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SHARED SERVICES

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The concept of shared services can be defined as a management approach that consists, according to the classic definition of Schulman (1999), in “the concentration of company resources performing like activities, typically spread across the organization, in order to service multiple, internal partners at lower cost and with higher service levels, with the common goal of delighting external customers and enhancing corporate value.”

In other words, the shared service management approach refers to the practice, within an organization, of sharing a common set of services that are delivered in a similar manner across several business units (Quinn, Cooke and Kris, 2000). Shared services basically achieve economies of scale by grouping activities (Pépin, 2004) to maximize efficiency, such as by sharing equipment, information and expertise. Dreyfuss (2010) showed that there are six main reasons for implementing shared services: the lower cost of producing services, the efficient use of resources, the consistency of established processes, the maintenance of quality standards, agility in satisfying customer needs, and business performance (Dreyfuss, 2010).

There is no consensus on the origin of the concept of shared services. Some claim that it was created by General Electric, the company that had a group in the U.S. in 1986 known as Client Business Services, which served as a model for what is now shared services. As noted by Quinn, Cooke and Kris (2000), other consultants participating in studies conducted in 1990 by Bob Gunn of A.T. Kearney with companies such as Ford, Johnson and Johnson, IBM, AT&T, Nynex, Digital, Dupont, Hewlett-Packard, Alcoa and Shell have all exhibited one common feature: the existence of a type of shared services for financial operations. This observation gives credence to the consultants on Bob Gunn's team who take credit for coined the term of shared services if they did not indeed create the underlying idea. Historically speaking, we can be sure of two facts concerning the origin of the concept of shared services: it was created in the United States and was first focused on the entire range of financial service operations (Quinn, Cooke and Kris, 2000).

Traditionally, the shared services approach has been most often applied to financial operations. However, the range of services that can be shared has expanded over time (King, 2007) and today includes support and consulting services such as human resources, information technology, purchasing, supply chains, records management, legal services and customer relationship management (Pépin, 2004).

The public sector appears to be one of the areas holding out the greatest promise for the expansion of this approach. Public administrations have drawn on the experiences of private enterprises to tackle such challenges as ageing populations, greater demand for services and the need to reduce the cost of government operations. In this respect, the shared services approach has become a global phenomenon, as it has helped organizations to achieve gains in terms of performance, the flexibility required to adapt to a changing environment, and cutting costs. Many public administrations have begun to set up shared services (Pépin, 2004). Examples in Canada can be found in the provinces of British Columbia, Alberta, Ontario, New Brunswick and Quebec. Outside of Canada, public administrations in Great Britain, the United States, France, Spain, Germany and Australia (Pépin, 2004) and other countries have turned to this management model.

In public administrations, the shared services approach means that various services, especially those of an administrative nature, are provided in accordance with a specific management model in which government departments and agencies (the clients) "define their service needs, choose their service levels, hold the budget and pay for the services they choose" (Government of British Columbia, 2002).

A key component of the shared services model consists in the underlying management philosophy, which has created a split between governance responsibilities and operational service responsibilities (Ministère des Services gouvernementaux du Quebec, 2005, p. 4). As a result, public organizations have been forced to review their service provision strategies (Hogan, 2007) and to choose new adapted approaches for providing internal services.

As is shown by the experiences of various public administrations, different models have been used for implementing the shared service management approach. Some models have tended to centralize administrative services, such as in British Columbia, Alberta, Ontario and Great Britain. Others have resorted to private enterprises for certain types of services. Some shared service management models have kept the administration and management of administrative support services within one government department, while others have created a new, separate agency solely dedicated to applying the management model (Pépin, 2003).

The value of any type of shared service model lies in its ability to provide services according to a selected management model and to generate economies of scale that each client government department or agency would not be able to do on its own. This management model denotes a major shift in service culture (ministère des Services gouvernementaux du Québec, 2005) centred on satisfying client needs and reducing costs.

There are several considerations to keep in mind when choosing a specific model for implementing shared services. To begin with, it will be necessary to analyze the strengths and weaknesses of the organization concerned, the legal framework surrounding its operations, its current administrative structure, its target clienteles and the geographical concentration of its entities (Pépin, 2003, p. 6). Then, each public administration must decide whether or not it will make participation in shared services mandatory for government departments and agencies. For example, most Canadian provinces have adopted a mandatory approach for three years only, while in the States of Australia, all agencies must participate in at least one shared service centre for transactional services designated by the authorities (ministère des Services gouvernementaux du Québec, 2005, p. 25).

Shared services offer public administrations an opportunity to reduce operating costs and to increase the level of expertise in administrative services. Indeed, the shared service management model helps to reduce the duplication inherent in the administrative support functions of each government department and agency and makes it possible to increase the efficiency of the public administration (Quinn, Cooke and Kris, 2000, p. 216).

The unique character of public administrations poses unusual and specific challenges in regards of shared services (Pépin, 2004, p. 22), necessitating the support of political and administrative authorities, the extensive mobilization of staff and partners, as well as an implementation strategy that takes into consideration the reality and capacity of government departments and agencies. Public administrations are thus faced with a genuine paradigm shift (ministère des Services gouvernementaux du Québec, 2005, p. 149), not to mention a formidable challenge. Shared services represent an opportunity for providing a standardized service offering that will be facilitated by technological advances. Public administrations that have implemented shared service management models consider this approach an essential tool for achieving their objectives (Pépin, 2004, p. 22).

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HOW TO CITE Gadbois, G. (2012). "Shared Services," in L. Côté and J.-F. Savard (eds.), *Encyclopedic Dictionary of Public Administration*, [online], www.dictionnaire.enap.ca

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