7 Myths Challenging Shared Service Adoption

A Candid Survey of Federal Managers

March 2014
Purpose

All federal agencies are operating under the 2012 Federal IT Shared Services Strategy which requires organizations to first look for existing systems and services before considering new IT investments. Also known as “Shared-First,” the strategy has the following goals: improve return on investment, close productivity gaps, and increase communications with stakeholders. Though some federal agencies have made good progress in shared service adoption and at least nine federal shared service providers (FSSP) have sprung up across various lines of business, many misperceptions are limiting shared service adoption. Government Business Council (GBC) witnessed these widespread concerns in the federal community and sought to explore them through an in-depth research study.

Methodology

To assess the perceptions, attitudes, and experiences of federal executives regarding shared services, GBC deployed a survey to a random sample of Government Executive online and print subscribers in July, 2013. The pool of 468 respondents includes those of GS-11 through 15 grade levels in defense and civilian agencies.

To follow up on this research effort, GBC conducted in-depth interviews with federal subject matter experts. Those conversations are included in the shared services infographic.
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Respondent Profile
Survey respondents are senior federal executives

**Job Grade**
- Senior Executive Service: 2%
- GS/GM-15: 31%
- GS/GM-14: 29%
- GS/GM-13: 33%
- GS/GM-12: 2%
- GS/GM-11: 1%
- Other: 1%

**Reports/Oversees**
- Over 200: 3%
- 51-200: 6%
- 21-50: 13%
- 6-20: 27%
- 1-5: 19%
- None: 32%

95% of respondents are GS/GM-13 or above
68% of respondents oversee at least one report

Percentage of respondents, n=468
Most respondents work in operations, a category that includes program/project managers and logistics specialists.

“Other” includes categories such as grants administrators, program analysts, information management professionals, and auditors.

Percentage of respondents, n=468
Most Represented Agencies

Department of Treasury
Department of Homeland Security
Department of Defense (OSD, DISA, DIA, DLA, etc.)
Department of the Army
Department of Transportation
Department of Veterans Affairs
Department of the Interior
Department of the Navy
Department of Commerce
Department of Health and Human Services
Environmental Protection Agency
Department of Agriculture
General Services Administration

Department of the Air Force
Department of Energy
National Aeronautics and Space Administration
Social Security Administration
Department of Education
Department of Justice
Department of Housing and Urban Development
Department of State
United States Agency for International Development
Department of Labor
Office of Personnel Management
United States Marine Corps
United States Postal Service
United States Government Accountability Office
Executive Office of the President (including OMB)
National Dropout Prevention Center

Agencies listed in order of frequency
Executive Summary
Executive Summary

Federal executives want shared services to increase efficiency and improve focus on agency mission

The “Shared-First” strategy outlines many goals for federal shared services, but federal employees are most interested in reducing redundancy, cutting costs, and focusing on core competencies. Improving technical capabilities and increasing collaboration are secondary priorities.

Administrative functions like payroll, IT, and procurement are most shared

At least nine federal shared service providers (FSSP) offer services in six lines of business, but some functions are more likely to be shared than others. Nearly half of the federal shared service providers surveyed offer acquisition/procurement or information technology services.

Concerns over loss of control challenge further adoption

Most agencies are not considering becoming FSSPs and many others are concerned about simply using shared services. The belief that shared services is the same as outsourcing, as well as similar concerns over vendor lock-in, are the main obstacles complicating shared service adoption.
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Research Findings
i.
The Many Goals of Shared Services
Desired outcomes of shared services

▶ Eliminate inefficient spending that results from duplicative service offerings and systems;
▶ Enhance awareness and adoption of available shared services across the government;
▶ Promote agility and innovation within agencies by improving speed, flexibility and responsiveness to provisioning services through a “Shared-First” approach;
▶ Focus more agency resources on core mission requirements rather than administrative support services;
▶ Spur the adoption of best practices and best-in-class ideas and innovations;
▶ Reduce the support costs of redundant IT resources; and
▶ Improve cost efficiencies through shared commodity IT.
Improving efficiency and focusing on mission are most important outcomes to federal managers

Respondents were asked to indicate which shared service outcome was most important to them. Only one answer choice could be selected by each respondent.

- Reduction of redundancy: 25%
- Cut costs: 24%
- Allow us to focus on our core mission: 23%
- Advanced technical capabilities: 9%
- Agency collaboration: 9%
- Other: 9%

Percentage of respondents, n=531
One survey respondent told us...

“...The best part about sharing services is that it brings standardization to the government. We have too many different systems that are redundant, inconsistent, and do not enable agencies to effectively communicate or work with each other.”
ii.
The State of Federal Shared Services
Six lines of business (LOBs) exist for federal shared services

- Budget Formulation/Execution (BFE)
- Federal Health Architecture (FHA)
- Financial/Grants Management (FM/GM)
- Geospatial (GIS)
- Human Resources (HR)
- Information Security Systems (ISS)

Federal IT Shared Services Strategy, 2012
## Nine Interagency Providers Offer Shared Service

<table>
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<tr>
<th>Agency</th>
<th>Shared Service Provider(s)</th>
<th>Line of Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOI</td>
<td>Interior Business Center</td>
<td>FM/GM, HR</td>
</tr>
<tr>
<td>DOI</td>
<td>Federal Geospatial Data</td>
<td>GIS</td>
</tr>
<tr>
<td>Treas.</td>
<td>Administrative Resource Center</td>
<td>FM/GM, HR</td>
</tr>
<tr>
<td>DOD</td>
<td>Defense Finance &amp; Accounting Services</td>
<td>FM</td>
</tr>
<tr>
<td>DOD</td>
<td>Defense Civilian Personnel Advisory Services</td>
<td>HR</td>
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<td>USDA</td>
<td>National Finance Center</td>
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<tr>
<td>DOT</td>
<td>Enterprise Services Center</td>
<td>FM, ISS</td>
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<tr>
<td>GSA</td>
<td>Shared Services Center</td>
<td>FM/GM, HR</td>
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</tbody>
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As of FY 2013
Nearly half of respondents are shared service providers

Does your department/agency provide a shared service to another department/agency?

- Respondents were asked if they provide shared services to another department or agency.
- Less than half of those surveyed (44 percent) provide a shared service of some kind to other federal departments or agencies.

Percentage of respondents, n=519
Most providers take on full transaction processing

- Service level agreements and interagency agreements can take several forms:
  - Full transaction processing (e.g., sharing the entire infrastructure, organization, and personnel)
  - Software/hardware hosting (e.g., sharing software and the hardware needed to access it)
  - Software hosting (e.g., sharing software)

Percentage of respondents, n=193
“Don’t know” not shown
Though not aware, all federal executives use shared services of some kind

- Respondents were asked if they use services provided by another agency.

- Only 66 percent of respondents indicate that they use shared services, but all respondents use shared services of some kind. Since 2009, federal agencies have been required to move their payroll systems to shared service providers.

- Other administrative functions are likely to become shared service candidates.

Percentage of respondents, n=519
Opportunity exists to expand shared services, but not all are adopting

- Of those that are not currently providing shared services to other departments/agencies, just 13 percent are considering becoming FSSPs.

Future plans of non-providers

- Not considering becoming an FSSP: 87%
- Considering becoming an FSSP: 13%
iii. 7 Myths Challenging Shared Services
7 Myths Challenging Shared Services

In the process of research, GBC encountered many myths about shared services. GBC asked federal employees for their opinions on some of the most prevalent ones:

▶ Sharing services is the same as outsourcing
▶ Shared services leads to a loss of control
▶ Shared services do not provide return on investment
▶ Shared services leads to vendor lock-in
▶ Agency missions are too unique to share services
▶ Shared services leads to job loss
▶ Shared services are not secure

Of all the myths, those surveyed are most concerned about the relationship between shared services and outsourcing. Sixty percent of respondents feel that sharing services is the same as outsourcing. Job loss was the myth of least concern, with just 34 percent of respondents indicating that shared services leads to a loss of jobs.
Myth 1: Sharing services is the same as outsourcing

I am concerned that shared services have the same drawbacks as outsourcing

Percentage of respondents, n=424
"Don't know" not included

60% of respondents agree or strongly agree

8% Strongly disagree
32% Disagree
37% Agree
23% Strongly agree
Myth 2: Shared services will lead to a loss of control

I am concerned that a shared service provider could stop supporting my department/agency’s critical business function

60% of respondents agree or strongly agree

- 7% Strongly disagree
- 33% Disagree
- 39% Agree
- 21% Strongly agree

Percentage of respondents, n=422
“Don’t know” not included
Too many managers still value control regardless of the costs. The Government needs to find a way to reward the managers who move away from their control comfort zone.
Myth 3: Shared services will lead to vendor lock-in

I am concerned that shared services locks my department/agency into one provider

Percentage of respondents, n=423
“Don’t know” not included

57% of respondents agree or strongly agree

8% Strongly disagree  35% Disagree  40% Agree  17% Strongly agree
Myth 4: Shared services will not provide return on investment

I am concerned that shared services won’t provide return on investment

- 13% Strongly disagree
- 36% Disagree
- 34% Agree
- 17% Strongly agree

Percentage of respondents, n=405
“Don't know” not included
Myth 5: Agency missions are too unique to share services

My department/agency has unique mission requirements that cannot be provided by another department/agency

50% of respondents agree or strongly agree

- Strongly disagree: 13%
- Disagree: 37%
- Agree: 26%
- Strongly agree: 24%

Percentage of respondents, n=437
“Don’t know” not included
Myth 6: Shared services leads to job loss

I am concerned that shared services leads to a loss of jobs

- 19% Strongly disagree
- 47% Disagree
- 23% Agree
- 11% Strongly agree

34% of respondents agree or strongly agree

Percentage of respondents, n=419
“Don’t know” not included
Myth 7: Shared services are not secure

I am concerned about security when I consider sharing services with...

Another group in my own department/agency

- 20% Strongly disagree
- 59% Disagree
- 14% Agree
- 6% Strongly agree

Another department/agency

- 9% Strongly disagree
- 41% Disagree
- 32% Agree
- 17% Strongly agree

A commercial shared service provider

- 2% Strongly disagree
- 19% Disagree
- 34% Agree
- 45% Strongly agree

Percentage of respondents, n=443
“Don’t know” not included
4
Final Considerations
When considering shared service adoption...

**Conduct thorough assessments before deciding to move a function to a shared service**

Many federal shared service providers conduct in-depth assessments with potential customers, but you can do your own too. In comparing cost, be sure to include fees paid for real estate, utilities, and other factors in your final calculation.

**Be specific in interagency or service level agreements**

Interagency agreements should lay out the services that will be provided, the cost for those services, and any indicators of performance.

**Leverage shared services for administrative functions so you can focus on mission**

Shared services were never intended to replace true mission critical functions. Rather, shared services should be used for administrative functions, such as the six identified in the Federal IT Shared Services Strategy.

**Weigh the costs and benefits of outsourcing**

While outsourcing and shared services provide many of the same benefits, they are distinctly different approaches to achieving efficiency. In some cases, shared services deliver benefits that are not available in outsourcing arrangements. For example, shared services allow agencies to retain control over processes, security and confidentiality, quality, compliance requirements and outcomes.
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