

NASPO Webinar: Ohio Shared Services

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Ohio Shared Services



Ohio Shared Services

Service First
a division of OBM

NASPO Webinar

Shared Services & Procurement

August 26th, 2015

Everett Ross

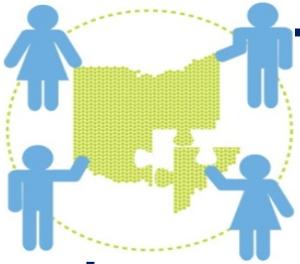
Director, Ohio Shared Services

Agenda

- *OSS Background*
- *Catalyst for Change*
- *Ohio Objectives*
- *Shared Services Scope & IBS Approach*
- *Integration & IBS Approach*
- *OSS Governance Structure*
- *Implementation Model & Pace of Change*
- *Implementation Challenges & Successes*
- *Upstream vs. Downstream*
- *Procurement Reform*



About Ohio Shared Services (OSS)



What is Ohio Shared Services?

- Launched in 2009, OSS is a division of the Office of Budget and Management.
- OSS delivers common administrative transactions for state agencies, local government, and business vendors with an emphasis on customer service.
- Delivering cost-effective, high-quality service by standardizing and streamlining processes.

Mission

Execution, Efficiency, Customer Service

Ohio Shared Services executes administrative transactions for its customers while skillfully balancing efficiency and customer service to add value through lower cost and improved effectiveness. Our primary key to success is a highly motivated, top performing, self-directed workforce.

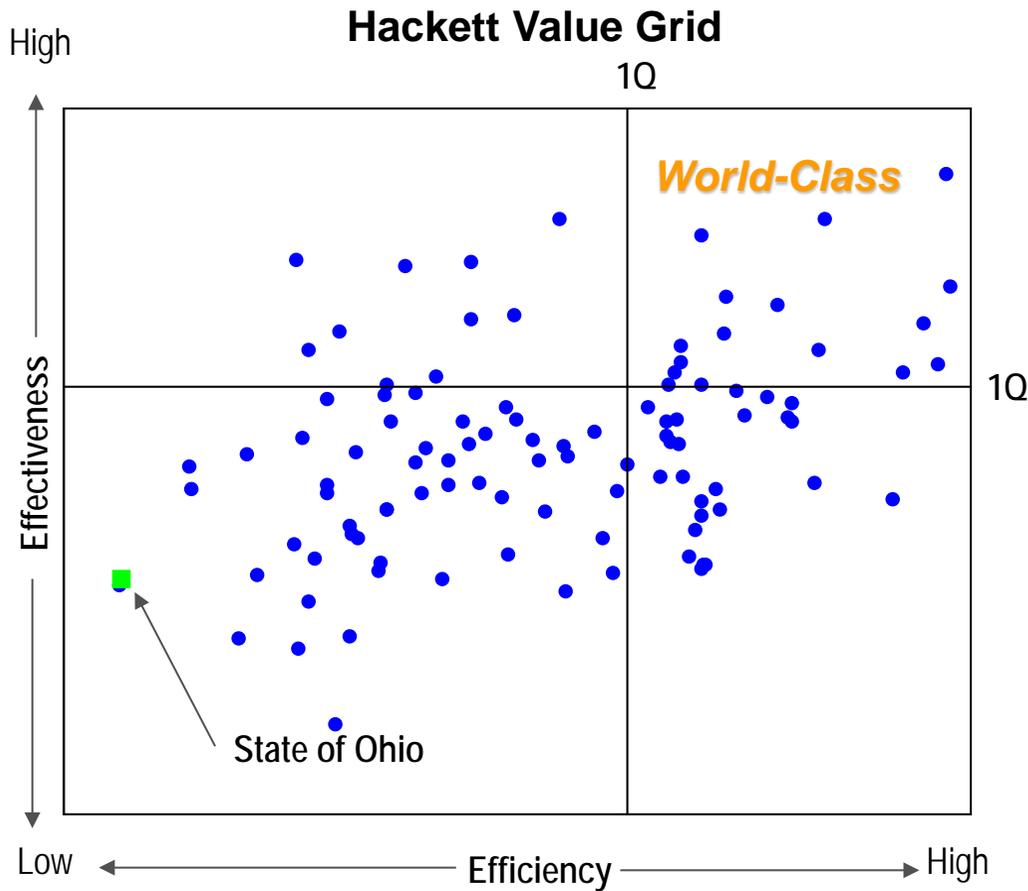
Vision

Best-In-Class, High Performing Public Service Entity

Ohio Shared Services is nationally recognized as a public sector pioneer that manages multiple business processes for a variety of public sector entities. It is recognized as best-in-class in serving its customers, in maintaining a high-performance workplace and in recognizing employees as its most critical asset.



Catalyst for Change



	Key Procurement Drivers	State of Ohio
Efficiency	Overall Cost	●
	Staffing & Productivity	●
	Transactional Process Cost	●
	Cycle Time	●
	Technology Leverage	●
Effectiveness	Role of Procurement	●
	Talent Management	●
	Internal Quality	●
	Economic Return	●
	Supplier	●
	Information Analysis	●

- Most KPIs for the Key Driver are at or near World-Class
- Some KPIs for the Key Driver are at or near World-Class
- Most KPIs for the Key Driver are far from World-Class



Ohio Objectives

- ***Drivers for launch of Ohio Shared Services***
 - *Cost Reduction (Primary Driver)*
 - *Effectiveness (Secondary Driver)*
 - *Improved Quality (Tertiary Driver)*
- ***Cost Reduction Approach***
 - *Primarily in attrition (retirement rate of 33% from 2010 – 2015)*
 - *Limited changes to business processes or technology*
- ***Effectiveness***
 - *Procurement practices not effective (\$50M - \$165M annual opportunity)*
 - *Not addressed in the launch of OSS*
- ***Improved Quality***
 - *Limited baseline data*
 - *No quality standards*



Original Scope (2009)

Shared Services Financials

Vendor
Maintenance

Accounts Payable

Travel & Expense

ECM

Contact Center

Data & Metrics

Agency
Integration



Expanded Scope (2015)

Shared Services & IBS

Procure to Pay	Record to Report	Order to Cash	Hire to Retire	IT Services	Other
Vendor Maintenance	Fixed Assets	Customer Billing	Payroll Administration	Tier I Support	Contact Center
Accounts Payable	Interagency Accounting	Remittance	Benefits Enrollment	IT Function Mgmt.	ECM
Travel & Expense	General Ledger		PARs	Enterprise Architecture Planning	Facility Mgmt.
Supplier Mgmt.	Cost Accounting		Time & Attendance	Emerging Technologies	Real Estate
Requisition & PO Processing	External Reporting		Organizational Effectiveness Services	Quality Assurance	Warranty Mgmt.
Compliance Mgmt.	Compliance Mgmt.		HR Function Mgmt.	Risk Mgmt.	Collections
Sourcing Execution	Planning & Performance Mgmt.		Strategic Workforce Planning		
Supplier Scheduling	Finance Function Mgmt.				
Sourcing & Strategy					

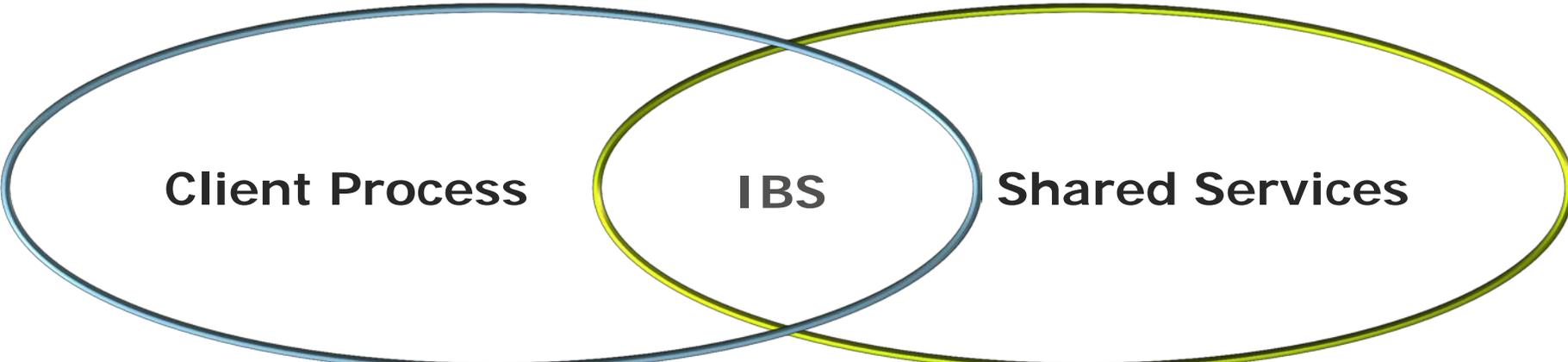


- Scope for Ohio Shared Services
- Most frequently in Shared Services
- Typically in Shared Services
- Typically not in Shared Services
- Not in Original Scope

Integrated Business Services		
PMO	Lean / Six Sigma	Audit
Data /Analytics	IV&V	OCM



Integration & IBS Approach



Client Process

IBS

Shared Services

Client Focus

- Cost
- Efficiency
- Effectiveness
- Quality
- Compliance

IBS Focus

- Lean / Six Sigma
- Project Management
- IV&V
- Internal Audit
- Data / Analytics
- Customer Relationship
- Change Management

Transaction Focus

- Fiscal
- Procurement
- Human Resources
- Information Technology
- Contact Center(s)
- Facilities



Lift & Shift vs. Pilot Waves

- **Lift & Shift Model**

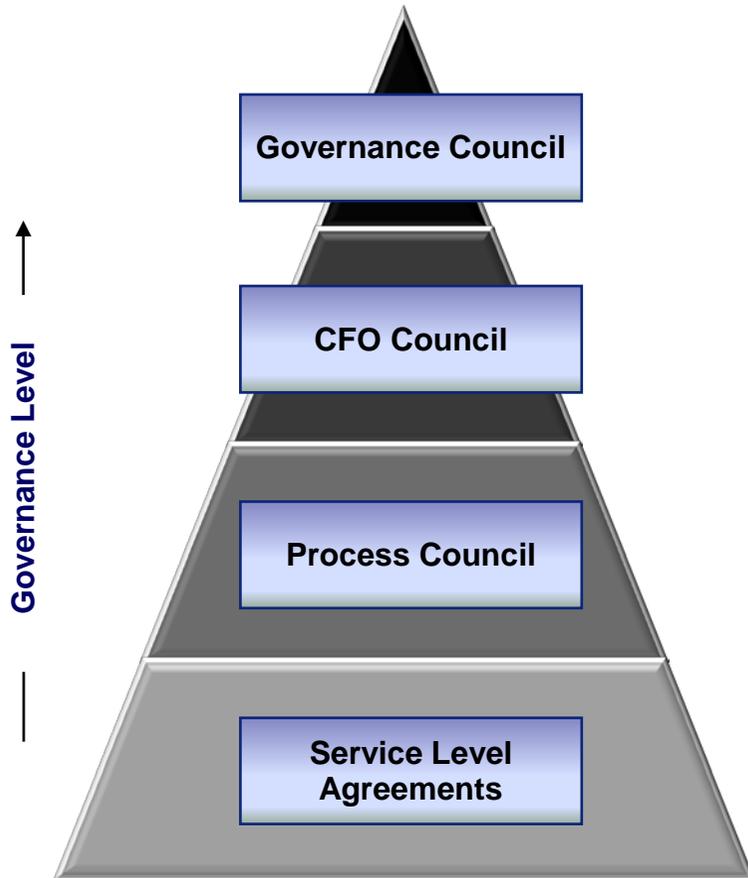
- *Migrates existing process to shared services organization with minimal changes.*
- *Impacts short-term ability to support and long-term standardization efforts.*
- *Impacts client trust as quality and cycle-times are commonly lower than business could replicate.*
- ***Increased cost, decreased quality, increased cycle times.***

- **Pilot Waves**

- *Begin with detailed discussions exposing all steps of the as-is process (Kaizen).*
- *Builds client understanding of overall process, steps, and existing inefficiencies.*
- *Sessions designed to work with client to streamline key steps of the process prior to migration.*
- *Migrates redesigned to-be process to shared services organization.*
- *Builds client trust as quality and cycle-times are commonly higher than business could replicate.*
- ***Decreased cost, increased quality, decreased cycle times.***



Ohio Shared Services Governance



Governance Council

- Executive group focused on performance
- Address major scope expansion, investment decisions, and value realization

Chief Fiscal / Procurement Officers

- Agency CFOs / CPOs support and prioritize continuous improvement initiatives
- Resolve major issues escalated by Process Council
- Value realization

Process Council

- Cross-agency process group accountability for end-to-end process improvement
- Recommend continuous improvement initiatives

Service Level Agreements with Agencies

- Documented agreements defining specific terms of performance (internal & external)
- Creates transparency and drives accountability



KPI's Metrics & Governance

Ohio Shared Services Key Performance Indicators (KPIs) are the metrics used to assess the organization's efficiency, quality, and cost effectiveness.

- Used for Performance-based Pay Supplement within the OCSEA Partnership Agreement.
- Used for daily production reporting and monitoring.
- Used for the monthly Service Management Summit formal review and Client Scorecards.
- Supports decision-making framework related to VOC, VOB, & VOP.
- Data is part of the decision-making framework.



The Voices & Governance



Voice of the Customer (VOC)

- Constantly improving the product in a proactive and innovative way.
- Captured via surveys, focus groups, calls, etc.



Voice of the Business (VOB)

- Assists in identifying and prioritizing projects that best align with OSS mission and vision, provide revenue growth, and customer value.



Voice of the Process (VOP)

- The VOP evaluates how well processes are performing.
- Information is used to identify continuous improvement projects.

All stages of governance rely on "The Voices" to identify and prioritize strategic direction of Ohio Shared Services and related service offerings - data has a seat at the table.



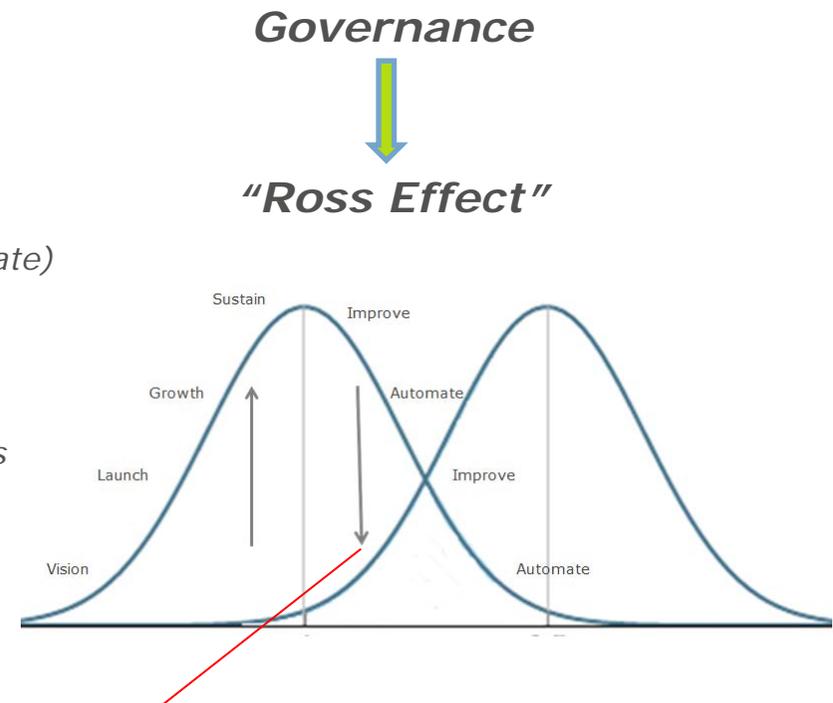
OSS Implementation Model

- **Uphill Stages**

- *LNW Horizons of Value (Vision, Launch, Growth, Sustain)*
- *Service line(s) identified*
- *Service line launch & growth*
- *Increase in clients, volume, staff, costs, & defects*

- **Downhill Stages**

- *Continuous improvement cycles (Improve, Automate)*
- *Business process re-design*
- *Technology implementation / support*
- *Decrease in manual volume, staff, costs, & defects*
- *Downhill stages are continuous as ROI permits*



Downsized staff are used to launch subsequent service lines and the process repeats.



Implementation Challenges

- **Downstream Processes**
 - *Implementation focused on downstream processes*
 - *Upstream processes largely ignored*
- **Stakeholder Support**
 - *Lack of support for OSS mission/vision*
 - *Resistant to change*
- **Cost of Entry**
 - *High cost of implementation / expansion*
 - *Limited appetite to continue "project"*
- **Return on Investment**
 - *Inability to predict when/if ROI will be achieved*
 - *Lack of confidence in data*
- **Insufficient Revenue Source**
 - *Implementation focused on transaction rates to support the business*
 - *Low adoption & varying levels of participation unable to support revenue expectations*



Stakeholders & Strategic Plan

Lesson Learned: *Stakeholder challenges of OSS strategies delayed implementation of future offerings, decreased ROI of in-flight initiatives, and limited ability for OSS to meet internal goals.*

Resolution(s): *CFO Council and monthly planning sessions with Union Leadership are designed to gain buy-in and/or redirect strategy to support the OSS Mission & Vision. Now, as a part of the planning and decision-making framework, stakeholders promote OSS service offerings and capabilities.*

Client:

- **Quarterly CFO Council**
- **Quarterly CRM Meetings**
- **Kaizen & Integration Events**
- **CFO Process Teams**
- **Top Tier Governance**

Union:

- **Monthly Partnership Meeting**
- **Monthly Performance Review**
- **OSS Town Hall**
- **Kaizen Events**
- **Top Tier Governance**



Metrics & Customer Relationship

Lesson Learned: Infrequent client reporting, lack of service level agreements, and limited external metrics allowed clients to challenge the ability of OSS to meet client standards, albeit undefined.

Resolution(s): 1) Creation and implementation of KPIs and Service Level Agreements with all clients (internal & external), 2) creation of a client reporting package and dashboards; and, 3) monthly client meetings to review OSS and client performance.



SaaS and External Support

Lesson Learned: Building/buying internal solutions increases cost and time to deliver services. Highly customized solutions are often insufficient and unable to support process variation. Difficult to meet ROI expectations.

Resolution: Leveraged external expertise and supplier technology offerings for expansion of shared services.

OSS Collections:

- **Implementation 3 mos.**
- **Best-in-class technology solution**
- **No capital investment**
- **First 150 days collected \$3.0M**
- **\$200M 12 mos. / \$400M 24 mos.**

Peer Model:

- **Implementation 36 mos.**
- **Mid-tier solution**
- **\$25.5M Inv. / \$10M Annual**
- **First 36 mos. \$0.00**
- **\$50M 48 mos. / \$60M 60 mos.**



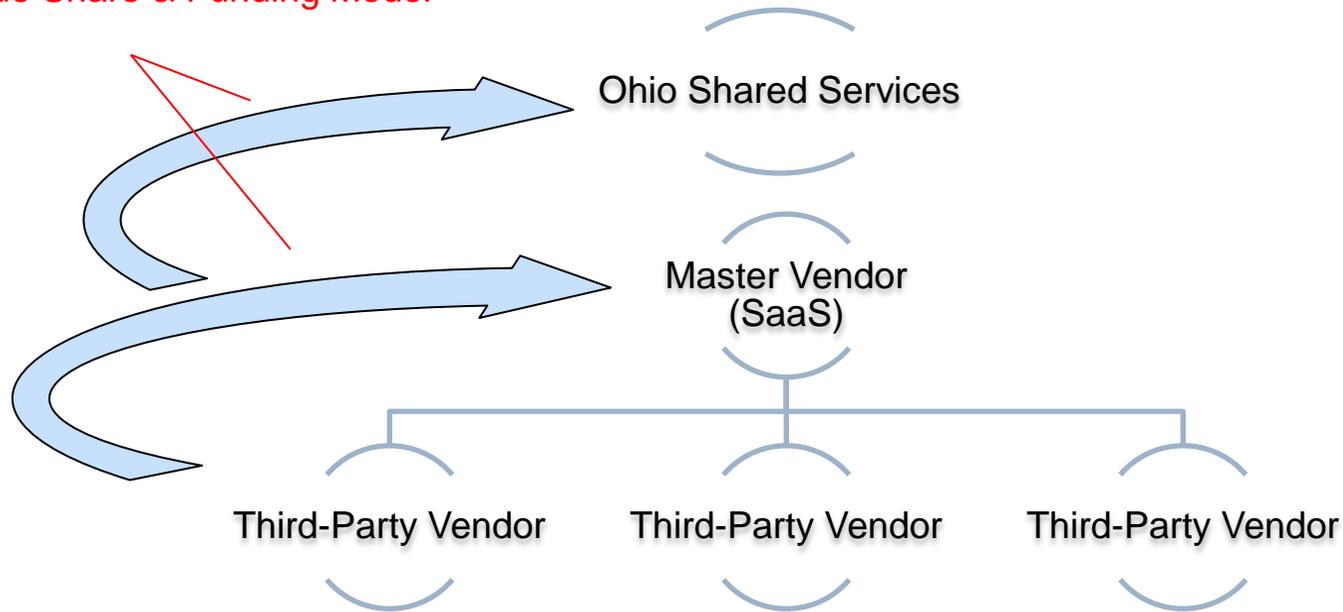
Revenue supports operating cost and future roadmap for all services

"Zero Cost Model"



SaaS and External Support Model

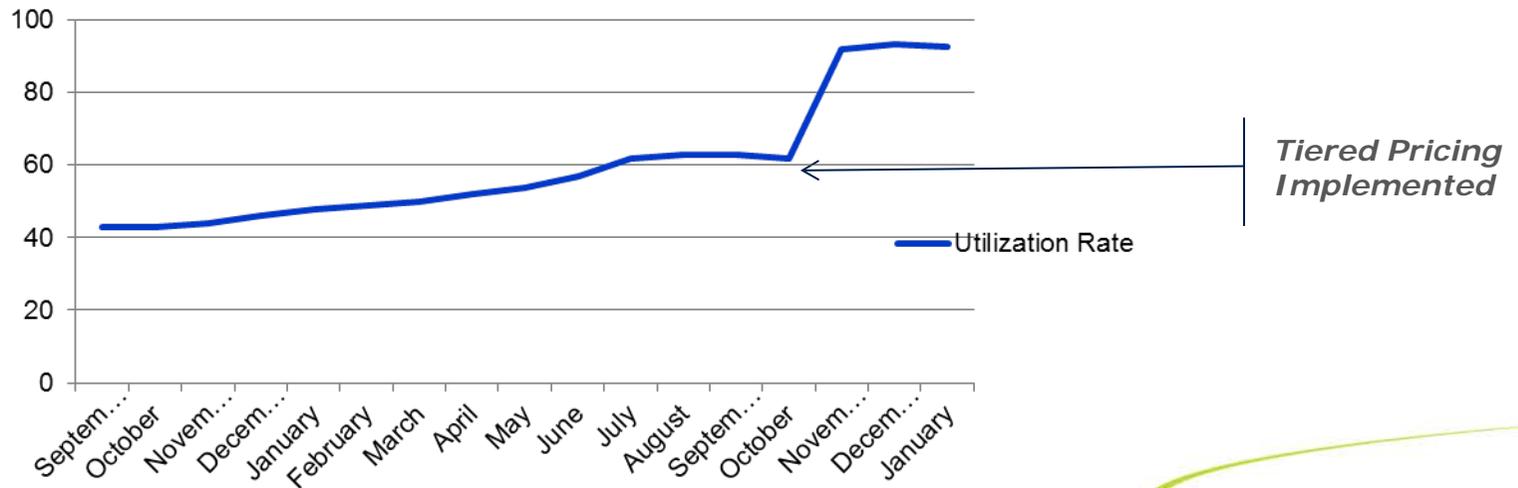
Revenue Share & Funding Model



Tiered Pricing & Transaction Rate

Lesson Learned: Clients had little or no incentive to outsource volume to OSS. Clients did not reengineer internal processes or reallocate staff to fully leverage OSS service offerings.

Resolution(s): 1) Client hiring process now requires OSS approval to ensure positions will not compete with OSS service offering, 2) tiered transaction rates provide monetary incentive to increase utilization and drive reengineering efforts; and, 3) manual vs. automated cost structure forces alignment to a standard process offering.



Tiered Pricing & Behavior

Accounts Payable Pricing Model Example:

Automated (Standard Process)

- Type(s): EDI, cXML, eSettlements, AP Director
- Cost: \$0.00
- Cost supported by collection revenue

Manual (Non-Standard Process)

- 0-50% \$15.50
- 51-70% \$13.75
- 71-80% \$12.50
- 81-94% \$11.25
- 95% + \$10.00

Special Handling

- Critical Cases
- Two-hour turnaround
- Cost: \$35.00

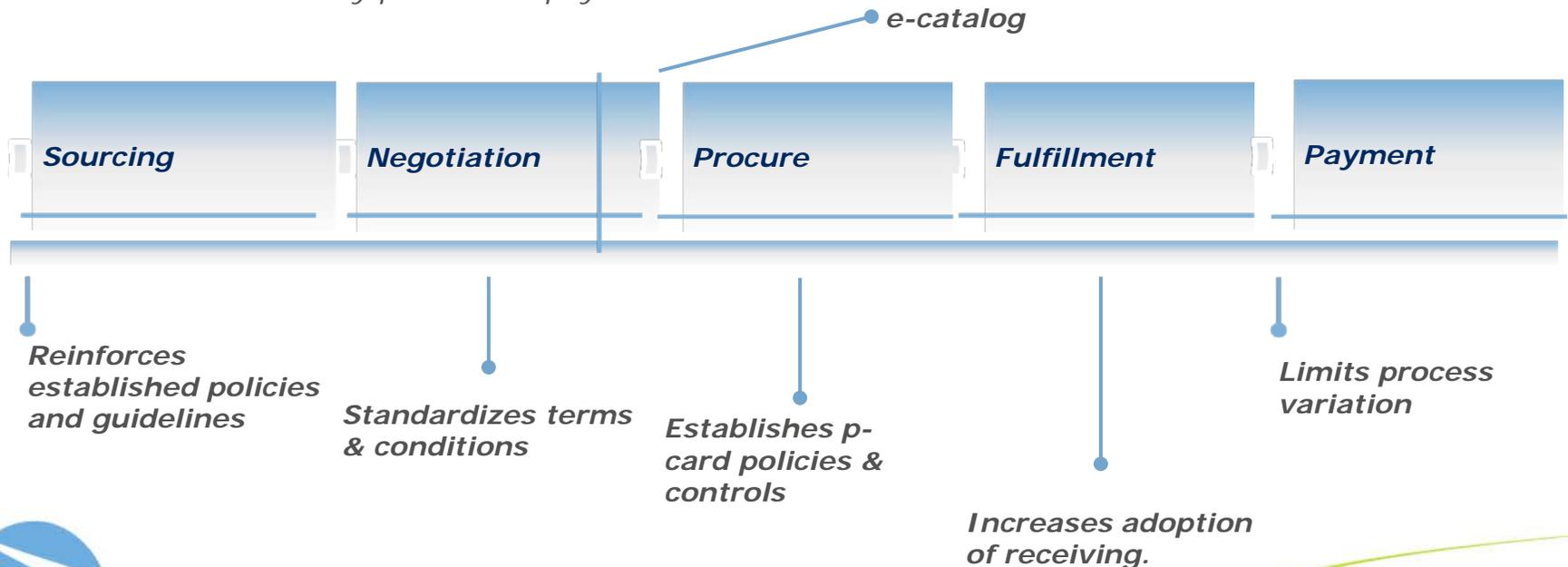
1. *Zero cost drives volume to the standard model*
2. *Improves compliance*
3. *Reduces special handling unless required.*



Upstream vs. Downstream

Lesson Learned: Implementation of accounts payable service offering without upstream standardization and defined policies. Created significant variation in the payment process increasing costs and decreasing quality.

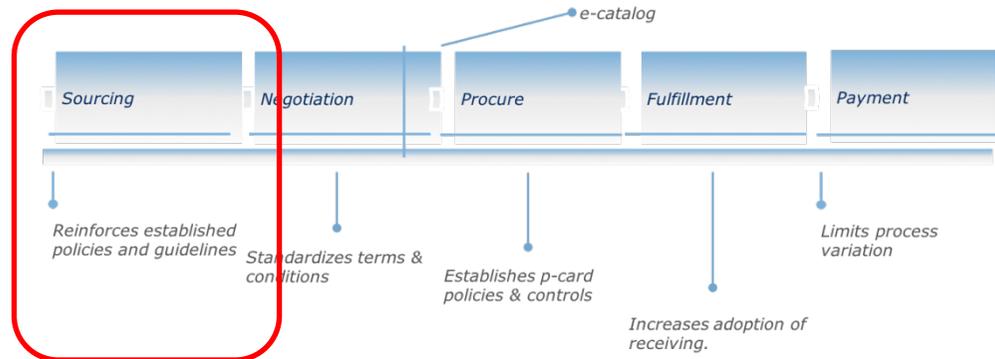
Resolution: Implemented enterprise technology platform (i.e. e-catalog) to force business standardization on key procure-to-pay functions.



Procurement Reform

Strategic Sourcing:

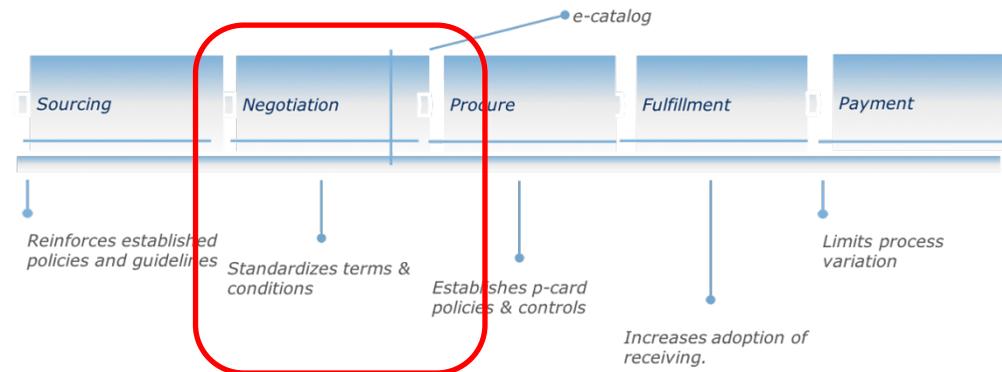
- *e-catalog / procurement solution controls business & IT spend*
- *Provides ability to capture spend data*
- *Data drives supplier / product rationale*
- *Local government support & volume-based discounts*
- *Real-time reverse auctions*



Procurement Reform

Terms & Conditions:

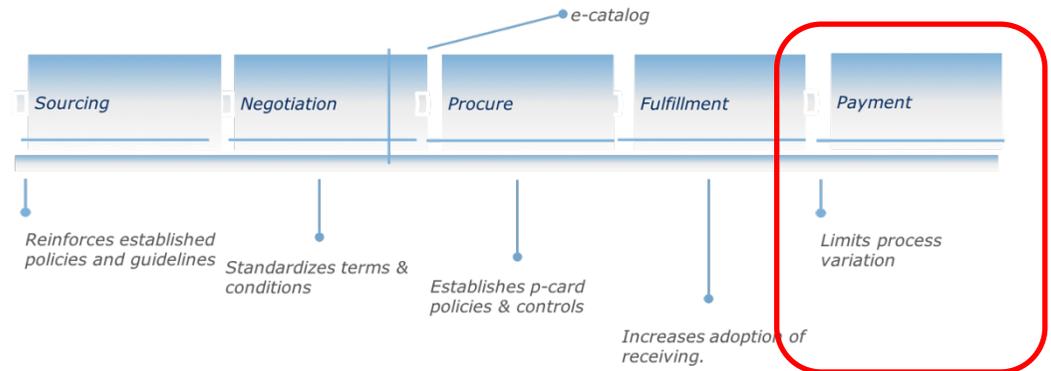
- *Thirty-two different pay terms; one offered prompt-pay discount*
- *96% payments (1.5M) do not leverage discount terms*
- *2/10 net 30 & 5/15 net 30 mandate for all suppliers*
- *Vendor self-serve portal*
- *Estimated annual savings \$50M - \$165M*



Procurement Reform

Payment Automation:

- *90% of all invoices are received via EDI or cXML*
- *SaaS offering under review for remaining 10%*
- *SaaS offering includes “payment optimization” support*
- *Drives all payments to discount terms*
- *No capital investment – strategic partnership*
- *\$17M – \$22M in annual discounts*





*Thank You
Questions & Reflection*





[Download *Pathways to Value: Shared Services and E-Procurement* here.](#)

The cover of the report "Pathways to Value: Shared Services and E-Procurement". The top half has a dark red background with white text. The title "Pathways to Value" is in a large, white, serif font. Below it, the subtitle "Shared Services and E-Procurement" is in a smaller, white, italicized serif font. Further down, the text "The NASCA and NASPO Topical Roundtable" is in a white, sans-serif font. Below that, the dates "May 5-6th, 2015" and the location "Washington, D.C." are in a smaller, white, sans-serif font. The bottom half of the cover features a photograph of the United States Capitol building at night, illuminated against a dark blue sky. At the bottom of the cover, there is a white banner with the logo for "LEADERSHIP FOR A NETWORKED WORLD", which consists of a red and white globe icon followed by the text "LEADERSHIP FOR A NETWORKED WORLD" in a black, sans-serif font.