Learning the lessons: lessons from shared services initiatives

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I am very pleased to welcome you to the first edition in a new series of periodic bulletins from the Programmes and Projects team of the Office of Government Commerce.

Initially we will be concentrating on publishing a series of lessons learned reports in response to a number of requests from our stakeholders. This also supports our continuing efforts to maximise our impact on improving the delivery confidence of projects across government.

The focus of this first edition is on lessons from delivering **Shared Services** initiatives. This isn't intended to be the final word on the subject, but I hope it will provoke discussion and cross-learning on these challenging projects.

We would like these Bulletins to be demand-led. Stakeholders are therefore invited to suggest suitable topics to help us to prioritise our efforts. We would also welcome feedback on the format of the Bulletin.

Jonathan Simcock, Executive Director, Major Projects

Background to Shared Services Initiatives

A shared services approach to the delivery of core corporate services is increasingly being adopted by many of the larger government departments. The opportunity for more effective sharing of services within and between public sector organisations was a key theme in the Gershon Review published in July 2004, and was developed further in the Cabinet Office *Transformational Government Strategy*, which described the business case for shared services as compelling, based on:

- Economies of scale and delivering financial savings for release into frontline services;

- Improved service delivery through streamlining of services;

- Better sharing of information across functional and organisational boundaries;

- Aggregation of buying power for the purchase of leading edge solutions;

- Greater opportunities for staff specialisation; and

- Offering a framework for continuous improvement and process innovation.

OGC have undertaken in the region of 21 Gateway Reviews to date on Shared Services programmes and projects. The scope of the programmes and projects typically includes an integrated solution for a range of corporate services; covering HR, finance and payroll, estates, IT and procurement. The main lessons which emerge from these Reviews are summarised below under *Emerging Themes*.

Emerging Themes: Key Lessons

Lesson 1 - Develop a sound business case to support the decision and keep this under regular review.

This should be based on a rigorous prior analysis of the business process and consultation with the key stakeholders, consider all delivery options (including the purchasing of services from an established external provider); agree scope of services; pace of implementation; and location of the Shared Services Centre.

Make a realistic assessment of all associated costs and benefits for each option and set realistic improvement targets for benefits. The aim should be to increase the performance of lower performing units while maintaining high/upper quartile performance where it already exists. Ensure regular VFM reviews are built into the plans during the development, implementation and operational phases.

Lesson 2 - Develop a realistic Benefits Realisation Plan with unequivocal buy-in from the stakeholders.

Shared Services initiatives typically realise benefits from improvement in functional integration, streamlining of business processes based on best practice, and economies of scale from adopting common solutions. Business processes need to be re-designed to maximise the benefits. Compromises are needed to achieve these benefits – inevitably there will be a loss of flexibility to tailor solutions to each organisation's precise needs.

The apportionment of costs and benefits need to be agreed – these need to be set at a **realistic** level and owned at the appropriate level. In a number of the cases reviewed, it was not possible to standardise services and achieve savings on the scale planned.

Anticipated savings from staff reductions were often difficult to release on the scale anticipated, thus resulting in erosion of confidence from stakeholders.

Lesson 3: Ensure the organisation has the capacity, capability and resources to deliver the Shared Services Solution. Time-scales also need to be realistic.

A Resource Plan should be developed from the outset to identify what resources are needed and when they are needed to implement the migration at the same time as maintaining current services. The plan should be regularly reviewed. Time-scales need to be realistic, with suitable provision for contingency. As one Review Team noted 'We are concerned that the pressure to meet time-scales and limited resources available had stretched those involved, and there was some evidence that this pressure reduced the quality of outputs'.

It will often be necessary to release key people from areas of the business quickly to participate in the work-streams identified (as well as secure suitable experienced external advisers). The Resource Plan should allow for this. Where new resource are brought into the project, ensure they are brought up to speed quickly by clear project vision and value statements, universal induction process, and facilitated team-building exercises.

Lesson 4 – Ensure stakeholder buy-in is obtained from the outset and sustained throughout the development and implementation of the Shared Services solution.

Ensure the key stakeholders are on board and are represented at the right level so that decisions can be made timely and effectively. A common understanding needs to be agreed of the vision for Shared Services initiatives, the nature of the change required to achieve the vision, and the approach that is being adopted. Practical examples of the benefits will help to build understanding and commitment from the stakeholders. Define roles and responsibilities clearly - ensure the Programme board vision aligns with that of the participating organisations. Translate stakeholder statements into real engagement through resource provision in order to avoid resourcing bottlenecks **(see lesson 3 above).**

Lesson 5 - Develop Service Level Agreements which are practical and realistic.

As Shared Services programmes and projects typically bring together different organisations or business units, there is added change and complexity to manage. It is important to produce and agree a **Memorandum of Understanding** governing the **Service Level Agreement,** commercial and exit arrangements of the participating organisations. This should include

clear criteria for judging the ongoing viability of the project. The Service Level Agreements should also make clear that any non-standard business processes required by business units will often cost more.

Lesson 6 - Develop sound Migration and Transition Plans – including data migration and cleansing.

Avoid big-bang implementation - transfer individual businesses to shared services incrementally to allow lessons to be learned from each transfer phase. Engage closely with prospective shared service centre users prior to migration and sustain such liaison for a reasonable period after migration to resolve system glitches, and to ensure sufficient buy-in by users of the shared services solution.

Where new systems are involved, data quality should be a priority. Poor quality data can affect the user experience, creates resistance to the new systems and delay their implementation. Provide adequate resources for data cleansing, migration planning and testing of data prior to service migration and provide realistic and timely staff training. Data retention policy also needs to be agreed between the business units.

Lesson 7 - Anticipate and manage staff sensitivities through effective communication.

Where headcount reductions are a driver for the project, HR risks need to be carefully managed. A major risk is loss of key staff. Experience shows that these risks can be mitigated by clear communication of what changes are being made, to whom, when they will take effect, and what impact they will have on staff. Involve the Trade Unions and other staff interest groups meaningfully and maintain sound communication. Ensure that clear, open, honest and complete messages are communicated.

Lesson 8 - Develop a Contingency Plan as part of the wider risk management strategy.

A contingency plan must be developed to ensure business continuity in each participating organisation in the event of delays or inability to develop a suitable shared services solution which meets the needs of all participating organisations.

Want to know more?

If you would like to find out more on the lessons from **Shared Services** or have suggestions for future subjects you would like us to report on then please contact the OGC Service Desk as shown at the end of this bulletin.

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