

SHARED SERVICE CENTRES IN PUBLIC ADMINISTRATION IN POLAND

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The main aim of this article is to present the form of organization cooperation which is the Shared Services Centre (SSC), discussing its adaptation in the public sector and drawing up a list of benefits of cooperation of public administration at various levels within such an entity.

Keywords: Shared Services Centre, Contracting Authority, Shared Orders, Public Procurement Law

1. Introduction

The idea of conducting activities with the aid of the shared services centre appeared in the United States. The first American companies which incorporated it in mid 80ies of the 20th century were: Ford, General Electric and Baxter Healthcare. In the 90ies of the 20th century also European companies, including Intel, Whirlpool and Allergen reached for it [3].

In Poland the first shared services centres arose at the beginning of the 21st century, with the highest investment wave falling to the period after Poland's accession to the European Union (UE).

Poland's assets indicated by foreign investors who form the SSC are: convenient geographical situation, perfect economic conditions for the investment, lower – as compared to Western Europe – labour costs, and access to well educated and highly qualified staff knowing foreign languages [8].

In the report drawn up by Tholons *2015 Top 100 Outsourcing Destinations*, Cracow is ranked first in Europe as the best localization for outsourcing projects. The ranking includes also Warsaw (30th place in the world) and Wrocław (62nd place in the world) [16].

The services which were most frequently provided by the shared services centres in Poland are accounting services (80%). Other services include also corporate management services and staff management services [11, 12].

The studies of ABSL (Association of Business Services Leaders) refer to characteristics and trends of the modern business services sector including the activities of the SSC, companies providing services of business process outsourcing (BPO) and IT outsourcing (ITO), as well as research and development centres (R&D). The studies of 2014 indicate that in the area of Central and Eastern Europe countries 44% of all shared services centres are located in Poland. These data translated then into 165 shared services centres employing in total approx. 44,1 thousand people [25].

The latest report of ABSL (published in 2016 [26]) indicates that 34% (the greatest part) of employment in the sector of modern business services are generated by SSC, followed by IT centres, outsourcing centres and R&D centres (the centres of the type of *contact centres* acting for external clients were included into the BPO category; defined as IT centres were the subjects providing outsourcing services of IT solutions, including the maintenance of systems, applications, infrastructure, technical support and/or those creating and selling or implementing the software for external clients). Some centres are servicing both the parent company and external clients (hybrid model of service provision). However, within the report no separate mixed type of BPO-SSC centres was separated but individual subjects were assigned to the basic types (BPO, SSC, ITO, R&D), taking into account the predominant profile of their activities.

It is worth noting that the employment structure divided into centres types is significantly different when considering the Polish centres and foreign centres. The most visible difference is a very low share of employment in Polish companies' shared services centres, which results from the method of choosing the companies for analyses. After all, the ABSL research comprised only the entities providing services in foreign languages. Thereby excluded were all centres which provide services only in Polish for the companies in Poland. Consequently, the share of the Polish shared services centres in the employment structure refers to the entities providing services in foreign languages for the foreign branches of Polish companies. We should mention several dozen Polish shared services centres working in Polish for parent companies in Poland. These are often entities of big Polish enterprises, such as: Tauron, Poczta Polska, PZU, Enea, Grupa Azoty, Energa etc. It has been estimated that about a dozen thousand people were employed in such entities. Furthermore, a high share of employment in IT centres was noted, which

resulted from a high number of parent IT companies rendering services which are covered by ABSL studies.

Altogether in Poland in the first quarter of 2016 there were as many as 936 business services centres (Polish and foreign ones) employing 212 thousand people. Considering the hitherto development of the branch it has been estimated that in 2020 the service centres in Poland will employ at least 300 thousand people.

Within almost six hundred companies which have their service centres in Poland there are 73 investors from the list of *The Fortune 2015 Global 500* [14] employing 64 thousand employees in 123 service centres (30% of employment in the sector). The first hundred of the mentioned list contains 21 investors present in Poland, employing 29 thousand employees in 40 service centres.

The potential of using the shared services centres to generate savings was noticed by the authorities of many countries. The leading countries in the shared services centres organization in the public sector of Europe include: Great Britain, Ireland, Sweden and Norway. Outside Europe, the leaders are: USA, Australia, New Zealand and Singapore.

For example in 2014 in England 257 local self-governments were functioning in the shared services centre in England, and the savings resulting from their activities are estimated to reach 357 million GBP [9].

As early as in 2005 in the United Kingdom governmental strategy relating to changes in the public sector the following sentence was written: „A new Shared Services approach is needed to release efficiencies across the system and support delivery more focussed on customer needs” [6].

Management is conducted differently in offices than in private companies, therefore it was not easy to introduce cooperation within SSCs in public administration units in Poland. Such cooperation is most common in the finances sector, though it is also popular in transport and communication services.

Public administration is functioning in a dispersed structure and needs for its functioning the delegations contained in legal acts, whereas the decision-making process and management vary among particular levels.

Within administration there is no (at least in theory) assumed competitiveness element, and cooperation between its entities is based on principles different than those in non-public organizations.

Furthermore, we should not forget that public administration is located in the public procurement system (determined by the Public procurement law [19] and EU directives), which imposes on them the obligation to spend public means pursuant to mandatory legal regulations.

SSCs are formed as separate entities and they should not be identified with centralization or outsourcing. The entities which were transferred to the SSCs are not liquidated. The difference between outsourcing and SSC is that within the SSC

the tasks are not commissioned outside; they are accomplished in a new deliberately set up entity within the structures and control of their founder.

In Poland the SSCs are functioning both at the central and self-governmental level. In governmental administration from 1 January 2011 there has been a Shared Services Centre at the Ministry Cabinet President's Office. This budgetary economy institution arose from transformation – through general succession – of the Centre of Servicing the Ministry Cabinet President's Office (by virtue of the public finances Act [17], Decree of the Ministry Cabinet on the way and terms of transformation of auxiliary subjects of the State budgetary units into budgetary economy institutions [10] and Management related to the foundation of budgetary economy institution – Shared Services Centre by transforming of the auxiliary subject and conferring the statute – with amendments [24]).

The Shared Services Centre at the Ministry Cabinet President's Office (MCPO) is otherwise referred to as the Central Contracting Authority and accounts for conducting shared or central public procurements, accomplishment of public tasks within services and supplies, construction supplies, ongoing servicing of the MCPO and entities transformed within the Ministry of Digitalization, as well as printing services for governmental institutions, comprehensive automotive services within servicing of various cars, organization of training courses, conferences, integrative events and individual recreation.

The idea of shared action within the SSC finally found also a favourable response at the self-governmental level. The act of 25 June 2015 about amendment of the act on municipal self-government and certain other acts ([20] consolidated text of the Official Journal of Laws of 2016 item 446) enacted on the 1st of January 2016 allows to form SSCs for joint administrative, financial and organizational services for territorial self-governmental units (tsgu). The SSCs are functioning in Poland, at self-governmental level, as educational economic and administrative teams and municipal companies.

Therefore, following the mentioned amendment, the SSC will replace the units so far formed by virtue of regulations of the following acts:

- act of 7 September 1991 about the educational system (it regulated schools services; [21]),
- act of 4 February 2011 about the care of children aged up to 3 years (services for nurseries and clubs for children; [18]),
- act of 9 June 2011 about supporting of foster families and system (services for care and educational institutions and daily support facilities; [22]).

2. Shared Service Centres in central administration

The Central Contracting Authority institution has been functioning in the Polish law since 2006, however formally this entity was indicated by Prime Minister Donald Tusk as late as in March 2011.

Since 2008 the SSC at the MCPO has conducted four shared procedures amounting to approx. 53 million PLN the finalization of which showed savings of 23 million PLN.

An example of a spectacular shared procurement of 2008 was the purchase of the mobile communications services for 47 State administration units and performing approx. 5500 connections. Owing to shared procedure only 7 of 29 million PLN was paid at the time.

For example in 2012 the Social Insurance Company (ZUS) launched the Telephone Services Centre which provides services for various groups of the Social Insurance Company's customers all over the country, including payers, insured people and pensioners. The Telephone Services Centre has been functioning within the ZUS Branch organizational structure in Siedlce at two localizations: Mińsk Mazowiecki and Węgrów. Implementation of telephone services by placing them in one unit allowed to increase the quality of imparted telephone advice and relieving the ZUS employees in territorial entities [23].

On the other hand in 2015 the SSC within the MCPO accomplished the shared order for 12 institutions for the provision of licences, updating and subscription of Microsoft products. With such a large order (the total gross value of the order reached approx. 45 million PLN) the 23.5% discount was offered for the licence of MPSA (Microsoft Products and Services Agreement) and 15% for MEA (Microsoft Enterprise Agreement) [1].

Accomplishment of shared services by public administration authorities brought some savings. The mobile communications services contracted in result of the procedures conducted by the Shared Services Centre for the years 2012 – 2015 for 600 governmental administration units yielded over 60% of savings as compared to estimated value of the order. Another procedure which referred to the provision of electrical power for the years 2013 – 2018 to 100 public administration entities yielded 45% of savings in relation to the assumed budget [13]. Before 2015 the Shared Services Centre carried out many other procedures, including tenders for the purchase of paper for administration, DKV cards, and delivering the correspondence for over 100 institutions, including ministries and central offices.

3. Shared Services Centres in self-governmental administration

Amendment of the act on municipal self-government [19] sanctioned legally the self-governments' earlier ideas for projects. An example of this type of cooper-

ation is the Association of the Wisłoka Catchment Area (focussing 22 geographically clustered municipalities belonging to three different counties situated in two voivodeships), conducting jointly the water-supply-and-sewage investments. The value of the projects so far implemented by the Association exceeds 340 million PLN, and the mentioned amendment allowed the municipalities to formalize the existing cooperation [1].

Before the 1st of January 2016 each tsgu had to have its own financial plan, its accounting policy, its main accountant, and it had to conduct independently its staff management.

For self-governmental administration offices particularly attractive is the use of shared economic and administrative services for schools and educational institutions (over 46% of all municipalities formed educational services units) and they employ e.g. one chief accountant managing the finances in the children's nurseries, kindergartens and schools.

Another important area of SSC activities is that of purchases and investments. Tsgus have already formed many shopping groups which exhibit quite different structures and different scope of activities. The risk of collective purchase of electrical power, gas and coal for boiler houses or telecommunication services is quite low. Coordination of the demand decreases the unit price of purchased goods or services, whereas the shared accomplishment of purchase allows to reduce the costs of its accomplishment and prevent ineffectiveness.

SSCs play an increasing part in the entities' IT infrastructure management. An interesting case is the Municipality Office in Lublin which presently conducts a project which standardizes and centralizes the IT infrastructure management at schools, including computer rooms. The project involves 11 thousand computers on which the software is standardized, the configuration is unified in functional and administrative respect, besides uniform standards and protection means are developed, as well as the procedures of management and access to the Internet.

Within the IT management the Lublin Municipality Office is an operator of a large network of monitoring and a great number of access points to the Internet, due to which it managed to enable repair procedures standardization.

Transformation of the Wrocław Information Technology Services Centre (ITSC) into SSC should be an inspiration for other self-governmental administration entities. The ITSC in Wrocław was founded in January 2014 by transformation of the Municipality's Department of Information Technology into an independent budgetary unit. That change was enforced by a high position achieved by that Department in the Wrocław Municipality Office's structure after implementation of good ITIL practices and after having obtained the British Standards Institution's accreditation and the ISO 20000 certificate, as the first public institution in Poland.

Following the transfer of all municipal entities to the ITSC, its main tasks - apart from the Wrocław Municipality Office's IT servicing, supervision of educa-

tional projects and Intelligent Transport System – comprise the construction, operation and supply of telecommunication infrastructure as well as the provision of various types of IT services.

Table 1. Areas of activity within SSC in public administration

No	AREAS OF SSC ACTIVITIES	DESCRIPTION OF ACTIVITIES
1.	Shared economic and administrative servicing of schools and educational facilities	Elimination of independent part-time employment of the chief accountant in every facility
2.	Purchase and investments (collectively bought are among other: electrical power, gas, coal for boiler house, telecommunication services)	In group purchase it is easiest to achieve a consensus for shared action of many institutions, because the risk is low and benefits are multiple (lower costs of shared purchase)
3.	IT management	Construction of IT infrastructure based on defined standards significantly decreases investment costs of information systems and maintenance e.g. of data bases; licences for IT solutions, software development services, support for users, and telecommunication services
4.	Human resources management	Continuous increase in competencies of SSC specialists; better use of employees from several units; increased availability of computer scientists; specialist training courses; uniform development concept

Source: own preparation on the basis of [1, 2, 7]

In July 2016 the Wrocław ITSC was transformed into SSC and its competencies were extended to include, among other, possible standardization of the purchase of IT solutions; besides the Municipal Resources Management and Municipal Units Servicing Management were consolidated within it.

Consolidation and unification of IT services in all municipal units brought the following notable advantages:

- improvement of the units' activities,
- increased quality of provided services (defined catalogue of provided IT services – both business-related and internal ones; systematization of services provided directly to the client through unification of the entries included in SLA agreements and business services cards as well as standardization of the time devoted to a given service),
- improvement of the data protective measures,
- savings resulting from the shared settlement of accounts with contractors,

- success in Open Data projects,
- extension of MAN network,
- awarded title of the „Computer Science Leader 2016”,
- development of Wrocław Municipality strategy in the areas of computer science and telecommunications,
- modernization of the program: *Integrated System of Wrocław Education Management* (including Exchange post, electronic register, educational platform, enrolment system on all education levels, notice board and „Public Information Bulletin” for all education facilities”; [2]).

The main areas of public administration units under consolidation within SSC are presented in Table 1.

4. Advantages of the SSCs functioning in public administration

Cooperation within the SSC performs well both in private and public sector.

The shared services centres are usually formed by corporations from the United States, which constitutes 52% of investment projects in this field. India is the main location where new SSCs are functioning and new ones still arise. The country in which the highest increase was noted in transferring of activities to the SSC is Germany, exhibiting the average annual increase of 46% (according to data from January 2003 – February 2012, [5]).

The research on *Shared Service Centre (SSC) – Enabling your business for success* carried out by Ernst & Young (published in 2015; [4]) showed that over 80% of multinational corporations created their own SSC. The appearance and intensification of the functioning of this form of activity was significantly affected by the development of new information and communication technologies (ICT) due to which accomplishment of many processes was possible without the need for direct contact between the service provider and receiver.

Positive experiences from the functioning of SSC in business area encouraged also public administration to create them.

The discerned profits of activities within the SSC are presented in Table 2. Shared accomplishment of orders by public administration bodies yields high savings, e.g.:

- 1) during 2011-2015 the SSC at MCPO successfully performed 19 orders of the total value reaching approx. 746 million PLN, gaining thereby approx. 155 million PLN savings;
- 2) in 2016 within SSC at MCPO accomplishment of six orders and supplies was planned (cars, lorries, office articles, paper, personal computers, tablets, IT accessories and office fittings for the total amount of approx. 90 million PLN) for 64 institutions.

Table 2. List of advantages of activities within SSC

No	ADVANTAGES OF COOPERATION IN SSC
1.	Easier, faster and cheaper achievement of what is more difficult, slow and more expensive for a single organization (decrease in unit costs)
2.	Higher effectiveness of supplies and services
3.	Development of standards (standardization of infrastructure and services)
4.	Facilitated control
5.	Better transparency of processes
6.	Centralization of administrative functions
7.	Employment of specialist staff
8.	Increase in the quality of services and improvement of their availability
9.	Shared information services due to the use of modern ICT
10.	Improvement of data protection systems, especially personal data

Source: own preparation on the basis of [1, 2, 7]

5. Conclusion

Statutory requirements (before the 1st of January 2016; [19]) generated specific costs which could have been lower due to scale benefits and better use of resources.

Most predestined for consolidation within SSC are the areas supporting the basic activity of self-governmental units, such as: finances and accountancy, staff and remunerations and administrative issues.

The potential inherent in cooperation within the SSC is significant. With time the SSCs will surely appear in other areas, including those which presently are not associated with cooperation of this type. This will bring savings but will also enforce new standards in management and will surely make self-governments' internal organization more flexible. They will have to delegate more frequently the tasks to private entities and to the third sector.

The success achieved if only by the SSC in Wrocław proves that the idea of creating SSC yields significant benefits to public administration units. Perhaps the mentioned examples will inspire their managing offices to courageously consolidate the services they provide, because the resultant positive changes are multidirectional.

Presumably it is the SSC concept that will become one of the most important trends of the present and approaching decade in the public services sector.

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