

Five key steps to make shared services a success

Introduction

To govern is to serve. This is the strapline of a recent policy paper on the UK government's transformation strategy,¹ which aims to revolutionise how the government provides services. Yet, delivering on the promise of high quality public services has never been more challenging. Government departments have faced significant cuts to their budgets since 2010 in a bid to reduce the country's deficit. The 2017 Efficiency Review has now called for central government departments to make further reductions of between 3-6% from their budgets by 2020, in the hope of generating a total of £3.5bn in savings. At the same time, demand for public services is continuing to grow, driven by an ageing population and economic uncertainty.

As a result, there has been a growing push to find new efficiencies and solutions. In short, to achieve more with less. Using a shared

services model is one such solution. Under this system, back-office processes (such as HR, finance, payroll and procurement) are standardised so that they can be provided in a repeatable way and in high volumes by a dedicated team (the shared service centre).

This White Paper offers five key steps to ensure that a shared service programme is successful. This is based on Arvato's experience gained from numerous large-scale implementations in both the public and private sector in the UK and internationally.

A shared future

The basic idea is to have one centre that undertakes the back-office functions of multiple different departments. This increases efficiency and so has the potential to reduce costs. It can also free up time and resources allowing departments to focus on their core areas and therefore deliver a better standard of service. The process usually involves migrating numerous different entities onto a common IT system and operating platform.



"Containing costs will always be a key driver for shared services, but the focus has moved from filling holes in budgets to driving true operational excellence – and delivering best-in-class services both in-house and to the public at large."

David Thomas, Key Account Director,
Central Government, Arvato.

Challenges and key lessons

The rewards may be plentiful, but implementing a shared service centre comes with many challenges. Past projects have tended to stop short of truly transforming their organisations, lacking the standardisation of processes and technology required to deliver real value. Critically, many projects have suffered from a lack of acceptance

The benefits of a shared service model



Optimise resource management and reduce costs



Sharing back-office functions can potentially deliver hundreds of millions of pounds of savings a year in administration costs.



Add value to your core business



Freeing up resources allows departments to focus on higher value tasks, driving continuous improvement and a better level of service to the public.



Improve visibility, control and compliance



Standardised processes and technology enable a single, real-time view of operations, enhancing decision-making and tightening control over compliance to key processes, policies and procedures.



Boost employee satisfaction and retention rates



Streamlined processes offer a greater degree of automation and self-service. Employees can get the job done quicker and more effectively – making for a happier workforce and higher retention rates.

amongst stakeholders and an absence of central leadership willing to drive change. In order to operate effectively and add value, shared service centres need to generate economies of scale, which means they require multiple participants willing to join the platform.

So how can government harness the potential of shared services and reap the benefits so widely promised? The key is preparation. Migration to shared services is not an isolated project and the level of business transformation is often underestimated. The transition permeates the entire organisation with end-to-end implications for each and every business function. Without proper preparation, the journey is bound to be a bumpy one.

Five key steps to make shared services a success



Step 1 – Strategic buy-in across participants

At the core of a successful shared services implementation is a universal acceptance of the goals of a project by all participant organisations. This is no small ask. Transition to a shared services model may require a change of mindset and

most certainly a willingness to overcome political and organisational boundaries. Different stakeholders have different business objectives, and the leadership driving the transformation must have a clear understanding of the priorities of each participant and ensure they are taken into consideration.

Maintaining open channels of collaboration and communication is critical, but bringing participant organisations together in a cohesive way will require a strong singular vision that is fully understood and accepted by all stakeholders. This means communicating the benefits for each participant organisation – clearly and convincingly – but also selling the bigger picture beyond organisational boundaries.

Genuine strategic buy-in is required from the outset, and this engagement should be continuously monitored and promoted by a centralised leadership. This is the level of commitment needed for such a project to reach its potential, critically without losing any participant organisations along the way. Stakeholders need to feel that they are part of the journey, not watching from the side lines.

Step 2 – Single business case/single budget

A compelling business case will go a long way towards making this happen. Get it right and organisations will be proactive in joining the programme. An effective business case will lay out a convincing rationale for change, clearly evidencing the benefits for all stakeholders. Critically it needs to be realistic – not optimistic – in terms of costs and projected savings, drilling down into the detail of the strategic fit, affordability and achievability. It needs to be sensitive to the specific concerns of participant organisations. And it has to be up front about the cultural and

organisational impacts of change – and how these will be managed.

Lessons learned from similar shared service programmes are an important part of this, with best practice providing proof of concept. The successful resolution of past issue can offer valuable reassurance. Any cost/benefit analysis should include soft savings that are harder to measure, such as employee satisfaction. For example, taking repetitive, administrative tasks away from staff and allowing them to focus on high-value areas can make their jobs more interesting and rewarding. A recent survey by iGov, on behalf of Arvato, of UK public sector organisations showed that 78% of respondents either agreed or strongly agreed with the statement, "Staff time would be better focused on more business-critical tasks".²

Future benchmarking and performance tracking are also critical. A convincing business case will clearly outline the key success factors and how they will be measured. Essentially there should be no surprises – good or bad. This includes project timelines. Political priorities and external pressures can lead to unrealistic deadlines and a rush to push through the final critical stages of a migration, such as testing and training. An effective business case should successfully demonstrate the time needed for a smooth transition. Delivered convincingly, these factors should evoke a genuine will to change amongst stakeholders.

Step 3 – Early and significant investment in change programme

Even the most persuasive business case can fall at the first hurdle if change is not managed carefully and responsively. It is vital that organisations take a committed approach to change management, with

significant investment early on in the project. This goes beyond the technical aspects of the programme. All too often, organisations get bogged down in changes to their infrastructure and technology, neglecting the needs of the end users – their staff. The importance of early investment in employee training should not be underestimated. This can be off-putting at the outset of a project, where the immediate priority is on reducing costs, but experience shows that training is far more than a discretionary cost. Without it, staff will be less engaged, their job satisfaction will suffer, and ultimately they will struggle to provide the added operational value that shared services promise. This links back to the importance of a strong business case, which must clearly outline how investment in training will ensure greater efficiencies further down the line.

Continual communication

However compelling the business case, a strong communications plan is essential to keeping stakeholders committed and easing their transition to a shared services platform. Departmental staff may have concerns about how the project affects them. Will their roles be changing? Will people have to relocate? Will headcount be reduced? These concerns have to be allayed and answered. Change is often perceived as a threat, usually because of an absence of adequate information on a regular basis. Communications should be targeted to the particular stakeholder audience in terms of channel and message. The overriding aim is to keep everyone pulling in the same direction.

Step 4 – Standardisation of processes/platform

Complexity is a common pain point when it comes to considering technology and processes in a shared services migration.

The absence of a single operating platform and a failure to standardise processes will, in the best case scenario, cause delays and increase costs, and worst-case, end in the downfall of a project. Only with stable, streamlined back-office processes, running on a unified platform, can services be merged seamlessly and delivered in a consistent, repeatable way. The groundwork should be done early on to identify, map and standardise processes across participant organisations – and to select a software solution most suited to the business.

When focussing on functions such as HR, finance or procurement, it is vital that the standardisation work is done by experts, who can re-engineer processes where necessary to achieve the maximum efficiencies. It is also important to enforce strict limits on how much participants can change processes in an attempt to bend them to existing ways of working. This is a natural tendency but could end up undermining the whole project.

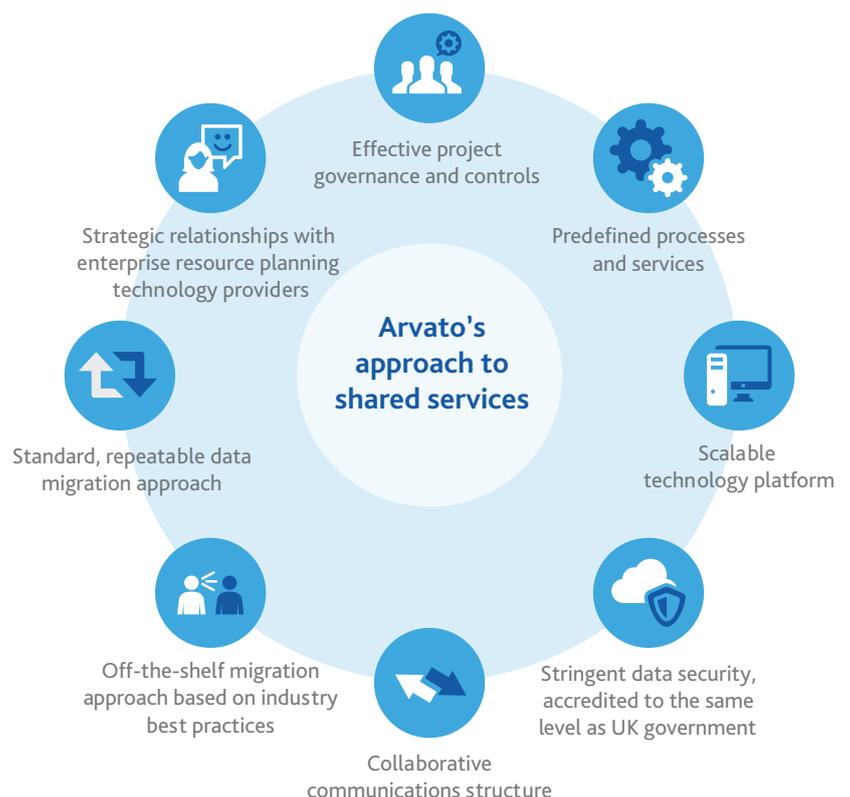


“What makes Arvato unique is its longstanding experience in shared service migrations across government. When a client calls, we come ready with a standard implementation methodology, proven processes, controls and services, and scalable technology – all easily tailored to the needs of the organisation.”

Matthew Copp, Director of Operations for Central Government, arvato UK.

Picking the right platform

The right technology is a key enabler in a shared services environment – and a critical factor in lowering the risks and costs of implementation. Migrating to a single Enterprise Resource Planning (ERP) solution offers considerable benefit in



Key security accreditations to consider

ISO27001 (international standard for information security management) which evidences that information security is embedded within the organisation

Cyber Essentials Plus which is an independent test against the Government's 'Ten Steps of Cyber Security' principles

Information Assurance for Small and Medium Enterprises (IASME)

Supplier of Cyber Security Service to HMG

HMG PGA Accredited

ISO 2000

Assured PSN network connectivity



terms of integration and alignment. But the software must be the right fit for the organisation, as well as scalable and configurable. Ultimately, solutions should support process improvements – not constrain them – and be future proofed to drive continuous value.

The inherent flexibility of ERP solutions allows organisations to configure software to their existing business model, while in-built analytics provide transparency without risking data security. Solutions are also designed to self drive as much as possible, with process automation and self-service capabilities freeing up resources to focus on frontline services. Critically, solutions like these have the capacity to adapt quickly to changing conditions without major disruption to the organisation.

Safeguarding implementation

Driving a shared services project forward to a successful conclusion will require a balance of implementation expertise and industry knowhow. Whether migration is tackled in-house or with the support of an experienced partner will depend on the scope of a project, levels of in-house expertise and the importance of a rapid payback period. A standard implementation methodology will offer best time to value – one of the key advantages of bringing in external support. The right partner will bring best practices to the table with predefined processes and controls that can be easily tailored. A good rule of thumb is to have 80% of processes off-the-shelf, and 20% aligned to an organisation's needs. Technology should also be scalable, and quick to

adapt to increases in volume or additional participants coming on board. Having a secure, tried and tested approach is especially important when it comes to data migration, where there is a need to transfer and validate key data efficiently and quickly while observing critical compliance and data security requirements.

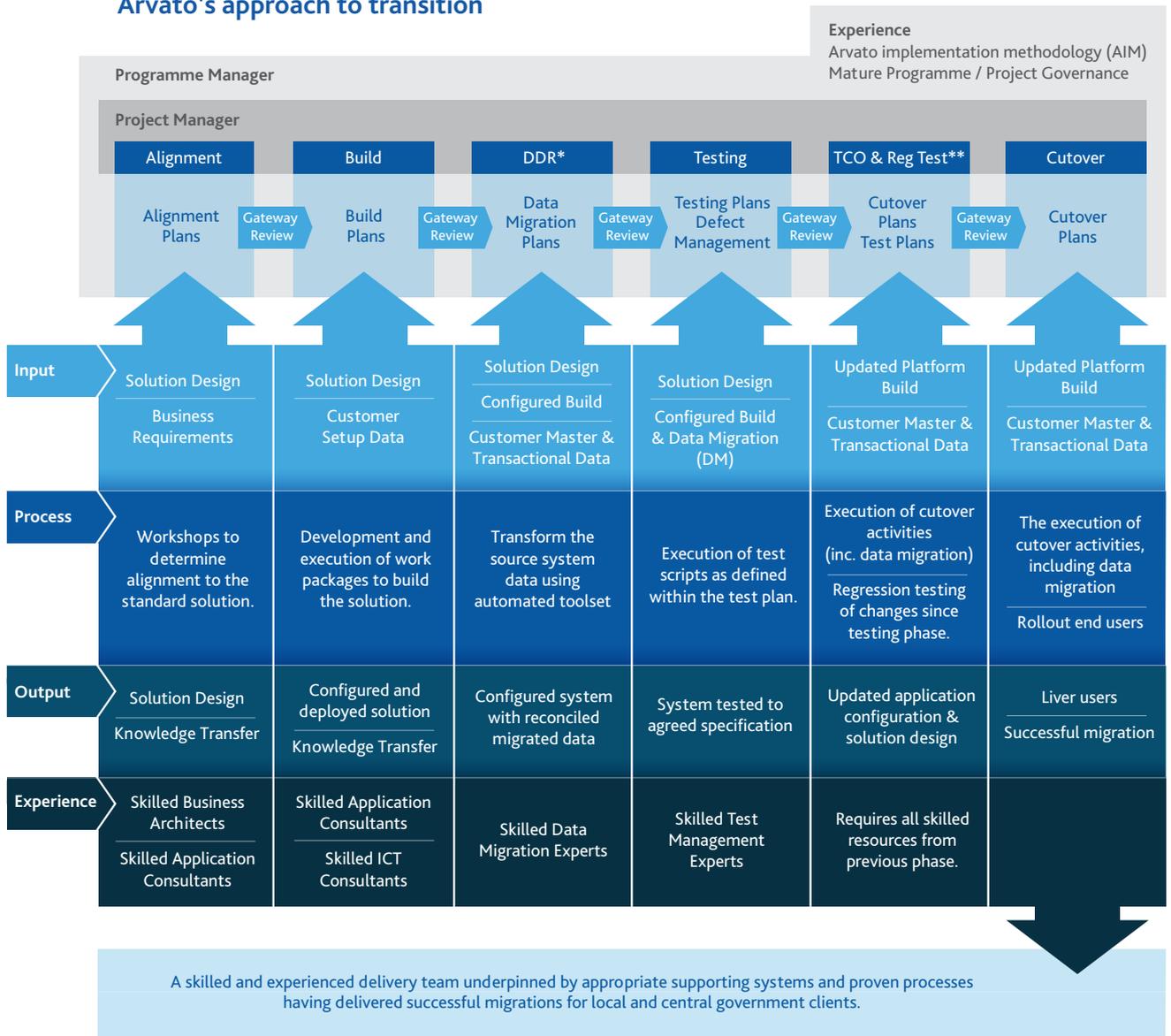
Step 5 – Clear governance and accountability

Managing this complex mix of variables is no easy task, and efficiency gains can dwindle when strong governance is lacking. Bringing together different organisations means dealing with different structures and decision-making processes, and different levels of accountability. Keeping stakeholders aligned to the goals of a project requires a robust and consistent governance model.

A key component of this is clearly defining roles and regulations from the start. Stakeholders should know where their responsibility begins – and ends – and who to pass the baton to when issues arise. Leadership needs to be central, credible, and above all visible. At every level of the organisation, it should be clear who is making the decisions and who has overriding authority for the project. This empowers stakeholders to be accountable, speeds up decision-making and helps organisations achieve project milestones on time.

Establishing a formal governance group provides a key opportunity for stakeholders to assess progress, review metrics, and address any changes or issues. This can help offset the loss of control business units perceive when migrating to shared services. That said, leadership should be cautious of overly accommodating the needs of individual

Arvato's approach to transition



*Data Dry Run (DDR) **Trial Cut Over (TCO) & Regression Testing (Reg Test)

departments. Change requests should be carefully managed with no room left for vetoing participation. Shared service centres need volume to generate economies of scale. If participants withdraw, it can undermine the project and result in a poorer service.

Conclusion

Migration to a shared services model comes with challenges but the potential rewards are high. In order for the programme to be successful, decision makers need to steer away from a quick-fix mentality and resist pressure to push forward with implementations

prematurely. Effective change takes time, particularly in an organisation as complex and far reaching as government. The key is to undertake a careful, measured approach that combines external expertise with internal knowledge – and a shared commitment to the overriding goals of the project. And this commitment should persist well beyond go-live, with adequate resources in place to safeguard the project as it evolves post implementation. With all this in place, government has a remarkable opportunity to transform the way it works and lead the public sector towards a new dawn of service excellence.

Helpful resources

<http://sharedserviceslink.com/>
<https://www.ssonetwork.com/>

Appendix/references:

[1] Cabinet Office, 'Government Transformation Strategy 2017 to 2020.' Available at: <https://www.gov.uk/government/publications/government-transformation-strategy-2017-to-2020>.

[2] Arvato survey : *Transforming Public Sector Service Delivery : Challenges and Opportunities 2016. Completed summer 2016.*

A sum greater than its parts: Delivering shared services for the Department for Transport



Department
 for Transport

The client

Arvato and the Department for Transport (DfT) have successfully transitioned the department's family of executive agencies into a shared service centre, providing fully standardised back-office services for the first time in the department's history.

Since 2013, the Arvato centre has been focused on transforming HR, payroll, finance and procurement services for the DfT, the Driving and Vehicle Licensing Agency (DVLA), Highways England (HE), the Maritime and Coastguard Agency (MCA) and the Driver and Vehicle Standards Agency (DVSA).

In September 2017, the DVSA became the final DfT agency to migrate to the centre's standardised platform, marking a successful 12 months for the Swansea-based centre.

The shared services offering balances flexibility with the cost savings and efficiency gains of a standardised back-office. 22,500 civil servants are using the portals to self-serve their back-office administrative tasks, helping them spend more time on delivering vital public services.

The solution: a flexible enterprise platform focused on self-service

Arvato worked collaboratively with the DfT to develop a shared service centre that supports the department's core business objectives:

- Efficiency through self-serve:

Employees can handle all of their administrative tasks – from claiming expenses and booking annual leave to viewing their payslips and annual tax returns – through a single, online portal, accessible 24/7. For more complex cases, Arvato's 180-strong team based in Swansea is on hand to provide personal support.

- Informed decision making driven by improved management information:

Decision makers can access a holistic, single view of their organisation through real-time management information and reporting. The departments' HR teams, for example, are using the system to identify skills gaps and allocate training programmes where improvements are needed.

- Flexibility underpinned by expertise:

Arvato's solution provides its client with the flexibility of two Enterprise Resource Planning (ERP) platforms, Unit4 Business World and SAP, which offer a standardised set of processes, supported by a robust and results-driven transition plan. This is supported by Arvato's ERP centre of excellence in Swansea which includes a group of expert ERP developers.

Providing a seamless transition for the DVSA

A well-structured, results driven transition plan and timeline has played a key role in ensuring the smooth migration for the DVSA – a key milestone in completing the organisation's merger of the Vehicle

and Operator Services Agency (VOSA) with the Driving Standards Agency (DSA) to create DVSA.

- Phased over a 12-month period, specific timings for alignment, building and designing the solution, data migration, system integration testing, software testing, user acceptance testing and hypercare were mapped out with detailed reviews before each stage.
- Inputs, processes, specialist staff and expected outputs, supported by Key Performance Indicators (KPIs), were outlined for each section along with the responsibilities for both Arvato and the client.
- A seven-step data migration process – from extraction to verification – ensured all information was in place prior to the system being trialled and has allowed updates to be made quickly following go-live.

Ensuring a secure and resilient operation

The centre is accredited to the same high level of security as central government departments, with a significant focus on information assurance and IT defence.

- All technology is penetration-tested and reviewed twice a year by independent third parties.
- The building is secured through biometric access.
- The site and service is highly accredited, including ISO27001, Cyber

Essentials Plus, Information Assurance for Small and Medium Enterprises (IASME) and as a Supplier of Cyber Security Services to the government.

- Cyber security is overseen by Arvato's highly-skilled team of specialists who have more than 20 years' experience delivering professional services and consultancy across the public and private sectors.

A robust governance structure

Strong governance between Arvato and the DfT and its executive agencies has been key to delivering success over the past 12 months:

- Strict Key Performance Indicators (KPIs) and Service Level Agreements (SLAs) were established for payment processing, payroll, purchase order processing, order to cash, accounts payable and data maintenance.
- All KPIs and SLAs are reviewed in weekly and monthly progress meetings with each client alongside reporting documents, which include details on activity levels for each service.
- The shared service centre's project board convenes weekly to monitor progress for each customer and each service, providing a platform to escalate any issues to ensure fast resolution.

Successes: delivering value and digital transformation for the DfT

Delivering service improvements

- 25,000 civil servants are using the portals to self-serve their back-office administrative tasks

- The contact centre team has improved its rate of first time contact resolutions from 97% to 98.5%; as a result the customer service rating has improved by 2% to an all-time high of 98%.

- 100% of payroll for each client has been processed by the due date with 99% accuracy

- 90% of purchase orders are processed within 24 hours and 80% of undisputed invoices are paid within five working days

An experienced, content team

- Arvato's experienced team of ERP developers has achieved the Unit4 ERP certification for Hire to Retire and Payroll.

- High levels of employee satisfaction has led to low attrition (1.09% in 2017) and absence (2.28% in 2017) rates

- The team has grown by 14% over the past 12 months with a further 25 new roles expected to be recruited for in the next year

- A new apprenticeship scheme launched in 2017 has seen six local apprentices join the team for training across HR, finance, procurement and payroll.

A secure environment

Arvato's shared service centre for central government holds the following accreditations:

- ISO27001 (international standard for information security management)

- Cyber Essentials Plus, which is an independent test against the Government's 'Ten Steps of Cyber Security' principles

- Information Assurance for Small and Medium Enterprises (IASME)

- Supplier of Cyber Security Service to the government

- PGA Accredited

- ISO 2000

- Assured PSN network connectivity

- Customer Service Excellence

Client quote:

Spokesperson from DfT:

"We have an open, honest and collaborative partnership with Arvato with the clear goal of using shared services to not just deliver cost savings, but to help our employees focus on delivering excellent services to the public. Arvato's structured, process driven framework and clear direction has played a key role in the programme's success and we look forward to delivering greater value to our customers in the years ahead."

Services provided:

- HR

- Payroll

- Finance

- Procurement

About Arvato CRM Solutions UK

Arvato CRM Solutions UK is a trusted partner to the private and public sectors, with expertise in delivering award-winning customer relationship management, business process outsourcing (BPO) and public sector and citizen services.

With more than 50 years of experience, we design and deliver innovative, individual solutions for some of the world's most respected consumer brands and UK public sector organisations. Driven by technology, differentiated by experience and powered by our people, we help our clients achieve their strategic objectives and delight their customers.

A division of Bertelsmann, Arvato CRM Solutions UK employs approximately 1500 people across eight UK locations.



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