section of A-11 dedicated to shared services. It could be entitled Part 6, Section 300 – "Managing Shared Services and Improving Mission Delivery," and require agencies to plan and be accountable for realizing a robust set of business results including cost savings and service improvements. The Director of OMB could direct RMOs to use the budget process to identify opportunities and require agencies to streamline mission support functions, terminate redundant legacy services and "shadow staffs," and redirect funding to shared services. RMOs could ensure agency adoption by rewarding compliant agencies with long-term funding protection, using administrative controls authorized under existing OMB authorities to restrict agency expenditure of funds on redundant or overlapping mission support services, and designating agencies to serve as an executive agent to contract out for agency administrative




services. Agency guidance could require each agency's budget justification to explain the extent of shared service adoption or the lack thereof.

- 3. Strengthen agency responsibility and accountability for results.** The roles and responsibilities of agency "Senior Accountable Points of Contact" (SAPOCs) created by OMB M-19-16 are not defined or empowered consistently across the government. The SAPOC role is ancillary, not a full-time dedicated one, and the title does not adequately describe or do justice to the importance of the roles they are intended to perform. We recommend re-titling the SAPOCs "Shared Services Executives" (SSEs) and establishing them with consistent, full-time roles, responsibilities, and authorities in all agencies. We recommend that SSEs be appointed senior executives empowered to speak for their agency heads in all matters relating to shared services policy and execution; be directed to lead the execution of government-wide policy within their agencies, including but not limited to agency compliance with shared services planning requirements per OMB A-11, Part 6, Section 300 (as described in the previous recommendation). We recommend that SSEs report directly to the deputy agency head/chief operating officer and indirectly to the government-wide leaders of the Sharing Quality Services CAP Goal initiative, or another shared services leader established in OMB. SSE individual performance objectives and annual performance ratings could be jointly prepared by the agency chief operating officer and OMB's shared services leader, aligned with government-wide objectives, and driven by actual business results realized in their agencies.

We further recommend that OMB issue to agency heads and SSEs clear and concise direction requiring agencies to establish and operate efficient and effective mission support services, and eliminate investments to modernize or acquire new services that are duplicative or overlapping with similar services available through the QSMO marketplace. We propose that this direction require agencies to prepare a 5-year implementation plan and roadmap with defined milestones for achieving government-wide performance and cost objectives and to update plans annually. Agencies granted exceptions to opt-out of QSMO services and modernize independently should be directed to align agency requirements with FBIF standards to avoid long-term lock-in by agency-specific requirements and non-standard solution providers.

Finally, in collaboration with GSA, we propose that OMB assess non-CFO Act agencies and develop plans for their migration to marketplace service providers where scale and compelling returns on investment are demonstrated.

- 4. Enhance rigor and transparency in planning and reporting processes.** Implementation planning and progress reporting have been insufficiently rigorous to drive full and rapid benefits realization or provide meaningful transparency into the status of activities. CAP Goal reports track a limited number of process milestones and key performance indicators but few business outcomes. Customer satisfaction with agency administrative services is the only performance indicator for shared services tracked agency-by-agency at the CAP Goal level, and it provides insufficient granularity to identify varying levels of acceptance in broadly defined service categories. A larger set of more specific and measurable objectives and timeframes could be established for important progress indicators and reported publicly. These indicators could include, but not be limited to, market readiness of new



QSMO services, agency adoption rates, labor and technology cost savings, legacy services terminated, reduced transaction times and costs, and other business case objectives.


We further recommend that OSSPI prepare a marketplace dashboard to provide current, fully transparent information on costs, effectiveness, customer satisfaction, etc., of all mission support activities, including agency in-house and government-wide offerings. A common performance index such as the Contractor Performance Assessment Reporting System (CPARS) could be included for use in measuring all mission support activities.

5. **Address efficiency and effectiveness issues in the QSMO ecosystem.** The QSMOs are staffed with lean cadres of outstanding professionals but do not appear to have the depth of expertise necessary to rapidly stand up and manage the roll-out of a robust marketplace of leading commercial solutions and technologies. Many industry and government stakeholders believe that some decision-making processes, such as the QSMO designation and standards setting processes, are overly complicated and time-consuming. As a case in point, over 12 months elapsed between pre-designation and official designation of the first three QSMOs. These processes appear to be excellent candidates for streamlining.

Some QSMOs should expect to be petitioned by agencies to allow some degree of customization of standardized services to accommodate unique agency wants and needs. It will be important for OMB and other governance entities to stand behind the QSMOs and enforce established standards and economies of scale while holding QSMOs accountable for managing service delivery to meet cost and service quality metrics defined as business case ROI objectives. The upcoming roll-out of NewPay will present an early test of the ability of the governance process to manage these challenges effectively. NewPay's technical baseline has already been pre-configured to accommodate 65 different pay plans covering about 89% of all Federal civilian employees, and agencies will likely request additional customization. We also recommend that QSMOs be resourced to provide greater support to agencies in managing cultural change necessary to overcome resistance to accepting standardized services provided by external service providers.

Other QSMOs, such as the FM QSMO, are housed in agencies (i.e., Treasury's Bureau of the Fiscal Service) that also host a Federal Shared Service Provider. The co-location of a marketplace governance entity and a service provider within the same agency creates a potential risk of bias favoring the FSSP's business interests over its competitors in the marketplace. We recommend that QSMOs and FSSPs be hosted in separate agencies going forward. We also recommend that the QSMOs, in collaboration with the FBIF Standards Leads, continuously review and redefine Federal standards for consistency with common commercial solutions (i.e., drive towards compliant, commonly available commercial solutions).

6. **Strengthen management and require agency adoption of Strategy 3 centralized services.** Strategy 3 aims to expand use of eight mature centralized services delivered primarily by GSA and Treasury to




a captive market of customer agencies who lack choice of service providers.⁴ A few key performance indicators are tracked for each service and provide a rough measure of market penetration and cost savings. Insights could be improved with better indicators of service quality and customer satisfaction. The latest CAP Goal report indicates that only three of the eight services have realized full or nearly full government-wide utilization.⁵ In the absence of mandates to force adoption and marketplace competition to drive continuous improvement in cost and service performance, none of the under-utilized Strategy 3 services appears to offer sufficient incentives to attract customers voluntarily or positioned to optimize cost savings potential absent stronger top-down management.

- 7. Improve data integration across shared services business processes.** Numerous integration points and data exchange interfaces across business lines require definition within the FIBF to enable adoption of shared services and fully realize the benefits of cross-functional, end-to-end business process services. The QSMOs need to identify these interfaces and facilitate efficient and effective cross-functional integration. For example, many SaaS solutions require Fed RAMP certification; if a security boundary of one SaaS solution is changed to integrate with another, the FedRAMP authorization breaks and must be recertified, causing unnecessary cost and delay. FedRAMP helps bring innovative, best-in-class solutions to market to create an active, competitive marketplace. This is critical for offering customers a wide range of attractive and secure solutions; as such, delays and backlogs in obtaining FedRAMP certification and re-certification should be addressed to make the process more efficient and expedient, and make the market more dynamic. We recommend that the government streamline and standardize architectures, business processes, acquisition, and go-to-market strategies across the QSMO environment and break down barriers that inhibit cross-functional integration (e.g., Fed RAMP re-certification requirements).
- 8. Embrace trusted partnerships and greater transparency with industry business partners.** While customer engagement inside the government seems to be robust and transparent, engagement between government and industry has been more limited. To their credit, the QSMOs have actively solicited industry input relative to solution design and acquisition approaches and have responded favorably to invitations to attend industry-sponsored forums, but their level of disclosure has been constrained. At this writing, nearly eighteen months after the first four pre-designated QSMOs were announced, the QSMOs are still declining to publicly release their implementation plans. Industry partners need to understand the business requirements they will be asked to support as early as possible in the planning cycle. Details such as program timelines, inputs required, expected outcomes, and integration with existing offerings must be fully disclosed and discussed with industry to enable industry to support government effectively. Earlier, broader, and deeper engagement would also help industry better inform government thinking and thereby accelerate speed to market of more innovative solutions. We urge OSSPI and the QSMOs to engage more proactively with industry in creating the marketplace and in rapid requirements development processes to accelerate completion of standards for shared solutions. We further recommend that OSSPI establish and

⁴ The eight Strategy 3 “existing services” are: Security Operations Center (SOC) as a Service provided by the Department of Justice; Enterprise Infrastructure Solutions, Electronic Records Management, Fleet, SmartPay (purchase card) provided by GSA; and Federal Disbursing, Electronic Payments and Centralized Receivables provided by the Department of the Treasury.

⁵ GSA Smart Pay, Treasury Disbursement Services and Treasury Electronic Payments are at or near 100% utilization in CFO Act agencies, per September 2020 CAP Goal report.



publish a pipeline and timetable of pending agency migrations to shared service providers. This information is necessary to provide industry a sufficiently strong market signal to justify capital investments to bring new services to market.

- 9. Provide greater access to modernization investment funds.** The lack of modernization investment funding for shared services and other IT investments is a persistent barrier to implementation progress. The condition of the government’s IT infrastructure remains on the Government Accountability Office’s biennial list of high-risk areas impacting government performance.⁶ OMB and GSA should consider placing greater emphasis on using the Technology Modernization Fund (TMF) for shared services, a purpose explicitly authorized by the legislation that created the TMF⁷. We also recommend that OMB consider a series of recommendations proposed in an in-depth report published earlier this year by the IBM Center for the Business of Government and the Shared Services Leadership Coalition⁸.
- 10. Test and scale innovative technologies and business models through pilots and prototypes.** The use of pilots and prototypes can be an effective way of rapidly testing and scaling innovative new service offerings and business models. These projects can produce “quick wins,” build expertise and experience, and increase customer and stakeholder confidence throughout the government-industry ecosystem. Pilots are an under-utilized tool authorized under current law and the FAR and available for immediate use. The use of Other Transaction Agreements (OTAs) to initiate pilots could also be considered. We recommend that the government initiate and rapidly expand successful, time-bound prototypes and pilots to test public and private sector investment readiness for innovative solutions and business models (e.g., public-private partnerships) to increase capacity in the Federal marketplace.
- 11. Improve engagement with Congress in promoting shared services.** There appears to be growing interest in picking up the pace of government modernization, as evidenced by numerous articles and programs focused on how the coronavirus crisis has accelerated change, a series of articles published by the Brookings Institution championing “nuts and bolts repairs across the government,” and other election year calls for action from the good government community. Should these efforts gain traction in the next Congress, an opportunity may arise to engage Congress more proactively in promoting shared services. We recommend that Congressional outreach emphasize not only the immediate benefits to be realized in government efficiency and effectiveness, but also the critical synergistic role shared services could play in an overall modernization strategy, i.e., how shared services leverage IT modernization, data analytics, cyber security, re-skilling human capital from low value to high value work, and other modernization objectives.

⁶ *HIGH-RISK SERIES: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*; the Government Accountability Office, March 6, 2019 (Report Number GAO-19-157SP).

⁷ Modernizing Government Technology Act of 2017.

⁸ *Mobilizing Capital Investment to Modernize Government*, The IBM Center For The Business of Government and the Shared Services Leadership Coalition, 2020.



APPENDIX: SUMMARY OF GOVERNMENT EXECUTIVE PERSPECTIVES

This appendix to What Comes Next summarizes opinions gathered in focus groups from career government executives who are leading shared services implementation in their agencies about challenges and opportunities in government-wide implementation. The number of executives who participated did not represent a statistically significant sample, and not all participants agreed on every point, but all contributors have significant experience and hold important roles in and views about shared services implementation.

WHAT'S WORKING WELL

There appears to be a growing recognition throughout government that shared services are the way of the future, and acceptance of the needs to standardize and consolidate seems to be growing.

A Leading Indicator of Growing Acceptance

Cyber security was identified as an excellent example of shared services gaining acceptance due to its strong alignment with mission objectives for mitigating agency cyber security risks. “Shared services work really well where they are aligned with policy objectives,” a leader observed.

Standardization

The standards setting process, led by the Federal Integrated Business Framework (FIBF) Standards Leads, seems to be working well, particularly in financial management and payroll where similar work has been underway for over a decade and processes are mostly consistent across the government.


“Standardization makes sense where agencies have common needs that do not directly impact mission delivery,” one executive noted.

NewPay is considered a ‘win’ for standardization because “it’s easy to understand what it takes to establish and verify effective standards,” an executive noted. “Payroll is like a big, fancy calculator. Paycheck calculations are straightforward and easy to understand.”

Support for QSMOs

Government executives expressed a general (but not unanimous) consensus that the QSMO structure defined in OMB M-19-16 is a step in the right direction and an improvement over previous approaches, particularly in its promise of providing agencies greater choice of service providers. “Choice is huge,” one participant commented.

The QSMOs were seen by some as an important resource to agencies. “Identifying enterprise leadership in the QSMOs is brilliant,” one executive observed. “Having a single enterprise responsibility point, a



primary point of contact, a champion, with a small team responsible for messaging, bringing people together, and driving implementation forward is a great model.”

The risk mitigation value of QSMO acquired shared services was also recognized. “It’s much easier for a QSMO to capture changes required by legislation or regulation in government-wide requirements, rather than requiring agencies to track and implement them agency-by-agency,” an agency leader noted.

Some leaders see the QSMOs as a necessary extension of OMB and GSA, or as “OMB’s arms and legs,” as one leader put it. Several observed that agencies “don’t have the resources and skills to fully understand the problems they’re trying to solve.” Too often agencies tend to “pick a solution and a vendor and hope for the best without fully understanding their requirements,” one executive observed. “Having the QSMOs pre-select service providers who check all the boxes will mitigate implementation risks.”

Support for OSSPI and FIBF

The role played by GSA’s Office of Shared Solutions and Performance Improvement (OSSPI) was seen generally as valuable, and OSSPI guidance to agencies was seen as mostly useful. The FBIF, a work product of OSSPI, was viewed as an effective tool by those who have worked with it, though most had little or no experience with it.

“Internal” vs. Government-wide Shared Services

Several participants expressed appreciation for the flexibility granted to some large “federated” departments to proceed to modernize their own administrative environments through “internal” shared service consolidation without waiting for QSMO marketplace services to become available. “We need to get our own house in order so we know what we have and we can standardize it, measure it, and begin to optimize internally before outsourcing it,” one agency leader said.


WHAT CAN BE IMPROVED

Government executives were readily forthcoming in sharing their thoughts about how the current model could be improved to accelerate implementation and benefits realization. The issues below represent areas where minor changes or shifts in emphasis could lead to improved acceptance and results.

Governance Issues

Progress at the government-wide level is not moving rapidly because there is too much “process” and “heavy governance,” several participants observed. The governance structure is viewed by many as overly engineered and bureaucratic. The process for designating QSMOs has taken over a year for each of the first four QSMOs and seems like an obvious streamlining opportunity.

The roles and responsibilities of various governance entities, including the Shared Services Governance Board (SSGB), the Business Standards Council (BSC), the Senior Accountable Points of Contact (SAPOCs) and the QSMOs are not well understood and appear to be somewhat duplicative.



“The SSGB is top-heavy and gets into too much granularity,” one executive observed. “It needs to step back to a true governance level.”

Another noted, “The SSGB’s value is unclear. Its role should be clarified, and it should be empowered and resourced accordingly.”

Other leaders noted that SAPOC roles and responsibilities appear to be inconsistently defined across the government. “The SAPOCs need to have meaningful roles,” one executive suggested. “The challenge in [my department] is that the SAPOC is the CFO, but the CFO is not empowered over the CHCO or the CIO or [internal] agency heads. It needs to be higher, like the Chief Management Officer, if not the Deputy Secretary.”

Communication of Vision, Roadmap and Value Proposition

Several executives noted the absence of a clear vision of the future state and a roadmap for getting there. Some suggested that initiative leaders should emphasize the mission enhancement and cyber risk management value of shared services to gain greater understanding and acceptance. “When the QSMOs manage requirements for you and ensure that government-wide [legislative and regulatory] changes are automatically implemented for you, it greatly reduces complexity and agencies’ exposure to compliance risk. It enables agencies to let go of lots of problems.”


A Need for Carrots and Sticks

The current model seems to rely more on persuasion than coercion. Some were skeptical that shared services could ever reach critical adoption mass without a stronger push from the top. “Top-down mandates are necessary,” one executive observed. “When HHS created the Program Support Center, operating divisions had no choice; they were forced into it.” This produced a level of participation that would not have happened voluntarily but was necessary to scale.

Another agency leader observed, “The biggest obstacle we have faced is that there are many drivers for change we can point to from Federal directives and legislation (including Executive Order 13781: Comprehensive Plan for Reorganizing the Executive Branch to Improve the Efficiency, Effectiveness, and Accountability of Federal Agencies; Memorandum M-18-26, Shifting From Low-Value to High Value Work; Memorandum M-19-16, Centralizing Mission Support Capabilities for the Federal Government; and the Federal Information Technology Acquisition Reform Act (FITARA). However, none of these go far enough for us to dictate that agencies within the Department move to a shared services model. We were lucky to have [an Assistant Secretary] with ability to influence agency leadership, but there is no authoritative source to ensure they comply. Authoritative legislation or EO would be a necessary pre-cursor.”

Standards Setting Challenges

The standards setting process is perceived as overly complicated and time consuming. Setting cross-domain standards is particularly challenging in financial management. “There are lots of touchpoints across core financials and subsidiary systems -- this is where things get bogged down,” a senior financial management executive observed.



Another important issue is the need to ensure that agencies granted exceptions to stand up “internal” shared services before QSMO services are market ready design them to the same standards developed by FBIF Standards Leads so that they can readily migrate to QSMO marketplace services at their next modernization opportunity. Otherwise, agencies could become permanently hostage to agency-specific standards and non-standard service providers.

“I don’t believe this issue is being addressed,” noted a leader of an internal consolidation initiative.

Benefits Realization is Lagging

Benefits realization is a serious challenge. Too many investments are not producing returns or recognizing savings and cost avoidances. “Shadow staffs” identified for elimination in business cases seem to be growing, not going away. “Managers need to be accountable for savings,” one executive said. “They need firing authority.”

Inconsistent Support from OMB “Budget Side”

Some agency executives point to leadership and governance challenges at GSA and OMB. They perceive longstanding communication and policy integration issues between the “management side” offices and the Resource Management Offices (RMOs) on the “budget side” of OMB and believe the RMOs have been slow to embrace shared services and other management objectives.


Performance Measurement Challenges

Several executives observed that performance metrics should do a better job of measuring contributions of shared services to mission delivery, rather than merely counting inputs and outputs and measuring transactional efficiency and effectiveness. For example, speed to hire is an important measure of human capital management performance, but it does not reflect the level of talent or the value added by people who are actually hired.

Setting the right measures is also important in assessing the mission value of labor repurposed from lower value to higher value work. As administrative staff become freed up from transaction processing so that they may devote more time to higher value analytical or advisory roles, improved measures of effectiveness will be necessary to assess, for example, how much value a HR business partner contributes to a program office’s human capital plan, or how much strategic value an acquisition partner contributes to a program office’s acquisition plan.

Customer/Stakeholder Engagement and Transparency

A consistent theme of the focus groups was the need to improve engagement with customers and business partners throughout the shared services ecosystem. Top level policy makers at OMB and GSA need to improve their engagement and communications with QSMOs and customer agencies. QSMOs need better engagement with agencies; and government policy makers and implementers need to improve relationships with industry business partners. Improved transparency in sharing plans and communicating objectives and results is necessary throughout the ecosystem. More flexible and agile



customer engagement models are needed to dispel inherent lack of trust between and among customer agencies, QSMOs, service providers, government and industry.

One executive shared an anecdote from his agency's customer engagement efforts. "We thought we'd done a good job of gathering customer input, but in reality we'd only scratched the surface. The next iteration was customer engagement 'on steroids,' and we got a lot more support at the top."

Agency Leadership Commitment and Accountability

Agency leaders need to exhibit a stronger level of commitment to shared services, several executives observed. Shared services "requires obvious, massive, continuous support at the top of every organization involved," an executive said. "Leaders need to communicate about it openly, frequently, and publicly. They need to carry the flag, make it part of their daily conversation so people know they own it."

One agency leader offered an example of the kind of leadership commitment that is necessary for successful shared services implementation. A key ingredient in [department's] successful migration of financial management functions to Treasury/Administrative Resource Center (ARC) was the high level of engagement and trust exhibited in a three-way partnership among the Deputy Secretary, the Fiscal Assistant Secretary of the Treasury, and the Controller of OMB.

Several leaders noted the importance of two-way communication and accountability: customers and providers, both government and industry, must be accountable to each other.


One executive noted that greater rigor and consistency in individual performance evaluations would force implementing agencies to take shared services more seriously.

Another executive noted the power of financial incentives in service contracts. "Performance should be outcome based with very specific targets and money at risk. Risk drives positive behavior."

Skepticism and Mixed Experiences

Some agency leaders continue to view government-wide shared services skeptically. "The business model for shared services is wrong," one executive suggested. "Shared service providers don't deliver value, they operate a process for you. Their focus is on throughput of transactions, not end results. Take payroll, for example. We have four providers, but no real competition. Government entities are not customer centric. They need innovative leadership to change the culture and shift from a transaction focus to a customer results focus."

Not all agency leaders are sold on the QSMO model. Some see the QSMOs as more concerned with process than results. One executive described how a QSMO inserted itself into the requirements review process for an agency acquisition action, slowing down the agency's progress. The point was not that the QSMO did not have a legitimate interest in reviewing the action in question, but that the level of detail it required was greater than necessary and produced unnecessary delays.



Several executives noted that the QSMO model needs to be “de-politicized.” The belief is that political appointees involved in QSMO stand-up may not make shared services a priority because the payoff is too long term.

Impacts on Federal Shared Service Providers

Some executives noted that the slow stand up of the QSMOs has placed a significant burden on the Federal Shared Service Providers (FSSPs) by casting their futures in doubt and requiring that they defer modernization investments necessary to improve service to existing customers.

Funding Challenges

The challenge of obtaining investment funding was identified as a significant issue for agencies, QSMOs and providers. “There is no effective funding model for shared services,” one executive noted.


“Everybody has to get funding on their own – beg, borrow or steal, whatever it takes.”

“There is no standard funding approach for QSMOs,” another observed. “This is an area where OMB needs to weigh in and level the playing field.”

NEW HIGH LEVERAGE ACTIONS

Finally, agency leaders were asked what major changes they might propose to significantly accelerate progress and benefits realization.

- 1. Set stronger performance objectives tied to funding.** “OMB should set high level goals and clear expectations,” one executive suggested. “If agencies hit them, they should get budget protection so their funding would continue to roll in. This would send a strong message to agency leaders that they could count on OMB’s support from year to year.”
- 2. Reduce the number of functions and test before implementing.** Another leader suggested the government may be trying to manage too much change at one time. “Narrow the playing field,” this leader suggested. “Right now, every back office function is a candidate for shared services. They’re trying to manage more change than the system can tolerate. Start with a proof of concept for each function before rolling it out government-wide.”
- 3. Improve staffing and skill levels.** Several believe the government needs a major human capital infusion to competently manage the degree of change envisioned. “Shared services is a great concept, but it’s hard to execute,” an executive observed. “We need best in class skill levels throughout the ecosystem,” this leader observed, “and we’re a long way from there. If the government isn’t staffed with the right skills, we’re doomed to failure.”
- 4. Provide agencies more technical assistance from QSMOs.** Another suggestion was that the QSMOs could provide agencies more help with change management, communications, and data analysis to



build improved performance metrics and SLAs. “Sometimes it feels like we’re on our own,” an executive observed. “Getting more support from the QSMOs would be very helpful.”

- 5. Improve communication with Congress and leverage legislation.** Several executives noted the power of legislation to drive government transformation. “Some agencies do nothing unless it becomes law,” an agency leader noted. “Legislation with performance goals, funding and a realistic timeline could really get things moving.” One agency leader noted how the GREAT Act is leveraging the power of legislation to drive grants shared services forward through standardization of data, as required by the Act. “This is a huge effort,” this leader noted, “and it never received much attention until recently, and it all started with legislating data standards.” As part of a more proactive legislative strategy, leaders emphasized the importance of improving communication with Congress to enhance awareness, understanding and support for shared services.
- 6. Acquisition reform and innovative business models.** Acquisition reform or exceptions allowing greater experimentation in acquisition approaches and business models need to be more readily available to encourage industry investment and innovation. “NASA has been granted flexibilities to do innovative things,” one executive noted. “Why shouldn’t the rest of government get similar flexibilities?” Public-private partnerships to leverage technology innovation and the financial power of private sector were encouraged.
- 7. Leverage IT modernization for shared services and cyber security objectives.** Several executives noted that shared services face similar funding challenges to other IT modernization initiatives. They suggested tying shared services into funding requests through the Technology Modernization Fund and other sources as a strategy for modernization and mitigation of cyber security vulnerabilities.
- 8. Leverage the individual performance accountability system.** One executive suggested that OMB issue performance objectives for agency leaders to be captured and tracked in the annual performance plans of key agency leaders, including CFOs and CIO. “This worked really well at [my agency],” the leader explained. “We had a history of too much work getting crammed into the fourth quarter, so we established a performance objective to spread work out more evenly throughout the year – and it worked!”

**Mission Statement:**

The Shared Services Leadership Coalition advocates that the Federal Government accelerate implementation of modernized shared service business models to reduce costs and improve performance of common administrative and mission related functions on behalf of the public interest in competent, cost-effective 21st Century government.

Goal Statement:

The Shared Services Leadership Coalition's goal is to promote and facilitate government action to accelerate progress in "good government" shared services initiatives with the potential to realize annual savings of over \$50 Billion in government administrative costs and substantial improvements in services, employee morale and government mission performance.

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