



# Understanding the Business of Shared Services



# Table of Contents

- Overview
- What is Shared Services?
- Why Did NASA Choose the Shared Services Model?
- The Advantages of Shared Services
- Shared Services Core Tenets
- Shared Services Portfolio Criteria
- What is a Balanced Scorecard?
- Decision to Use Balanced Scorecard
- Expand and Apply Industry Knowledge
- Customer Focused
- NSSC Financial Strengths
- Summary



# 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



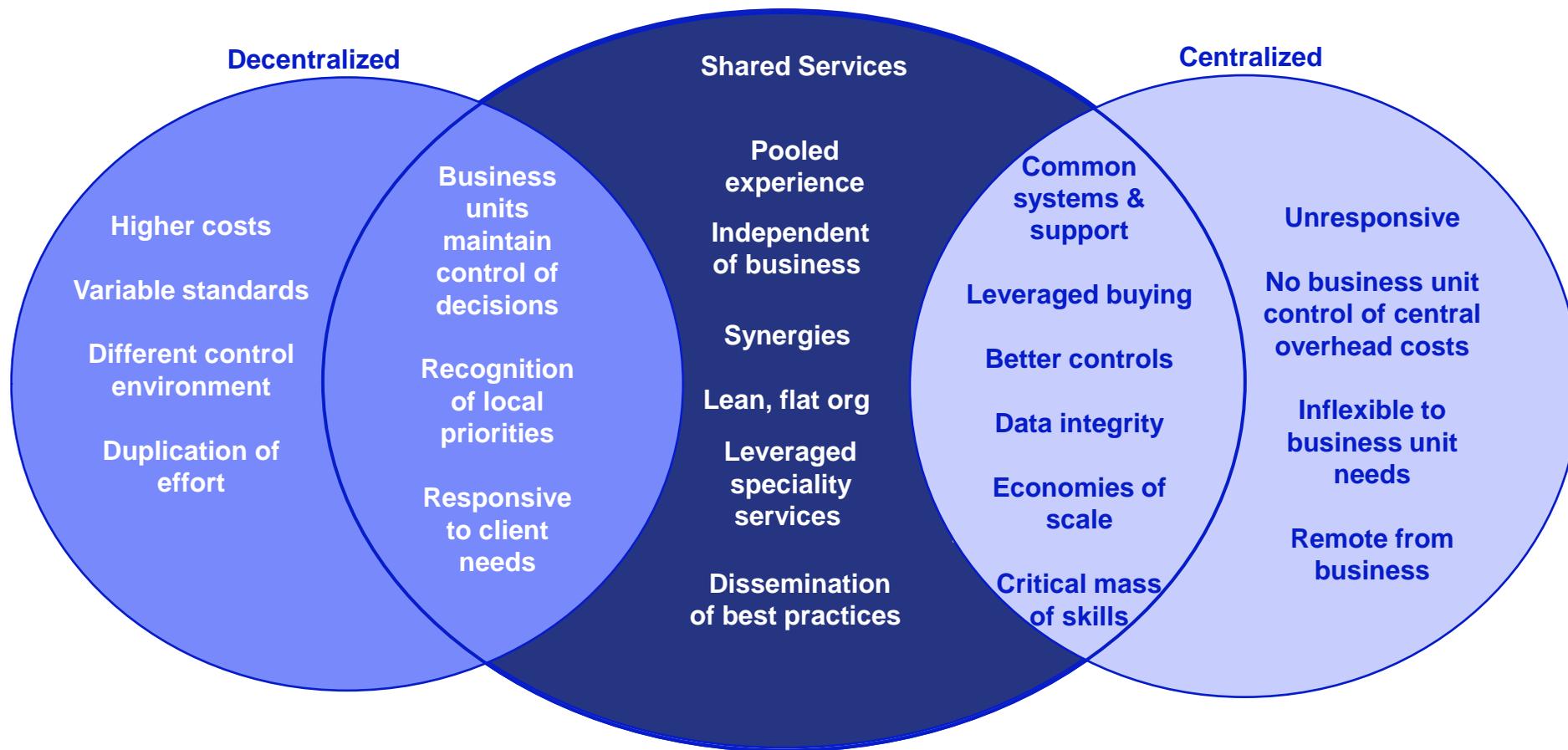
## Why Shared Services? (continued)

- 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, board of directors, 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

