HOW DO YOU CLOSE DOWN A SHARED SERVICE?

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Combined Authorities and City Deals are beginning to define new geographical and relationship boundaries between public sector organisations.

A new psychological and policy contract will be developed between the partners within those boundaries as the money and tax income fuels the major joint projects around transport, health and economic development.

The outcome is that over time, a number of already established shared service relationships may have to come under review and possibly be closed down as the boundaries change. So how do you handle that?

It can be very emotional

A lot of emotional effort and time is invested into a shared service project, especially where there is a passionate shared vision for the new, better, lower-cost service. So one of the first impacts when partners are closing down a shared service is the emotional impact.

For example there has recently been an outpouring of emotion reported on the potential withdrawal of Tunbridge Wells' planning services from the Mid-Kent shared services group. There was also a very public and heated response to the closure of the Richmondshire and North Yorks shared ICT and CEO back in 2011.

However, once you get past the emotional side of things, there's nothing mystical about what needs to be done.

In the same way that you define drivers, success factors and service definitions when entering into a shared service, you should do the same on exit. But before that, if the collaboration is delivering viable outcomes, there are some questions to ask.

Becoming a Relate counsellor

Asking the right questions and getting an honest conversation going is key to resolving all manner of relationship issues, so what are the right questions you should be asking of the partners when an acrimonious break-up is on the cards?

- What is the **real cause** of the perception that the shared service needs to be dissolved? Lots of investment has already been made, possibly cost savings have been built in to revenue budgets and it may be very expensive to reverse this. In the same way that the SSA toolkits recommend that entry into a shared service should be seen in many cases as a last resort, breaking one up should only be considered *when all else has failed*.

- Can you fix what you've got?

- What are the issues with the current shared service?

- Why is it failing to meet the expectations that led to its setup?

- Could it be (real or perceived) poor service, failure to deliver financial savings, or more fundamentally, a changed political/management outlook on the whole shared service ideal?

From experience, maintaining the client side can lead to problems of demarcation when all are within one organisation – and of course there are savings to be had from establishing a single "Head of…" role with overall control.

Most of the SSA Toolbox tools can be deployed here – after all, you are just trying to define a business case and a Target Operating Model [TOM][1] (in enterprise architecture speak) for the partner(s) who want to leave.

Don't forget, the collaboration may remain in place, if not all signatories wanting to withdraw. It doesn't have to be all or nothing, if there is evidence it can still run successfully with a smaller number of partners.

Before concluding that the shared service must be dissolved, re-evaluate the drivers for change, skills and knowledge assessment.

Service quality can be addressed, perhaps even financial targets – however if the root cause of the break-up is a lack of love for sharing, the barriers to maintaining the status quo will be will be the biggest. Of course, external and political drivers make dramatic changes to the strategy of the public sector (and potentially more likely as elections, etc., change the outlook for a number of organisations)

Examining The Target Operating Model (TOM)

The TOM is quite interesting as to choices[2]. In some (most??) cases there will be a client function separate from the shared service in the partner organisations.

Do you continue with this and build a separate service delivery team, or roll the function back in together?

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In terms of carving up the family silver, you will identify a lot of issues here that all need to feed into the business case. Staffing is the obvious one and inevitably you will have to go to the market for more bodies or take the decision to outsource some functions.

As an example, the shared service dissolution I was involved with, was coupled to a systems management and migration contract with a third party supplier. At the end of that contract, specific expertise was required (in this case, Oracle DBAs) which was expensive.

You may find that it is cheaper to buy-in a service from the private sector as it removes one headache. I'd suggest this will be a more common outcome from breaking up a shared service, as the competition to hire specialist skill sets hots up. The same buy-in approach may be relevant for replacing the shared IT (new hardware, application licences, etc.). Again, I see this leading to more buying in of hosted solutions from suppliers.

As an aside, this is an interesting shift in financial modelling for Local Authorities – moving from large chunks of capital investment on tin every few years and shifting service support costs onto a purely revenue footing. If nothing else this will certainly highlight the need to deliver a "technology dividend" back to your organisation.

It will cause issues for some, and be good for others, depending I suppose on your reliance on external support funding moving forwards.

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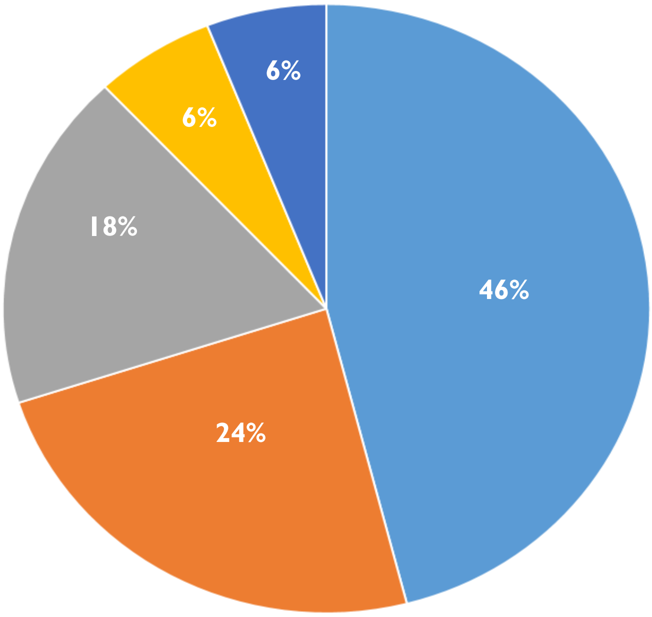
[1] *A description of the desired state of the operations of an organisation. Typically a TOM also includes the roadmap over time that specifies what the organisation needs to do to move from the "as is" to the "to be.*

[2] *A TOM will describe any or all of the following: (a) processes and capabilities; (b) the people that are needed to run the processes or deliver the capabilities, and the organisation structure, accountabilities, incentives and culture that will support and nurture these people; (c) the information systems needed to support the processes and capabilities, especially the software applications that are needed to process the information; (d) the locations, buildings, infrastructure and other assets and resources needed inside the organisation to support the processes and capabilities; (e) the suppliers and business partners needed outside the organisation to support the processes and capabilities and the types of agreements between this organisation and these partners.*

What do you consider to be (or was) the biggest challenge in closing down or transitioning an existing Shared Services location?



- **46%:** Transitioning processes while minimising the customer impact
- **24%:** Retaining key staff during the transition
- **18%:** Potential of losing key knowledge or resources
- **6%:** Maintaining solid customer relationships
- **6%:** Managing staffing placements or staffing reductions

Source: www.peeriosity.com

What is interesting is that all of the five key challenges they encountered were about relationships with staff and customers. It's back to the 75% focus on relationships in collaborative working and only 25% on the deal.

Finally, some thoughts from the private sector…

A 2014 iPoll Survey[3], and discussion group of businesses that have had cause to close shared services, mapped the key challenges you will encounter. They are illustrated in the chart above.

What is interesting is that all of the five key challenges they encountered were about relationships with staff and customers. It's back to the 75% focus on relationships in collaborative working and only 25% on the deal.

But the main challenge was managing the transitional process so that the recipient of the services did not notice the change.

One of the businesses explains that in order to do this they retained about 20% of the exiting staff in post for a period of three months past the transition time to be "subject matter experts" and help resolve any problems and issues.

This also helped to retain key staff during the transition.

[3] *https://www.peeriosity.com/shared-services/articles/2014/09/closing-a-mature-shared-services-center/*

Another day, another project

So, if there is definitely going to be a divorce, maybe we can split up the steps into three projects:

1. Design, pilot and improve the new, better, lower cost service that will replace the existing one.

2. Then plan and implement a transition from the old service to the new one, in a way that does not have any negative impact on customers.

3. Once the transition is made, project manage the closure of the old service.

Project three should be where the arguments start over who gets the CDs and who keeps the curtains.

This will avoid the customer from being harmed by the transition.