



Shared Services Myth Busting

August 2024



Sixteen Common Myths – Busted!

#	Myth	Common False Narrative	Reality
1	Shared services is the same as centralization.	<i>“Our prior experience in centralizing IT was terrible. Not only did we give up our people and budget, but we then had to rehire new staff.”</i>	Partially true -- shared services consolidate standardized transactional activities from multiple customers into a centralized, independent service delivery organization, but customers retain staff to oversee service delivery and perform higher level policy and managerial roles. Services are delivered through defined service level agreements and key performance indicators which give retained staff far greater power than other centralized delivery models.
2	Service quality and customer satisfaction will decline.	<i>“If we rely on a shared service center (SSC) or another agency to provide financial systems to us, how do we know that we will be a priority to them?”</i>	SSCs are engaged thru service level agreements with key performance indicators that have “teeth” and put customers in charge, and often have customer boards to keep them honest. SSCs are incented to continuously modernize and improve services to customers. Service quality and cost-effectiveness improve when delivered by well managed, customer-driven SSCs.
3	Shared services is bad for the workforce.	<i>“Our employees will lose their jobs or be moved into service centers in boring jobs with limited career potential.”</i>	Shared services can produce significant cost savings without threatening jobs. Savings can be realized by shifting resources from transactional work to direct mission delivery, and employees can be retrained for better jobs and more attractive careers opportunities in the public and private sectors.
4	Shared services can’t address unique agency needs.	<i>“Shared Services uses a ‘one size fits all’ model. Our agency has unique needs that must be met to effectively carry out our mission.”</i>	Almost all agencies believe they are “unique” and use this canard to resist shared services. The reality is that about 80% of the work in common services can be standardized and delivered thru shared services. The remaining 20% can be configured to meet truly unique agency needs.



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5	Shared services is a false bargain: agencies give up more than they gain in return.	<i>“Shared services is ‘no-win’ in the areas that count most for agencies. They lose their investments in technology, people, data and ultimately their autonomy.”</i>	Shared services shift basic transactional activities that can be standardized and scaled to SSCs, leaving higher-level strategy and policy related activities to customer agencies. Duplicative transactional processes and platforms are eliminated, but data remain “owned” by agencies. Employees can be re-skilled and reassigned to under-resourced missions, and agency leaders are better able to focus on mission delivery and outcomes. Shared services is a “win-win.”
6	Investment funds are not available for shared services because they can’t produce a positive ROI.	<i>“Seeking funds for shared services investments is an exercise in futility. OMB, appropriators and the TMF expect a positive ROI. The business case is impossible to make.”</i>	The TMF legislation and implementing regulations have identified shared services as eligible for investment funding. Making a business case with positive ROI is challenging but not impossible. Properly implemented shared services can yield significant savings over a reasonable payback period of five years or more. SSLC has published a “playbook” to help government leaders develop winning business cases for modernization investments. It reflects industry and government best practices and guides the reader through a step-by-step process. The playbook can be accessed here: Shared Services Now
7	Some agencies can deliver services more cost-effectively than SSCs.	<i>“We conducted a ‘make or buy’ study. Our costs are much lower if we provide the service” and/or “Costs may start out lower, but prices will increase sharply over time.”</i>	SSCs produce efficiencies by leveraging economies of scale and skill. It’s extremely unlikely that any common service could be delivered more cost-effectively by a single self-servicing agency than by an SSC. Well managed SSCs can actually <u>reduce</u> costs to their customers over time by leveraging scale. The NASA Shared Services Center saved over \$200 Million in its first ten years; OPM has reported \$1.6 Billion saved from government-wide payroll shared services.



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8	Shared services can create anti-deficiency act violations	<i>“Congress funds and expects our agency to perform this work; sending it to an SSC would violate the Anti-deficiency Act.”</i>	The Anti-Deficiency Act prohibits Federal employees from making or authorizing expenditures from, or creating or authorizing obligations under, any appropriation or fund in excess of the amount available in the appropriation or fund, or to pay for services before funds have been appropriated for a particular purpose, unless otherwise allowed by law. The Economy Act of 1932 explicitly authorizes interagency transactions where one agency performs work for another agency under a reimbursable agreement.
9	Use of shared services complicates integration with internal agency systems.	<i>“Integration of all of our services and data will be harder if we don't keep it all under our own umbrella.”</i>	With modern systems and application programming interfaces (APIs), data are easily and securely captured, integrated with other data streams and systems, and transmitted across organizational boundaries. For example, integrating data from internal procurement systems and external financial systems is very straightforward in today's environment. Unfortunately, many agency systems are not effectively integrated even when they are all located in-house. SSC systems are required to have mature interface capabilities for reporting to oversight agencies, so they typically accommodate integration readily.
10	Shared services shift too much responsibility to shared service centers.	<i>“Shared Services allows us to get completely out of a line of business. We are no longer responsible.”</i>	Well managed shared services divide and define responsibilities clearly and appropriately between providers and customers. Customers retain responsibility for establishing effective service level agreements with key performance indicators in enforceable agreements and tracking and holding SSCs accountable for their performance. There is no abdication of responsibility. Customers continue to own their business processes and drive SSC performance through SLAs.



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11	Shared services equals outsourcing and offshoring	<i>“Sure, shared services save money -- by outsourcing jobs to the private sector and countries with lower labor costs.”</i>	Offshoring for labor arbitrage is a non-starter for government operations; however, establishing operations centers in low-cost geographical areas of the US is often viewed favorably as rural economic development. An important benefit of shared services, similar to outsourcing, is that handing off transactional operations to SSCs allows government leaders to focus on core mission delivery, provides greater access to innovation in real time through SSC’s continuous innovation, provides greater ability to measure outcomes and improves accountability for mission and mission support delivery.
12	Shared service centers don’t care about their customers’ missions.	<i>“An SSC will never have the same dedication and accountability to our agency’s mission that our own employees have.”</i>	A well managed SSC has one mission: delivering services to its customers as efficiently and cost-effectively as possible, thereby freeing up customers to focus attention and resources more fully on mission delivery. In this way, SSCs directly enable improved mission performance. Customers can “vote with their feet” and switch providers if services are unacceptable. It’s often harder to deal with poor performance by in-house, mandated service providers.
13	Shared services do not produce benefits from “consistency” gains.”	<i>“Shared services are over-sold on false promises of ‘improved consistency’ across the government. Agencies already do most things in the same ways.”</i>	Most agencies that provide common services internally do not provide them in the same way other self-serving agencies perform them. Standardization of processes and data are the “secret sauce” of shared services. Without shared services, cross-government data and analytics to measure performance would be nearly impossible.



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14	Any activity can be moved into a shared services center.	<i>“Let’s move all of HR or finance from our bureau to the shared services center.”</i>	Only activities that are common to multiple customer agencies and can be standardized for at least 80% of the work can become shared services. Today’s government SSCs do not offer full “turnkey” or “business process outsourcing” shared services as common in the private sector, but fuller menus of services could become available in the future.
15	Shared services have a beginning and an ending.	<i>“When implementation is complete, our work is done.”</i>	In well managed SSCs, shared services is a never-ending journey of continuous modernization and performance improvement. Government SSCs have lacked access to modernization funding, and many have gotten stuck in antiquated technology and declining performance levels. Part of the solution for government SSCs will be access to investment capital to enable continuous modernization.
16	Shared services transformation is a high-risk modernization strategy.	<i>“My agency’s FM shared services modernization was an embarrassing failure. It’s too high risk to try again.”</i>	Technology modernization is a risky proposition, and the government has experienced more than its share of modernization failures; however, the risks have nothing to do with the shared services business model, per se. Most modernization failures are the result of common management shortcomings that can happen in any modernization project, e.g., ineffective project management; inadequate change management; misunderstandings between implementers and end users regarding requirements and performance expectations; etc. The government needs to raise its game in managing all flavors of modernization. A case study of a highly visible failure is discussed on the following slide.



Case Study of Modernization Failure Department of Homeland Security “Trio” (2017)

- The DHS TRIO project was an effort to address long-standing financial management deficiencies by migrating three DHS components -- U.S. Coast Guard (Coast Guard), Transportation Security Administration (TSA), and Domestic Nuclear Detection Office (DNDO) – to the Department of the Interior’s Business Center (IBC).
- This modernization approach was driven by OMB Management Memorandum M-13-08 (rescinded in 2019) directing agencies wishing to modernize their FM services to migrate to a government shared service center such as IBC.
- The project was abandoned after three years of effort due to cost and schedule overruns that causing the cost of the project to increase from the original estimate of \$79 Million to \$124 Million.
- Some critics have falsely described the project as a shared services failure. In a series of reports and a Congressional hearing, GAO identified the root causes as failures to follow best practices for alternatives analysis and risk management; fragmented and poorly coordinated project management; highly complex and changing requirements; inadequate and inexperienced resources and high staff turn-over; inadequate and ineffective change management and communications; and poorly estimated and tracked costs and schedules.
- GAO’s findings are common causes of government technology modernization failures, are not particular to shared services and should not be viewed as invalidating shared service business models.
- The lack of skill and experience in managing large scale technology modernizations is a systemic risk factor throughout the Federal environment and a primary reason why government would be smart to leverage industry more effectively in shared services transformation and delivery.