# CASE STUDY SERIES

## GLOBAL SHARED SERVICES
## AND TRANSFORMATION
## OF THE UN SYSTEM

#3/2017

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## the UNSSC

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- The Knowledge Centre for Sustainable Development in Bonn (Germany) which builds substantial knowledge around Agenda 2030
- The UN Lab for Organizational Change and Knowledge (UNLOCK) — a programme entirely devoted to organizational change and transformation

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**UNLOCK Case Studies have been prepared as part of a range of initiatives designed to foster necessary change throughout the UN system. Subjects have been chosen because of their relevance to agencies and staff across the system, as well as the potential to stimulate learning and knowledge sharing that leads to the practical steps required to build a stronger UN. The opinions and statements presented here do not necessarily represent those of the UNSSC.**

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# GLOBAL SHARED SERVICES AND TRANSFORMATION OF THE UN SYSTEM

## EXECUTIVE SUMMARY

Organisations, including entities of the United Nations system, have over the last two decades been adopting a variety of Shared Services business models, in the quest for increased efficiency and effectiveness. Initially, cost savings tended to be the principal driver for the consolidation of largely transactional, location-independent services. Over time, and as technology has enabled the incorporation of a broader range of analytical and support functions in Shared Services facilities, opportunities for promoting continuous improvement, innovation and organisational agility have increasingly featured in the motivations for such business models, most prominently outside the UN system. Currently, UN interest in using Shared Services as a key platform of the Secretary-General's reform agenda - at global, regional and country levels - is high. Learning from its own experiences, as well as from those of other large-scale and complex organisations, it seems that major challenges will have to be confronted if Shared Services are to make the critical contribution that is hoped for. First, it is essential that all developments are driven by a robust transformation framework, based on a vision that recognises that a move to a more inclusive and multifunctional Shared Services model should not be driven by cost reduction alone, and that they have the full backing of senior leadership. This framework must ensure that the Shared Services model that evolves is coherent vertically (from global to country levels) and horizontally (across participating entities). Additionally, success will depend on the ability of organisations - individually and collectively - to prepare for and subsequently manage the process of change, itself a substantial undertaking that the UN does not yet seem fully equipped for. This case study[1] looks carefully at the nature of these challenges, wherever possible identifying practical ways of dealing with them, so that Shared Services become a true enabler of the UN's vital contribution to a "Better Future for All".

# THE EVOLUTION OF THE SHARED SERVICES BUSINESS MODEL

Shared Services is a business model that originated more than two decades ago in the pursuit of increased organisational efficiency and effectiveness. Usually, this model entails a **suite of services required by both the operating business units and the corporate functions**, therefore potentially spanning from transaction-based (typically routine and high-volume) to transformation-based (that is, requiring extensive expertise and are strategic to the organisation) activities. The business functions that may be shared are similarly diverse, possibly including front-office work such as customer support, and back-office work, such as finance, law, human resources (HR), and information systems.

**The Shared Services operating model is built on three primary capability levers: People, Process, and Technology**, the successful deployment of which can generate multiple benefits. As evident in Figure 1, **the type and extent of the benefits sought from this concept has changed over time**. While the illustration implies some separation in the different categories of benefits, these in fact overlap and are in many ways interdependent, with their relative importance varying depending on the specific organisational improvement strategy being pursued.

Having said this, these different categories of benefit have gradually emerged over time. Thus, **in the early days of Shared Services implementation, the primary expected advantages of this model could be categorised as cost-efficiencies,** largely based on increased standardisation combined with economies of scale. Evidence such as that from Deloitte's biennial global Shared Services

survey (conducted since 1999)[2] indicates that such efficiencies have often been realised; the most recent survey found that **average annual savings were approximately 8%,**[3] which is consistent with what has been found since these surveys began.

However, as the Shared Services model has matured, it has become apparent that it potentially **offers multiple other benefits to organisations, especially with respect to improvements in productivity, quality and customer service**. Some of these flow from **ensuring that front-end units can focus attention on working with external customers** (with Shared Services providing essential operational support), and **corporate functions can focus on strategy and coherence** (with Shared Services assisting in areas such as statutory compliance, controls and information). Again, the most recent Deloitte survey found that, although transactional processes remain predominant at service centres, adoption of more complex, knowledge-based processes has doubled or in some cases, tripled since 2013.

Reflecting this evolution, research by the Shared Services and Outsourcing Network (SSON) found that, **while in 2004 only 24% of executives worldwide considered Shared Services to be strategic for their businesses, by 2011 this proportion had climbed to 89%.**[4] This was confirmed by a more recent SSON survey that found that nearly 75% of the 500 respondents thought their "current Shared Services strategy will deliver a dramatic and recognized value to the organization beyond cost savings".[5] It should be noted that such **expectations do vary depending on the maturity of a service solution**. The SSON 2017

[2]The 2013 survey found that 47% of the 277 respondents (representing 870 shared service centres) believed their shared services had a "significant positive impact" on cost reduction, with a further 41% indicating a "somewhat positive impact", this having been a consistent finding over the five previous years.
[3]Deloitte's 2017 Global Shared Services Survey.
[4]"The Shared Services and Outsourcing Revolution is Here" (SSON, 2011).
[5]SSON's Annual State of the Shared Services & Outsourcing Industry Survey Results 2016.

survey [6] found that, for "new launches", the impact of "cost" remains the most significant definition of service performance while mature centres are most likely to recognise analytics as a service performance to be measured by. It is thus evident that practitioners now understand that more should be expected of Shared Services than cost arbitrage and centralisation, and that this growth in organisational ambition is based on practical learning, being further fuelled by advancements in technology. Such evolving ambition is reflected in the SSON's survey finding that ***the most prevalent efficiency target is expanding scope without adding headcount***; significantly, this performance indicator was clearly distinguished from that of "roles eliminated", which had a much lower ranking.

Figure 1: The Evolving Benefits of the Shared Services Model

## Cost-effectiveness, achieved through:

Economies of scale

Specification of agreed-upon service levels, reflecting value-based decisions on what to provide and how

Standardisation of processes, benefiting from the study and application of best practices, leading to improved servicing response times and improved automated reporting

Transition to a common technology platform (often an Enterprise Resource Planning system), leading to improved returns on investment in software, hardware and associated resources

## Enhanced Customer Service and Quality Management, enabled by:

Enhanced scalability, it becoming easier and generally less costly to adjust the Shared Services delivery model in response to changes in the required (functional or geographic) scope of services

Strengthened decision support, with material data analysed and delivered as reliable and actionable information, resulting in more informed policy making, more effective workforce management, and

Improved resource alignment, as well as improved risk management, controls and compliance

In some cases, political advantages such as enhancing management credibility and resolving internal conflicts
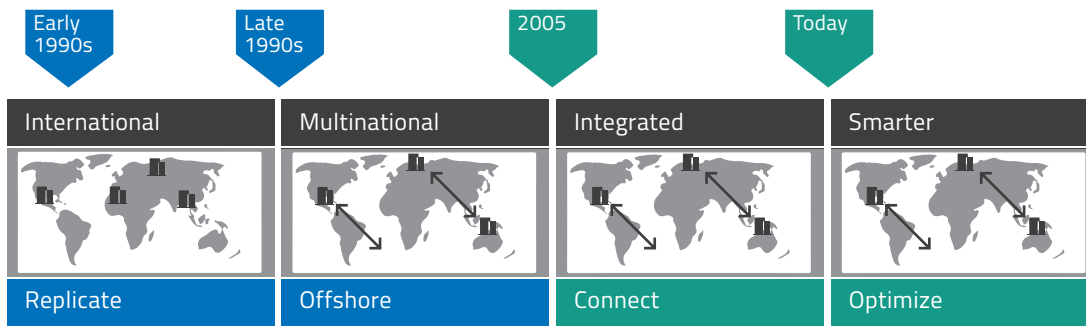
## Continuous Organizational Improvement, enabled by:

Enhanced organisational learning and innovation, achieved especially by concentrating technical and managerial expertise where it adds most value and facilitating knowledge sharing

Increased business agility, as Shared Services can be sourced through multiple delivery channels and/or geographic locations

Accelerated change readiness

To realise the full potential of the model, in many instances Shared Services have been established as a separate business unit within a company or agency, and charged to gain efficiencies beyond consolidation and cost optimisation through a methodology of continuous improvement. This separate business unit will often develop its own culture that may be distinct from the remainder of the organisation, reflecting reliance on people with the skill and mindset necessary to optimise a process-driven customer service model.

Continuing this growth in organisational ambition, recent years has seen the emergence of the next-generation - or "integrated" - Shared Services model based on an entirely new joint "hybrid" organisation (encompassing internal and external providers of Shared Services) led by a newly created C-level executive. The journey from the initial models to most current thinking - referred to as Global Business Services, or GBS - is illustrated in Figure 2 [7].

Figure 2: Moving to the GBS Model: The Evolution Toward Smarter Organisations [8]



| Early 1990s | Late 1990s | 2005 | Today |
|---|---|---|---|
| International | Multinational | Integrated | Smarter |
| Replicate | Offshore | Connect | Optimize |

A GBS organisation focuses on three types of activities:

1. Large, self-contained, transactional-intensive activities that are common across the organisation (such as accounts payable, cash application, and employee data management);
2. Common activities currently performed in multiple Shared Services (such as purchase order processing, reconciliations, learning administration, and technical and product support); and
3. Activities that are linked either upstream or downstream to large transactional activities or are inherently cross-functional for horizontal integration (such as global process ownership, transition, change management, "lean" and continuous improvement).

This GBS model fully embraces innovation, end-to-end integration and a truly global perspective, establishing a platform to optimise business processes and better leverage business insights. This in turn enables enhanced decision-making and helps make the entire organisation smarter and more resilient. Becomes possible where companies have abandoned structures defined by narrow business functions such as finance or IT, on delivering standardised, end-to-end processes. This highlights the increasing focus on the value that integrated Shared Services can bring to the organisation over the long term, including through better use of technology and skills across functions. According to a 2011 executive summary report from the Corporate Executive Board (since acquired by Gartner),[9] Shared Services path was initially driven by the search for cost savings 75% of executives from a wide variety of large enterprises and industries cited greater agility in responding to business changes and growth as the main driver toward this type of multifunctional integration. In its most recent survey SSON has identified a doubling in the number of GBS adoptions since 2013.[10]

[7] From the IBM Thought Leadership White Paper, "Today's shared services operating models: the engine behind enterprise transformation" (December 2011). Note that IBM calls the new generation approach "Globally Integrated Business Services, or GIBS".

[8] Extracted from the IBM Thought Leadership White Paper, "Today's shared services operating models: the engine behind enterprise transformation" (December 2011).

[9] "Is integrated business services the end state? Meeting of multifunctional shared services leaders".

[10] SSON's Annual State of the Shared Services & Outsourcing Industry Survey Results 2017.

Having said this, it seems clear that this high level of ambition is proving difficult to attain. According to one of its recent blogs,[11] **only 184 (or 5.3%) of the 3,476 Shared Services organisations (SSOs) in SSON Analytics' database are true GBS organisations,** and 60% of these are in the "partial implementation" phase. While the obstacles to GBS solutions are not yet fully understood, it seems reasonable to assume that organisational politics will often get in the way of achieving the "global" authority and decision-making capability that must extend across various country and regional demographics, as well as internal functions and administrative departments, for GBS to succeed.

For many, GBS should perhaps be viewed as an "ideal" that is not realistic for them. Tellingly, in its most recent survey, Deloitte found that 72% of organisations not currently using GBS do not plan to make the shift (and 4% that tried have already switched back). Many organisations have evolved to a kind of halfway house of leveraging some of the characteristics (and therefore harvesting some of the wins) while avoiding the more sensitive issues associated with GBS implementation, a lesson that should be headed by others pursuing increased benefits through Shared Services implementation.

# THE EMERGENCE OF GLOBAL SHARED SERVICES IN THE UN

Shared Services have also become a part of the UN's business model, although evolving at a somewhat slower pace than that described above, and without yet advancing to anything close to the GBS model. *An overarching driver for efforts to-date has been the conclusion reached by many UN entities that the replication of administrative support functions in multiple locations has diverted resources from their mandated priorities.*[12] Striving to become leaner and more cost-efficient, *the main response to this has been the consolidation of selected administrative transactional functions*[13], typically involving HR management, finance, information and communications technology, procurement/supply, vendor management, and travel. Figure 3 presents an overview of the primary developments to date within the UN entities that have been most active in establishing global Shared Services.

Available evidence, including that assembled by the UN Development Group's (UNDG's) High- Level Committee on Management (HLCM)[14], indicate that, *although both qualitative and quantitative concerns were assessed as part of organisations' cost-benefit analyses towards establishing Global Shared Service Centres (GSSCs), cost efficiencies were the primary driver.* As has been the case in other sectors, this emphasis on reducing costs and improving efficiency has similarly resulted in prioritisation of transactional functions that are high in volume, routine in nature, based on agreed and documented rules and standard procedures, and independent of location.

Having said this, and as evident from Figure 3, *significant differences in approaches are evident across the system, reflecting variation in strategic drivers and the*

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[11] "Should more shared services organisations adopt the global business services (GBS) model?"
[12] For example, according to a recent JIU report, the administrative architecture of the UN Secretariat constitutes some 98 stand-alone entities that serve individual duty stations or specific departments and offices. [Source: "Administrative Support Services: The Role of Service Centres in Redesigning Administrative Service Delivery". JIU/REP/2016/11.]
[13] An elaborated overview of the development of shared services in the UN has been provided as Annex 1.
[14] See "Progress with Global Service Delivery Solutions in the UN System", CEB/2015/HLCM/11, 24 September 2015.

Figure 3: Illustrative Developments in Global Shared Services within the UN system

| Entity | Model | Summary of Main Developments & Features |
|---|---|---|
| FAO | Outsourcing model, formed 2008 over three sites: Budapest, Santiago and Bangkok<br><br>Head reports to DDG (Ops) | A review in 2010/11 found that the time zone had not been an important issue and it was proposed to achieve further economies of scale through consolidation into one main centre in Budapest, but this was not approved by the FAO Conference |
| IOM | Offshoring model, formed 2002 in Manila with smaller centre in Panama (2007)<br><br>Head reports to DG | Several functions, such as staff payroll, are consolidated in Manila and performed on behalf of the entire organisation. The centres have reduced operational costs that helped IOM to fund its core costs during a period of exponential growth |
| UN Secretariat | The regional service centre Entebbe (RSCE) was established in 2010/11 within the framework of the UN Secretariat's five-year global field support strategy | Intended to reduce mission footprints and the number of civilians in hazardous locations, while standardizing processes and leveraging economies of scale. The number of missions supported increased from five in 2010/11 to 12 in 2016/17 |
| UNDP | Offshoring + outsourcing model in two sites: Copenhagen (HR) from 2002 and Kuala Lumpur (Fin) from 2012<br>Head reports to Director (Ops) | Numerous initiatives from 2001, culminating in 2016 in unification of the Copenhagen and Kuala Lumpur service centres in a Global Shared Services Unit that replaced previously separate reporting lines with cross-functional management |
| UNHCR | Offshoring model, formed in 2008 in Budapest, with a facility in Copenhagen recently designated a GSC<br><br>Head reports to DHC | Model based on relocating functions within existing structures rather than establishing Shared Services. GSC in Budapest has grown substantially as result of transfer of functions and the enlargement of functions that were not affordable in Geneva |
| UNICEF | Outsourcing model, formed in 2012, a GSSC opened in Budapest in 2015<br><br>Head reports to DED | The GSSC was predicated on four drivers: increased mission focus of field offices; cost savings; improved quality; and risk reduction. Drives continuous business improvement and a culture of performance management and customer service |
| UNOPS | Outsourcing model, formed 2015 in Bangkok | Launched parallel to a new enterprise resource planning system, OneUNOPS, which is intended to serve as the key enabler for UNOPS to offer a broader menu of transactional services through a shared service approach |
| WFP | In 2006, initiated a project to develop a service centre in two phases. Since 2016, has focused on process transformation | In the first phase, relocated "non-critical processes" to a variety of locations. The second phase, under which WFP planned to relocate human resources management and finance functions, did not materialize. |
| WHO | Outsourcing + offshoring model, formed 2008 in KL<br><br>Head reports to ADG (Management) | The GSSC, which covers all regions except the Americas, was established as part of a bigger plan to modernize service delivery, including a new enterprise resource planning system |

*response to them.* For example, UNHCR's initial approach was based on relocating functions to a lower-cost location within existing structures, rather than consolidating them from multiple providers to establish Shared Services within the organisation.

By comparison, FAO and UNICEF have adopted a similar business model providing transaction processing services to offices around the globe. UNICEF expects its GSSC to drive continuous business improvement and help develop a culture of performance management and customer service throughout the organisation. UNOPS launched a GSSC in Bangkok in January 2016, parallel to a new ERP system, OneUNOPS, which is intended to serve as an organisational platform for increasing efficiency and as the key enabler for UNOPS to offer a broader menu of transactional services to its clients through a Shared Service approach. By contrast, a major motivation for establishment of the Secretariat's RSCE was to reduce mission footprints and the number of civilians in hazardous locations.

As might also be expected, *these models are at different levels of maturity.* Some centres are providing services to all HQ and field office locations, while others are still travelling in this direction. *Many organisations have favoured single global centres* to provide geographical coverage, with the preferred locations for such centres being Kuala Lumpur and Budapest. Regional centres have also been introduced (for example, in Santiago for Central and South America and Bangkok for Asia and the Pacific), although assessments conducted by some entities have concluded that a multi-centre

approach is not cost justifiable. Generally, technology has made time zone differences somewhat irrelevant, making single centres offer higher economies of scale. However, this consideration may not always be decisive; as IOM discovered, *language skills can provide a stronger justification for regional centres with respect to services, requiring higher levels of customer interaction.*

*There is evidence that these varying Shared Services models are delivering benefits to the organisations that have established them.* For example, a Joint Inspection Unit (JIU) 2012 review of WHO management and administration found that its Service Centre brought significant progress in transparency, monitoring of resources and coherence of administrative processes, and contributed to an improved managerial culture in WHO. A more recent overarching JIU review[15] concluded that *United Nations organisations are "heading in the right direction by considering shared (consolidated) services, services centres and the placing of such centres in lower-cost locations".* The same review made two seemingly related observations, namely that:

● *The entities that had established GSSCs share certain characteristics,* the most significant being that they work on a relatively large scale, perform operational functions, and have extensive field-based networks and / or programmes, encompassing the most complex service needs; and

● *A focus on relocation to low-cost venues has tended to overshadow the opportunities available through business process improvement and consolidation of service delivery.*

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[15] *"Administrative Support Services: The Role of Service Centres in Redesigning Administrative Service Delivery". JIU/REP/2016/11.*

The inference is that *the emphasis placed on cost savings may have limited the adoption of GSSCs to those organisations with the greatest scale and geographical reach.* While other extremely valuable, if harder to quantify, gains were realisable, *the inability to demonstrate unequivocal cost savings may have deterred the development of these centres.* An example is provided by UNFPA, which actively explored and in 2015 commissioned a feasibility study into the consolidation of services under its Operational Excellence initiative. While this concluded there was a case for establishing a centre through three incremental phases, the cost-benefits were not considered compelling by Executive Management, and the organisation has continued with a variety of unconsolidated service solutions, any operational improvements to be achieved through process streamlining.

Meanwhile WFP, which initially committed to development of a service centre in two phases, changed course following a 2016 management review which concluded that the financial benefits were not sufficient to justify consolidation in a single centre. WFP instead decided to focus on process transformation, with Shared Services to be delivered from wherever is found to be most beneficial (for example, global vehicle leasing being performed in Dubai), thus seeking to gain from the creation of varied service solutions without exposing the organisation to the costs and perceived risks associated with the establishment of a GSSC.

For individual entities, decisions such as these may well be appropriate, and represent the best response to known circumstances. However,

overall, *the UN system is under huge pressure to explore ways of extending Shared Services solutions as a platform for organisational reform and performance improvement.* Given current budgetary pressures on the UN, cost savings continue to be an overriding factor, although broader considerations are at play. In recent years Member States have also been calling for enhanced integration, coordination, accountability, and transparency in the UN system.[16] Within this broad context *the Secretary General (SG) is determined that the Secretariat shift to a new service delivery model that ensures synergies and sharing of infrastructure to the extent possible.*

The General Assembly has also put forward an ambitious agenda[17] for the *consolidation of support services at the country level, and the possible establishment of common service centres and common support services at the country, regional and headquarters levels in key administrative support areas, based on a unified regulatory framework.* It also called for investment in intra-agency rationalisation of business operations.

Such demands recognise that the operational infrastructure and the business models of organisations are key enablers in the pursuit of the integrated approach that, among other things, Agenda 2030 calls for. *Consolidating transactional and, potentially, more analytical functions could enable the UN system and its component entities to quickly adopt changes in strategic direction or respond to clients at a global and / or regional level.* Helping centres to focus on their core business – delivering services to stakeholders – would enable the creation of a much more customer-centric approach.

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[16] *As affirmed, for example, at the ECOSOC Operational Activities Segment on 28 February to 1 March 2017. 17 Resolution 67/226*

[17] *Resolution 67/226*

Notwithstanding both the pressures for change and the considerable potential benefits available to the UN through consolidation of support services, recent reviews such as the JIU's have found that *inter-agency cooperation on global Service Centres lags both analogous work at the country level and the extensive cooperation that takes place on other aspects of global service delivery approaches.* Within the UNDG, findings from the HLCM survey indicate that only three organisations – UNDP, WHO and UNOPS – provide global services, or plan to provide global services, to other organisations at this stage. Having said this, and as highlighted in Box 1, *some important Shared Services initiatives that respond to this strategic imperative are underway.* Concentration of effort under such initiatives and/or within a small number of organisations might offer the UN system a viable development path, but *the relatively low level of engagement is a cause for concern, as is the absence of an over-arching strategy that can help bring multiple endeavours together to form a coherent solution.*

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### Box 1: Existing Initiatives Promoting Shared Services within the UN system

-*The Global Service Delivery Model  (GSDM).*[18]
The vision of the GSDM is to provide administrative support services across the UN Secretariat that effectively enable the fulfilment of the mandates of the United Nations, guided by the principles of: client orientation and adaptability; service excellence; effective organisational performance management; and simplification, specialisation and consolidation of the future business model. The Secretary-General considers the GSDM to be a key enabler of his reform agenda, the consolidation of services being critical to addressing the divergent processes, inconsistent service delivery and uneven client satisfaction that exists across the Secretariat because of the current fragmentation of administrative functions.[19]

-*The "Global Joint HR Facility for Job Classification and Reference Checking".*
The HLCM has been facilitating discussions considering options for consolidation and streamlining of service delivery, including ones that encourage organizations to take initiatives towards agency-to-agency service provision.[20] One outcome of these discussions has been a decision to establish the facility for job classification and reference checking, both of which can be bottlenecks to speedy and efficient recruitment. The Global Joint HR Facility, which forms part of the new HLCM Strategic Plan, is scheduled to go live starting January 2018, thus representing a benchmark initiative toward consolidation of service functions across the system.

-*The Business Operations Strategy (BOS).*
The BOS facilitates the strategic planning, management, monitoring and reporting of common business operations for UN Country Teams (UNCTs). It is a flexible tool that enhances the planning for cost-effective and high quality operational support services such as procurement, information and communication technology (ICT), human resources, logistics, facility services and finance, in support of joint programme delivery at country level. In some cases, efficiency gains are achieved through a lead-agency approach, where services are provided by one UN organisation for use by multiple UN organisations to reduce duplicate costs and improve quality of services.

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[18] *In accordance with section XIX of General Assembly resolution 70/248 A, the development of the global service delivery model is limited to the provision of administrative support services.*
[19] *See "Report of the Secretary-General: Shifting the management paradigm in the United Nations: Ensuring a Better Future for All", A/72/492, distributed 27 September 2017. The report proposes acceleration of the implementation of the GSDM, establishing two or three Shared Service centres by 1 January 2019 as part of the establishment of the Department of Management Strategy, Policy and Compliance and the Department of Operational Support.*
[20] *A driver for this initiative is the strong and unanimous call that Member States made at the ECOSOC Operational Activities Segment on 28 February to 1 March 2017 for increased integration, coordination, accountability, and transparency in the UN system.*

# OPTIMISING THE FUTURE CONTRIBUTION OF SHARED SERVICES TO THE UN

Given what has been achieved with the Shared Services model in other sectors the **calls for the UN to achieve more through operational consolidation seem entirely appropriate.** Most of what has been attempted within the UN to-date is foundational in comparison to the ambition shown elsewhere, and only meeting the needs of a limited number of entities within the system.

Encouragingly, **some of the largest entities are now committed to developing models that, as well as delivering far-reaching benefits internally, over time have the potential to evolve to better serve the larger UN system.** These developments stand to benefit from the increasing reliance over the past few years of the UN system operational functions on inter-agency collaboration, replication of best practices and economies of scale. Important achievements such as these have already brought measurable results, and have created an infrastructure that can be built out.

However, if Shared Services are to make the necessary contribution to UN reform and performance improvement, there is little doubt that **a deliberately transformative approach must be taken to extend the scope and ambition of Shared Services business models,** and thereby accelerate and mainstream the adoption of service provision.

As illustrated in Figure 4, learning from inside and outside the UN demonstrates that **at the heart of this transformation agenda must be a clear strategic vision, augmented by well rationalised choices on the nature of the Shared Services business model.** Each element of this transformative approach is elaborated below. While these are described separately they are all interdependent and must create a coherent framework for the continual evolution of global Shared Services. It is not anticipated that all aspects of the future Shared Services model could or should be precisely defined at the outset; instead, the belief is that the framework must be sufficiently well defined to encourage continuous collaboration and innovation toward common objectives, with evolving details based on practical experience.

Figure 4: Taking a Transformative Approach to the Development of Global Services in the UN
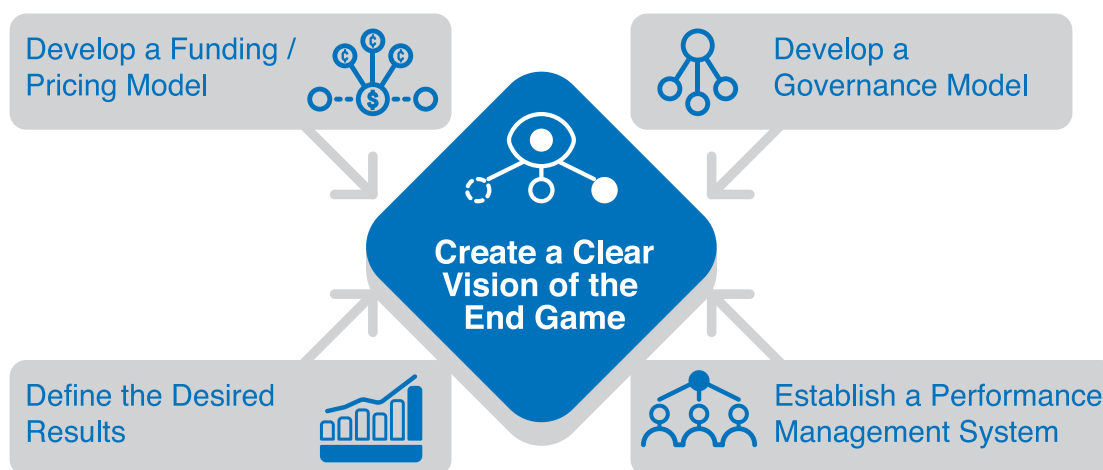
## Create a Clear Vision of the End Game

*The UN's expressed intent to extend the scope of Shared Services can be achieved by consolidating a wider array of services in dedicated support centres,* and/or by enabling a larger number of UN entities/users to access such Service Centres. The ideal end-state could perhaps be defined as having a small number of GSSCs (possibly even only one) in which all appropriate service provisions are consolidated, thus reaping the benefits of economies of scale and specialisation, while also providing the opportunity to create centres of excellence built on cultures dedicated to process improvement in the interest of customer service.

Having a broad vision at the outset has advantages in encouraging interested parties to develop solutions that take the UN in the right direction. At the same time, *such efforts are more likely to be stimulated where sufficient direction has been established to incentivise the desired responses.* To fulfil the potential offered by global Shared Services, this direction should encourage entities to deliver benefits beyond cost savings, such as improved service quality, continuous performance improvement, reduced risk and enhanced mission focus.

Delivering such benefits across the system will almost certainly require a new organisational configuration. Potentially, several business models could be adopted to enable this, including:
● An internal joint venture, where the Service Centre (or Centres) is (are) managed by the participating entities;
● A separate operating company, delivering services to interested client organisations;
● A department functioning within one of the entities, delivering services to interested client organisations;
● An external joint venture, involving collaboration between the UN system and an external services provider; and
● An external service firm delivering services to interested client organisations.

It seems that one of the first three of the above is most likely to be favoured. *Research confirms there is currently reluctance within the system to consider using external service providers.* There are material concerns, including in relation to security of sensitive data as well as the difficulties external providers would have in satisfying conditions of Immunities & Privileges under the Vienna Convention on Diplomatic Relations. Such concerns may well be exacerbated by more general resistance to the notion of externalizing a substantial proportion of the work of the system. In addition to desires to protect jobs in Member States *this reluctance may be fuelled by a belief that the way the UN works (and, indeed, the way individual entities work) is unique and that its administrative support can therefore only be delivered internally.*

This viewpoint is questionable. If this uniqueness is real then it may in fact represent some part of the cost excess that the UN would like to remove, which then emphasises the potential gains available from adopting standardised processes from elsewhere. For example, the introduction of ERP systems as Software as a Service (SaaS) presents a real opportunity for the UN to move to standard operating procedures based on industry best practices. Implementations such as the Workday system selected by the Pan American Health Organization (PAHO) suggests that such shifts are feasible, given a determined effort. [21]

Realistically, *and while external service provision offers the UN a real opportunity to significantly improve productivity, such a move is probably beyond its current capacity for change.* If this is the case, then the vision needs to make this clear and attention should focus on pursuit of a business model based on the first three options outlined above. It is possible that the end state could comprise more than one of these options; indeed, it might be in the UN's best interest to experiment with alternatives before determining the preferred business model, thereby helping entities to find the best-fit solutions. *What is essential is that the UN establishes the "rules of the game" that properly incentivise relevant parties to plan, develop and operate facilities for common benefit,*

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[21] *More information on opportunities afforded by different ERP systems is provided in the UNLOCK case study entitled "Delivering Successful Change with Enterprise Resource Planning (ERP) Systems".*

and encourage intended clients to draw on the infrastructure and capacities developed by others.
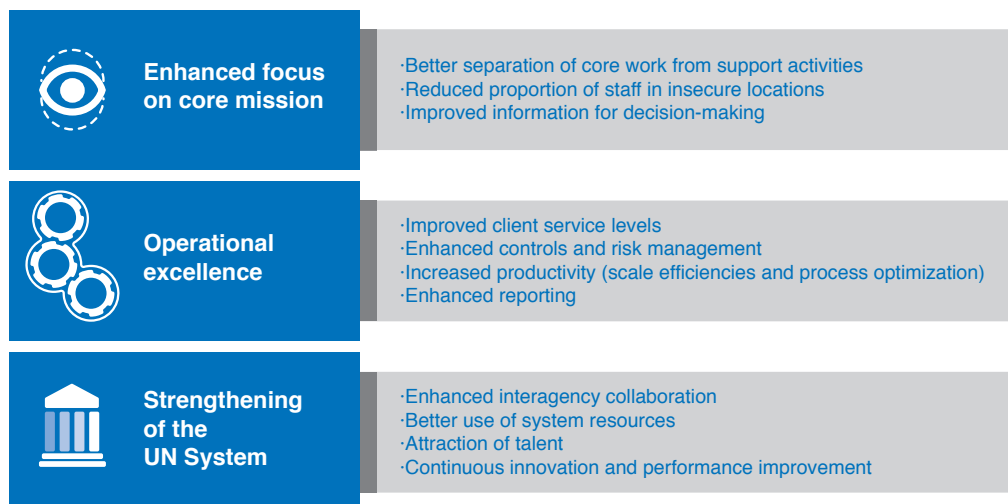
To some extent, the rules of the game are established by UN policy and the demands placed by the General Assembly. As has been witnessed with other elements of UN reform, these are not always sufficient to bring about desired change. In the context of global Shared Services, *all elements of the transformative approach (especially the funding and governance models) must be designed to stimulate the desired behaviours.* There will be no easy ways of doing this; ultimately the best way of creating a tipping point may be to push entities to seek service providers (for example, by establishing cost thresholds above which entities are not authorised to develop their own service capacity) combined with financial safeguards (established through the funding model) to those entities that would need to (individually or collectively) meet the demands created. Such mechanisms undoubtedly will require careful development; what seems clear is that they will be vital if collaboration is to be converted into progress. All such decisions should be mandated from the highest level possible and - to the extent possible - eliminate incentives for opting out, as this weakens the chance of success.

The JIU review of administrative centres emphasised that the development of Shared Service centres [22] is "*not merely a technical project, but a vehicle for business transformation".* It also concluded that the strong focus on short-term cost savings that have characterised many Shared Services initiatives within the UN, has in some cases perhaps been counterproductive as it has discouraged the pursuit of many other worthwhile goals. While the critical importance of cost rationalisation is understood, *decisions on whether and how to implement Shared Services should be strategic in nature,* based on a thorough understanding of the value proposition of Shared Services, assessed with respect to their expected contribution to a reformed (more streamlined and agile) UN, enhanced customer orientation, and operational excellence. The desired results should be articulated with respect to benefits that the UN should expect to reap, as summarised in Figure 5, in ways that clarify how the achievement of such results would be rewarded.

Aligned with the vision, definition of the desired results should clarify the strategic advantage that the Shared Services model will deliver, as well as the distinctive capabilities, such as advanced technology, deep expertise and knowledge, and management best practices, that will be required to generate value, increase flexibility, improve efficiency, and enhance innovation.

Figure 5: Types of Results that Global Shared Services Should Deliver

| **Enhanced focus on core mission** | ·Better separation of core work from support activities<br>·Reduced proportion of staff in insecure locations<br>·Improved information for decision-making |
| --- | --- |
| **Operational excellence** | ·Improved client service levels<br>·Enhanced controls and risk management<br>·Increased productivity (scale efficiencies and process optimization)<br>·Enhanced reporting |
| **Strengthening of the UN System** | ·Enhanced interagency collaboration<br>·Better use of system resources<br>·Attraction of talent<br>·Continuous innovation and performance improvement |

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[22] *"Administrative Support Services: The Role of Service Centres in Redesigning Administrative Service Delivery". JIU/REP/2016/11.*

## Develop a Funding/Pricing Model

If Shared Services are to evolve across the system, *service providers must be confident they can recover costs reasonably incurred, while clients must believe they are being charged what is reasonable given the services delivered.* The governance model will be important in creating the transparency required by clients; important decisions need to be made on how service providers may recover the costs they incur, bearing in mind that the financing model can have a significant impact on management and performance, as well as on accountability. The model should be simple for all stakeholders to understand and ease the transition from current service delivery arrangements.

The expectation is that *service centres would have their own budgets that enable reliable comparative assessment of income against expenses.* Ultimately a cost or chargeback model must be developed to allow the Shared Services expenses to be billed back to client organisations. Often such cost models comprise two components:

• A unit/activities cost component, that allocates actual variable costs directly to specific clients; and
• A reimbursement component, that allows fixed or bundled costs to be charged or reconciled on a periodic basis.

The unit costing model should be as simple as possible while balancing simplicity against fairness or accuracy. The reimbursement model can be thought of as the financial part of the "contract" between provider and clients and could use any number of structures, including firm fixed price, or apportionment of time and labour. Irrespective of the preferred approach, *the aim must be to encourage the service provider to minimise costs to the degree possible while earning sufficient to invest in continuous improvement, and for the client to properly value the services that they are receiving.* Scalable funding mechanisms would also enable the centres to more readily respond to increases or decreases in supply and demand, thereby encouraging organisational agility.

To enable transformation, the UN must be mindful of the need to mitigate the risks that entities will undoubtedly encounter when striving to build necessary GSSCs. Initially some form of pump-priming may be needed to stimulate the necessary commitment; subsequently the reimbursement component may need to support investment early enough to meet the growth in demand that the transformation is designed to stimulate. *Funding must also be adaptable to demonstrable need;* it will always be difficult to accurately estimate future costs in circumstances such as these, so reasonable degrees of freedom must be built into the funding model.

## Develop a Governance Model

Key to achieving a clear and robust governance model is the existence of a body that can facilitate discussion and decisions among the stakeholders. *Formal governance groups should help offset the perceived loss of control that business units experience when moving to a model of this nature, establishing what might be termed "governance-driven predictability".* This requires that the governing bodies comprise representatives from clients as well as Shared Services Executives (or, depending on the scale of the centre, process owners), and be instituted as an important mechanism to establish and adjust service-level agreements and to monitor the effectiveness of operations.

To make a difference, governing bodies should meet on a regular basis, driven by milestones and upcoming decision points, rather than pre-set schedules. *Effective governance requires segregation of operational from executive decisions, and definition of an escalation path for dispute resolution.* To fulfil its role, the governance body must be provided with reliable and current performance and cost data, so that it can properly assess situations and address opportunities or problems. Given the potential complexity of the business model, governance arrangements might need to involve a structure of committees, each one being assigned specific areas of responsibility. Where this is the case, committee structures should be consistent with strategic intent, and may sometimes require matrixed management, to ensure cohesion across the system.

As with many elements of the Shared Services business model, *a critical consideration will be balance, in this case between encouraging constructive engagement while ensuring mechanisms do not become excessively time consuming.* RSCE experience also highlights the importance of governance bodies being established at an early stage and providing high-level direction as well as enabling the required stakeholder engagement. This early commitment should heighten the sense of ownership and thus become a further motivator for pragmatic oversight.

When devising governance arrangements, the varying role legislative bodies have within the UN, must be taken into account. These range from detailed engagement at the process level to leaving broad discretion to management. As this is a function of the governance relationship between the legislative body and the relevant secretariat, *it is unrealistic to expect a uniform approach to governance to be established for all Shared Services arrangements.* Indeed, governance arrangements may be one of the factors that clients take into consideration when deciding which service solution to seek. In addition to establishing the need for flexibility, this highlights the likely *importance of clearly defining a client's role and influence in the governance of any specific GSSC, and the mechanisms available for resolving any disputes.* At this stage, the UN needs to define what the governance mechanisms must achieve, leaving room to determine how best to achieve these requirements according to circumstance.

## Establish a Performance Management System

*Effective performance management systems are essential to the oversight and continuous development of Shared Services centres.* The data that such systems produce ensures transparency that is vital to the types of governance mechanisms outlined above, and to sustaining stakeholder commitment. They also provide the information essential to day-to-day management and fine-tuning of solutions.

Performance management is a core element of GSSCs and efforts are already underway in UN facilities to ensure these are a driver of success. Among other things, the importance of this is made clear in the SG's report on shifting the management paradigm in the UN.[23] These developments should be further encouraged, and it is appropriate that individual centres establish performance management methods that work best for them. At the same time, *the UN system needs to be able to continually compare and assess the performance of all the Shared Service centres that are likely to co-exist for the foreseeable future,* as consolidation progresses, and facilities mature. This information can help clients determine where to obtain their services and the system to optimise the allocation of resources to operational support.

It is therefore *important that some common principles are applied to the performance management systems adopted by different GSSCs.* Such methods should be based on clear Service Level Agreements (SLAs) that specify the services that the client organisations can expect from a service centre, including the quantitative measures of responsiveness, quality and efficiency. *The use of realistic targets, well-structured measures, and explicit linkage to the cost model should help make service level discussions constructive,* measurable SLAs thus providing ammunition for bringing a service centre into the right position and having it take on the correct role. This requires the availability of reliable baseline data to measure progress over time, implying the need to establish systems at the outset. Performance data should be available to functional and customer management, continual effort being made to use this to enhance quality, timeliness, accuracy and consistency of service. This data will also allow a service centre to report on its own performance, *thus helping to create a true customer-supplier relationship in which both parties have an opportunity to do business in a professional way.*

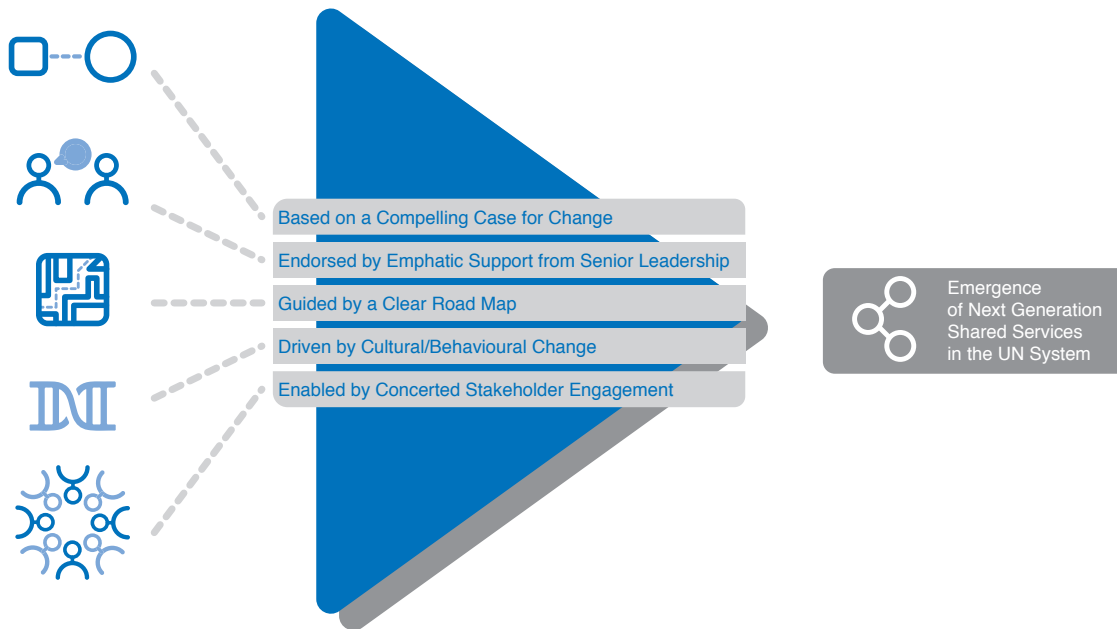[23] *For example, it states that "To ensure that shared service centres remain responsive to the needs of clients across the Secretariat, their performance will be measured against key performance indicators agreed and regularly reviewed by the Management Client Board. A client relationship management platform is also critical for managing the interaction between a service centre and its clients, including for tracking, reporting and addressing issues raised by end users."*

# MANAGING THE TRANSFORMATION PROCESS

Even with such a transformative framework in place, **the UN faces huge challenges if it is to enable Shared Services to evolve to meet the needs of its stakeholders.** This has been acknowledged in studies such as the 2016 JIU Report,[24] while the difficulty that entities within the UN have often encountered in bringing about change, indicates that it may not yet be equipped to handle such a complex process.

*It is essential that the UN determines how to mobilise the essential change management capacities, which will need to drive the overall transformation process as well as support the individual service centres as they evolve.* Irrespective of the favoured approach, and as summarised in Figure 6, the following key ingredients must be put in place to this complex but vital change process.

Figure 6: The Pre-requisites for Successful Management of Change



Based on a Compelling Case for Change

Endorsed by Emphatic Support from Senior Leadership

Guided by a Clear Road Map

Driven by Cultural/Behavioural Change

Enabled by Concerted Stakeholder Engagement

Emergence of Next Generation Shared Services in the UN System

The factors shown in Figure 6 are common to most organisational change endeavours, so the narrative that follows focuses on issues specific to the consolidation of Shared Services in the UN system.

[24] *"Administrative Support Services: The Role of Service Centres in Redesigning Administrative Service Delivery". JIU/REP/2016/11.*

## Compelling Case for Change

The transformation framework requires a clear vision, which must **clearly present the case for change – why the desired results are required, not just what is to be achieved.** Fundamentally, changing organisations is about changing people, and the instinctive reaction of people is to ask what the change means for them personally. In some way the issue of Shared Services touches everybody, because at the very least it will affect how they receive services; in some cases, it will have direct and major impacts on career opportunities. Almost certainly **the UN will have to make some hard choices about the business model, significantly restructuring existing entities and creating radically different cultures and work experiences in the various units that are created.** People need a good reason to get behind upheavals of this magnitude, and the case for change must provide this.

## Emphatic Support from Senior Leadership

Change never happens unless senior leadership strongly endorses the course that the organisation has been set on and continually demonstrates that endorsement through what they say and do. Even with a well formulated and compelling business case, **developing a shared ownership of the vision and change plan will be extremely challenging.** This is especially so when work is carried out across multiple entities and numerous locations, as illustrated by experience in differing contexts of inter-agency collaboration. In these circumstances it is essential that leadership extends beyond those directly involved in the creation and operation of Shared Services, and encompasses all those charged with implementing the SG's reform agenda.

**Ultimately, leadership must be united and committed to the cause.** This does not mean that they are not open to lessons from experience and the influence of stakeholders, but they must remain openly committed to the end game. This will be more likely to happen if leaders are engaged in the process of forming the vision and case for change.

## A Clear Road Map

**Establishing Shared Services is a long process that takes years to stabilise and yield lasting results. Successful implementation typically involves a range of transformation steps,** including: simplifying and improving local practices; standardising processes and technology across business and geography; consolidating processes and technology by function; and, as appropriate, insourcing and outsourcing service provision. The UN will need to decide when and how to pursue these steps under significant uncertainty, and taking into consideration readiness and capacity for change, given other organisational developments.[25] **While the need for reform may indeed be urgent, its implementation must be feasible,** which requires an objective assessment of the ability of all participating organisations to absorb change.

**Given its reach and complexity, implementing Shared Services incurs a range of risks,** such as over-standardisation of systems and processes, lack of operational flexibility, unbalanced power concentration, unclear service accountability, dampened staff morale, unexpected implementation cost escalation, and long project timelines, most of which have impacted past UN initiatives at one time or another. **Experience gained within the UN and elsewhere also demonstrates the critical importance of taking an adaptive approach.** While work should be forward planned, it is essential that targets are not rigidly applied. Sometimes there will be good reason to alter the details of plans; the road map must ensure that efforts remain on course with the end game while allowing some flexibility in how they progress.

While Return on Investment (ROI) should be an important factor in determining how to adapt implementation, **experience across industries suggests that the ROI from the move to Shared Services cannot always be clearly determined, especially as they mature** and the number of factors contributing to the ROI increase simultaneously. To be informative, it is essential that cost-benefit analysis not be limited to Shared

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[25] *It is worth noting that establishing new service models while implementing organisation-wide initiatives, such as adoption of the International Public Sector Accounting Standards or introduction of a new ERP system, has caused significant stress on operational activities in several UN organisations.*

Services only, as these have the potential to incur costs or deliver benefits in other parts of the organisation. Therefore, *inclusive as well as objective analysis must help drive adaptive implementation of the UN's vision for Shared Services.*

*An essential consideration in the roadmap will be the sequencing of steps to consolidate Shared Services. Most UN organisations have found that streamlining and standardising processes before moving them to the centre is the preferred approach,* as this enables re-working to be done with knowledgeable staff. However, there is also a view that redesigning processes with existing staff is generally met with resistance and that engaging new minds in re-engineering can be more effective. Indeed, *for organisations outside the UN, the favoured migration approach is "lift and shift"* (that is, moving activities to a GSSC as-is),[26] as this is considered a higher speed/lower risk option. It is important that the UN carefully considers the advantages and disadvantages of either approach as it determines sequencing of change, *taking into consideration risks emanating from possible loss of institutional knowledge[27] and the emergence of gaps in understanding that could derail plans.*

In addition to planning the shifting of in-scope functions to a Shared Services operation, *careful thought must be given to managing change within what is often referred to as the "retained organisation" – that is, the elements that remain outside Shared Services.* Often far less consideration is given to what happens with the retained organisation, and there is little evidence that the UN has been different in this regard. This is a mistake because, *for Shared Services to deliver full benefit, the retained organisation must become increasingly focused on value added activity in support of the frontline.* People and functions in this part of the organisation will require support in dealing with the upheaval of the restructuring, as well as taking on new responsibilities.

It is likely that these kinds of changes will be taking place in multiple organisational efforts to establish Shared Services. The road map for transformation must provide a framework within which these individual initiatives contribute coherently to the UN system's broader reform programme, with attention dedicated to monitoring progress and sharing learning.

A critical element of this work will be *ensuring that "vertical" and "horizontal" service centres complement each other.* Most progress that has been made with bundling service provision at the country level (that is, horizonal service centres) has had to happen with only partial consideration of developments at global or regional level, given that those above have happened largely within (rather than across) agencies. Future vertical arrangements, offering global services on a multi-agency basis, must be more fully integrated with horizontal arrangements at country level, and indeed may benefit from learning from the BOS, which could act as pilots. Similarly, developments at country level must be cognizant of how different agencies are supported at regional and global level. Potentially, this could result in a complicated architecture, so design needs to find a way to combine different combinations of agencies in differing country contexts.

*One additional factor likely to play a determining role in consolidation of services across the system is current and future selections of ERP system.* For example, a viable option might be for each GSSC to focus on a subset of agencies organised along a distinct ERP platform[28] (such as SAP, Peoplesoft and Oracle), which would help avoid the pitfalls associated with establishment of a common ERP. This is consistent with the approach taken by many private enterprises when consolidating separate subsidiaries.

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[26] *Deloitte's 2017 Global Shared Services Survey found that 55% of organisations opted to shift services before commencing process improvement and standardisation.*

[27] *Some UN organisations feel reported being deeply impacted by the loss of institutional knowledge, which became particularly evident when human resources tasks thought to be transactional are found to require both knowledge and judgment that draw on institutional culture.*

[28] *For example, the UNDP service centre in KL was able to easily and efficiently take on additional work from UNV because of sharing the same ERP system.*

In parallel, the introduction of **new technology, such as the cloud and wireless data as well as PAHO's ERP system, could provide unique opportunities for introducing Shared Services in ways that can transform the UN.** Notably, cloud delivery models offer an opportunity to "force" de-customisation of systems as most cloud vendors offer limited capacity to adjust the "process".[29] Cloud also provides direct benefits through the access of a "shared infrastructure" that is professionally maintained and kept up to date, decreasing the costs associated with maintenance and operation of the IT infrastructure and related systems. It is essential that these opportunities, as well as their implications for organisational design, be fully factored into the transformation road map.

## Cultural/Behavioural Change

Understandably the management of change in Shared Services implementation is often preoccupied with "hard" issues such as structures and processes. However, this is a mistake. Experience shows that significant attention must be paid to "soft" issues, especially the attitude and behaviour of people, if transformation is to be achieved. Without this, **significant resistance could be encountered; even if the proposed restructuring is achieved** it is unlikely that the people remaining will be able and/or motivated to perform as required.

To enable successful transformation, it is essential that the **appropriate organisational culture be developed within the newly established parts of the business model,** meaning the "retained organisation" as well as the service centres into which services have been consolidated. At least part of the UN's current efficiency and effectiveness challenge reflects that the organisational cultures appropriate to the delivery of customer-focused support services are quite different to those required by the core of what the UN is mandated to perform (the normative and programmatic services across the three pillars of peacekeeping, development and human rights). Arguably, and

notwithstanding efforts to promote cultural change within some existing service centres, a larger issue is that **insufficient attention has been paid to inculcating the organisational cultures that are required.** Optimising the two parts demands that the cultural dimension be successfully addressed. This should influence decisions on the business model; for example, it might be easier to create a customer-oriented service centre by establishing something outside of the existing organisational architecture than by reengineering something that already exists. Alternatively, priority might be given to growing the GSSC(s) that have gone furthest in establishing the distinct culture that is required. Irrespective of chosen solution, it seems clear that from the outset more attention must be paid to the values and behaviours that are essential to achievement of the vision for Shared Services.

**Culture will be a critical tool in building a dedicated staff with the customer-service orientation essential to service centres.** Practical experience indicates that local staffing will present a significant challenge as the UN seeks to build its capacity. In the Kuala Lumpur area, where the United Nations system is not well known, the UN is just another employer in a competitive labour market. Lacking deep connection to the organisation, staff have left for other employers, even for only slightly higher compensation (in the Kuala Lumpur area, service centre managers believe UN compensation lags the market).

As indicated by the 2016 JIU Report, other agencies were experiencing similar difficulties,[30] which is consistent with general experience in Shared Services. Deloitte's 2017 survey found that the median SSC turnover for respondents was 10%, with 57% of centres sustaining turnover of 10% or greater, a level slightly higher than found in the 2015 survey. It also found that the number of centres experiencing turnover of 20% or more had more than tripled over the two-year period. **Retention is understood to be a critical problem, and developing a strong culture is often one of the primary organisational responses to it.**[31]

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[29] To dilute the degree of "forcing de-customisation", many vendors are introducing PaaS (Platform as a Service) options to enable the extensibility of their applications (Oracle and Sales Force Dot Com (SFDC) offering good examples).

[30] There is evidence that the staff retention difficulties experienced by some agencies to some extent resulted from competition from other agencies establishing presence in the same location. Looking to the future, guidelines should be created so that, when a UN agency sets up a centre in a location where other SSCs exist, care is taken in coordinating their introduction to minimize the impact on existing operations.

[31] Other approaches identified by the 2017 Deloitte survey include offering multi-functional opportunities; 75% of respondents had looked at alternative talent models, including part-time and virtual options as well as use of contract/contingent workers; and over 40% of respondents indicated job sharing/flexible work practices, job rotations into other business areas, performance-based pay, and financial support for continuing education as key retention tools.

With the right approaches, staff retention can be improved. For example, UNDP has reported that, in 2013, its service centre in Kuala Lumpur developed an Employee Value Proposition (EVP) that helped the centre market itself in the competitive local SSC employee market, which then helped sustain retention levels for existing staff that surpassed that of the local private sector companies. This indicates that *solutions are available, but that many are based on the creation of a strong organisational culture.*

### The Concerted Stakeholder Engagement

Typically, a move to Shared Services is unpopular, as it affects many managers and groups of people who often would prefer to retain responsibility and stay independent. Understandably, resistance to change from staff who are unclear about change or fear the impact of the change on their jobs and career is significant. To break down this resistance, within organisations and across the system, *high priority must be given to communications designed to convince all parties that the large-scale consolidation of support services is essential to the UN's mission and success.* Varied engagement approaches must be deployed to ensure staff understand the case for change, feel a part of the transformation process and therefore vested in the success of the initiative. Active use should be made of informal and formal channels for communicating total Shared Services value in ways that help people understand "what is in this for me".

*Communication and engagement efforts must be particularly sensitive to the HR challenges that can be expected during the move to Shared Services.* Managers in many of the UN entities that have moved to Shared Services have reported that it is difficult to recruit and retain international staff because service centres are perceived as second-tier assignments that have low visibility, command little interest from senior management and contribute little to career prospects. This highlights the need for continuous engagement and reinforces the importance of developing a strong work culture capable of building capacity.

*As many people as possible – including from clients – should be made to feel part of a "Shared Services Community",* contributing and receiving best practice insights, and sharing ideas on how emerging issues can be addressed. Client engagement (for example, through two-way visits) can help build mutual understanding prior to and during the change in service arrangements, which can help identify and address potential problems before they become an issue, as well as increase buy-in to the change. The experiences of, among others, UNDP and UNICEF attest to the importance of this type and level of engagement to the successful launch of SSCs. Increased interactivity with constituents, including improved communication and responsiveness, becomes even more essential when the number of participating stakeholders/client organisations grows, as will inevitably be the case as services are consolidated across the system.

# A CASE FOR CHANGE

Shared Services have already made a positive contribution to organisational development in the UN. There is a strong call for this contribution to be dramatically increased, and experience outside of the UN strongly suggests that this potential exists.

*This UNLOCK Case Study is generally supportive of the drive toward greater consolidation of an increasing array of functions both within and across UN entities, while recognising that this will place huge pressure on the UN's capacity of change.* All the evidence highlights that a move to a more inclusive and multifunctional shared services model should not be driven by cost reduction alone. Instead it should be more focused on the value that this model can bring to the UN system over the long-term, including through extension of innovation across cross-functional and global services, better use of technology and skills across functions, improved cross-functional data integration and visibility, and improved business insight to enable better decision making.

*If Shared Services are to deliver full benefit, it is essential that all developments are driven by a well-established transformation framework, based on a clear vision and coherent strategies that emphasise client service and value-add, and given the full backing of senior leadership.* Additionally, success will depend on the ability of organisations – individually and collectively – to prepare for and subsequently manage the process of change, itself a substantial undertaking that the UN does not yet seem fully equipped for. Given UNLOCK's desire to enable transformation of the UN system it is hoped that this case study contributes to the current active dialogue and preparatory work already underway, and helps establish a firm foundation for what is likely to be mission-critical endeavour.

# ANNEX 1: A BRIEF OVERVIEW OF THE DEVELOPMENT OF GLOBAL SHARED SERVICES IN THE UN

In 2008, the Food and Agriculture Organization (FAO) established a Shared Services centre in Budapest serving headquarters, Europe, Central Asia, Africa and the Near East, and two regional hubs: Santiago for Central and South America and Bangkok for Asia and the Pacific. The Shared Services Centre was to carry out transactional functions that were: high in volume; routine in nature; based on agreed and documented rules and standard procedures; individually of low strategic importance; and independent of location. These included personnel servicing, travel advances and expense claims, accounting journals, invoice processing, clerical procurement transactions, inventory processes and help desk services.

One of the critical factors in deciding to have three locations was the perceived need for complete time-zone coverage. A review in 2010/11 found that time zone had proven not to be an important issue and it was proposed to achieve further economies of scale through consolidation into one main centre in Budapest, but this was not approved by the FAO Conference.

Since then the centre has continued to add additional services such as asset management, payroll, and payment processing. An initiative is also underway to operate all hub locations under the leadership of the SSC Budapest manager with the aim of centralising back office processing to further benefit from economies of scale, and to repurpose the hubs as front office operations providing advice, emergency transactional support, and capacity building capabilities to all country office locations. The SSC also has a business improvement and change management team to further improve its ability to act as a catalyst to business transformation as it relates to administrative service delivery.

The International Organization for Migration (IOM) established Administrative Centres in Manila (2002) and Panama (2007), primarily to reduce costs. Several functions are consolidated in Manila and performed on behalf of the entire organisation, the international staff payroll being one of the most significant. A smaller centre was established in Panama for a limited number of customer facing services that required higher levels of interaction, and that were therefore challenging to deliver to clients in Latin America from Asia. Each centre is headed by a senior official of the organization who has considerable latitude to approve administrative decisions in the centre. Staff administratively report to the Head of the Centres, although most have a dotted line relationship on technical matters with the parent function at HQ in Geneva. The reduced operational costs generated substantial savings which helped IOM to fund its core costs during a period of exponential growth.

The Regional Service Centre in Entebbe (RSCE) was established through General Assembly resolution 64/269 within the framework of the five-year global field support strategy, an initiative of the United Nations Secretariat to "adapt service delivery to better support the global portfolio of field operations". The Centre was to consolidate administrative support being carried out in its missions of responsibility. It was also to host a transport and movement integrated control centre, a training facility and a range of information technology functions. The General Assembly requested that back-office functions be consolidated progressively: the number of missions supported increased from five in 2010/11 to 12 in 2016/17, and as functions and missions were added, the number of posts increased from 39 at start-up to 421. For the five years of the global field support

strategy period, the centre was governed, staffed, and financed by its client missions. In 2015, the General Assembly decided to confer operational and managerial independence on the Regional Service Centre, to have it report to the Department of Field Support rather than to its client missions, and to authorize presentation of its own budget as of the 2016/17 budget year.

With a presence in around 170 countries and territories, UNDP has the largest operational platform within the United Nations family. UNDP also provides a significant range and volume of services to United Nations agencies, funds, and programmes. The first UNDP Shared Services initiatives were global centres in Copenhagen for supporting Junior Professional Officers (2001) and a suite of transactional human resources functions (2003-2004), and a separate finance centre in Kuala Lumpur to support adoption of the International Public Sector Accounting Standards (2012). These were stand-alone centres reporting to corresponding functional groups at the New York headquarters. In 2014, in the context of the UNDP structural change, other finance functions were transferred from New York to Kuala Lumpur. In 2016 UNDP unified the Copenhagen and Kuala Lumpur service centres in a Global Shared Services Unit that replaced previously separate reporting lines with cross-functional management. The Global Shared Services Unit (GSSU) reports to an operations group in the Bureau of Management Services and has assigned single Global Process Owners (GPOs) responsible for suggesting process improvements, including through an examination of opportunities to cluster back office functions now carried out in country offices. Although the authority still resides at headquarters, this recognizes that continuous improvement will not happen by itself and that it is the responsibility of management to drive it.

The GSSU currently provides services to over 40 UN agencies and organizations, servicing more than 40,000 personnel. Its most recent SLA fulfilment performance was 96%, in 2016 achieving 89% customer satisfaction. It pays around 35,000 people each month, annually disbursing approximately $1.3 billion through the UNDP payroll system in 138 currencies; 43% of the total is made on behalf of UN partner organizations. It is also responsible for administration of benefits and entitlements for over 16,600 staff and non-staff across 40 agencies, funds, programmes and entities; and provision of shared premises and common services for other agencies in 113 countries.

UNHCR in 2008 out-posted certain human resources, finance, supply and information and communications technology functions from headquarters to a global service centre established in Budapest. Its approach was based on relocating functions within existing structures rather than establishing Shared Services. The UNHCR presence in Budapest has grown substantially as result of the progressive transfer of functions in the core areas of finance, human resources, supply and information and communications technology and the enlargement of capacity for functions that UNHCR thought could not have been affordable in Geneva, such as the strengthening of emergency response and supply chain management functions and the growth in the role and capacity of the Global Learning Centre. More recently, Copenhagen has been designated a global service centre. The UNHCR presence there is growing rapidly: as of mid-August 2016, there were 109 posts, twice as many as a year before.

UNICEF opened a global shared service centre in Budapest in 2015 to carry out, on a global basis, rules-based administrative transactions related to finance and human resources administration. The GSSC was predicated on four drivers: increased mission focus of field offices; cost savings; improved quality; and risk reduction. The GSSC's vision is:

To be a centre of excellence for the global delivery of efficient services
Within a culture of customer services, continuous business improvement, knowledge sharing, and innovation.

To support the effective achievement of UNICEF's programme results worldwide. As such, the centre acts as a strong catalyst for change in the organisation, driving continuous business improvement, efficiency gains and a culture of performance management and customer service throughout UNICEF. Executive heads are also encouraged to enable service centre managers to contribute to and make suggestions on improvements to business operations. Its in-scope activities include:

● Finance & master data management (invoice processing, payment processing, bank reconciliation, general ledger clearing, selected asset accounting, and vendors);
● HR admin & payroll (on-boarding, personnel maintenance, off-boarding and payroll [all staff]); and
● Customer care (user administration services and business user support).

The GSSC processes all the above transactions for all HQ and field locations, and for all international and local staff. During the period of 1 July 2016 to 30 June 2017 the centre, with around 300 staff, supported:
● 13,200 staff members located in 475 offices in 170 countries;
● $3.5 billion of non-payroll payments;
● 540,000 payments and 231,500 invoicing requests;
● 34,300 HR admin cases and 10,600 payroll cases (both through My Case).

UNOPS launched a global Shared Service centre in Bangkok in January 2016, after an internal review identified increased effectiveness and efficiency of transactional service delivery as a top priority. It was launched parallel to a new enterprise resource planning system, OneUNOPS, which is intended to serve as an organizational platform for increasing efficiency and as the key enabler for UNOPS to offer a broader menu of transactional services through a shared service approach.

In 2006, WFP initiated a project to develop a service centre in two phases. Non-critical processes would be transferred in the first phase and more critical ones later. In the first phase, WFP relocated its information technology help desk, non-food procurement, global vehicle leasing programme, vendor management and travel to a variety of locations. The second phase, under which WFP planned to relocate human resources management and finance functions, did not materialize. In July 2014, WFP launched the Cost Excellence Initiative to enable it to reduce costs and improve efficiency while sustaining investments in key strategic priorities. In 2016, WFP management reviewed the benefits, costs and risks of establishing a service centre. Analysis indicated that while a service centre could provide financial benefits, those benefits were not compelling enough to justify a move and it was decided to focus the efforts on process transformation given the potential benefits arising from that area.

WHO established its Global Service Centre in Kuala Lumpur in 2008 as part of a bigger plan to modernize service delivery, including a new enterprise resource planning system. A JIU 2012 review of WHO management and administration found that the service centre brought significant progress in transparency, better monitoring of the use of resources and better coherence of administrative processes, and contributed to an improved managerial culture in WHO.

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