

## Case Study: EquaTerra Helps Federal Government Agency Evaluate Shared Services Centers to Address its Human Resources Information Technology Needs

### At a Glance

#### Company Profile

The organization is a U.S. government agency

#### Services Featured

- Assessments
- Business Case

#### Business Processes Involved

- Human Resources Information Technology (HRIT)

### Executive Summary

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A major government agency was looking to leverage the human resources information technology (HRIT) system of one of five Office of Personnel Management (OPM)-certified Federal Human Resources (HR) Shared Services Centers (SSC). To help it determine which, among the five, would serve it the best, the agency hired a strategic consulting firm and EquaTerra. After an in-depth assessment process, the two advisory firms were unable to definitively recommend which SSC the agency should engage due to several factors. However, the two advisory firms were successful at leading the agency through a comprehensive thought process which resulted in a road map that detailed next steps. Additionally, the two advisory firms were able to help the agency make a business case for making process improvements to its HRIT systems and were able to get to know the capabilities and experiences of each of the SSCs significantly better – a process that will serve to shorten the SSC selection process when the agency is ready to move forward with this initiative.

### Business Challenge

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In an effort to address redundant HR systems and processes across several Federal agencies and to find a more cost-effective approach to HR management, OPM established five SSCs to serve and support multiple government agencies in their need to acquire HR information systems and services.

One of the government agencies engaged a strategic consulting firm specializing in services and solutions for government (referred to as “consulting firm”) who in turn subcontracted some of its efforts to EquaTerra so it could tap EquaTerra’s sourcing advisory expertise and experience as well as its related proprietary tools and methodologies.

The goal was to help this government agency become one of the first to move its HR systems and processes to one of the certified SSCs.

### How We Helped

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The consulting firm and EquaTerra determined that the best first step would be to spend some time learning about the government agency’s HRIT business requirements and then create formalized documentation to clarify the unique

current and future HRIT systems' requirements. While the organization wanted to move forward with the SSC selection process, it was clear that only a high-level vision was in place and that the agency lacked sufficient information about its requirements in order to proceed.

In their assessment of the organization's HRIT systems requirements, the two advisory firms determined that the agency was underutilizing its PeopleSoft system. The organization had implemented a PeopleSoft platform but it didn't utilize the system in the way it was designed. For example, the agency used the software as a data warehouse but it also could have been using it to process transactions. This under-deployment of the software system showed that the organization needed to be more focused on optimizing and perhaps reengineering the way it did business before it could transition processes to an SSC.

Additionally, the two advisory firms learned that the government agency had a complex Time Reporting and Labor Distribution system that utilizes an agency-wide Enterprise Resource Planning (ERP) solution. The solution is a highly customized, complex application that satisfies the agency's sophisticated time-charging requirements and the presence of multiple two-way interfaces that enable applications to be accessed by internal and external organizations. However, the consulting firm and EquaTerra found that the required complex time-charge requirements didn't fit with the software the agency had in place. The organization needed to make customizations to ensure proper time tracking.

Further, the consulting firm and EquaTerra conducted an HRIT systems cost-basis analysis to understand the costs of the government agency's current HRIT system and future costs once the HRIT system was migrated to one of the SSCs. The cost benefit analysis revealed that the agency may be able to reduce costs by \$40-60M over the course of 10 years. It became clear that it was unlikely that the agency could achieve such cost reductions simply through internal HRIT enhancements, as estimates indicated that internal enhancement costs would increase by \$200,000 per year.

### Evaluating Individual Certified Shared Services Centers

The consulting firm and EquaTerra determined that the government agency would need to work with an SSC that would best align with its current needs and future goals.

This required that the chosen SSC be able to provide a comprehensive solution, with minimum customization, that would deliver functionality to mission-critical areas.

The agency also required that the chosen SSC would provide additional functionality in the areas of benefits management, analytical reporting, a recruitment/staff acquisition system with applicant rating and ranking, an integrated learning management system, organization and position management, performance management, and employee and labor relations.

With these requirements in mind, the consulting firm and EquaTerra determined that each SSC would need to be evaluated based on:

1. Functional capabilities/technology depth
2. Technical
3. Customer focus and support
4. Pricing

Next, the two advisory firms set out to evaluate the appropriateness of the SSCs' offerings by requesting information from each of them about their respective systems, capabilities, pricing and current clients. The firms developed and released a questionnaire designed to capture relevant information. The firms then scheduled individualized briefings and demonstrations with each of the five SSCs. Unfortunately, not every SSC was in a position to provide sufficient information to make a full determination of its solution's appropriateness to the government agency. Most often absent was reliable information about the costs to serve.

After a critical evaluation of each of the five certified SSCs, the consulting firm and EquaTerra advisors came up with two possible "payroll" scenarios for the agency to consider. While the two advisory firms could not provide a formal recommendation of which SSC the agency should migrate its HRIT system to, the firms were able to provide several overarching recommendations for proceeding with the selection process:

- Establish a Formal Governance Structure – The consulting firm and EquaTerra recommended that the agency immediately charter a larger, dedicated task force comprised of management representatives from various agencies to more formally integrate the organizational linkages between the agency's HRIT, Time Reporting, Labor Distribution, Payroll and Financial

Management systems within the overall systems architecture. This task force would be responsible for examining all relevant issues to include organizational alignment of the agency's HRIT needs, requirements and systems.

- Document Detailed HRIT Functional and Technical Requirements – Documenting detailed functional and technical requirements would permit the agency to validate which SSC would best meet its needs from a functional, technical and cost perspective. Fully documenting the agency's unique requirements greatly decreases the agency's chance of incurring additional costs or not receiving required functionality and support.
- Address Immediate Workflow Needs in Preparation for Migration – Given the ongoing HR consolidation effort, the consulting firm and EquaTerra recommend the agency deploy workflow to facilitate and enable the operation of internal consolidated service centers.
- Select an Integrated HR, Time Reporting, Labor Distribution and Payroll Solution – The agency should select an SSC that can provide a fully integrated HR, time reporting and labor distribution, payroll and labor management solution based upon its defined requirements. An integrated solution which minimizes interfaces to other applications would correspondingly lower its technical risks and burden.

Overall, the consulting firm and EquaTerra found that without formalized business requirements documented and in place, the SSC selection process would be greatly complicated and posed challenges in meeting the agreed timeframe. Therefore, the two advisory firms recommended the agency gather more information relative to the above-mentioned critical variables before making a final SSC decision. In the interim, the consulting firm and EquaTerra recommended the agency: 1) research more time reporting and labor distribution options in detail, which would require additional funding, and 2) await clarification of the payroll situation.

## Results

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While the two advisory firms were unable to determine which SSC to work with, they were successful at leading the agency through a comprehensive thought process which resulted in a road map detailing next steps. Additionally, the two advisory firms were able to help the agency make a business case for making process improvements to its HRIT systems, whether internally or through an SSC. And finally, the consulting firm and EquaTerra were able to get to know each of the SSCs; a process that will serve to shorten the SSC selection process when the agency is ready to move forward with this initiative.

## About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported over 2000 transformation and outsourcing projects across more than 60 countries. Supporting clients throughout the Americas, Europe, and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

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