

## The Shared Services Concept – Increase Your Association's Efficiency

Shared Services is a business strategy for improving service functions (e.g. finance, human resources, information technology, communications, purchasing and program support). The intent of Shared Services is to attain certain economies of scale in the delivery of services, resulting in more efficient use of resources, improved structure and greater satisfaction among members. Leveraging the expertise held by others can help not-for-profit associations focus on core competencies and increase efficiencies.

There is no need to spend time here extolling the benefits of increased efficiency to association executives because you know all too well that greater efficiencies means greater ability to service members and the cause.

Associations pursue Shared Services in an effort to:

- reduce overall costs;
- minimize duplication of services across their organizational units;
- improve effectiveness of internal services;
- determine ways to sustain service functions;
- increase voice;
- focus on core mandates and allow operating units to do what they do best; and
- make the best use of technology.

Shared Services can be practiced within an association, between associations, and with for-profit entities. Shared Services tend to fall within two broad groups: transactional and administrative services and professional and technical services. Following are examples of the types of services that are good candidates for Shared Services.

### Transactional & Administrative

- General accounting, payables, invoicing and payroll
- Employee recruitment, pension and benefit administration
- Data centre operations
- Network operations
- Help desks
- Administrative support

- Mail services
- Transportation and travel
- Product or service ordering

### **Professional & Technical**

- Analysis, modeling and business case support
- Labour relations, organizational development, training, health and safety, and evaluations
- Application development
- Software/hardware installation
- Technology strategy and training
- Purchasing and warehousing
- Real estate
- Logistics and distribution
- Contract/proposal preparation/advice
- Data mining
- Marketing, recruitment campaigns, creation and execution
- Program development and delivery
- Advocacy and communications (media, public and government)
- Conferences, seminars and workshops
- Member services (purchasing, insurance, etc.)

The Shared Services model has a few stringent rules:

- Each association, operating unit or business operates as a separate entity with its own budget and profit/loss accountability
- Services are offered where they are most cost-effective (not necessarily at headquarters)
- Services are offered on a cost recovery basis
- There is no duplication of services between cooperating associations or operating units

Merely taking part or following along diminishes the efficiency of the model. Active cooperation is necessary to ensure all points of view are taken into consideration. Cooperation requires mutual direction and definition of process, enabling the collective associations or operating units to develop together. Participation alone does not allow for this to occur.

### **Effective Shared Services Management**

Effective Shared Services management requires an organizational framework that will support the management process. The organizational design requires putting the people and organizations in place to support Shared Services. This will require a governance group to establish clear principles and policy to ensure consistent application in the management process. Extensive communications are required and an information and technology structure is required to support the selected organizational framework.

The management process applied will need to optimize the demand for services with the supply of services and the resource requirements required to provide services.

### **Steps Towards Implementing Shared Services**

There are three fundamental implementation phases. The time required to complete may vary from 6 to 18 months, depending on the degree of complexity.

The first phase is *analysis*, where the variables and their costs are identified. This phase involves four steps:

1. Identify and determine the scope of services to be shared.
2. Understand all aspects of existing services, such as requirements and real costs.
3. Benchmark costs against similar arrangements to determine potential targets for service costs.
4. Based on the preceding, make recommendations on scope and services targets.

The second phase is *design*. The steps are:

1. Develop the policies and principles that will apply to the provision of the service.
2. Set service pricing and billing arrangements.
3. Set service standards for delivery based on expectations and resources.
4. Determine governance and operational structures required to support the services.
5. Determine location for service delivery.
6. Develop an implementation plan to cover financial and human aspects.

The final phase is *start-up*, which focuses on the steps to successfully implement Shared services. The steps are:

1. Establish catalysts/champions that will promote and support the concept.
2. Understand capabilities and competencies of the association in terms of Shared Services.
3. Adjust performance measurement and reporting systems to provide accountability and encourage successful implementation.
4. Adjust the communications plan to inform, receive input and promote the concept.

### **Barriers of Adopting Shared Services**

Shared Services is not an easy strategy to successfully implement. After the decision is made to proceed, getting everyone on board can be time-consuming and difficult. Common barriers are:

- *Ownership and commitment* may not be as strong among all managers resulting in different levels of effort.
- *Poor communications* may exist about why Shared Services is being pursued and how it will effect the organization.

- *Strong leadership may be missing.* The implementation team needs to be catalysts and champions who can promote and sell the idea and build the necessary relationships.
- *Lack of an implementation strategy* may not be in place to provide for the right knowledge and skills, or timing and phasing of priority services.

In order to overcome these barriers, a number of lessons have been learned during Shared Services implementation.

Do:	Don't:
<ul style="list-style-type: none"> <li>• Think big, start small, scale fast</li> <li>• Invest in benchmarking and have a thorough, clear business case</li> <li>• Have a clear understanding of service delivery costs</li> <li>• Transform. Don't just consolidate</li> <li>• Engage staff from the outset. Have thorough knowledge transfer</li> <li>• Keep Service Level Agreements simple and make sure partners agree</li> </ul>	<ul style="list-style-type: none"> <li>• View Shared Services as simply a cost-cutting or revenue generation opportunity</li> <li>• Underestimate organizational resistance</li> <li>• Forget to adjust job descriptions, compensation and recognition systems</li> <li>• Allow "shadow" (duplicate) services to develop</li> </ul>

### Examples of Successful Shared Services

- A consortium project of Human Resource Information Systems among 15 Ontario community colleges resulted in one service bureau, supplemented with call centre technology, providing common services. It resulted in an estimated 37 percent operational savings.
- Associations contracting association management firms to provide Executive Director and administrative support.
- Accountants, payroll and technology companies are contracted to provide support.
- A group of associations in a sector come together and contract conference planners to provide a joint conference.
- A group of health care facilities located in the same area create a company to provide food and laundry services.
- The Alberta Urban Municipalities Union uses Shared Services to assist their members' services and reduce their operating costs.  
[\[http://www.munilink.net/policy/Reports/SharedServicesFinalReport.pdf\]](http://www.munilink.net/policy/Reports/SharedServicesFinalReport.pdf)

Following are other possible Shared Services activities:

- An association with seven provincial groups may decide to reduce duplication by allowing one provincial group to run marketing for all other groups, another to do website, another HR, etc. By allocating resources to groups that have a stronger competency in certain areas, efficiencies and the level of services for the groups and association will improve.
- Over ten health specialty associations come together to benefit from travel, conference and publication support services

The concept of Shared Services is starting to appear on the Association Management Education Program radar screen in "Discussion and Best Practice Areas" and course assignments. A not-for-profit association is never too large or too small to consider the Shared Services concept. Find out more about the concept and understand how this could become a key strategy to increase your association's efficiency.

*This column features innovation and practical solutions applied to challenges, trends, issue and opportunities for the association community. Column editor Jim Pealow, MBA, CMA, CAE is a consultant and the Association Management Education Program Lead Instructor/Coach for CSAE. He can be reached at [jim@amces.com](mailto:jim@amces.com).*