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.*

Decentralized
- Higher costs
- Variable standards
- Different control environment
- Duplication of effort

Shared Services
- Pooled experience
- Independent of business
- Synergies
- Lean, flat org
- Leveraged speciality services
- Dissemination of best practices

Centralized
- Unresponsive
- No business unit control of central overhead costs
- Inflexible to business unit needs
- Remote from business

Centralized
- Common systems & support
- Leveraged buying
- Better controls
- Data integrity
- Economies of scale
- Critical mass of skills
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.shareservicesnetwork.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.