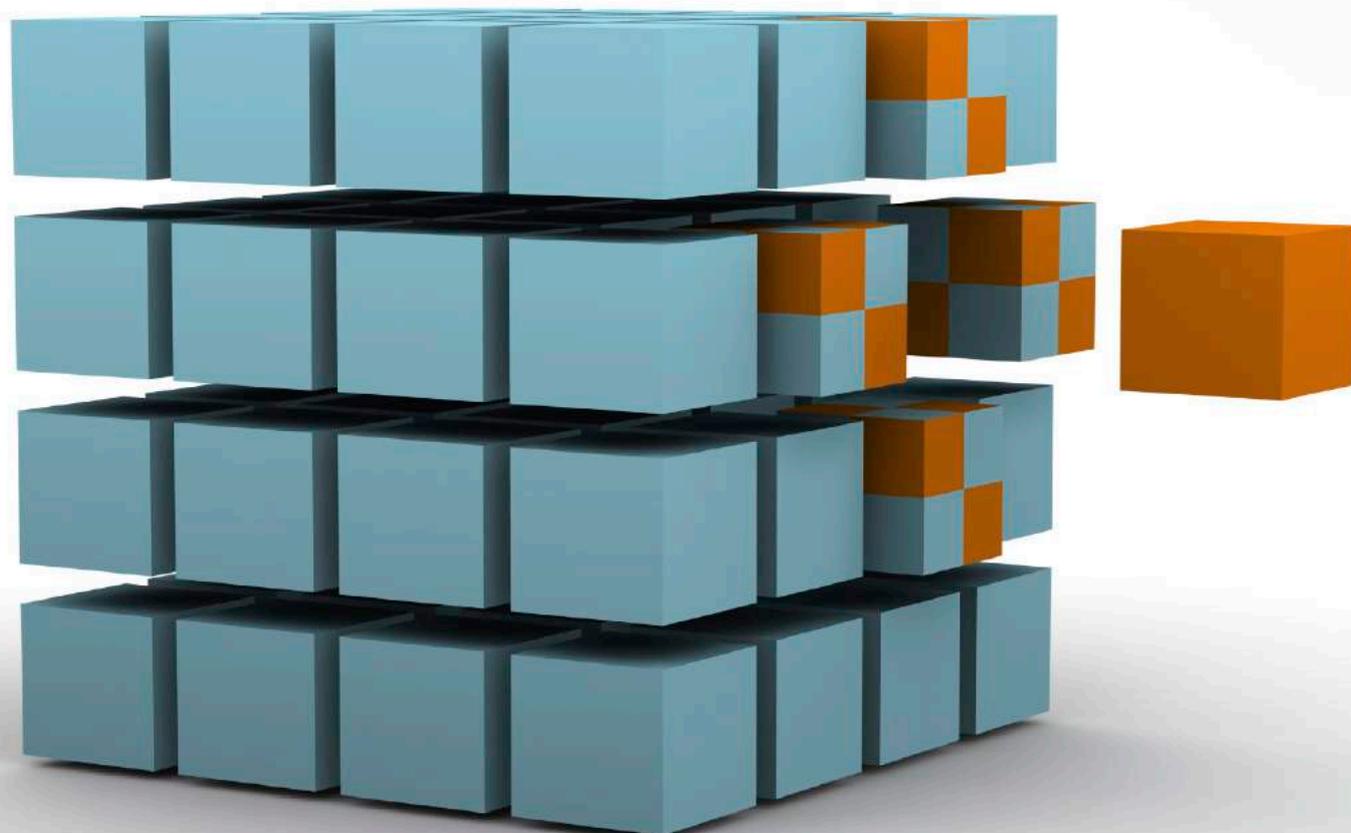




HOW TO IMPLEMENT MULTI-FUNCTIONAL SHARED SERVICES IN A PUBLIC SECTOR ENVIRONMENT

The Government of New Brunswick Internal Services Agency
(NBISA): from Business Case to Implementation



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Critical to our success was the great partnership that we formed with the Chazey team. By embedding Chazey staff into our GNB work groups we were able to create a collaborative and interactive relationship that was very different from a traditional vendor client arrangement. Phil, Grant and John (and others) brought a depth of shared service knowledge, along with tactical expertise from multiple previous implementations that enhanced the approach developed by our GNB core team. This integration of teams allowed us to produce a dynamic GNB specific service strategy, based on best practices and world class implementation techniques.”

Andrea Seymour

Former Chief Operating Officer, New Brunswick Internal Services Agency



“

Chazey Partners was instrumental in helping the Government of New Brunswick to create, through a truly transformational process, the New Brunswick Internal Services Agency, a shared services agency providing payroll, accounts payable, information technology and other back-office services to Government.

Their coaching and knowledge transfer approach empowered our own employees and resources to focus their skills and efforts to transform ideas into action, inefficiencies into cost savings and duplication into well-documented, streamlined, value-added processes.

Their experience and expertise in shared services provided us with the confidence to surmount countless challenges that are inherent in the implementation of what was such a monumental task. As a result, the Agency has not only generated cost savings but has introduced significant efficiencies and opportunities for further value added functionality that will benefit the province for years to come.

Louise Lemon,

Former President, NBISA and

Deputy Minister, Department of Supply and Services.



In early 2009, officials from the Government of New Brunswick's Department of Supply and Services (DSS) approached Chazey Partners' founder, Phil Searle, after his presentation at a shared services conference. This marked the beginning of three-year collaboration between Chazey Partners and the Government of New Brunswick (GNB).

Three months after that first meeting, the Chazey Partners team arrived in Fredericton, the capital of New Brunswick. From the summer of 2009 to mid-2012, Chazey worked collaboratively and closely with the Government of New Brunswick's Internal Services Alignment team and, latterly, with the New Brunswick Internal Services Agency (NBISA). Chazey also worked with a second consulting firm engaged by GNB, the Intersol Group, which supported the change management effort linked to the establishment and operation of NBISA. This three-way partnership culminated in what has become recognized as a flagship implementation of a public sector, multi-functional shared services organization.

There has been a lot of progress made with shared services in the Canadian government, at both the provincial and federal levels. Within Canadian provincial government, NBISA is an excellent example of how to implement and then operate shared services to increase efficiency, enhance service levels and strengthen the overall control environment.

Background

In March 2008, the Government of New Brunswick mandated the creation of a shared services delivery model that would allow it to reallocate resources and focus on providing improved services to the citizens of New Brunswick. This led to the creation of the Internal Services Alignment (ISA) team. GNB committed to undertaking the transition by building on the knowledge and expertise of internal staff, supplemented, when required, with specific expertise or knowledge not found within the ranks of the civil service. This led the team to engage an outside consultancy firm to assist with the evaluation and implementation of a new service delivery model. This case study charts the project's progress from business case through go live, and shares some of the lessons learned.

Why Change?

Government operations are sometimes limited by fragmented, decentralized services, with duplication, outdated practices, and inefficient allocation and use of resources. GNB leadership had recognized this in New Brunswick, and it had also become increasingly obvious that a lack of standardization was resulting in unnecessary costs, and inconsistent service levels. The financial reality of 2008 only served to aggravate the challenge, as shrinking budgets made maintaining existing service levels a challenge. GNB made the strategic decision to reallocate resources away from administrative support and towards front line services for the citizens of New Brunswick. The implementation of a new shared services model was one of the main strategic initiatives to help achieve this outcome.

To provide some context, New Brunswick's Government at the time had 14,000 employees, covered 28 departments and agencies, and operated across 375 locations. Per year, the Government made 700,000 payments, worked with 300,000 vendors and suppliers, and made payments of approximately C\$6.8 billion. In addition, the Government annually made 325,000 payroll transactions, processed 300,000 leave requests, and completed about 100,000 IT service desk calls. They also operated 16 separate data centers. The leaders of New Brunswick's government were familiar with the successes that other public sector institutions in Canada had achieved with the shared services model, especially at the provincial level. There was significant high-level support focused on the implementation of the very best practices possible. Andrea Seymour, subsequently COO of NBISA, had instigated a high-level business case in early 2008, which indicated that there were significant opportunities to be seized by moving some functional support services into a shared services model, and by promoting a single policy approach across the province.

GNB considered 21 functions as possible candidates for a shared services model. These are listed below.

Information Management

- IT Contract & Relationship Management
- IT Information Management
- Communications and Networks
- Corporate Systems Support
- IT Client/Desktop/Local Area Network Support Services
- Database Administration
- IT Infrastructure Management

Human Resources

- Common Recruitment
- Payroll Processing
- Position Evaluation/Classification

Finance & Administration

- Translation
- Facilities Management
- Printing/Copying
- Purchasing
- Registries
- Accounts Payable
- Accounts Receivable
- Financial Reporting
- Fixed Asset Accounting
- Revenue Management
- General Accounting

It was determined that the initial scope (taken from the above) would include four “service lines”: Payroll and Benefits, Accounts Payable, IT Service Desk, and IT Operations. What these service lines had in common was that they were predominately “transactional” and “administrative” in nature and could, in theory, be more readily centralized to create a solid foundation of integrated, automated and standardized end-to-end processes, enabled by technology, to better serve NBISA’s customers.

The Business Case

When Chazey joined the project in June of 2009, we were asked to independently assess the progress made to date and help prepare a robust project plan for the design, build and deployment phases of the project, which was to be concluded within two years.

The business case was centered on a detailed Activity Based Analysis (ABA), which involved, among other things, breaking down each role into the number of FTEs required to carry out specific “activities” along end-to-end processes. The ABA work that had already been conducted by GNB became a pillar of the business case.

The Government planned to realize efficiency savings through natural attrition, retirement and transfers, as well as through process improvements and increased scale as the number of service lines subsequently increased beyond the initial four.

Project Management

In addition to an Internal Services Alignment team, which was tasked with running the project, a specially designated Steering Committee,

representing the Deputy Ministers, evaluated each stage and served as a robust sounding board and decision-making body in support of the initiative.

Throughout the implementation process, engagement, leadership, communication and guidance was provided through a number of channels.

These included:

- Deputy Minister Steering Committee
- Shared Services Advisory Council
- Council of Change Agents
- Service specific forums and workgroups
- Project Boards
- A multi-faceted communications strategy

Planning & Design

The next step was to strategize how to move the “as is” processes to the new “to be” model. This was accomplished through a series of workshops that involved subject matter experts, business process owners and people currently doing the work, to ensure that all business and internal customer requirements were understood and incorporated in designing the solution. The workshops’ objectives were to identify current working practices and, most importantly, user/client requirements, along with existing “pain points”,

and compare them to leading practices, in order to arrive at a desired “end state” operating framework. What emerged were the blueprints for the shared services organization that would provide a specific set of Accounts Payable, Payroll & Benefits, IT Services, and IT Infrastructure services to the Government from one centralized operation, with a number of staff remaining situated in the local departments.

Organizational Structure

Concurrent to the development of new service delivery models, GNB developed and passed legislation to allow the creation of a Shared Services Crown Agency. The Act, the first in Canada, was proclaimed on May 10, 2010 and gave the newly formed NB Internal Services Agency the power to operate as a business, at arms length from GNB. This structure offered the new Internal Services Agency a degree of autonomy and also allowed it to act and be viewed as different to the “old way” because it is different. Setting up NBISA as a new Agency also provided some time to prove its value, especially following the change in government that occurred in September 2010.

The newly formed NBISA operated as a multi-functional center from its inception, covering the four main service lines outlined above. The final headcount in NBISA totaled 338 staff, with approximately 50 of these remaining in the local departments.

The plan called for the co-location of resources for the in-scope end-to-end processes in Fredericton. It was essential to drive a new culture and branding through the New Brunswick Internal Services Agency, one that emphasized proactive customer service and adding value on the basis of a sound knowledge base. To enhance this, new office space was sourced by the ISA team, and was defined by an open-space concept that offered collaborative areas for team-working, incorporated “healthy workplace design,” adhered to “green” policies, and offered amenities including a gym, parking, and a café. This environment was a significant factor contributing to the project’s overall success. One complication unique to this project, but which may impact other government entities, was a need for higher level security clearance for IT staff accessing sensitive data for specific government departments. As a result of this, some staff initially had to be retained in the exact same jobs as before the transition. This meant that, at the start, there was less ability to leverage the power of shared services in terms of extended hours, different levels of service,

Go-Live

The project went live with a multi-function rolling wave deployment strategy. As part of the first wave, the two smallest departments within Payroll were brought into NBISA. The second wave of Payroll deployment coincided with the first wave of deployment for both IT and AP. Over the next few months, the remaining 28 departments were rolled in through seven additional deployment waves. Whilst Chazey was very much involved in supporting the first five deployments, the NBISA team managed the last three transitions with minimal external support.

The schedule of the deployment, along with numbers of people affected, is illustrated in the diagram below:

Process Optimization

NBISA had committed to managing costs so that it would be able to operate with a reduced budget going forward. Once NBISA had been operational for six months, the NBISA team, with support from Chazey and Intersol, worked on a process optimization strategy that proved to be an important driver for the overall success and cost-effectiveness of the program. A number of the processes that had been “lifted

		Departmental Go Live Phasing																Total
		Wave 1 1 Apr	Wave 2 15 Jun	Wave 3 17 Sep	Wave 4 29 Nov	Wave 5 17 Jan	Wave 6 14 Feb	Wave 7 14 Mar	Wave 8 20 Jun									
Payroll & Benefits																	7	
Accounts Payable																	3	
IT Service Desk																	3	
Agriculture and Aquaculture																	0	
Attorney General																	0	
Business New Brunswick																	0	
Education																	10.5	
Energy																	0	
Environment																	0	
Executive Council Office - Women's Issues																	0	
Finance																	9	
Fisheries																	0	
Health																	8	
Intergovernmental Affairs																	0	
Justice and Consumer Affairs																	15	
Local Government																	9	
Natural Resources																	22	
Office of Human Resources																	15	
Office of the Comptroller																	6	
Office of the Premier																	0	
Post-Secondary Education, Training and Labour																	19	
Public Safety																	16	
Social Development																	58	
Supply and Services																	40	
Tourism and Parks																	3	
Transportation																	15.5	
Wellness, Culture and Sport																	0	
Service New Brunswick																	10	
Total Employees		4	0	0	15	20	44	7.5	8	26	16	0	0	0	13	27	68.5	
Wave Totals		4	0	0	15	20	44	7.5	8	26	16	0	0	0	13	27	295	
Off Site		0	0	0	8	0	0	0	0	0	0	0	0	0	9	0	34	
Deployed by Service		4	0	0	15	20	44	7.5	8	26	16	0	0	0	13	27	68.5	
Total Deployed		4	0	0	83	0	0	124.5	0	0	140.5	0	0	0	180.5	0	295	
% Deployed by service		6%	0%	0%	30%	18%	36%	42%	26%	57%	67%	26%	57%	67%	37%	80%	100%	
Total % Deployed		1%	0%	0%	28%	0%	0%	42%	0%	0%	48%	0%	0%	0%	61%	0%	100%	

or flexibility. Over time this became less of an issue.

Technology Requirements

Whilst implementing a new ERP system had been discussed initially, NBISA elected to stay with its Oracle platform and expand the original platform through additional technology solutions, including document management and workflow. The platform was subsequently upgraded to Oracle Release 12.

and shifted” during implementation were further optimized, resulting in significant improvements to operational performance and costs.

Lessons Learned

Process vs. Customer

Lack of end-to-end oversight or ownership can limit efficiencies. Since part of the overall process will likely reside outside of shared services, it

is important to clearly define, understand and support the entire process, to understand hand-offs, document and agree inputs and outputs, and clearly define roles and responsibilities.

Site selection

When choosing a site, there may be some legacy issues around branding that need to be addressed. Specifically, the site chosen and developed by NBISA had previously been a call center used by a third party. As a result, initially, there was some “branding” of NBISA as a “call center” rather than as a new internal services agency. It is important to ensure that both staff and clients understand the new culture being moved to, and how their own roles will likely need to adapt to customer-oriented shared services. This will require effective training, communication, change management and some marketing.

Politics & hierarchy

In a hierarchical environment, decisions may have to be pushed through various levels before being confirmed. It is very important to understand how decisions get made and the channels that need to be followed, and who the key decision makers and influencers are, and whose approval needs to be obtained to do anything. Like with any project of this nature, whether in the private or public sector, it is vital that you get the right people aligned behind the project and that this support is leveraged, supported and nurtured throughout.

Changes in scope

As the project progresses scope often changes for different reasons. This has to be managed and addressed as it occurs rather than being too restrictive. For example, there were some issues encountered in IT Services due to the fact that certain activities originally considered to be out of scope (such as IT Procurement) were in fact transitioned into the NBISA as a result of coming with staff who had been previously performing multiple roles. This is just one example but there were many other scope questions that had to be addressed throughout the project, sometimes linked with specific people performing these roles and sometimes with necessary connections between certain activities. The point is that such scope “adjustments” always arise and have to be assessed and addressed on a case-by-case basis.

Partial Full Time Equivalent (FTE) activities

The results of the Activity Based Analysis highlighted some areas where work was spread across a large number of individuals, as illustrated by fractions of FTE-equivalent ratios. The total work effort across these many people could be significant when added

up, but because of the FTE activity being fractional at the individual level it can be harder to capture and transition such work effort between the departments previously performing them and the new shared services agency. Where this occurs, it is even more important to document this and to agree on final scope, roles and responsibilities, and the transition approach and timing might need to be adapted; for example, by absorbing the whole function without bringing across the staff – or perhaps doing so at a later date.

Management functions

In the initial Activity Based Analysis, management functions were deemed out of scope, which had the negative consequence of leaving management behind. This left NBISA with an initial management knowledge deficit, despite getting skilled transactional staff.

Maintenance or legacy channels of communication

At GNB, one challenge that was faced was that some staff initially preferred to keep their previous lines of communication open. As a result, some newly transitioned team members started sharing their direct telephone numbers with their previous direct line directors in the departments, thus bypassing the new automated processes specifically set up to streamline proceedings. This was addressed through further clarification from the project team of the way things were to work in the “new world”, some additional training and support, and by ensuring that internal clients were directed to use the newly designed contact processes.

Driving engagement

Resistance to change is a common factor in any shared services implementation. But perhaps this is even more so in the public sector, where change can tend to be slower than in the private sector, and where staff have often been employed by the organization for very long tenures. This can be overcome with really effective change management. However, developing true “engagement” can be harder. What proved very effective was to identify the people who would influence stakeholders, and involve them in the project from the beginning. This was supported by a comprehensive, enterprise-wide change and communications strategy. Additionally, tracking and reporting on progress and introducing an effective measures and metrics reporting environment helped to illustrate improvements made to service levels and turnaround times.

Leadership

One of the major reasons the NBISA project was a success was because of the strong leadership,

passion and commitment of the internal 'Core Team' from the start, and then the ongoing passion and sheer hard work of many in the new NBISA team once it was established. Also critical to success was the outstanding leadership of Deputy Minister Louise Lemon, and the visible support of Clerk to Executive Council, Dave Ferguson.

Additionally, strong project management and prioritization supported the speedy resolution of issues and kept the focus on the key deliverables.

Achievements

The Internal Services Agency was set up to increase efficiency and drive down costs while creating a new culture, focused on the client and operating as a business. Currently the center employs 338 FTEs and provides services to 14,000 employees working across 28 departments and agencies.

The overall benefits of the project can be broadly broken down into the following three categories:

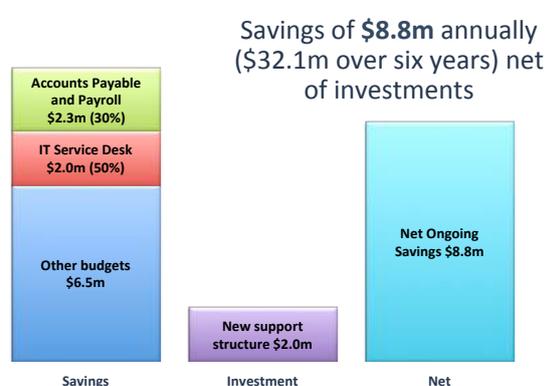
- 1) Financial
- 2) Performance
- 3) Other

Performance Benefits

- KPIs continue to be monitored to drive continuous improvement
- Volume of transactions processed
- Performance against targets
- Quality measures (e.g. time to answer calls, abandonment rates)
- Customer satisfaction rates

Financial Benefits

NBISA: The Impact - Financial



*Canadian Dollar

Sample observations

- Backlog in payables measured, explained and

addressed; resulting in 2x proportion paid within terms (average Nov-11 to Jan-12 vs Feb-12)

- Working with departments/suppliers to address the delay between invoice date and receipt of invoice by NBISA
- Client satisfaction trending upwards across all service lines

Other Benefits¹:

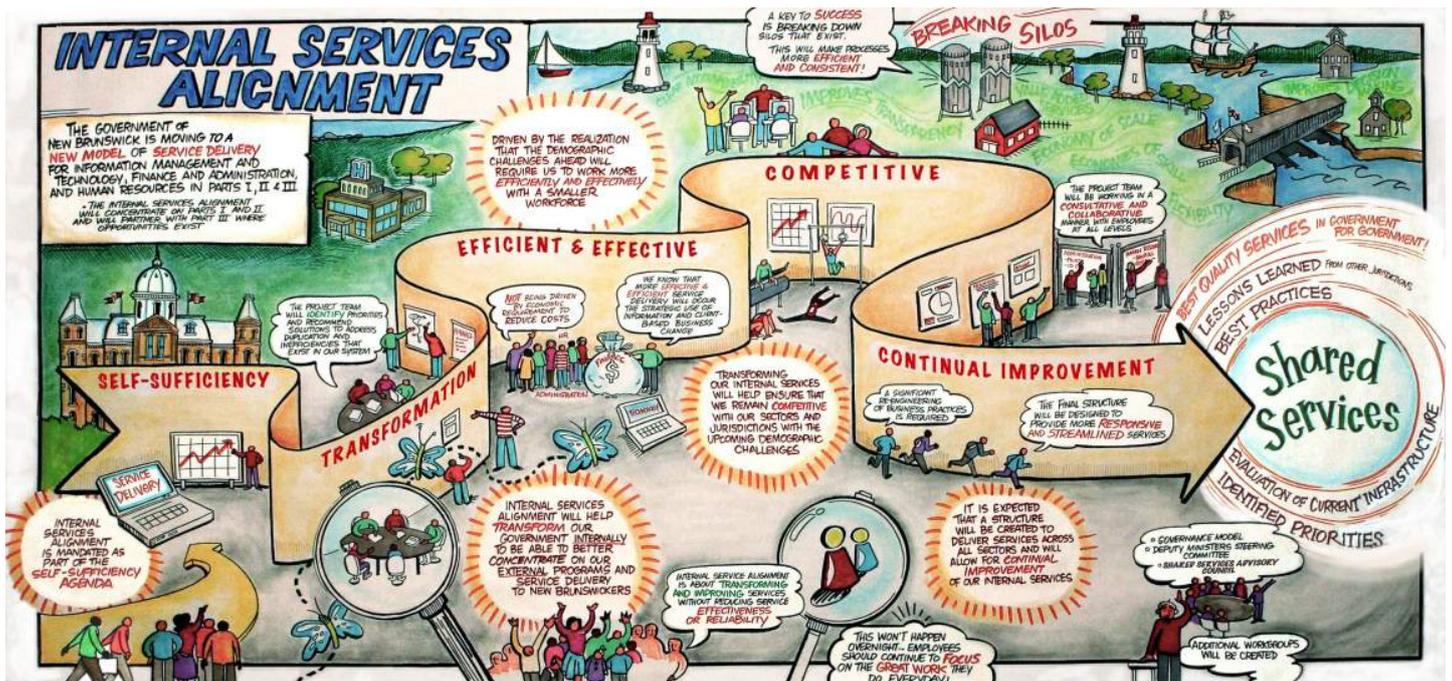
- More consistent standards of service delivery
- Economies of scale, including group purchasing
- Government-wide strategies, enabling more coordinated decision making, especially relating to IT
- Opportunities for staff development and career advancement
- Improved staff retention and recruitment

one of the key performance indicators that had been targeted have been met as follows:

- Client satisfaction is NBISA's number one goal, and is tracked regularly. NBISA's goal is to meet or exceed client satisfaction at least 80% of the time. Its latest survey shows NBISA has surpassed this target (84% satisfaction).
- Within AP, one of the "timeliness" goals was to pay supplier invoices within the standard GNB term of 27 days. This target has been met.
- Within IT Services and Infrastructure, the target was to resolve 90% of non-business critical incidents within 4 days. This target has been met.

Final note

This transformation required a lot of dedicated work and effort from a number of people within and across the Government of New Brunswick. Collaboration and partnering were two of the key skills that produced results. The vision and change journey map, on the next page, served as a constant visual guide along the journey.



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