State of Alaska
Department of Administration

Shared Services Overview

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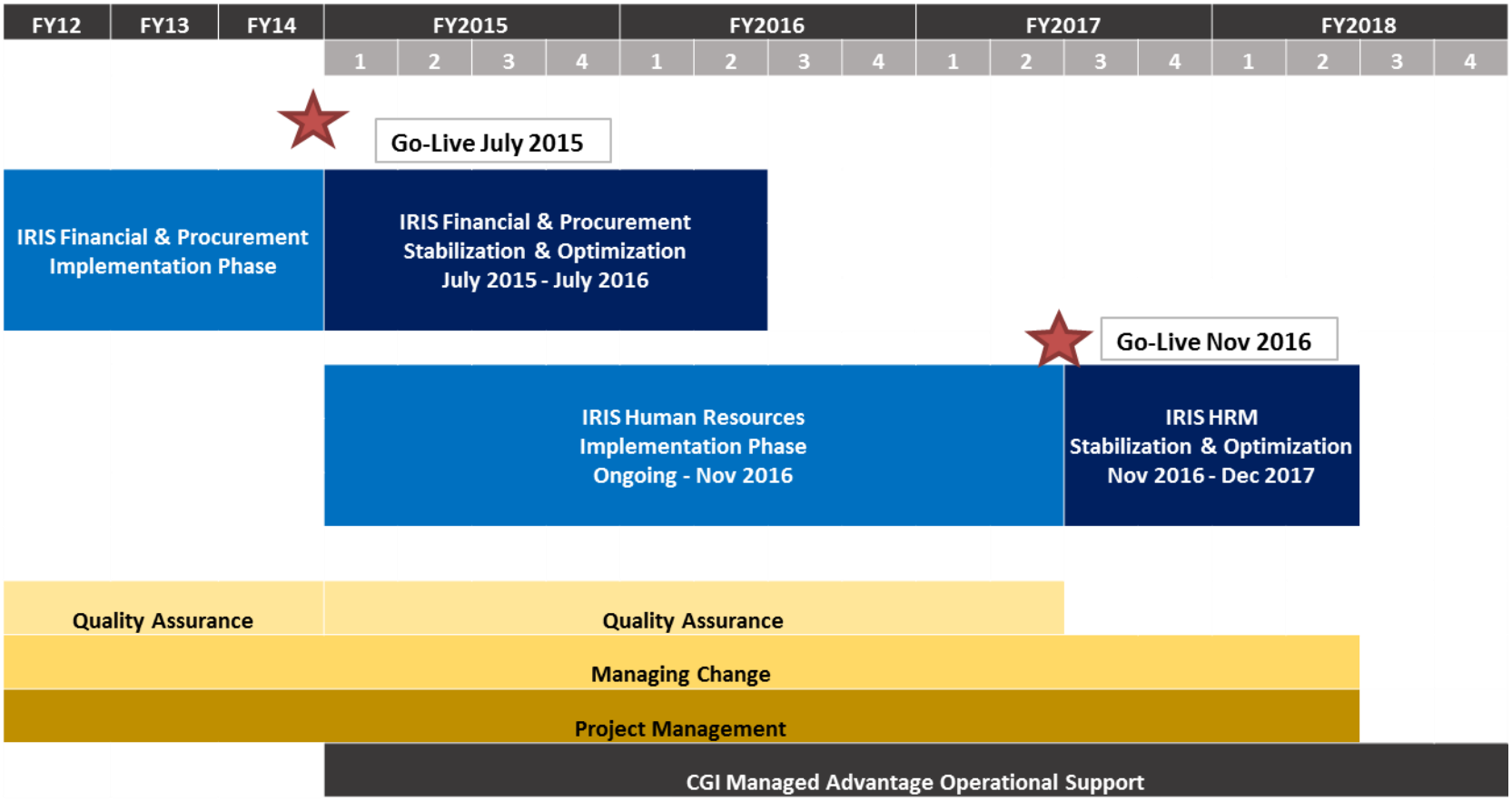
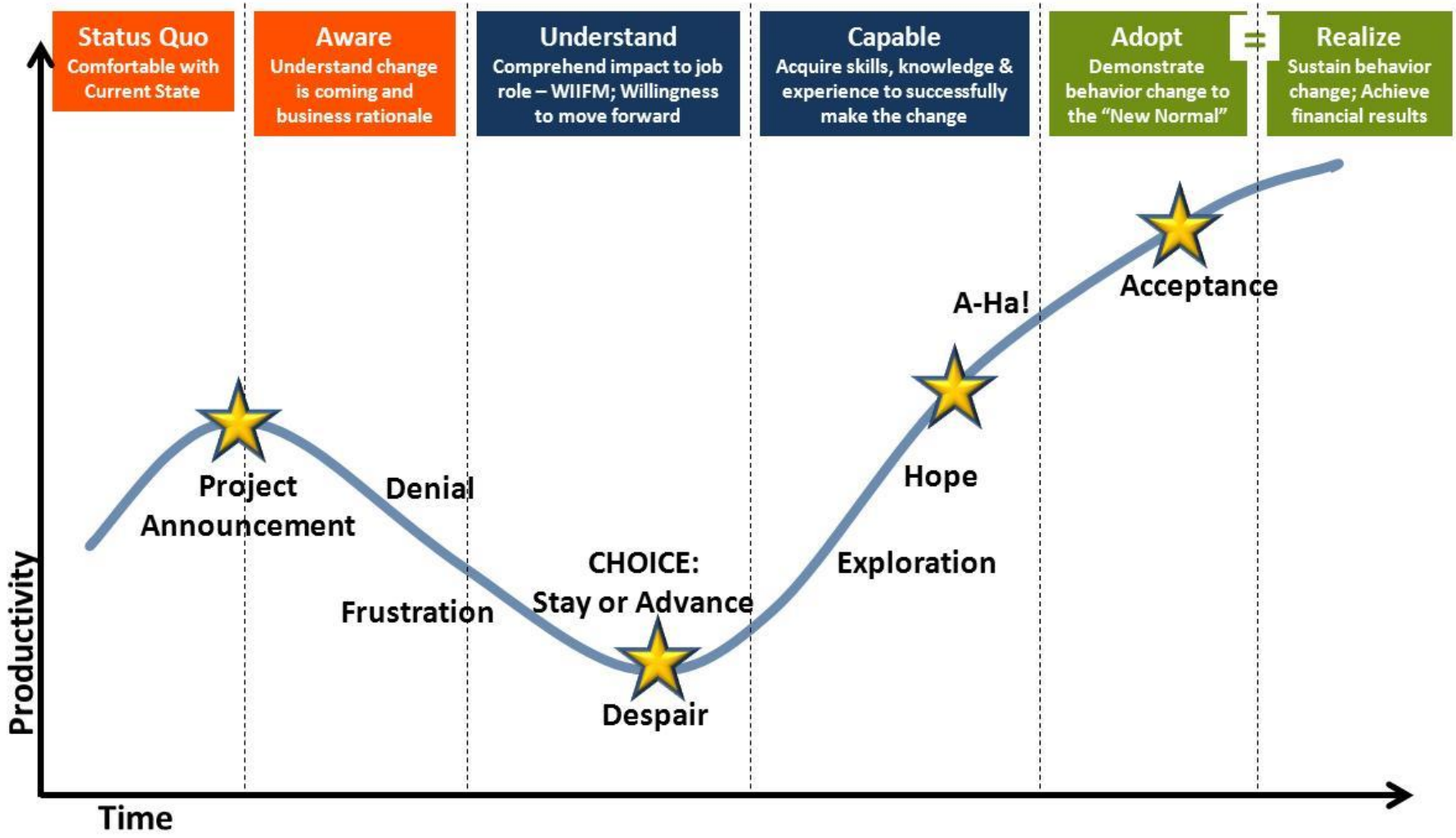
IRIS Schedule



Change Management and "Managing Change"



Looking Forward: The Promise of IRIS

Reengineering Financial Business Processes

- Real-time access to complete information
  - Ability to search by session reference – legislative bill source for an appropriation
  - Expense budgets linked to revenue budgets for better compliance controls
- Accounting corrections tied directly to original transaction
  - Budget structures control and enforce budgets for projects and grants
- Expedite annual close-out activities that normally occur over two month period
- Easier Comprehensive Annual Financial Report (CAFR) development
- Three-way-match – integrating procurement and financial processes
  - Purchase Order using Punch-Out E-commerce capability / Vendor ships / Receiving Confirms / AP processes….all tied together in an automated process

Reengineer Purchasing for Improved Savings

- Vendor Self Serve – empowers vendors to be custodians of business opportunities available through state procurement
  - Over 100 solicitations posted to VSS since Go-Live (44 RFQ, 20 RFP, 19 ITB, 15 IRFP and 2 RFI)
  - 20 solicitations have had electronic responses from 33 vendors
  - Vendors have submitted 86 electronic invoices, ranging from $1.50 to $88,500
- Greater Transparency
  - Vendors and members of the general public can track the prices paid per NIGP unit per commodity code

Workflow Reengineering

- Approvals and workflow are integrated and inseparable
  - Workflow – routing of the document to “team” work lists
  - Email notification when an event occurs
- Serve as internal controls – provide central control and monitoring of transactions
  - Specific department and managerial requirements
- Significantly reduce elapsed time for document approval processing – eliminate routing of paper files

Business Model Compare – Accounts Payable

Example below reflects actual data from the State of Ohio Accounts Payable service offering before a shared services approach and after implementation of a shared services model.

Total realization of the benefits identified in the "After Shared Services" model required all State Agencies to adopt the shared services standard service offering. Although some cost savings were immediate, full benefit took 24-36 months with multiple continuous improvement cycles.

Process standardization and leveraging the ERP investment resulted in over $40M total savings.

Before Shared Services

- Manual Volume: 1.5M Transactions
- FTE: 219
- Cycle Time: 30 + Days
- Transaction Rate: $56
- Annual Cost: $13.5M

After Shared Services

- Manual Volume: 150K Transactions
- FTE: 45
- Cycle Time: 1.4 Days
- Transaction Rate: $0.00 - $12
- Annual Cost: $2.7M

Reduction in cycle times from 30+ days to 1.4 days allowed the State of Ohio to leverage additional saving with prompt-pay discounts (2/10 net 30). Total opportunity > $150M

Business Model Compare – Travel & Expense

The State of Ohio launched Ohio Shared Services in the Fall of 2009 with an initial focus on back-office fiscal processes. Travel & Expense was included in the initial service offering.

Travel & Expense processes supported by 26 Cabinet Agencies were migrated to Ohio Shared Services from 2009-2010. Over the next 24 months several re-engineering and standardization efforts resulted in reduced costs, reduced FTE support, increased compliance, higher quality, and faster cycle-times.

Changes in policy, process, and fully leveraging existing technology resulted in $7.4M savings annually.

Before Shared Services

- Annual Transactions: 28,000 – 30,000
- Avg. Cycle Time: 32.5 days
- Cost: $267.21 per transaction
- FTE: 129
- Annual Cost: $7.75M

After Shared Services

- Annual Transactions: 28,000 – 30,000
- Avg. Cycle Time: .8 days
- Cost: $6.42 per transaction
- FTE: 3.1
- Annual Cost: $285K

A mandate was issued by the Governor to fully leverage the shared services organization; however, marketing the value of the service offering drove most client adoption.

Business Model Compare

Shared Services Model vs. Centralized

Decentralized Model

- Federated support model of varying processes & systems within the agencies.
- Focus on responsiveness and customer service.

Centralized Model 5% - 15% Savings

- Processes and systems consolidated into a single cost center.
- Standardized processes with a single technology platform.

Shared Services Model 30% Savings / 50% Hybrid

- Centralized, standardized, simplified.
- Profit center driven to create efficient service delivery & meet customer needs.

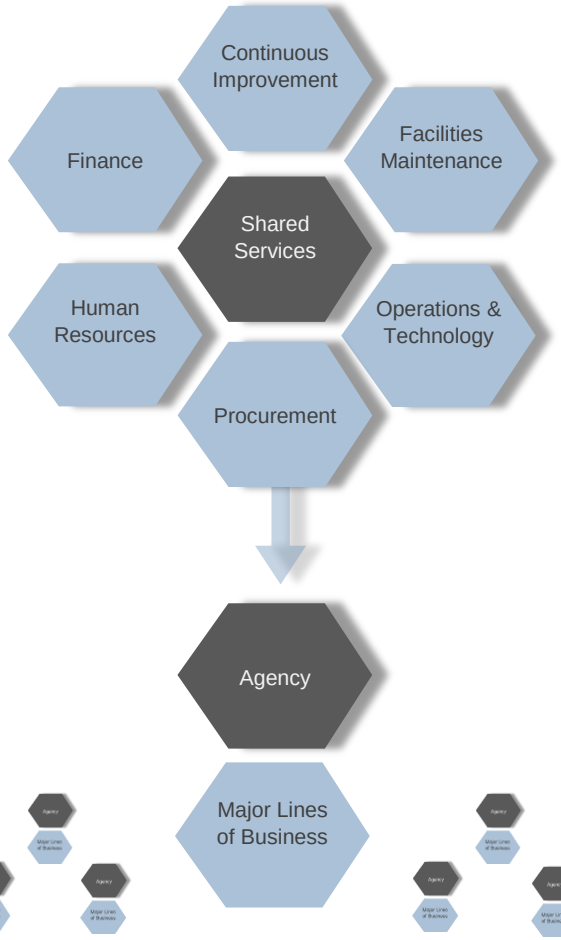
Better, Faster, Cheaper

Shared Services Overview

Current organizational structure is decentralized; increased budget and staff requirements with reduced focus on mission critical topics. Future structure represents a reduced demand on budget and staff while increasing agency focus on mission critical topics.

Decentralized

Shared Services



Shared Services Overview

Shared Services Foundation

Mission

- Provide back-office support of common administrative transactions to allow agencies to use budget and staff to focus on core mission responsibilities.

Structure

- Strong data-centric organization focused on Key Performance Indicators (KPIs).
- Use of Lean Methodologies to drive continuous improvement (reduce costs, improve quality, reduce cycle-times).
- Service Level Agreements (SLAs) established with each client / service.
- Strong governance and controls of spend while supporting adoption of enterprise investments.

Benefits

- Shared Services Models targets 30% - 50% reduction in costs.
- Increased quality and service delivery.
- Increased speed delivery.
- Increased client satisfaction.

Strong leadership is required to support and mandate the use of a shared services model.

Scope of Ohio Shared Services

Launched in 2009 Ohio focused on enterprise-wide finance processes. In 2011 scope was expanded to include additional finance processes (P2P), Human Resources, Information Technology, Collections (outsourced), and Business Integration Services.

2009	2011 - 2015				
Procure to Pay	Record to Report	Order to Cash	Hire to Retire	IT Services	Other
Vendor Maintenance	Fixed Assets	Customer Billing	Payroll Administration	Tier I Support	Contact Center
Accounts Payable	Interagency Accounting	Remittance	Benefits Enrollment	IT Function Mgmt.	ECM
Travel & Expense	General Ledger		PARs	Enterprise Architecture Planning	Facility Mgmt.
Supplier Mgmt.	Cost Accounting		Time & Attendance	Emerging Technologies	Collections
Requisition & PO Processing	External Reporting		Strategic Workforce Planning	Quality Assurance	
Compliance Mgmt.	Compliance Mgmt.			Risk Mgmt.	
Sourcing Execution					
Supplier Scheduling					
Sourcing & Strategy					

Original Scope for Ohio Shared Services
Most frequently in Shared Services
Typically in IT Centric Shared Services

Business Integration Services

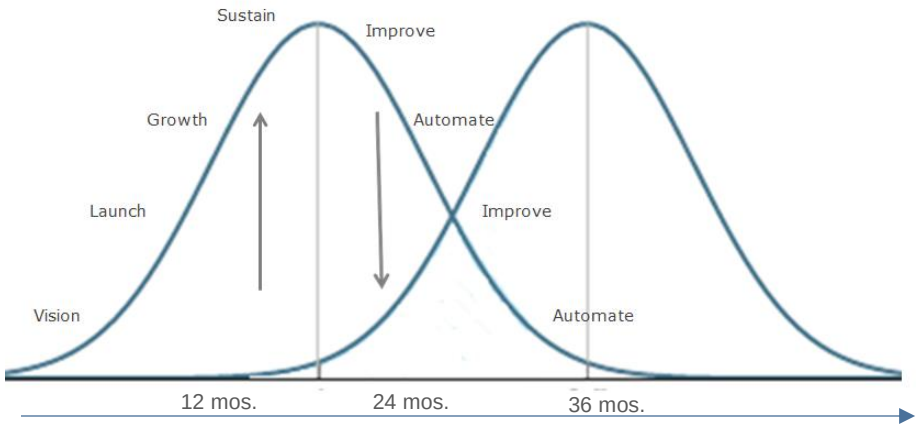
PMO	Lean / Six Sigma	Audit
Data /Analytics	IV&V	OCM

Migration Approach & Timeline

While most consulting firms recommend “Lift & Shift” models, a more focused migration increases savings, customer value, and trust in the business model.

Increasing use of “pilot” model at federal and state levels with demonstrated successes. Harvard University ‘Horizons of Value’ coupled with “Ross Effect”.

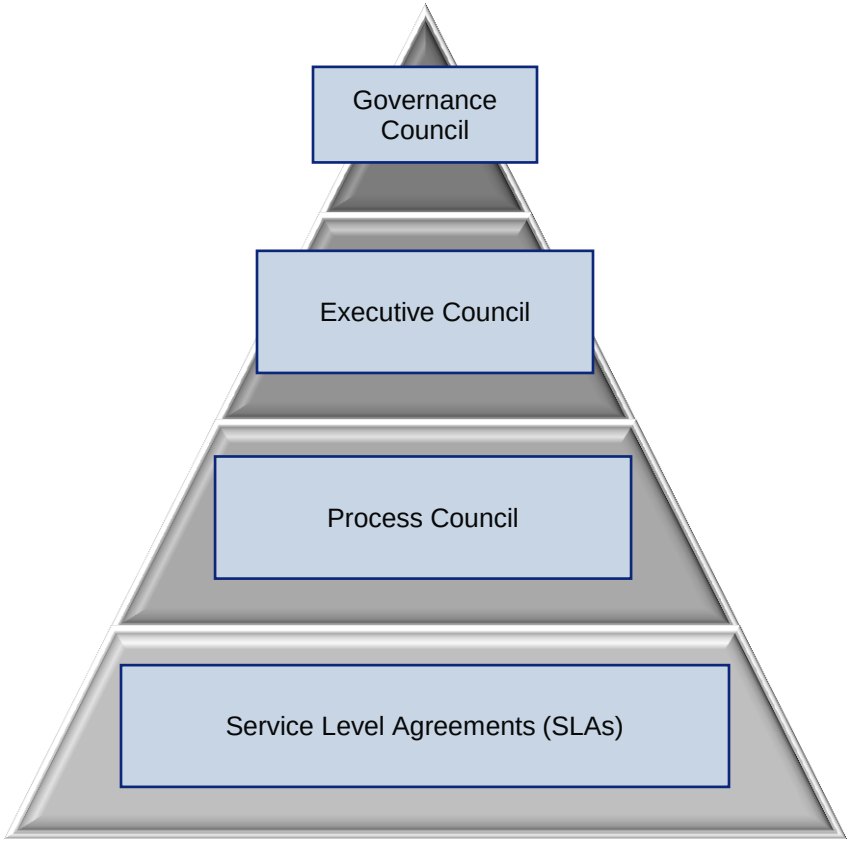
- *Uphill Stages*
  - *LNW Horizons of Value (Vision, Launch, Growth, Sustain)*
  - *Service line(s) identified*
  - *Service line launch & growth*
  - *Increase in clients, volume, staff, costs, & defects*
- *Downhill Stages*
  - *Continuous improvement cycles (Improve, Automate)*
  - *Business process re-design*
  - *Technology implementation / support*
  - *Decrease in manual volume, staff, costs, & defects*
  - *Downhill stages are continuous as ROI permits*



Governance & Service Level Agreements (SLAs)

Governance and Service Level Agreements (SLAs) are key foundational items of successful shared services organizations.

Successful governance is achieved by combining process expertise, independent review and verification of value, constant focus on enterprise goals, and defined commitments of the shared services organization and clients.



Governance Council

- *Executive Council approving overall program strategy.*
- *Address major scope expansion and investment decisions.*

Executive Council

- *Approve policy recommendations submitted by Process Council.*
- *Independent Verification & Validation (IV&V) to ensure value realizations.*

Process Council

- *Client Subject Matter Experts (SMEs) recommending and approving process changes and policy recommendations to Executive Council.*
- *Ensuring goals established by Executive Council are delivered.*

Service Level Agreements

- *Driving day-to-day tactical work effort to meet customer expectations and shared services goals.*
- *Client commitments defined.*

Independent Verification & Validation (IV&V) & Key Performance Indicators (KPIs)

Lesson Learned: Inability to demonstrate benefits of enterprise programs and ROI for shared services initiatives. Integrity of data questioned by clients.

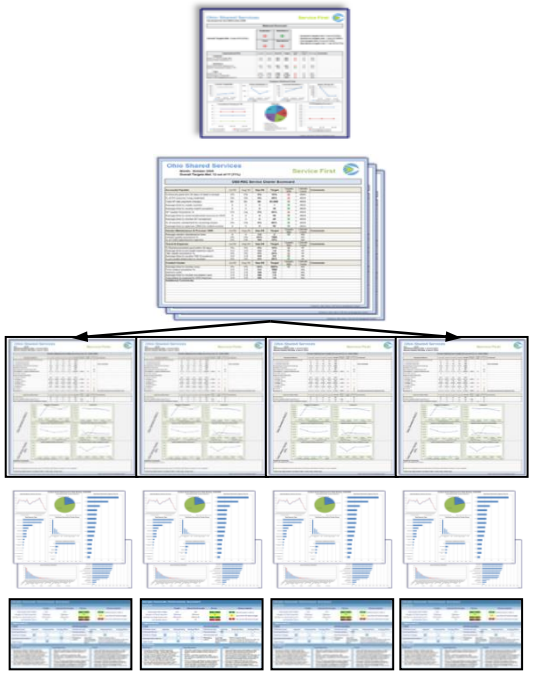
Resolution: Established a Key Performance Indicator (KPI) program and Independent Verification and Validation (IV&V) resource to verify benefit, build client trust, and ensure clients aligned with strategies of the state.

Key Performance Indicators (KPIs)

- Key Performance Indicators (KPIs) are the metrics used to assess the organization's efficiency, quality, and cost effectiveness.
- Key Performance Indicators (KPIs) are established by clients.
- Data drives course correction and continuous improvement initiative (i.e. Lean / Continuous Improvement Program).
- Client Scorecard reviewed with clients each month to compare service delivery against Service Level Agreements (SLAs) and client baseline.

Independent Verification & Validation (IV&V)

- Independent Verification & Validation (IV&V) functions to ensure the shared services organization delivers expected value to clients.
- Aligns agency investment with enterprise goals.
- Validates successful delivery of enterprise strategies.
- Clients self report data related to program delivery.
- Builds client confidence in accuracy of data and value of shared services model.



Expected Challenges & Resolutions

Common challenges associated with shared services implementation and expansion can be mitigated with proper foundational elements.

The State of Alaska has the existing framework, resources, and expertise to be successful; however, those resources must be aligned and focused on defined enterprise goals.

Leadership & Stakeholder Support

- Resistance to change & line of business focus.
- All leaders create and “sell” the vision (Market vs. Mandate).

Implementation Cost

- High cost of implementation / expansion.
- Utilize existing resources to execute on the vision and drive change (i.e. Business Integration Services).

Return on Investment

- Inability to predict when/if ROI will be achieved.
- Align agency spend to achieve enterprise goals.
- Leverage existing investment to meet objectives of the business.

Shared Services Process Focus (Upstream vs. Downstream)

- Implementation focused on downstream transactional processes.
- Upstream processes largely ignored (i.e. procurement).
- Force upstream focus to drive greatest benefit.

Cross Departmental Efficiencies

Background

Opportunity Review

In May 2015, OMB Director Pat Pitney convened commissioners, deputy commissioners, and administrative service directors to identify cross-department opportunities to address the $29.8M in unallocated reductions. As a result of this session, eleven cross-departmental efficiencies were identified; nine align with common shared services programs.

Cross-Departmental Initiatives

Administrative Initiatives:

1. Train and implement process improvement principles statewide
2. Travel process revamp
3. Renegotiate procurement/lease contracts for 10-20% savings statewide
4. Implement IRIS
5. Unify facility maintenance / management
6. Central collections office for agency fines, debts and attachments
7. Re-examine charge back system between departments
8. Statewide IT consolidation; call centers, disaster recovery, helpdesk staff, and data storage
9. Streamline billing for LAW

Next Steps

The Departments of Administration and Transportation are leading the administrative efficiency initiatives. As the administrative initiatives align with common shared services support models, Everett Ross (former Director of Ohio Shared Services) has been brought in for external support.

Thank you!

Questions?

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