



Understanding the Business of Shared Services



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What is Shared Services?

- What is Shared Services?
 - A business model for delivering support services
 - » Centralization is not shared services
 - » Consolidation is not shared services
- How shared services differs from other business models
 - Cost is transparent
 - Service is transparent
 - A disciplined approach to delivering support services
 - Structured management of customer interactions
 - Sustained and systematic focus on customer service
 - Entrepreneurial approach to solving problems and leveraging opportunities
 - Fee-for-service drives a balance between service and cost
 - Business intelligence and data-driven decisions



Why Shared Services?

- Support costs reduced by 20-30%
 - Consolidation of services into a single efficient organization reduces duplication of overhead functions
 - Shared services core tenets lead to more efficient service at significantly lower cost
- Improved services
 - Crosscutting infrastructure, such as the NSSC Customer Contact Center, Customer Service Website, Document Imaging, and Service Recovery Plan, add structure and consistency to service delivery
- Leveraged buying
 - For example, Enterprise License Management provided cost avoidance of \$2.56M in year one
- Improved processes
 - The NSSC redirected \$4.3M by using purchase cards in lieu of purchase orders to pay for external training



Why Shared Services? (continued)

- Standardization
 - Consistent interpretation and application of policy ensures equity, and standardization makes it easier to improve processes, fix problems, and infuse technology
- Better use of technology
 - High-volume makes it easier to identify and prioritize system changes; consolidating work and standardizing processes make it easier to architect and implement technology solutions
- Full cost-of-service delivery is captured
 - A well-documented chargeback model with defined business rules to capture and identify major cost drivers



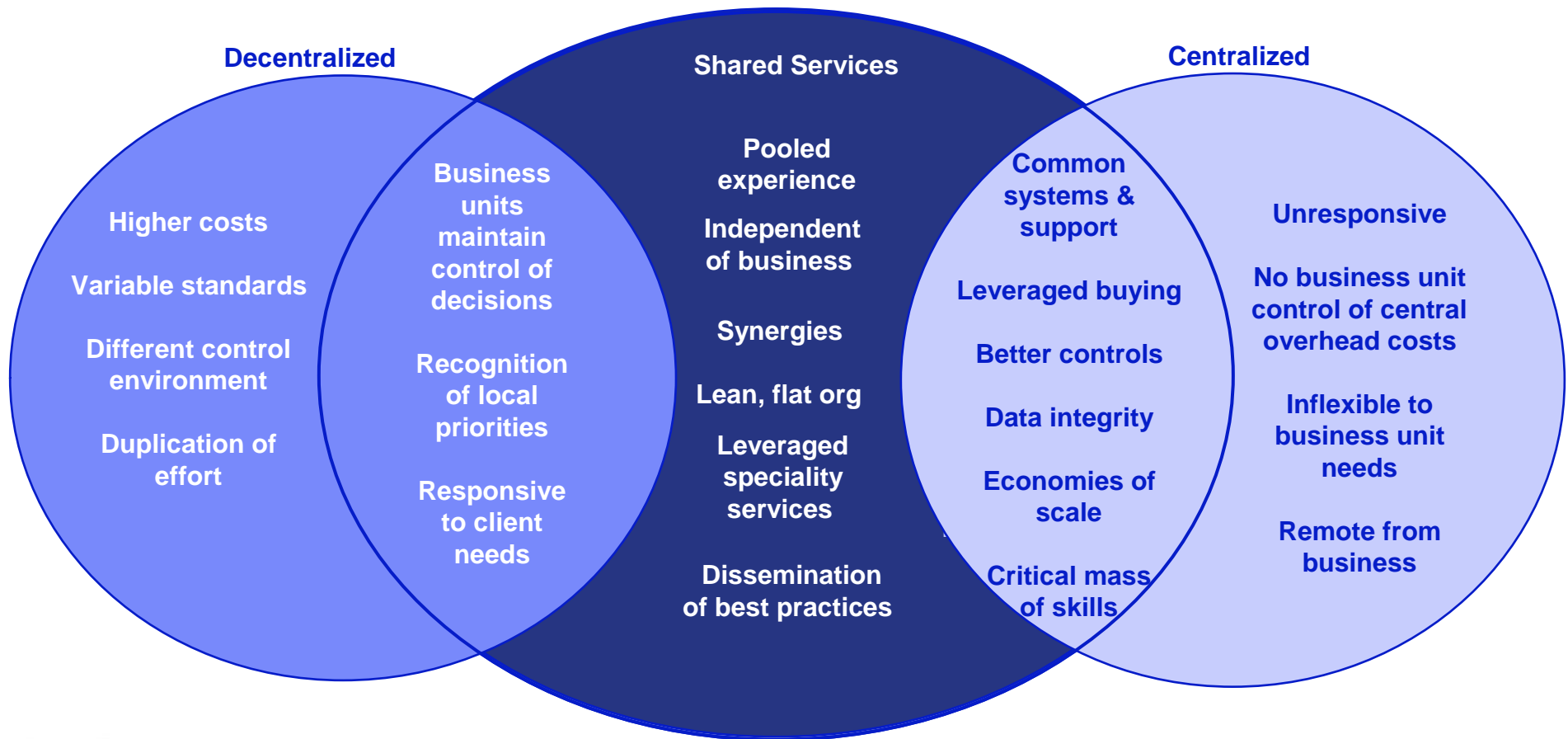
Why Shared Services? (continued)

- Core business processes are well documented
 - Use of Service Delivery Guides, Service Level Agreements (SLAs), and Services Catalogs
- Data integrity and consistency
 - SLA managed and performance monitored with metrics captured in a Business Intelligence Data Mart
- Balance of policy, process, service, and cost
 - Results in managed demand that changes consumption patterns and evaluation of the financial impact of policy and process decisions



The Advantages Of Shared Services

Shared services leverages positive qualities of both centralized and decentralized organizations to deliver value to business partners.





Shared Services Core Tenets

- Formal Governance Structure
 - Customer advisory and oversight groups etc.
- Structured Management of Customer Interactions
 - A Customer Contact Center
- A Pricing Model and Chargeback Mechanism
 - Fee-for-service or reimbursable services arrangement with SSO clients or the SSO is a working capital fund entity
- Business Intelligence Infrastructure
 - A central repository for data from source business systems and a reporting and querying tool for monitoring and reporting performance and customer utilization



Shared Services Core Tenets (continued)

- Structured Customer Feedback Program
 - Event-driven customer survey program, broad-based customer survey program, and/or customer focus group program for regularly collecting customer feedback
- Web Interface
 - Customer Service Web, customer portal, etc., that is the primary source of customer information and services on the Web
- Service Level Indicators (SLIs) and Service Level Agreements (SLAs)
 - SLIs are the published service levels documenting the customers' requirements and expectations for the service
 - SLAs are the formal agreements between customers and the shared services organization documenting costs per transaction, service levels, dispute resolution, etc.



Shared Services Core Tenets (continued)

- Transparency in Performance and Cost
 - Regular performance and utilization reporting to serviced organizations
 - Mechanism for sharing cost per transaction, operating costs, and other financial information with customers
- Paperless Processing
 - Electronic document management system for digitizing paper documents, routing, indexing, and archiving electronic documents
- Enterprise Resource Planning System for Core Business Functions
 - Standard, Agency-wide systems for core shared services functions (i.e., Oracle, SAP)



Shared Services Core Tenets (continued)

- Management of Capital Investments
 - Formal process and approval mechanism for capital investments above a certain threshold
- Cost Containment Strategy
 - A strategy or plan for reducing costs with cost targets and milestones
- A Formal Continuous Improvement Methodology
 - Lean, Six Sigma, Lean Six, etc.
- Activity-Based Costing
 - A mechanism and tool for determining per transaction costs
- Quality Control/Quality Assurance Program for Core Activities



Shared Services Portfolio Criteria

- Is the activity high-volume?
- Is the activity high-touch?
- Can you make cost-effective use of technology to improve services and/or costs?
 - For example, cloud computing, Web self-service, etc?
- Can the service be provided from a remote location?
- Can you standardize the processes associated with the service?
- Can you clearly delineate the scope of the activity?



Shared Services Portfolio Criteria (continued)

- Are strong analytical skills required to perform the work?
- Are required skills so highly specialized that they will be hard to attract in sufficient quantity?
- Is the work so closely integrated with the mission that it should remain with the business unit?
- Can you capture a cost and service baseline for the activity?
- Is utilization or consumption of the service stable and predictable?
- Does the expected savings for the activity warrant incurring the costs of transition?



What is a Balanced Scorecard?

A management tool that provides stakeholders with a measure of how the organization is progressing towards the achievement of its established goals

- The Balanced Scorecard:
 - Balances financial and non-financial measures
 - Balances short- and long-term measures
 - Balances performance drivers with outcome measures
 - Should contain just enough data to give a complete picture of organizational performance...and no more!
 - Leads to strategic focus and organizational alignment



Decision to Use Balanced Scorecard

- Considerations: simple...usable...living document
 - Build the scorecard
 - Implement the scorecard
 - Evaluate progress
- Mindset
 - In it for the long-term
 - » Changing behavior is as important as measuring performance
 - Not a project - part of a journey
 - Keep it simple
 - » This isn't rocket science
- Balanced Scorecard versus Strategic Planning Document
 - Strategic Planning Documents are passive
 - Balanced Scorecard is a living document



Expand and Apply Industry Knowledge

- Stay abreast of Shared Services Trends, Developments, and Practices
 - Corporate Executive Board (CEB): <http://www.executiveboard.com>
 - The Shared Services & Outsourcing Network (SSON), a division of the International Quality and Productivity Center: <http://www.sharedservicesnetwork.com>
 - American Society for Quality: <http://www.asq.com>
 - Benchmarking Opportunities
 - Customer Interaction
- Apply learning to benefit the NSSC



Customer-Focused, Service-Oriented, and Data-Driven

- Make it easy to do business with the NSSC
- Customer-focused service and recovery
 - High-quality
 - Pro-active
 - Responsive
 - Cost-effective
- The NSSC is a customer, too
 - Processes and systems must support the NSSC
- Communicate and cooperate across functions
- Appropriate attentiveness to performance, quality, cost, and customer satisfaction measures
- Conduct continual process improvement
- Transition residual activities where it makes sense



Customer-Focused, Service-Oriented, and Data-Driven (continued)

- Obtain new business
 - Underpinned by a complete, detailed business case
 - Full understanding and acceptance of costs
- Make data-driven decisions
- Balance long-term planning and short-term actions so both are accomplished
- Build knowledgeable, skilled workforce
- Address performance problems
- Leverage technology
- Recognize signs of failing operations



NSSC Financial Strengths

- Makes sound business decisions, based on budget and cost containment
- Leadership knowledge of:
 - A Working Capital Fund and operating considerations in that environment
 - Chargeback process
 - » Utilization
 - » Chargebacks
 - » Billing
- Understanding of factors driving rates and how to capitalize on that knowledge
- Balances in-sourcing and out-sourcing
- Conducts benchmarking to drive down rates



Summary

- Producing the results that provide quality service at the lowest possible cost is essential to the success of the NSSC and the Agency
- To convince the Agency that shared services is a valid cross-cutting business initiative, we must:
 - Demonstrate our understanding of and commitment to the shared services model
 - Adopt institutional practices that distinguish the NSSC from traditional support organizations
 - Embrace adopting the best shared services developments, trends, and practices and apply them in a Government setting

