



# Shared Services Acquisition Study – Final Deliverable

*Acquisition Management Shared Interest Group (SIG)*

December 2014

## **American Council for Technology-Industry Advisory Council (ACT-IAC)**

The American Council for Technology (ACT) is a non-profit educational organization established in 1979 to improve government through the efficient and innovative application of information technology. In 1989 ACT established the Industry Advisory Council (IAC) to bring industry and government executives together to collaborate on IT issues of interest to the Government.

ACT-IAC is a unique, public-private partnership dedicated to helping Government use technology to serve the public. The purposes of the organization are to communicate, educate, inform, and collaborate. ACT-IAC also works to promote the profession of public IT management. ACT-IAC offers a wide range of programs to accomplish these purposes.

ACT-IAC welcomes the participation of all public and private organizations committed to improving the delivery of public services through the effective and efficient use of IT. For membership and other information, visit the ACT-IAC website at [www.actiac.org](http://www.actiac.org).

## **Acquisition Management Shared Interest Group**

The mission of the AM SIG is to deliver value to and impact our community through active participation, thought leadership, and innovation. AM SIG leadership works with our Government Advisory Panel (GAP) to select objectives and projects for the year that the SIG can support to further government/industry collaboration in acquisition areas. Our current objectives are to improve the relationship between government and industry, address acquisition workforce challenges & innovations, accelerate the adoption of shared services and strategic sourcing, and to expand the industry supply base. This project to improving industry day events was initiated in 2013 at the request of DHS.

## **Disclaimer**

This document has been prepared to provide information regarding a specific issue. This document does not – nor is it intended to – take a position on any specific course of action or proposal. This document does not – nor is it intended to – endorse or recommend any specific technology, product or vendor. The views expressed in this document do not necessarily represent the official views of the individuals and organizations that participated in its development. Every effort has been made to present accurate and reliable information in this report. However, ACT-IAC assumes no responsibility for consequences resulting from the use of the information herein.

## **Copyright**

©American Council for Technology, 2015. This document may not be quoted, reproduced and/or distributed unless credit is given to the American Council for Technology-Industry Advisory Council.

## **Further Information**

For further information, contact the American Council for Technology-Industry Advisory Council at (703) 208-4800 or [www.actiac.org](http://www.actiac.org).

# Background

## Why we conducted this study?

- Accelerating the implementation and deployment of shared services is a major administration objective / mandate (e.g., OMB M-13-08) to achieve:
  - Reduced risk of new system implementations
  - Faster and less expensive technological innovation
  - Long-term cost savings
  - Resource focus on mission-based programs
- Shared services are a tool for program managers to deliver value more quickly and effectively
  - Aligns with ACT-IAC priority area goal concerning planning, management, and delivery of value
  - Includes but is not limited to Financial Management as a potential line of business (LOB)
- While there are some examples of “hard-fought and won” success (e.g., payroll), agencies still struggle with shared services adoption, acquisition, and implementation:
  - Perceived lack of control over processes and service levels
  - Uncertainty over business cases
  - Lack of knowledge of existing shared services offerings
  - Acquisition process challenges
- We were asked by members of the ACT-IAC Executive Committee to examine the issue for insights that would support the federal community to accelerate shared services adoption and the realization of its benefits.

# Definitions and Context

---

## What do we mean by “Shared Services?”

---

- For this study, we defined “shared services” in a manner consistent with the Federal Information Technology Shared Services Strategy, as:
  - A function that is provided by one organization for consumption by multiple organizations within or between federal agencies***
- We examined the acquisition and implementation of shared services from the perspective of three major stakeholder groups or constituencies:
  - “Shared Service Providers:” Agencies who seek to be shared services providers and offer services to other agencies
  - “Consumer Agencies:” Agencies who seek to purchase and consume services from other agencies who act as shared services providers
  - “Industry Partners:” Commercial companies who act as consultants or vendors to either shared services providers or consumers in a variety of ways
- For more info:
  - [Federal Information Technology Shared Services Strategy](#), Executive Office of the President, Office of Management and Budget, May 2, 2012
  - [Study on Shared Services Challenges](#), Federal CIO Council Strategy and Planning Committee, Shared Services Subcommittee, Oct. 17, 2012
  - [OMB Memo M-13-08](#), March 25, 2013

# Initiative Goals and Approach

## Goals

- Identify the “first order” challenges associated with acquiring & arranging shared services agreements
- Catalogue these challenges on a collaborative site to reduce friction, enable future practitioner input
- Use challenges to assemble “Best Practices for Shared Services”
- Package our findings in a manner that enables agencies to take better advantage of the business case for shared services

## Scope

- Acquisition-focused: procuring, provisioning, and funding shared service agreements
- Agency provider and consumer perspectives

## Approach

- Targeted interviews with selected agencies: conducted over a dozen interviews
- Compile best practices and contribute to a shared platform
  - Extend the community’s capability through shared learning
- Present findings at Shared Services Forum, ELC, and elsewhere as appropriate

Shared Services Acquisition Study

# KEY FINDINGS

# Interviewees focused on 6 areas for improvement

## **Recommendations related to Consumer Agencies**

- Standardize Agency Acquisition Processes
- Improve Shared Services Marketplace Transparency
- Establish Communities For Sharing Experiences and Requirements

## **Recommendations related to Industry Partners**

- Define Opportunities for Industry Partnerships

## **Recommendations related to Shared Service Providers**

- Standardize and Prioritize Common Services
- Expand the Use of Franchise Funds

# Standardize Agency Acquisition Processes

## What we heard...

- Agencies perceive a need to develop their own acquisition processes and regulations.
- Examples include interagency agreements (IAAs), inter-agency payment processes, provider selection processes, and vetting criteria for commodity-type services.
- Agencies are not always comfortable executing these processes because they don't do them often, which results in very exception-driven processes.

## Why is this important?

- Lack of standardization results in apples-to-oranges comparisons when vetting options or costing out the price of services.
- Standardizing shared service acquisition processes would enable agencies to execute them more effectively and efficiently promoting a higher rate of shared service adoption.
- Acquisition process standardization would facilitate more standard costing and pricing.

## Recommended Action

- Best practices should be identified and systematically institutionalized, encouraging agencies to standardize out of a desire to 'optimize performance' rather than to 'conform' or 'comply'
- A coordinating agency should be identified to play a facilitating or match-making role in this process.
- Agencies should consider using templates for unfamiliar activities (Treasury's IAA templates).

# Improve Shared Services Marketplace Transparency

## What we heard...

- Currently, the only source of information concerning available shared services is Uncle Sam's List, which has historically only been available to government employees on OMB MAX.
- Providers report that they have to be very careful about "marketing" their services, and consequently they do not promote their services as aggressively as they should or would like to.

## Why is this important?

- It is difficult to build a thriving marketplace for shared services if providers and consumers have a difficult time finding each other.
- Industry can play a significant role but has little insight into the shared service ecosystem.
- OMB's FMLOB Marketplace Governance document provides some insight into how they may improve the market and make it more transparent.

## Recommended Action

- More accessible channels for communicating available services are needed (e.g. Uncle Sam's List).
- Create a collaboration space for shared service best practices and solutions.
- Providers should be enabled to utilize commercial practices with respect to marketing and outreach.
- Better define industry's role and encourage government and industry collaboration.

# Establish Communities For Sharing Experiences and Requirements

## What we heard...

- Agencies are all approaching shared services differently, establishing different requirements and expectations, etc.
- Providers note that consumers consistently raise the issues of interoperability and data quality.

## Why is this important?

- In cases where user groups / provider groups are sharing experiences and observations, both groups are able to more rapidly identify best practices and prioritize needs.
- Shared service providers are having a difficult time providing standardized services because consumers don't have standardized processes, requirements, or expectations
- Some providers are already having success leveraging user communities or provider community forums to identify and accelerate the adoption of best practices.

## Recommended Action

- All LOBs should adopt user and provider community forums patterned after the HRLOB.
- Industry should play a role in these communities to bring visibility to commercial best practices.
- Each LOB governing body (e.g. OFIT) should play a coordinating role for facilitating communication, awareness, and best practice sharing.

# Define Opportunities for Industry Partnerships

## What we heard...

- Shared services are largely defined and operated as a government-to-government concept, which constrains agencies' ability to invest in infrastructure and/or pieces of the model that can be better filled by industry partners.
- Industry is more effective than providers at marketing shared services to prospective customers.
- Industry's role in emerging shared service guidance is not well-defined, though they end up playing a "behind the scenes" role anyway.

## Why is this important?

- With a better defined role and greater avenues for involvement, industry could potentially be positioned to invest in infrastructure or areas that require longer payback periods.
- Industry could support agencies in marketing their services more effectively.

## Recommended Action

- Explore greater use of public-private partnerships to accelerate investment and service build-out, with a goal of identifying operating and governance models that are repeatable and successful.
- Leverage industry partnerships to accelerate marketing and adoption as a best practice.

# Standardize and Prioritize Common Services

## What we heard...

- Providers should focus first on common services such as administrative and/or back-office services where basic requirements do not vary from agency to agency and where meeting these requirements can satisfy the vast majority of consumers.

## Why is this important?

- The benefits of shared services are maximized when they are broadly consumable.
- Common services requiring less customization and configuration are more easily consumed; evidence suggests more agencies consume them.
- Standardized services lower overall cost and can provide more revenue for providers to re-invest in their services.

## Recommended Action

- Providers should focus on lighter-weight, common services before more complex, value-added services. This can make it easier to standardize the acquisition process as well.
- Providers should offer standard terms and conditions or service level agreements (SLAs) and templates to decrease administrative costs and increase overall value.

# Enable Shared Services Providers to adequately capitalize and invest

## What we heard...

- The current environment does not empower providers to effectively invest in their service offerings which is necessary to drive their value proposition to consumers.
- Working Capital Funds do not provide the flexibility providers desire and stifle the ability to modernize and innovate.
- Providers desire the ability to invest in their service offering over time.
- Franchise funds enable revenues to be reported as retained earnings, for instance, which can be used to invest in the service.

## Why is this important?

- For Providers to be competitive and responsive to agency needs, they need capabilities to modernize and invest in their offering similar to those of commercial entities.
- The ability to invest in infrastructure, people, training, and service improvement will result in better offerings, more consumption, and increased cost efficiencies.

## Recommended Action

- Standardize interpretation of operating reserves for franchise funds to allow for reasonable investment in the business while maintaining transparency to stakeholders and overseers – (Dept. of Treasury's interpretation can be used as a model or starting point)
- Identify which shared services should most appropriately operate under a franchise fund and which should operate under a working capital fund, and move to the most appropriate model

Shared Services Acquisition Study

# THE WAY FORWARD...

# Ultimately, Two Major Themes Emerge

## **Standardization**

- To provide reliable service and save money, government agencies need to standardize practices along a number of dimensions:
  - Common services / eliminate special requirements
  - Standardize vetting and IAA practices
  - Make the market transparent and share information freely

## **Enabling Government Shared Services to Operate More Like Commercial Business**

- Establishing mechanisms that enable SSP's to invest (e.g., retained earnings through Franchise Funds)
- Provide government shared services with the tools available to commercial businesses in order to market and establish a commercial-like marketplace
- Clearly identifying the role of industry vis-à-vis government

# Next Steps

- Validate findings with market segments who were not as well-represented among interviewees (e.g. DoD, shared service consumers, etc.)
- Identify specific priority issues for additional examination (e.g. IAA process).
- Provide comments to OMB on its draft governance document.
- Use ACT-IAC collaboration space to coordinate comments from our working group and some of our interviewees.

Shared Services Acquisition Study

# APPENDICES

# Interviewee List

- Bo Shevchick and Paul Lionikas, Federal Reserve
- Dave Vargas and Saurabh Surendra, OPM
- Adam Goldberg and Beth Angerman, Treasury FIT
- Cindy Springer, Treasury
- Lee Halverson, DOC NTIS
- Keith O'Neill, DOI IBC
- Dave Flynn, HHS PSC
- Joe Ward and Melissa McAbee, DOI IBC
- Dominic Sale, GSA
- Chuck Santangelo, DHS
- Nagla El-Bassioni and Scott Walter, MITRE

# Study Team Participants

- Jonathan Addleston, UpStart Systems
- Tony Carlisi, Army
- David Dastvar, Infosys
- Alex Henry and Hilton Robinson, Deloitte
- Steve Krauss, Censeo Consulting Group
- Frank McNally, ASI Government
- Tim McGrail, VA
- Dave Orso, VA
- Rebecca Weaver, CGI



# Interview Guide

## Provider & Consumer Questions

# Interview Questions for Service Providers

## Marketing:

- How do you market your shared service environment to prospective agency customers? Have you registered your service on Uncle Sam's list?
- Do you have higher than expected demand, such that backlogs exist for consumers wishing to share your service environment?
- Do you make the pricing transparent / make prospective consumers aware of your pricing structure?

## Acquisition Strategy / Method:

- How would you recommend that a prospective consumer prepare for executing/accepting shared service agreements?
- What are the inhibitors/enablers of the acquisition process?
- Are there tips and techniques that can streamline the time to agreement?
- What resources do you provide your acquisition professionals to enable their ability to arrange shared service agreements?

# Interview Questions for Service Providers

## **Funding:**

- What is the transaction or contract type that you offer to consumers?
- Is this a discussion / negotiation, or do you dictate the instrument to prospective customers?
- How much input does the customer have in this process?
- Is CFO involved in this transaction or arrangement? If so, in what ways?

## **Contract / Agreement:**

- Do you provide customers with control over their SLAs? Can they modify them, or must they “sign up & accept” the SLAs that govern your contracts?
- Are customers expected to accept your terms & conditions without modification?
- Do you consider / entertain alternate or additional T&Cs and/or SLAs when proposed by a prospective customer?

# Interview Questions for Service Consumers

## **Business Case:**

- What are the challenges associated with selecting a shared service provider?
- Have you ever encountered a scenario where there is more demand than supply?
- To what degree is choice in SLAs a factor?
- Are you comfortable using the provider's pre-established SLAs?
- Do you utilize Uncle Sam's list when searching for a shared service provider? If so, how would you rate your experience?

## **Acquisition Strategy / Method:**

- What are the challenges associated with defining requirements and approving a solicitation for release?
- Is it clear to your acquisition professionals the lines of authority in a shared service agreement? What are the provider's responsibilities? Your responsibilities? Are there any shared responsibilities?
- What resources do you provide your acquisition professionals to enable their ability to execute shared service agreements?

# Interview Questions for Service Consumers

## **Funding:**

- To what degree is funding / reimbursing the provider for shared services a challenge?
- What instrument of funding / method of contract does your agency use?
- Do any of these instruments make it easier to deal with consumption, especially when it is peaking or troughing? E.g., pay for consumption

## **Contract / Agreement:**

- What steps can be taken to structure your agreement to promote successful outcomes?
- What factors inhibit or enable the acquisition process / contract structure?
- What are some techniques for involving chief counsel in the process? Do they generally enable or inhibit the process?