

A Shared Services Approach to Back-Office Processing:

8 Reasons for State Governments to Embrace Consolidation

Imagine if your state government agency could meet ever-increasing constituent expectations for service while achieving cost savings through:



more efficient staffing models



economies of scale



and the elimination of duplicate processes

That vision is a reality for the growing number of state agencies and other entities that are embracing a shared services approach to back-office processing.

In a shared services arrangement, two or more government agencies or other entities collaborate to fulfill back-office processes through a consolidated service-oriented organizational unit.

Shared services first took hold after the financial crisis of 2008, which ravaged state government budgets. Agencies and other entities knew that they had to find ways to do more with what they had while maintaining service to constituents and accessing new technology.

The shared services concept has gained momentum as state governments look for new ways to fulfill their back-office services in the face of declining operating budgets, reduced document volumes and rising costs.

The federal government also is embracing shared services. Deloitte expects more federal agencies to adopt the shared services model as a leading practice. In fact, the Office of Management and Budget (OMB) is working with agencies to migrate their internal administrative activities to designated service providers. And the Trump administration has called for greater use of shared services across government entities. The Obama and Bush administrations also were big fans of shared services.

With operating budgets in decline government entities are more interested in exploring innovative ways to control costs and eliminate duplicative services, while maintaining service.

Bringing Back-Office Functions Together

A wide range of state government agencies are potential candidates for shared services:

- Department of motor vehicles
- Health and human services
- Pension and retirement
- Department of justice
- Child support
- Fish and wildlife
- Permits and licenses
- Budget, finance, and accounting
- Procurement
- Human resources



SPOTLIGHT:

Every dollar that a state government entity saves on back-office functions such as data capture is a dollar that can be used for programs and services that directly benefit constituents.

In most cases, a state government's shared services operation is administered by its department of revenue (DOR), formerly called tax processing. A state's DOR expertise in accurately processing high volumes of data and documents and its investments in highly scalable intelligent information management infrastructure make it an ideal candidate for operating a shared services organization on behalf of a state government.

Government DORs also must configure their systems for two peak tax processing periods - the spring and the fall.

This means that most government DORs have a tremendous amount of processing capacity that goes unused for approximately half of the year.

Conversely, outside of the DOR, most state government agencies and other entities have steady, albeit lower-volume, processing requirements that could be handled by a DOR's infrastructure.

As an example, today's intelligent scanners can easily handle the documents commonly processed by a state department of transportation including:

- Citations,
- Accident reports,
- Title reports,

The DOR for one northeast state is processing documents on behalf of nearly two dozen of the state's agencies.

State agencies aren't the only government entities taking advantage of the push towards shared services. More county and city entities are offloading work to a shared services organization operated by their state government. For instance, the shared services operation for one state processes sales tax payments on behalf of the two largest cities in the state.



County and city entities increasingly are discovering that shared services provide better economies of scale than in-house operations and greater control and accuracy than third-party outsourced services providers.

What's in it for State Governments?

Shared services deliver tantalizing benefits to government agencies and other entities:



Cost Savings:

1

Shared services offers tremendous potential for cost savings, particularly in back-office functions such as intelligent information management. Large states stand to save hundreds of millions of dollars through shared services, recent studies suggest. For starters, shared services create economies of scale. What's more, leveraging a shared services operation enables an agency to avoid the cost of deploying, managing, and upgrading its own systems. And buying a service from a government shared services operation is typically less expensive than in-house processing or leveraging a third-party outsourcing provider.

While the actual savings that a state achieves through shared services will depend on factors such as collective bargaining agreements, personnel costs and legacy infrastructure, there is no question that expanding shared services is well worth the effort by state governments.

Managing multiple back-office processes through a shared services arrangement can ease the heavy information technology burden on state government agencies and other entities.



Elimination of duplicate tasks:

2

Consolidating similar back-office functions from different agencies and entities under one functional area helps governments eliminate duplicate tasks.



More efficient staffing models:

3

The budgets of most state government agencies have been in a vise since the financial crisis of 2008. This has made it hard for most agencies to add the personnel that they need to accomplish their mission. Moreover, finding staff for seasonal government processes is a burden on an agency's human resources department. Shared services enable state agencies to reduce their administrative overhead.

Once freed from mundane tasks, agency staff have more time to focus on their core mission such as finding ways to enhance constituent service. Similarly, offloading the headache of finding seasonal staff allows an agency's human resources department to focus more time on strategic tasks.

Shared services frees staff to focus on an agency's core mission



Better constituent service:

4

Shared services help government entities maintain quality or avoid reductions in the level of service they deliver, despite tight budgets. The advanced intelligent information management solutions used by most state government shared services providers also provide better visibility than the technology that most government agencies can afford.

Establishing a Center of Excellence as part of a shared services organization also helps uncover opportunities for innovation and new ways of thinking about how government services are delivered. Leveraging a Center of Excellence helps government entities take a standardized approach to back-office functions, to achieve best-in-class, high-performance results. And state government entities can rest easy knowing that most shared services organizations commit to stringent standards or performance expectations for service delivery.



Improved accuracy

5

The advanced technologies used by a state government's shared services organization may result in an entity reaching a higher level of quality than it would have been able to achieve with its antiquated intelligent information management systems.

Leveraging a state's shared services organization enables agencies and other entities to avoid the significant cost, time and effort of modernizing standalone, agency-specific systems.



Innovation & security:

6

Shared services provide entities with the resources and expertise to keep up in fast-evolving areas such as intelligent information management and security and compliance. For instance, the advanced intelligent information management solutions used by the shared services organizations at many state governments make it easier for agencies and entities to comply with stringent Payment Card Industry (PCI) data security standards and National Institute of Standards and Technology (NIST) guidelines for protecting sensitive information and information systems. Using modern technologies in a shared services arrangement also provides state agencies and other entities with a higher level of operational reliability.



Greater collaboration:

7

Shared services fosters regular communication among management and staff across government agencies, improving coordination and information-sharing.

Shared services provides small state government entities with access to the advanced systems and business process expertise that they may not be able to afford on their own.



A new revenue stream:

8

Selling excess capacity to other state government entities can create a new revenue stream for a department that offers shared services. The revenue generated from shared services can offset the cost of deploying or upgrading back-office technology or prevent potential labor or service reductions in the department. This makes shared services enticing for departments of revenue that are experiencing declining paper document volumes.

These are some of the reasons that more state governments are embracing shared services.

How to Realize the Full Potential of Shared Services

The benefits of shared services in state government are proven and compelling. But achieving these benefits requires that state agencies and other entities carefully plan their shared services initiative.

Here are several key considerations for achieving shared services success:

Key #1

Determine your needs

Shared services may not be a good fit for every back-office function or state entity. To determine if its right for you:

- establish a team to assess the viability of leveraging shared services
- conduct a thorough needs analysis
- explore potential partnerships with other agencies

These three steps can help an entity make a well-informed decision. To ensure that the effort is worthwhile, set clear goals with measurable results. Documented terms, written in a way that government leaders understand, will keep things on track.



Determining needs help an entity make a well-informed decision if shared services is right for you.

Key #2

Don't be afraid to let go

Achieving their core mission requires state governments to become more comfortable in relinquishing complete control over their systems. Consider a pilot project to establish a working relationship with the shared services organization and to create a track record from which your organizations can develop a larger partnership.



Let go of some control by considering a pilot project to establish shared services relationship.

Key #3

Establish a shared services team

Like most projects, good management and a thoughtful implementation are critical to achieving shared services success. Line up support from top administrators early-on in the process and establish a team or task force to identify opportunities for shared services initiatives. Carefully assess the back-office capabilities of the shared services organization and mutually develop service level agreements (SLAs). Government agency heads should regularly review and discuss shared services agreements.



A shared services team can help establish and identify opportunities in a shared services initiative.

Key #4

Strive for back-end integration

Eliminating a bunch of redundant, fragmented systems is tantalizing. Decisions are made faster. Compliance and security are streamlined. And systems can be more easily maintained.

But achieving these benefits requires a shared services organization to properly integrate its intelligent information management platform with the back-end systems of record used by the government entities that it serves.



Back-end integration can eliminate redundant and fragmented systems.

Key #5

Measure your progress

Sustaining the success of a shared services initiative requires careful project evaluation. Start by establishing clear goals with measurable results, to confirm that the effort was worthwhile.

Periodically measure key performance metrics:

- Throughput
- Cycle times
- Accuracy

These metrics will alert you to areas that require additional attention.

Demonstrating continuous performance improvement also will incentivize administrators to encourage other entities to consider shared services. And don't hesitate to adjust a shared services arrangement as needs, budgets or relationships change.



By measuring your progress the success of a share service initiative is evaluated establishing clear goals with results.

Key #6

Choose the right platform

To meet the diverse needs of its various agencies and other entities, a state government's shared services organization should look for a solutions provider for intelligent information management that offers a comprehensive mix of:

- Software
- Hardware
- Services

An intelligent document scanner that can support a wide range of document types is critical.

Shared services organizations must scan multiple document types co-mingled, and sort documents automatically based on pre-defined business rules. Using an intelligent document scanner eliminates the need for multiple standalone systems and laborious mail-room sorting.

Using a document scanner that can support for any type of transaction can provide big benefits:

- Streamlined staff training
- Accelerated delivery of critical information downstream
- Reduced maintenance costs



The right platform can meet the needs of various agencies. A shared services solution serves the needs of several agencies.



Solutions should contain the right mix of software, hardware, and services for intelligent information management.

Selecting a solutions provider that offers desktop and standalone scanning devices also helps state governments deploy a capture platform that most closely fits their needs. For instance, desktop devices may be ideal for remote sites, small departments, and redundancy.

These considerations help ensure that a government realizes the full potential of shared services.


There's No Time to Waste

Government entities face the triple-whammy of:

- Declining operating budgets
- Increasing costs to fulfill back-office processes
- Ever-increasing service demands from constituents

Shared services are enabling state governments to save hundreds of millions of dollars annually by reducing costs, streamlining operations and improving staff efficiency – all while maintaining service to constituents and accessing advanced technologies that will deliver more benefits to taxpayers.

Isn't it time to **evolve** your state government's approach to back-office processing?



It's time to evolve your approach to back-office processing.

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