

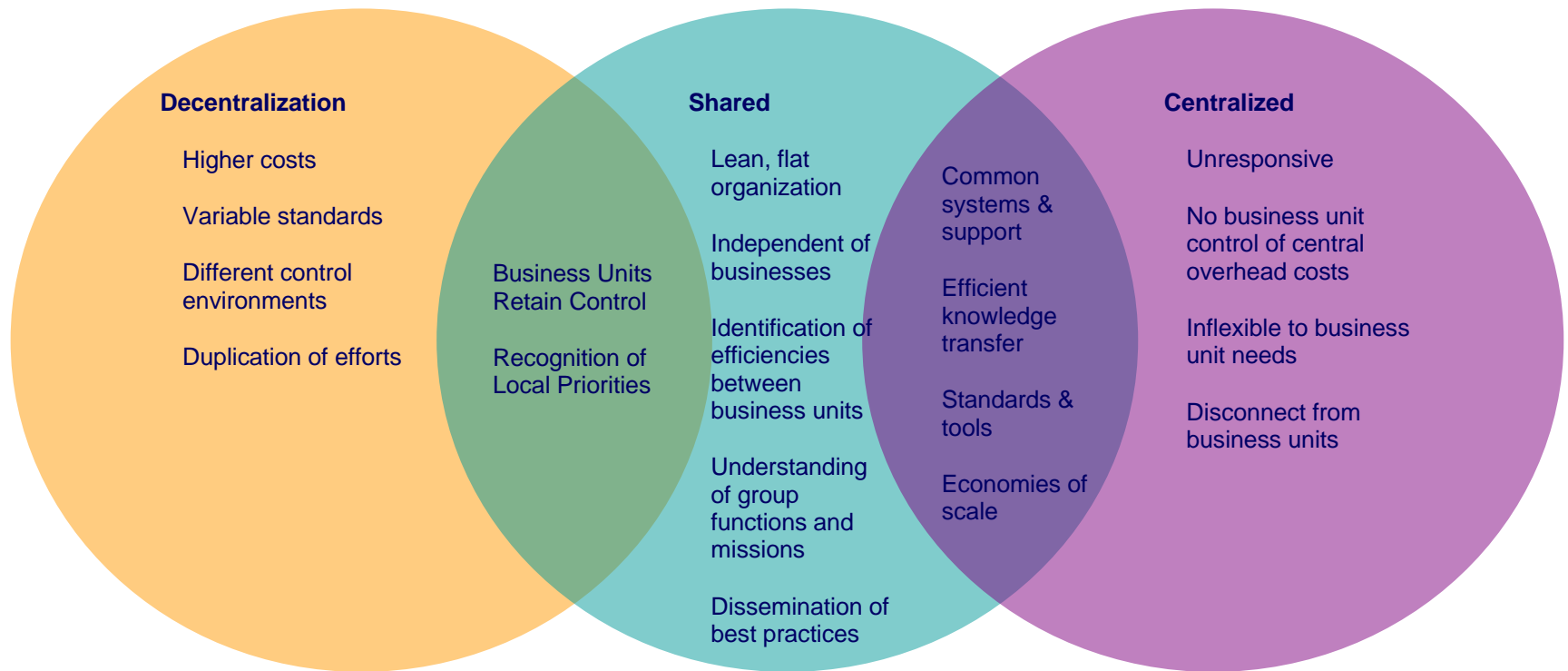
State of Illinois case example



Shared services vs. centralization/decentralization

- Shared Services differs from typical centralization and decentralization by focusing more on service delivery versus control and structure of the staff related to the services.

Shared Service Benefits



The state's future vision

- The State's vision is to create a service delivery model that is more responsive, accessible and timely to constituent needs, while reducing administrative costs
- This vision can be accomplished through a shared service environment which provides an integrated framework to
 - leverage economies of scale through shared people, technology, information and processes,
 - improve customer service,
 - reduce costs of services,
 - increase effectiveness of service delivery, and
 - focus on continuous improvement.

The shared service delivery model

- A key component of this vision is delivery of shared services through “clusters”
- Each cluster will be comprised of agencies with like-kind missions and services
- This clustering approach will allow the shared services organization to improve focus on customers, enable the agencies to focus on core programs and external customers while allowing improved deployment of resources and knowledge sharing

The shared service delivery model (continued)

Vision for shared services delivery

Citizen outreach and delivery processes

Agency programs and core mission processes

**Social
services
cluster**

Environmental
and economic
development
cluster

**Public
safety
cluster**

**Health
care
cluster**

Regulatory
and admin
cluster

**Higher
education
cluster**

Clusters for shared services delivery

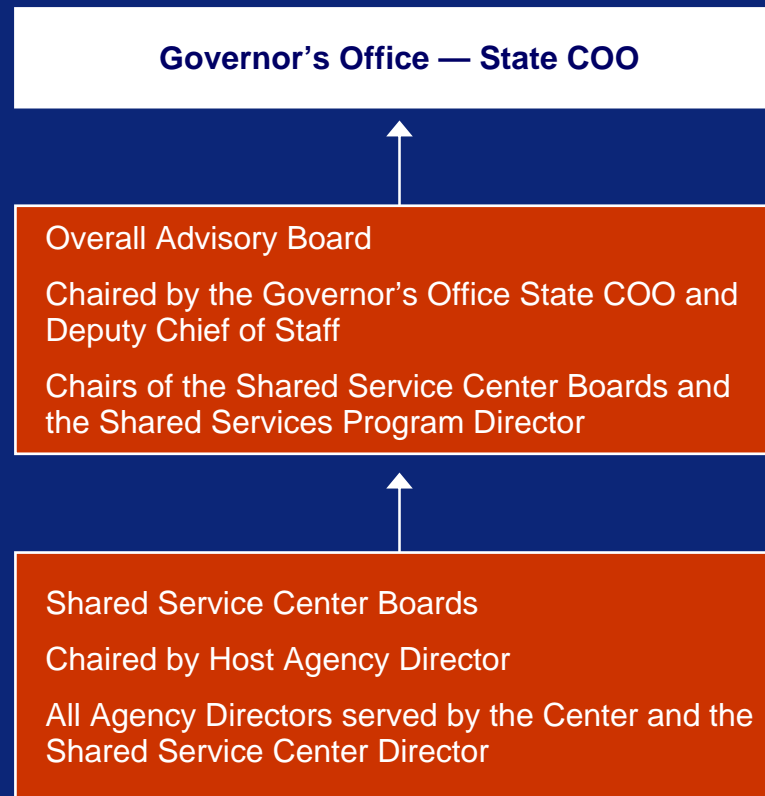
Support center transactional processes
(e.g. Invoice Processing, Payroll Data Entry)

Specialized processes
(e.g. Labor Relations, Year End GAAP Reporting)

**Common utility and
infrastructure shared processes
(e.g. System maintenance,
network provision)**

Shared Services – Enterprise View

Governance From and Enterprise Point of View



Shared Services - Governance

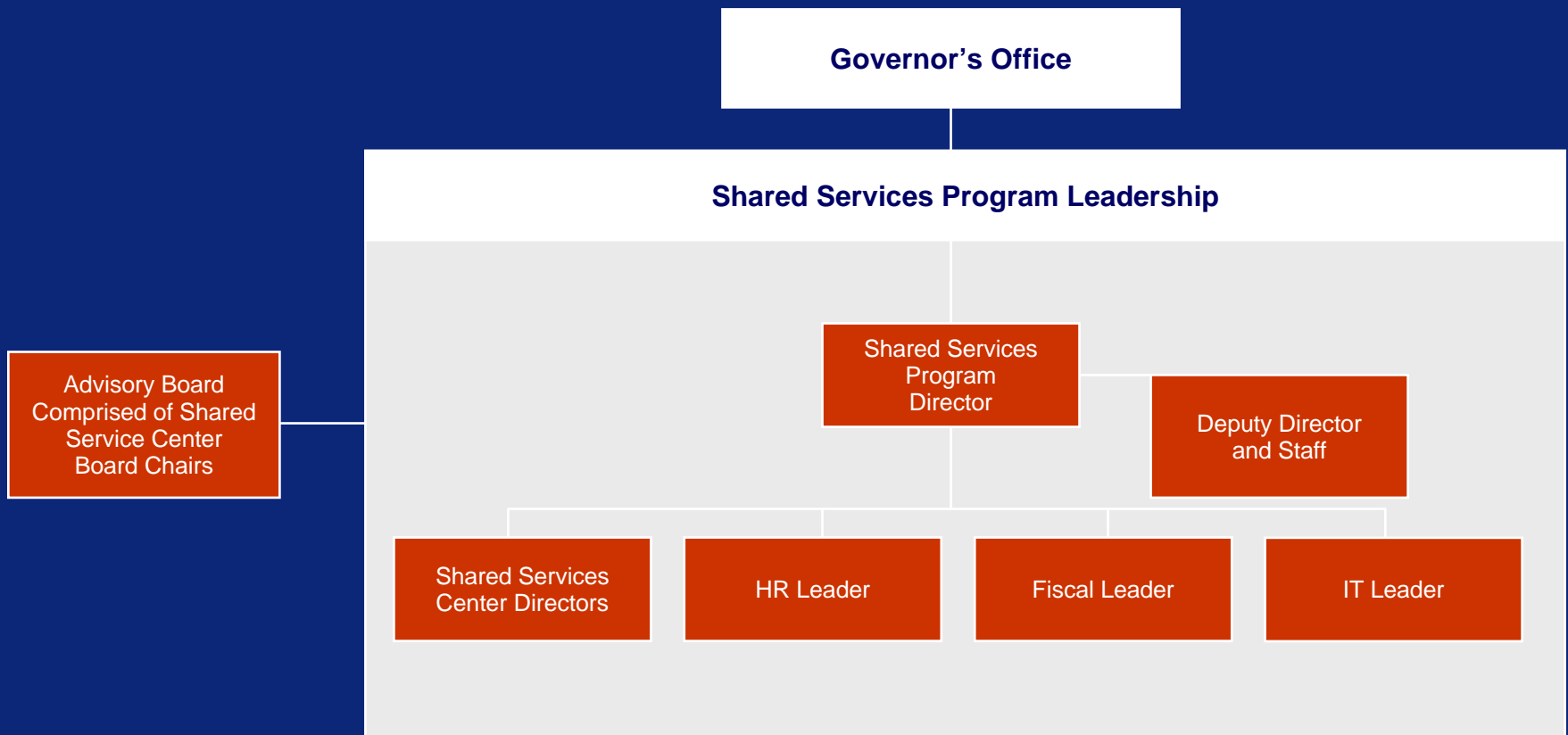
Governance Structure — While the systems and processes are one central standard and toolset, the delivery of services is close to and connected to the customers through shared services centers of like missioned agencies.



**Each center has a customer service and strategy board comprised of the directors from the agencies the center serves.
A future Shared Services Center is also planned for Education.**

Shared Services - Governance

Governance Structure — Driving and Enforcing Consistent Procedure, Policy and Technology Standards



Center Design Critical?

- **Important contributor to new culture of service at the core of making shared services work**
- **Attract & retain top employees**
- **Improve overall productivity to meet service level goals**
- **Take advantage of economies of scale – equipment, personnel, communications**

Change Management in Government - HBR

- **Improve Performance Against Agency Mission**
- **Win Over Stakeholders**
- **Create a Road Map**
- **Take a Comprehensive Approach**
- **Be a Leader, Not a Bureaucrat**

Harvard Business Review – May 2006
By Frank Ostroff

Change Management in Government - UoC

- **Executive Mandate**
- **Pro-active Management**
- **Process and Speed**
- **Relationships**
- **Funding**

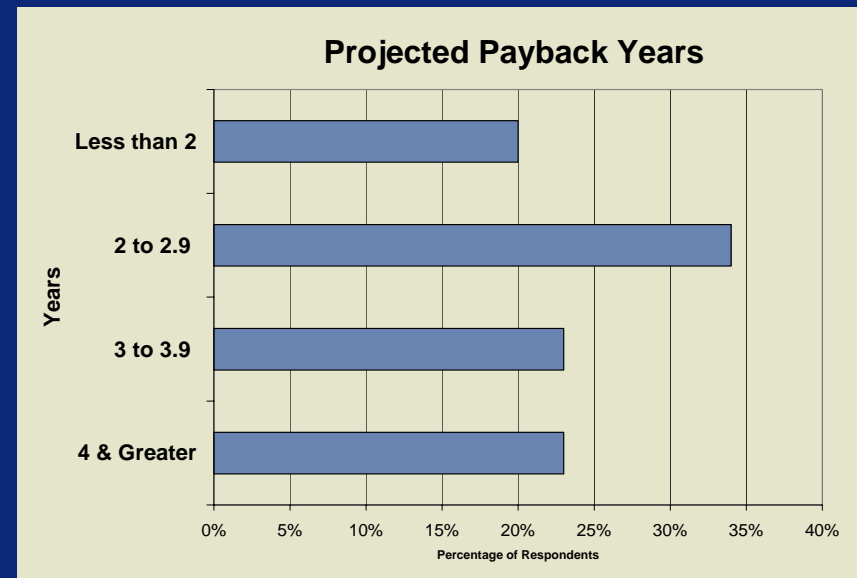
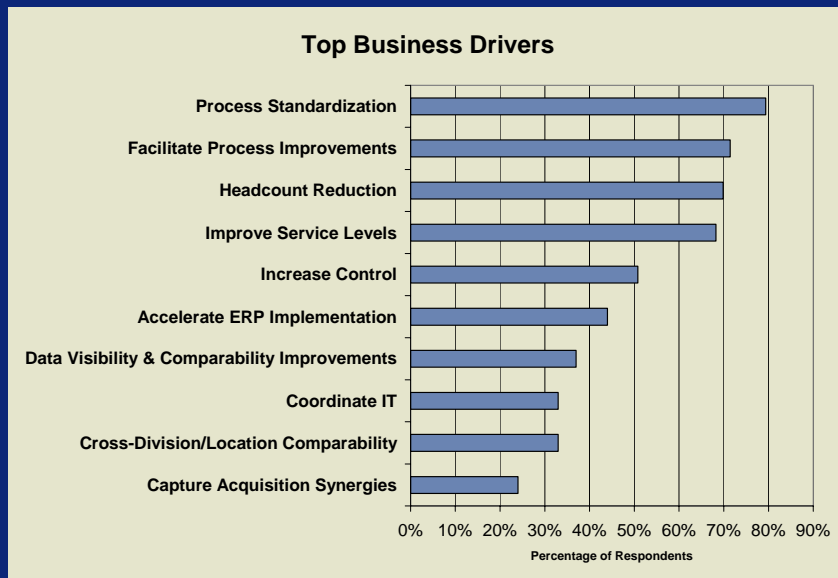
University of Chicago – September 2006
By Olena Verbenko & Ross Biank

Index - Additional Slides

- The following Slides provide further detail regarding the Illinois Shared Services approach.
- These slides are being provided as further background but will not be used as part of the NASCIO panel discussion.

Shared services business drivers and return

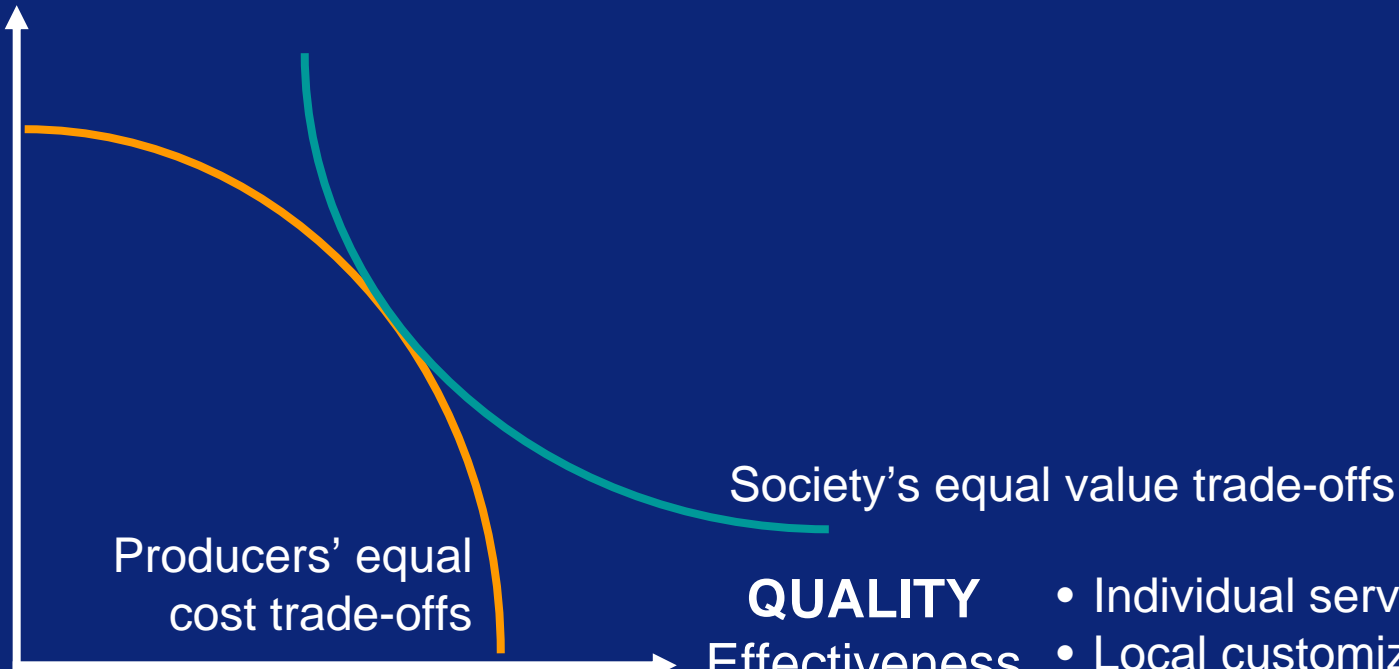
- Recent Deloitte Research studies have highlighted business drivers that are consistent with the Public Sector's business needs...



Service production trade-offs...

COST
Efficiency
units/\$

- Mass production focus
- Uniform standards and/or central control
- Cost control, production culture

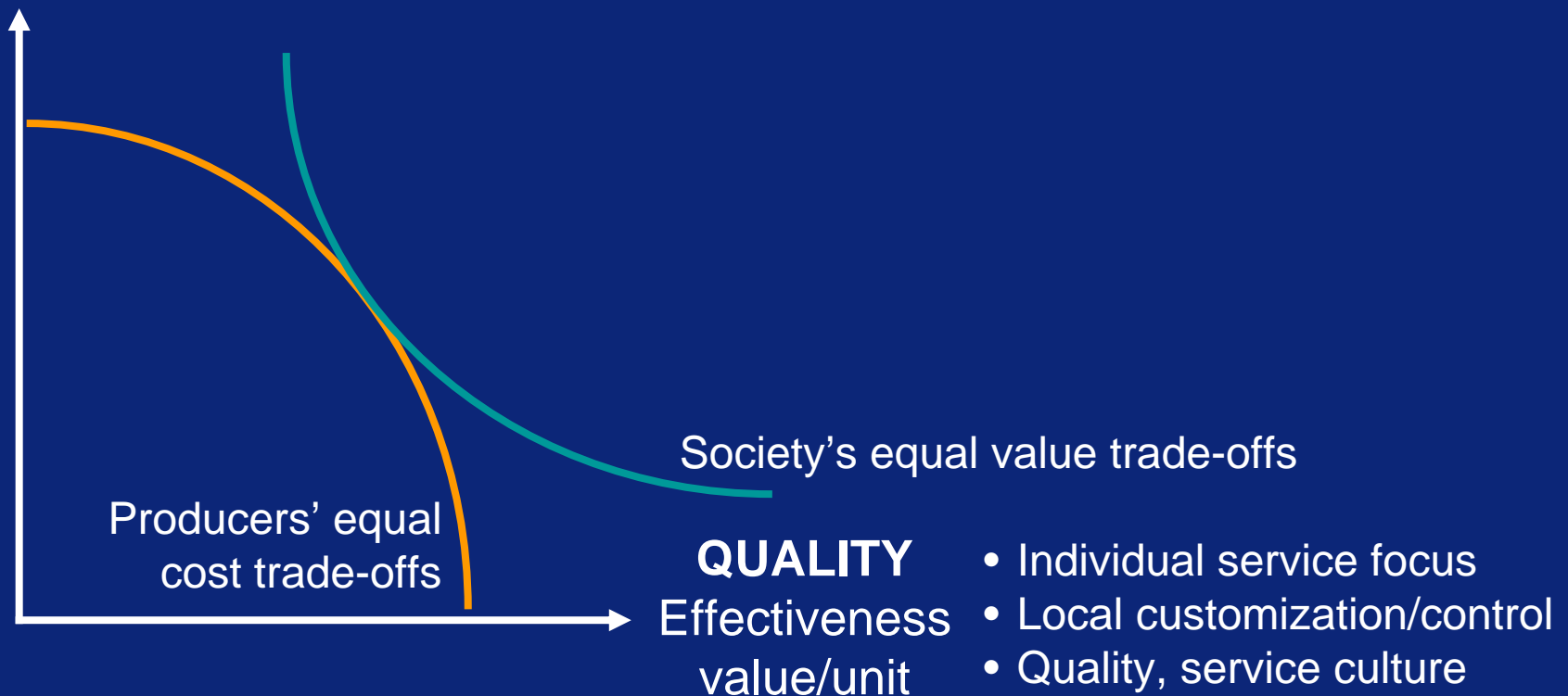


QUALITY
Effectiveness
value/unit

- Individual service focus
- Local customization/control
- Quality, service culture

Why we care = productivity

- COST**
- Efficiency
units/\$
- Mass production focus
 - Uniform standards and/or central control
 - Cost control, production culture



...via new/better production possibilities

- COST** • Mass production focus
Efficiency • Uniform standards and/or central control
units/\$ • Cost control, production culture



Critical success factors

- Based on our experience there are 10 critical success factors to implement a Shared services organization
 - Develop the business case with strategic and tangible benefits
 - Don't do the project without top management involvement
 - Get serious about managing change
 - Accelerate decision making
 - Implement creative project team incentives
 - Be rigorous about project management and partnerships
 - Benchmark existing performance and establish an ongoing performance measurement system
 - Redesign must consider people, process and technology
 - Pay attention to training and support needs
 - Maintain focus on delivering results

Lessons Learned

- Confirm Executive Commitment
- Know Your Government's Structure
- Do Not Bite Off Too Much at Once
- Pay Proper Attention to Project Management
- Avoid Analysis Paralysis
- Watch For Barriers to Change
- Focus on the People Element
- Look at the Big Picture
- Celebrate Quick Wins
- Limit the Politics, Share the Successes
- Balance Union Involvement
- Balance the Level and Timing of Media Involvement
- Communicate and Train
- Use Your Business Case

Overview of efficiency initiatives

- As part of the Governor's continuing effort to improve effectiveness of state government, the State of Illinois has undertaken a number of efficiency initiatives. CMS has led this effort to:
 - Reduce costs associated with state government
 - Increase transparency of operations and services
 - Improve accountability to citizens

Overview of efficiency initiatives *(continued)*

Director	Director	Director
Agency specific functions	Agency specific functions	Agency specific functions
Fleet Mgmt	Fleet Mgmt	Fleet Mgmt
Facilities Mgmt	Facilities Mgmt	Facilities Mgmt
Internal Audit	Internal Audit	Internal Audit
Legal Services	Legal Services	Legal Services
Media Services	Media Services	Media Services
Info. Tech.	Info. Tech.	Info. Tech.
Procurement	Procurement	Procurement



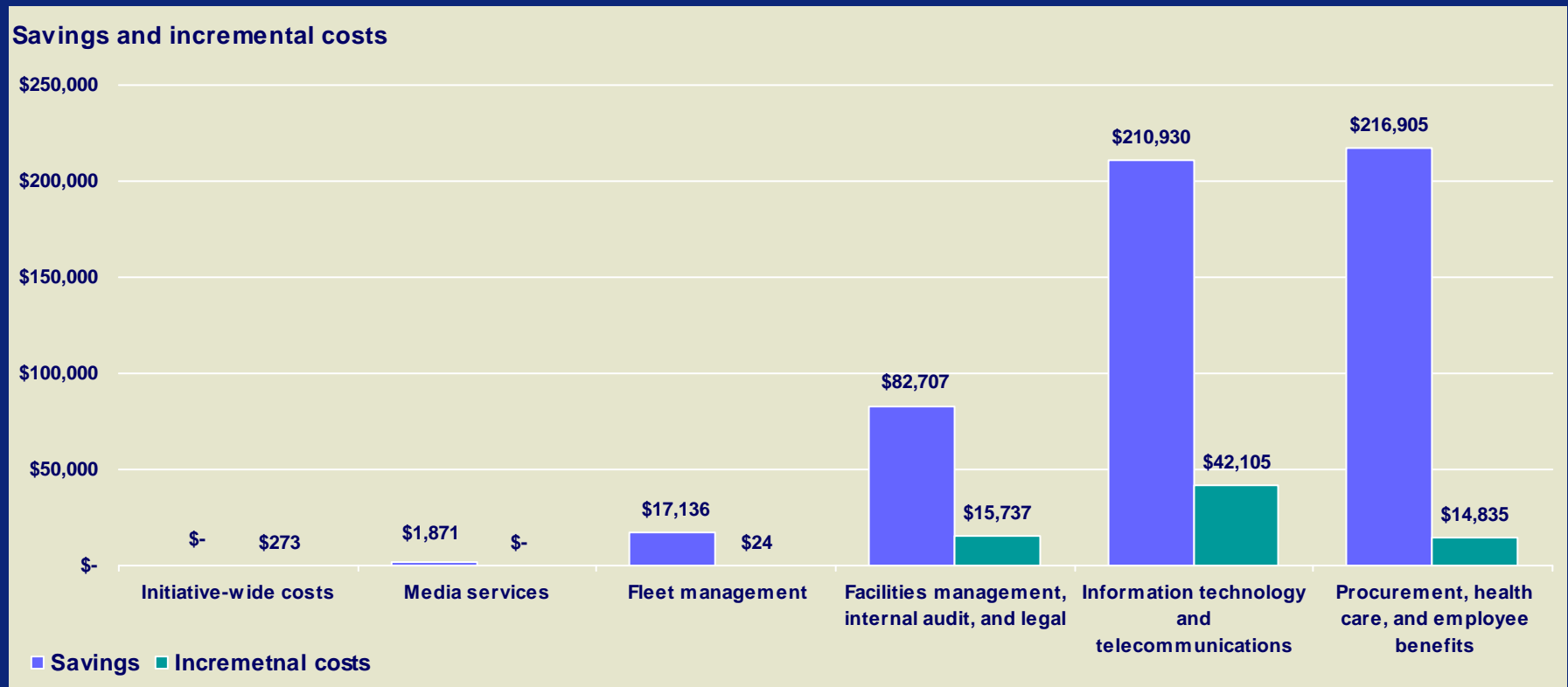
Director	Director	Director
Agency specific functions	Agency specific functions	Agency specific functions
Shared Functions Center Led by CMS Fleet Mgmt Facilities Mgmt Internal Audit Legal Services Media Services Information Technology Procurement		

Agency Silos:
Agencies each have their own back-office functions and systems

Enterprise Framework:
Agencies share back-office functions and systems

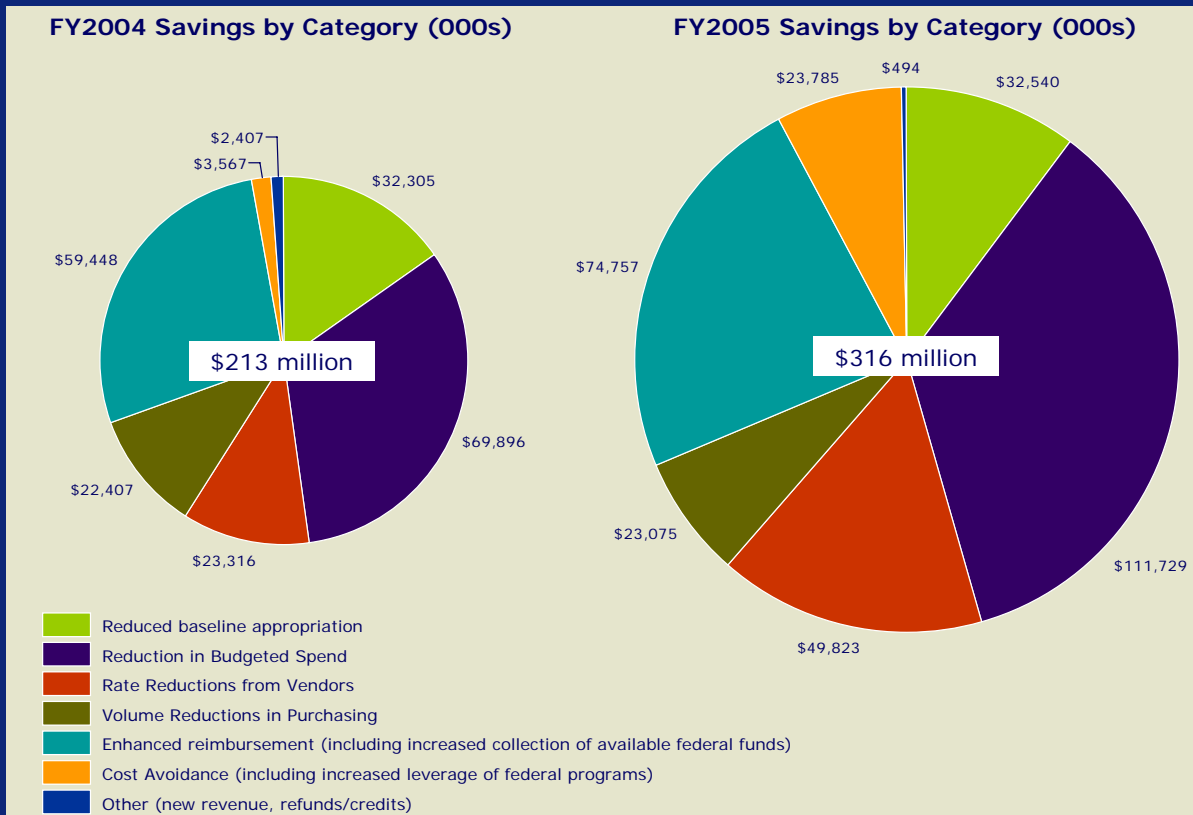
Savings validation results

- A thorough review (the “Savings Validation Effort”) documented that approximately \$529 million was saved during FY04 and FY05.
- Comparatively, the incremental costs associated with these savings equaled approximately \$73 million.



Savings validation results – Version 1.0

- The composition of these savings included cost reductions, revenue enhancements, and cost avoidance for both the State and Federal government.

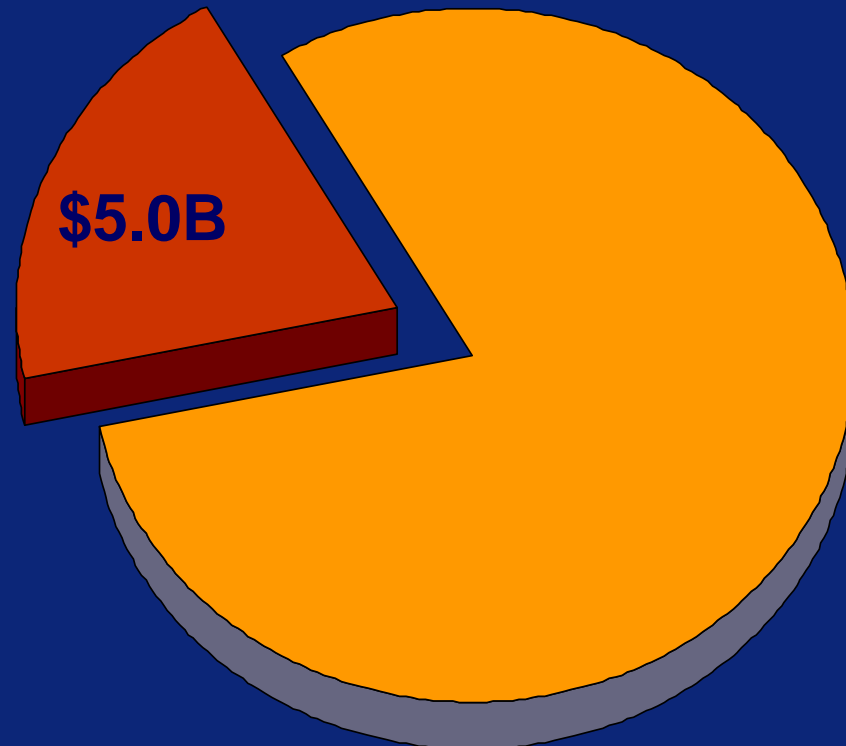


* FY05 amounts were estimated as of 9/30/05. The State is completing its current FY05 financial records, and thus, FY05 are best faith estimates based on existing documentation.

The Mess We Inherited

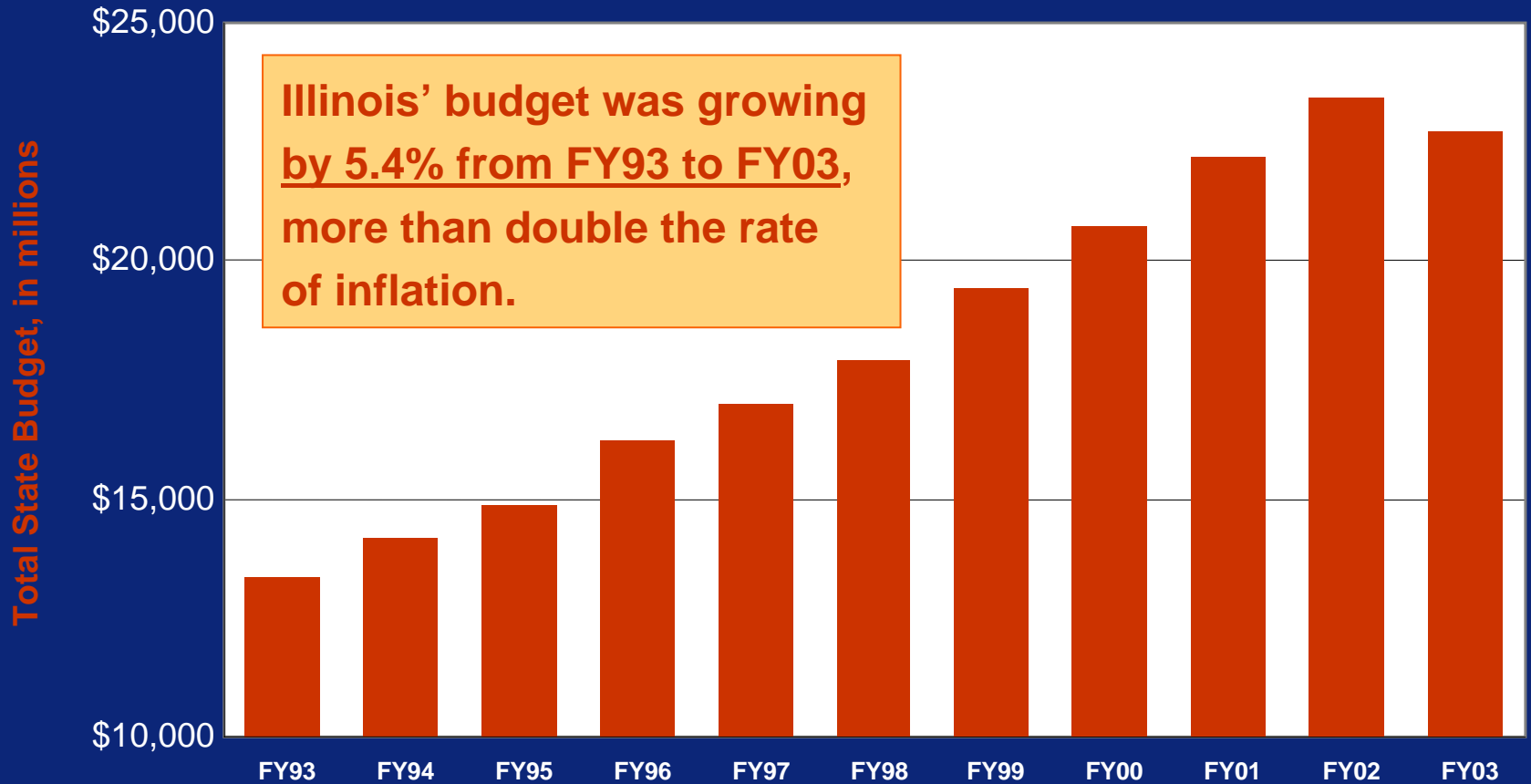
Inherited Deficit

- The \$5 billion deficit we inherited in FY04 represented more than 20% of our total general revenue budget.

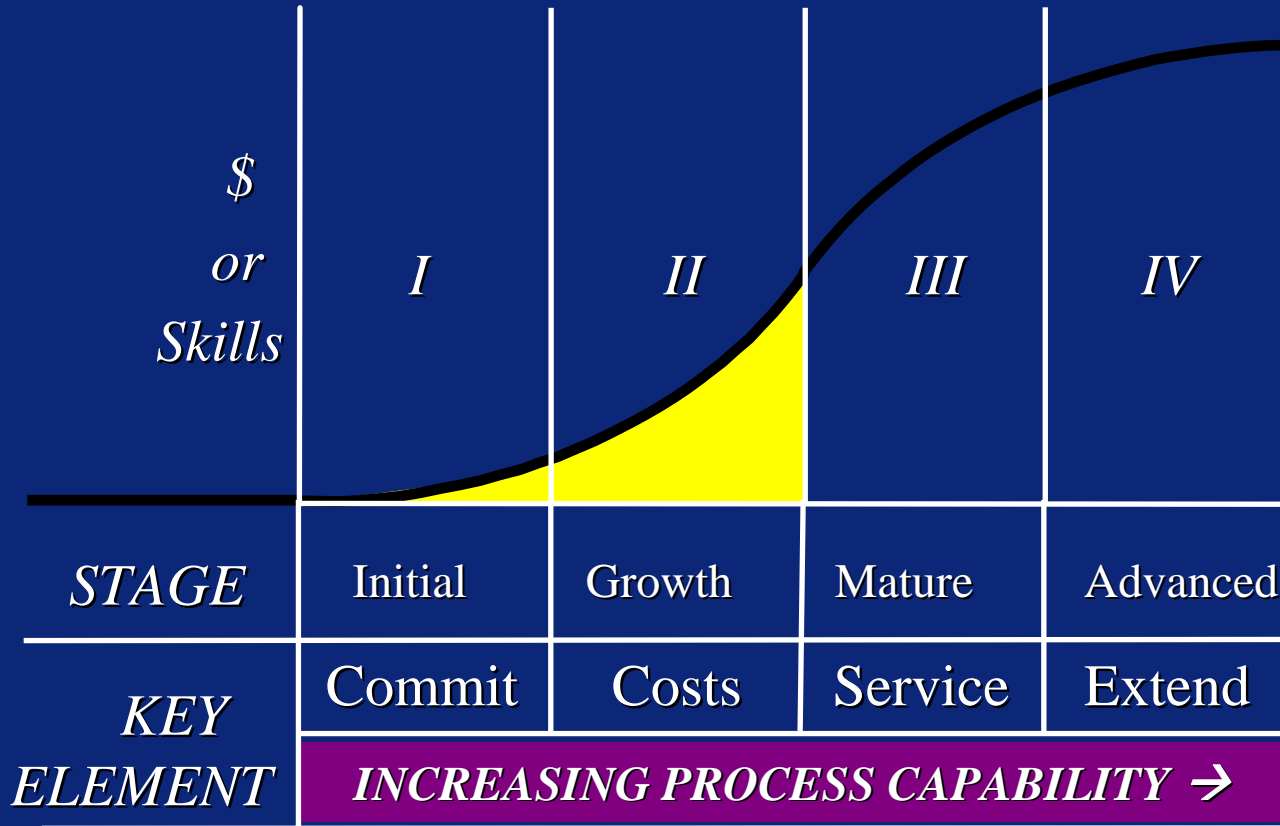


The Mess We Inherited

Uncontrolled Spending



The transition to shared services...



...a typical but variable pathway

Steps to Shared Services Excellence - Leadership for a Networked World
 Copyright 2006 Prof. Jerry Mechling. Use by permission only

State of Illinois shared services — Next wave

- Core administrative functions and related systems are performed in an agency-centric manner that rely on aging technology,
 - e.g., AIS system utilized by some agencies is over 10 years old, is a mainframe based system, and does not have the ability to support next generation systems
- Manual, fragmented, paper-intensive processes slow customer service delivery and complicate access to common government services,
 - e.g., many routine authorizations (e.g., licenses, permits, etc.) are manual, paper-based processes (for example over 70% of Dept of Revenue business applications are performed via mail); customers required to provide same data to multiple agencies
- Large portion of the State's workforce continues to approach retirement and there is a challenge in attracting new talent,
 - e.g., an estimated 23,000 state employees (approximately 20% of workforce) will turn 65 over the next ten years

State of Illinois shared services — Next wave

(continued)

“As-Is” Organizational view — Disparate processes and systems

Agency 1



Agency 2



Agency 3



Agency 4



Number of
“As-Is”
support systems

100+ Fiscal systems
38 HR systems
95 Call centers
100 “1-800”
Customer numbers

The state's current environment

- Administrative services (e.g. HR/Fiscal) example
 - For every 220 employees, one employee is devoted to timekeeping and payroll tasks
 - Other private and public sector organizations need one employee to support 1000+ employees in similar duties
 - Internally, IDOT has one employee supporting 670 employees
 - Lack of common fiscal processes and integrated systems requires twice the effort to process accounts payable invoices compared internal leading practices
 - By achieving internal leading practices, the State could achieve a 58% process improvement within accounts payable processing

The state's current environment *(continued)*

- Service delivery improvements
 - Besides reduced manual support effort, improved service delivery will be offered to employees (e.g. self service benefit administration) and citizens (e.g. vendor communications)
 - The above improvements can be attained through process redesign, process standardization, and implementation of integrated systems

The state's current environment *(continued)*

- Customer service example
 - It is often difficult for customers to know who to call or where to go to find the information they need
 - Customers are often required to interact with more than one agency to perform similar activities and are required to provide some of the same information to each agency resulting in confusion and frustration
 - The majority of authorizations (e.g., licenses, permits, registrations, certificates, etc.) are performed via the mail & front-office channels which are the most expensive for the State and time consuming for customers
 - These channels represent 80% of all new authorizations (43% mail and 37% front office) and 85% of renewals (60% mail and 25% front office)
 - A recent cross agency study of call centers conducted by the State, indicated that the State has 95 call centers and over 100 1-800 customer contact numbers

The state's current environment *(continued)*

- Service delivery improvements
 - Improvements to customers should include ability to perform online applications and renewals and faster turnaround time from request to fulfillment

The state's current environment *(continued)*

- Technology example

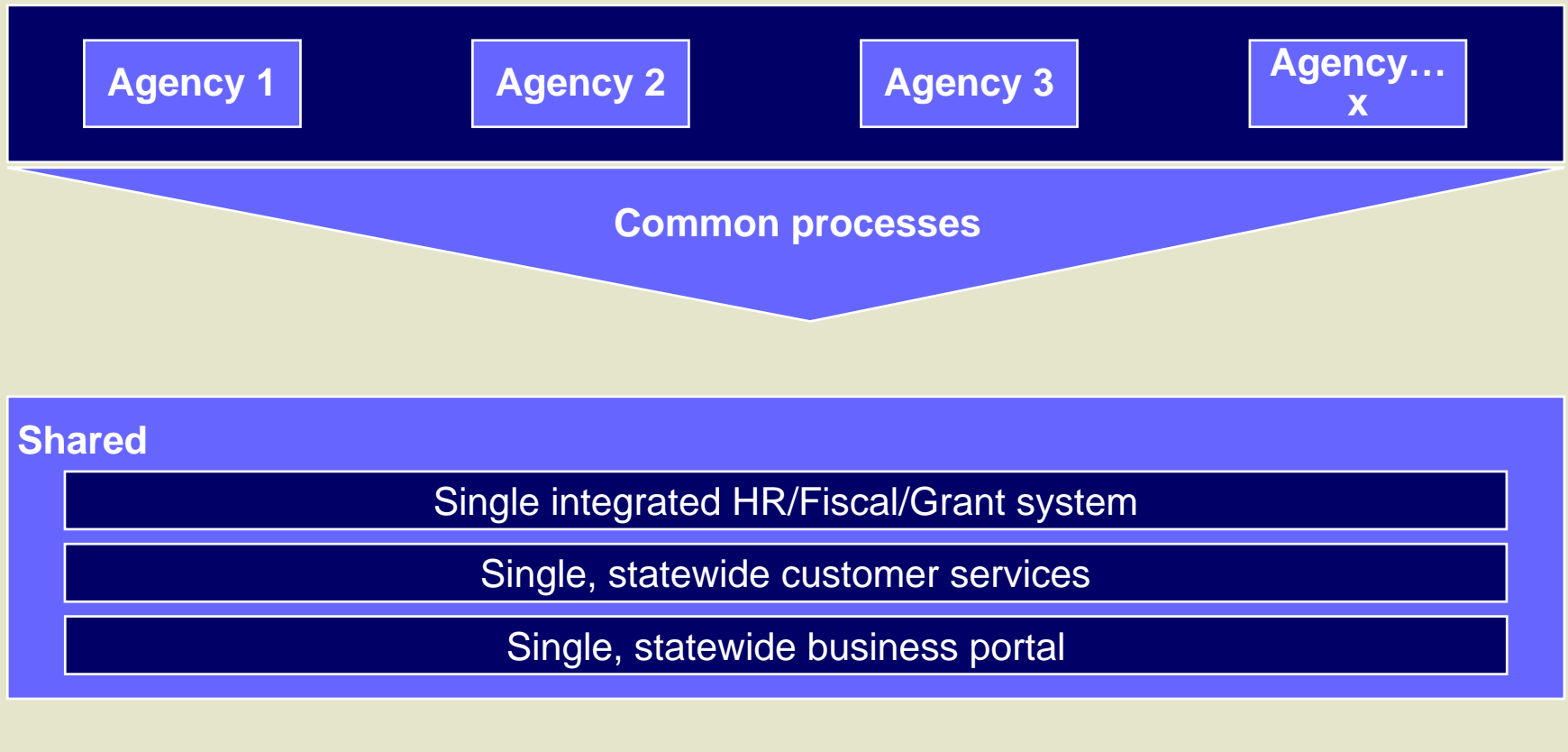
- Many of the systems used by agencies were implemented 20+ years ago
 - Many systems have progressed past their “life” and require significant effort to maintain or enhance
 - Resources experienced and knowledgeable in supporting these systems are becoming scarce
- Majority of the systems are mainframe based
 - State systems have not kept pace with the changing functionality and robustness of systems available today
- Several systems are stand-alone or non-integrated
 - Different stand-alone systems are used for timekeeping, payroll and benefits administration
 - Most agencies that use the AIS system for vouchering have other systems to support their needs for general accounting, billing/remittance processing etc.

The state's current environment *(continued)*

- Service delivery improvements
 - Elimination of redundant system and maintenance costs and improved functionality from integrated, common systems

The state's future vision *(continued)*

"To-Be" view — Standard processes and systems



The shared service delivery model

- Clustering of agencies with like-kind missions and services would occur to improve service delivery
- This clustering approach will allow the shared services organization to improve focus on customers, enable the agencies to focus on core programs and external customers while allowing improved deployment of resources and knowledge sharing

Things to consider in design of Shared Service Centers

- Meeting operational requirements
 - Document Imaging Stations
 - Large monitors to view scanned documents
 - Archiving images
 - Processing paper documents
 - Storing paper documents
 - Financial control risk considerations
- Taking advantage of SS Organizational Design
 - Co-locating process teams (e.g., accts payable) as much as possible
 - Keeping managers & supervisors close to their teams
 - Placing Help Desk separate but nearby

Things to consider in design (cont.)

- Other Elements to Consider
 - Disaster recovery plans
 - Allow for expansion (normal growth in demand and/or new services)
 - Importance of good lighting for transaction processing
 - Collaborative seating
 - Informal & formal meeting places
 - Substantial open wall space
 - Training & Professional Development space
 - Guest space
 - Space for large group meetings