



BUILDING A SHARED SERVICES MARKETPLACE

RECOMMENDATIONS FOR A GOVERNMENT-WIDE APPROACH



BENEFITS OF SHARED SERVICES

- More resources available for investment in mission programs
- Greater effectiveness from higher quality support services
- Greater interagency collaboration on government-wide priorities
- Streamlined implementation of federal management mandates
- Long-term government-wide cost savings and cost avoidance
- Better performance data for federal operations

A VISION FOR IMPROVED SERVICE DELIVERY

To effectively achieve their core missions, federal agencies need to have the right people, a clear strategy and vision, and sufficient resources. But as budgets shrink and the scopes of missions expand, federal executives must find every opportunity to improve operational efficiency and reduce costs.

By sharing resources and services across common management and mission areas, otherwise known as “shared services,” federal agencies can leverage efficiencies of scale and improve the quality of their core operations by working within an entire department and, ideally, across departments. Recognizing the potential benefits to agencies and taxpayers, President Obama listed the strategic expansion of shared services as a cross-agency priority (CAP) goal in the fiscal 2015 federal budget.

As federal agencies turn to public and private shared service providers to assist them in finding talent and service solutions for common management functions such as human resources, information technology and financial management, they have encountered numerous barriers. To help address these barriers, the Partnership for Public Service created the Shared Services Roundtable, a consortium of industry, federal shared service providers and policy stakeholders with the mission of developing recommendations for establishing the policies, business standards and system architecture that would make up an effective and efficient shared services marketplace.

According to providers and customer agencies, many organizations are struggling to find high-quality, low-cost service options. **The lack of a centralized, transparent and competitive shared services marketplace has greatly impeded the ability of federal agencies to assess providers based on past performance, drive competitive pricing and ensure compatibility with current systems.** Similarly, shared service providers have had difficulty highlighting cost-savings successes due to limited data transparency and the absence of standardized performance benchmarks.

DEFINING THE MARKETPLACE

Through the Shared Services Roundtable, we have concluded that agencies seeking to procure services need a centralized marketplace that will enable them to compare and contrast providers' available talent and expertise, cost savings and performance benefits. Currently, the lack of such a marketplace and the absence of centralized government-wide leadership has left agencies unclear about where to turn for accurate information, how to access options and how to make the transition to a shared services model.

To remedy this problem, we propose the creation of a government-wide governance model led by an interagency team and working with OMB to achieve success across a number of critical areas. This team needs the clear directive and resources to grow federal shared services, provide advice to agencies, mediate disputes and regulate the marketplace where agencies can assess available provider options and make informed choices. To make these choices readily accessible, an online searchable catalogue of providers by service area should be created and overseen by the shared services leader. This website would provide choices to agencies along with data and information to help them make decisions that fit their needs.

The shared services leadership team also should be responsible for crafting enterprise-wide guidelines that direct each line of business to follow standardized policies for key areas such as governance, funding methods and performance management. Currently, the definition, regulation and procurement processes for shared service providers vary greatly by the type of business, and this creates barriers to agencies attempting to migrate across multiple service areas.

CORE CONCEPTS OF THE SHARED SERVICES MARKETPLACE

In addition to government-wide coordination and common guidelines and standards, the shared services marketplace should be based on three core concepts:

- **Innovation:** Providers and customers should be encouraged to take managed risks and test alternative models for performance management, funding arrangements and other factors.
- **Scale:** There should be a focus on maximizing the economies of scale. To drive real cost savings, getting the largest agencies with the largest budgets to use shared services must be a priority. Even greater savings can be realized as services mature and support and mission resources are shared across agencies.
- **Competition:** There should be open and transparent competition to drive high-quality, diverse offerings among a mix of public and private providers.

THE BENEFITS OF EXPANDING SHARED SERVICES

The potential for reduced costs and improved quality will increase as federal shared services customers and providers embrace opportunities that go beyond a single business function such as payroll or human resources.

The Partnership for Public Service and Deloitte last year published "Helping Government Deliver," a report outlining how federal shared services are evolving from single-agency administrative services to multiagency mission support. Once an agency standardizes and consolidates management functions internally, it can partner with others receiving similar services. As more agencies procure the same type of services, providers' expenses often decrease and the cost savings can be passed on to agencies. And as agencies continue to invest in a specific service area, best practices are discovered and implemented by providers, further improving service quality.

Ultimately, the return on investment is not limited to administrative services. Agencies have overlapping mission interests where there is further potential for coordinated activities and shared resources, such as the sharing of data or mission-critical technical staff. **The expansion of federal shared services is ultimately part of the movement to better integrate and unify the efforts of federal agencies, bureaus and offices to achieve cross-cutting results that individual agencies cannot achieve independently.**

WHY NOW?

A number of factors have led to a heightened interest in adopting shared services.

Cross-agency priority (CAP) goals: The Office of Management and Budget (OMB) included a recommendation in the president's budget for increased adoption of shared services as a way to increase efficiency. An enterprise-wide shared services strategy is directly related to achieving other CAP goals, including benchmarking and improving mission-support operations, strategic sourcing, smarter information technology delivery and customer service.

Financial constraints: Continued budget reductions are bringing increased pressure on federal agencies to share resources. By being able to foresee specific anticipated budget cuts, agencies will have opportunities to plan ahead and develop proactive strategies to increase their management efficiency.

Mature technology: Technology has created opportunities to further consolidate service areas. For example, both the Federal Data Center Consolidation Initiative and the 2010 Cloud-First OMB mandate, driven by improvements in data architecture, have allowed agencies

to reduce information technology overhead while maintaining core support services.

Proven track record: The first service area that migrated to shared services, federal payroll, has reached a point of stability. With the improvements in process and integration that comes with more than 20 years of operation, the top payroll providers offer an excellent model for service area consolidation and illustrate the potential improvements in effectiveness and efficiency that exist across government.

While the climate is right for driving shared services across government, specific barriers still impede progress. The lack of multiyear funding options limits the resources agencies can commit to implementing shared services and investing in modernizing legacy systems. Agencies also lack the data to evaluate service quality improvements resulting from current shared service implementation, and the upfront cost of migrating to a shared services provider skews an agency's ability to demonstrate cost savings.

WHAT DO WE RECOMMEND?

Past efforts to strengthen shared services have taken a variety of forms, from ensuring agency compliance with efficiency mandates to creating detailed performance standards for specific lines of business. There has been consistent growth in the federal capacity for shared services as evidenced by the increasing number and maturity of federal shared service providers and in the differentiated service offerings now available to agencies. However, this growth has been incremental and has not led to an expansive adoption of shared services and resources across government.

The underlying challenge is that the current model has not created a consistent and competitive shared services marketplace. Individual solutions have been put forward within specific types of businesses, but a more enterprise-wide approach is needed to provide a strategy for implementing and accelerating the adoption of shared services across government.

The Partnership for Public Service seeks to increase federal agencies' use of shared services in order to drive more efficient and effective delivery of support and mission services across the federal enterprise. The recommendations listed below were identified by the Partnership's Shared Services Roundtable and will require participation and action by multiple players, including the OMB, the General Services Administration, Congress, federal shared service providers, customer federal agencies and the private sector. We have grouped these recommendations by the core marketplace concept that they best support. Taken as a whole, they will serve as the foundation for launching a government-wide shared services marketplace.

Who is responsible for leading the marketplace?

- Give authority and resources to a central federal leader to be responsible for driving, overseeing and supporting expansion of government-wide shared services. (OMB, Congress)
- Empower a third-party mediator to support implementation of agreements and to handle disputes. (OMB)

What information do agencies need in order to select high-quality providers in a competitive way?

- Conduct an assessment of current costs and performance of management activities to effectively estimate potential benefits of migrating to shared services, and to provide agencies with key metrics. (agencies, providers)
- Reduce the risk and barriers to agencies moving to shared services or changing providers by establishing interoperability standards for similar service areas. (OMB, providers)
- Adopt joint performance standards for providers and customers to ensure both parties are meeting their obligations for a successful migration to shared services. Additional metrics should be introduced as implementation progresses to move from measuring functionality and cost savings to demonstrating measurable effects on mission delivery. (OMB, agencies, providers)
- Create a centralized government-wide catalog or database of available shared services. (OMB, providers)

How do agencies procure and fund shared services?

- Introduce a consistent service acquisition model for public and private shared service providers, focusing on establishing similar processes for assessment, selection, procurement and evaluation. (OMB, agencies, providers)
- Establish a revolving fund authority with flexible mechanisms for agency transition and implementation. (OMB, Congress)
- Allow agencies to retain a portion of demonstrated cost savings to fund capital improvements and mission performance. (OMB, Congress)

Ultimately, agencies, providers and policy officials need to take joint accountability for ensuring the success of federal shared services. Just as a provider needs to offer timely, high-quality services, agencies need to ensure a smooth transition and engage actively with the provider to fully realize cost savings. As agencies struggle to assess their readiness for shared services and identify the "right provider," policy experts need to step in and provide appropriate guidance to ensure healthy and successful shared service implementation.



ABOUT THE SHARED SERVICES ROUNDTABLE

In 2013, the Partnership for Public Service established the Shared Services Roundtable, a community of private and federal stakeholders dedicated to improving the state of shared services in government and making recommendations for the development of an innovative, scalable and competitive shared services marketplace. Participants in the Roundtable meet monthly to draft policy recommendations, create implementation guidelines and propose best practices for establishing and managing a shared services marketplace.

PARTICIPATING ORGANIZATIONS

Federal Shared Services Providers

Interior Business Center
Department of Interior

Administrative Resources Center
Department of the Treasury

Enterprise Service Center
Federal Aviation Administration

Program Support Center
Department of Health and Human Services

Financial Services Center
Department of Veterans Affairs

Global Financial Services
Department of State

Human Resources Solutions
Office of Personnel Management

NASA Shared Services Center
National Aeronautics and Space Administration

Industry

Accenture Federal Services

Avaya

Booz Allen Hamilton

CACI

CGI Federal

CSC

Deloitte

Microsoft

Savantage

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Government Stakeholders

Office of Management and Budget

CXO Councils

General Services Administration

Office of Financial Innovation and Technology
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