ENHANCING EFFICIENCY BY SHARED SERVICES

INTRODUCTION

Shared services offer the potential to enhance government efficiency. This article aims to present evidence gathered and lessons learned for the benefit of the Malaysian Government by drawing perspectives from United Nations Development Program's Global Shared Services Centre (UNDP GSSC) regarding their experience with their shared services centres (SSCs).

BACKGROUND

In April 2015, I was exposed to the workings of a shared services centre (SSC) during my job secondment at UNDP GSSC in Cyberjaya. UNDP GSSC started in New York and transferred part of its operations to Cyberjaya in January 2012.

UNDP's integral mission is to fight poverty and improve the lives of people around the world. It is committed to being open, transparent and accountable. The United Nations implemented SSCs in its organization back in 2003 and my tenure it its Cyberjaya office was part of UNDP's effort to guide the Malaysian Government to implement the International Public Sector Accounting Standards (IPSAS).

IPSAS aims to improve the quality of general purpose financial reporting by public sector entities, leading to better-informed assessments of the resource allocation decisions made by governments, and thereby increasing transparency and accountability. This working experience is offered to Accountant General's officers on this specific basis with the general intent to improve the Civil Service as part of Malaysia's New Economic Model i.e. the country's 10th Malaysia Plan and Economic Transformation Programme.

WHAT IS SSC?

In principle, a shared services centre (SSC) is a centre for shared services in a particular organization. By design, it is the entity responsible for the

execution and the handling of specific operational tasks, in my case at UNDP GSSC, it was for accounting services.

Historically, early SSCs were set up with a clear objective: Efficiency and centralization in pursuit of cost reduction. Other benefits would include standardization of processes, flexibility, and scalability. Many private and public entities have successfully trimmed costs in this fashion, and the ability of SSCs to generate impressive one-time savings is indisputable.

SSCs are not to be confused with corporate staff departments. Different from staff departments, SSCs have measurable outputs (by quantity and quality), with costs per unit of service provided.

Tasks not organized in SSCs include corporate control, corporate legal, management development policy, IT-governance and other support typical for the statutory duties of the executive board.

SSCs are deployed for a variety of reasons:

a) to reduce costs of decentralization, to increase the quality and professionalism of support processes for the business,

b) to increase cost flexibility for supporting services,

c) to create a higher degree of strategic flexibility.

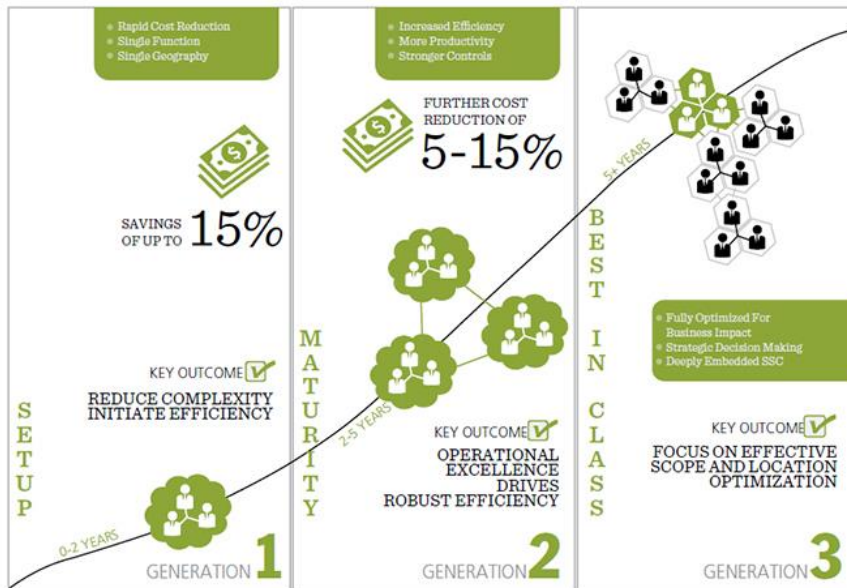In terms of public sector the potential benefits of shared services would be as follows:-

a) Reduce the cost of back office corporate services via asset sharing (IT, buildings, resources, management) and minimised process cost;

b) Drive service excellence by freeing the department to focus on core objectives and professionalising corporate service functions;

c) Increase operational efficiency through better management information, improved benchmarking, comparable between organisations which in turn could potentially drive up performance.

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Essential benefits common to both sectors would be cost reduction. Reported cost reductions of costs of services organized in the shared services centre are as high as 70% of the original costs, but average about 50%.

SSCs' EVOLUTION

In its evolution, UNDP has been able to extract the greatest possible value from their SSCs and have benefited from their continuous improvement achieved through its maturity in terms of its operations. It currently offers both transactional and advisory support services to UNDP offices worldwide serving 177 countries and territories across multiple time zones. Based on its vast operations, its SSCs can be said to have undergone three generations based on process scope, functional scope, geographic scope, and business impact and innovation.

What we can learn from this experience is that the evolution of SSC in the context of government may also undergo the same evolution and improvement:-

hared services sights firmly set h transactional ingle region as anges within an ng on industry, geography and other factors, the scope is sometimes expanded once the model is proven. Done right, a first-generation SSC may deliver savings of up to 15%, largely based on labour arbitrage.

Generation Two: Robust controls and process efficiency. As labour arbitrage-driven savings taper off, and CFOs press for further gains, first-generation SSCs evolve further. While process scope may remain transactional, a second-generation SSC is characterized by a focus on increasing efficiency, productivity and stronger controls alongside cost reduction. Multiple functions

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may leverage shared services, albeit in silos. SSCs may also expand their geographic footprint as location-specific costs are wrung out of the system. A further 5-15% cost reduction can be achieved by setting up a systematic process-focused organization rather than a country-based one.

Generation Three: Strategic business partner. As valuable as cost reduction and process efficiency are, farsighted CFOs know that SSCs can deliver even greater value. Leading shared services centres are fully optimized for effectiveness and business impact, going beyond operational excellence to allow senior management to focus on strategic decision making. The key to making the jump is embedding the SSC deep in an organization: Through end-to-end process scope, cross-functional range, global charter and a focus on business outcomes rather than intermediate performance indicators.

NATURE OF A MATURE SSC

KEY SUCCESS FACTORS
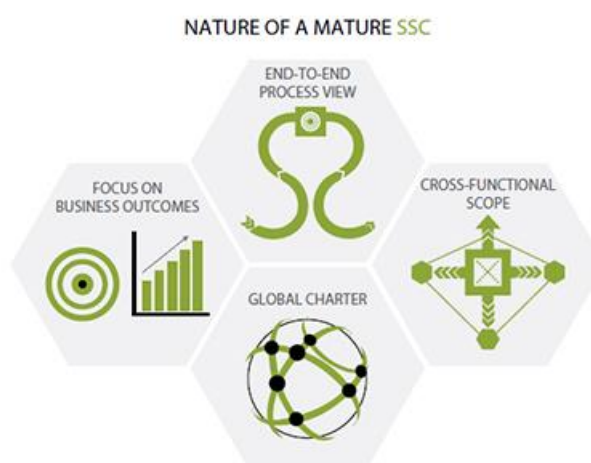
In terms of hindrance, ma   urely through the lens of the seco   ation landscape can be complex - in many cases services are joined up rather than truly shared, lines between providers and customers are blurred. For the United Nations, the process of getting to this 3rd Generation landscape has driven out some clear lessons about the cost and barriers to sharing services effectively wherein the key success factors would be as follows:-

a) The Attitude and Approach to Service of the Leadership and People in the Organization;

b) Governance Model and Decision Rights Well Defined, Communicated and Understood. Independence is important to incentivise a better quality of services at a lower cost;

c) Key Performance Metrics (Balanced Scorecard: Cost, Productivity, Quality, Service, Controls, and Employee Value Proposition);

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d) Executive Support. Delivery of shared services is not a core Government skill and bringing in operational and commercial expertise is vital to improving current capability;

e) Operational Business Knowledge;

f) Embedded Culture of Continuous Improvement (Preferably formalized program);

g) End-to-End Process Orientation (Ownership or Influence);

h) Enabling Technology Platform (Preferably single-instance Enterprise Resource Platform (ERP)); and

i) Part of Shared Services Research Community – Contributing and Receiving Best Practice Insights.

CONCLUSIONS

My job secondment at UNDP GSSC has shown me that while it is easy to organize a similar GSSC in the government sector, it is a different thing to ensure its success. It is proposed that the secondment exercise is continued so that we can further learn from UNDP's implementation of its SSC operations. It may throw some light to help the Accountant General Department in its journey to implement its own SSC. Such secondment exercise will bring to bear UNDP's insights and a significant network of contacts with others in different types of the organization who have overcome or are facing similar "shared service" challenges.

Based on the UNDP's experience, it is proposed that pilot programs be an appropriate way forward, along with governance and stakeholder management that includes the representation of all stakeholders. In this way, scalable solutions can be developed to deliver benefits to all stakeholders in the sector, and thus help them adopt new ways of working. Design considerations need to be focused on the data and process needs of those to whom the service is delivered, as opposed to a centralized view of technology architecture for the sector.

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