A guide to improving Shared Support Services

This guide combines advice from Nous Group's not-for-profit (NFP) sector experts with a high level overview of the results and findings of the Nous Group NFP Benchmarking Project. The NFP Benchmarking Project represents the first time in Australia that NFP sector specific benchmarks have been established to compare the cost and quality of shared support functions. This guide comprises specific advice to improve the performance of five shared support functions:

- Human Resources
- Information and Communications Technology (ICT)
- Finance
- Payroll
- Fleet

About the NFP Benchmarking Project

Nous Group has worked with Australian NFP organisations of all sizes and sectors to benchmark back-of-house services. In 2011 we established the NFP Benchmarking Project by a partnership of twelve Victorian NFP community services sector organisations with the support of three philanthropic trusts. The organisations range in size from approximately $10 million in organisational expenditure per financial year through to around $80 million. All of the organisations work with vulnerable and marginalised communities through family, youth, refugee and relationship services. Our data repository includes over 700 KPIs that explore the cost and quality of Human Resources, Finance, Information and Communications Technology (ICT), Fleet and Payroll service delivery.

General advice

Quality shared support services require a dedicated level of investment.

The pursuit to minimise shared support costs must be moderated by minimal strategic investment in quality systems and practices to support the quality of shared support services. Under-investment in shared support services - particularly strategic investment - reduces overall organisational effectiveness and efficiency.

Organisations demonstrated the value of fit-for-purpose shared support service delivery models.

The diversity of organisations involved in the benchmarking project illustrated that NFP organisations are able to adapt their shared support service delivery models to match their size and client service delivery profiles and that

What leading not-for-profit organisations do differently to drive efficiency and quality in shared support services

- Use volunteers – widely used in front-of-house, but can also support shared support services
- Shift their mentality – some NFPs are viewing themselves as start-ups and utilise the latest technology (e.g. cloud-based services)
- Survey their internal customers – allows continuous improvement of the quality of their services
- Use data analytics to drive better decision-making
- Take a rigorous and professional approach to procurement and outsourcing
- Take inspiration from the private sector

efficiencies are achievable across the diverse scale of participating organisations. Your organisation's mix of front-of-house staff and shared support staff will be determined by the nature of your work and your strategy.

Focus on ensuring your shared support functions have appropriate capability

Many not-for-profit organisations already allocate a low portion of their resources to shared support services, often driven by the mentality that they are 'protecting' the front-of-house people. However the capability of your shared support services is critically important to the success of your mission. For example the shift toward person-centred care and a customer-service driven model, such as that demanded by NDIS, requires the shared support functions to be better integrated with the rest of the operation to enable better service delivery.

Determine the capabilities your organisation needs, then focus on developing skillsets and hiring new staff that have the appropriate skills to cater to new capability demand. For example, a bookkeeper does constitute a financial manager and a head of IT does not constitute a CIO. The capability of your shared support services must fit their functions.

> **Tips for a new manager overseeing shared support functions at a large not-for-profit organisation**
>
> - Understand the organisation and its history. Respect its internal politics
> - Build confidence in both your staff and the client service managers
> - Deeply understand the business value-add and what is driving cost
> - Implement an agile workforce in a low risk but sustained way
> - Think about re-engineering your processes to realise the full benefit of the technology available
> - Identify where investment will give you greater efficiency
> - Have a clear case to put to your executive team and board about that investment

Human resources

HR services are predominantly delivered in-house. The most commonly outsourced services are:

- design and delivery of training (mostly mandatory training but also some discretionary)
- recruitment and selection (in the form of recruitment agencies)
- workplace relations (in the form of external lawyers).

The benchmarking study found that targeted efforts in performance management and training reap significant returns, including improved participation and performance, an enhanced culture and reduced turnover. However comprehensive online performance management systems still are not common within the community sector. Organisations tend to give staff pay increases based on anniversaries of each individual employee's commencement rather than performance.

Organisations are also seeking smarter and less costly means of delivering training. Such efforts included the centralisation of training delivery and the use of self-directed online learning for non-technical learning. These two strategies alone were able to reduce costs as well as improve consistency and oversight of mandatory training for staff.

Moreover, proactive efforts in promoting safe work practices have reduced proportionate HR spending on OH&S and workplace relations.

Key lessons

- **Analyse lead indicators of OH&S issues**

  For example, tracking persistent lateness and abnormal sick leave to identify the most at-risk staff.

- **Provide resilience training**

  Staff of many organisations work in stressful and difficult positions with vulnerable clientele. Training could be introduced to help staff manage the complex nature of their work.

- **Talk regularly about OH&S**

  Encourage people to talk about accidents and OH&S issues (e.g. at monthly meetings) to build shared understanding of what would be considered a WorkCover issue.

- **Encourage employees to use the employee assistance program, frequently**

  Some organisations achieved high usage of the EAP and very low WorkCover costs through encouraging staff to access the EAP by displaying posters and give every new starter a postcard with contact information.

- **Promote early reporting of OH&S incidents**

  This requires having incident recording systems in place, and reporting could be encouraged by displaying OH&S posters and other promotional materials.

Information and Communication Technology

High quality information and communications technology (ICT) provides staff with valuable client information when they need it, can support service planning and improve efficiency. Low quality ICT support leaves staff without the information they require, reduces efficiency and limits organisational effectiveness because staff do not have the information required to proactively manage the organisation or service delivery.

This benchmarking study has found that organisations in the NFP sector are at varying stages in their ICT investment strategies. Some of the larger organisations have established systems and practices that require only marginal annual investment to maintain currency. Alternately, other organisations are at the early stages of ICT investment and this is placing substantial pressure on costs per FTE.

Key lessons

- **Openly communicate with business lines**

  Organisations recognised the importance of working closely with business areas to provide consistent and optimal ICT services and minimising the risk of 'rogue' ICT services that misalign with the organisation's ICT strategies, guidelines and policies.

- **Use video conferencing to drive cost savings and efficiencies**

  Multiple organisations invested in video conferencing software. They have found it reduced time and spend on travel to meetings for both internal and external meetings.

- **Consider a 'bring your own device' policy**

  This allows greater convenience for staff and reduced organisational expense. This should employ a risk mitigation strategy similar to the use of personal mobiles in which the organisation would retain the right to delete the device's contents.

- **Evaluate the needs of a staff member before assigning a device**

  For example tablets were found to be great for satellite sites, particularly ones which were hard to visit as they reduced support effort. Another organisation plans to use tablets to improve front-of-house service delivery, especially in rural areas. This includes linking their fleet booking system and client forms to tablets.

Finance

The finance function is fundamental to the day-to-day operations of all organisations and needs to be done efficiently and effectively. Notably, this study found that there is no evidence of economies of scale in the delivery of financial services. However, the costs of compliance and quality assurance appeared to increase the costs of delivering financial services for larger organisations.

Several organisations have actively invested in new finance systems to streamline the budget and reporting processes. This investment is designed to make business intelligence more accessible for prompt decision making and has enabled the delivery of more accurate and consistent reporting to Boards and management.

Key lessons

Discussions suggest the key variables that impact on the cost of finance services are:

- **the level of centralisation or decentralisation of finance administration** (particularly accounts payable and receivable),
- **a customer service ethos in the finance team** and
- **the level of automation in finance function systems**.

Payroll

Payroll is a critical back-of-house function for all organisations. Paying the right amount, on time, is important to maintain staff satisfaction and productivity. For most NFPs, salary costs are a significant proportion of the budget, making payroll services more important than for organisations that have smaller payrolls.

Across benchmarked organisations, salary costs were on average 66% of total operating expenses. While it is not possible to directly control payroll size or complexity, both influence payroll cost and quality. Payroll complexity relates to the number of casual and roster pays and the number of pays across multiple awards.

Key lessons

Discussions suggest the key variables that impact on the cost of payroll services are:

- **the quality of payroll staff** and
- **the efficiency of payroll processes** (both manual and automated).

Fleet

Fleet services are directly linked to the scale and nature of an organisation's services. This means that investment in fleet services fluctuates based on the changing nature of the services being delivered. For example, an organisation with many sites or home visits will require a larger and more dispersed fleet. The cost of delivering fleet services is not driven by scale and is impacted by contextual variables, including utilisation rates, distance travelled and demand for specialist vehicles.

Key lessons

- **Carefully consider the lifecycle costs in negotiating purchase of fleet**

  Select vehicle makes and models based on lifecycle costs (maintenance and insurance) not just on the purchase price and where possible, negotiate bulk vehicle purchases/leases directly with manufacturers. Rationalising the number of makes and models simplifies maintenance.

- **Clearly define and seek alternative channels of retiring fleet vehicles**

  Organisations should turn over vehicles on an age and mileage basis. Some organisations found auction houses to be more convenient and better value than selling a retired vehicle independently

- **Use car sharing services**

  Such services have been found to significantly reduce distance travelled. It is expected that as car sharing services increase geographic coverage, there will be greater opportunities for benchmarked organisations to reduce overall fleet costs

- **Reduce size of cars in fleet**

  Multiple organisations increased capital investment in small, medium and hybrid vehicles that improved overall fuel efficiency. This has been a smooth transition where the reasons for the change have been well communicated to staff.

- **Monitor vehicle utilisation (not just vehicle bookings) to closely identify potential to reduce fleet size (and thus, cost)**

  Multiple organisations transitioned to online booking systems and implemented changes to more accurately collect and record fleet data and in the long term, improve utilisation.

- **Proactively address vehicle accidents and clearly define liability**.

  Some organisations have found publishing vehicle accident statistics has increased awareness and accountability and reduced overall accidents. Furthermore, assigning employee liability for car accidents on a sliding scale based on accident history is also being considered by one organisation.