

Shared Service Centres & Communities of Interest

The Potential for IT SSC in the Public Sector to Support Cols

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The Issues

Advisory Note 132101030 – “New Hope For Public Sector IT Projects” – identified the opportunities provided by the Communities of Interest (Col) concept in delivering government services to the public. This Advisory Note explores the added possibilities provided by developments in shared services.

This Advisory Note does not address the various forms IT shared services can take, the models under which they can be organized or the significant organizational and governance issues associated with their rollout. Rather the focus is on the potential of shared service centres (SSC) to enhance the Col delivery model.

Key Recommendations

- Utilize the synergies and simplification opportunities provided by shared services to enhance the Col technical architecture
- Recognize that a transition to this environment attracts many risks as well as benefits and that the benefits realisation must be proactively managed
- As recommended also for Cols, build initial support by deploying on a phased basis and seeking out ‘quick wins’.....projects that are high payback, highly visible and quickly implemented
- Carefully design the entire service delivery model, organisation and governance to suit the specific context which will differ markedly depending on the shared services model
- Build a holistic business case approach that does not focus solely on cost and efficiency but also looks at the improvement in service delivery

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Context

In examining the Reform Agenda for Public Service in Ireland, it is clear that the many initiatives being undertaken must be coordinated and inform each other in order to deliver true agenda-wide benefits. In Advisory Note 132101030 – “New Hope For Public Sector IT Projects” – we noted that Governments are increasingly migrating to integrated sets of applications for particular ‘Communities’. A Community is composed of common elements of similar business applications that are grouped into reusable components. This type of approach is entirely consistent with the Reform Agenda’s targets relating to digital government, better transactional services, business shared service centres, etc.

In that Advisory Note, we proposed a practical technical architecture to support this form of delivery. However, it was recognized that the complexity of this architecture, and its concomitant governance requirements, represented an ongoing challenge to the Government IT service providers. Developments in shared services and cloud based services offer opportunities to further enhance the Col architecture. This Advisory Note examines this issue further.

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Analysis

The Collision of SSC and Col

In Advisory Note 132101030 – “New Hope For Public Sector IT Projects”, we noted that to effectively use the Col concept:

- Each entity within a Community should build its applications to use the shared pool of components (e.g. reusable citizen validation)... the Services-Oriented architecture (SOA) is a key principle which must be adhered to in order to ensure re-use of Community functionality
- Use community business logic in relation to reengineered processes as much as possible... transition to a Community structure... transcend individual Ministerial stovepipes
- Maximise use of shared services and databases... designed to utilise shared services... integrated with Community business applications by way of the proposed Abstraction and Integration Layer discussed later. A cloud based approach to providing shared services should be considered.

Shared business and IT services and processes are critical to Cols. Cloud services, as a standardised set of services, align with both IT SSCs and Cols.

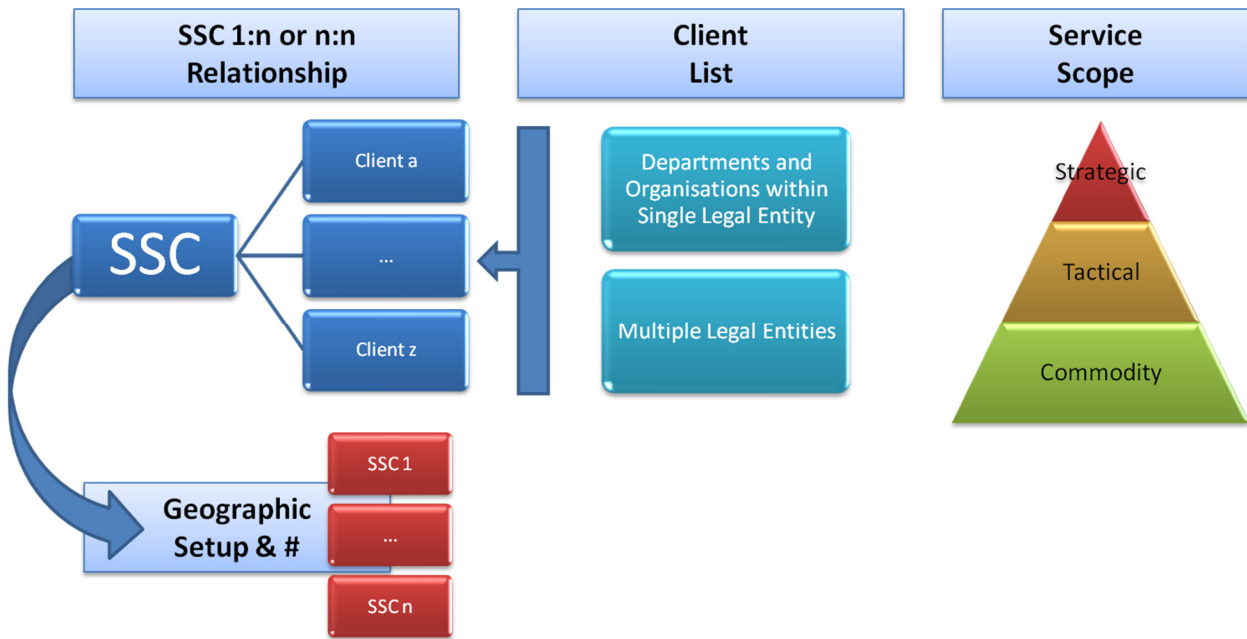
Figure 1 demonstrates the features of a Shared Service Centre. It is characterised by:

- One or more operations centres,
- Composed of people, processes, and technologies,
- Dedicated to delivery of one or more services, and
- Providing those services to one or more clients.

The SSC may deliver business and / or IT services to its clients, or perhaps an end-to-end business process including the backend IT systems required to deliver the service.

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Figure 1 - Shared Service Features

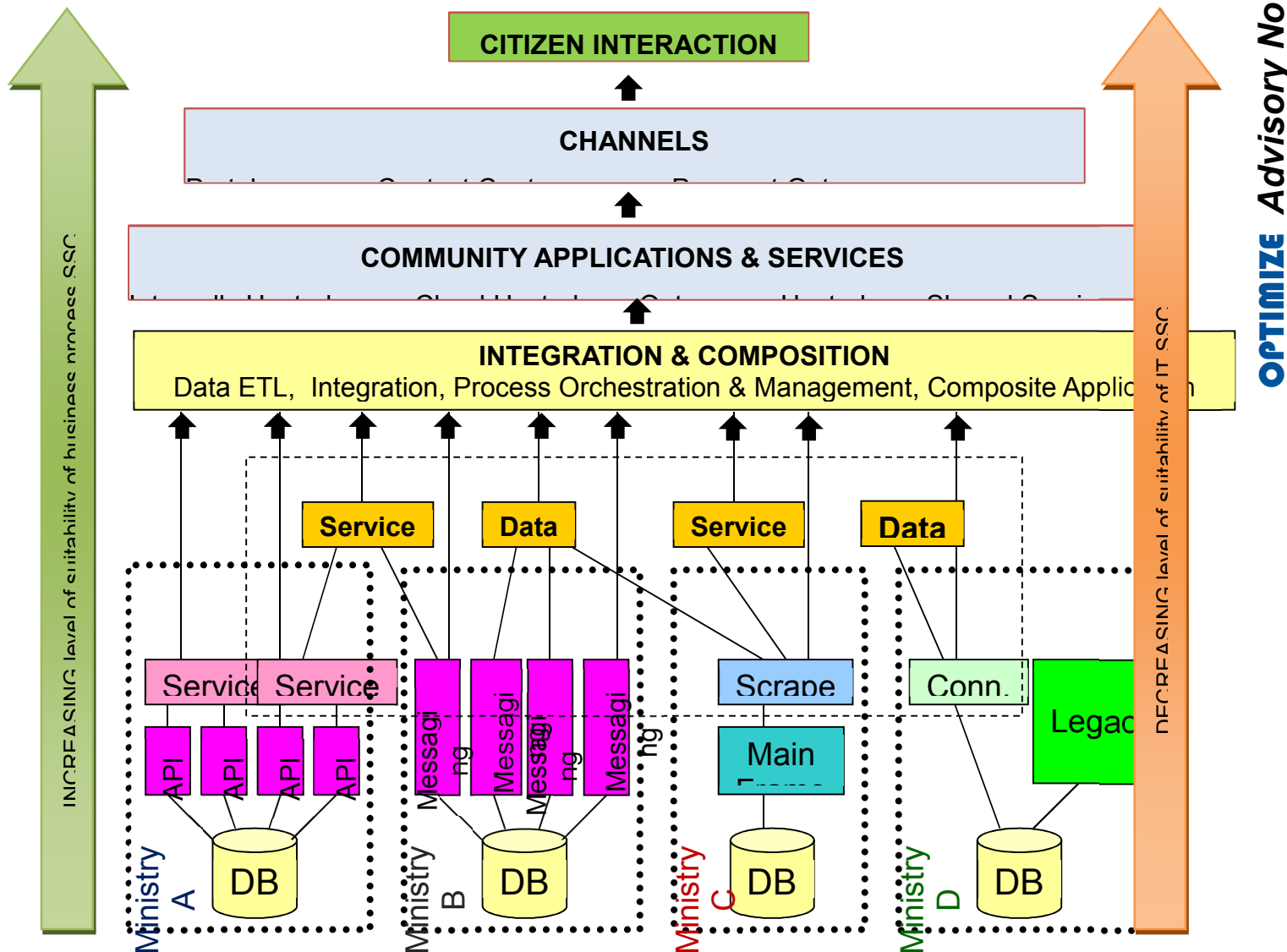


The SSC itself may integrate services from a number of other service providers, including internal, external, cloud, etc. Cloud services may be seen as a means of avoiding the traditional “lift and shift” approach of simply moving existing services into a SSC whilst maintaining the basic existing service. This traditional approach requires a second phase which looks at transformation and delivery of additional benefits. The alternative approach of “drop and replace” drops the existing service and replaces it with a transformed service. This is easier to achieve if the SSC already exists and can simply provide its improved service to new customers as they sign up, or, if the SSC is being established from new, cloud services can provide well-established services with reduced start-up risks.

As Figure 2 illustrates, the technical architecture underpinning Col-based delivery is complex. On the left hand side, we show the potential for alignment of business process SSCs (e.g. finance, payroll processing, HR processes) to Col. On the right hand side we show the potential for alignment of IT SSCs (e.g. infrastructure, applications hosting and management, IT innovation) to Col. The obvious risk is that “never the twain shall meet”, and that Communities of interest, business process SSCs and IT SSCs are designed and implemented without considering the overall position. Typical examples include IT infrastructure, payment services, analytical applications, portals and databases, but the potential is obviously much more extensive.

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Figure 2 - Col Architecture



Advisory Note 132101030 – “New Hope For Public Sector IT Projects” also discussed the Abstraction and Integration Platform model required to underpin Cols. The services to be delivered by a SSC will need to consider how these will be delivered, if at all, within its services portfolio, and how this will meet the needs of the Col. This involves many more strategic or knowledge-intensive services, which by their nature are more difficult to be delivered through a SSC. However, a Col is best supported when such services are either standardised as much as possible, or centrally delivered. This makes them obvious considerations for a SSC, despite their complexity.

In addressing the setup of SSCs in the Public Service, it is essential that the planning incorporates the wider Government reform objectives, including the impact of Cols.

In this context, in considering the establishment of an IT SSC, the following questions must be addressed:

- Should we align IT SSCs to the business process SSCs?
- Should the IT SSCs focus on true Cols to deliver the reform agenda, or upon more prosaic cost and efficiency targets (which may drive towards lower levels of Cols)?

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- What is the state of maturity of the potential ColS to move to IT SSCs?
- What are the respective timelines relating to Col, business process SSC and IT SSC initiatives? Can they realistically be aligned or is it a multi-step alignment process over time?
- Does it make sense to co-locate IT SSCs with business process SSCs?
- What level of change is achievable / what rollout plan is achievable?

What Business Case? IT SSC and Col Considerations in the Public Service

When considering the impact of establishing an IT SSC, it is important – especially in the context of Col and wider reform objectives – to consider more than just the typical cost and efficiency measures.

Taking a wider view of objectives will be necessary in order to:

1. Deliver a more realistic business case, and reduce the reliance upon cost and efficiency drivers
2. Ensure benefits are properly targeted, measured and managed

Such an approach would consider the following headings from the Optimize Business-Driven IT (BDIT) approach and sample issues:

Strategic Alignment

- Is it consistent with our cloud services strategy?
- How will it impact our plans for digital government and interoperability?

Business Process Impact

- Will it enable better transactional services?
- How extensive and costly will the required process changes be?

Risk

- Will the scale of the project stretch our project and change capabilities?
- Are there significant political and labour risks?

Architecture

- How well does it align with our target service architecture?
- How scalable is it?

Direct Payback (Cost and Efficiency)

- How many resources can be redeployed to reduce cost?
- What process and technology efficiencies can be achieved
- How high is the total cost of ownership?

In fact, in our experience, the Direct Payback rarely accounts for more than 30% of the benefits weighting. This is entirely consistent with the investment and appraisal criteria used in Public Service procurement and investment decision making.

Potential Benefits of Aligning IT SSCs to Col Initiative

If effectively planned and implemented, benefits may include the following.

- Consolidate assets/reduced duplication

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- Better utilize IT assets
- Better handling of peak infrastructure demands
- Offset weak contributors among the Col partners
- Foster technical standardization
- Reduce dependence on scarce internal technical skills
- Provide better opportunities for measuring and benchmarking performance of service delivery
- Foster the development and use of technical Competence Centres
- Foster staff specialization and expertise, and thereby staff motivation
- Supports the progression of IT services to the Service Delivery model
- Can in the right circumstances be used to rationalize the business processes of the Col

The benefits are unlikely to be realised without a proactive approach which defines the target benefits holistically (business case), outlines the mechanism to achieve these benefits (benefits management) and puts in place a process to measure their achievement during the transformation (benefits realisation).

Potential Risks of IT SSC

The transition to shared services carries with it a number of risks and the experience to date of such projects has been mixed. Common risks in a Government context include:

- Lack of clarity and agreement on objectives and priorities
- Lack of leadership and support from key Community stakeholders
- Inadequate governance structures for managing the new environment
- Resistance from staff relating to job security and loss of control
- Security and privacy issues
- Legislative impediments
- Resistance from service consumers (loss of familiarity)
- Inadequate change and communications management

This is by no means a comprehensive listing of potential risks but in itself indicates that migrating the Col architecture to a shared services environment is not a project to be undertaken in the absence of careful planning.

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Conclusions

Shared services are a core feature of delivering a wider programme of change and benefits under the Reform Agenda and CoIs. However, the complexity of the reform is enormous, and any shared service initiative – whether business or IT – will fail to deliver to its full potential if the considerations outlined in this note are not addressed in the planning stages.