

# Trends in Shared Services in the UK Public Sector and the Approach of Fujitsu Services

● David Tryon ● Nick Woodward

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In response to the 2004 spending review by HM Treasury, the UK government outlined a strategy to introduce shared services in the arena of corporate services in order to increase efficiency. This initiative has now begun to gather some momentum. However, such projects often face challenges specific to the public sector as typified by “organisational silos”, lack of experience in cross-organisational working, and budgeting and procurement problems. Various attempts have been made to address and overcome those issues. Given its broad experience, Fujitsu Services believes that there are two key factors crucial to overcoming those issues. The first is establishing appropriate governance that covers all stakeholders concerned; the second is that projects must focus on actually realising the benefits being targeted to achieve. This paper describes these two points and uses concrete examples to illustrate both.

## 1. Introduction

Fujitsu Services has become a leader in shared services in the UK having concluded both major strategic contracts awarded thus far, and occupies an excellent position to provide good insight into the thinking of the UK government in this area.

This paper outlines our understanding and experience relating to shared services within government, and cites some international examples. It also explains:

- Why shared services are such an important issue and where the benefits lie for citizens and taxpayers,
- Why the development of shared services is so uniquely challenging within government, and our approaches being deployed to advance initiatives,
- The routes being taken by government departments toward shared services and our part in delivering those shared services, and

- The challenges of implementing shared services as greater emphasis is placed on governance, stakeholder management, change management, and the delivery of benefits than typical IT-enabled changes might demand.

## 2. Shared services in the UK

— Critical to government but also beneficial to taxpayers and citizens. —

In line with the 2007 Comprehensive Spending Review (CSR 2007), every government department and agency will be looking to lower costs and effort associated with delivering corporate support services in order to focus resources on “customer centric” service. At the UK government level, the financial case for shared services is compelling. A 20% savings (on £7 billion) on the estimated costs of Finance and Human Resources (HR) across the government would equate to an annual saving of £1.4 billion.

This would cover the “overrun” of the Olympics budget between now and 2012. In contrast, at an organisational level, savings of 20% across corporate services often equate to only 2 to 3% of an organisation’s operational budget. Consequently, concerns (unfounded in cases of successful implementation) over what could be lost in moving to shared services, such as control, organisational skills, and performance levels, often mitigate against the explicit cost benefits and dampen enthusiasm for a major programme of change.

Other than the implied lower taxes, however, citizens and sector stakeholders do not explicitly see the benefits delivered by corporate shared services; that is, what matters most to them is actually seeing the improvements made to the delivery of service. This is where “joining up” with the government could lead to significant benefits that are truly meaningful to citizens.

The progress made with these developments depends on having carefully researched, viable business cases that are underpinned by commitments from prospective users of the service. The benefits of sharing sector-specific data, knowledge, and processes can be more than simply cost reduction from “economies of scale”. When organisations use and share the same information, it is possible to identify opportunities to eliminate the overhead associated with cross-checking to “ensure that everyone is on the same page” and customers get consistent, quality service, whichever department they are dealing with.

### **3. Challenges in shared services**

— Facilitation, coaching, and sharing experiences are enablers to achieving success. —

Once a shared service programme is initiated, appropriate governance and techniques for managing stakeholders, changes, and benefits must be instituted. Our experience has shown that for many organisations embarking on a journey toward shared services, it is very important and reassuring, particularly for the leadership, to have access to a network of

organisations and peers who have faced similar challenges. There are many issues and concerns surrounding the concept of “shared services”, especially when moving beyond organisational boundaries, that entail greater complications than those of “typical” change programmes. In particular, the following make “shared services” initiatives a particular challenge within the public sector:

- 1) **Accountability** — On the face of it, shared services can confuse the very clear lines of accountability established between particular ministers and officials, as well as their accountability to Parliament for particular budgets and services. For instance, if the staff members of department A were unproductive due to an HR shared service being delivered from department B, who would be responsible? If customers were unable to interact with department C due to an ineffective sharing of data by department D, who would provide the budget to solve the problem?
- 2) **Contracting** — How will contracts work? Do the buyers of shared services conclude contracts with the supplier or the government provider?
- 3) **Funding** — The capital funding for implementing and then expanding shared services is often a significant issue for “commissioning” organisations and the buyers of their services. Issues often arise concerning:
  - How much should be invested?
  - How can one organisation commit funding, when not held accountable for delivery (since suppliers can only contract with one organisation)?
  - A small organisation desires change, but such change across all parties is cost-prohibitive, and thus no case can be made.
- 4) **Leadership and design governance** — Concerns are often expressed about the ability to genuinely share across depart-

ments when the “sharer” is usually a significantly larger organisation, such as:

- How will governance be established so that all have an appropriate say in decisions about the programme of work and design of the service?
  - Why would you take shared services from an organisation that is also responsible for providing your funding?
- 5) Service and continuous improvement governance — Once a shared service is up and running, decisions about service improvements (and cases of investment) must still be made regarding the sharers, thus raising the same concerns again about appropriate governance, scale, and funding.

Experience has shown us that departments receive much greater reassurance from discussions with peer departments or government organisations in seeing how these issues are being addressed in a practical manner. The views of suppliers or consultants on “best practices” and “lessons learned” may be helpful, but it is hearing from similarly accountable peers that carries greater weight. It is equally important to recognise that there is no “one size fits all” response to the above issues, since the issues are so personal in nature to the particular departments and teams involved in establishing the shared services. While there are clearly some guiding principles (as well expressed by the Cabinet Office’s Shared Services Team), this is the first stage where stakeholder management becomes important for advancing shared services.

For the reasons above, Fujitsu Services has been facilitating a number of “Partners in Government” events relating to “shared services” for some time now. These events, involving leaders across the government (such as permanent secretaries, chief executives, and their boards) and including industry stakeholders are ongoing and have included shared services, citizen centric services, border management, and Identity management. The purpose of these

events, which have been well received, is to facilitate a dialogue that increases opportunities for learning and strengthens networks across the government.

## 4. Approach of Fujitsu Services

### 4.1 Overview of the approach

— The government is taking several routes toward shared services. —

**Table 1** shows Fujitsu Services’ activities for corporate shared services described as follows.

Our experience has shown that government organisations are generally taking three “routes” towards achieving their goals of shared services, whether pursuing corporate shared services or the sharing of data, knowledge and processes.

These “routes” can be broadly characterised as follows:

#### 1) Standards based approach

This refers to where one contract is established and stands on its own right, as opposed to being a pilot. Others can then buy into the service, with some minor variations to suit their local needs. Examples of this approach are the Public Sector Flex contract established by the Cabinet Office (for IT services), and within the “citizen” domain, the establishment of PACS (Radiology Image Management) services that are then rolled out within the National Health Service “Connecting for Health” clusters. This service is already operating across the entire Southern Cluster, having processed millions of imaging studies to date. Fujitsu Services has been leading both of these initiatives.

With respect to governance, stakeholder, change and benefit management, the initial establishment of these services is relatively easy due to single lines of accountability. Once the service is stabilised and expansion begins, governance, stakeholder, change and benefit management become more complicated and require two separate strands: business as usual and transition projects to attract new “customers”.

#### 2) Building shared services within one

Table 1  
Fujitsu Services' activities for corporate shared services.

Corporate shared services	Key features
Northern Ireland Civil Service (NICS) — e-HR	The e-HR programme is Northern Ireland's largest central government Business Process Outsourcing (BPO) contract, worth £185 million over 15 years. The programme will transform and modernise the structure and delivery of personnel services to 28 000 people across the NICS by utilising a shared service centre to deliver personnel administration, including payroll, employee relations, and recruitment services. The transition and implementation will be phased over a three-year period with all new services becoming fully operational during 2008. Fujitsu Services is the prime contractor, working with Capita, PWC, and Oracle to transform the NICS departments' HR services and meet the priorities placed on those departments by the Gershon report.
Public Sector Flex	The Flex programme is the first contract awarded to provide a shared service that will be available to all public sector organisations in the UK, the first being the Cabinet Office which has already signed an individual contract. The shared service in question is ICT to be provided by Fujitsu Services under a framework contract. Customers will be required to take a core set of services, but will then be able to choose from a "menu" of optional services or add bespoke services to the framework themselves. Benefits will include cost reduction through economies of scale, enhanced functionality available as a result of a greater critical mass, reduction in procurement costs, and a reduction in CO <sub>2</sub> emissions thanks to a more environmentally efficient solution.
Department of Work and Pensions (DWP) Shared Services	The DWP established a corporate shared service operation (across Jobcentre Plus, Pensions Service, Disability and Carers Service, and corporate functions). The services provided are Finance, HR, Procurement and Debt Management. The enabling Oracle platform, with 100 000+ users, is one of the largest implementations in the world. Fujitsu Services operates the enabling platform in supporting the DWP in their roll-out plans to bring other government organisations including potentially the Cabinet Office into the DWP shared service centre.
Defence Information Infrastructure	The Ministry of Defence is establishing a single shared information infrastructure to support military operations worldwide. It will extend across all three armed forces as well as the civilian arm. After full roll out, this highly secure infrastructure will operate 24/7 to support over 300 000 personnel wherever they are based, from "Whitehall to the foxhole". Fujitsu Services, in partnership with EDS, is responsible for the design and delivery of these services.

“accountability” group and expanding

In this approach, one department brings together shared services under its own roof first (with cases of business predicated on this one programme), coupled with the possibility of further offering those services once the shared services organisation is operating effectively.

Examples of this approach are the Department of Work and Pension's (DWP) establishment of shared services (operating HR,

Finance, Procurement, and Debt Management) across Jobcentre Plus, Pensions, Disability and Carers, and corporate functions. This particular programme was one of the world's largest implementations of Oracle with 100 000+ users. The Cabinet Office and DWP, supported by Fujitsu Services, are now considering how the Cabinet Office might run its HR services from the DWP hub. Another example is the Defence Information Infrastructure to provide a single

technology platform across all three armed forces involving over 300 000 personnel.

Within the citizen domain, the DWP (having established one database for customer biographical details — Customer Information System [CIS]) is running a series of localised pilots to see how sharing that data with Her Majesty's Revenue and Customs (HMRC), local governments, and other relevant stakeholders can improve the service delivered to citizens, such as when they report a change of address.

This approach is slightly more challenging than the standards based approach because, despite being within one organisation, there are usually several major departments whose needs must be addressed cooperatively. Usually, the implementations are also on a much larger scale and design may not have taken into account the possibility of sharing services outside the department. Once again, approaches to Governance, Stakeholder, Change and Benefit Management must be changed to reflect the two strands once expansion of the service begins.

### 3) Building a hub across many organisations and expanding

This is the most challenging approach, given the significant governance, stakeholder and change management requirements when bringing together multiple organisations at once. However, for many organisations working together, this approach can be a faster route to benefits, since one programme delivers benefits to all at once (as opposed to being spread over time as each organisation is brought on).

This approach is being taken within the Northern Ireland Civil Service for its HR Outsource across eleven departments, as primed by Fujitsu Services in partnership with PricewaterhouseCoopers (PwC) for business design and change management. A similar approach was taken for the Causeway programme to improve the sharing of data, knowledge and processes across the criminal justice system in Northern Ireland, by enhanc-

ing the efficiency and speed with which cases pass from the police to the courts, then probation or prison in yet another programme led by Fujitsu Services.

**Figure 1** illustrates these approaches with some examples.

## 4.2 Points of the approach

— Shared service implementation - Focus on governance, stakeholders, managing change, and tracking benefits. —

Our experience gained from supporting shared service programmes in DWP, Northern Ireland, the Home Office, Ministry of Defence, and local governments shows that organisations would do well to focus on:

### 4.2.1 Corporate shared services

When delivering corporate shared services internally:

- 1) To establish governance that engages operational units at all levels, from leadership on down

Given the underpinning reliance on enterprise-wide technology by implementing corporate shared services, such implementations are often led and governed from the IT domain within an organisation. Based on our experience, we strongly advise that such programmes be led from the relevant business function (HR, Finance or Procurement) with representation from operational units at all levels of governance. For the reasons outlined below, programmes that focus inwards on building a “future perfect” enterprise tend to suffer as implementation rolls out, due to a failure of engaging in the real operational issues faced by Finance, HR and Procurement functions within the business.

- 2) To beware local departmental practices

It is inevitable that almost all “siloed” functions will have developed their own local practices. Clearly, one of the objectives of shared service programmes is to remove these variations where not necessary. The difficulties we see in

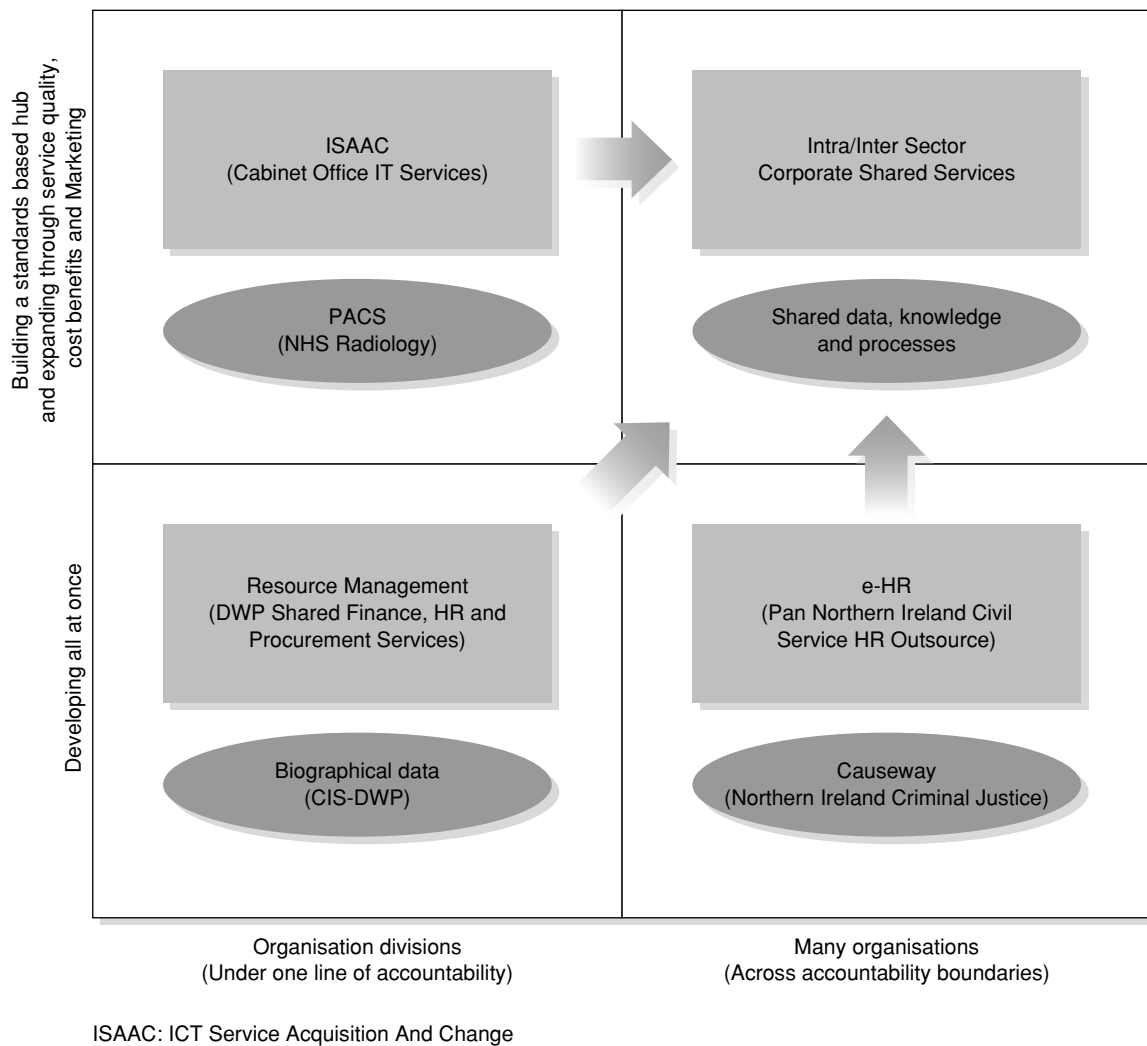


Figure 1  
Approaches to shared services.

programmes that fail to engage with operational units and understand local practices are that all local practices are often assumed eliminated once the shared service is rolled out. Often what happens is that the local practices are retained, as localised operational units work around the implementation of shared services, and thus benefits are lost.

To mitigate this situation, programmes must ensure that stakeholder management and change management engage all operational units early in the programme and, if necessary, standardise local practices in advance of implementing shared services, so that benefits can be deliv-

ered as transactional work moves into the shared service centre and resources can be released as planned.

3) To cleanse data early on in the programme

Many programmes of shared services suffer from a poor quality of data within existing systems. For example, this may relate to HR records or the authorities for Finance and Procurement. Such problems tend not to be explicit because each operational unit is usually close to its customers and finds ways to work around the problems resulting from poor data. It is only when the work is moved to a shared service centre (often run by “new staff” no longer

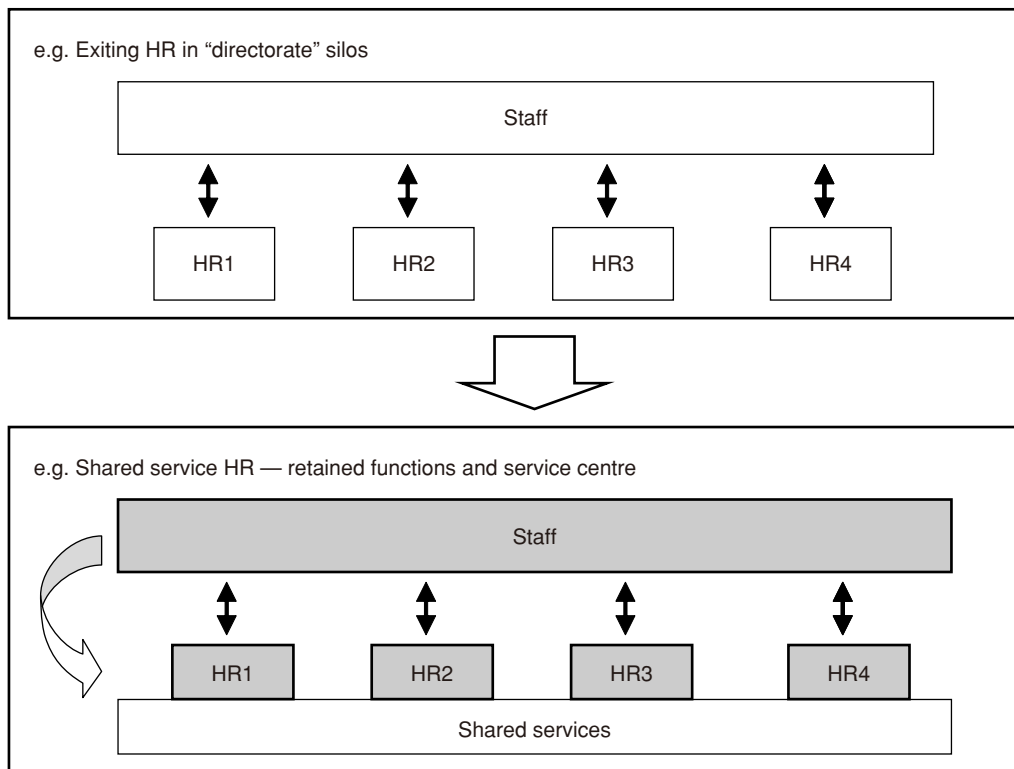


Figure 2  
Shared services and related parties.

associated with business users) that data-related problems emerge. For this reason, part of the stakeholder and change management within a shared service programme should focus on data accuracy prior to implementation. This may include, for example, specific projects for data cleansing or the early rollout of “self-service” modules, so that individuals assume responsibility for their own data.

4) To change what’s left as well as what is new

The activities within a shared service programme are usually focussed on establishing what is new, whether it be a new shared service organisation, new processes, or new technology. Much of stakeholder and change management can be focussed on training the new team. It is equally important that appropriate stakeholder and change management techniques be deployed within the functions retained in the business units and among staff who will be using the

shared services. It is these groups that will need to change their behaviours in order to realise the full performance benefits of the shared service, as opposed to simply the cost benefits as fewer resources are needed in the shared service centre. The Northern Ireland e-HR programme has a significant focus on this element, ensuring that the entire programme is focussed beyond the development of a shared service toward increasing organisational performance. The diagram below indicates in grey where shared service programmes need to ensure stakeholder and change management focus beyond the establishment of a shared service team (**Figure 2**).

4.2.2 When expanding shared services from an existing hub

1) Market benefits

Government organisations not familiar with marketing their services to other organisations

tend to treat the expansion of services from a hub as another project. A more appropriate approach is to treat the activity as a marketing campaign, where new users of the shared services must be sold on the benefits of becoming a user, reassured that the risks to their business performance can be mitigated, and that their concerns are unfounded. The Public Sector Flex programme, for instance, specifically required a marketing approach and plan as part of establishing the initial hub for the Cabinet Office.

2) To keep the show on the road

Organisations tend to treat expansion as a rolling programme of activity, with the leadership of shared services continually focussed on the next organisation to be brought on. It is essential once the hub is established and operating successfully for governance of the day-to-day service to existing customers to be separated from the programme of work to roll in new customers. This may lead to conflicts, such as delays in rollout and hence delays in benefits, in order to resolve issues with the existing service. Governance and stakeholder management must have two strands (day-to-day and new users) with change and benefit management focussed on future customers. The DWP faces this challenge since they deliver shared services to 100 000+ users, while planning to take on the relatively small, but clearly important user base from the Cabinet Office.

#### *4.2.3 When sharing sector-specific data, knowledge and processes*

1) To establish pilots to understand behaviour and the reality of the expected benefits

It is almost guaranteed that citizens will behave in unexpected ways when presented with new ways of interacting with the government. For that reason, when establishing services that share data, knowledge and processes across a sector, it is important that the impact on customer and stakeholder behaviour is clearly understood. For this reason as well, all suppliers

and stakeholder groups should be engaged in the pilots. This ensures that both the reality of the benefits created by the final approach is understood, and that the deliverers of the service can then scale at the rate necessary as citizens and stakeholders adopt the new processes.

2) To establish sector-wide governance involving user and supplier stakeholders

Optimised benefits from the sector-wide sharing of data, knowledge and processes only accrue if most user stakeholders adopt the new processes and suppliers are able to deliver those processes satisfactorily based on the sector scale. For this reason, having design governance that includes all stakeholders who accrue the benefits is essential. Equally important is having delivery governance that includes all those suppliers/partner organisations with a stake in delivering sector scalability.

3) To establish a genuinely scaleable solution and approach

Ideally, the benefits to sector-level organisations of sharing data knowledge and processes are that rapid adoption across the sector should raise performance and lower costs very quickly. If, as part of the pilot, there is no approach established for scalability, benefits will be delayed and worse, the sector may become frustrated as stakeholders can see but are unable to access the benefits. A good example of benefits that can be delivered was the public's rapid take-up of online vehicle licensing, once the government had proved the approach across the sector. Not only did this significantly increase perception of the application process, it drove down the costs of administering the process.

So the implications for any government department wishing to enter this area are that they must establish governance and approaches to stakeholder, change, and benefit management that was probably not traditionally deployed in their change programmes in order to pursue their shared services ambitions.



## 5. Conclusion

Through our engagements in shared services with the UK government sector, we at Fujitsu Services work in partnership with our customers to help them on their journeys. This includes bringing to bear our insights and significant network of contacts with others in government who have overcome or are facing similar “shared service” challenges. In particular, the following learning points have surfaced from our engagements:

- While there is a focus on the cost benefits of shared services that are demonstrably deliverable in many organisations, equally important is a focus on initiatives that enhance the delivery of service for citizens and sector stakeholders.
- The way in which stakeholders become engaged, either formally through governance or through specific intervention by stakeholder and change management, should be closely tailored to the “route” toward shared services being pursued and whether the focus is on corporate shared services or the sharing of data, knowledge and processes.
- Engaging public and private sector stakeholders usually works best with a mixture of formal engagement and informal engagement, such as the “Partners in Government” events previously described.
- With respect to corporate shared services, the business solutions are well proven and operating at scale across the UK government. To meet demanding deadlines for the delivery of benefits, programmes need empowered governance involving key leaders from the Finance, HR, and Procurement communities, with a strong

focus on stakeholder, change, and benefit management so that the programmes can progress quickly from implementing the supporting technology to becoming fully operational at the organisational scale. The challenges facing these programmes are decision making and the speed of change as services are taken from the business and moved to shared service centres.

- With respect to citizen centric services (sharing data, knowledge and processes), the business solutions (underpinned by technology) are not well proven. They are sector-specific and depend significantly on the behaviour of citizens and other stakeholders to ensure the services satisfy the ambitions. For these reasons, pilot programmes are 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 focussed on the data and process needs of those to whom the service is delivered, as opposed to a centralised view of technology architecture for the sector.

The authors hope that this paper has provided a useful and interesting insight into the current situation with regard to shared services in the UK government. Clearly there is much still to be done, but many initiatives are now under way and, so long as the learning and lessons from previous programmes are heeded, the momentum will become unstoppable.



**David Tryon, Fujitsu Services Ltd.**

Mr. Tryon graduated from the University of Hull in 1983 with a degree in Economics. After initial roles in distribution management and banking, he has spent his career since 1987 in sales and sales management roles. This was initially in IT (IBM and sequent), then in management consulting (financial services sales director, KPMG consulting) and latterly in business process outsourcing (head of financial services, vertex and sales and marketing director, Global Home Loans). He is a director of shared services for the government business at Fujitsu, having joined the company in June 2006. He is responsible for the creation and implementation of a pan-government shared services strategy for Fujitsu.

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**Nick Woodward, Fujitsu Services Ltd.**

Mr. Woodward graduated with a BSc in Physics and Electronics in 1989, an MSC in Artificial Intelligence in 1990 and an MBA in 2001. He worked in the space industry and as a management consultant before joining Fujitsu Services Ltd., London, United Kingdom in 2005. He leads the development of shared service offerings for the public sector in the United Kingdom.

He is a Chartered Engineer and a member of the Institute of Engineering and Technology (IET).