

Modernising the Public Sector through Business Shared Service Centres

By Colin Grace, Praktis

The public sector embarked on another important step towards establishing business shared service centres this month when the NHS/Xansa Joint Venture (JV) was formerly announced. According to the press release this is a ground-breaking initiative with the 50:50 JV promising to deliver 'best in class' services, and offering the NHS organisations the benefits of guaranteed cost savings. The Finance Director of the Department of Health, Richard Douglas, has promised to deliver over £200m of cost savings in finance and accounting back into patient services.

The move to shared services is a strategy already well established in the private sector, and organisations like BT and Excel have benefited from centralising and then outsourcing their back office functions, from Finance through to HR. The Business Process Outsourcing (BPO) is the fastest growing sector within the IT sector, as IT is finally beginning to enable key business processes that ultimately deliver real business benefits. The journey to shared services within the public sector is obviously going to take time, and there are many political, cultural, and commercial hurdles to overcome. The author has a unique position and perspective, based upon being involved in all the above-mentioned organisations over the past ten years.

Commercial Sector Success

In 1995, the NFC embarked upon a radical business transformation programme. A key part of the cost cutting and modernisation of a previously nationalised company was to centralise Finance and Accounting, replacing sixteen regional accounting centres with one new shared service centre managed by Accenture. Today, NFC is

now part of a successful Excel Logistics PLC, and Accenture shared service is recognised as a 'best in class solution' and Oracle reference site.

In the following years large commercial organisations like BT, Canon, GE Capital and many others, established business shared service centres enabled by Oracle e-Business centre. These organisations, like Excel, initially implemented an accounting shared service solutions but, as Oracle e-Business suite expanded and became a fully integrated application solution with web based self service options, the shared services implemented Oracle HR, Payroll and Procurement. The implementation of Oracle R11i e-Business Suite version has seen the deployment of iexpenses and iprocurement, which allow operational, based employees (away from the shared service centres) to request and approve various types of expenditure. The shared service centres are then able to handle supplier and employee payments in a more efficient manner.

Public Sector Progress

The Government's modernisation agenda has led to significant IT investment, which is allowing the development of shared service centres. Over ninety percent of central government departments have now implemented Oracle financials, but only a few have extended their e-Business Suite footprint into areas like HR and Payroll. In the NHS arena there are two shared service programmes enabled by Oracle e-Business Suite currently being rolled out across the three hundred hospital Trusts. The ESR project is implementing Oracle HR and Payroll, and the NHS/Xansa JV is implementing Oracle Financials and Procurement.

The ESR project, which is based in Warwick, has recently completed a number of pilot implementations, and is scheduled to go live in the large Birmingham Trusts in mid 2005. One key observation from the pilot implementations was the realisation that having two separate shared service projects has created significant interface issues between the payroll (ESR) and financials (NHS/Xansa JV). The interface and subsequent reconciliations processes need to be carefully controlled to ensure payroll costs are managed and reported correctly. This problem could be eliminated if, as in the commercial sector, the two shared service centres were combined into one. Ironically, Xansa operates a single shared service operation for BT.

The take-up of shared services within Local Government has been less evident, and one notable initiative, started back in 2001, was the BT and Liverpool City Council JV. The early vision of the JV, now called Liverpool Direct, was to implement a shared service centre enabled by Oracle e-Business Suite and then offer the service to other councils. Liverpool Direct implemented Oracle HR and Payroll in 2003, but in April this year announced they were implementing SAP financials. The Government may be waiting to see how shared services evolve in the NHS before encouraging Councils to join a national programme.

Realising the Benefits

The benefits from implementing ERP solution like Oracle are often difficult to measure. However, there is clear evidence that implementing shared service centres enabled by Oracle e-Business Suite will lead to tangible business benefits and more optimised business processes. The NHS is rolling out solutions, which will

deliver benefits if the cultural and political barriers are overcome. The IT solution has been proven to work in the commercial sector. The NHS will have to convince relatively autonomous hospital Trusts and, in particular, Foundation Hospitals, that a 'shared service' is a viable option over other alternatives like 'managed solutions' which have been implemented already in Hampshire and the North East. In Wales, the NHS Trusts are already using Oracle e-Business Suite within a Consortium arrangement, and are planning to deliver more benefits from further process improvements at Trust level.

The Treasury, via the Office of Government Commerce (OGC), is promoting the concept of a 'Central Government Shared Service', which, given that most Departments have already implemented Oracle Financials, is looking more possible, although significant organisational and cultural barriers would need to be managed

as part of a change programme. Could all government suppliers be paid from one shared service centre?

Conclusion

If the public sector projects are successfully managed to completion, then cost savings should be realised six to twelve months later. Given the significant sums of money spent on payroll, goods and services, then public sector organisations could realise more than just 'back office' head count savings. The implementation of new business processes supported by shared service centres will unlock savings of around twenty percent in NHS Trusts, Central Government Departments, and Local Authority Councils. In particular, the Oracle e-Business Suite in 'system' controls over HR records, expenses, payroll changes and procurement, will establish 'best practice' (already operating in the commercial sector) and will ultimately lead to improvements in budget management.

About the Author.

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