Towards the Smarter Back Office

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IBM Global Process Services
Shared Services for the Public Sector Forum
Sydney, 11th October, 2011
Agenda

1. Smarter Social Services

2. Smarter Back Office

3. The Way Forward
Social Services organizations are on the front line of governments’ efforts to deliver better outcomes with fewer resources.

**Increased stakeholder expectations**
“Citizens and businesses increasingly see their time as a limited resource.”
—UK Government

**Demographic and societal changes**
Ratio of working age to over 65 in EU to decrease 2008–2060 from 4:1 to 2:1.”
—Eurostat

**Focus on better outcomes**
“We believe that the best way to achieve meaningful performance improvement is to focus on outcomes.”
—US presidential memo

**Social Services are the largest share of public sector budgets**
19% of overall GDP across OECD economies
—OECD

**Growing cost of service**
From 16–19% of GDP 1980–2007
—OECD

**Fraud, abuse and improper payments saps public confidence**
“In 2009, the Federal Government reported improper payments of approximately $110 billion.”
—US Presidential memo

Social Services organizations have to optimize operating efficiency and productivity, ensure payment accuracy, deliver improved Social Services to clients and ultimately deliver improved social outcomes.
Social Services organisations face formidable obstacles meeting the challenge.

- Manual, duplicate and inaccurate data
- Inflexible, siloed legacy systems
- Multiple interactions across programs
- Service inefficiencies across multiple providers/levels of government
- Difficulty attracting investment funding

Utilising best practice processes, adopting the latest technology, and using quality information, and can help to tackle these obstacles and deliver more with less.
Many Social Services organisations are starting to deliver quantifiable improvements in outcomes and efficiency savings.

**Department for Work and Pensions (DWP)**
Increased client self-service and relocated staff from branch offices to contact centers. Savings estimated at £375 million per annum and headcount reduced by almost 15,000 staff.

There is still a long way to go—aiming for 40% online applications and full self service.

**Försäkringskassan**
One of the earliest and extensive users of case management. Achieved better control, higher quality and uniformity of cases.

A long way to go in completing IT systems, getting a coherent view of clients and improving communication across the organization.

**Caisses Nationale d’Allocations Familiales (CNAF)**
A new central risk management function identified the extent of improper payments—over 10 times previous estimates at $800 million.

Difficult to get a 360 view of the citizen and the lack of shared data between 85 separate systems in regional offices.

**Service Canada**
Cost savings planned at $3 billion over 5 years. Plus citizens would receive simpler, more convenient access to services, based on their needs.

Though considerable progress has been made, there is still a long way to go to realize the complete Service Canada vision.
Smarter Social Services is client-centric, optimising business processes, technology and information to deliver improved social outcomes more efficiently.

**Instrumented**
- Up-to-date and comprehensive client information available to case workers
- Improved client access, with self-service providing digital data via multiple channels

**Interconnected**
- Effective collaboration across programs and service providers
- Efficient service delivery with integrated back office processes

**Intelligent**
- Information used to target resources and identify improper payments
- Value delivered to government and society demonstrated
Realizing Smarter Social Services means orienting people, processes and technologies around the client for better social outcomes.

The Journey to Smarter Social Services

- **Smarter Social Services**
  - Integrated Approach for the delivery of common, shared services
  - Smarter Back Office
  - Integrated Service Delivery
  - Integrated Approach to Drive improved outcomes
  - Integrated Approach to Fight Fraud, Abuse and Error
  - Enterprise Case Management
  - Single View of the Client
  - Improved Access to Information
  - Integrated Approach for the delivery of common, shared services
  - Smarter Back Office
  - Integrated Service Delivery
  - Integrated Approach to Drive improved outcomes
  - Integrated Approach to Fight Fraud, Abuse and Error
  - Enterprise Case Management
  - Single View of the Client
  - Improved Access to Information

**Key Ideas**:
- **Improve client-centric access** to Social Service program information and resources
- **Create a data foundation** across data sources to create a comprehensive view of the client
- **Optimize service delivery process** through improved collaboration between clients, partners and workers
- **Protect resources and public support** by limiting fraud, abuse and error
- **Target resources** to the right clients at the right time through better strategic decision making
- **Drive broad government outcomes** that are more efficient and effective across programs and organizations
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Smarter Back Office: the expanded shared services model.

Organisations now consider virtually all functional areas and activities outside the core value chain as candidates for inclusion in a Shared Services organization.
What are the benefits of Shared Services?

- Reduction in operating costs:
  - process improvement
  - economies of scale
  - right skills mix
- Standard platform for systems upgrade
- Improved service quality supported by SLA's and formal account management
- Platform for customer focussed service delivery
- Supports continuous improvement
- Supports streamlined end to end processes and improved data quality
- Improved visibility of information
- Flexibility to meet changing requirements
- Broader career opportunities
- Better aligned reward structures
- Empowered working environment
- Flexible working arrangements
What level of benefits can be achieved through the Shared Services Operating Model?

- Simplification & standardisation are critical to every successful shared services implementation
  - The level to which you simplify and standardise will drive your ability to deliver financial savings

- Only by aggressively driving change will the organisation maximise the level of attainable savings
  - By addressing the key components and ensuring a fully integrated model, shared services “Best in Class” can be achieved

- Maximising the opportunity provides good basis for stability, sustainability and growth in the medium to long-term
  - Maintenance of benefits, savings and ongoing continuous improvement targets are significantly easier if all components of successful shared services are in place

The level of ambition and ability of an organisation to effect change will govern the level of financial benefits that can be achieved…
There is a choice of migration strategies for implementing Shared Services.

The Shared Services migration strategy is determined by evaluating the risks, benefits and implications across several dimensions - systems, processes, people, organizational structures, taxes, facilities, etc.
Benefits and challenges of migration approaches

Consolidate, Re-engineer, Implement Technology (B+C)

- Speed - you can consolidate quickly and realize early benefits
- Lower initial investment required and reduces technology costs by standardizing processes and organization before investing in IT
- Speed - may alienate key customers
- High cost of moving all staff into Center and keeping them incentivized.
- Interim legacy technology fix required to support consolidated service

Shared Services implemented in parallel (A)

- Shared Services design requirements integrated with Technology requirements
- One hit implementation for both Shared Services and Technology
- Technology implementation may delay Shared Services implementation and vice versa
- Higher risk approach because of size of change, investment required

Shared Services Evolution (D + E)

- Technology can be implemented on a fast track
- Get buy in from key customers and service providers - initial phases provide proof of concept
- Will take longer to harvest benefits from fully customer focussed organization
- Long evolutionary period may lead to loss of sponsorship/ownership
There are also a range of alternative delivery models to consider

<table>
<thead>
<tr>
<th>DEFINITION</th>
<th>Shared Services / Captive</th>
<th>Outsourced</th>
<th>Managed Services</th>
<th>Build, Operate, Transfer</th>
<th>Hybrid: Shares Services + Outsourced</th>
<th>Process as a Service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Organisation retains finance function in house</td>
<td>• Finance functions are carried out by a third party provider (either onshore / offshore or a combination)</td>
<td>• Outsourcer provides management layer but organisation retains staff (and generally facilities)</td>
<td>• As per the outsourcing model, but, at the end of a given period (could be either a set contract term, or when services are transitioned and stabilised), the services (and staff) are transferred back to the organisation</td>
<td>• Combination of shared services (i.e. captives) and outsourcing with one / multiple partners</td>
<td>• As per the outsourcing model, but the outsourcer takes responsibility for providing the systems and applications used to deliver the services</td>
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<tr>
<td></td>
<td>• Services can all be physically co located (either onshore or offshore) or can operate as a virtual SSC</td>
<td>• Outsourcer provides management, delivery teams and facilities and may provide enabling tools</td>
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<td></td>
<td>• SSC does not provide services for any other party</td>
<td>• Organisation retains ownership of applications and platforms</td>
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DEFINITION
With varying benefits and challenges

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<tr>
<td>PRO</td>
<td>• Perceived lowest cost</td>
<td>• Speed to value</td>
<td>• Shared investment and reward</td>
<td>• Rapid expansion capabilities</td>
<td>• Increases value from combining sourcing models</td>
<td>• Focus is on deliverables</td>
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<td></td>
<td>• Most control</td>
<td>• Transfer of operating and financial risk</td>
<td>• More control</td>
<td>• Option to transition in-house</td>
<td>• Portfolio risk management</td>
<td>• Outsourcing organisation has responsibility for both process and technology</td>
</tr>
<tr>
<td></td>
<td>• IP Protection</td>
<td>• Maximum variable cost</td>
<td>• Leverage providers skills</td>
<td>• BOT price premium</td>
<td>• Focuses more on solution value than capacity or relationship</td>
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</tr>
<tr>
<td>CON</td>
<td>• Management focus required</td>
<td>• New management model</td>
<td>• Potentially lower savings through labor arbitrage</td>
<td>• Transition risk</td>
<td>• Increased sophistication to design and manage</td>
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<tr>
<td></td>
<td>• Capital investment</td>
<td>• Perceived loss of control</td>
<td>• Potential for conflicting goals</td>
<td></td>
<td>• Suppliers and captives must think differently</td>
<td></td>
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<td></td>
<td>• Time to market longer</td>
<td>• Requires management retain accountability</td>
<td>• Not all providers will agree to JVs</td>
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<td>• May limit flexibility, i.e. uses standardised processes and functionality</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Need to determine boundaries between retained / outsourced systems</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Perceived loss of control over technology</td>
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</tbody>
</table>

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# Smarter Social Services Maturity Level

## Improved Access to Information
- **Maturity Level 1:** Client contact with Social Services agency face-to-face in most cases. Web presence is limited, providing information but little self-service capability and poor navigation across programs.
- **Maturity Level 2:** There is an established web and phone presence but it is in its early stages (e.g. low take up, limited functionality). Some front office reorganization but short of potential.
- **Maturity Level 3:** Effective multiple channel strategy with high take up of online access, which includes tools to encourage client self-service. Contact centres implemented and offices rationalised.
- **Maturity Level 4:**
- **Maturity Level 5:**

## Single View of the Client
- **Maturity Level 1:** Still a high residual volume of paper records. Legacy information systems makes it very difficult to share information across programs.
- **Maturity Level 2:** Records digitized but often scanned as images and often duplicated across different programs. Poor level of trust in data quality among clients and case workers.
- **Maturity Level 3:** Information integrated across programs and organizations to provide a 360 client view. High level of confidence in data among clients and case workers.
- **Maturity Level 4:**
- **Maturity Level 5:**

## Enterprise Case Management
- **Maturity Level 1:** Case management exists but is very manual and labor intensive and dependent on case manager knowledge. Agency focus is on benefit processing rather than client outcomes.
- **Maturity Level 2:** Case management system introduced but not fully effective because of multiple or poor systems. Little integration of case data across programs and organizations.
- **Maturity Level 3:** Enterprise case management across programs and organizations focused on delivering client outcomes. Enhanced reporting and tools to aid decision making.
- **Maturity Level 4:**
- **Maturity Level 5:**

## Integrated Approach to Fight Fraud, Abuse and Error
- **Maturity Level 1:** Very little activity to identify and tackle improper payments. Level of improper payments probably high because of duplicated and unreliable client data.
- **Maturity Level 2:** Can estimate extent of improper payments and have some resources targeted at reducing the level (e.g. fraud reporting lines).
- **Maturity Level 3:** Use sophisticated analytical tools to target resources to investigate priority areas and reduce improper payments. Focus on deterrence as well as recovery.
- **Maturity Level 4:**
- **Maturity Level 5:**

## Integrated Approach to Improved Outcomes
- **Maturity Level 1:** Agency focused on inputs and outputs, e.g. delivering payments, rather than outcomes. Unreliable and/or unsophisticated performance management.
- **Maturity Level 2:** A degree of outcome focus, through improved performance measurement but difficulty in identifying actions needed to improve social outcomes.
- **Maturity Level 3:** Sophisticated analytics used to target resources to areas with maximum impact on outcomes. Focus on prevention and understanding drivers of clients behavior.
- **Maturity Level 4:**
- **Maturity Level 5:**

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Moving to a Shared Services operating model must balance enterprise vs segment/regional needs

**COMPLEXITY**

- Ensuring greater control and risk reduction
- Striking the right balance Between Enterprise and Local needs
- Changing behavior requires a formalized approach
- Managing the array of technology, locations, and models

**IMPLICATIONS**

- Establish Enterprise governance model to align direction
- Drive E2E moving towards target operating model
- Build common standards and definitions by process
- Identify commonalities across segments
- Functional segments to move in parallel but in a common direction
- Drive immediate benefits at the segment level
- Facilitate increased Enterprise leverage & standardisation over time
- Define core principles vs one common Enterprise solution
- Leadership and sponsorship across the enterprise is critical
- Frequent ongoing communication of journey and end state
- Activate joint participation in change process
- Measure changes in behavior
- Prioritize and rationalize delivery footprint
- Leverage enabling technologies while leveraging ERP
- Develop the integrated ‘Delivery Center’ model on path to Integrated SSC
- Develop talent to support creation of target operating model

Ensuring greater control and risk reduction
Striking the right balance Between Enterprise and Local needs
Changing behavior requires a formalized approach
Managing the array of technology, locations, and models

Changing behavior requires a formalized approach

Ensuring greater control and risk reduction
Striking the right balance Between Enterprise and Local needs
Changing behavior requires a formalized approach
Managing the array of technology, locations, and models
Clearly set expectations and establish a set of guiding principles for the Shared Services capability

<table>
<thead>
<tr>
<th><strong>Some questions that will help resolve and define those expectations</strong></th>
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<tbody>
<tr>
<td><strong>Governance</strong></td>
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<tr>
<td>- What is the best operating model for your business services?</td>
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<tr>
<td>- Will your governance model delegate or mandate operating standards?</td>
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<tr>
<td><strong>Location</strong></td>
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<tr>
<td>- How common are business requirements between independent units and enterprise?</td>
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<tr>
<td>- What is the impact on the culture of the organization to modify the operating model?</td>
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<tr>
<td><strong>Results</strong></td>
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<tr>
<td>- What is the required return on investment and Internal rate of return?</td>
</tr>
<tr>
<td>- What business outcomes should be considered in the business case?</td>
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<tr>
<td><strong>Scope</strong></td>
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<tr>
<td>- What processes, business units and locations should be in scope?</td>
</tr>
<tr>
<td>- How far will you extend end to end process designs?</td>
</tr>
<tr>
<td><strong>Sequence</strong></td>
</tr>
<tr>
<td>- Are new IT capabilities (e.g., ERP, BPM) needed prior to moving the process to a delivery centre?</td>
</tr>
<tr>
<td>- Are alternative enabling technologies available to accelerate change?</td>
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<tr>
<td><strong>Sourcing</strong></td>
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<tr>
<td>- Can I do this myself?</td>
</tr>
<tr>
<td>- Do third parties have capabilities to reduce risk, accelerate speed to benefit and ROI?</td>
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<tr>
<td><strong>Requirements</strong></td>
</tr>
<tr>
<td>- What capability is required to achieve success?</td>
</tr>
<tr>
<td>- What offices or processes should be moved first?</td>
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