

BUSINESS PROCESS MODELING FOR THE SHARED SERVICES CENTER IN PUBLIC ADMINISTRATION. LEGAL AND IT ASPECTS IN MANAGEMENT

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In the paper the concept of Shared Service Center (SSC) for public administration is introduced. Processes and models of SSC are defined, but from the point of view of one of the main purpose of public administration– delivering public services. It is proposed to, while planning and implementing SSC, not only focus on designing services for organizational units participating in the SSC, but also to design solution for e-services for citizens. So the emphasis should be put, not only on modelling supporting processes just like for planning the implementation of commercial SSC, but also on core processes. Specific legal solutions are also pointed out, which are supporting this concept, from the point of view of organization of SSC (new Polish legislation) and from the point of view of funding the development of SSC (European Union operational programs supporting e-services for A2A and A2C).

Keywords: E-business, E-services, Processes modelling, Shared Services Center, Outsourcing, Information System in Management, IT infrastructure

1. Introduction

One of the new problems today, for public administration is the problem of modelling and implementation of processes in the Shared Services Center. This concept has been operating in the business reality for a long time, and is derived from the idea of outsourcing, which is used in management practice since the

eighties. Outsourcing as a term is derived from the English language and is an abbreviation of "outside-resource-using" which applies to an effective and efficient external resources usage. In the concept it is assumed that all companies using outsourcing base their activities on system solutions in the field of suppliers, buyers and subcontractors of goods and services [13].

The concept of outsourcing is interpreted as a process associated with the separation or isolation of joint actions in a methodical way involving the exclusion from the organizational structure of the company performed functions and transfer them to be performed by other economic entities. Such actions are preceded by the proper preparation for the separation and then modelling and implementation processes for Shared Services Center, including informatisation processes, all from the point of view of organizational and legal solutions.

Thus the above-mentioned approach, outsourcing may concern both products and services and it should be noted that both the outsourcing as well as Shared Services Center concepts, models and methods of implementation has evolved and changed over time. The evolution of the outsourcing is shown in Fig. 1. The last phase shown in Fig. 1 is a "strategic choice on how to conduct your business" preceded by a point "concentrate on core business - focus on key activities", in the context of SSC both of these statements are true for the current stage in which public administration in Poland is.

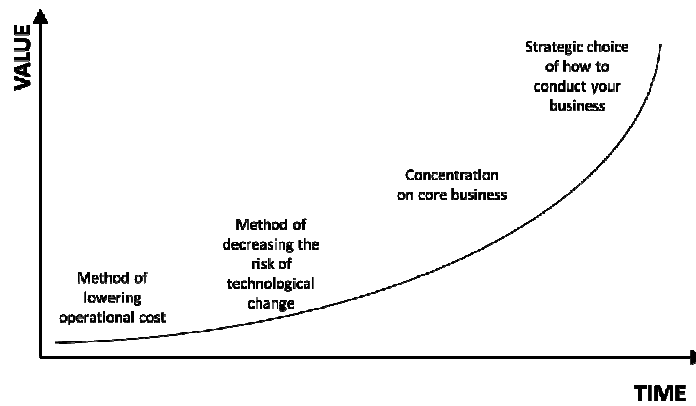


Figure 1. The evolution of the concept of outsourcing. *Source:* [10]

2. Service model of the SSC in public administration

The concept of Shared Services Center, as mentioned before is derived from the definition of outsourcing, in particular from one of its specific type, which is intersourcing. It involves the creation on the basis of several economic entities or

administrative units, separate entity dedicated to the provision of certain services or production of products for the participants of the agreement.

Intersourcing as a way of cooperation is regarded as a deliberate form of business entities participation, in benefits of joint operation, which requires on one hand the resignation from developing their own resources and processes in its own structure, but on the other hand gives the right to participate in the distribution of value-added due to the concentration of services [13].

In terms of intersourcing SSC is a separate organizational unit created to handle the assigned tasks and supporting processes, with orientation on services and products and sometimes also the resources to carry out shared activities as a separate and independent business unit.

Characterization of SSC as an organizational unit is usually defined as an independent and separate system, performing functions of a support for organisational units, for the purpose of customer service, focused on the implementation of clearly defined objectives and continuous improvement, in particular with the solution of the problems of IT and legal nature.

In this perspective, internal organization of SSC concerns performing business using its own resources. As a result among others, the following:

- provision of clearly defined services and products, based on processes or knowledge, for the benefit of one or more entities within the group,
- use of optimized and standardized processes, separated for supporting functions, to improve the handling of operational processes,
- basing on process oriented on measurement of value, effectiveness and efficiency, together called the robustness of activities,
- acting based on service-level agreements – SLA, agreed with internal clients in range of determining the type, scope, price and quality of services,
- acting as a cost and profit center, fully responsible for managing its own costs, quality and punctuality of services.

An example of SSC organization and operation is shown on Fig. 2. It is worth mentioning, the separation of the SSC functions of customer service on self-service and external client-service – with definition of principles discussed above, such as definition of scope of engagement (financial and accounting services), and range of SLA.

In the case of SSC in public administration, function of customer service could be further separated into function of provision of services for the internal client – administration units and function of provision of services for the external client – the public, citizens and entrepreneurs etc. Such division is associated to the main purpose of public administration which is the mission to serve the public in terms of providing high quality public services in an accessible, fast and easy way, where the provision of services to internal client can be described as a support activity [4].

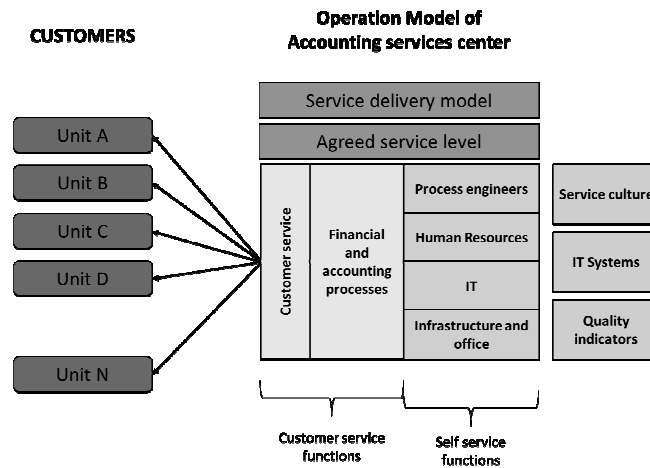


Figure 2. SSC model on the example of accounting services. Source: [11]

Generally, the most common methods of organization SSC in administration are shown in Fig. 3 and comprise:

Model 1: SSC created on the basis of the existing business unit of local government (separated as a department/office or as several business units managed by a representative of the president/mayor/district governor etc.),

Model 2: SSC created on the basis of the existing organizational unit (e.g.as a unit responsible for providing shared accounting services for the educational units of the city with additional tasks and competencies in the area of shared services), or as a separate, new organizational unit to which there will be transferred human resources and technical resources to provide shared services.

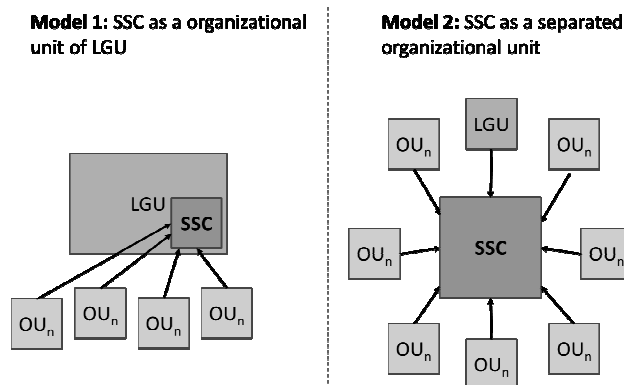


Figure 3. Models of providing services in the SSC in public administration. Symbols: LGU - Local Government Unit(f.e. City Hall), OU_n – Organizational units from 1 to n

There can be distinguished three types of processes, and for public sector, in this case local government administration, it's the same:

- Supporting: covering outsourcing of supporting activities, to allow the administration to focus on the so-called "core business",
- Main – in banking core business: covering the outsourcing of business operational processes (ang. Business Process Outsourcing, BPO) related to the exclusion of processes creating value for the customer,
- Management: covering outsourcing aimed to exclude from the structure of business entities, processes responsible for the development of the company [5].

When it comes to private sector, services that are mostly outsourced – excluded to the Shared Services Center, are the supporting and management processes, which allows organization to focus on their line of business - main activity. An identical approach should be applied to SSC in public administration, e.g. organizational units of the city, should be focused on the business for which it was established, whether it would be educational activities, healthcare activities or strictly administrative [7]. But creating SSC is not only an organisational problem, but it should be also planned and implemented an IT platform of shared services, processes for both public services and internal SSC services should be predicted and planed, and such services should be planned in the form of e-services.

3. Legal solutions that underpin the use of SSC and e-services in local government in Poland

The most important thing in terms of legal solutions, implying the possibility and in some cases the need for organizational changes among other in the scope of IT is the legal basis of SSC in polish local government administration, defined by the act of 25 June 2015 on the amendment of the Local Government Act and other acts (Dz.U.2016, pos. 1045, hereinafter Local Government Act), which apply since 1 January 2016. However, in the scope of implementation and funding of e-services currently the most important guidelines are the European Union's Regional Operational Programmes, which has been prepared under the Regulation of the European Parliament and the Council (EU) nr.1303/2013 of 17 December 2013.

Changes in the acts on community, district and voivodship government level, in particular, introduces the following significant changes:

- introduction of new rules of joining local governments or separated from them, processes, services and products, which involves the arrangement of rules and regulations, increased financial encouragement for voluntary aggregation of local governments and business entities e.g. increased participation in tax revenues,

- definition of regulation to ensure shared services in scope of administrative, financial and organizational processes (the scope can be further expanded),
- legal solutions allowing to establish of the entity responsible for providing shared services, which, according to the local government act, may be the office of the municipality (city hall), other organizational unit of the municipality, organizational unit of the association of municipality/community and district, also applies to districts and voivodships,
- equipment of Municipal/Community, District, Voivodship Council in competence to appoint which operational units should be a part of the SSC, and which units should be responsible for providing services to those units.

It is worth noting that the legal situation regarding the possibility of creating shared services in the period before the change in Local Government Act of 2016, caused fragmentation in local government entities, which resulted that at the end of 2016, there existed 2809 local governments in Poland. There were over 59 thousand organizational units without legal personality, together with educational entities (schools), each obliged by the Public Finance Act to have separate financial plan, accounting policy, appointed chief accountant, handling human resources to strictly defined rules, etc. It was assumed that making possible for the local government entities, to separate groups of services into shared services centers, will result in improvement of the organization and last but not least cost reduction of the statutory activities.

From the content of the act it is clear, that in order to establish SSC for local government units and other offices included in the public finance sector, it is essential to adopt adequate resolution, (e.g. on the level of City Hall, effective in the city), which should in detail determine units appointed to provide services, units appointed for the separation of shared services, the range of services to be provided, minimal requirements etc.

In the case of local cultural institutions and other legal entities belonging to the public sector it is required to conclude an agreement with a unit appointed to deliver services, under which accession to shared service for these entities will occur, but only after notification of that intention to the executive authority of the local government.

In this respect, the implementation of the adopted resolution, requires initial equipment of SSC in the property necessary for entrusted tasks performance, and to enable employment in SSC and the possible use of already employed people in the City Hall or in the organizational units of the City.

Regional Operational Programmes (ROP) are the instruments of implementation of the Partnership Agreement, which is a document defining the strategy of intervention of European funds in Poland in the three EU policies in the perspective of 2014-2020, these policies called horizontal are: Sustainable development, Equal opportunities and Information society.

For example, in ROP for the Voivodship of Silesia years 2014-2020, it was planned twelve substantive priority axes and one axis dedicated to activities in the field of technical assistance for the program. From the point of view of delivering public e-services the most important is the Priority Axis II: Digital Śląskie, Action 2.1 Support for the development of digital public services, whose task is to implement activities that contribute to increasing the availability of public e-services and an increase in the number of people using the services and public resources made available on-line in Silesia.

The intervention supports public entities in the creation and development of modern electronically delivered services, with particular emphasis on services with high levels of e-maturity and integration of the public services on a one IT platform created for the purpose of delivering e-services.

Under the action 2.1, support will be granted to projects that contribute to the greater availability of public e-services, which will be implemented in particular in the areas of health care, public administration, spatial information (according to directive INSPIRE), support for entrepreneurship and business running, the digitization of learning, science and culture resources, and also in the area of public security. For projects carried out under action 2.1. will find use applicable laws, in particular provisions of the Act of 17 February 2005 on computerization of entities performing public tasks (Dz.U.2013.235 jt), the Act. of 4 March 2010. on spatial information infrastructure (Dz.U.2010.76.489 as amended. d.) and the Act of 28 April 2011 on information system in health care (Dz.U.2011.113.657 as amended. d.).

Within type of project aimed at creation of systems and applications that contribute to increase the access of citizens and businesses to digital public services, funding is available for projects involving the implementation of solutions in the area of information and communication technologies to facilitate the implementation of public tasks, with the exception of projects in the field of e-health. Projects in the field of e-government should be integrated with platforms ePUAP, PeUP (Platform of public e-services) and SEKAP (Silesia regional platform of e-services) and being compatible with other systems of higher and lower order. Made available as part of e-services projects, public registers should cooperate with other public registers.

In summary, program "ROP for the Voivodship of Silesia years 2014-2020, Priority Axis II: Digital Śląskie, Action 2.1 Support of the development of digital services" is assumed to support a wide range of projects, however all planned investments must contribute to increased use of public e-services by citizens (type of services A2C – administration to citizens) and business (type of services A2B – administration to business). They are also permitted investments for the implementation of the services within the administration (services A2A – administration to administration), but they should indirectly have the effect of increasing access to digital public services such A2B, A2C.

4. Shared Services Center, European and Polish practise

Although in a worldwide practise concerning Shared Service Centers, the emphasis is put onto the so-called support functions, namely accounting services, human resources, payroll, and particularly in the field of IT support, but also services are highly developed especially in the form of e-services, and there are many programs supporting such development.

The percentage of Shared Service Centers created in the public sector in the world is growing from year to year and as of 2012 there was for Europe 34%, Australia 27%, Canada 26%, USA - local government 23%, USA - state administration 20%.

In the countries that are implementing SSC model in administration, we can meet four organizational and legal models:

Model 1, in which the internal local government competence center is created based on internal organizational unit specialized in the implementation of certain tasks (usually the one with most developed IT), providing services to organizational units belonging to the local government. For example, the City Hall creates the Shared Services Center, which takes over the tasks of accounting for all organizational units reporting directly to the City Hall.

Model 2, in which the local government provider of shared services, creates Internal Competence Center and begins to provide services for third parties, and can expand their customer group with other public entities operating in the city, for example, cultural institutions or agencies of other governments on the basis of agreements with other governments in the region.

Model 3, in which there is a public-private partnership, and the government together with third-party vendor, brings to life an organizational unit, which provides shared services to local government units. This model is particularly applicable when beside the launch of the Shared Services Center it is required to carry out investments especially in IT infrastructure, often to extend not available at the particular moment, especially for small local governments.

Model 4, in which a commercial vendor of shared services is de facto an outsourcer, in which shared services are ordered on the full commercial basis, from an external provider specialized in delivery of services for local government units.

For several years, also in Poland, work in underway in the field of modelling and implementing of Shared Services Centers for various public administration units. One of the first SSCs, was operating since 1 January 2011 SSC at the Prime Minister's Office as an budget economy institution created by transforming the Service Center of the Prime Minister Office. Map of Shared Services Centers in Poland presenting the selected SSC in public administration is given in Fig. 4.

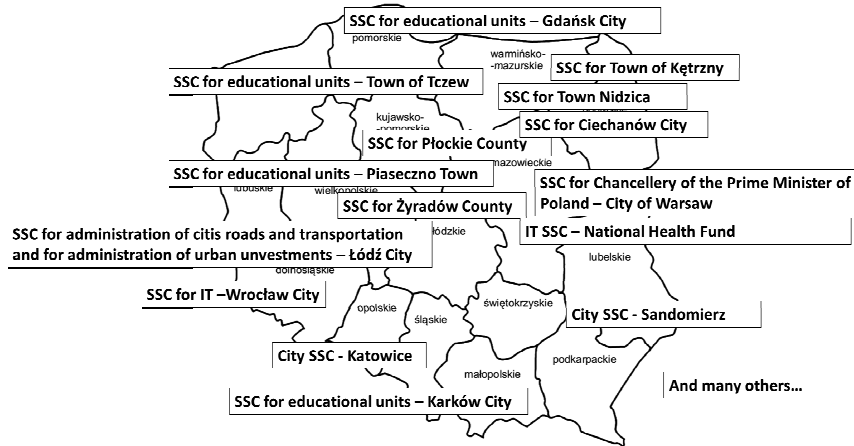


Figure 4. Map of selected SSC in public administration created in Poland. In private sector, Poland for many years now, is the main destination for international corporation in scope of service offshoring, resulting in creating many outsourcing centers and SSC in major Polish cities

The core object of the above-mentioned Shared Services Center at the Prime Minister's Office, include provision of services to the Chancellery of Prime Minister, conducting joint or central procurement, printing services for government institutions, comprehensive services in the field of automotive in scope of servicing cars of different brands, organization of trainings, conferences, team building and individual vacations, etc. However, SSC at Prime Minister's Office, is focused, on the conducting joint purchases for the serviced units, which naturally brings significant cost savings, but often is associated with missed shopping or even unnecessary from the standpoint of units localised in the field.

5. Shared Services Center in public administration as a platform and a foundation for providing public e-services

Having in mind, mention in above sections issues concerning classical approach to SSC as an organization that provides services to internal customers, as well as solutions in the Polish and European law, supporting firstly creation of SSC in local governments, and secondly, providing high-quality e-services to the public, it is necessary to specify IT platform capable to cope with this task. It should be certainly the central system with high flexibility for modification, e.g. ERP class system (Enterprise Resource Planning system) which could be the core of SSC [9].

The discussed solution supporting the SSC should consist of the following elements:

- Portal containing elements of the communication of system with the environment (local government units employees and residents) built as a tool for content and knowledge management and sharing,
- ERP system, covering typical modules of such system, a database and BI (Business Intelligence) system,
- Modules crucial for specifics of the local government administration, such as budget and reporting, taxes and local fees, etc.,
- Workflow and "Document Management System", which is an supporting logical element closely integrated with other modules of ERP System,
- Other modules, such as documents repository, etc.

When modelling processes for SSC in public administration, there should be awareness that not all of the processes require the implementation in a central system (in our discussion an ERP system). The processes such as handling fines and credentials, handling rental property and renovations and repairs, and many other should be left out as a separated systems but integrated with the host, so that the services they deliver could be jointly provided.

Example of SSC organization that meets both the requirements for classic SSC and for provision of public e-services to the citizens is given in Fig. 5.

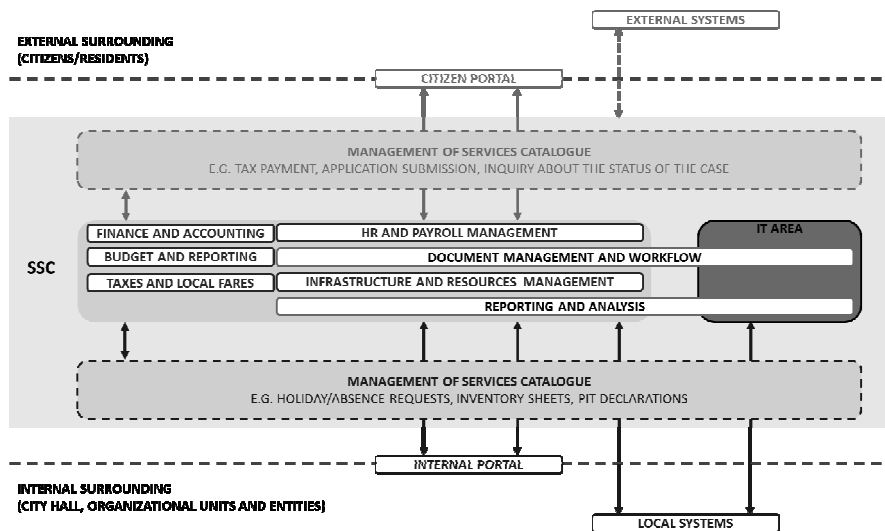


Figure 5. SSC in public administration model, taking into account the provision of e-services as a component of SSC

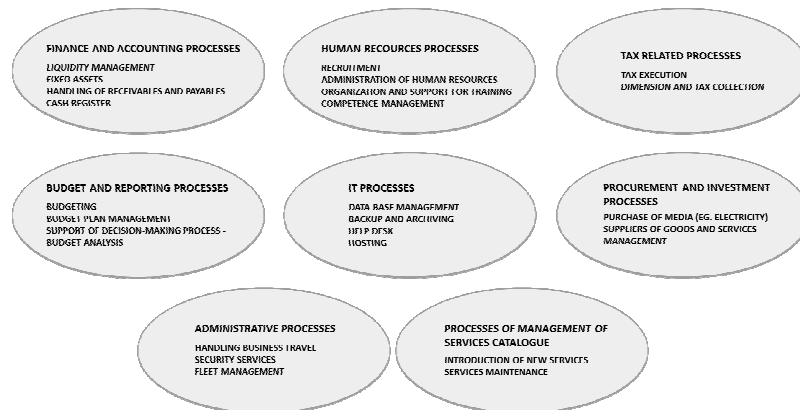


Figure 6. Processes that supports services provided to internal by the SSC

Fig. 6 shows an example of the processes that can be provided by SSC for the local government – the city, in the scope of services provided to internal customers. According to the adopted in Chapter 3 mark, we can call them A2A services. The list provided in Fig. 6 is not complete, its scope is also dependent on the model adopted to the approach to the implementation of the SSC. However, the purpose of these services and thus the whole SSC in local government should be providing support to deliver public services, which is the realization of one of the basic tasks of administration [6].

The example of such public e-services for residents, implemented by the main processes of public administration, are:

Services for Citizens (A2C) - payment of the tax; municipal fee; the fee for perpetual usufruct; benefits for family; electronic recruitment to kindergartens, primary schools, secondary schools, high schools; filling in a tax return; information about all titles of tax and non-tax titles; electronic recruitment of city employees; electronic status of affairs in the office, civic budget; interventions;

Services for Entrepreneurs (A2B) - payment of tax; community fee; fee for perpetual usufruct; filing a tax return; information about all the titles of tax and non-tax titles; electronic public procurement.

6. Conclusion

Worldwide existing solutions, especially in Europe indicate that the direction of development of Shared Services Centers in Poland, in scope of modelling and implementation is valid.

Indigenous experience shows however, the necessity for a different shaping of SSC, based on the Polish experience and financial capabilities, especially to develop IT model for shared services centers.

Approach proposed in the article, also imply the need to develop methods for modelling and implementing business processes for SSC, for both support and main processes [12].

In the article there were defined the basic information processes for e-administration in the local government possible to separate in the form of SSC and as an effect there was introduced a model of SSC for local government, for providing both internal (A2A) and external (A2C, A2B) services.

Emphasis was also put onto legal aspects, which could serve the cause of delivering services for internal and external clients.

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