Criteria for Successful Implementation of Support Services Agreements

Introduction

Support services include a number of different services that enable the successful fulfillment of core organizational functions. Typically, these are envisioned to include human resources, finance, and IT services. Media relations and legal services are more specialized, but also support core functions. The governance and structure sub-committee of the Capacity Review Committee is analyzing options for public health unit (PHU) governance and structure that may affect future arrangements for support services. Currently, many PHUs receive these services through their linkages with municipalities. If the nature of these linkages change, then other options will need to be considered for delivery of the support services. While having PHUs build internal capacity to deliver these services themselves is an option, making arrangements for sharing of at least some services is also a consideration. The purpose of this paper is to briefly summarize findings from a literature and internet search on criteria for successful implementation of support services agreements.

Extent of Current Shared Services

The 2005 PHU survey (question 10) specifically inquired regarding current arrangements for sharing of services. The data analysis was interested in determining the extent to which the specified services were:

1. Available solely in-house
2. Available in-house but shared, and if so, with whom
3. Not available in-house, and if so, acquired from whom.

The table on the following page provides a detailed breakdown based on responses from the 36 PHUs. The extent to which services were available in-house varies considerably with the type of service. For example, 30 of 35 responding PHUs reported having in-house epidemiologic expertise that was not shared with other organizations, whereas none reported having unshared in-house legal support. Not surprisingly, in those instances of services not being available solely in-house, municipalities/regions were the most frequently identified source of shared services.

Extent of Shared Services – 2005 PHU Survey (Q10 data); [n=36 health units]

Service	In-House Only (no sharing)	In-House with sharing					Shared (None In-House)					Non-Response
		TOTAL	Municipal Region	Other PHU	Outsrced	Other	TOTAL	Municipal Region	Other PHU	Outsrced	Other	
Health Communications	21	9	5	3	4	1	6	2	0	3	1	-
Epidemiology	30	3	0	2	3	1	2	0	1	0	0	1
Surveillance	28	5	3	3	2	1	2	1	1	1	0	1
Research	15	10	0	3	5	6	10	1	2	4	2	1
Prgm Evaluation	24	9	0	6	8	2	2	0	0	0	1	1
Infection Cntrol	27	8	0	3	2	5	0	0	0	0	0	1
Emerg Prep Co	17	15	14	3	1	1	3	3	0	0	0	1
Media Relations	21	9	5	2	2	2	4	2	1	1	0	2
Human Resrces	18	4	1	2	2	1	13	13	0	0	0	1
Finance	20	8	7	1	0	0	7	7	0	0	0	1
Bldg Mainten	8	10	3	0	8	2	17	13	0	6	0	1
IT/System Suprt	9	15	6	1	10	1	11	9	0	4	0	1
Admin Support	31	3	3	0	0	0	1	1	0	0	0	1
Legal Support	0	4	0	0	4	0	30	13	1	18	0	2
Occup Hlth	16	8	4	1	5	0	11	11	0	0	0	1
Data Analysis	21	9	2	2	7	1	5	0	1	2	1	1
Volunteer Coord	17	4	1	1	1	1	14	1	0	0	2	1

Several services were shared with municipalities/regions in at least 25% of PHUs. For those in which the service was shared but present in-house, only emergency preparedness coordinators (n=14) met these criteria. There were several services that were shared with municipalities/regions and were housed outside the PHU. These included: human resources (13), building maintenance (13), legal support (13), occupational health (11), and IT/System support (9). This data supports the perception that a significant number of PHUs depend on municipalities/regions for services.

Findings from Literature Review

For many years, the private sector has utilized a variety of strategies to improve the cost and performance of support services. The public sector is similarly increasingly exploring options in this area as well. While there is a continuum of potential arrangements, services can essentially be provided in-house, outsourced, or formally organized in a shared service organization. Assuming a substantial change in municipal-PHU relationships, PHUs would need to decide for each service whether it is best to do it themselves or to buy it.

Providing support services in-house is self-explanatory. It is the traditional approach of the public sector, but raises concerns regarding inefficiency with fragmented and inefficient processes and difficulty providing the expertise for all of the services that are required. Outsourcing means "an organization retains a third party to perform for a long-term period, one or more particular functions for that organization that were previously performed internally."[1] There appear to be three main reasons for pursuing this option:

1. Reduce costs
2. Improve service
3. Reallocate resources previously committed to the outsourced function to other, more efficient activities.

This option does not always work as expected with the most commonly cited reasons for failure including:

- Lack of goal alignment and agreement on how to measure success between the client and supplier
- Poorly designed agreements:
    - Need to take the obvious and make it explicit. This includes unwritten "understandings" that will become problematic when managers of either party are no longer around
    - Lack of scalability/flexibility to address client's evolving needs – requires well designed change process for a fair and equitable manner for specified business reasons
- Lack of a good governance process
    - Cannot abdicate responsibility for service just because it is outsourced
    - Require joint committee of members of client's and supplier's team vertically aligned from the strategic level through to the tactical team
    - Enable client managers to be more results and performance focussed
    - Must commit money and time to ensure results.[2]

Key stages of the outsourcing process include:

- Determining goals
    - Goals and business case for outsourcing
    - Basis for assessing options (i.e. in-house, shared service, outsourcing, etc.)
    - Basis for assessing different outsourcing service providers
    - Determining appropriate grounds for termination

- Finding a provider
    - Note that more an alliance than a simple procurement
    - Need to consider:
        - Cost
        - Service levels
        - Reputation
        - Past performance
    - RFP is critical
        - Ensure terms are made clear up front
        - Basis for eventual service agreement (i.e. service levels)

- Outsourcing Agreement
    - Scope of services
    - Service levels and how to measure performance
    - Pricing
    - Change management – as needs change over time, how will this be handles during the term of the agreement

- Governance of the relationship

- Termination Strategies.[1]

Outside expertise for these various steps are available for those without experience in developing and implementing such contractual agreements.

Outsourcing can occur to both the private and public sectors. For example, the Regional Municipality of Niagara provides HR service assistance to several towns, cities, and a conversation authority.[3] Examples of activities include job description analysis, salary administration, maintenance of job evaluation/pay equity/internal equity; occupational health and safety; recruitment and selection; labour and employee relations; accommodation of injured workers and persons with disabilities and performance management process planning.

Sharing of support service responsibilities is exemplified in Nova Scotia, where a shift from Regional Health Boards to more numerous District Health Authorities (DHA) led to the creation of shared administrative services among the DHAs. Different components are handled by different DHAs (e.g. DHA 1 does material management, DHA 2 does

information technology and human resources and DHA 3 does financial services). According to the Provincial Auditor, this system reaffirms the advantages and economies to be achieved through a shared services approach.[4] However, there continues to be substantial tension between some DHAs with the desire of individual CEOs to have their own capacity. This is leading to the development of within-DHA capacity for these services. Such a trend is also being observed for delivery of public health programs, which had also been structured as a shared service model.

A more formal approach that is increasingly being considered in the public sector is shared service organizations. These have been defined as the "consolidation of administrative or support functions (such as human resources, finance, information technology and procurement) from several departments or agencies into single, stand-alone organizational entity whose only mission is to provide services as efficiently and effectively as possible."[5] Shared services imply a separate and distinct organization whose administration/support functions are the main focus and so are treated with primary importance. Unlike centralized service models, shared services organizations are typically responsible for providing services to an agreed service level and reporting on service effectiveness. This has positive implications both for benchmarking and for determining the value of money spent on providing the services.

Currently, many PHUs depend upon municipalities/regions to provide their support services. This is a corporate centralized model and distinct from contractual arrangements in which there is the ability to influence and manage performance expectations. Any shift towards greater numbers of free standing PHUs will require further assessment of the options for providing support services. From this brief overview, there are a number of options available including:

a. Establish in-house capacity – but these services are not likely to be a priority compared with the core programs – diversion from core functions?
b. Outsource – a number of options exist here:
    - Regional municipality
    - Hospital/LHIN
    - Private sector
    - Other PHU
c. Creation of a shared service organization – this is not a small undertaking so that considering the magnitude of other changes being considered, it may not be an attractive initial option. Two main options include creating one for all PHUs, or joining a broader provincial government SSO.

Identification of the best option may differ from one PHU to another. As indicated by the list of reasons for failure, even if services are outsourced, one still needs the in-house management capacity to ensure that the expectations are appropriately identified and fulfilled. Another level of complexity is that even within broad groupings of services (e.g. human resources), there can be a range of services that an organization may or may not wish to outsource (e.g. assistance with recruitment versus labour relations). The literature

does provide clear guidance on the common pitfalls of outsourcing, of which there are many. The literature also provides a broad set of criteria for success that could guide further analysis of available options as it becomes clearer the direction of system renewal.

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