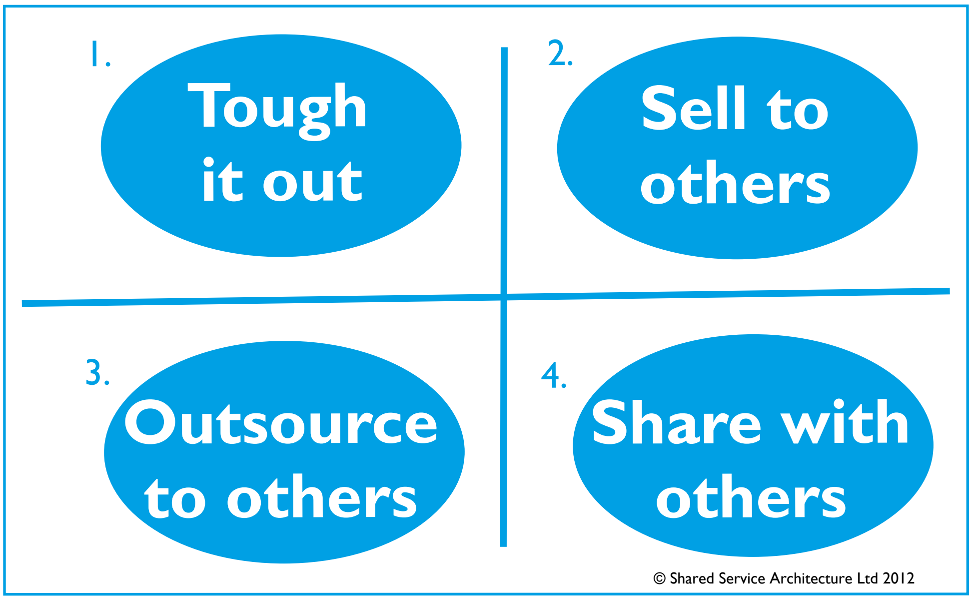
Shared services is only one option…

The SSA's Efficiency Matrix



The Efficiency Matrix is a new addition to the 10 sections of your Highway Code of Shared Services folder.

You may find this section useful when working with colleagues who are jumping straight to complex and difficult shared service activity, without considering what the impact of sharing future control of their service might be.

Shared Service Architects are always taught at outset, that collaborating or sharing services is only one of four options in the efficiency matrix above - and should always be the final choice.

The other three options *must be attempted, or at least evaluated as options and discounted,* as they are potentially easier and quicker to do.

Collaborations are complex, tricky to develop and deliver. That is why people need to learn the skills and knowledge to get them right.

Research in the private sector suggests that 60% of alliances and mergers, fail to deliver on the promise of the business case, or the expected increase in shareholder value[1]. Let's be clear, *it is not that they fail completely,* it's that they do not deliver on the promise of the business case.

When sovereign organisations come together to collaborate, complexity comes with it.

The complexity can be found in the culture, structures and statutes that govern their ability to partner. And, complexity is found in the people, the power and the politics both internally, and between potential partners.

The Chartered Institute of Public Finance & Accountancy (CIPFA) state in *'Share The Gain'*. that, *"effective collaboration is first and foremost a human and political challenge.*[2]*"*

Prof Chris Huxham and Dr Siv Vangen, are two of the the UK's leading authorities on collaboration activity for business and the public sector.

On page 37 of their excellent book *Managing to Collaborate*[3], they list their *'Tips For Collaboration'*.

Tip number one is, *"Don't do it unless you have to! Joint working with other organisations is inherently difficult and resource consuming."*

Their advice is to try to tough it out if you can and default to sharing only if *"...you can see the potential for real collaborative advantage"*.

1 HEFCE (2010) *Literature Review for the higher education collaborations, alliances and mergers project.* Bristol. HEFCE Publications

2 CIPFA (2010) *Share The Gain.* London Cipfa Publications. p10

3 Huxham, C & Vangen, S. (2006) *Managing to Collaborate: The theory and practice of collaborative advantage*. Abingdon: Routledge Books

We are not trying to put you off collaboration activity. We just want you to enter into it with your eyes wide-open to the complexity, and only once you have evaluated and discounted the other options first.

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Unpacking the Efficiency Matrix

Using the Efficiency Matrix with your decision-makers can help them reach more informed decisions on the best options for the future delivery of services in the organisation.

So let's look at the options in their order on the matrix.

1. Toughing it out: If feasible, this is probably the best option for organisations having to do more with less.

It involves activities such as better procurement, wafer-thin management, pay freezes, redundancies, innovation and stopping doing things.

Within the sovereignty of your organisation, you would apply lean methodologies, business process re-engineering and activity-based costing to effectively reduce waste and overheads. If successful you will have reduced the cost and improved the end user, staff and leadership experience of the activity being considered.

Even though 'toughing it out' is a very painful experience, the benefit is that 100% of the future destiny of your organisation is retained. You will not have to consult other organizations before making future changes.

2. Sell to others: If you manage to 'tough it out', the result is that you will have a very low-cost, efficient, quality service which you may be able to sell to others.

However, it will require you to develop a sales and marketing activity, plus you will have to bend the way you deliver in-house, to meet the requirements of demanding customers.

This can build in a cost of complexity. It may even demand that you set up an external, slightly higher cost, saleable service shaped to clients' needs.

If you are successful it will generate new income into your organisation, bolstering your budgets and funding your '100% destiny control'.

3. Outsource: This does not have to be to the private sector, it can be to another public purpose organisation who can offer you the service you need, but at a lower cost.

Since the Olympics and the G4S problem, outsourcing has been getting a bad press. We would suggest you ignore that and outsourcing should be considered as a serious option prior to looking at collaboration.

Under outsourcing you still keep majority control of the destiny of your organisation and the services you are delivering. It is easier to tell a supplier off for bad service, than a partner!

You can control performance by putting break clauses on an outsource contract and penalty clauses for failure to reach targets. That is much harder in a partnership where the customers and the suppliers, are the same organisations.

4. Sharing services: This has the largest potential efficiency and innovation gains, if together you are better than remaining on your own. But it does require you to give up 100% control of your destiny because major changes will require negotiations with partners.

In fact, if you are sharing a service with one partner, you will have 50% control, two partners - 33% control, etc. So it is best to enter into shared service activity only when the other three options have been attempted, or discounted.

Changing back to any of the other options (divorce!) can be very expensive.