SHARED SERVICES TEAM

Document Name: OGC Decision Support Toolkit

Usage Guidance

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CATEGORY DESCRIPTION

1. *Example material* –The tool has been provided by a single public or private sector organisation, or an external forum that has not been moderated by the Shared Services Team. It represents one possible approach to a given shared service activity, and can be used by Toolkit users as an example / reference aid.	✓
2. *Co-developed material* – The tool has been produced through the collaboration of the Shared Services Team and one or more public sector organisations and / or private sector organisations. This tool Provides a jointly developed approach to a given shared services activity, and can be used by Toolkit users as an example / reference aid.	
3. *Output Templates* – These set out what is typically included in an output of this name. They have been created as part of the development of the toolkit based on experience and best practice from other programmes and project methodologies. However, your organisation may already have a set format and template for you to use.	

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Office of Government Commerce

Shared Services
Decision Support Process

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1. INTRODUCTION AND OVERVIEW

SHARED SERVICES DECISION SUPPORT PROCESS – AN OVERVIEW

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Why has a decision support process been developed

In talking to numerous government organisations that are currently engaged in considering or implementing some form of shared services operation a number of common themes emerged:

- The time taken to go from thinking that something ought to be done to actually doing something was excessive. Many organisations have taken well over 12 months to go through decision making process. The project team and board were frustrated and exasperated that it should have taken so long
- There was no readily available background information. All such information (on benchmarks, the outsourcing market place, case studies, likely investment profiles, key risks) had to be compiled from scratch. And often the consultants employed to do so had to scrabble around to piece something together – often from very partial information
- The scope and nature of "shared services" was not fully understood at the outset which led to the exploration of numerous blind alleys
- Whilst rational business cases could be developed in almost all instances, all project teams and boards had underestimated the time and effort needed on the emotional and political aspects of a shared services initiative
- Even having made a decision, organisations did not fully appreciate the implications of the decision – and sometimes decided to engage reverse gear when difficulties arose

These were the findings that led to the development of this process. The process sets out to support organisations in whatever way would be most helpful to them in order to:

- Accelerate the decision making process
- Create in the key decision making group a greater sense of understanding, knowledge and confidence to make decisions that are right for their organisation
- Short cut the information gathering and analysis required
- Distil the learning from those organisations who have travelled this road before

SHARED SERVICES DECISION SUPPORT PROCESS – AN OVERVIEW

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Which organisations can benefit from the decision support process

The process is valuable for organisations who are considering starting an initiative to transform Corporate Services, specifically in the Finance and HR functions, or who are already in the early stages of such an initiative. The prime focus of the process within these functions is on the operational, or transactional, services provided – not on the strategic or business partnering aspects of Finance or HR.

The process is readily applicable to all sizes of organisation, for example:

- Small organisations who might not have sufficient scale or capacity to realise economies and attain efficiency targets
- Mid-sized organisations faced with a choice of building a shared services facility by and for themselves or collaborating with others or outsourcing the operation
- Large organisations who have the scale and capacity to do things on their own but can still choose between insourcing and outsourcing

The main events within the process

- For planning purposes and at its most extensive, the whole process, from initial briefing to the follow-up to a “Decision Support Event”, could take about one month. The actual timing can, of course, be adjusted to suit the circumstances of each organisation and many will simply dip into parts of the process of particular relevance to them .
- The major activities within this time period, if the standard, full process (see Section 2) is followed, are:
  - a briefing session
  - a Planning Day
  - an information gathering and analysis phase
  - a workshop construction session
  - the Decision Support Event / workshop
  - follow-up to the Decision Support Event
- The process could be applied as a “dry-run” to help a project team build confidence before they engage with key stakeholders or it could be run with stakeholder involvement from the outset.

SHARED SERVICES DECISION SUPPORT PROCESS – AN OVERVIEW

The key benefits from applying all or part of this process

The main benefits from this process are seen to be:

- Stakeholders are able to buy in to the chosen direction due to:
  - Transparent decision making process
  - Involvement in the process
- Decisions are therefore likely to be more robust
- The time from "considering" to "doing" can be substantially reduced
- Reduction in time and costs of information gathering – the key external information is available from the toolkit

How an organisation might start engagement with the process

Organisations will all have differing starting points and different circumstances. One size or approach will certainly not fit all. There is no need to work through the process from start to finish. Some of the information and tools within the toolkit are fairly self-explanatory and can be taken and used by a project team "out of the box" (for example the comparative benchmarking information). Some require more introduction and selectivity.

In most circumstances an initial meeting with those within the organisation considering change (often the initial feasibility or project team) will establish the relevance of any of the material in the process or toolkit. This is often followed up be an initial session with the Senior Responsible Owner (SRO) or key decision maker / stakeholder within the organisation to introduce the possibilities of the process and determine whether there is benefit from applying some or all of the process and decide how to get underway.

At this point there are three possible ways forward:

- The organisation takes the most relevant material from the toolkit to assist in their project
- The Efficiency Team Change Agent supports and advises the organisation's project team as it works through its decision making process, making use of the Decision Support Process as it sees fit
- The SRO asks the Efficiency Team Change Agent to facilitate a version of the Decision Support Process for its organisation

DECISION SUPPORT PROCESS – THE TOOLKIT COMPRISES…..

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A STRUCTURED PROCESS

- An Overview / Decision Tree
- Introductory Session
- Planning Day
- Structured data and information gathering
- Workshop construction
- Workshop / Decision Support Event
  - Level of Challenge Session
  - Scale and Sharing Session
  - Sourcing session
  - Next Steps Session

DECISION POINTS FOR EACH STAGE

GUIDANCE FOR EACH STAGE OF THE PROCESS

- Draft agendas and suggested attendees
- Desired outcomes
- Outline process for each session
- Identification of suitable tools that can be used

TOOLS TO BE DEPLOYED IN THE PROCESS

- Case for Action Template
- Stakeholder analysis framework
- Communication Plan
- Structured interview guide and example questions
- Readiness Assessment questions
- Force Field analysis frameworks (scale and sharing)
- Force Field analysis frameworks (sourcing)
- Outline Business Case checklist

ADDITIONAL INFORMATION TO AID DECISION MAKING

- Implications of options checklist
- Example risk analyses
- Benchmarking information
- Who's doing what
- Example cost-benefit analyses
- Guidelines for viable scale of operation
- Shared Services Definitions – "starter for ten"

CASE STUDIES AND LESSONS LEARNED

- DfT, Home Office, Prison Service, DWP, Northern Ireland Civil Service, NHS

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2. MAIN ELEMENTS OF DECISION SUPPORT PROCESS OVERVIEW PROCESS FLOW CHART

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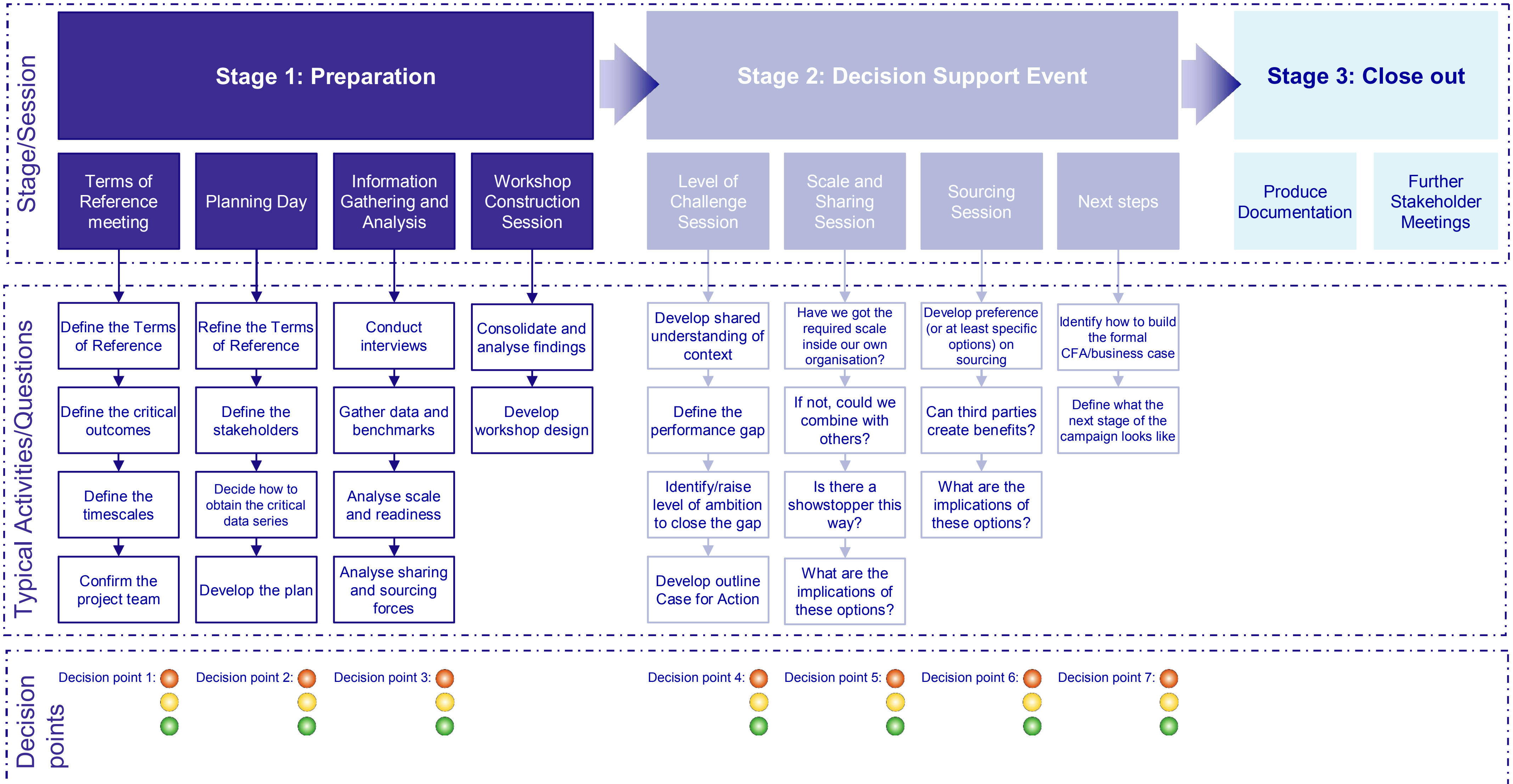
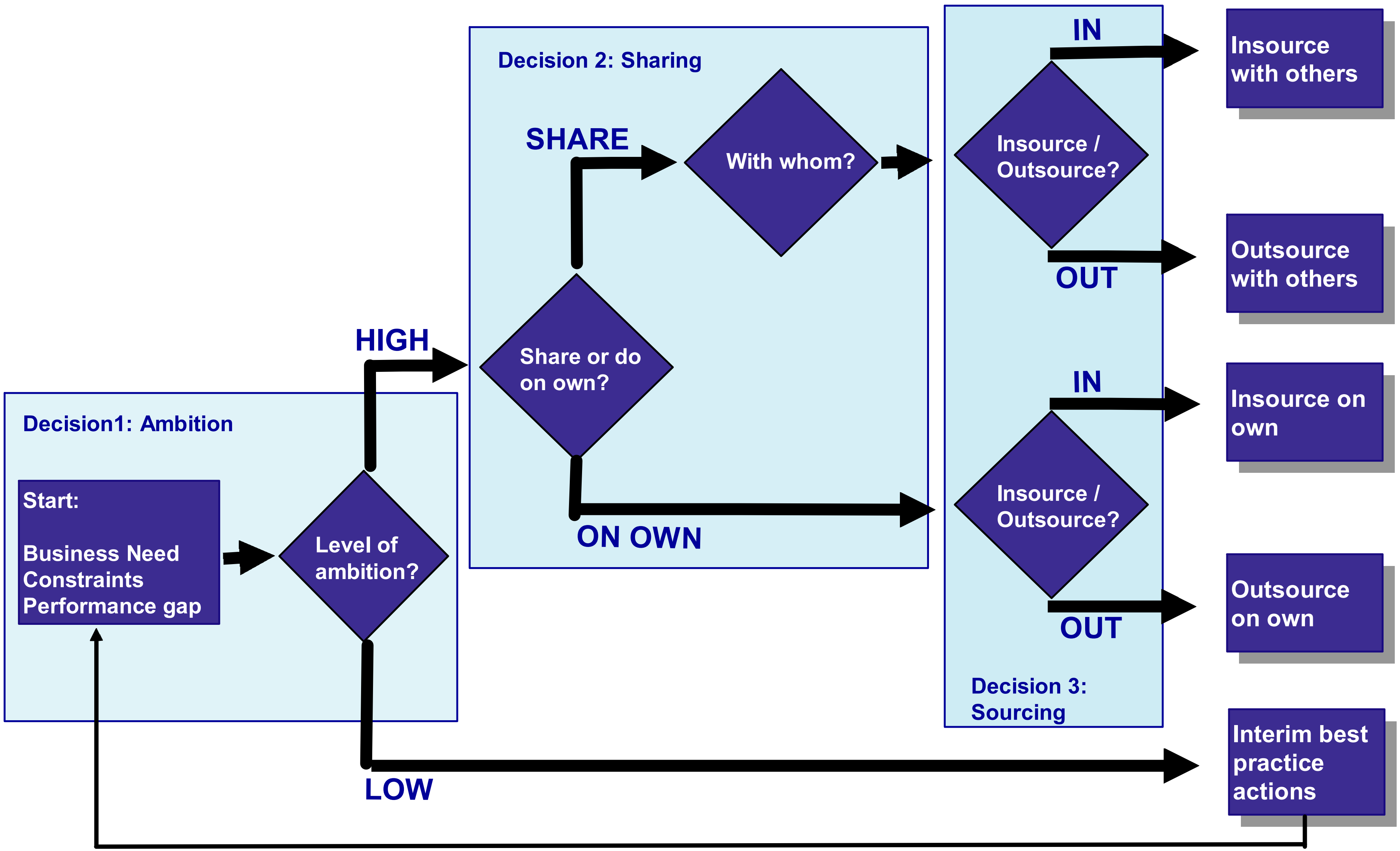
OVERALL PROCESS



THE DECISION TREE



3. MAIN ELEMENTS OF PROCESS

Preparation

Decision Support Event

Completion process

PREPARATION

Overview and Decision Points
Terms of Reference
Planning Day
Data and Information Gathering
Workshop Construction

A. INTRODUCTION AND PURPOSE

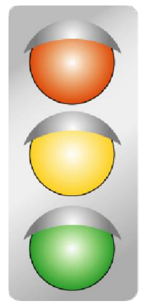
- The following section provides a guide to preparing the groundwork for the decision making event. These materials will enable you to:
  - Determine the Scope, Objectives and Terms of Reference for this initiative
  - Understand the required capabilities of the team needed for the initiative
  - Engage this team in the project process and deliverables and agreeing roles and responsibilities
  - Identify the organisations which make up the 'Family Landscape'
  - Plan for and conduc data collection and analysis
  - Construct the workshop for Stage 2: Decision Support Event

- Within this section you will find:
  - Preparation decision points
    - These will help you to start with the end in mind and understand the questions you will need to answer in order to progress
  - Session overviews
    - Outlining the objectives and process for each session and the tools that you will find within this guide OR that you will need to source from elsewhere
  - Tools
    - Content to take into each session, frameworks to facilitate data collection and analysis, an example agenda for preparation meeting etc

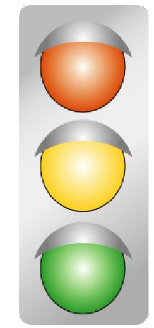
i. Preparation Decision points

Key: Stop; Need more information/support; Ready

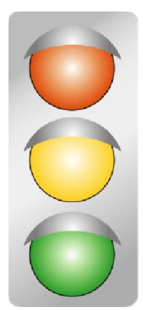
Decision point 1: Purpose and terms of reference meeting

Test questions	Readiness to move forward?
■ Is the mandate from the SRO clear? ■ Are the terms of reference clear (e.g. scope, outcomes, timescales)? ■ Have the project leader and core initiative team been identified? (Where relevant)	

Decision point 2: Planning day

Test questions	Readiness to move forward?
■ Are all team members engaged and clear about roles? ■ Is the plan for data gathering clear (e.g. key elements, required level of detail, sources of info)? ■ Are sufficient investment funds likely to be a real constraint? (see example cost-benefit analyses – Appendix E - for an indication of likely investment cost)	

Decision point 3: Information gathering

Test questions	Readiness to move forward?
■ Have we obtained the information needed to complete the force fields? ■ Have we uncovered fears/ concerns/assumptions? ■ Are there significant gaps in required information?	

B. TERMS OF REFERENCE OUTLINE

Outcomes

- SRO briefed, mandate understood, buy-in obtained
- Terms of reference confirmed
  - —Scope identified in terms of:
    - Organisations who could be included e.g. core or broader "family"
    - Functions covered (e.g. Finance, HR or Procurement)
    - Nature of processes covered (e.g. operational or strategic)
  - —Major outcomes identified
  - —Timescales and major activities for each stage identified
  - —Ground rules defined
- Client project lead identified/confirmed
- Core initiative team identified

Process

- 2 hour to half day meeting with:
  - —Change Agent Facilitator
  - —SRO
  - —(Client initiative lead)

Tools (See Section 4)

- Outline of the current project documentation
- Decision support approach pack, in particular:
  - — Required capabilities for core team (for this decision support process)
  - — Stakeholder analysis framework
  - — Communication plan framework
  - — Outline Case for Action (CFA)
- Context material
  - —Scope (as outlined above)
  - —Relevant presentations on performance challenges
  - —Organisation structure/descriptions
  - —Available skill-sets

i. Ideal Capabilities for the team to run this process

Project / Client Manager

- Manages the delivery of all work products against the plan
- Determines the critical success factors for the project
- Obtains buy in from the executive sponsor
- Works closely with Stakeholders to drive the project toward achieving the intended results
- Reviews the case for action for completeness
- Ensures that project objectives meet requirements
- Identifies and manages any risks
- Monitors and manages changes in scope
- Ensures the quality of project deliverables

Senior Business Analyst [Change Agent Facilitator]

- Comfortable working with and advising executive level management.
- Assists in formulation and presentation of a case for action, based on data gathered through a variety of techniques.
- Facilitates executive level workshops.
- Provides effective change communications to senior level executives.
- Identifies high level organisational change issues.
- Gathers business requirements in a consistent way through a variety of techniques
- Understands the general capabilities of information technology
- Assesses the readiness of current organisational dimensions, support systems and stakeholders to transition to the future state

Business Analyst

- Ability to read and interpret high-level organisational models.
- Ability to read and interpret high-level and detailed business process and system models.
- Supports in data gathering and analysis across processes, systems, organisation and financials; using a variety of techniques such as workshops, work sessions and interviews.
- Populates outline frameworks based on confirmed data.
- Observes, assesses and influences interaction between participants in a workshop environment.
- Reviews reference documentation from a content perspective.
- Participates in identifying issues.

C. PLANNING DAY OUTLINE

Assumptions

- The outcomes from the whole process are clear
- The client project manager is involved

Outcomes

- Key team members identified, briefed, engaged and project team confident of outcomes
- Project leader understands the role, challenges and implications
- Landscape of the family identified
- Contracting – agree/confirm team roles and outcomes
- Plan for data gathering, workshop construction day and Decision Support Event (responsibility, dates, resources etc)
- Confirm Terms of Reference (scope, scale, etc.)

Process

- Attendees
  - —Change agent facilitator
  - —Client Project Lead
  - —Core team
  - —SRO (part time)
- Confirm the outline plan
- Discuss and agree key stakeholders
- Identify critical information and how to get it
- Outline the context for interviews
- Decide who does the data gathering
- Present to SRO

Tools (See Section 4)

- Decision support approach pack
- Case for Action Template
  - —Outline of Analysis e.g.
    - Summary logic
    - Financial analysis/overview
    - Implications/risks
- Decision Support Event agendas
- Structured Interview Guide
- Example cost-benefit analyses
- Information categories e.g.
  - —Background, history, capability, targets
  - —Maturity of process, IT and organisation
  - —Scale and complexity of business (core and possible linked organisations)
  - —Force field categories (Systems; People and Culture; Physical Assets; Stakeholder; Governance Organisation; Process; Funding; Critical Skills)

i. Planning Day – Possible Agenda

Attendees:
- Change agent facilitator
- Business Analyst
- Client Project Manager
- Core Project Team
- SRO (part of meeting)

TIME	SESSION	CONTENT & PROCESS	WHO
SESSION SET-UP			
30 mins	Introduction	■ Context – why we're here ■ Objectives of the day	■ Client Project/SRO Manager
30 mins	Agenda and overview	■ Overview of the whole decision support process ■ Structure of session ■ What it is/what it isn't ■ Process we will follow	■ Change agent facilitator
PURPOSE AND TERMS OF REFERENCE			
60 mins	Confirm scope and outcomes	■ From the 2 hour session held between the change agent facilitator, SRO and Client Project Manager, present: —Scope —Desired outcomes —Ground Rules ■ Discuss issues/concerns ■ Confirm likely "family" landscape ■ Confirm likely key stakeholders [may re-run Stakeholders Analysis if appropriate] ■ Gain agreement to proceed from project team	■ Client Project Manager
15 mins	Core Team Roles	■ Outline rationale for team construction ■ Clarify roles, responsibilities and likely time commitments	■ Change agent facilitator

i. Planning Day – Possible Agenda cont

TIME	SESSION	CONTENT & PROCESS	WHO
INFORMATION GATHERING PREPARATION			
15 mins	Case for Action Template	■ Introduce the template ■ Explain the hierarchy of Case for Action, Business Case “light”, full Business Case ■ Discuss purpose of completing the Case for Action in the Decision Support Event	■ Change agent facilitator
30 mins	Structured Interview Guide	■ Introduce Interview guide ■ Agree who will be approached ■ Agree core team roles	■ Client Project Manager
30 mins	Other Information Gathering	■ Determine the critical information and likely source ■ Agree accountability for obtaining information ■ Agree dates and review process	■ Client Project Manager/Change agent facilitator
FUTURE SESSIONS			
30 mins	Plan future sessions	■ Agree likely attendees of Decision Support Event and logistics for fixing dates ■ Agree accountability for preparing input for Workshop Construction Session	■ Change agent facilitator
PLAN FOR ACTION			
30 mins	Timescales of major activities	■ Agree roles and responsibilities for each key activity (in addition to those agreed throughout the day) ■ Present summary of conclusions and actions to SRO	■ Client Project Manager
15 mins	Communications	■ Communication process ■ What will happen when	
SESSION CLOSE			

D: INFORMATION GATHERING AND ANALYSIS

Assumptions

- Stakeholders identified and SRO has gained agreement to proceed
- Critical data sets have been identified

Outcomes

- Common definition of terms
- Those involved in providing information are identified, briefed, involved and engaged
- Information obtained (without huge effort or seeking unnecessary precision)
- Input created for workshop (condensed context and preliminary assessment on force field)
- Specific fears/concerns/assumptions uncovered and explored

Process

- Interviews with workshop attendees and project team
- Collection of data for organisations in scope
- Synthesise relevant external benchmarks and practice

Tools (See Section 4)

- Structured Interview Guide
- Assessment of readiness framework
  - —IT systems
  - —Organisations
  - —Processes
- Additional information based on agreed categories (see Planning Day)

D. Introduction to the Structured Interview Guide

- The Structured Interview Guide is a detailed set of questions which support the population of the Force Field Framework is detailed in the Toolkit (Section 4).
- As part of the planning day, this questionnaire template should be reviewed for relevance and amended / deleted accordingly. It should be focused on the relevant parts of the functions in question (e.g. the transactional areas). Key interviewees and sources of data should also be identified during the planning day.
- This process should also be followed for the required supplementary data. These data sets / documents may not be relevant or available.
- Bear in mind that the overall aim of the Structured Interviews is to enable the completion of the Force Field Framework. The Framework is intended to deliver key messages in a powerful way but not intended to be totally exhaustive or scientific. Absolute precision or completeness is not the aim.

Structured Interview Guide: Completing the guide

- The Structured Interview Guide (See Section 4 – Tools) is divided into 11 sections as follows:
  - Background
  - People
  - Process
  - Governance
  - Operational Realities
  - Systems

  - Cost (Financial Management)
  - Capability (Sourcing)
  - Control
  - Cash
  - Core / Complexity
- The first six sections (from Background to Systems) are intended primarily to identify the feasibility/attractiveness/need of sharing with other organisations. Some of the questions reflect this intention explicitly, while others do not, but may benefit from the question being asked both of the core organisation and potential “family” members
- Please note that the final five sections (from Cost (Financial Management) to Core / Complexity) are intended primarily to identify the feasibility/attractiveness of insourcing or outsourcing

ii. Review of Readiness Assessment Tool

- The Readiness Assessment Tool is a detailed set of questions which support the population of the Force Field Framework. It can be found in the Toolkit (Section 4).
- As part of the planning day, this questionnaire template should be reviewed for relevance and amended / deleted accordingly. It should be focused on the relevant parts of the functions in question. Key interviewees and sources of data should also be identified during the planning day.
- Bear in mind that the overall aim of the Structured Interviews is to enable the completion of the Force Field Framework. The Framework is intended to deliver key messages in a powerful way but not intended to be totally exhaustive or scientific.

E: WORKSHOP CONSTRUCTION

Assumptions

- Critical data sets have been collected

Outcomes

- Workshop design (including selection of appropriate modules (sessions)
- Session agendas
- Required facilitation
- Required materials
- Pre-workshop sign-off requirements
- Consolidated data with findings
- Further pre-presentation work
- Further interventions to raise the 'temperature'

Process

- Up to 1 day design meeting
- Analyse data gathered and compare to desired outcomes
- Review draft Force Field Framework
- Build on the templates provided in the approach pack
- Plan material production and specify responsibility
- Present back to SRO
- Understand the Emotional and Political dynamics as well as the Rational
- Design interventions to steer the overall process and event towards successful outcomes

Tools (See Section 4)

- Standard approach to workshop sessions (See Decision Support Event Section)
- Draft Force Field Framework
- Draft Agenda (See introduction to Decision Support Event)

DECISION SUPPORT EVENT

Overview and Decision Points
Level of Challenge
Scaling and Sharing
Sourcing
Next Steps

A. INTRODUCTION AND PURPOSE

- The following section provides a guide to determining the most viable options as regards scale and sharing and sourcing. The materials outlined here will enable you to guide the project team or stakeholder group through an option evaluation process.

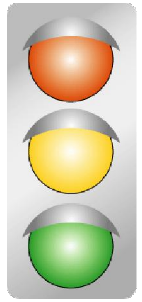
- Within this section you will find:
  - — Stage 2: Decision Support Event Decision points
    - These will help you to start with the end in mind and understand the questions you will need to answer in order to progress
  - — Session Overviews
    - Outlining the objectives and process for each session and the tools that you will find within this guide OR you will need to source from elsewhere
  - — Tools
    - For example: content to take into each session, frameworks to facilitate decision making, an example agenda for the Decision Support Event

i. Decision Support Event Decision points

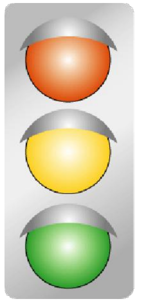
Key: Stop / Need more information/support / Ready

DECISION SUPPORT EVENT

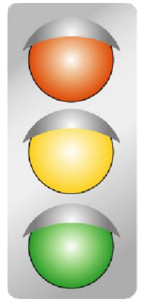
Decision Point 4: The level of challenge

Test questions	Readiness to move forward?
■ Have we acknowledged fears and issues? ■ Is there clarity in terms of the performance gap? ■ Do we have an agreed outline case for action?	

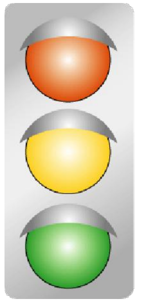
Decision Point 5: Scale and sharing

Test questions	Readiness to move forward?
■ Are we comfortable with the outcome of the force field process? ■ Is there a clear view on the need or not to share with others? ■ Do we understand the high level implications of our preferred route?	

Decision Point 6: Sourcing

Test questions	Readiness to move forward?
■ Are we clear on the sourcing options? ■ Are we comfortable with the outcome of the force field process? ■ Do we understand the high level implications of our preferred route?	

Decision Point 7: Next steps

Test questions	Readiness to move forward?
■ Is there a clear shared understanding of all decisions made in the workshop? ■ Have we captured actions and allocated accountability for these? ■ Do we understand the level of detail needed in any business case and the key stakeholders who need to be engaged?	

ii. Agenda for Decision Support Event*

Attendees:
- Key stakeholders
- SRO
- Client Project Manager
- Change Agent facilitator
- Business Analyst
- Some core team members

TIME**	SESSION	CONTENT & PROCESS	WHO
SESSION SET-UP			
60 mins	Introduction and Agenda	■ Context – why we're here ■ Individual introductions ■ Objectives of the day ■ Outline agenda ■ Definition of terms ■ Review of hopes and fears/issues [e.g. replay concerns from interviews and assess potential impact and mitigating actions]	■ Client project manager/ SRO/plus Change agent facilitator
LEVEL OF CHALLENGE			
60 mins	Our Ambition	■ Review input in terms of context, individual ambition and scale (current and potential) ■ Review of the performance gap ■ Review input in terms of readiness ■ Agree headlines of improvement required	■ Client project manager plus Change agent facilitator
60 mins	Case for Action	■ Individuals complete case for action template ■ Agree collective CFA – test as a lift conversation	■ Change agent facilitator
SCALE AND SHARING			
90 -120 mins	Considering options	■ Debate feasibility of sharing options ■ Identify preferred option(s) ■ Discuss implications of preferred option(s)	■ Change agent facilitator

*[*NB One option is to run the Decision Support Event just with the core team plus facilitation, as preparation for going through the process with stakeholders (decision makers)]*

***The time periods indicated assume that it is realistic to cover all the subjects in one day. This will have been tested (and may be modified) in the Workshop Construction Session*

ii. Agenda for Decision Support Event cont

TIME	SESSION	CONTENT & PROCESS	WHO
SOURCING			
90 – 120 mins	Considering options	■ Explain sourcing options, pros and cons ■ Discuss experience with outsourcing ■ Review draft force field analysis ■ Debate feasibility of sourcing options ■ Identify preferred option ■ Discuss implications of preferred option	■ Change agent facilitator
NEXT STEPS			
60 mins	Summary and actions	■ Summarise agreements ■ Review components of business case ‘light’ ■ Revisit Case for Action ■ Identify next steps ■ Agree accountability	■ Change project manager/SRO
30 mins	Communications	■ Review stakeholder analysis ■ Agree short term communications	■ Change project manager

B. LEVEL OF CHALLENGE SESSION

Assumptions

- Each of the participants has been briefed on the background to the project and the purpose of the workshop

Outcomes

- Articulated fears/issues captured and acknowledged
- Shared understanding of the context and definitions (e.g. Shared Services, target operating model)
- Clarity on the size of the performance gap
- Clarity on the general level of effort required to close the gap
- Raised level of ambition to close the gap
- Outline case for action / elevator conversation
  - —Assessment of strength of the case (“rocket fuel”)
  - —Review funding / budget implications
  - —Readiness in terms of process, IT and organisation maturity

Process

- Initial session to uncover fears/issues
- Reveal and discuss the interview findings (i.e. context, critical assumptions (e.g. redundancies), gap size, ambition levels flips) and summary of data collection
- As a group complete the readiness assessment
- Individually complete CFA templates - and then compare across the group
- Orchestrate the collective discussion and decision
- Test the collated Case For Action in an ‘elevator conversation’

Tools (See Section 4 and Appendices)

- Input from Government goals/targets/benchmarks
- Consolidated findings from data gathering
- Case Studies - ‘Insights’ from Government SS experience and external practice
- Stakeholder framework
- Readiness framework
- Elevator speech framework – based on case for action framework
  - —Ambition
  - —Timescale
  - —Scope
  - —Benefits
- Case for Action Framework

C: SCALE AND SHARING SESSION

Assumptions

- There is a clear agreed Case For Action articulated and available

Outcomes

- Preference for obtaining scale in own organisation or from other organisations
- Implications of preferred option(s) understood

Process

- Reveal and discuss findings around scale economies of own organisation and ‘family’ and potential options for getting scale
- As a group
  - —Review Force Field analysis
  - —Orchestrate the collective decision

Tools (See Section 4 and Appendices)

- Interview findings on scale economies of own organisation and ‘family’
- Broad benchmark data on scale thresholds
- ‘Insights’ from Government Shared Service experience and external practice
- Force Field Framework from Decision Support approach pack focusing on sharing options
  - —Assessment based on interviews and data
  - —Preliminary overall conclusions on impact of forces

D: SOURCING SESSION

Assumptions

- Participants have a view on DIY vs. ‘family’
- The data gathering has produced enough critical data for the force field analysis

Outcomes

- Preference for Insourcing or Outsourcing Shared Services, generating specific options to investigate further
- Implications of preferred option(s) understood

Process

- Reveal and discuss findings around the various categories of the force field analysis
- Split into two groups with complementary assignments of categories
  - —Develop opportunities and challenges for each route in each category
  - —Develop initial preference on route
  - —Present back
- Orchestrate the collective decision

Tools (See Section 4 and Appendices)

- Interview findings on principles/philosophy in respect of sourcing
- ‘Insights’ from Government Shared Service experience
- Best commercial practice on Shared Service programmes
- Force Field Framework from Decision Support approach pack focusing on sourcing options

E: NEXT STEPS SESSION

Assumptions

- Participants have reached a preference on the route or the major options

Outcomes

- Process for building the formal CFA/Business Case
- Outline for next stage
  - —Major outcomes
  - —Timescales and major activities
  - —Likely skill requirements
  - —Critical Stakeholders

Process

- Plenary discussion

Tools

- Planning template for CFA/Business Case

COMPLETION PROCESS

COMPLETION

Assumptions

- A plan has been developed to move forward, possible including the development of a light or full business case

Outcomes

- SRO and Project Manager de-briefed on the event
- Actions agreed in terms of key stakeholder engagement
- Begin development of light or full business case

Process

- Meeting with SRO, Project Manager and change agent facilitator

Tools

- Outputs from Decision Support Event
- Stakeholder analysis framework

4. TOOLS

TOOLKIT CONTENTS

A. Case for Action Template

STRAPLINE:

Element	Statements
■ Ambition: … a brief summary of the overall aim of the project or programme	
■ Scope: … an outline of the areas covered (e.g. core Department, related bodies) and the functions or processes covered (e.g. HR and Finance administration)	
■ Timescale: … an estimate of the overall timescale and any major milestones (and any rationale for this timing)	
■ Benefits: … an outline of expected benefits in terms of effectiveness and efficiency	

Example Outline Case for Action

The outline case for action must be a compelling statement which is understood and agreed by the core project team and, at an appropriate point, by key stakeholders. A suggested template for the Case for Action is outlined below:

STRAPLINE: eg "We are going to be a role model for the public sector in transforming the HR function"

Element	Example Statements
▪ Ambition: … a brief summary of the overall aim of the project or programme	▪ "We are aiming to achieve top quartile performance in terms of efficiency (costs, staff ratios, etc.)" ▪ "We need to achieve a significant improvement in the service levels provided to our internal customers"
▪ Scope: … an outline of the areas covered (e.g. core Department, related bodies) and the functions or processes covered (e.g. HR and Finance administration)	▪ "The scope includes the core Department and all linked agencies and ALB's" ▪ "Our focus is on the administrative or transactional processes within HR/Finance"
▪ Timescale: … an estimate of the overall timescale and any major milestones (and any rationale for this timing)	▪ "We need to deliver benefits in line with the Efficiency Agenda, by 2007/8" ▪ "We have to make a decision on a new IT system by x date because our current system will no longer be supported by y date"
▪ Benefits: … an outline of expected benefits in terms of efficiency and effectiveness	▪ "We will achieve a ratio of 1:100 (HR staff : employees served) and a cost of £1,000 per employee served" ▪ "We will be able to produce consolidated management accounts within 10 working days of month end"

B. Stakeholder Analysis Framework

It is worth taking a moment to consider who the stakeholders are likely to be and what they need to do to enable action planning and implementation to be successful

Stakeholders	No commitment required	Let it happen	Help it happen	Make it happen

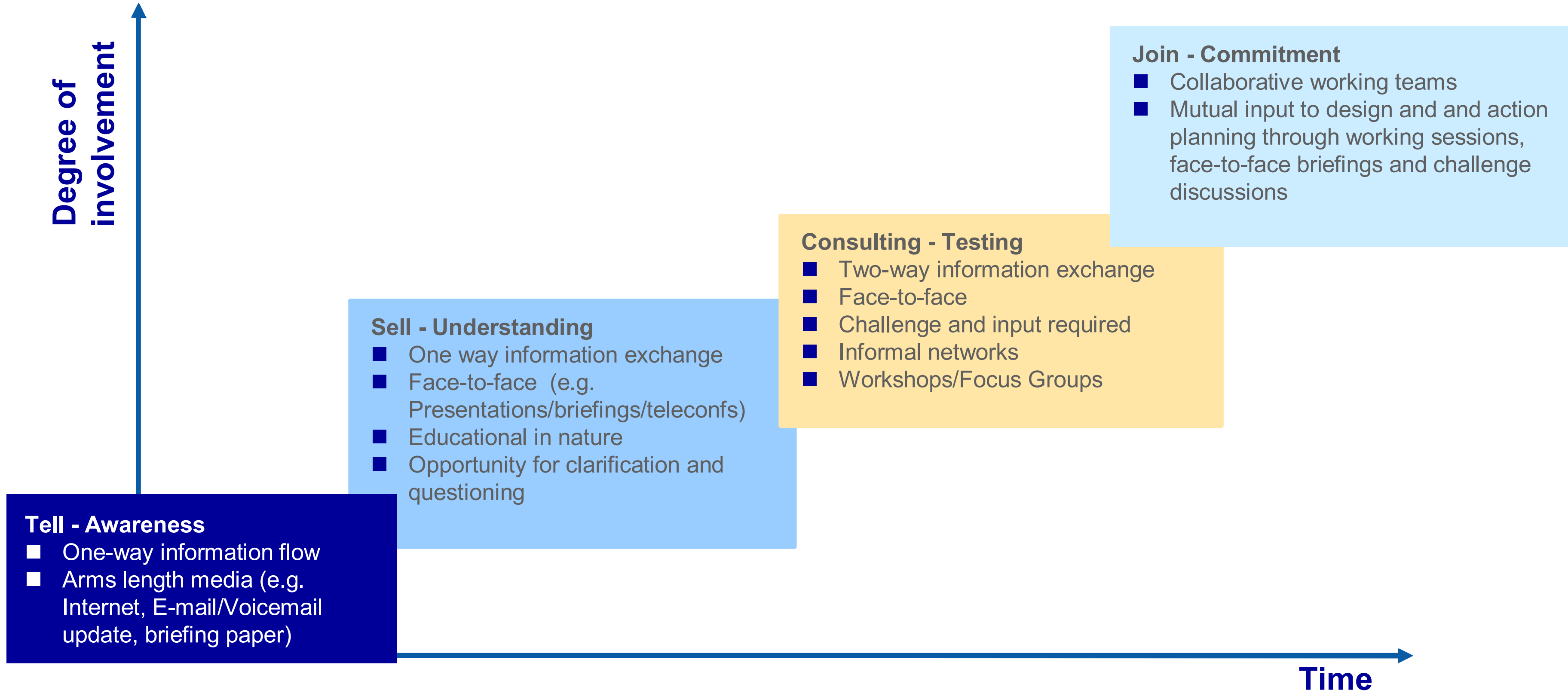
Key: X = where they are now, ✓ = where we need them to be

For Stakeholders in the:

- “No commitment required” category, no immediate action is required to engage them
- “Let it happen” category, light touch communications will be required
- “Help it happen” category, more detailed communication will be required. Preferably face-to-face with some active follow-up
- “Make it happen” category, detailed communication and involvement in priority setting, action planning and communication will be necessary

C. Communication Plan – Degree of Involvement

Prior to developing the communication plan, consider where key stakeholders are now and where you need them to be using the stakeholder analysis guide.



Greater levels of involvement will be required for:

- Stakeholders who are considered in the “help it happen” or “make it happen” categories

AND

- Stakeholders who require the greatest shift from where they are now to where you need them to be,

D. Introduction to the Structured Interview Guide

- The Structured Interview Guide is a detailed set of questions which support the population of the Force Field Framework is detailed in the Toolkit (Section 4).
- As part of the planning day, this questionnaire template should be reviewed for relevance and amended / deleted accordingly. It should be focused on the relevant parts of the functions in question (e.g. the transactional areas). Key interviewees and sources of data should also be identified during the planning day.
- This process should also be followed for the required supplementary data. These data sets / documents may not be relevant or available.
- Bear in mind that the overall aim of the Structured Interviews is to enable the completion of the Force Field Framework. The Framework is intended to deliver key messages in a powerful way but not intended to be totally exhaustive or scientific. Absolute precision or completeness is not the aim.

Structured Interview Guide: Completing the guide

- The Structured Interview Guide (See Section 4 – Tools) is divided into 11 sections as follows:
  - Background
  - People
  - Process
  - Governance
  - Operational Realities
  - Systems

  - Cost (Financial Management)
  - Capability (Sourcing)
  - Control
  - Cash
  - Core / Complexity
- The first six sections (from Background to Systems) are intended primarily to identify the feasibility/attractiveness/need of sharing with other organisations. Some of the questions reflect this intention explicitly, while others do not, but may benefit from the question being asked both of the core organisation and potential "family" members
- The final five sections (from Cost (Financial Management) to Core / Complexity) are intended primarily to identify the feasibility/attractiveness of insourcing or outsourcing
- The term "family" is often used in the questions. This can be taken to refer to all organisations within the possible scope of the initiative under consideration. It could refer to agencies and NDPBs working with a core department, or regions or division working within a single organisation

Structured Interview Guide: Background

Critical Factors	Supplementary Questions	Required Supplementary Data	Reason for Question / Data
■ Department	■ How many people are employed in the organisation? ■ How is the department structured? What services does it provide?	■ Organisation Charts ■ Charters	■ Background and Context
■ Family Partners	■ Who are the potential family partners? ■ What is their size in terms of number of people? ■ What services do they provide?		
■ History	■ What is the track record in transformational programmes? ■ Have any departmental mergers taken place, if so when?		
■ Targets	■ What are the key performance measures for the Department / potential family partners? (e.g. balanced scorecard) ■ How is the department / family partner performing against these KPIs?	■ Departmental Business Plans	

Structured Interview Guide: People

Critical Factors	Supplementary Questions	Required Supplementary Data	Reason for Question / Data
■ To what degree is there compatibility between cultures of potential family partners?	■ What are the key skills / capabilities within the organisations? ■ Proportion managerial, scientific etc ■ How is performance measured? ■ Do the organisations have similar authority levels?	■ Organisation Structures / Charts	■ Understanding of skills / capability profiles ■ Assessment of organisational compatibility
■ What is your track record (do you have capabilities in): — Programme and project management? — Process re-engineering? — Implementation / Execution Change Management? — Delivering administration services?	■ What methodologies are used in the organisation e.g. Prince, Six Sigma, Balanced Scorecard? ■ What <u>major</u> change initiatives have been delivered over the last 3 years - scope / scale / budget / level of success?	■ Capability Assessment	■ Assessment on the organisations' capability to deliver / manage the new service ■ Understanding of critical skills required and current Resourcing profiles
■ Is there a surplus or gap in the relevant functional skills (Finance, HR, Procurement) in the potential family as a whole?	■ Are there particular gaps in capability which could be addressed either through sharing or outsourcing? ■ Are these capability gaps an issue in the transition/ implementation phase or an ongoing basis?	■ Current vs. future state capability gap analysis	
■ Is the organisation and its people able / ready to transition to a different operating or shared services model?		■ People Readiness Assessment (See Tools Section E for Readiness framework)	■ Assessment of level of readiness / maturity

Structured Interview Guide: Process

Critical Factors	Supplementary Questions	Required Supplementary Data	Reason for Question / Data
■ Have you both defined your functional (HR/Finance etc) processes, their models and their measures	■ How is the organisation functionally organised? ■ What are the major process areas? ■ What are the hand-offs / major interfaces? ■ Business rules?	■ Business Architecture documents – process flow charts / maps, functional and process decomposition documents	■ Understanding of major triggers and outcomes ■ Understanding of current process scope ■ Identification of any current process issues ■ Assessment of current process volumes, performance and measures
■ Are the basic models compatible: —Style of Organisation —Key ratios, measures, SLAs	■ What are the current business volumes? ■ What process performance targets are in place? ■ What are the critical success factors in the organisation? ■ How are process targets currently measured? ■ How are the areas organised? Where are they located?		
■ How standardised are the processes?	■ What opportunities are there for process improvements - streamlining / automation? ■ Are there any opportunities to implement common processes?	■ Process Commonality Matrix Future state process models / maps	■ Identification of quick hits / process improvements ■ Understanding of commonality across families
■ Are the organisations' processes mature enough to enable the transition to a different operating or shared services model?		■ Process Readiness Assessment (see Tools Section E for Readiness framework)	■ Assessment of level of readiness / maturity

Structured Interview Guide: Governance

Critical Factors	Supplementary Questions	Required Supplementary Data	Reason for Question / Data
■ Do family members (or separate parts of the organisation) put this endeavour as an equally high priority?	■ What other initiatives are underway? ■ What are the members' level of ambition? ■ Are the more senior people in the family behind the need to change?	■ A list of other initiatives	■ Understanding of ambition, buy-in and priorities
■ Do the boards / separate parts of the organisation have a history of working well together?	■ Examples of collaboration intra or inter family		■ Assessment of potential alignment activities
■ What degree of effort is likely to be needed to get alignment – at all relevant levels?	■ How autonomous are different parts of the family? ■ How many influential layers are there – from the top down?	■ Organisation charts ■ Identified key roles – e.g. Accounting Officer	
■ What is the medium/long term stability in organisational terms of these family members?	■ How long has this family existed? ■ How strong is the rationale for the current combination of organisations?		■ Understanding of family history ■ Understanding of long-term commitment to the Programme

Structured Interview Guide: Operational Realities

Critical Factors	Supplementary Questions	Required Supplementary Data	Reason for Question / Data
▪ Are there any major events that could 'block' – e.g.: — significant strategic changes impending — different timing on contracts for services or premises	▪ What are the key priorities for —The next year —Years 1 – 3 —Years 3 – 5 ▪ Are there any pending changes which may affect strategic direction / choices		▪ Identification of any major constraints which could hinder / impact the change
	▪ Are there any contracts (IT, existing BPO) where the organisation is "locked-in" that would inhibit a change in strategic direction?	▪ Contracts inventory - Supplier / Term / Value / Switching Costs	

Structured Interview Guide: Systems

Critical Factors	Supplementary Questions	Required Supplementary Data	Reason for Question / Data
■ What is the state of IT systems?	■ What platforms do the core IT applications run on? ■ Inhouse or outsourced IT provision? ■ How would users describe current system performance? ■ What service and support levels are agreed with the users? ■ Are there any major technical issues? ■ How are the systems supported?	■ Systems Inventory ■ Systems Documentation / Architectures ■ Support Organisation Structures	■ Understanding of current system scope and footprint ■ Identification of any current system or infrastructure issues ■ Assessment of current system stability ■ Understanding of current support and service levels
■ Can core system initiatives be synchronised?	■ What major systems initiatives are planned? ■ What commonality is there between planned initiatives between organisations?	■ System development plans	■ Assessment of potential for synchronisation of system development activities
■ If so, can one organisation's system modules be used to build the others?		■ Module descriptions and functional specifications	
■ Are they any BPO / shared service systems – e.g.: — eHR — Case Management/Workflow — Portals	■ HR systems in use? ■ Financial systems in use? ■ Do the organisations use / share any common data or repositories?	■ Data Entity diagrams	■ Understanding of current IT support to corporate services functions, shared services footprint and commonality of data
■ Are the organisations' systems and infrastructure mature enough to enable the transition to a different operating or shared services model?	■ What is the current maturity level for applications, data, technology, process support, technical resources and current suppliers?	■ IT Readiness Assessment (see Tools Section E for Readiness framework)	■ Assessment of level of readiness / maturity

Structured Interview Guide: Cost (Financial Management)

Critical Factors	Supplementary Questions	Required Supplementary Data	Reason for Question / Data
■ Do you want to increase the proportion of variable costs?	■ What is the current split between variable and fixed costs? ■ Where are there opportunities to further increase the proportion of variable cost?	■ Baseline Activity Based Costing model – if available	■ Understanding of current cost profile and drivers
■ Are you looking to improve the quality of the balance sheet?	■ What are the major cost drivers? ■ Are there any issues for the balance sheet on taking on assets?		■ Provides input to cost discussions with potential suppliers ■ Helps to crystallise cost / financial objectives for outsourcing

Structured Interview Guide: Capability (Sourcing)

Critical Factors	Supplementary Questions	Required Supplementary Data	Reason for Question / Data
■ Implementation Capability What is your track record (do you have capabilities in): — Programme and project management? — Implementation / Execution Change Management? — Delivering administration services?	■ What major sourcing initiatives have been delivered over the last 3 years - scope / scale / budget / level of success? ■ What experience does the organisation have in strategic sourcing/ supplier relationship management? ■ What track record does the organisation have in delivering administration services?	■ Capability assessment	■ Understanding of recent major sourcing decisions ■ Understanding of commercial management capability and processes ■ Understanding on the organisations' capability to manage suppliers
■ Contract Management Capability What is your track record in: — Contract / Supplier Management? — Commercial Management?	■ Is there strong commercial management capability in the organisation? ■ Is there a robust contract management process in place? ■ What differing commercial models have been put in place with suppliers? ■ Are there robust service level agreements in place with suppliers? ■ How often does the organisation meet with suppliers to review supplier performance?	■ Service level descriptions and metrics ■ Contract / Commercial policies	

Structured Interview Guide: Control

Critical Factors	Supplementary Questions	Required Supplementary Data	Reason for Question / Data
Do you understand your current service requirements?	■ What service and support levels are agreed? ■ What metrics and KPIs are measured? ■ How are these monitored?	■ Service Level Descriptions and Metrics	■ Understanding of current KPIs and performance?
Do you understand likely future service requirements?	■ How do service requirements differ by user segment?	■ Service requirements definitions	■ Understanding of future KPIs, targets and performance management processes
Are you able to set measures and targets for efficiency and effectiveness of the service?	■ What is the process for setting targets and measures? Who is involved in the process?		

Structured Interview Guide: Cash

Critical Factors	Supplementary Questions	Required Supplementary Data	Reason for Question / Data
Is there a need to optimise cash flow which a commercial framework might be able to provide?	■ Can the outsourcer commit to a reduction in year on year unit costs? ■ Is the outsourcer prepared to take on our assets?		■ Provides a view on potential financial opportunities from outsourcing ■ Provide input to discussions with 3rd party suppliers
Does the organisation / family have the budget in place to fund the change and transition?	■ What funding is available? ■ What is the capital approval process? ■ Which stakeholders are involved in the process?	■ Capital Approval Process	■ Provides an understanding as to whether the organisation can fund the change and transition

Structured Interview Guide: Core / Complexity

Critical Factors	Supplementary Questions	Required Supplementary Data	Reason for Question / Data
Core: Do you need to focus on your core business – are you spending too much time on delivery of corporate services?	■ What areas of the business are non-core? ■ Proportion of senior management meetings discussing corporate services operational matters?		■ Provides an understanding on potential strategic benefits of outsourcing
Complexity: Do you need to simplify your business?	■ Can overhead be reduced relating to: - number of locations - number of central services functions - IT systems administration		

E. Review of Readiness Assessment Tool

- The Readiness Assessment Tool supplements the structured interview guide set out above
- It provides more detailed questioning on the readiness of an organisation for the types of changes associated with a shared services based change programme
- The areas of focus are: People and Organisation, Governance, Processes, IT Systems

i. Assessment of Readiness: People & Organisation

	Low	Medium	High
Evidence	■ No experience with organisational models in which service is delivered remotely ■ Little recent organisational change	■ Experience of a limited range or services provided remotely ■ Some recent examples of the organisation adapting to new approaches	■ New service delivery models working and well accepted ■ The organisation shows a high degree of adaptability to new approaches
Implications	■ Considerable effort needed to convince managers and individuals of the benefits of a new model. Resistance to change highly likely. Need to invent in communication, engagement and change management	■ Need to build on successes and be very explicit in selling benefits ■ Do not assume acceptance of the new approach will be forthcoming	■ Ensure best practices from prior experience are understood and incorporated in any further changes

ii. Assessment of Readiness: Governance

	Low	Medium	High
Evidence	■ Loose, federal structure, few shared priorities or mechanisms for gaining consensus	■ Broad acceptance of need to work together; some track record of effective collaboration; mechanisms for reinforcing collaboration not fully operational	■ Coherent organisation, will move in agreed direction once convinced of the case for action
Implications	■ High risk in building a plan which relies on gaining acceptance and advice support	■ Manageable risk, but requires issues to be surfaced, understand and clearly addressed	■ Able to move ahead – using sounding techniques to ensure all stakeholders are satisfied with progress

iii. Assessment of Readiness: Processes

	None	Med-Low	Med-high	High
Evidence	■ None. Not performed. Anarchy. Not aware of the benefits. No agreed/defined process measures in place	■ Performed but functionally focussed. Not repeatable or managed. Some process measures agreed	■ Managed and performed well, normally by a cross functional team. Repeatable. Not ingrained – room for improvement. Process measures agreed and monitored. Some targets achieved.	■ Managed business- wide. Continuously improving performance. Ingrained, proactive measured repeatable. Proactive monitoring of process performance. Process targets realised
Implications	■ High risk that programme will not get a signed off ‘business design’ plus case for action, and hence proceed.	■ Risk that cross functional elements will be resisted strongly.	■ Risk that successive improvements will not appear – hence undermine long term business case	■ Little risk

iv. Assessment of Readiness: IT systems

		Low	Medium	High
Aspect of IT	Users	Unused to fin/hr systems	Expert user groups exist	Expert users of functional systems
	Applications and data	Large backlog of development and maintenance	Manageable backlog of development and maintenance	Spare capacity for development and maintenance
	Process support	No workflow architecture or tools	Workflow architecture defined, tools investigated	Workflow architecture and tolls in use
	Resources	No programme, project or business analysts available	Knowledgeable business analysts available	Programme, project managers, architects and analysts available
	Suppliers and commercial	Fragmented supplier base and lock-in contracts present	Functional areas not constrained by contract lock in or supplier resources	Strategic suppliers in place with flexible contracts
	Technology	Fragmented infrastructure	Reliability and availability reasonable. Capacity good enough.	Architected infrastructure (rationalised)
Implications		High risk that 'fire fighting' day to day will impede the programme	Manageable risks on 'IT supply' side	It organisation should be able to respond to the challenge

F. Force Field Framework – Introduction

- The information obtained through the structured interviews should provide a good basis for completing a draft of the Force Field Framework
- In the Workshop Construction Session it may have been decided that it will be helpful to provide a high level assessment of the maturity/readiness link with other organisations in the early stages of the Decision Support Event. The appropriate questions for this are highlighted in Section E above.
- This section includes:
  - instructions for completion of the force field analysis
  - a worked example
  - force field sheets relating to the structured interviews conducted earlier relating to sharing and scale, including recommended weightings for answers
- Section G presents the force field sheets for questions related specifically to sourcing.
- A key to the force field technique is its transparency. It allows decision makers to see why decisions are being pushed in certain directions and what the key influences on those decisions are. The technique does not remove risk but it does highlight the areas that need to be focussed on. For example, an analysis that suggest a particular course of action will almost certainly have factors that pushed in the other direction. These factors give a good indication to the project team of key risks that would need to be mitigated. See also the risks section, Section K.

Force Field Framework – Instructions for Completion

- The following Force Field analysis will allow you to:
  - Determine the weighting for each critical factor in each of the domains based on their importance (as indicated by ▲)
  - Provide a visual overview of the risk profile of each domain
  - This Framework covers two areas; Scale and Sharing, and Sourcing. Within each of these there are several domains which should influence the attractiveness of a particular option.

Instructions:

1. For each factor determine the score +1 to +5 or -1 to -5. The scores should be based on the responses to the structured interviews plus other relevant data.
2. Each element has an importance rating indicated by ▲. More importance symbols indicate a higher importance rating. These ratings should be reviewed prior to completion.
3. For each element, fill in a line to indicate, the score and the degree of importance. The line should be thicker if the element contains a higher number of importance ratings *(note; use the grid to assist you)*

For example:

1. Domain	2. Critical Factors	3. Factors For and Against										
		Positive					Negative					
		5	4	3	2	1	-1	-2	-3	-4	-5	Don't Know
Process	Have you both defined your functional processes, their models and their measures ▲			Yes – Detailed Definition				No – Little definition				
	Are the basic models compatible ■Style of organisation ■Key ratios, measures, SLAs ▲▲▲			Yes – highly compatible					No – highly incompatible			

Line Thickness as indicated by importance symbol

Line Thickness as indicated by importance symbol

Force Field Framework – Worked example

What are the forces for / against adding scope from family members?

1. Domain	2. Critical Factors	3. Forces For and Against											Comments / Issues
		Positive (Decreasing Risk)					Negative (Increasing Risk)					Don't Know	
		5	4	3	2	1	-1	-2	-3	-4	-5		
Process	Have you both defined your functional processes, their models and their measures?			Yes – Detailed Definition					No – Little definition				
	Are the basic models compatible? ■Style of organisation ■Key ratios, measures, SLAs			Yes – highly compatible					No – highly incompatible				
	How standardised are the processes?			High Standardisation					Low Standardisation				
	Are the organisations' processes mature enough to enable the transition to a different operating or shared services model?			Yes – High Level of Maturity / Readiness					No – Low Level of Maturity / Readiness				

Force Field Framework – Scale and Sharing

What are the forces for / against adding scope from family members?

1. Domain	2. Critical Factors	3. Forces For and Against											Comments / Issues
		Positive (Decreasing Risk)					Negative (Increasing Risk)					Don't Know	
		5	4	3	2	1	-1	-2	-3	-4	-5		
Governance	Do family members / separate parts of the organisation put this endeavour as an equally high priority?			Yes					No				
	Do the boards / separate parts of the organisation have a history of working well together?			Yes					No				
	What degree of effort is likely to be needed to get alignment – at all relevant levels?			Minimal					Considerable				
	What is the medium/long term stability in organisational terms of these family members?			Unstable					Stable				

Force Field Framework – Scale and Sharing

What are the forces for / against adding scope from family members?

1. Domain	2. Critical Factors	3. Forces For and Against											Comments / Issues
		Positive (Decreasing Risk)					Negative (Increasing Risk)					Don't Know	
		5	4	3	2	1	-1	-2	-3	-4	-5		
People – culture and capabilities	To what degree is there compatibility between cultures of potential family partners?			High – Similar cultures					Low – Potential clash				
	What is your track record (do you have capabilities in): ■Programme and project management ■Process re-engineering ■Implementation/Execution Change Management ■Delivering administration services			Good					Poor				
	Is there a surplus or gap in the relevant functional skills (Finance, HR, Procurement) in the potential family as a whole			Surplus					Gap				
	Is the organisation and its people able / ready to transition to a different operating or shared services model?			Yes – High Level of Maturity / Readiness					No – Low Level of Maturity / Readiness				

Force Field Framework – Scale and Sharing

What are the forces for / against adding scope from family members?

1. Domain	2. Critical Factors	3. Forces For and Against											Comments / Issues
		Positive (Decreasing Risk)					Negative (Increasing Risk)					Don't Know	
		5	4	3	2	1	-1	-2	-3	-4	-5		
Process	Have you both defined your functional processes, their models and their measures			Yes – Detailed Definition					No – Little definition				
	Are the basic models compatible ■Style of organisation ■Key ratios, measures, SLAs			Yes – highly compatible					No – highly incompatible				
	How standardised are the processes?			High Standardisation					Low Standardisation				
	Are the organisations' processes mature enough to enable the transition to a different operating or shared services model?			Yes – High Level of Maturity / Readiness					No – Low Level of Maturity / Readiness				

Force Field Framework – Scale and Sharing

What are the forces for / against adding scope from family members?

1. Domain	2. Critical Factors	3. Forces For and Against											Comments / Issues
		Positive (Decreasing Risk)					Negative (Increasing Risk)					Don't Know	
		5	4	3	2	1	-1	-2	-3	-4	-5		
Operational Realities	Are there any major events that could 'block' - e.g. ■significant strategic changes impending ■different timing on contracts for services or premises	No significant constraints					Yes – highly constrained						

Force Field Framework – Scale and Sharing

What are the forces for / against adding scope from family members?

1. Domain	2. Critical Factors	3. Forces For and Against											Comments / Issues
		Positive (Decreasing Risk)					Negative (Increasing Risk)					Don't Know	
		5	4	3	2	1	-1	-2	-3	-4	-5		
Systems	What is the state of IT systems? ▲			Broadly Stable					Unstable				
	Can core system initiatives be synchronised? ▲▲▲			Yes – Modules broadly similar					No – Modules functionally different				
	If so, can one organisation's system modules(s) be used to build the others? ▲			Yes – Modules can be used as a template					No – Restrictions apply (e.g. License conditions)				
	Are there any shared service systems – e.g. Case management or Employee/manager self-service tools ▲▲			Yes					No				
	Are the organisations' systems and infrastructure mature enough to enable the transition to a different operating or shared services model? ▲▲▲			Yes – High level of Maturity / Readiness					No – Low Level of Maturity / Readiness				

G. Force Field Framework for Sourcing – Introduction

- See introduction to Section F.

Force Field Framework – Sourcing

What are the forces for / against insourcing vs. outsourcing?

1. Domain	2. Critical Factors	3. Forces For and Against											Comments / Issues
		Insource					Outsource					Don't Know	
		5	4	3	2	1	-1	-2	-3	-4	-5		
Cost (Financial Management)	Do you want to increase the variability of costs?			No					Yes				
	Is their opportunity for improving the quality of the balance sheet through outsourcing – and is this important?			No					Yes				

Force Field Framework – Sourcing

What are the forces for / against insourcing vs. outsourcing?

1. Domain	2. Critical Factors	3. Forces For and Against											Comments / Issues
		Insource					Outsource					Don't Know	
		5	4	3	2	1	-1	-2	-3	-4	-5		
Capability	Implementation Capability What is your track record (do you have capabilities in): ■programme and project management?, process re-engineering?, implementation/execution?			Good					Poor				
	Management Capability What is your track record in: ■contract/supplier management? ■commercial management?			Poor					Good				

Force Field Framework – Sourcing

What are the forces for / against insourcing vs. outsourcing?

1. Domain	2. Critical Factors	3. Forces For and Against											Comments / Issues
		Insource					Outsource					Don't Know	
		5	4	3	2	1	-1	-2	-3	-4	-5		
Control	Do you understand your current service requirements?			No					Yes				
	Do you understand likely future service requirements?			No					Yes				
	Are you able to set measures and targets for efficiency and effectiveness?			No					Yes				

Force Field Framework – Sourcing

What are the forces for / against insourcing vs. outsourcing?

1. Domain	2. Critical Factors	3. Forces For and Against											Comments / Issues
		Insource					Outsource					Don't Know	
		5	4	3	2	1	-1	-2	-3	-4	-5		
Cash													
	Do you need to optimise cash flow?			No					Yes				
	Does the organisation / family have the budget in place to fund the change and transition?			Yes					No				

Force Field Framework – Sourcing

What are the forces for / against insourcing vs. outsourcing?

1. Domain	2. Critical Factors	3. Forces For and Against											Comments / Issues
		Insource					Outsource					Don't Know	
		5	4	3	2	1	-1	-2	-3	-4	-5		
Core	Do you need to focus on your core business?			No					Yes				
Complexity (cure)	Do you need to your business i.e. Reduce management overhead related to: ▪ The number of locations ▪ The number of central services functions ▪ IT systems administration			No					Yes				

H. Key Elements of Business Case 'Light'

By completing the overall process as documented in this pack, the team will be able to directly populate most elements of the business case. The elements listed below comprise the overall contents of the Business Case:

- Strategic fit (Compatibility of governance, culture, KPIs, HR/Fin models)
- Target Users (Profile, Number, Requirements, Segmentation)
- Characteristics of the future business model ('To be' process, organisation, location, systems)
- Funding overview (Capex/Opex requirements, budget constraints)
- Benefits overview (e.g. ROI, cash flow, payback period, SLA improvements)
- Key Risks (e.g. Financial, HR (transitional), service level)
- Critical Success Factors (e.g. retained capabilities, governance regime, type of commercial framework)
- Readiness / Capability Assessment (People, process, systems)
- Sourcing Options / Decisions (Yes/no, if so what type of partner and what type of relationship (eg JV?))
- High Level Implementation Options (Timescales, phasing)

I/J. Implications of each option – The reality check

<table>
<tr><th></th><th>“Do it Yourself”</th><th>“Do it with Family”</th><th>Outsourcing</th></tr>
<tr><td rowspan="2">Governance</td><td colspan="2">■ There must be a quarterly progress review involving shared services best practice opinion</td><td>■ You must ensure senior management is involved in managing the performance of private suppliers
■ You will need to be confident that you will be a priority in the Partner’s business</td></tr>
<tr><td colspan="3">■ This programme must be given a very high priority in the central services agenda. You must give it time at all board meetings
■ You must incentivise your top management to support the programme
■ This will take time – have the sponsors and the programme team got the stamina?
■ The funding, progress and resourcing of the programme must be a continual high priority during board meetings of ‘family’ organisations
■ Senior management in each organisation must explicitly agree to a common operating model for HR and/or Finance
■ Local units in each organisation must relinquish control in the latter stages of the design phase to allow change windows to be set up and operate
■ How confident are you that you can maintain emphasis on this programme for 12-24 months and that it can withstand possible changes in the family’s structures?
■ If different family members are at different stages of development (in terms of processes, shared services etc) they may expect to share differentially in the costs</td></tr>
<tr><td rowspan="2">Procurement</td><td>■ You may need to strengthen the numbers and capability required to run the procurements necessary even for an in-house solution</td><td>■ You will need to reengineer your procurement processes to standardise across family members
■ Existing and future large contracts must be reconciled between family partners e.g.</td><td rowspan="3">■ You may need to strengthen the numbers and capability required to run Procurement. A major outsourcing contract typically requires full-time procurement expertise throughout the project.
■ Depending on the scale of the project, the procurement process could last up to 18 months and will involve OJEU processes unless the services are available from a catalogue derived using OJEU processes
■ Critical skills capabilities and roles split between outsourcer and family / organisation
■ Documenting and agreeing the business requirements in a form that can subsequently be managed is critical
■ Careful, experienced consideration should be given to commercial requirements
■ After the initial project you must ensure depth and numbers of people experienced in managing the performance of private suppliers, typically:
- An experienced account manager (@£50-70k p.a.)
- Contract manager(s)
- Compliance manager
■ You must explicitly follow all stages of the appropriate procurement processes (seek OGC advice where appropriate)
■ You may need to revisit your sourcing policies to ensure their applicability for the management of an outsourcer.
■ Can you find these people. Can you afford them?</td></tr>
<tr><td colspan="2">■ Do you have a commercial skill set? Do you know how to manage a service oriented organisation?
■ What level of ‘regret’ costs arise from terminating or changing existing contracts and how will this financial pain be shared?
■ How will you administer and manage the future contracts with customers and service providers? Who will be responsible for the managed service?</td></tr>
<tr><td>Critical Capability</td><td colspan="2">■ There must be a programme management function that has teeth in its dealings with family members e.g.
— Has the authority to assure plans in all projects in the programme and raise issue/risks
— Can escalate critical risks and issues on to the board agenda
— Has authority over programme funding and programme resources
■ You will need to hire ‘programme experienced’ staff to supplement the programme, typically:
— Heavyweight programme manager (may cost upwards of £200kp.a!)
— Risk and issue manager
— Planning office manager
— Possibly, release manager
■ You may have to hire additional business analysis capability to design the common operating model, typically
— Senior business architect (@£50-£70k p.a.) to manage the definition of and get consensus on the new target operating model WITH EACH ORGANISATION
— Business analysts (@30-50K p.a.) to produce the new operating model and high level service definitions
■ You may need some new staff with Service Delivery experience to set up and manage the ongoing services, typically:
— Service Delivery Manager – not cheap
— Operations manager – not cheap
— Service support leader
— Service planning leader
■ Get ready for the day job vs. programme dilemma; You will need your best people on this</td></tr>
</table>

I/J. Implications of each option – The reality check

<table>
<tr><th></th><th>“Do it Yourself”</th><th>“Do it with Family”</th><th>Outsourcing</th></tr>
<tr><td rowspan="2">Costs</td><td colspan="2">■ Are you aware of the sunk costs? Are these politically acceptable (even if financially rational)?</td><td>■ You should incorporate Government and OGC best practice in contract models and schedules to optimise Total Cost of Ownership (TCO)</td></tr>
<tr><td colspan="3">■ You should set aside a significant budget to cover the temporary increase in resource requirements on the programme on ongoing services
■ Create a significant contingency (at least 10%) in the numbers to cover the various risks – check that the business case is still attractive
■ Can you commit – can everyone round the table commit?
■ Will you need to consider different pricing for different service levels required by family members?</td></tr>
<tr><td>Investment</td><td colspan="3">■ You should be able to fund the programme according to the investment levels shown in the outline business case
■ Do you have the money <u>now</u> to begin the programme?</td></tr>
<tr><td>Political</td><td colspan="3">■ Check that the option(s) chosen are in alignment with current political direction e.g.
— Comparison with Gershon and Lyons targets
— In vs. outsourcing
— Government utility vs. private 3rd party
■ The SRO must devote significant time to ensuring backing from the senior executives - Most of SRO time will/should be spent on this
■ How does the Board/Family feel about sourcing – will prejudices get in the way</td></tr>
<tr><td>Process</td><td colspan="2">■ Do you understand the possible strength of resistance to standardising processes (for example, people will often stress their uniqueness)?
■ Have we the will to force through common processes where the overall benefit is clear?
■ Design of your service delivery model and organisation should take account of private sector best practice and not seek to re-invent material for the sake of it
■ You must make someone accountable for continuous improvement post programme to capture cost savings
■ Do you understand/does the team understand what it is trying to build?</td><td>■ Early on you must comprehensively check that the Partner’s process and people models fit with your functional strategy</td></tr>
<tr><td>People</td><td colspan="3">■ This will take your best people out of their current line roles
■ There will be significant redundancy / redeployment issues – Is there likely to be the will to see these through?
■ You must have influential change agents at ALL levels to ensure progress
■ Are we up for this – will we go through this and then fudge the benefits realisation?</td></tr>
</table>

K. Risk Analysis – Introduction

This risk analysis section identifies and explores the risks that are typically found in shared services projects. It highlights the different risks that might be encountered for insoucing or outsourcing solutions.

The risks are presented in the centre of the page. Mitigating actions are given for outsourcing and in-house options. The shading reflects differential risks. Light amber shading on one side or the other represents an increased risk for that option over the other. A dark amber shading represents a considerably greater risk. No shading indicates that the risks are fairly even between the two options. Thus the shading does not indicate the absolute level of importance of the risk. This is indicated by the red stars which highlight the areas that all shared services projects ought to give special attention to.

Risk Analysis

Governance and general issues

Countervailing Actions **Outsourced option**	Risk/Issue	Countervailing Actions **Inhouse option**
Review the effectiveness of governance arrangements to date; agree an updated framework with the Chief Executives (or equivalents) of the organisations involved. Include suitable representation on the Project Board with relevant experience	**Governance** The key stakeholders (regions, family members etc) are unable to reach agreement on an effective decision-making framework for implementation and subsequent management of the Service Centre	Review the effectiveness of governance arrangements to date; agree an updated framework with the Chief Executives (or equivalents) of the organisations involved. Include suitable representation on the Project Board with relevant experience
Develop contract to allow organisations to join or leave the facility. Contract could be developed on a variable cost basis	**Machinery of Government** Organisations change in shape or size during or after implementation	Develop flexibility options for Shared Services to test how organisations could join or leave the facility This will, however, require additional management and may well involve further costs
Recognise as a critical risk and manage accordingly, giving priority at board meetings	**Project Funding** Organisations cannot secure their share of the required funding	Recognise as a critical risk and manage accordingly, giving priority at board meetings

Risk Analysis

Project Management

Countervailing Actions **Outsourced option**	Risk/Issue	Countervailing Actions **Inhouse option**
Appoint an experienced Project Director who can lead the team and sustain effective relationships with the stakeholders. Engage consultancy support with experience of developing and managing an outsourced contract and delivering behavioural change	**Project Management** Inadequate day-to-day project management. Project does not run to time, goes over budget or does not meet the specification	Appoint an experienced Project Director who can lead the team and sustain effective relationships with the stakeholders. Engage consultancy support with experience of building HR shared services facilities to provide project oversight *[The critical period for project management is longer for the insourced option (it includes the setting up and testing of centre – which would be managed by supplier in the outsourced option). This leads to slightly increased risk]*
Project funding should provide for significant consulting input in contract development and negotiation (see below).	**Project Skills** Project lacks right balance and volume of skills in implementing Shared Services and HR IT implementation (for insourced) or contract development and negotiation (outsourced)	Project funding should provide for significant consulting input in both areas and for substantial internal resources. A greater range of skills is required in this option (the insourced option requires more skills in business analysis, systems development, testing, property management)
Recruit a senior procurement official with experience of negotiating and managing outsourced contracts. Involve him/her extensively in contract negotiation and contract set-up. Build on his/her experience in designing change management interventions with HR community and line managers so that implications of running an outsourcing contract are understood fully Ensure Project Director has direct experience of contract negotiation in a government environment	**Contract negotiating and management expertise** Long-term outsourcing projects are very complex to negotiate – and require significant professional input to manage properly	

Risk Analysis

Delivering the Internal Changes

Countervailing Actions **Outsourced option**	Risk/Issue	Countervailing Actions **Inhouse option**
Develop a change plan which addresses the specific change agenda of each organisation. Develop tactics for each group, plan and implement change management, training and communication interventions to help staff make the change Ensure the contract places commitments such that the service provider has an interest in helping achieve the behaviour changes necessary	**Culture Change** Inability to get HR staff, line managers and staff to adapt to a different means of HR service delivery including redesigned processes	Develop a change plan which addresses the specific change agenda of each organisation. Develop tactics for each group, plan and implement change management, training and communication interventions to help staff make the change The actions are the same in each option. For the inhouse option these actions will be taking place in parallel with critical moments of setting up the service centre
Develop a clear benefits realisation plan, gain commitment to the plan and its implications at main Board level in each of the organisations involved Engage service provider to reinforce importance of benefits realisation	**Benefit Realisation** Project Board unable to realise the benefits available in each organisation due to difficulties in pushing through redeployment, retraining and, if necessary, redundancy	Develop a clear benefits realisation plan, gain commitment to the plan and its implications at main Board level in each of the organisations involved

Risk Analysis

Establishing Shared Service Centre

Countervailing Actions **Outsourced option**	Risk/Issue	Countervailing Actions **Inhouse option**
	Availability of suitable property Acquiring suitable property on sufficiently flexible terms	Ensure requisite skills in place or available to project team
	HR skills in the Service Centre Pool of appropriately skilled people to run the Centre	The implementation budget should cover resources for training Service Centre staff and for recruiting HR experience at the Team Leader and Manager level
Use consultancy support to assist in specification. Include a number of visits to similar sites by project team. Difference between the options lies in the level of detail required – outsourced option needs “outcome based” specification	**Insufficient knowledge of shared services operations** Lack of knowledge in new style of operations makes it difficult to specify what is required	Use consultancy support to assist in specification. Include a number of visits to similar sites by project team. Difference between the options lies in the level of detail required – insourced option needs greater detailed knowledge
There is likely to be significant interest in bidding for this work, but few suppliers (currently 2-3?) will be able to demonstrate a proven track record of implementing and running HR BPO, combined with significant Government experience The relative immaturity of the market does mean, however, that potential suppliers will be very keen to gain the business	**Maturity of UK HRO market** There are not many UK companies with experience of implementing and running HRO contracts (See Marketplace appendix)	

Risk Analysis

Maintaining, and possibly expanding, the Shared Service Centre

Countervailing Actions **Outsourced option**	Risk/Issue	Countervailing Actions **Inhouse option**
Contract to specify very clear responsibilities on Service Provider regarding ongoing management including SLAs etc. Contract will identify the "Intelligent Customer Function" to be established to manage the contract	**Ongoing management of the Service Centre** Any remote, relatively small facility with novel reporting lines may demand greater central management attention and resources than anticipated	Capability of centre Team Leader to be sufficient to take on responsibilities. Establish very clear reporting lines and on-going governance of operation
Ensure that proven service management ethos is a key factor in evaluation between prospective suppliers	**Insufficient service management ethos** Difficult to develop service management ethos from within existing management frameworks, reward structures etc	Examine how other government organisations have achieved this and implement Introduce appropriate incentive schemes
Ensure contract developed on a variable cost basis to allow for such variation	**Adaptability to longer term trends** Advances in acceptance and capability of web-based processes could significantly reduce need for telephone based support	Ensure leases and other semi-fixed costs are made as variable as possible
Contract would need to be very precise about expansion of operations for new joiners – and be constructed to make this a straightforward process	**Expansion of number of organisations served** Managing the increase in number of organisations served by the Service Centre (to obtain better scale economies) may be difficult to manage with complex accounting for investment up front by one organisation for the future benefit of many	Make a detailed investigation of how this might be done by modelling a number of scenarios very early in the project, establishing rules as to how this would work, working out the detailed governance arrangements and gaining commitment from all parties before proceeding
Use best practice in developing the contract, utilising all experience of recent IT outsource projects (Aspire, Defra). Make full use of suppliers desire to enter and expand the BPO market in government. Ensure break points, open book accounting, caps on profit margins and benchmarking provisions are all placed in contract	**Contract changes** Contract changes are difficult to predict and always difficult to implement after signature	

APPENDICES

APPENDICES CONTENTS

Appendix A: Activity Matrix – Who's doing what

Appendix B: Case Studies

i. Department for Transport
ii. Home Office
iii. Prison Service
iv. DWP
v. Northern Ireland Civil Service
vi. NHS

i. Case Study: Department for Transport

Focus

- Creating shared services covering a range of operational activities including Finance across a number of organisations within a loose family

Context

- DfT encompasses the core Department and a mix of agencies and sub-Departments with different priorities. Some parts of the DfT (e.g. the DVLA) are more advanced than others in terms of standardising operational processes. The whole of the DfT comprises around 18,000 staff.

Aims

- To make significant improvements in operational efficiency, particularly in terms of staff numbers and ratios and associated costs – to at least meet Gershon targets

Approach

- A lengthy research phase, during which the aim was to establish a baseline of current activities and costs and begin to build stakeholder support.
- Key challenges during this phase included:
  - — being able to count Finance people outside the Finance function
  - — overcoming fears of a "one size fits all" solution
  - — agreeing the overall proposition and scale of ambition (given the different needs and priorities of parts of the family)
  - — maintaining the sense of autonomy of agencies while persuading them to adopt common processes
  - — addressing the challenge of whether the organisation can become an intelligent customer for the services provided from a shared centre
  - — persuading stakeholders who have never seen the proposed model in operation that it can be successful
  - — acknowledging the emotional investment that people have in the current world – which increases the natural resistance to change

Critical success factors and insights

- Visits to exemplars helps – the closer they are to the organisation's current circumstance the better, to avoid the "we're different" defence
- Use a small group to drive the project – with clear support from the "CEO"
- Need to have a clear step change from the research phase to a disciplined project
- Reach the "tipping point" with stakeholders faster by:
  - — being very clear on definitions
  - — understanding who has real experience
  - — early reference site visits
  - — addressing "what's in it for me" questions
  - — being robust at outset on criteria, targets, and assumptions
  - — recognising that if options can't achieve a threshold level of benefit, stop them early
  - — using more command and control to create momentum (e.g. "doing nothing is not an option")
  - — illustrating the faults with the current position – e.g. number of different policies/systems – to create case for change

Contact

- Michael Herron, Director of Business Services

ii. Case Study: Home Office Group

Focus

- Creating shared services for HR for the Core Home Office and IND

Context

- Joining the core Home Office and IND creates more scale economies. The other main part of the Home Office Group (the Prison Service) is separately developing shared services for HR and Finance to cover its 50,000 staff

Aims

- To make significant improvements in operational efficiency, particularly in terms of staff numbers and ratios and associated costs – to at least meet Gershon targets

Approach

- A process of at least nine months in order to create a roadmap and build engagement with stakeholders
- Key challenges during this phase included:
  - senior executive mandate does not necessarily result in support at all levels of the organisation
  - need parallel activity in selling and engaging
  - deciding when to communicate; the need to communicate frequently was recognised but in the early stages there is little content to communicate
  - benchmark data was viewed with suspicion because it was not seen as taken from directly comparable organisations

Critical success factors and insights

- Need to balance engagement/involvement with drive to create momentum
- Need to apply a reality test – to exclude some options early, and/or describe the prerequisites needed for success
- Try to “freeze the landscape”, because at any point in time there will be other initiatives underway which may run counter to the programme. Need to get the Board to agree priorities and direction
- Need a view on how much precision is needed (in terms of data collection) before attempting to obtain it. Precise data is hard to obtain
- The Treasury business case methodology is helpful
- Need to surface and address the really tough issues early on

Contact

- Tony Odams de Zylva, Deputy Programme Manager

iii. Case Study: The Prison Service

Focus

- Creating shared services for Finance, Procurement and HR using an Oracle ERP system

Context

- The Prison Service is a relatively large entity with around 50,000 staff – big enough to obtain significant economies of scale by standardising processes and consolidating the provision of services

Aims

- Compelling need to replace Finance systems (e.g. had 128 different instances of Sage requiring consolidation each month – and running out of support in the near future). General aim to significantly improve operational efficiency and effectiveness

Approach

- Produced a feasibility study (rather than a full business case). The scale of the organisation plus the state of the legacy systems and processes meant that it was relatively easy to see that benefits would outweigh costs
- Selected Oracle over SAP because the Home Office have Oracle
- Having selected Oracle, then developed an operating model for the future Finance and HR functions
- A pilot based on nine high security prisons, using existing technology and processes has produced no savings – highlighting the risk of running small scale pilots
- The HR service is being developed in parallel to Finance – and now being drawn together

Critical success factors

- Sequence is key: get new systems working on ERP and then move to shared services. Too risky to put the new, untried systems straight into shared services – in theory cost may be lower (e.g. only need to train one set of staff) but change challenge too great.
- Split the organisation in terms of the move to shared services – big bang not digestible. This does push out the expected cost benefits and needs to be factored into the business case.
- Would help at the outset to understand the relative difficulty and value of each part of the programme. This would have influenced how it was set up.
- Have parallel tracks – of Finance, Procurement, HR – then sequence the roll-out – and draw confidence from each part as it is shown to work.
- The real benefits come from redesign of business processes – if a group is very large and disparate it is more difficult to agree common processes – and may be less necessary, if each part of the group is big enough to realise scale economies. Why take on the problem of extra complexity? If a group or entity is small, outsourcing may be a more viable option.

Contact

- Ann Beasley, Finance Director

iv. Case Study: Department for Work and Pensions

Focus

- Implementing an ERP system as a basis for shared services

Context

- The DWP is a very large organisation (around 90,000 staff) with antiquated systems and extraordinary complexity in some of the processes which need to be supported (e.g. the myriad of different working patterns)

Aims

- To radically update the information systems in order to enable significant improvements in Finance, Procurement and HR

Approach

- Built the case for change by using some benchmark data but relying more on internal customer input (Voice of the Customer) at executive levels and in the broader Finance community
- Established a huge gap between the current state and the future desire of position
- Then looked at feasibility. Did not do activity analysis as this was felt to be unnecessary and would have been resisted
- The process followed was mainly rational (rather than emotional) because the case for change was so strong
- The overall philosophy during design and implementation was "change how we do things – don't change the technology" wherever possible
- Have decided against outsourcing (at least for now) because:
  - — current information is so poor that current costs of provision are not understood
  - — have not thought through the risk profile of processes. Would need to do this and consider outsourcing lower risk processes first
  - — do not have a good contract management capability
  - — have the scale to do it inhouse

Critical success factors and insights

- Need to establish a large gap between current and desired positions in order to gain support and establish momentum
- Need to have or bring in individuals who have experience in ERP and shared service implementation and with the necessary drive and energy to push the project through
- Need to have access to a pool of appropriately qualified interims to support the project
- Need to integrate the parts of the planning process and be able to obtain good information to guide decisions
- The Decision point process is helpful, if applied proportionately (i.e. with the degree of rigour appropriate to the size of the project)

Contact

- Jacky Ross, Deputy Finance Director

v. Case Study: Northern Ireland Civil Service

Focus

- Outsourcing of HR

Context

- The NICS is a disparate organisation comprising 11 Departments and covering about 23,000 staff in all
- The NI Reform Agenda had prompted reform of the HR function, which started in June 2002
- Other main drivers of change included the imminent end of IT contracts for payroll and HR services

Aims

- To significantly reduce HR costs and improve service levels and support the overall NI Reform Agenda

Approach

- Conducted a rigorous R&D phase
- Defined and process mapped 16 service lines, to produce a crucial document: “Strategic Outline Business Case”, to get buy-in from HR Directors and Permanent Secretaries
- Needed sufficient detail on the current state to understand inconsistencies and duplication
- Kept Permanent Secretaries engaged throughout – every fortnight
- Worked on all levels of influence – i.e. rational, political and emotional
- Developed a full business case including metrics, baseline costs, assumptions on how to reduce cost and improve service, based on replacing IT and possible outsourcing
- Used an innovative, very thorough, interactive process for reviewing outsource suppliers, including 55 workshops involving short listed suppliers and internal customers in a 6 week period
- Suppliers then produced a blueprint on how they would support the Reform Agenda
- HR produced a Service Delivery Model – identifying what will stay in and what will go out
- HR produced an invitation to negotiate with short listed suppliers
- In parallel, producing a value-for-money comparator model (based on insourcing). If bidders fail to beat the VFM model, will try selective outsourcing
- Pushing suppliers to agree **effectiveness** targets e.g. in fully managing absence management

Critical success factors and insights

- Overcome a lack of knowledge about current processes and the wide range of different approaches to processes through a very rigorous R&D phase
- Reduce the risk to the outsourcer (and therefore reduce the risk premium and the costs of outsourcing) by enabling bidders to fully understand the processes they will be taking on and the service levels which will be expected of them
- Keep key stakeholders involved frequently at every stage
- Place great emphasis on communications (including the use of electronic bulletins)

Source materials

- Future service delivery model
- Invitation to negotiate framework
- Outline business case
- Baseline metrics
- Knowledge of outsourcing market (though this is changing fast)

Contacts

- Robin Foote; Patricia Corbett

vi. Case Study: The National Health Service

Focus

- Creating shared services with a JV partner, covering Finance initially

Context

- The project was managed by the Finance function of the Department of Health for the NHS
- The NHS comprises a wide range of organisations (including NHS Trusts, Strategic Health Authorities and various Arms Length Bodies) covering in excess of one million staff

Aims

- Need to reduce costs and improve service levels
- Did not want to give away the value of the NHS scale and monopoly position

Approach

- Started with small scale pilots in Bristol and Leeds which failed to produce the anticipated benefits
- Sought a more radical approach, guided by principles of:
  - — needing to create a true commercial relationship
  - — recognising that administration is not a core competence
  - — aiming to retain a long term share of any venture within the NHS
- Began an eighteen month tender process, eventually selecting Xansa as the JV partner
- Forming NHS Shared Business Services Ltd, controlled by Xansa but with 50/50 ownership. Will cover Finance and payroll and may extend to HR. 10 year deal, 600 employees; 25% of activity will be in India
- Profits in the JV are shared 2:1 in favour of the NHS
- Participation in the Shared Services company is voluntary for NHS bodies (e.g. PCT's, SHA's) but encouraged through economic incentives/penalties including loans to cover the cost of transition, much lower cost Oracle licences and a guarantee of 20% reduction in current costs (subject to standardising processes). So it becomes hard to refuse

Critical success factors and insights

- Need to be very clear and as directive as possible about the case for change
- Financial incentives and penalties help to underpin the case for change and encourage movement in the right direction in an organisation with many semi-autonomous parts
- Recognition of and understanding of power within customer/client relationship, but clients understand the need to change their own systems

Source materials

- Tender document
- Transfer pack for potential clients moving into shared services

Contact

- Peter Coates, Deputy Finance Director, Department of Health

Appendix C: Marketplace Information

Appendix D: Benchmarks

Benchmarking information

Benchmarking information is currently available on a consistent basis only for HR functions. A summary of this material is presented in the following pages.

IT Benchmarking information will be available during 2005. A contract has been let with PA Consulting to refine the measures piloted by DWP, Home Office, Cabinet Office and Dept of Health in late 2004 and then to make a benchmarking service available. The contract is for over 90 benchmarking exercises which are paid for from Efficiency Challenge Funding (i.e. participating organisations are not charged if they are in the first 90+).

A similar approach is being run for Finance benchmarking with the draft measures expected in Spring 2005.

HR Benchmarking using specialists EP:First

Government organisations taking part in HR benchmarking exercises undertaken in 2003:

Wave 1:

Central Office of Information
Central Science Laboratory
DFID
DVLA
Food Standards Agency
FCO
Prison Service
Lord Chancellor's Dept
Maritime and Coastguard Agency
Valuation Office

Wave 2:

Charity Commission
Defence Estates
Defra
DTI
DfT
DWP
HMCE
Home Office
Inland Revenue
London Probation Service
NI Civil Service
OFT
Scottish Executive

Wave 3 (new):

Cabinet Office
Procurator Fiscal Service
DCMS
DfES
Employment Tribunals
Immigration and Nationality
Insolvency Service
OFSTED
ODPM

HR Function definitions - EP:First

INCLUDES

- ✓ HR Policy, Strategy and Organisational Development
- ✓ Reward and Recognition
- ✓ Performance Management
- ✓ Resourcing
- ✓ Employee Relations
- ✓ Industrial Relations
- ✓ People Information

Key Data Points:

- HR Department FTEs
- HR Department Costs
- Managers & Professionals

✓ All costs including recharges and overheads

EXCLUDES

- ✗ Payroll
- ✗ Health & Safety
- ✗ Training & Development
- ✗ Apprentices
- ✗ Security
- ✗ Sport and Recreation
- ✗ Travel Administration
- ✗ Charitable Activities
- ✗ Catering

HR Benchmarking findings - EP:First

FTEs per HR FTE	Percentiles 25th	50th	75th
Pilot Group 1	39	46	63
Wave 2	32	36	47
Wave 3	33	41	56
Combined Results	35	42	57
Public Sector Sample	57	91	102
Private Sector	66	93	135

Departmental Results (Pilot Group 1, Wave 2, Wave 3, Combined Results)

External Sample Comparisons (Public Sector Sample, Private Sector)

METRIC CALCULATION

$$\frac{\text{Total HR FTEs}}{\text{Total FTEs}}$$

COMMENTS

- Consistently large HR Departments are reported through the three Groups.
- Staffing ratios are almost double the proportion in the Public and Private Sectors.
- In Pilot 2 there is a ratio of 1:47 even at the 75th percentile.

HR Benchmarking findings - EP:First

Average Pay & Pensions		Percentiles 25th	50th	75th
Pilot Group 1	£	25,121	28,097	29,268
Wave 2	£	24,673	27,858	31,247
Wave 3	£	27,412	31,407	35,895
Combined Results	£	24,646	28,368	31,900
Public Sector Sample	£	21,360	22,949	26,091
Private Sector	£	14,224	22,597	28,869

Departmental Results

External Sample Comparisons

METRIC CALCULATION

$$\frac{\text{Compensation + Pensions}}{\text{Total FTEs}}$$

HR Benchmarking findings - EP:First

Sickness Absence Rate		Percentiles 25th	50th	75th	
Pilot Group 1	%	3.0	3.3	4.3	Departmental Results
Wave 2	%	3.1	3.6	4.8	
Wave 3	%	1.7	4.1	5.3	
Combined Results	%	2.9	3.7	5.1	
Public Sector Sample	%	4.9	6.0	6.3	External Sample Comparisons
Private Sector	%	1.7	2.9	5.4	

METRIC CALCULATION

$$\frac{\text{Sickness \& Injury Absence Days}}{\text{Total FTE Workdays}}$$

HR Benchmarking findings - EP:First

METRIC CALCULATION

$$\text{Resignation Rate} = \frac{\text{Total Resignations}}{\text{Total Headcount}}$$

Resignation Rate		Percentiles 25th	50th	75th	
Pilot Group 1	%	3.5	5.7	6.3	Departmental Results
Wave 2	%	3.5	4.5	6.5	Departmental Results
Wave 3		4.5	5.1	7.0	Departmental Results
Combined Results	%	3.6	5.0	6.7	Departmental Results
Public Sector Sample	%	3.7	6.1	10.5	External Sample Comparisons
Private Sector	%	3.9	7.5	12.7	External Sample Comparisons

Appendix E: Example Cost-Benefit Analyses

Example cost/benefit analyses

Introduction

- The information in this section enables organisations to apply a reality test in terms of the rates of return attainable in transforming their HR.
- The rates of return will clearly depend on the starting point for an organisation and the scale of the transformation envisaged. This section sketches out some cost/benefit analyses based on different starting points and differing levels of ambition. Whilst they are presented in a generic manner and will clearly be different in particular circumstances, the figures are based on actual business cases. The information will be further refined as more implementation experience is gained.
- Two different scenarios are provided in terms of starting points:
  - A: organisations who have not yet significantly simplified or standardised HR processes nor implemented a robust HR information system (with a typical ratio of HR staff to total employees is around 1:30 to 1:40)
  - B: organisations who have already simplified and standardised many core HR processes and who have invested in a HR information system but have not introduced shared services or self-service (a typical ratio for these organisations is around 1: 50 to 1:60)
- For both of these starting points, there is a common end game which comprises an HR function which is operating shared services and, allied to this, uses manager and employee self service (the typical ratio used for this end game is a range between 1:80 to 1:125)

Example cost/benefit analyses

Overall conclusions: HR functions

- The following conclusions are generic and will not apply in all cases. Further, they apply to the transformation of a single function in isolation (in this case the HR function). Nevertheless the conclusions have been borne out by public and private sector experience to date.
- Organisations with a headcount of less than 5,000:
  - are unlikely to achieve acceptable ROI by developing shared services for and by themselves unless there are significant savings to be made over and above the headcount savings (expensive accommodation etc) or the scale of transformation is particularly ambitious
  - will probably need to collaborate with other organisations if an acceptable ROI is to be achieved. Collaboration can take the form of a) joining forces with other organisations (often within the same “family”) or b) outsoucing the operational / transactional parts of the function
- Organisations with a headcount in the range 5,000 to 20,000:
  - could achieve acceptable ROI by developing shared services by themselves
  - could realise additional economies of scale through collaboration with others, but these gains would have to be set against any increases in risk, particularly in governance
  - insourcing or outsourcing options are both available
- Organisations with a headcount of 20,000 or more:
  - have sufficient mass to achieve reasonable ROI by themselves with no need (from an efficiency perspective) to increase risk by joining up with other organisations but may need to do so as part of a “family-wide” programme
  - insourcing or outsourcing options are both available

Example cost/benefit analyses: HR

<u>Assumptions – Scenario A</u>

- Starting point for transforming organisations
  - Ratio of HR: staff of around 1:30 to 1:40
- Benefits are based on the implementation of an HR Shared Service Centre (including process simplification and systems implementation) <u>and</u> the implementation of manager and employee self-service
- The benefits presented are all through headcount saving only: <u>significant</u> further saving could be made, for example
  - By locating shared services in an area with cheaper accommodation and where Civil Service pay rates facilitate recruitment and retention of staff
  - By savings in other Departmental expenses (e.g. travel and expenses, training for HR staff, general administration costs, office facilities, HR systems)
  - Adding additional services to the shared services operation (e.g. payroll)
- Loaded cost of HR FTE is £35k p.a.

Example cost/benefit analyses: HR

Indicative costs, benefits and payback period

Scenario A

Employee Headcount	2,000	5,000	10,000	20,000	50,000
Benefits (£K p.a.)	875	2,200 – 3,000	4,400 – 6,000	8,800 – 12,000	22,000 – 30,000
Investment (£K)	5,500 – 6,000	7,000 – 7,500	9,250 – 9,750	13,750 – 14,250	27,000 – 28,000
Payback period	7 years	2.3 – 3.4 years	1.5 – 2.2 years	1.1 – 1.6 years	0.9 – 1.3 years

NOTES:

1) These figures are based on transforming UK Central Government organisations as they are now. Typically, private sector organisations have more efficient HR operations as a starting point. If Government organisations could achieve the kind of improvements achieved in the leading private sector companies, then the benefits could be significantly higher. This would (a) improve the payback period and (b) reduce the size at which organisations would require to collaborate

2) Organisations with lower employee headcount are more likely to achieve benefits at the lower end of the range (i.e. longer payback period); organisations with higher headcount are more likely to achieve benefits at the higher end of the range (i.e. shorter payback period).

3) The implied HR:staff ratios are 1:30 to 1:40 at the outset and in the range 1:81 to 1:125 following HR transformation

4) The additional benefits that could be achieved (see Assumptions) need to be factored in to give a more comprehensive picture of the ROI and payback

Example cost/benefit analyses: HR

Assumptions – Scenario B

- Starting point for transforming organisations
  - ratio of HR: staff of around 1:50 to 1:60
  - has already standardised and streamlined HR processes and improved automation through extensive use of HR systems
- Benefits are based on the implementation of an HR Shared Service Centre and the implementation of manager and employee self-service
- Benefits presented are all through headcount saving only: significant further saving could be made, for example
  - By locating shared services in an area with cheaper accommodation and where Civil Service pay rates facilitate recruitment and retention of staff
  - Savings in other Departmental expenses (e.g. travel and expenses, training for HR staff, general administration costs, office facilities, HR systems)
  - Adding additional services to the shared services operation (e.g. payroll)
- Loaded cost of HR FTE is £35k p.a.

Example cost/benefit analyses: HR

Indicative costs, benefits and payback period

Scenario B

Employee Headcount	2,000	5,000	10,000	20,000	50,000
Benefits (£K p.a.)	300-600	750 – 1,500	1,500 – 3,000	3,000 – 6,000	7,500 – 15,000
Investment (£K)	4,000 – 4,500	4,500 – 5,000	6,000 – 7,000	9,000 – 10,000	18,000 – 20,000
Payback period	7 – 15 years	3 – 7 years	2 – 5 years	1.5 – 3 years	1 – 2.5 years

NOTES:

1) These figures are based on transforming UK Central Government organisations as they are now. Typically, private sector organisations have more efficient HR operations as a starting point. If Government organisations could achieve the kind of improvements achieved in the leading private sector companies, then the benefits could be significantly higher. This would (a) improve the payback period and (b) reduce the size at which organisations would require to collaborate

2) The range of benefits is partly dependent on the success (i.e. the degree of transformation) achieved through process simplification and systems implementation as the starting point for the implementation of shared services. Organisations with lower employee headcount are more likely to achieve benefits at the lower end of the range (i.e. longer payback period); organisations with higher headcount are more likely to achieve benefits at the higher end of the range (i.e. shorter payback period).

3) The implied HR:staff ratios are 1:50 to 1:60 at the outset and in the range 1:81 to 1:125 following the implementation of the HR Shared Service Centre

4) The additional benefits that could be achieved (see Assumptions) need to be factored in to give a more comprehensive picture of the ROI and payback

Cost/benefit analyses: Finance

- Best practice in private sector Finance functions broadly follows the same principles as for HR, including the standardisation of processes, the consolidation of service provision and the sharing of expertise across organisations
- Organisations in the public sector that have not taken these actions are likely to realise significant benefits by doing so – subject to having sufficient scale to generate economics
- Research suggests that SSCs in Finance need between 50 and 100 employees in the SSC to achieve significant economies of scale. This is borne out by the experience of the NHS Finance Shared Services Centres

Project cost categories – insourcing (HR example)

Expenditure	Cost Range (£000s)		Reasoning
	Lower	Higher	
■Technology			Estimated costs are licenses, hardware, services , configuration consultancy, service centre technologies – case management and knowledge base
■Consultancy			Made up of project oversight advice, change management, communications support, technology integration, review of HR policies and assistance with design and content of knowledge base
■Office refurbishment			Design advice, furniture/fittings, building works
■Training			Assumes training for Service Centre staff, for other HR staff, for line managers, and for staff. Training design and delivery to be shared between internal and external resources
■Communications materials			Covers newsletters, printed material, posters etc explaining the project and preparing line managers and staff for launch of the Service Centre and knowledge base
■Temporary staff			Covers the use of temps: (1) backfilling for existing staff working on the project or attending pre-launch training; (2) engagement of 8-10 temps for first three months of Service Centre operation to offset peak in calls
■Severance and outplacement costs			The lower figure suggests that ?% redeployed to avoid severance; the higher figure suggests ?% redeployment. Amount added for outplacement support.
■Internal project resources			Project Director and other internal resources. Higher level cost assumes project must fund all these costs. Lower level cost assumes some resources are found from existing budgets
■Travel/hotel/ subsistence			
■Resourcing and selection costs			Use of local or national press to recruit some staff including Service Centre management and HRIS positions
■Service Centre staffing costs, pre go-live			Covers cost of employing Service Centre Manager, Heads of Teams and Team Leaders 3-5 months before go-live and all other staff 2 months before go-live
■Contingency			At 10% of all the previous costs
TOTALS			

Project cost categories – outsourcing (HR example)

Expenditure	Cost Range (£000s)			Reasoning
	Lower	Average	Higher	
■Outsource company's implementation costs				
■Consultancy support to prepare for outsourcing				Includes project oversight advice, support in drafting the RFP and assessing outsource partners, drafting a contract, change management, communications support, review of HR policies
■Training				Includes training for HR staff, for line managers and for staff. Training design and delivery to be shared between internal and external resources
■Communications materials				Covers newsletters, printed material, posters etc explaining the project and preparing line managers and staff for launch of the outsourced Service Centre and knowledge base
■Temporary staff				Covers the use of temps to backfill for staff working on the project or attending pre-launch training
■Severance and outplacement costs				The lower figure suggests that ?% redeployed in the Civil Service or subject to TUPE transfer; the higher figure suggests ?% redeployment or TUPE transfer. Plus allowance for outplacement support
■Internal project resources				
■Travel/hotel/ subsistence				
■External resourcing				Covers costs of recruiting a senior procurement specialist to oversee negotiation of the contract and subsequent performance
■Contingency				10% of the above figures
TOTALS				

Appendix F: Guidance on scale of shared service organisations

Scale of shared services organisations

- The example cost/benefits analyses highlight the difficulties of delivering corporate services transformation on a relatively small scale. The investments in systems, programme management and change management have a fixed cost element to them that make acceptable returns on investment difficult.
- This, however, is not the only reason why scale is necessary to deliver both the effectiveness and efficiency required
- The shared services model requires a certain scale in order to be sustainable. Operations of less than about 40 people are unlikely to be able to deliver the breadth of services required over the hours of service. Small operations are also likely to find it hard to accommodate the management and technical overheads of the operation.
- Furthermore, unless an organisation has sufficient scale it will not be able to afford the specialists which it needs because it will be unable to spread the cost of these specialists (some of whom may not be required on a full-time basis) across a big enough base of internal customers. Therefore, the effectiveness of the function may be limited as well as its efficiency

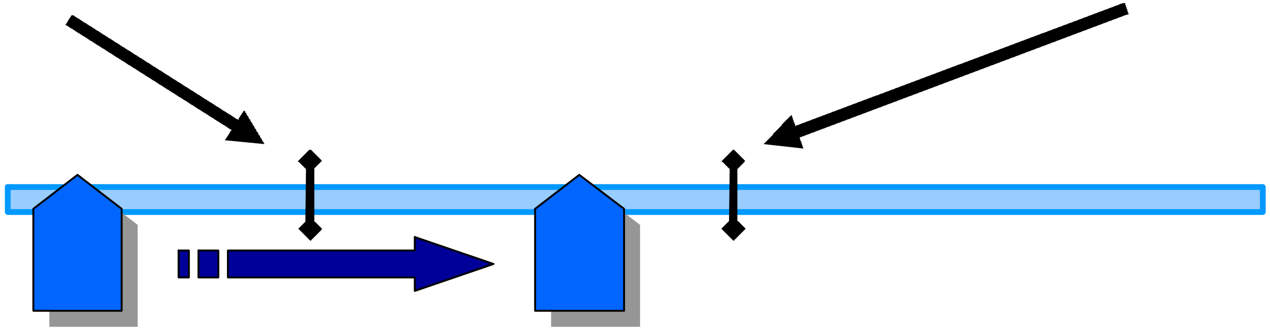
- Therefore the conclusions derived from the cost/benefit analyses is reinforced by the practical, operational considerations.
- This is captured in the diagram on the next page

Scale of shared services organisations

Effective and efficient size range for a single function (e.g.HR) Shared Service Centre

Minimum size of about 40 staff serving about 5000 employees

Largest UK centres have about 500 staff serving 100,000 employees



Operation with less than 40 staff serving about 5000 employees:

- difficult to sustain service levels
- or cover necessary overheads efficiently
- or obtain return on investment

But diseconomies of scale also apply (governance issues)

Appendix G: Shared Services Definitions “starter for ten”

Shared Services Definitions

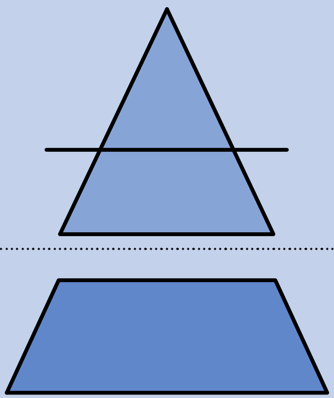
- This section will be developed as more work is done to define HR and Finance functions and processes.

Shared Services Definitions

Shared Services – not just about systems changes or setting up separate organisations

- development and use of **standard**, re-engineered **processes** in the business as well as shared services operation
- **service management structures** and capabilities, including measures, SLAs and control through ICF functions
- adoption of **key principles** for the implementation, on-going governance and managing of shared services
- creation of **scale** through consolidation, collaboration or access to outsourcing market place

Shared Services – doesn't include sharing the functions that need to be close to the business



Finance

Policies
audit, procurement etc

- **Planning process**
- **Balanced scorecards**
- **Allocations**

Specialist support
Mmt accounts, bus cases, procurement, supplier mmt etc

Analysis / Reporting
budgeting, forecasts, consolidated reports

Administration
Routine reporting, data integrity, accounts payable and receivable, assets register, purchase order processing, T&S processing, cash management, debtor / creditor control, project accounting, tax accounting

HR

Policies
diversity, perf mmt, pay and benefits, training etc

- **Industrial relations**
- **Organisation design**
- **Board effectiveness**
- **Leadership development**

Specialist support
workforce planning, absence mmt, training plan, succession planning, comms process

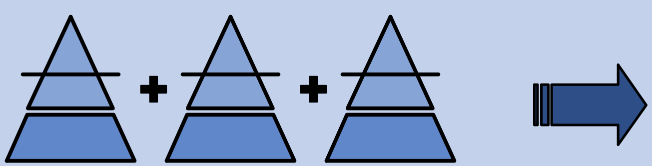
Analysis / Reporting
Benchmarking, trend analysis

Administration
Recruitment, exit processing, induction, perf. mmt. Admin, pensions admin, pay & benefits, record mmt, moves and promotions admin, HR IT expertise, training admin, reporting

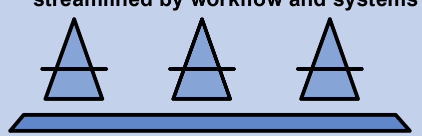
Advice to employees

Payroll admin

Development of the shared services model



Remaining HR or Finance functions streamlined by workflow and systems



Minimum size of SSC about 40 (serving 5000 employees for single function (HR, Finance etc)

Professional, value adding services remain close to the business

Repeatable, operational processes undertaken in Shared Service Centres