NACo-NCCAE Knowledge Management Forum
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Service Sharing in an Environment of Fiscal Constraints

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August 29, 2017
US Federal Shared Services:
Briefing for NACO-NCCAE KM Forum

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Agenda

▪ The Current State of Play
▪ Case Study: New York MTA
▪ Into the Future: A Dynamic Shared Services Delivery Model
▪ Concluding Observations
The Current State of Play
Summary

▪ OMB sets policy and oversees strategy for shared services,
▪ GSA has established the “Unified Shared Service Management Office” to guide strategy and implementation
▪ Primary lines of business for shared services are:
  - FM, coordinated by Treasury
  - HR, coordinated by OPM
▪ Numerous agencies are implementing shared services across their own enterprise, not with external providers (ex: DOC, FAA)
▪ Several outside shared services support efforts exist, foremost are:
  - The Partnership for Public Service Roundtable
  - The Shared Services Leadership Coalition
▪ New Administration is reviewing an accelerated adoption of shared services across Federal Government
  - Comprehensive Planning for Agency Reforms include shared service
  - Agencies continue move to SaaS, op-ex models with private sector investment as driver
The Evolution of Federal Shared Services

Shared service guidance has evolved and matured over the course of multiple administrations, driven by a need to improve and consolidate administrative functions.

**FIRSTGOV**
- The first federal government-wide portal designed to enable government-to-citizen, government-to-business, and government-to-government interactions and transactions to occur.

**SHARED FIRST INITIATIVE**
- Leverage common solutions in service delivery, to include benchmarking SLA, cost, and customer satisfaction. Treasury creates FTF to lead Shared First in Financial Management.

**GOVERNANCE FRAMEWORK**
- OMB Memo M-16-11 formalizes completion of Managing Partner, Customer, Provider, and CxO-level governance bodies to facilitate ongoing, coordinated progression into shared services.

**LINE OF BUSINESS INITIATIVE**
- Interagency identification of opportunities to reduce government cost and optimize services through performance improvement across common functions.

**CROSS-AGENCY PRIORITY GOAL**
- Prioritization of shared services as an answer to tackling horizontal, government-wide challenges common across vertical agency silos.

**E-GOVERNMENT ACT**
- Promotes transformation of agency operations through technology, higher quality information, and more informed decision making.

**IMPROVING FINANCIAL SYSTEMS THROUGH SHARED SERVICES**
- OMB directive institutes shared services in modernization of core accounting functions.

**PAYROLL CONSOLIDATION**
- Completed move from twenty-six to four government-wide payroll systems.

**UNIFIED SHARED SERVICES MANAGEMENT**
- Integration body formed within GSA to provide strategy, performance management, and promotion of government-wide shared services.
HR Current Shared Services Landscape

- OPM oversees,
- Six public sector providers, supported by prime contractors
- Four approved commercial providers
  - IBM, Accenture, Allied Tech & Carahsoft (last two are primes for Avue)
  - VA and GSA, only significant private offerings
FM Current Shared Services Landscape

- Treasury oversees
- Four mandatory providers, supported by prime contractors
  - USDA National Finance Center
  - Interior Business Center
  - DOT Enterprise Services Center
  - Treasury's Administrative Resource Center
- Agencies migrating slowly – HUD, DHS are focus
Near Term Federal Initiatives

• COMPETITION FRAMEWORK: Maintain a healthy marketplace

• CONTRACT VEHICLES: Public and private

• SET TECHNOLOGY STANDARDS: Interoperability, security

• CREATE URGENCY FOR MIGRATION/DEVELOPMENT

• CREATE PRIVATE SECTOR INITIATIVES

• MANAGE PERFORMANCE OF THE LOB OWNERS

• CREATE DATA STANDARDS
Report found that:

- Counties explore shared service delivery to stimulate innovation, improve decision-making, increase quality of service, and improve relationships with other governments.
- Checklist identifies key success factors for governments.
- Planning Recommendations:
  - Create a shared services assessment team.
  - Identify strengths in participating governments.
  - Consider pilot projects.
- Implementation Recommendations:
  - Discuss and document responsibilities with partners.
  - Make appropriate changes as needed.
Case Study: Shared Services Lessons Learned From NYC MTA
MTA - One of the World’s Largest Transportation Companies

- Operating Budget - $16 billion
- Annual Ridership – 2.8 billion
- # of Employees – 69,717
- Retirees – 49,085
Pre-BSC System landscape was siloed

- Prior to the BSC, the MTA’s administrative processing was achieved using many different systems that were not integrated.
- Though many agencies used PeopleSoft, each system was completely “stand alone.”

<table>
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<th>Call Center</th>
<th>NYC Transit</th>
<th>CCC</th>
<th>Metro-North</th>
<th>LIRR</th>
<th>B&amp;T</th>
<th>MTA Bus</th>
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"SHARED" – Reinforce Message

Shared Services is not just centralization of functions into one physical location. These administrative functions are a shared responsibility with the agencies/departments in the field.

• Agencies often have had negative experiences as the pendulum has swung many times over the years.
• Need to define the difference; the “sweet spot” that make sense
• Improve performance while preserving innovation
• Need to change technology, processes and work

Business Service Center
With the BSC, the MTA established integrated systems

- Since the BSC, the MTA has had the advantage of using one Enterprise Resource Planning (ERP) system, one document management system and one customer relationship management system.
- **This created the platform for innovation and savings**
- Agencies still use different inventory and timekeeping systems
Improving Staff Utilization

MTA has the opportunity to improve its staff utilization through a deployment of a new Shared Services operating model.

<table>
<thead>
<tr>
<th>Function</th>
<th>Baseline 2006 Full Year</th>
<th>Projected Reduction</th>
<th>Ideal State BSC FTE Baseline</th>
<th>% FTE Reduction</th>
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<td>Finance</td>
<td>236</td>
<td>(132)</td>
<td>104</td>
<td>55.9%</td>
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<tr>
<td>Human Resources</td>
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<td>(129)</td>
<td>134</td>
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<td>IT and HRIS</td>
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<td>(41)</td>
<td>72</td>
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<td>Total Reductions</td>
<td>612</td>
<td>(302)</td>
<td>310</td>
<td>49.3%</td>
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<tr>
<td>BSC FTE Additions</td>
<td></td>
<td></td>
<td>69</td>
<td></td>
</tr>
<tr>
<td><strong>Total Staffing</strong></td>
<td><strong>612</strong></td>
<td></td>
<td><strong>369</strong></td>
<td><strong>39.7%</strong></td>
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*Note: “BSC FTE Additions” includes BSC leadership, contact center, mailroom, and business operations personnel.*
BSC Portal Single Point of Entry For All Users
(Employees, Retirees, Applicants, Vendors, Others)

PERSONAL
- Receive W2 forms
- View paychecks
- Verify benefits
- View wage increases
- Elect deferred compensation

WORK
- HR
- Finance
- Procurement

ORGANIZATION
- Direct Reports
- Time

SERVICE REQUESTS
- Open SRs
- Workflow
MTA CFO

BSC Leadership

Governance Committee

Functional Leadership

Process User Committees

BSC Functional Leadership

BSC Operations

Committees are aligned with different levels of the BSC organization and are made up of appointed MTA representatives. Consensus is good, but there is an escalation process.
THE JOURNEY

How did we get there?

Iterative Process

Continuous Improvement

- Procurement
- Pensions
- Treasury
- ???

Booz Allen
Shared Services Assessment

Accenture
Study

Updated Business Case,
HRP, Contract Negotiation

Shared Services and ERP Implementation

Release 1

Release 2

Release 3

2005 2006 2007 Mar 09 Jan 11 July 12 Oct 13 Oct 14

Business Service Center
Consultant: “Change management activities focus on developing support for the change as the implementation progresses”

OR

Jesse: “Let’s make this work and then see how we can change the culture”
Into the Future: A Dynamic Shared Services Delivery Model
Current State of Shared Services Delivery

Provider
- Insufficient funding for the entire delivery “stack”
- Governance challenges impact providers’ long term viability

Infrastructure
- Each provider owns and manages their own, siloed infrastructure
- Investments needed to keep infrastructure up to date are significant

Data
- Data is not standardized across providers
- Transition costs are high as a result

Platform
- Providers own and manage their platform instances
- Multiple instances of same platforms owned across government lead to cost inefficiencies
“You can't always get what you want
But if you try sometimes, you just might find
You get what you need.”

Rolling Stones: “You can't always get what you want”
Future State of Shared Services Delivery

Agency
- May be serviced by multiple providers
- May switch between providers quickly and cost effectively

Data
- Business applications are built upon common data exchange standards
- Data is centrally managed and secure

Platform
- PaaS built on common standards
- Optimized and certified services are available to SSPs via Category Hallway

Infrastructure
- IaaS is built on common standards and delivered by cloud partners
- Significant savings and efficiencies are achieved by moving to cloud

- No infrastructure or platform footprint
- Differentiate based on service, offerings and price

• MISSION FOCUS • PORTABILITY
• VIABILITY • COLLABORATION
• PARTICIPATION • COMPETITION
• SUSTAINABILITY

Agency

Data

Platform

Infrastructure
Public-private participation

Customer-driven solution

Effective Governance

Standardization of technology and applications

Funding and financial flexibility

Achieve cost savings

Level playing field and transparent rules
Concluding Observations
Need for Critical Changes in Thinking

- “Software as a Service” key to success
- Government and industry thinking aligned
- Investment to be provided by private sector
- OpEx replaces CapEx
Lessons Learned – Science and Art

- Need to set schedule and recognize and mitigate risk in tech, people, process, policy migration
- In terms of SLAs, measure what is important and set achievable savings targets
- Executive sponsorship is critical to success; enterprise governance mitigates confrontations
- Continually improve -- change culture focused on quality, transparency and customer service
- You can do more than you think -- the more educated you are, the better the outcome
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