



FINANSMINISTERIET

# Shared Service Centres in the Danish Central Government

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## Agenda

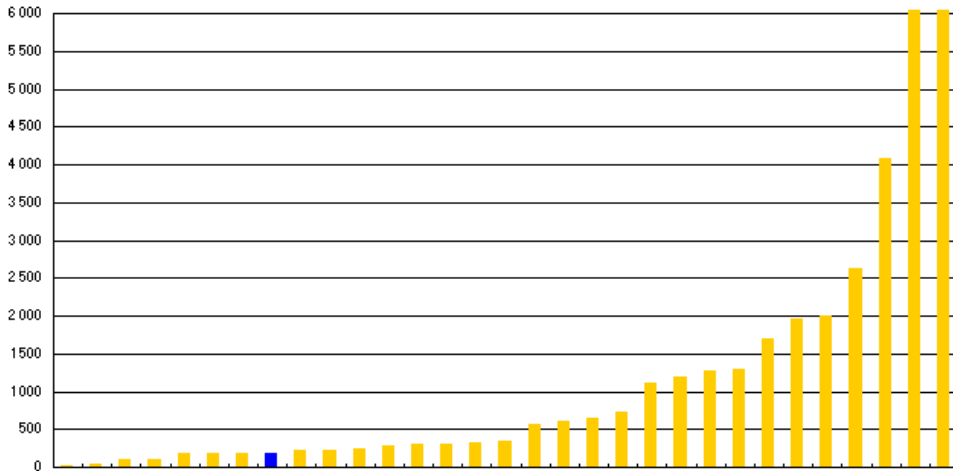
- Challenges - the situation today
- Solution - shared service centres across ministries
- Business case



# A small economy - with at relatively large public sector

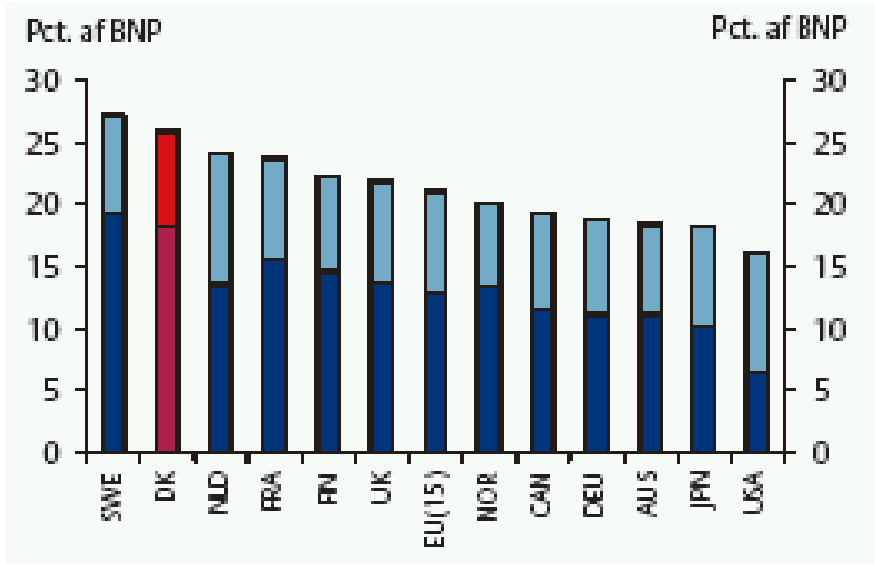
## GDP

(billion USD, oecd countries)



## Public sector

(percentage of gdp, selected oecd contries)



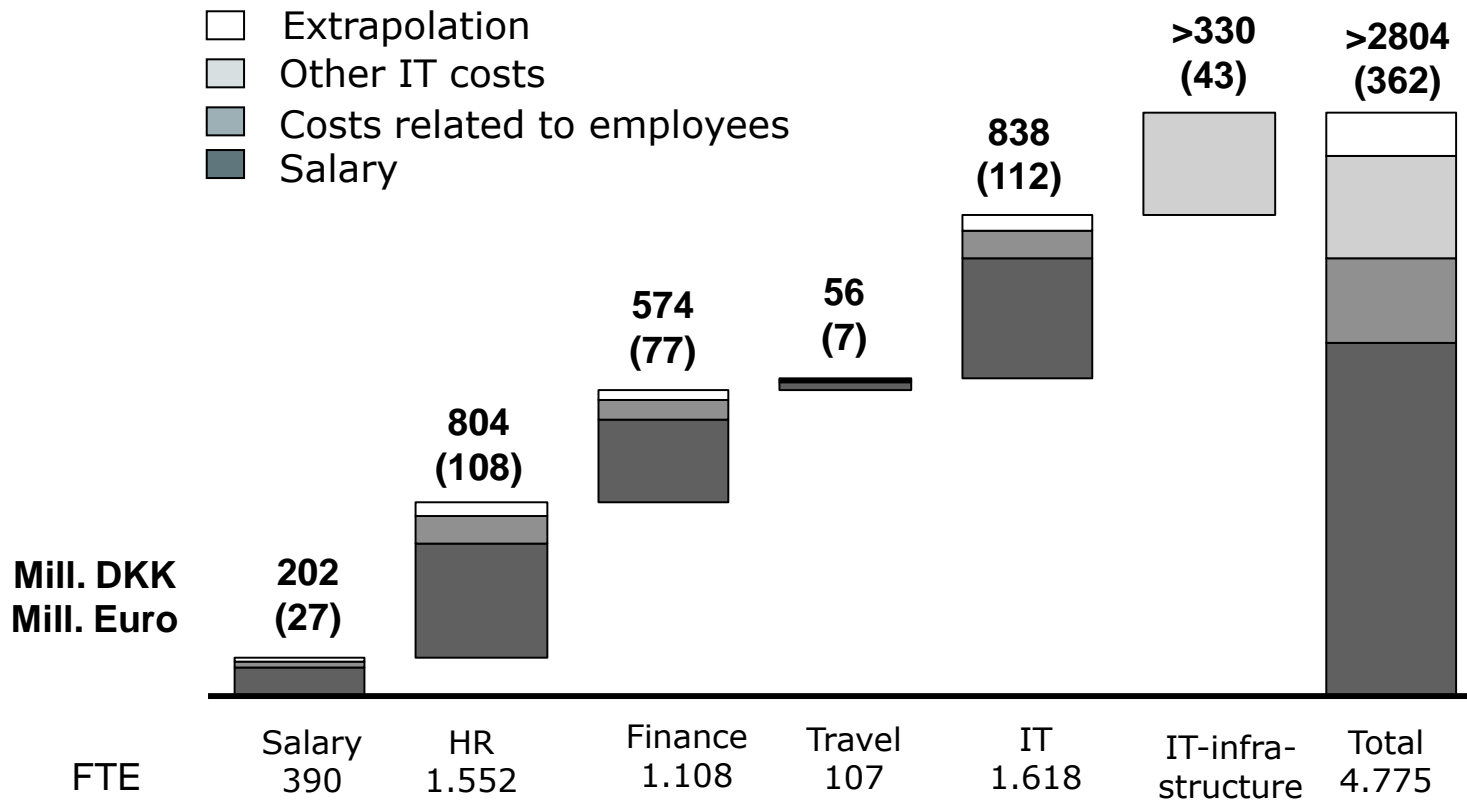


## Challenges

- High employment rate and a growing demand of labour
- High rate of retirement among public employees in the years to come
- Citizens have growing expectations to the public services
- International competitiveness requires an efficient and well-functioning public sector
- Resources should be allocated to services close to the citizens rather than back-office functions



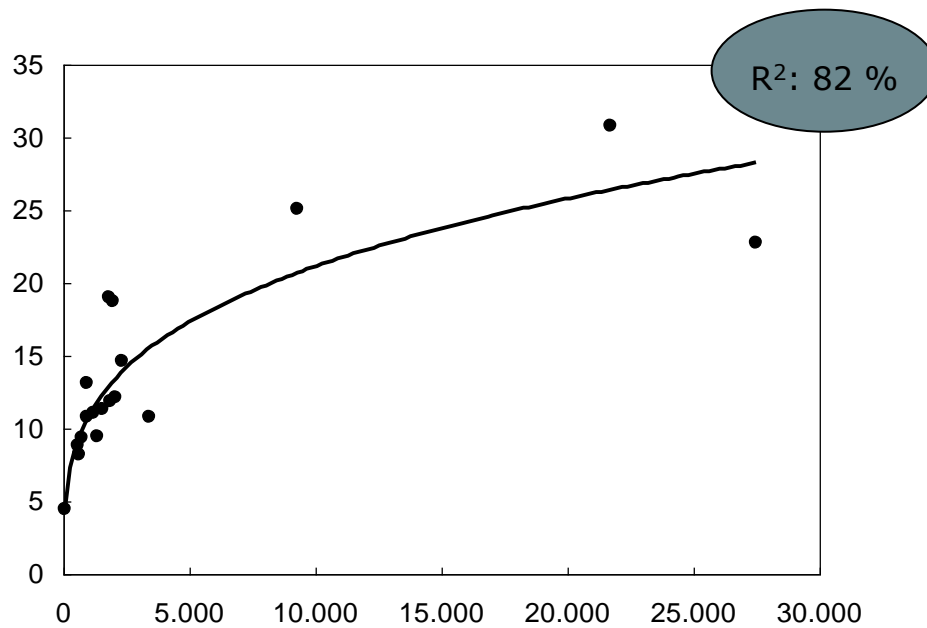
## Total costs today of administrative staff serving the 90.000 employees in central government





## Noticeable increasing returns of scale

Number of full-time employees / administrative full-time employee



Number of full-time employees



## Room for improvement

- Economies of scale not realised: Most ministries are not large enough today
- Not much standardisation of processes
- IT-systems are developed within ministries or agencies
- Professionalization an issue
- More top level focus needed



## Solution

- one shared service centre for finance, salary and travels

**Finance:** 56 pct. of all activities are consolidated in centres. Strategic resources remain local. One centre for all Navision-users – separate solutions for SAP-users.

**Salary:** 95 pct. of all activities are consolidated in one centre that serves all ministries

**Travel:** 83 pct. of all activities are consolidated in one centre that serves all ministries. Outsourcing is considered.



- and one shared it service centre

**IT:** More than 90 pct. of all activities are consolidated in an it centre. Separate solutions for ministries with special (security) needs. One centre for all other ministries.

Further analysis required:

**HR:** Standardisation and common IT-systems is the primary focus. No actual consolidation in a centre



### Shared Service Centre

#### Press Release - ACE

HM Prison Service's Shared Service Centre celebrates its first anniversary this year. It's the result of a £150 million modernisation programme known as Phoenix that is on target to realise savings of approximately £30 million per annum.

Pressures on spending and an internally driven desire to improve efficiency led to the establishment of the new centre in Newport which, by 2008, will handle finance, procurement and HR activity for all 128 HMPS establishments across England and Wales.

Along with the move to Shared Services, HMPS has also implemented Oracle ERP across all three functions and transformed its business processes.

HMPS realised that in order to meet tough spending targets, it couldn't simply carry on operating in the same way, but endeavouring to do it at lower cost – it had to change radically the way it did things.

There was a lot to do. HMPS had 130 separate finance systems, management accounts took six weeks to consolidate, expenses were paid in cash and there were more than 300 bank accounts. Much of the procurement activity was carried out locally, often by people keen to do a good job but without professional expertise. HR support for line managers and staff also sat at local level, often resulting in a lack of consistency and making it the cost far in excess of the public sector median.

When it came to the running of establishments, Governors lacked the management information they needed in order to understand what activities were providing the best value for money. At the same time, HR and Finance professionals were weighed down by day-to-day transactional work, unable to provide their Governors with the strategic advice and support for which they were calling. Around 85% of HR staff time was spent on repetitive, transactional work.

Financial savings have been gained through a 1200 headcount reduction in administration posts, made possible by moving work into a Shared Services model, which is less resource intensive. Long term planning means that this has been achieved without the need for a redundancy programme, with staff being redeployed, some moving to the new Shared Service.

Substantial savings are also being generated through smarter procurement. A clear central picture of purchasing activity enables more effective negotiation with suppliers – not only to reduce costs, but also to improve the terms of contracts. With the transactional part of the purchase-to-pay process moved into Shared Services, procurement professionals are freed up to manage contracts and build

Read Press Releases from the following publications:

The Gazette

ACE

[Return to Case Studies]

## Unilever's Financial Shared Services Center

### Why Chile?

Unilever chose Santiago through a rigorous selection process in which PriceWaterhouseCoopers evaluated 12 different locations in 7 countries: the USA, Mexico, Costa Rica, Brazil, Uruguay, Argentina and Chile. Chile's winning characteristics included:

- Competitive costs of high-quality human resources
- World-class telecommunications infrastructure
- Political and economic stability

### Overview

Year established: 2002

Location: Santiago

Employees: 160

Reach: Latin America and Caribbean

Investment: US \$11 million

### Functions

Unilever's Financial Shared Services Center is part of Harmony, an ambitious project integrating the entire company's information systems throughout Latin America. The Santiago center manages accounts receivable, accounts payable and other financial processes for Unilever's businesses throughout the region.

### World-Class Shared Services

Unilever's Santiago facility is leading the company's efforts to centralize services worldwide. The center is Unilever's best practice model for shared service operations in other regions, including Europe and the United States.



### ▼ Forvaltningerne

### ▼ Økonomiforvaltningen

- > Mission og vision
- > Direktion
- > Organisation

## Organisationen i Koncernservice

Bestyrelsen, som består af Kommunens syv administrerende direktører, øverste, administrative ledelse, mens den daglige styring og Kontorchefkreds.

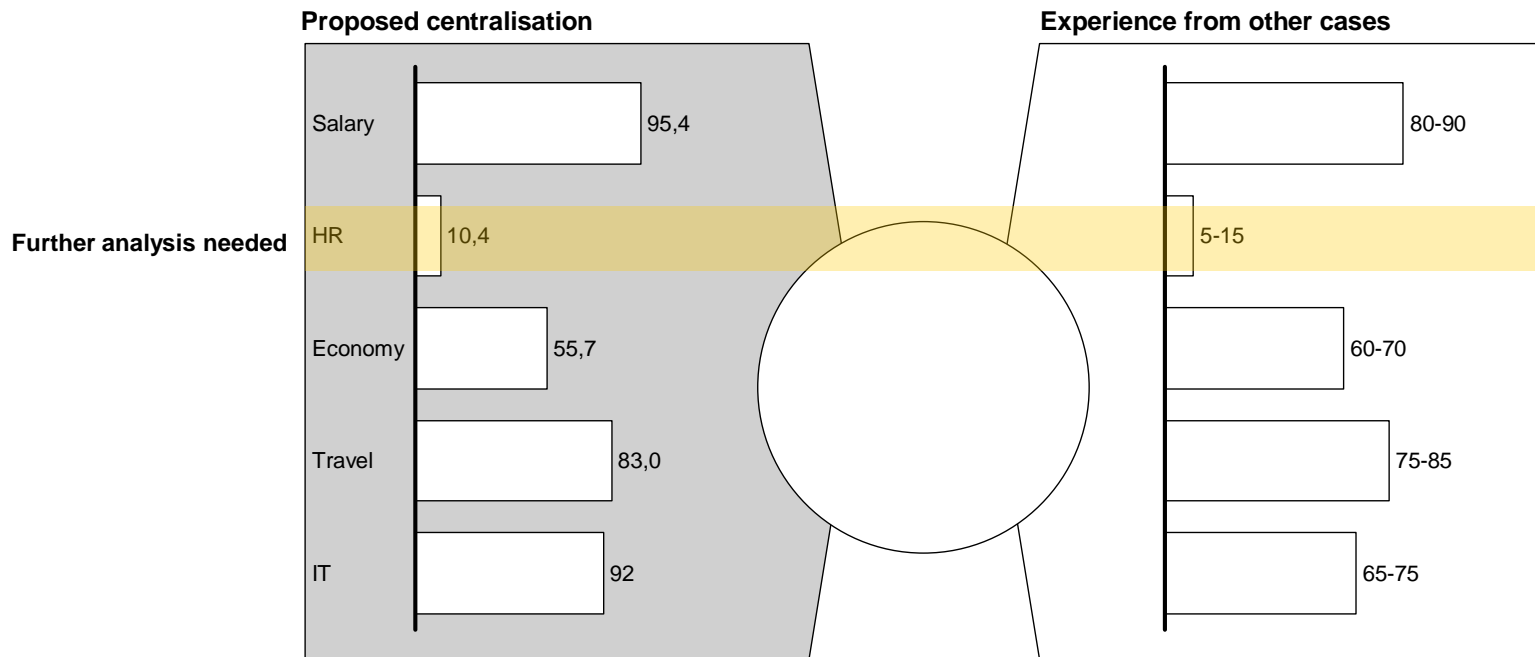


## Goals

- Reduction of costs
- Freeing up of resources
- Maintained or improved service levels
- Increased professionalization



# Split





## Business case

### - sources of potential savings (including HR)

- Centralisation of routine activities (368 mill. DKK (49 mill. euro))
- More efficient administrative (advisory and controlling) functions within ministries (204 mill. DKK (27 mill. euro))
- Consolidation of IT-infrastructure and applications (230 mill. DKK (30 mill euro))



## Preliminary view of savings and investments

	<b>Savings p.a., mill. DKK (mill. euro)</b>	<b>One-off investments, mill DKK (mill. euro)</b>
<b>Salary</b>	54 (7)	49 (6)
<b>HR</b>	-	-
<b>Finance</b>	111 (18)	80 (10)
<b>Travel</b>	16 (1)	10 (1)
<b>IT</b>	219 (21)	168 (22)
<b>IT-infrastructure</b>	206 (22)	322 (57)
<b>Total</b>	<b>606 (78)</b>	<b>661 (85)</b>

\*Savings p.a. includes increased yearly costs



## Vision and next steps

- A streamlined and efficient government
- A stronger cross-governmental governance structure
- A strategic platform to enhance e-government
  
- Shared services in other sectors
  - app. 800.0000 public sector employees in total
  - high school service centers being built (business case = 40 mio. euro p./a.)
  - analysis being carried out across regional level (hospitals)
  - analysis may be done at research institutions and across local government)