



Shared Services Transformation of Information Technology and Human Resources

Category: Enterprise IT Management Initiatives

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Executive Summary:

In January 2017, Pennsylvania Governor Tom Wolf announced that information technology (IT) and human resources (HR) for commonwealth agencies would transition to a full shared service delivery center model. The goals of this transformation were to enable shared decision making through an integrated governance process and to realize operational efficiencies through a redesigned financial model that allows agencies to better focus resources on delivering programs and services to the public. The effort is part of the administration's strategic focus on transforming government and improving services through collaboration, innovative process redesign, and data-driven decision making.

Historically, service delivery was a mix of centralized services provided by the Office of Administration (OA) and decentralized services provided by IT and HR staff dedicated to a single agency. This model resulted in duplication of services, inconsistent processes, varying levels of resources and capabilities, and little incentive for agencies to work together on common challenges.

The new model adopted in July 2017 groups agencies with similar missions and functions into delivery centers supported by dedicated teams of IT and HR employees, while enterprise IT and HR delivery centers provide services common to all or most agencies. An industry-aligned governance model brings senior executives from all agencies to the shared decision-making table for prioritization of investments, projects, and strategic initiatives. This approach encourages investments that can benefit multiple agencies. It also aligns services with performance metrics that are reported on a regular basis to the agencies and the delivery center steering committees.

Historical spend for IT and HR services were evaluated and new cost apportionment methodologies were developed to support the new organizational model. The financial model provides a practical, strategic, and phased approach for investments, and allows for the sharing of resources across delivery centers based on priorities and business needs. Additionally, the new model supports federal requirements and chargeback mechanisms for IT and HR services.

Pennsylvania used a highly collaborative and employee-driven approach to implement its transformation. Employee workgroups defined the major services and aligned the structure to support these services. They also developed a phased transition plan to move to the future state over a period of time. A pilot delivery center served as a proof of concept and provided lessons learned to be shared with the other delivery center leaders. Finally, matrixed employee relationships were created for cybersecurity and technology operations to break down hierarchical structures where high-touch, but consistent, delivery was required.

Planning and implementing in phases helped to make the workload manageable for project teams and less overwhelming for employees and agencies. Similarly, phasing-in the cost apportionment model allowed Pennsylvania to stabilize the structure and service delivery prior to cost recovery changes. The phased approach also provided the opportunity to analyze individuals in "shadow" IT and HR; namely, non-IT or -HR positions that may perform IT or HR functions, to determine if they should be consolidated or maintain their current activities.

The shared services initiative has saved over \$83 million since January 2017, primarily through the reduction of personnel costs by attrition, organizational restructuring, service process standardization and technology convergence opportunities. IT and HR staff now support multiple agencies and resources can be more easily shared beyond traditional agency boundaries.

While savings are important, the most critical efficiencies created are the natural working alliances and sharing of information and resources that are occurring as the employees blend into the organization.

Concept

Pennsylvania sought to comprehensively transform organizational design, financial design, and governance for IT and HR through a project led and managed by IT and HR employees within OA and agencies. The scope and approach taken for the initiative make it both noteworthy and unique among states.

The ability to effectively deliver IT and HR services and support to agencies has a direct effect on their ability to serve the public. As such, the impact of the shared services transformation goes far beyond the commonwealth's 2,200 IT and HR professionals to include every program, bureau and office in the enterprise. Pennsylvania transformed its IT and HR functions simultaneously and took a strategic and comprehensive look at all aspects of both, rather than transforming HR or IT one at a time.

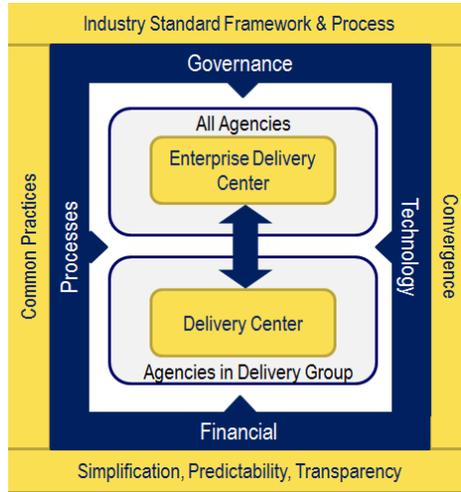
Pennsylvania used a largely employee-led approach to plan and execute the transition. Their many years of experience working in the commonwealth's IT and HR organizations gave them first-hand knowledge of how we currently operate, the challenges that exist, and where we could best improve service delivery through reorganization and restructuring based on industry-aligned processes. This approach also gave employees a voice in the future direction of IT and HR and a personal stake in the success of the initiative.

There were two major components to the project: a planning phase and an execution phase. During planning, a central project team comprised of IT leaders from each agency focused on developing the processes, organizational support model, governance model, metrics, and implementation approach. Bi-weekly reports and calls with the cabinet members kept executives apprised of the status and next steps as the initiative moved forward. All new delivery center leadership positions were posted, interviews were conducted and offers were made between mid-April and early May so managers could be in their new roles to lead the next phase of the project. The execution phase was broken into three subcomponents: consolidation, standardization, and optimization. During consolidation, approximately 2,200 IT and HR employees moved to OA's complement but remained in the same agency hierarchy within each delivery center and funded by their previous agency. The pilot delivery center was also launched during this phase. During standardization, each delivery center developed plans to transition from agency IT and HR organizational structures to shared service delivery structures, implement the matrixed organizations, implement critical standardized services such as help desk, project intake, prioritization and tracking, and implement the cost apportionment and recovery model. Optimization is currently underway and consists of further examination of contracts, technology, and processes to leverage across the agencies for improved service delivery.

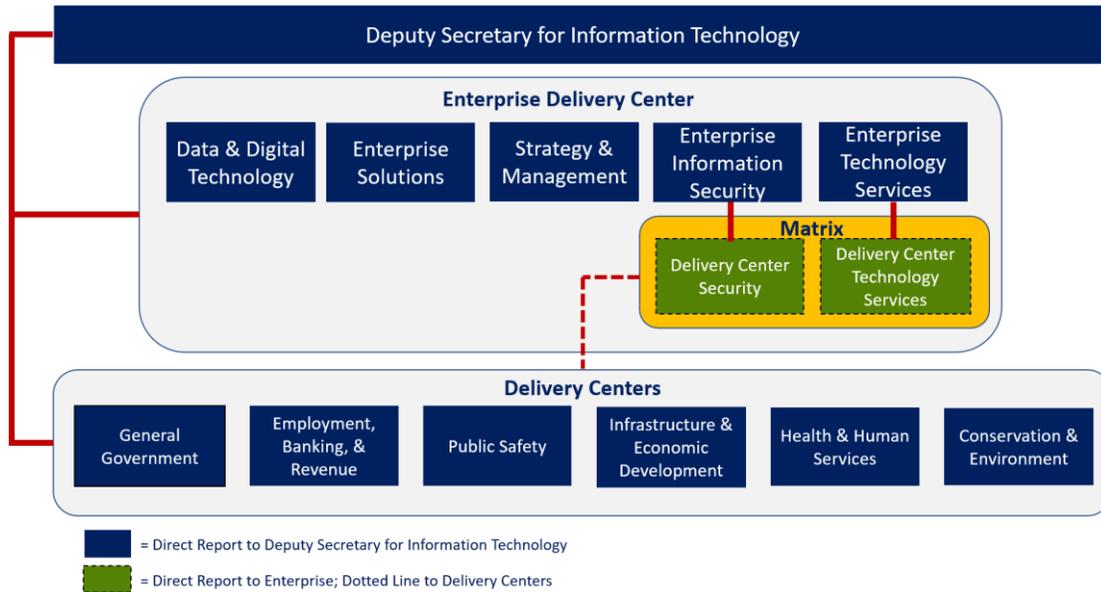
Core components of innovation:

1. Employee-driven future state services and organizational support structures
2. Transformation of IT and HR service delivery occurred at the same time in a consistent manner to establish a consistent approach for our customers
3. Implementation of a matrix reporting structure for cybersecurity and infrastructure and operations to break down siloes
4. Using the Conservation and Environment IT and HR Delivery Centers, which support the Departments of Environmental Protection, Agriculture and Conservation and Natural Resources, as the pilot to lead the way in identifying lessons learned early
5. The use of an interagency team to develop the cost apportionment and recovery strategy
6. A risk based maturity approach for continuous improvement

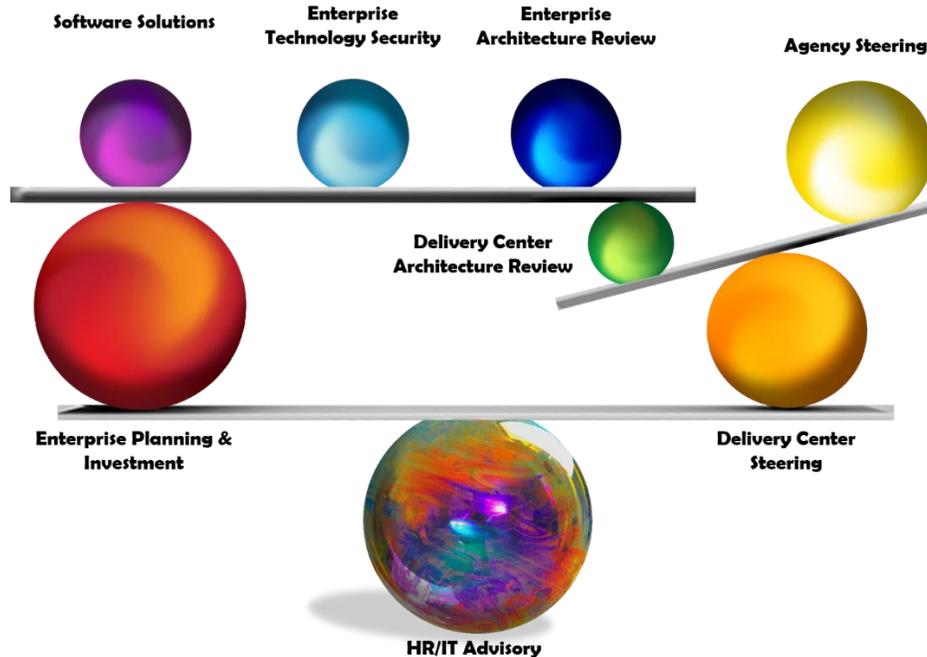
The new delivery model is represented below:



The following organizational structure was established as a result of the transformation:



The following governance structure was established as a result of the transformation.



Significance

Many states are moving towards the shared service delivery model to support functions such as IT, HR, finance, and procurement. Pennsylvania achieved its IT and HR shared services transformation with existing employees and leveraged industry standard frameworks to make it more appealing to stakeholders. Time was spent communicating the benefits of the model to IT and HR employees, as well as agency leaders and customers.

Through research and contact with national associations and groups, Pennsylvania reached out to its counterparts in other states to understand their approaches and lessons learned. Pennsylvania then used these insights to inform its approach to transformation. This information also helped OA to make the case for transformation to the cabinet and General Assembly.

The team approached this as a bottom up/top down initiative with a core dedicated project team and leaders from each agency. In Pennsylvania, this proved to be a very effective way to develop solutions that were specific to our unique challenges. By focusing first on process and service delivery, the team was then able to determine the best structure to support the future state. Also, giving employees impacted by the transformation a voice in the future direction helped to foster support for implementing change.

Key transition planning activities included gathering data about current and future state processes and services, staff, physical locations, allocation of work, technical inventories, current initiatives and issues, and risks. This data allowed leadership to prioritize transition activities and define a new organizational structure focused on eliminating duplicative functions, processes, and toolsets, and identify opportunities to achieve savings through cross-agency collaboration. With the design in place, the team developed a transition plan with execution phases for consolidation, standardization, and optimization.

Pennsylvania's model included a mix of enterprise services and delivery centers to govern service delivery. The ability to matrix staff so they line report to the enterprise (e.g. cybersecurity), but are in a functional delivery center team, allows for both standardization and flexibility. The ability to move resources where they are needed, when they are needed, based on the changes in cost apportionment also can be replicated.

Pennsylvania launched an informational website for IT and HR employees, agencies, and other states, including timelines, frequently asked questions, meeting information, and status updates. Additionally, the team established a resource account to respond to questions from employees and determine if new or additional communications were needed to clarify key facts and messages.

Given the initiative's impact on IT and HR employees – which included becoming employees of OA and potential changes to roles, responsibilities, and reporting relationships – OA staff conducted town hall meetings across the state to brief them on the initiative, answer questions, and listen to their concerns. In total, the project team spoke with over 1,000 employees several times to educate them about the initiative. Culture pulse sessions were held to gauge the level of organizational change readiness so communications and stakeholder adoption techniques could be altered to gain consensus. Meanwhile, agency leadership, program staff, and the Governor's Office were kept informed through in-person briefings, conference calls, and frequent messages.

Through regular engagement and communication, the shared services leadership and project teams monitored and responded to the concerns of stakeholder groups, provided opportunities for input and feedback, and helped solidify support for the proposed changes. As each delivery center implemented the governance structure, the meetings became key decision-making and communication channels for cross agency initiatives and IT investments. Additionally, status reports and calls to the cabinet continued on a monthly basis to provide key updates on transition activities. The model, project team structure, phased approach, and issues/risks are all replicable and transferrable to other states or initiatives.

Impact

Pennsylvania realized direct dollar cost savings of \$83 million through complement management, attrition, and technology convergence, with additional operational saving and efficiencies anticipated as delivery centers continue their transformations.

Additionally, Pennsylvania established an industry standard governance framework for IT and HR services that has accountability from the agency business executive level to the IT and HR operational level. This results in better ability to balance business demands with service provider supply that promotes collaborative decision-making, shared accountability, and incremental innovation to encourage desirable behavior.

The shared services team established and implemented metrics to baseline performance and provide a means for governing body membership to monitor results on a regular basis and identify opportunities for achieving greater success. Metrics are now standardized for IT and HR across all delivery centers.

A new financial model took effect in FY 18-19 that provides consistency across agencies and transparency into the cost recovery of services.

Within the delivery centers, the consolidation of staff and resources is creating new opportunities for efficiencies and operational improvements.

Conservation and Environment Delivery Center

- Agencies are sharing hardware and software (firewalls, core switches and SQL clusters) to eliminate the costs of each agency buying and maintaining their own.
- DEP and DCNR will share specialized GIS equipment, such as printers and plotters, reducing future replacement costs, in addition to sharing GIS applications created within the individual agencies.
- Three agencies are now sending one recruiter to job fairs to represent all of them, rather than each agency sending its own person to the event.
- One agency's training system will be expanded to serve several others, allowing them to eliminate inefficient processes without having to build or buy their own modern system.

Infrastructure and Economic Development Delivery Center

- Three agencies now supported by one IT help desk instead of three.
- The PA Emergency Management Agency is working to share data from 911 centers with the Department of Transportation to improve response to traffic incidents.
- All three agencies in the delivery center share cybersecurity expertise with each other.

Public Safety Delivery Center

- DOC and PSP IT staff are working together on mobile device support, including enrollment, purchasing, planning, configuration, and deployment. They are also sharing details on operational support and processes for desktop services, resulting in the sharing of scripts and deployment information for a system upgrade. They are also sharing processes and queries for System Center Configuration Manager (SCCM).
- HR staff from State Police (PSP) and Department of Corrections (DOC) were able to assist the Board of Probation and Parole in hiring a new class of parole agents, a task that would have previously overwhelmed the HR staff in the agency and created a backlog.

The commonwealth was able to leverage lessons learned from prior consolidation efforts, the experience of executive leadership and the talent of its employees. New insights and knowledge were also acquired throughout the shared services transformation journey, such as the need to cultivate new behaviors and beliefs, along with finding incremental innovations for creating momentum.

The accomplishments of the Pennsylvania team yielded positive feedback, not only from agency business executives and customers, but also from commonwealth employees and other states that are looking to leverage work products and learn from the Pennsylvania Shared Services Transformation initiative. The future looks bright based on the collaboration, teamwork, planning and execution that went into this initiative. Pennsylvania knows now that things are getting better.