



# **SHARED SERVICES DELIVERING SUCCESS Another 'magic formula'?**

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# AGENDA

- What Are Shared Services?
- Case Studies
- Lessons
- Choosing the Right Model
- Rules of Thumb for Success

# SHARED SERVICES?

- Benchmarking
- Collaboration/Consortia
- Joint Service Delivery
- Outsourcing to a Common Provider

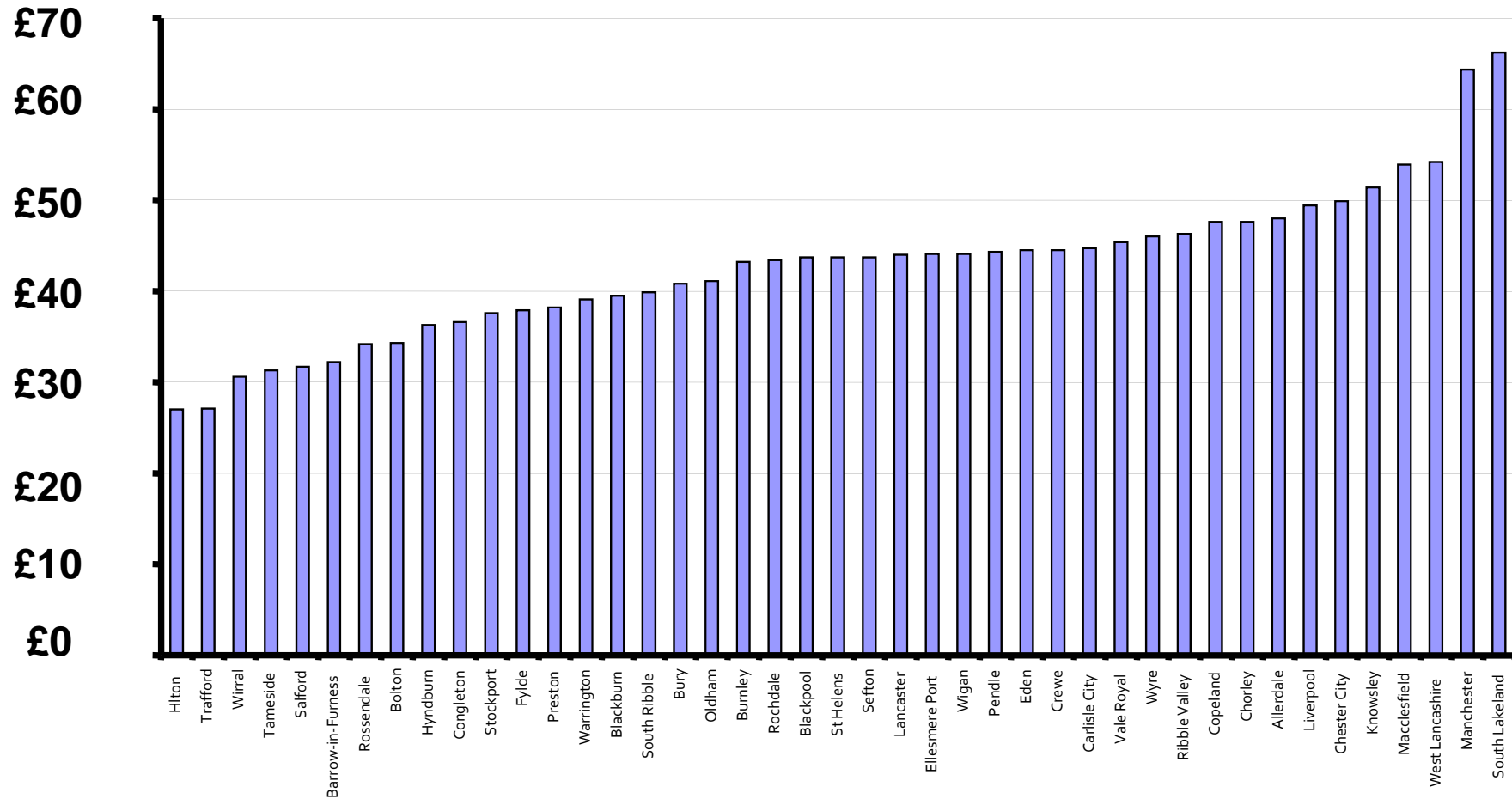
NOT A MAGIC FORMULA

# CASE STUDIES

- Waste Collection – North West Authorities
- Legal Services – London Boroughs' Legal Alliance
- Consortium – North Western Universities' Purchasing Consortium
- Joint Procurement – Research Councils

# WASTE COLLECTION

## Cost of waste collection per household in NW 2005-6



# WASTE COLLECTION

## Shared Service

Reduced costs through

- Efficient use of depots
- Efficient use of vehicles
- Greater purchasing power for equipment
- Reduced management costs
- Management by best managers?
- Single method of collection and sorting

Overall Savings 10%+

# LONDON BOROUGH'S' LEGAL ALLIANCE

- Harrow
- Hounslow
- Hammersmith and Fulham
- Kensington and Chelsea
- Camden

# BUSINESS CASE

- Generic Advice Provided Once on Behalf of All
- Generic Externally Provided Advice Once on Behalf of All
- Reduced Usage of External Lawyers
- Reduced Cost of External Lawyers through Joint Procurement

Potential Savings: Loose Collaboration: £2m pa (10%)

Potential Savings: Joint Service: £6m pa (25%)



# ISSUES

- Protectionism from Certain Councils
- Questionable Commitment
- Trust
- Cost of Current Operations
- Costs and Volumes of Types of Workloads
- Sharing Data

# SOLUTION

- Detailed Analysis: Avoidance of Double Counting
- Very Conservative Estimate of Potential Savings
- Adopt a Sub-Optimal Model, but one with which People could live
- Get Written Commitment from CXs to the Alliance
- Funding as a Catalyst, even though it wasn't needed
- Result: Membership up from 5-10 in 10 months

# NORTH WESTERN UNIVERSITIES PURCHASING CONSORTIUM

## ISSUES

- Little Commitment to Purchasing Agreements
- High Fees: Collaboration was Expensive
- Finance Directors on Board interested in Minimising Fees, not Purchasing Savings
- Little Benefit to Major Institutions
- Institutions Failed to Deliver on Promises of Support
- 5 Largest Institutions on Brink of Leaving

# SOLUTION

- Create Procurement Board of Key Procurement People
- Appoint Most Influential HOP to Honorary Position
- Service Level Statement
- Code of Conduct
- Pre-Commitment
- Persuade Suppliers to Provide Rebates
- New (but cheap) Offices
- Create Limited Company
- New Logo
- Different Institutions to Lead on Different Procurements
- Procurement Spend Analysis - Data

# OUTCOME

- Spend from £5m - £50m in 2 years
- Membership from 13-22 in 2 years
- Suppliers Delighted
- Strong Membership Support
- Savings 10% Overall

# BUT IT WAS NOT ALL PLAIN SAILING

## INITIALLY

- Much Opposition to Rebates
- Finance Directors Appointed Me Because Consortium Failing –but objected to change!
- Heads of Procurement Fearful of a Successful Consortium
- Fear of Pre-Commitment
- Arguments against Limited Company
- Communications Strategy Needed
- Personal Abuse!
- Huge Amount of Work for Director and Team

IT'S A MISSION!

# RESEARCH COUNCILS

## Where We Were in 2000

- Loose procurement collaboration between 5 councils and some research institutions

## Where We Got to in 2003

- Savings of £17m in Year 1
- Running Cost Savings of 15%
- Workload Increase of 15%
- Performance Measurement
- Costs Known
- Service Defined
- Full Transparency and Accountability
- Respect from Industry – Lower Costs
- Model for Central Government Procurement?

# HOW AND WHY?

- Collaboration Expensive
- Little Commitment
- Little Benefit
- Review of Way Forward – Very Detailed Analysis
- Model Options
- Recommendation – Joint Organisation



# ISSUES

- Cost of Current Operations – Base-lining
- Work Volume of Current Operations
- Staff Concerned About Efficiencies
- Some Staff Not up the Job
- Directors of Procurement Unhappy
- Different Cultures
- Different Pay and Conditions
- Different Procedures, Processes, Finance Systems

# SOLUTION

## VERY QUICK IMPLEMENTATION!

- Appoint Director
- Change Line Management – 2 months
- 1 Year to Create Coherent Operation
- No Start-Up Funding
- Staff Could Stay with Existing Councils (but not in the same work)
- Service Level Agreements – responsibilities on both sides
- Specialist Category Management
- Everyone responsible for Customer Relations
- Communications Strategy

# LESSONS

## COLLABORATION

### BENEFITS through

- Aggregation
- Commonality of Specifications
- Commonality of Procedures
- Doing Things Once

### BUT

- Often Difficult to Agree
- Time Consuming - the Effort can be Expensive
- Day Job Takes Precedence
- Limited Benefits

# JOINT SERVICE DELIVERY ORGANISATION

- Identifies and Highlights Costs of Current Activities
- Often the Catalyst to Introduce Major Change
- Defined Service Levels
- Service Level Agreements
- Performance Measurement
- Accountability

Can Be Done Quickly

However, there may be some management and change costs.

# CHOOSING THE RIGHT MODEL:

## Decide Objectives

- Access to Expertise/Higher Standards for All?
- Eliminate Duplication of Advice
- Eliminate Duplication
- Opportunities to Generate Income
- Reduced Costs/Economies of Scale
  - Staffing
  - Buildings/Construction
  - Energy
  - Running Costs
  - Equipment
  - Processing Costs
  - IT
  - Licenses
  - Procurement

# CHOOSING THE RIGHT MODEL

OBJECTIVES	NO CHANGE	B/MARKING	COLLABORATION	JOINT ORG	OUTSOURCING
LOWER COSTS					
BETTER SERVICES					
ACCESS TO EXPERTISE					
INNOVATION					
INCOME					
JOB CREATION					

# ISSUES AND RISKS

	<b>NO CHANGE</b>	<b>B/MARKING</b>	<b>COLLAB- ORATION</b>	<b>JOINT ORG</b>	<b>OUTSOURCING</b>
<b>COSTS AND TIME</b>					
<b>PEOPLE</b>					
<b>ORGANISA- TIONS</b>					
<b>COMPROMISE</b>					
<b>SLOWER PROGRESS</b>					
<b>CIRCUM- STANCES CAN CHANGE</b>					

# RULES OF THUMB FOR SUCCESS

- Clear and Realistic Objectives
- Clear Business Plan
- Strong Project Team
- Business Case
- Select Right Model – Be Realistic
- Consider Constitution Set of ‘Club’ Rules
- Right Governance
- Clarity Over who is Responsible at a Higher Level
- Strong Support from the Top



# RULES OF THUMB FOR SUCCESS

- Good Quality Analysis
- Clear Understanding of Costs
- Performance Measurement
- Suitable Agreement/Contract
- Flexibility - Government Policies  
- Government Funding
- Compatible Standing Orders
- Don't Start Unless Determined to see it through
- Do Not Avoid Issues
- Use Proven Documents

# RULES OF THUMB FOR SUCCESS

- Choose the Right Partners
  - Only Collaborate With Those Fit To Collaborate
  - Only Collaborate With Those Who Wish To Collaborate
- Apply Due Diligence
- Realism
- NO START UP FUNDING!
- IMPLEMENT QUICKLY!
- CAUTION ABOUT SIGNIFICANT INVESTMENT IN IT!
  - Use 'quick' and cheap fixes initially.
  - Invest from realised savings.
  - Be very cautious about investing from anticipated savings



**THANKYOU**

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