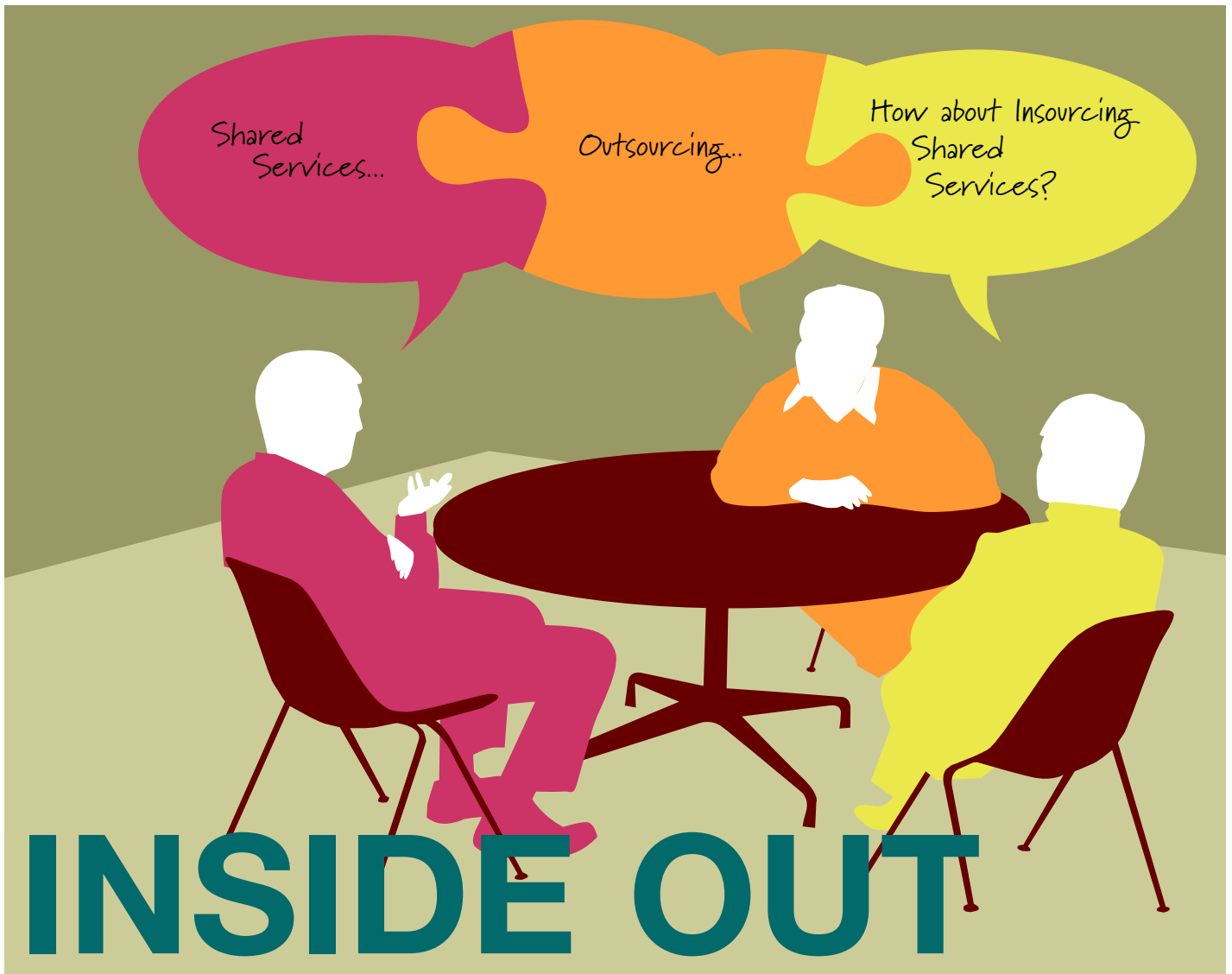




## Shared Services

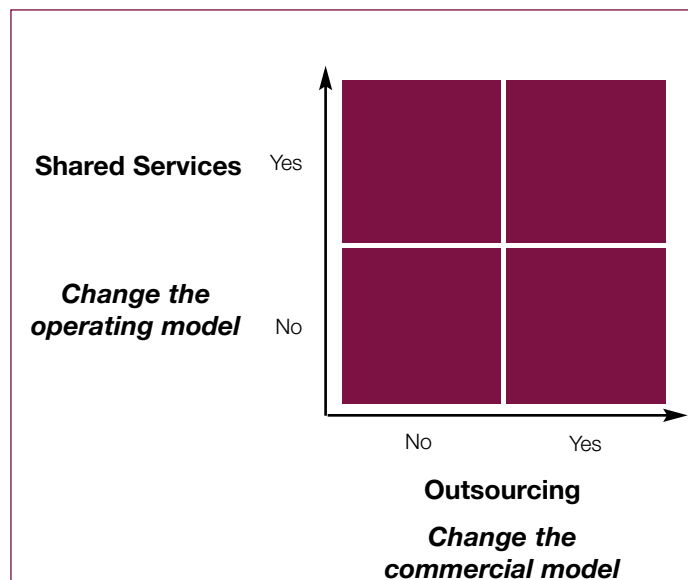


**Howard Spode** explains the phenomenon of internal outsourcing and how it has benefited Defra and Natural England.

**S**hared services means the provision of services to multiple customer entities from a remote entity focused on delivery. It involves a change to the operating model of service delivery. Outsourcing is defined as 'the long-term contracting of services to a specialist external supplier' and generates change in the commercial environment, including the transfer of responsibility for service delivery and, potentially, the legal transfer of relevant people and assets.

As the graph to the right illustrates, there are multiple possibilities for the relationship between the two.

It is possible to have shared services without outsourcing



(the upper-left square). Here, the client organisation owns the service-delivery entity and there is no transfer of commercial responsibility for service delivery outside the host organisation's boundaries. The problem with this arrangement is that the benefits of shared services are not underpinned by a strong (commercial) benefits-realisation regime.

Similarly, it is possible to have outsourcing without shared services or indeed any other change in the operating environment – that is, a simple transfer of contractual responsibility and the establishment of a commercial environment (the lower-right



square). Here there is commercial rigour, but the question is whether there can be significant new benefits to either party without the implementation of fundamentally new ways of working.

Finally, it is possible to have outsourcing and shared services (the upper-right square), where an external supplier provides services shared by multiple clients (ie, units of the same organisation and/or different organisations). This is theoretically the most powerful arrangement, but there are potential downsides to

outsourcing to a private sector entity. Natural England and the SSC are now well on the way to achieving this balance.

### CASE STUDY

Defra's core purpose is to improve current and future quality of life across the country, by bringing together the interests of farmers and the countryside, environment and rural economy. It comprises a range of Executive Agencies and Non Departmental Public Bodies (NDPBs), varying in size from 100 employees to the largest agency which employs 13,000.

being developed, external support is being provided, by IBM. This is very much front end loaded – key interventions in design and first-time tasks, with phased knowledge-transfer and withdrawal.

The SSC's Programme Board is also receiving strategic advice from Alsbridge Ltd, a consulting firm specialising in outsourcing and shared services. This focuses on providing insights based on experience from the public and private sectors and helping Defra specify and oversee the contribution of the main consulting partner, IBM.

Natural England is a new NDPB, formed in October 2006 from its three founding bodies – the Countryside Agency, English Nature and the Rural Development Service. Its mission is to work for people, places and nature to conserve and enhance biodiversity, landscapes and wildlife in rural, urban, coastal and marine areas.

A new NE Executive Team came on board in the summer of 2006 to shape and establish the organisation while the existing senior management of the three founding bodies managed business as usual. NE is a member of the Defra family, but, as an autonomous NDPB, it was under no obligation to join the Defra SSC.

*The NE Executive had to weigh up the pros and cons of three options:*

- discontinue existing back-office services in the founding bodies and procure services from the SSC
- discontinue existing back-office services in the founding bodies and establish new NE back-office services
- maintain existing back offices in their current configuration, as they were in the founding bodies

The first option was chosen, but the NE Executive had to bear in mind that Natural England would be the first major new customer for the SSC. In fact, at the time of the deliberations, the SSC had not officially come into being, so it was a case of one as yet non-existent organisation contracting with another as yet non-existent organisation.

The NE Executive called Alsbridge, under an assignment separate from their existing

support to the SSC Programme Board.

*The consultancy moved swiftly to:*

- help the NE Executive confirm the business case for utilising the services of the SSC
- design and mobilise the NE-side shared services project team
- facilitate interaction between this NE team and their counterparts in SSC, supported by IBM
- induct an ongoing NE shared services project manager

The consultancy then withdrew. The consulting firm thus worked on 'both sides of the fence' to help ensure that the SSC develops as a best practice service provider, that Natural England acts as an informed customer, and that the relationship between the two parties is mutually beneficial.

**Howard Spode** is a Principal with consultancy firm Alsbridge

*All the normal benefits of shared services are in play and there is an arm's-length relationship to provide commercial rigour*

transferring responsibility beyond the boundaries of the client organisation which some see as loss of service flexibility, 'lock in' to a particular supplier and potentially negative PR.

### INTERNAL OUTSOURCING

The relationship between Natural England (NE) and the Department for Environment, Food and Rural Affairs (Defra) shared services centre (SSC) is an example of a relatively new phenomenon, where a client organisation in the public sector outsources activities to a specialist shared services provider which is also in the public sector. All the normal benefits of shared services are in play and there is an arm's-length relationship to provide commercial rigour. But still, both parties are in the public sector, so some of the more untenable downsides of full outsourcing are mitigated. Internal outsourcing, as we might term it, offers an attractive third way.

The trick, of course, is to get the best of both worlds – achieving the necessary rigour, both operationally and commercially, while avoiding the more extreme risks of

Defra has a programme to implement shared services amongst its various units in the areas of human resources, finance, estates and procurement in order to realise efficiency gains in line with the Gershon and Lyons reviews. The programme involves the creation of a dedicated shared services organisation, the marketing of services to members of the Defra family, the migration of activities from the client organisations and the ongoing delivery and improvement of services. The SSC was created by splitting out elements of the existing Defra central department back office and reconfiguring these as a stand-alone body to serve all its customers on an equal footing. The challenges were to create a new service culture appropriate to the new mission and appropriately remote from the central department of which it was once a part.

In parallel to the implementation of shared services, a major new Enterprise Resource Planning system is being implemented, increasing the complexity of the transition.

Given the scale of change and the manner in which the SSC is

### IN SUMMARY...

■ The relationship between NE and the Defra SSC is an example of a relatively new phenomenon, where a client organisation in the public sector outsources activities to a specialist shared services provider which is also in the public sector

■ Defra has a programme to implement shared services amongst its various units in the areas of HR, finance, estates and procurement to realise efficiency gains in line with the Gershon and Lyons reviews

■ Natural England was the first new customer to enter the shared services centre. The change process was complex, and Natural England benefited from a focused consulting intervention from a specialist firm

### FURTHER INFORMATION...

For further information, please visit: [www.naturalengland.org.uk](http://www.naturalengland.org.uk) or [www.alsbridge.com](http://www.alsbridge.com) or email: [howard.spode@alsbridge.com](mailto:howard.spode@alsbridge.com)

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