

State of Utah

HR Shared Services Discussion – Wisconsin Reform
Commission
June 9, 2016

Shared Services: History

- 2006 - Legislation passed:
 - Consolidated all HR staff and services/functions under DHRM
 - Allowed DHRM to function as an internal service fund
 - Allowed DHRM to charge rates for payroll and HR services
 - Created rate committee to review HR/payroll rates
- 7/1/06 - Shared services implemented:
 - All HR positions, funding, and employees transferred to DHRM
 - ▣ Positions budgeted as HR positions
 - ▣ Employees whose work was majority HR and/or payroll
 - New organizational structure implemented

Shared Services: History (cont'd.)

- Service level agreements signed with departments
- Statewide HR policies implemented
- New billing rates implemented:
 - HR services - \$520 per FTE
 - Payroll services - \$130 per FTE
- Department budgets supplemented or reduced to offset increases or decreases in HR costs
- 9/2011 – Second phase of shared services implemented
 - Employee Resource Information Center (ERIC)
 - All HR technicians moved to this division
 - Handle all HR transactions (i.e. payroll, transfers, onboarding, terminations, etc.)

Shared Services : Why?

- Establish a single point of accountability for compliance with law, rule, and policy
- Increase consistency of application of law, rule, and policy
- Create operational efficiencies
- Ability to quickly respond to changes in workload
- Establish an independent, objective third party to consult and advise state managers on HR issues

Shared Services: Pitfalls

- Resistance from department management:
 - Loss of control
 - Not understanding budgetary adjustments
 - Wanting say in who is hired/fired by DHRM
 - Not wanting to “pay someone else’s HR costs”
- Resistance from HR/payroll employees:
 - Inappropriate allegiance to former department
 - Non-compliance with new HR policies/procedures
- DHRM slow to move HR staff to new assignments

Shared Services: Org Structure

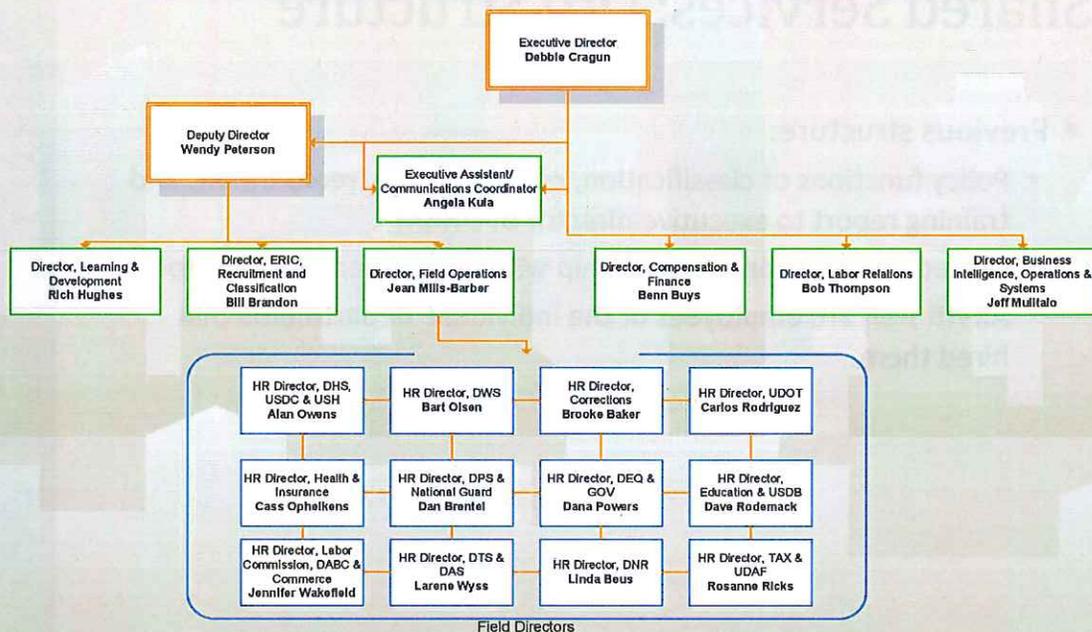
- Previous structure:
 - Policy functions of classification, compensation, recruitment, and training report to executive director of DHRM
 - Dotted line reporting relationship with department HR Directors
 - All HR staff are employees of the individual departments that hired them

Shared Services: Org Structure (cont'd.)

Current structure:

- All HR functions report to DHRM
- All HR staff are employees of DHRM
- Each department assigned to a specific HR Field Office which delivers all HR services
- Field Offices are housed within departments
- Each Field Office consists of HR Director, HR Specialist(s), HR Analyst(s)

Utah Department of Human Resource Management



Shared Services: Improvements

- Since 2007 consolidation:
 - Achieved all of our stated goals for implementing shared services model
 - 57 fewer HR employees (achieved through attrition)
 - \$31 million saved in personnel costs
 - Improved HR staff to employee ratio:
 - FY07 – 1:110
 - FY15 – 1:136
 - Significant service improvement for smaller departments that had minimal HR services

Shared Services: Improvements

- Lower cost HR services compared to private sector*:
 - HR services 67% lower
 - Payroll services 24% lower
- 94% satisfaction rating overall for DHRM (2015)
- 99% satisfaction rating for ERIC (2015)

**2014 Total Cost of Ownership Evaluation; State of Utah Free Market Protection and Evaluation Board*

Source Documents

- Utah State Personnel Management Act

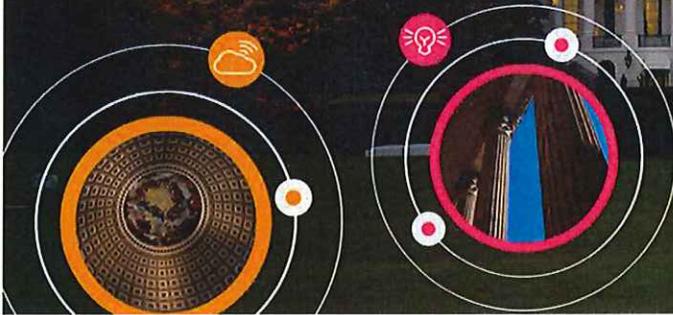
http://le.utah.gov/xcode/Title67/Chapter19/67-19.html?v=C67-19_1800010118000101

accentureconsulting

Shared Services In U.S. Government

June, 2016

High performance. Delivered.



Strategy | [Consulting](#) | Digital | Technology | Operations

Mark Howard – Introduction Accenture’s Work in Wisconsin

State Transforming Agency Resources (STAR) Project (2014-now)

The STAR project is consolidating over 100 diverse IT systems in multiple agencies onto Oracle’s PeopleSoft platform to support Finance, Procurement, and HR operations. Analytics capabilities have been included in each phase, to support insight-driven operations across the new digital platform. The structure is designed to improve efficiency, consistency and capabilities for cooperation across all state agencies, and will provide an enterprise-level framework for the state’s most crucial IT infrastructure.

University of Wisconsin System - PeopleSoft HCM/Payroll Project (2008-2012)

University System-wide implementation of PeopleSoft HCM and EPM 9.0 across the 26 institutions of UW set up as 17 Business Units. Included implementation & deployment support. Project goals were: systems integration, improved customer service, risk mitigation and process efficiency

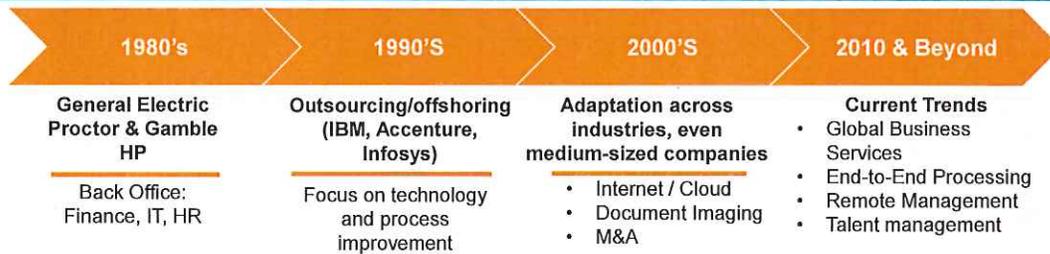
Evolution of Shared Services in Private Sector



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Evolution of Shared Services in the Private Sector



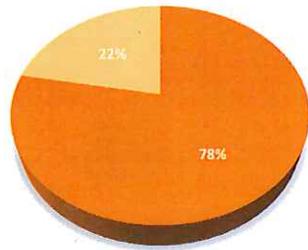
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Source: IAA Presentation

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Shared Services has become a best practice among U.S. Companies

Use of Shared Service in Private Companies in the U.S.



■ Using Shared Services ■ Not Using Shared Services

Most Common Shared Services Functions

Finance	84%
IT	75%
Human Resource	68%
Procurement	50%

Representative Outcomes

20-40%
Cost
Savings

Over 80%
Customer
Satisfaction

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Source: Shared Services – A Solution for Government Efficiency –
Richard Gregg (Fiscal Assistant Secretary US Dept of Treasury)

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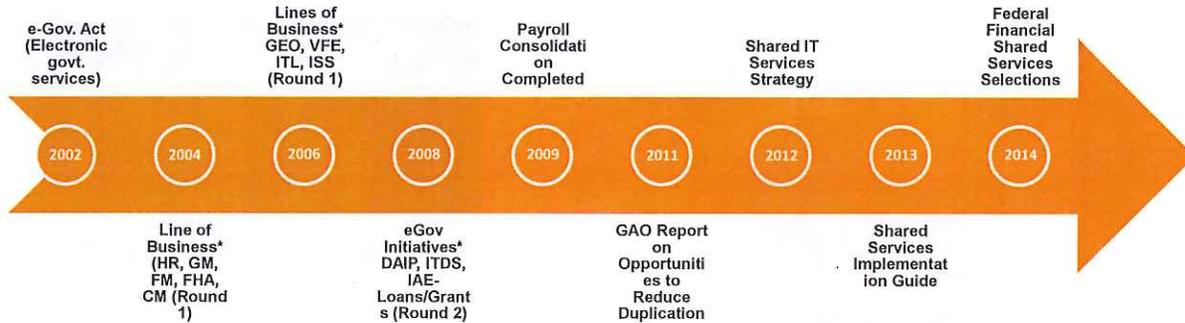
Adoption of Shared Services in Public Sector – Federal Government



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Key Milestones in Shared Services by the U.S. Government



At Present the President's Management Agenda directs federal agencies to fulfill goals with maximum efficiency. The US office of Management and Budget (OMB) advised turning to shared services to meet these directives.

Federal Government has well established Shared Services Providers

Parent Department	Department of Treasury	Department of Transportation	Department of Agriculture	Department of Health & Human Services	National Aeronautic and Space Administration	Department of Defense
Shared Services Center	Administrative Resource Center	Enterprise Services Center	National Finance Center	Program Support Center	NASA Shared Services Center	Defense Finance and Accounting Service
IT	✓	✓	✓	✓	✓	
Financial Management	✓	✓	✓	✓	✓	✓
HR	✓		✓	✓	✓	
Procurement	✓	✓	✓	✓	✓	
Other Services	✓	✓	✓	✓	✓	✓
Year Founded	1995	1982	1980	1995	2006	1991
Organizations Served	69	30+	150+	28	11	All DoD+

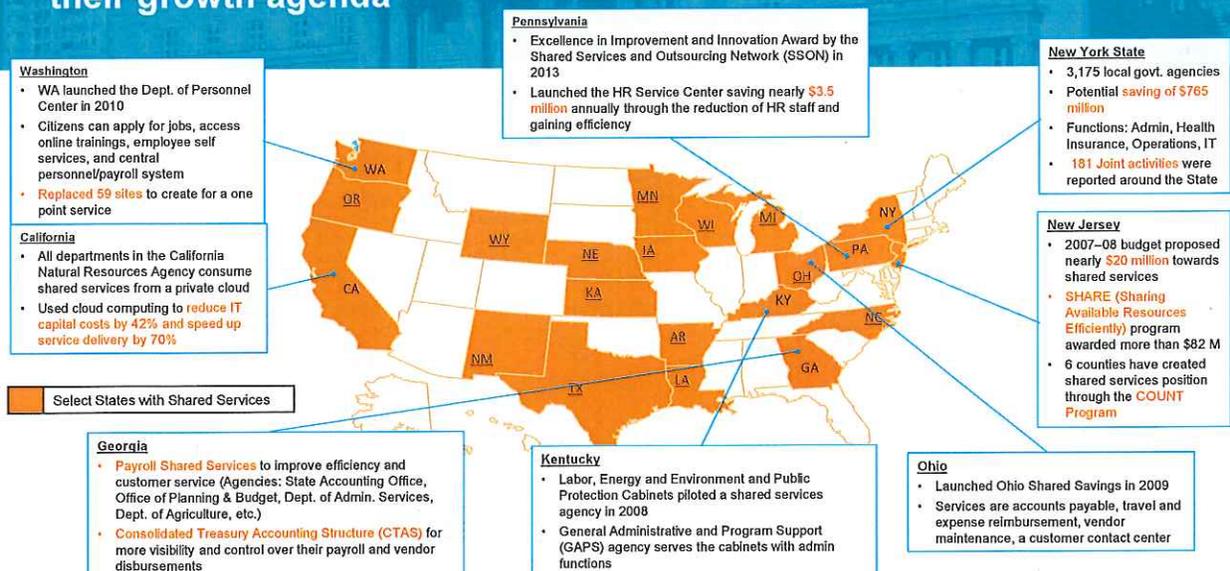
Adoption of Shared Services in Public Sector – State Government



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Several U.S. states have one or more shared services initiative on their growth agenda



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Source: Hyperlinked in State Name and State Abbreviation

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Shared Services Bright Spot – Ohio (Financial Management)



Launched the Ohio Shared Services (a division of Ohio Office of Budget and Management) in 2009 with the goals of reducing costs and improving the effectiveness and quality of its delivery of back office functions

Financial Management Functions include: Accounts Payable, Travel & Expense Reimbursement, Vendor Maintenance, a Contact Center for answering agency and vendor inquiries, and Enterprise Content Management

- OSS processes **travel and expense reimbursement** for all state agencies in Ohio, including the legislative and judicial branches
- Provides **accounts payable services** for all 28 of the state's cabinet-level agencies and is currently conducting a pilot program for their accounts receivable transactions
- The client agency's relationship with OSS is **governed by a service level agreement**, which specifies, among other things, the services OSS will provide, transaction costs, the metrics by which OSS's performance will be measured

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72.3% Service Level Satisfaction Rating

74.9% Utilization rate of OSS Accounts Payable Processing by Partner Agencies

184,999 Accounts Payable Transactions

82,088 Travel & Expense Reports

37,163 Calls Received by OSS Contact Center

20,201 Vendor Maintenance Requests

OSS's Accounts Payable services have produced about **\$24.9 million** in total savings since the office was created in 2009, with most client agencies realizing at least **30%** savings for this function

Source: Ohio Shared Services Report – FY 15

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Shared Services Bright Spot – New York State



New York has introduced several grants that encourage its local governments to participate in consolidation and shared services as cost cutting measures

Grants Encouraging Shared Services

1. **General Efficiency Planning Grants** help identify and study opportunities to improve local government efficiency and achieve cost savings.
2. **Efficiency Implementation Grants** assist applicants in implementing plans to improve efficiency and increase savings.
3. **21st Century Demonstration Grants** promote large-scale changes in municipalities which can be used as model projects for municipal innovation.
4. **High Priority Planning Grants** are available to any local government for projects that include studies of municipal mergers, consolidations or dissolutions, countywide shared services, multicounty or regional services and charter revisions

Shared Service Examples Amongst Local Government in New York State

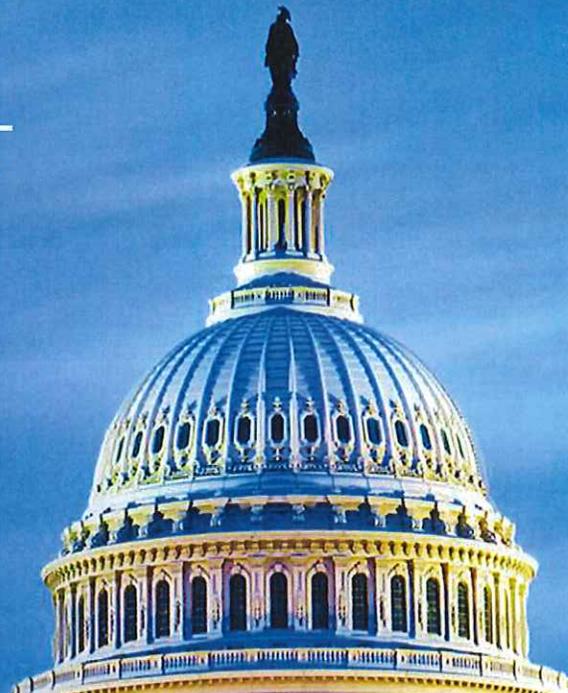
Public Safety The Town of Evans and the Village of Angola completed a consolidation agreement under which the Town assumed responsibility for police services in both the Town and Village, eliminating \$460,000 from the Village's annual budget	Public Works The Town of Cape Vincent and Village of Cape Vincent purchased a single 500,000 gallon water tank to serve both, resulting in \$1 million in savings	Purchasing The Hudson Valley Municipal Purchasing group has over 25 partners, and partake in competitive bidding. This has resulted in lowering purchasing and bidding costs	Records Management Schuyler County, the Watkins Glen Central School District, the Town of Hector, the Town of Dix and the Village of Watkins Glen formed a partnership to develop a central records management facility within the County. Savings have been estimated at \$50,000 per year	Healthcare The Western New York Care Coordination Program (WNYCCP) created a system that is responsive to consumers, ensures access to high quality services and promotes recovery. As a result, based on a survey conducted in 2004, emergency room visits had dropped 77%
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Source: OSC Report

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Accenture Experience – Private & Public Sector



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Accenture Experience - Private Sector

Accenture has developed and implemented full lifecycle Integrated Operating Model and Shared Service solutions for 500+ companies worldwide (representative list included below).



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Source: Accenture Knowledge Exchange

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Accenture Experience - Private Sector

Client	Functional Scope						Project Lifecycle Supported		Key Highlights
	FIN	PRC	HR	IT	SC	MKT	Feasibility	Implem	
	✓	✓	✓	✓			✓	✓	The program involved creation of a single shared services model for its finance and HR operations, and to create additional savings by consolidating European operations in a low cost center in Eastern Europe: ~300 staff covering 25 countries and 32,000+ employees
	✓						✓	✓	Global Shared Services strategy focused on 3 regional Accounting and Controlling SSC: Europe, Americas, Asian Pacific; speeding up post merger situation
	✓	✓	✓	✓	✓	✓	✓	✓	Consolidated all activities that are not related to the manufacturing and sales into Global Business Services leveraging 2000 staff across 8 centres globally
	✓	✓	✓	✓			✓	✓	Established a world class Shared Service Centre to cater for Statoil's growing business complexity in 2006 and since then creating a Global Business Services organization, delivering improved quality of services and increased internal customer satisfaction
	✓		✓	✓			✓	✓	In 2010 moved Finance, HR, IT, Information Mgmt and "Workplace & Travel" to Global Services organization; to have future state defined and service management / governance framework implemented
	✓						✓	✓	A global hybrid model (In-house-outsourced) with a two tier 'Front Office' and 'Back Office' delivery model Specialised, localised skills together with cultural and language skills Scale and global ownership driving quality standards
	✓	✓	✓	✓	✓		✓	✓	Global model (2,000+ staff supporting 200,000+ employees) grown overtime offering services that are cost effective and improved, creating a platform for increased efficiency, improved service levels, economies of scale and reduced costs

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Source: Accenture Knowledge Exchange

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Accenture Experience - Public Sector

Projects

North America
 State of Ohio
 Commonwealth of Massachusetts
 US Department of Education – Office of Federal Student Aid
 New York Metropolitan Transit Authority
 New York City Department of Health and Mental Hygiene
 Office of Comptroller - Maryland
 State of Kansas
 U.S. Military Services
 Yale University
 Indiana University
 University System of Georgia

U.K
 Prison Services: Corporate Support Transformation and Shared Services

Africa
 Government of Kenya
 National Planning Commission, Nigeria

APAC
 Australian Tax Office

Research & Insights

Achieving High Performance Through Shared Services - Lessons from the Masters
High Performance Through Shared Services: The Asia Pacific Perspective
Multi-Functional Shared Services: Insights from an Accenture Research Study
Designing & Building World Class Shared Services Organizations
Beyond Centralization: Driving High Performance Through Fully Realized Shared Services
Creating and Operating an Effective and Equitable Shared Services Chargeback Framework
Driving High Performance in Government: Maximizing the Value of Public-Sector Shared Services
Driving High Performance Through Shared Services: Accenture Capabilities and Qualifications
Ensuring Successful Shared Service Implementations: From Vision to Operation
Establishing Trust through a Well-Defined Shared Services Governance Framework
How Innovative Technology Can Impact the Shared Service Model
Managing Shared Services Change: Beyond Communications and Training
Optimizing Shared Services Performance Through Better Service Management
Reorganizing Business Functions to Maximize Shared Service Value
Selecting the Shared Services Location and Designing an Effective Facility
Shared Services Management Processes: The Keys to Attaining and Sustaining High Performance in Shared Services
Shared Services: Enabling Finance Mastery and High Performance

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Source: Accenture Knowledge Exchange

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Common Concerns in Government about Shared Services



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U.S. States and Agencies remain concerned about the value proposition of Shared Services (1/2)

Concern 1: Shared Services Lead to Loss of Control



60% Federal leaders believe that an SSP could stop supporting their agency's critical business function



82% Federal leaders are concerned that shared services lock their agency into one SSP



34% Federal executive are concerned that shared services leads to job loss



A calculated choice between **Clear interagency agreements (IAA)** and **service level agreements (SLA)** is essential. There are 2 basic types:



1 Shared Technology Platform

(i.e., providing a hosted software solution)



2 Shared Technology Platform & Transaction Processing

(i.e., providing a hosted software solution and the labor to do data entry, reporting, and analysis))

Concern 2: Shared Services are not Worth the Investment



51% Federal leaders are concerned that sharing services won't provide an ROI



On the contrary, sharing services are highly cost beneficial



\$1.625 Billion through FY 2015 after moving to HR and Payroll SSP



\$185 Million annual savings after 2015

A thorough cost-benefit analysis should also include:



Rent



Utilities



Employee salaries

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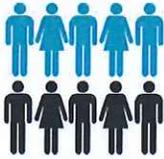
Source: Biggest Shared Service Myths for Federal Management - Accenture Report

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U.S. States and Agencies remain concerned about the value proposition of Shared Services (2/2)

Concern 3: Agency Missions are Too Unique for Shared Services

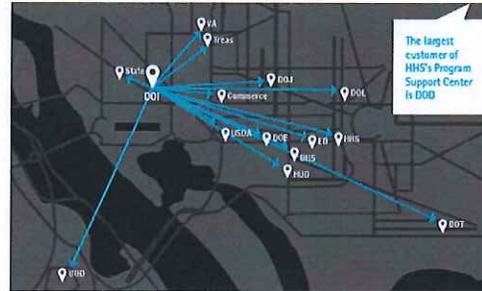
On the contrary, sharing services allows agencies to spend less time on day-to-day operations so they can spend more time focusing on their missions



50% Federal leaders believe that their department/agency has unique mission requirements that cannot be provided by another department/agency



The DOI's Interior Business Center provides shared services to various government agencies...



...and 150 federal agencies in total.

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Source: Biggest Shared Service Myths for Federal Management – Accenture Report

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Key Challenges in Implementing Shared Services



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Typical challenges we've seen implementing shared services in public sector organizations

Challenges	Contributing Factors
Governance Mechanisms	<ul style="list-style-type: none"> Lack of incentives and mandates Appropriate governance structure is unusual for government enterprises
Contracting & Acquisition Policy and Regulations	<ul style="list-style-type: none"> Lack of awareness, training and buy-in on the part of contracting officers Existing contracts lack standardization, are complex due to Inter-agency agreements
Funding & Funds Transfer	<ul style="list-style-type: none"> Difficulty in moving funds between government agencies Varied processes within each agency Multiple funding sources
Customer Readiness	<ul style="list-style-type: none"> Agencies fear loss of resources and control Lack leadership commitment Absence of govt. wide comprehensive inventory of available shared services Difficulty in quantifying ROI on shared services
Provider Capability & Capacity	<ul style="list-style-type: none"> One off shared services has resulted in lack of standards Various business models for each customer Customer service concerns Insufficient funding Lack of consumer trust and confidence in providers

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Source: Multiple Source – Listed in Appendix

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Key factors to successful shared services projects we've seen in public sector



Mandate

Ensure leadership mandate, sponsorship and agreement to long-term shared services targets



Governance

Establish shared services governance framework and transformation team to cover full strategic transformation duration



Agent of Change

Position shared services as the agent of change – not the sponsor – until it owns all in-scope processes / operations



Phased Journey

Use phasing and prioritizing of shared services scope to realize value quickly, align to organizational change appetite and ensure validation points to demonstrate success



Clarity of Driver

Be clear on value-driver of change – strategic, quality, cost, service levels – don't try to ramp all to world class concurrently



Evolve the Operation

Evolve shared services operations over time – start with predictability and control; improve sophistication rapidly and continuously thereafter based on delivery success



Decouple the Technology Timeline

Decouple the enabling technology timeline from the shared services timeline – and run shared services faster to create the receiving ground for platform(s) and other technology improvements



Change

Change Management, regular communication with all stakeholder groups and creating a shared services value-added culture is critical and can't be done as an ad hoc task or after thought

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Appendix



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Sources

1. <http://www.ey.com/GL/en/Industries/Government---Public-Sector/Citizen-Today---December-2013---Implementing-shared-services-in-the-US>
2. <https://www-304.ibm.com/easyaccess/fileserve?contentid=104553>
3. http://www.academia.edu/1621310/Shared_Services_Lessons_from_Private_Sector_for_Public_Sector_Domain
4. <http://www.njleg.state.nj.us/PropertyTaxSession/OPI/accenture.pdf>
5. http://www.cisco.com/web/DE/pdfs/publicsector/Shared_Services_Building_A_Platform_For_Better_Services_At_Lower_Cost.pdf
6. <http://www.phsharing.org/wp-content/uploads/2013/02/Shared-Services-in-Government.pdf>
7. <http://www.oracle.com/us/industries/046024.pdf>
8. https://www.actiac.org/sites/default/files/Shared%20Services%20Challenges-12-Oct-12-FINAL_corrected_17Oct12_4.pdf
9. <http://ourpublicservice.org/issues/modernize-management/shared-services.php>
10. <http://s3.amazonaws.com/mildredwarner.org/attachments/000/000/471/original/81020d37575bc74db2079dc2308dd926>
11. [http://www.ey.com/Publication/wLUAssets/EY-the-new-case-for-shared-services/\\$FILE/EY-the-new-case-for-shared-services.pdf](http://www.ey.com/Publication/wLUAssets/EY-the-new-case-for-shared-services/$FILE/EY-the-new-case-for-shared-services.pdf)

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Marriott International Inc.

Accenture helps Marriott grow its Shared Services Business

In 2013, Marriott International Inc., which has Marriott Business Services (MBS), the first-ever hospitality finance and accounting shared services model, moved its F&A services under Accenture Hospitality Services (AHS)

Benefits include **25 percent cost savings** since the integration began and the expansion of the shared services model to **20 countries, 15 currencies and 13,000 users**. AHS has also successfully completed the transfer and skills training of more **than 500 Marriott employees**.



Global Pharmaceutical Company

Accenture helps with a Multi-Function Shared Services Assessment for Global Pharmaceutical Corporation

Client wanted to determine the value of a Multi-Function Shared Service Center and use of low cost locations. Accenture evaluated the **Finance, HR, IT, Procurement, R&D, Pricing, Customer Service, Legal, Logistics & Distribution, and Market Research** functions.

The business case's goal was to reduce labor costs between **US \$30-50 million per year** through headcount reduction and use of a low cost location

North America Cable Company

Accenture helps with implementation of best practices HR Shared Services

Accenture's contribution: 1) Established technology roadmap with near-term and long-term capabilities, 2) Manage design and implementation effort, metrics and service management design, and change management. Outcome was improved **efficiency and turnaround time** for answering employee requests, **standardization of its employee experience**, improved quality of service with improved tools, job aids, and knowledge resources, Eventually, **lowered cost** to serve for transactional requests

Make-A-Wish Foundation of America

Accenture helps with a Shared Services Assessment for Not-for-Profit

Accenture was asked to evaluate current operations and define a service delivery model to streamline operations and reduce costs with a focus on **Finance & Accounting, HR, Payroll, and IT** with the proposed outcome assumed to be a new shared services delivery model. Accenture delivered a **detailed communication plan and next step recommendations** in change management



U.S. Insurer and Financial Services Provider

Accenture helps to improve Finance function efficiency across U.S. businesses and corporate areas

Accenture's approach was to define and design an Integrated Shared Services Model. The agreed upon approach was that FSS (Financial Shared Services) and BU (Business Unit) Finance will partner to **create a new shared service unit** and refine the retained BU finance functions.

The goal was 1. **Process improvement** / simplification- Reduction in work effort to enable economies of scale and skill, 2. **Standardization** (with documentation) to enable broader spans of control, 3. **Enhancing talent** and skills



U.S. Department of Education

Accenture helps the DOE in developing a common grants management system

The Office of Federal Student Aid (FSA) is responsible for managing student aid programs and processes. Accenture helped the U.S. Department of Education's Office of Federal Student Aid design, build, implement and operate a Common Origination and Disbursement System (COD) to process originations and disbursements for Federal loans and grants. COD has helped to achieve significant productivity and efficiency savings and has originated and disbursed over \$500 billion in loans and grants to over 34 million students since its inception in 2002.

A blue-tinted map of Ohio with a pushpin stuck into it. The map shows the state's outline and some surrounding areas like Michigan and Pennsylvania.

State of Ohio

Accenture helps Ohio reduce operating costs for major administrative functions

In 2009, OH and Accenture entered Managed Services arrangement for systems integrator, providing design, build, implementation, shared services, and managed services. Accenture implemented a suite of Oracle's PeopleSoft Enterprise applications, including **Financial Management, Human Capital Management, and Enterprise Performance Management**. Outcome was standardized operations across more than 100 agencies, board, and commissions for 64,000 employees.

A blurred blue-tinted image of the MTA logo, showing the letters 'MTA' in a stylized font.

New York Metropolitan Transportation Authority (MTA)

Accenture helps MTA as implement a new Business Service Center (BSC)

Accenture was the prime systems integrator to **consolidate HR, Finance and administrative staff** processes from eight MTA agencies into a single new business process and software platform. The BSA helped MTA **centralize** administrative functions, **optimize processes** and achieve savings of **\$25M annually**

Commonwealth of Massachusetts (MA)

Accenture helps MA with statewide HR Modernization (MassHR)

Accenture implemented the PeopleSoft Time and Attendance solution to over **37,000 users** across **156 Agencies** across the Commonwealth. Also **introduced a shared services center** to support the time and attendance solution and provide support to the employees of MA. Accenture provided organizational **change management and training** to support the deployment of both technology and shared services center.

State of Georgia

Accenture helps Georgia with a Shared Services Assessment

Accenture conducted an assessment of accounts payable, travel and expense, and payroll processing and delivered a proposed operating model, enabling technologies guide, implementation plan, and business case for implementing shared services. A shared services implementation plan created by Accenture was projected to save **\$75.1M over ten years** and achieve **payback with 3.53 years** of the project start

