

CENTRALISATION OF SUPPORT SERVICES: ANALYSIS OF INTERNATIONAL EXPERIENCE AND RECOMMENDATIONS FOR OPTIMISATION

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ABSTRACT

The purpose of this article is to examine and assess the process of centralisation of auxiliary bodies within public authorities. This trend is becoming increasingly relevant in the context of contemporary transformations in public administration systems. Optimisation of the number of civil servants, elimination of functional duplication, and automation and digitalisation of processes constitute the core objectives of administrative reform. Achieving these objectives is possible through the centralisation of certain repetitive functions regulated by administrative procedures or through their outsourcing. The centralisation of auxiliary bodies of public authorities represents a complex balance between centralised governance and local diversity. It is essential to take into account the specific characteristics of each country when making decisions on centralisation in order to ensure the effective functioning of public institutions. The article analyses the potential for centralisation and automation of functions within public authorities, outlines the stages leading to centralisation, reviews international experience, and identifies the key effects resulting from organisational restructuring.

Keywords: civil service, reform, public administration, digitalisation, support services

INTRODUCTION

The realities of the modern world require public administration systems to demonstrate such performance characteristics as rationality and efficiency. Any activity, including managerial activity, involves the search for ways to ensure its rational implementation. Rationality, as noted in the literature, implies the use of the most productive methods of performing work, while efficiency refers to achieving the best possible results with minimal costs (Kolesnichenko et al., 2018).

Modern management systems increasingly seek to outsource or optimise non-core, auxiliary functions – such as service provision, human resource management, and accounting – through the redistribution of internal resources. The emergence of a large number of outsourcing companies in the service market indicates the growing demand for this form of labour arrangements and organisational interaction.

The successful implementation of assigned tasks and the achievement of strategic objectives by public authorities and institutions largely depend not only on the professional competence of their core staff, but also on the overall organisation of business processes and the

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functioning of auxiliary structural units. In various government bodies, such support services perform different functional roles, including human resources management, accounting, logistics and material support, technical assistance, translation services, and others.

It should be noted that the activities of public authorities become increasingly complex each year, as business processes continuously grow more sophisticated and the roles and functional responsibilities associated with the state's strategic development plans and the evolving expectations of civil society steadily expand.

In this context, support services that shape internal administrative policies and, more broadly, the organisational ecosystem within public institutions acquire critical strategic importance. According to established practice and the current regulatory and legal framework of the Republic of Kazakhstan, each of these structural units operates as a separate and autonomous entity, primarily performing accounting and organisational functions, while remaining weakly integrated with one another in their day-to-day operations.

ANALYSIS OF THE CURRENT SITUATION

The Concept for the Development of Public Administration in the Republic of Kazakhstan until 2030 proposes a strategy aimed at forming an optimal and efficient state apparatus. Within this framework, measures are envisaged to optimise auxiliary and support units of public authorities that are not directly involved in the implementation of public policy, through their centralisation or outsourcing.⁴

In accordance with the Nationwide Action Plan for the Implementation of the Address of the Head of State to the People of Kazakhstan of 2 September 2019, "Constructive Public Dialogue as the Basis for Stability and Prosperity of Kazakhstan",⁵ as well as the sixth priority area of the Concept of Budget Policy until 2030, regulatory legal acts – such as "On Certain Issues of Centralisation of Support Services" – are adopted by the heads of central government bodies. These acts provide for the centralisation and optimisation of support services within the state apparatus over the course of the year in order to achieve budgetary savings.⁶ These measures primarily concern human resources, financial and administrative services, as well as IT support.

In his address at the extended Government meeting on 26 January 2021, President Tokayev noted that the centralisation of support services within the "Samruk-Kazyna" structures had shown positive results, particularly highlighting significant cost savings through the reduction and consolidation of a large number of employees. He stated: *"Work on the centralisation of support functions such as accounting, human resources, procurement, and others has not been sufficiently active. The creation of shared service centres within the 'Samruk-Kazyna' structure generated billions in savings. This experience should be extended to the public sector"*.⁷ Additionally, the National Report on the State of the Civil Service of the Republic of Kazakhstan 2022 noted

⁴ Presidential Decree No 522 / 26 February 2021 of the Republic of Kazakhstan "On Approval of the Concept for the Development of Public Administration in the Republic of Kazakhstan until 2030" (2021). <https://adilet.zan.kz/rus/docs/U2100000522to>

⁵ Approved by Presidential Decree No. 152 / 10 September 2019.

⁶ Order of the Acting Minister of Trade and Integration of the Republic of Kazakhstan (2020).

⁷ President of the Republic of Kazakhstan (26 January 2021). The Head of State held an expanded meeting of the Government of the Republic of Kazakhstan. Akorda. https://www.akorda.kz/ru/events/akorda_news/meetings_and_sittings/glava-gosudarstva-provel-rasshirennoe-zasedanie-pravitelstva-respubliki-kazakhstan-3

that the centralisation of support services would be completed in the first half of 2022 in accordance with the action plan approved by the Prime Minister.⁸

The main objective of centralising support services in Kazakhstan is to create a more compact state apparatus. At the initial stage, structural units of local executive bodies were centralised, particularly personnel management services, which were abolished in regional administrations and consolidated within the office of the regional akim. Similar measures are being implemented in other areas, taking into account the number of civil servants and the tasks assigned to each government body.

Recently, there has been an active process of centralising support services. During such centralisation, not only the number of employees is optimised, but also the procedures themselves are streamlined through their consolidation. Accordingly, the idea of centralisation implies the debureaucratisation of public administration and the liberation of government leaders from non-core activities.

However, as monitoring results show, centralisation is applied differently across government bodies, leading to varying outcomes. This is due, on the one hand, to the absence of unified approaches and, on the other hand, to a certain resistance within the civil service. In order to develop standardised approaches, it is proposed to distinguish several types of centralisation.

Depending on the organisational structure:

- *Vertical centralisation*, built on the basis of the departmental hierarchy of central government bodies (central authority, departments, territorial subdivisions at regional and district levels) and local executive bodies (regional akimats, regional administrations, district akimats, district offices, and local akimats).
- *Horizontal centralisation*, organised on the basis of interdepartmental structures of central government bodies and their territorial subdivisions (interdepartmental bodies at the central level, central government bodies and their departments; interdepartmental bodies at the regional level, regional territorial subdivisions of central authorities; interdepartmental bodies at the district level, district territorial subdivisions of central authorities) and local executive bodies (interdepartmental bodies at the regional level, regional akimats and regional administrations; interdepartmental bodies at the district level, district offices; interdepartmental bodies of rural districts).

Depending on the nature of the support service:

- *Material support services* carried out based on information obtained from the attributes and properties of objects (items) of the material world, as well as services related to their maintenance, including real estate, supply, or delivery of such objects (e.g., management of state property, custodial accounting and material accounting, public procurement);
- *Non-material support services* carried out based on information expressed in oral or written form (including digital or graphical records) (e.g., legal support and litigation, human resources management, financial accounting).

From this, several conclusions can be drawn.

⁸ Agency for Civil Service Affairs of the Republic of Kazakhstan. (2022). *National Report on the State of Civil Service in the Republic of Kazakhstan*. p. 20.

<https://www.gov.kz/memleket/entities/qyzmet/documents/details/307381?lang=ru>

Material support services – that is, functions related to the management of state property, custodial accounting, material accounting, and public procurement – should be implemented based on horizontal centralisation. In turn, the functions of interdepartmental bodies at different levels should be allocated as follows:

- For central government bodies, it is advisable to assign these functions to the State Property Committee of the Ministry of Finance;
- For local executive bodies, it is advisable to assign them to the local executive bodies responsible for finance and public procurement.

There are several undeniable advantages to the horizontal centralisation of material support services, as these services require human involvement and cannot be fully automated using digital technologies. For example, under vertical centralisation in public procurement, additional delivery costs often arise when transporting goods to all territorial subdivisions or district offices, whereas under horizontal centralisation, such costs are eliminated, as operations are handled independently at the corresponding level.

Moreover, as is well known, certain tasks require on-site inspection: conducting building repairs necessitates a site visit and the preparation of a defect report; writing off state property requires an inspection and an official act; and accepting the results of public procurement (goods, services, and works) requires on-site verification and documentation. Such procedures are feasible under horizontal centralisation.

Horizontal centralisation should be implemented across all central government bodies, including military, law enforcement, and specialised agencies. Another significant benefit of horizontal centralisation – and the main source of potential resistance from the civil service – is the cost savings in public procurement. Currently, depending on the specific functions of government bodies, employees receive variable bonus payments ranging from one to eight months' salary, without consideration of the effectiveness of the respective agency.

In cases where cost savings from procurement by central government bodies accrue to the Ministry of Finance, and those from local executive bodies likewise, it becomes possible to ensure a fair distribution based on the efficiency of their operations, according to established regulatory indicators. Since 2010, efficiency assessments have been conducted at the central level; based on this accumulated experience, regional akimats should also carry out similar evaluations among local executive bodies. Moreover, horizontal centralisation of public procurement will enable proactive management of normative needs (current expenditures) and facilitate a transition from procurement based solely on requests to a system of allocations according to anticipated requirements.

Non-material support services – that is, functions such as legal support and litigation, human resources management, and financial accounting – are therefore most appropriately managed through vertical centralisation. A distinguishing feature of non-material support services is the possibility of remote implementation through the use of digital technologies, as these services primarily involve information expressed in oral or written form.

Vertical centralisation of non-material support services offers several advantages:

- Modern civil procedural legislation requires that the positions of territorial subdivisions and district offices in litigation activities be coordinated with the central apparatus and regional akimats. Moreover, online court proceedings, in which the central apparatus or regional akimats act on behalf of all territorial subdivisions and district offices, not only eliminate the existing practice of duplication (as courts often

summon representatives of the central apparatus to participate in cases involving territorial subdivisions), but also free these units from non-core activities and prevent clearly unfounded lawsuits and appeals from government bodies.

- Financial accounting and human resources management conducted centrally ensure objectivity in measures related to material incentives, reduce the number of employee complaints, and support fairness in personnel appointments, internal investigations, and travel expense reimbursements.

These advantages can be fully realised only if adequate measures are taken to digitalise these processes, allowing work to be carried out remotely (from the center) and ensuring stable operation without technical failures or malfunctions. For example, further improvements are needed in the system for tracking employees at their workplaces for payroll purposes and for managing travel expenses remotely (from the center) (Astana Civil Service Hub, 2023).

REVIEW OF INTERNATIONAL EXPERIENCE

The process of centralising support services dates back to the 1950s, when large U.S. companies first implemented unified accounting services. This trend later spread to Western European countries, which, during the post-World War II reconstruction period, adopted the management of cash flows in large organisations based on the practices of their North American counterparts.

It should be noted that countries and regions adopt different models for optimising the structure of public authorities. These models vary depending on approaches that are closely linked to traditional culture, citizens' mentality, systems of public administration, and scientific, technological, and economic capacity. At the same time, as shown by international practice, government bodies have traditionally tended to maintain highly conservative methods in organising administrative work, in contrast to private small and medium-sized enterprises.

For example, due to limited human and financial resources, employees of support services in small and medium-sized businesses often combine multiple functional responsibilities or partially outsource tasks related to accounting and tax payments to other private companies or individual entrepreneurs.

As part of the study, a review of the experience of the Russian Federation was conducted, using the centralisation of support services in the executive authorities of the Novosibirsk Region and the activities of the Eurasian Economic Union as examples (Martynova, 2019). The analysis showed that in the Russian Federation, as in Kazakhstan, the centralisation of human resources services was initially carried out at the regional and federal-subject level. For instance, in the Novosibirsk Region, prior to the start of centralisation, an audit of the personnel management services of 30 regional executive bodies (including territorial agencies) was conducted, which revealed the following characteristic issues:

1. Vacancies in government bodies remained unfilled for over six months in 40% of cases;
2. The efficiency of using the personnel reserve was low: the share of appointments to civil service positions from the reserve did not exceed 27% of those listed in the reserve;
3. Most government bodies had a formalistic approach to personnel procedures such as competitions, attestations, and the assignment of class ranks;

4. All government bodies applied various superficial evaluation methods in competitive procedures, typically limited to individual interviews and legislative knowledge tests;
5. Candidate selection criteria were not standardised and did not take into account current trends in digital transformation or the demand for new skills, and no competency model was in place;
6. Professional development for civil servants primarily involved retraining programs and skill enhancement courses;
7. Inspection results showed that in every second regional body, violations of attestation procedures were detected (Dudnikova, 2023).

It should be noted that the above-mentioned gaps are also present in the human resource management system in Kazakhstan, which indicates the similarity of public administration systems; as a result, the instruments, approaches, and underlying challenges they face are of a common nature. By way of illustration, the centralisation of human resource services in the Novosibirsk Region pursued the following objectives:

1. Ensuring the unity of human resource policy across all public authorities of the Novosibirsk Region;
2. Establishing continuous efforts aimed at developing a high-quality civil service workforce and a personnel reserve;
3. Enhancing the independence and objectivity of assessments of candidates' potential in competitive recruitment and performance appraisal procedures;
4. Adopting a comprehensive approach to competency assessment through the simultaneous application of multiple instruments to evaluate the same competencies;
5. Increasing participants' satisfaction with assessment procedures by enabling them to complete tasks at a convenient time;
6. Stimulating greater demand among civil servants for professional development and career advancement.

It is important to note that in the Russian Federation, as in the Republic of Kazakhstan, efforts have been undertaken within the human resource management system to optimise the structure and functioning of HR services by transferring certain personnel procedures to the regional level. For example, in the Novosibirsk Region, through amendments to a number of legislative acts, the following functions were delegated to the level of the regional administration:

- Announcing and conducting competitive selection procedures for filling vacant civil service positions and for inclusion in the personnel reserve within the executive authorities of the Novosibirsk Region and their territorial bodies;
- Conducting performance appraisals of civil servants holding civil service positions in the executive authorities of the Novosibirsk Region;
- Administering qualification examinations in the context of decisions on the assignment of civil service ranks to civil servants holding positions in the executive authorities of the Novosibirsk Region.

However, as with any innovation, the centralisation of support services is associated with certain shortcomings and gaps, which can be characterised as follows:

1. The absence of a unified legislative framework governing the operation of centralised support services, which necessitates amendments to or supplementation of existing legal acts;
2. The need to train qualified personnel for unified human resource management services, taking into account sectoral specificities and the size of the civil service workforce;
3. The need to differentiate centralised human resource management services by economic sectors. For example, HR services could be centralised according to the functional areas of line ministries, such as social, engineering, legal, and economic sectors;
4. The need to standardise qualification requirements, as well as to develop and refine instruments for the comprehensive assessment of civil servants.

As an example of the centralisation of support services, the establishment of a unified accounting service within the large Russian company JSC “Russian Railways” may be cited. The company has successfully implemented the shared service center model to serve its subsidiaries. The shared service center enables the seamless integration of newly established subsidiaries into the existing accounting and management framework of the holding, while also enhancing the timeliness of financial reporting. At present, the company applies a unified technology for processing primary accounting documents, a standardised approach to recording business transactions, the preparation of financial and tax reporting across JSC “Russian Railways” and its subsidiaries, as well as a system of internal accounting control.

At the same time, the establishment of a unified accounting service is a complex and resource-intensive process that requires the mobilisation not only of an organisation’s support functions but of the organisation as a whole, particularly in relation to document management and accounting reporting systems. For this and a number of other reasons, the process of centralising accounting activities is accompanied by the emergence of multiple organisational and operational challenges.

These challenges may be conditionally classified into issues related to senior management, serviced line and functional units, and accounting personnel, as follows:

1. Misalignment between the processes of centralising accounting activities and the broader corporate transformation processes, given that the accounting function constitutes a supporting unit whose activities should facilitate the achievement of the organisation’s strategic goals and core objectives;
2. Improper identification of business processes suitable for centralisation, including the tendency to pursue centralisation for its own sake, even in cases where the centralised processes become more costly;
3. Lack of timely advisory and methodological support during the implementation phase of the functional centralisation project and in the initial period of its operation;
4. The fact that the new organisational model does not function effectively until full centralisation of functions within the shared service center is achieved; consequently, at intermediate stages, the model may be unjustifiably perceived as inefficient;
5. Instability of the regulatory framework and internal governance documents governing accounting practices, which has a significantly more negative impact on the effectiveness of centralised accounting services compared to the decentralised performance of accounting functions by internal accounting units within individual divisions.

DISCUSSION OF RESULTS

Positive and Negative Assessments of Different Approaches to Optimising the Activities of Support Services in Public Authorities

The centralisation of support services within public authorities—such as auxiliary units of central government bodies and/or local executive authorities and their subordinate agencies—may generate both positive and negative effects. On the one hand, it contributes to more effective control and coordination of decision-making at the senior administrative level. On the other hand, it may lead to a loss of flexibility and reduced responsiveness at the local level.

Advantages:

1. *Increased efficiency*: Integration may lead to process optimisation, a reduction in duplicated efforts, and improvements in overall operational efficiency.
2. *Centralised decision-making*: A unified department facilitates improved coordination and interaction, enabling more comprehensive decision-making that takes into account the interdependencies between human resource management, accounting, and logistics/procurement functions within the organisation.
3. *Cost savings*: Integration may potentially reduce administrative and overhead costs associated with managing multiple departments. In addition, workforce optimisation through integration and automation may reduce the number of staff engaged in routine and repetitive tasks.

Disadvantages:

1. *Implementation complexity*: The integration process may be complex and resource-intensive, requiring substantial time and financial investments to ensure the seamless consolidation of diverse functions, as well as the integration of software systems designed for highly specialised tasks.
2. *Resistance to change*: Employees may experience difficulties in adapting to the new organisational structure, which can result in resistance to change and a temporary decline in productivity.
3. *Risk of functional imbalance*: There is a risk of overemphasis on one function at the expense of others if integration is not properly balanced. Such imbalances may further undermine the depth and quality of specialised expertise required in each functional area.

Outsourcing of Human Resource Management, Accounting, and Procurement Functions Separately

Advantages:

1. *Specialised expertise*: Outsourcing provides access to a broad pool of specialised expertise, ensuring that each function is carried out by professionals with deep domain-specific knowledge.
2. *Cost control*: Organisations can achieve more accurate cost control by outsourcing specific functions and paying exclusively for the services required.
3. *Flexibility*: Outsourcing enhances organisational flexibility, allowing entities to adapt to changing operational needs without the challenges associated with an integrated structural model.

Disadvantages:

1. *Communication challenges*: Coordination and communication among separately outsourced functions may be difficult, potentially leading to inefficiencies and fragmentation of processes.
2. *Loss of control*: Organisations may experience a reduced level of control over certain processes, limiting their ability to implement immediate adjustments or corrective actions.
3. *Dependence on service providers*: Reliance on external vendors may expose organisations to risks related to providers' performance, reliability, and long-term sustainability.
4. *Data security*: A high risk of sensitive information being disclosed to third parties, accompanied by significant reputational risks associated with potential data breaches.

Hybrid Model:**Advantages:**

1. *Optimal expertise*: The hybrid model enables organisations to retain core functions while achieving a balance between specialised expertise and cost efficiency.
2. *Risk mitigation*: This model mitigates risks associated with both full integration and full outsourcing by offering a flexible and adaptive approach.

Disadvantages:

1. *Managerial complexity*: Managing a combination of in-house and outsourced functions involves a complex governance process aimed at ensuring effective coordination and seamless interaction.
2. *Risk of duplication*: When applying a hybrid approach to human resource and financial management, careful oversight is required to prevent duplication of tasks and responsibilities between internal units and outsourced functions.

CONCLUSION AND RECOMMENDATIONS

Based on the findings of the study, the following conclusions and recommendations are proposed:

- It is recommended to develop and submit proposals aimed at establishing:
 - vertical centralisation of support services in the areas of legal support and litigation, human resource management, and financial accounting (intangible support services);
 - 2-horizontal centralisation of support services related to the management of state property, the performance of asset-holding functions, material accounting, and public procurement (tangible support services).
- It appears advisable to consider reorienting the activities of administrative and support services from predominantly operational functions toward long-term strategic planning.

In the context of the development of digital solutions, including significant advances in artificial intelligence, the transformation of these services is inevitable, given the substantial advantages it offers. According to expert assessments, by 2028–2029 the level of AI development may reach a stage at which it will be capable of replacing more than 60% of jobs, primarily within the corporate sector.

The centralisation of support services entails substantial changes in the digitalisation and standardisation of administrative processes. In this regard, public authorities should be prepared for the following transformations:

- The centralisation of information systems for accounting and document management;
- the transition to the widespread implementation of electronic signatures and electronic document authentication;
- The automation of the creation and completion of primary accounting documents, accompanied by strict standardisation of the standard forms used within public authorities;
- The introduction of modern technologies, which necessitates the organisation of training and retraining of administrative personnel in skills related to the collection, analysis, and processing of large datasets, including the acquisition of competencies in fields such as data science and data analysis;
- To ensure successful centralisation, it is recommended to conduct an analysis of the specific characteristics of each sector and to establish feedback mechanisms that take regional specificities into account, including the digitalisation of processes. It is essential to strive for a balanced approach between centralisation and decentralisation in order to ensure the overall effectiveness of the governance system.

The choice between centralisation and decentralisation of authority represents a problem of selecting an optimal organisational structure, with the degree of centralisation determined by the effectiveness of that structure within a public authority. Centralisation enhances coordination and control of organisational functions, prevents the disproportionate development of certain departments at the expense of others, reduces the likelihood of erroneous decisions through the involvement of more qualified personnel, and enables problems to be addressed using more cost-effective and readily available resources (Mescon et al., 1993).

The centralisation of support units within public authorities is a complex yet necessary process that requires careful analysis and a balanced approach in order to ensure stability and diversity within the system of public governance. In this context, it is essential to identify and implement approaches to addressing this issue in a highly structured and effective manner.

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