

building delivering designing buying protecting

Shared Services Connection Conference
A perspective from New South Wales
Michael Lurie



Government Chief
Information Office

Strategy focus

Agencies should apply the shared services approach to the key corporate services of human resources, finance, information technology and office services (as a minimum).

Agencies are required to base their shared services arrangements on:

- consolidating corporate services;
- utilising available technology;
- business process re-engineering; and
- a savings goal of three percent of employee related costs.

Sharing options


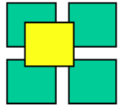
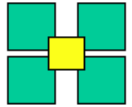
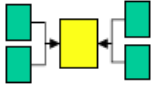
The three sharing options for agencies are

- organising sharing arrangements with other agencies;
- setting up an internal shared services unit within an agency; or
- using the Central Corporate Services Unit, of the Department of Public Works and Services

Extract Premiers Circular 2002

Current operating models

Where we are today Operating models

Type	Characteristics	Governance Structure	Examples
 Internal consolidation model	<ul style="list-style-type: none"> • Single Agency model • > 3000 FTE's • Informal governance structure 	<ul style="list-style-type: none"> • All corporate service functions other than IT report through to a director of corporate services 	Health Education Police
 Lead agency model	<ul style="list-style-type: none"> • Largest Agency takes the lead • Reports through to a single Minister • Structural reform impetus 	<ul style="list-style-type: none"> • All corporate services functions including IT report to Director of Corporate services 	Rail DPI Attorney General Commerce Workcover
 Service provision model	<ul style="list-style-type: none"> • Established to service agencies with a similar service delivery model for example human services portfolio 	<ul style="list-style-type: none"> • Setup independently of agencies it services with a defined services charter and usually a defined pricing model 	Businesslink Housing Community Services DADHC
 Service provider model	<ul style="list-style-type: none"> • Established to service numerous usually disparate small agencies • Formal governance model 	<ul style="list-style-type: none"> • Setup independently of agencies it services with a defined service charter and pricing model 	CCSU

Review of shared services

- The corporate services strategy to date has essentially adopted a monitoring role and until recently also included a practical assistance role. This approach, together with Government's strategic reform agenda has delivered limited benefits in terms of reduced expenditure, greater consolidation of corporate applications and a reduction in corporate services staffing levels.
- Some of the key lessons learned are that sustainable savings are slow to achieve, service quality can be compromised in setting up new clusters, and government should be in a position to make machinery of Government changes without significant impact and cost to shared services.
- Whilst the long-term goal for NSW Government should be to have a single, or a small number of systems operating, it is recommended that a gradual migration to consolidation would require the least investment and disruption to NSW Government.

Recommendations

- A renewed focus for Shared Corporate Services to deliver savings to government should therefore provide:
 - Flexibility to accommodate strategic Machinery of Government changes.
 - Improved utilisation of existing Shared Corporate Services providers to build on
 - Economies of scale and maximise investment.
 - Service delivery improvement through common systems and processes
 - Avoidance of duplicated systems cost.
 - Improved knowledge sharing and collaboration.

Options

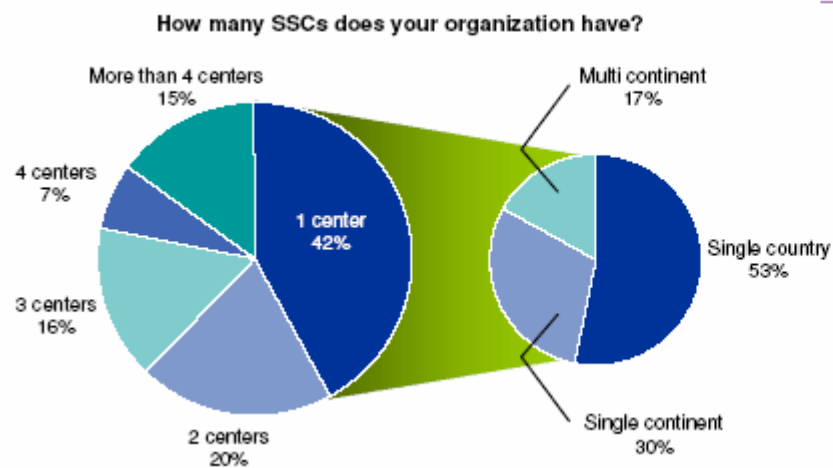
- There are a number of **strategic options** to move government to a consolidated shared services model:
 - Establish a cluster strategy of a small number of shared support centres with a separate department created to provide the system support for whole of Government;
 - Creation of a “Department of Shared Services” to run all shared service support arrangements, including system support;
 - Mandating of single applications across decentralised shared services centres;
 - Gradual migration to consolidation at natural investment decision points.
 - Natural decision points for investment in or creation of shared service arrangements usually stem from end of life of existing systems applications, or changes to machinery of government through mergers/ de-mergers of agencies.

Success in Shared Corporate Services comes from

- Strong Mandate.
- Visible and persistent political support.
- Mutual trust between client / provider.
- Commercial separation of shared service from client.

The need for change

- **Consolidating Corporate services** (*IT accounts for 19% of corporate services FTEs and 27% of all corporate services cost or \$344M*);
- **Utilising available technology** (*over the next three years we will need to invest around \$173M to keep our corporate applications on Vendor support*);
- **Business process re-engineering** (*it cost us an average \$32.00 to pay an invoice. Private companies can do this for around \$8.00*);
- **A benchmarked savings target** (*each payroll FTE supports around 249 employees. Best practice companies support over 506*).

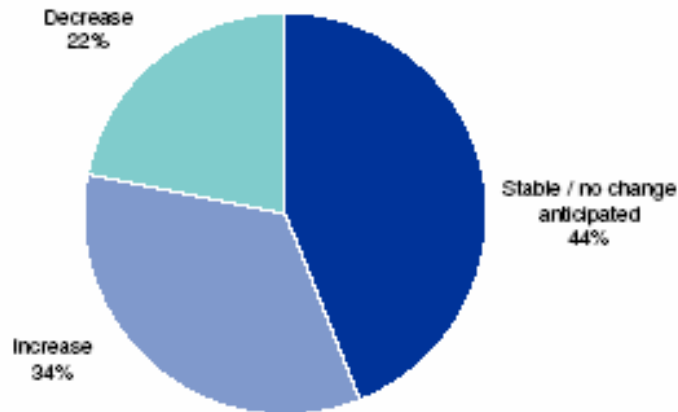


Number of centers

- For the single center, more than half of the centers were only serving a single country
- 79% of participants with a Shared Services presence in the US only have one center
- 71% of participants with a Shared Services presence in Europe have only one center

Deloitte 2007 global shared services strategy survey

How will the number of SSCs your organization operates change over the next 5 years?

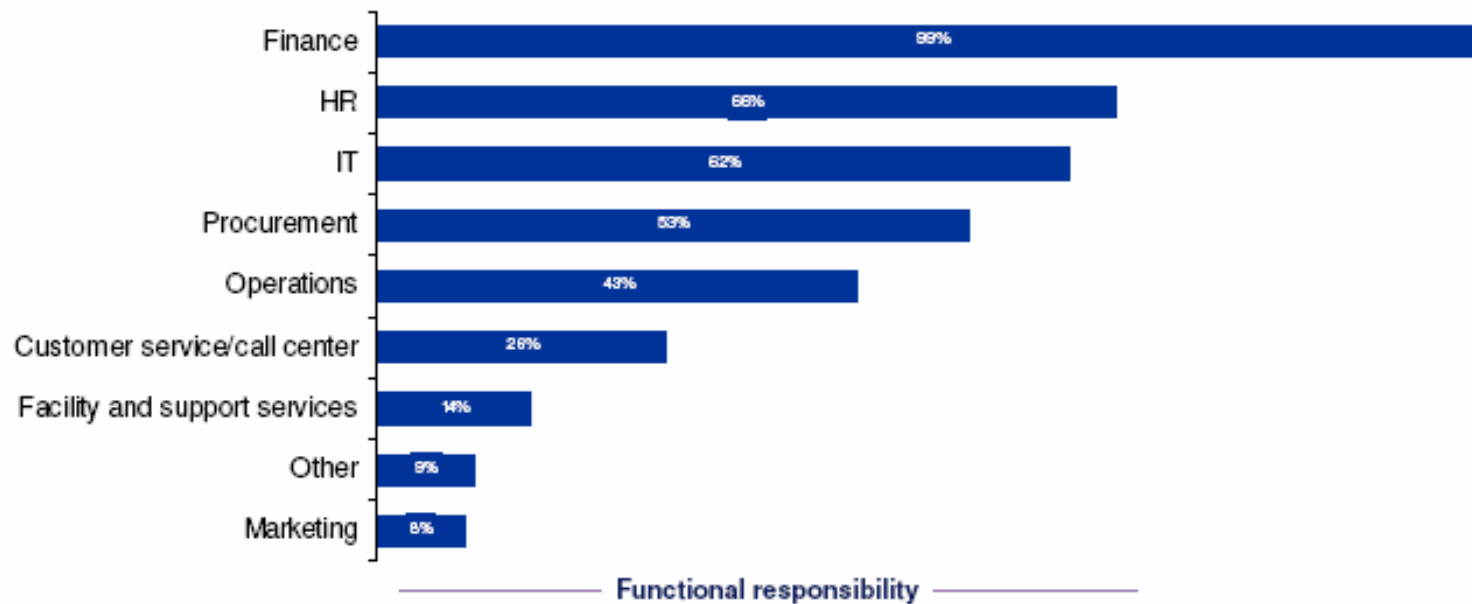


Change in number of centers

- More participants are planning on increasing versus decreasing the number of centers, however most organizations are planning on no change
- 68% of participants with 5 or more centers are looking to decrease the number of centers
- 36% of participants with 1-2 centers plan on increasing the number of centers

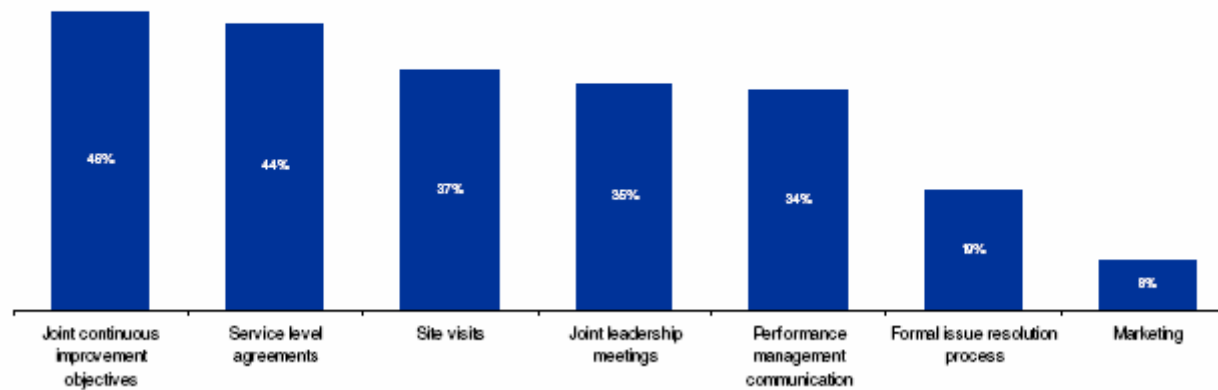
Deloitte 2007 global shared services strategy survey

For executives with multi-function SSO responsibility, what functions are included?



Deloitte 2007 global shared services strategy survey

What are the most effective mechanisms being utilized to allow your SSC(s) to stay connected with the locations/divisions serviced?



Deloitte 2007 global shared services strategy survey