

A Journey Towards Shared Services at Natural Resources Canada

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This is the first of three articles about the Natural Resources Canada journey towards the implementation of the shared services strategy. In this article, the reader will be familiarized with the objective, the approach and methodology used in the analytical phase of NRCan's journey towards shared services.

Background

Natural Resources Canada (NRCan) was facing increasing pressure on its corporate groups to carry out essential functions and deliver services beyond their current funding levels. First, there was program review that forced corporate groups to significantly reduce resources and to reorganize. Then the department began to experience in 1997-98, an increase in its sunset funding programs that has placed an increase demand on corporate service functions. These activities were not funded sufficiently or at all in the original policy proposals for the sunset programs. At the same time, new horizontal-wide initiatives such as Human Resources modernization, Modern Comptrollership, the Financial Information Strategy, the Active Monitoring Policy, new Communications policy, new government of Canada Security Policy, etc. have added further pressure on corporate and support functions.

In order to continue supporting their policy, science and program delivery in a context of reduced corporate services, line Sectors in NRCan began to invest in and deliver on management service functions that were no longer offered corporately. The cost, level of support, organization and service delivery mechanisms vary across the Sectors and across the various regions. The total effort of these investments was not well documented across the Department. Some coordination mechanisms did exist (e.g. Communications Council, Departmental Management Coordination Com-

mittee, Informatics Working Group, etc). However, while a lot of thought had been put into developing and reviewing models and standards, clarifying roles and accountabilities, little had been actually implemented.

The Departmental Management Committee (DMC), under the leadership of the Deputy Minister, approved a project (the Support Services Study) to conduct a comprehensive review of departmental support service functions to help address the corporate group deficit situation and to improve service delivery across the department.

Objectives and scope

The objective of the study was to *"strengthen the effectiveness and the efficiency of service functions in support of program delivery and departmental goals"*.

The Study was based on the general concept that corporate functions at NRCan include the activities that allow the corporate groups to exercise their leadership responsibilities of "directing" the department administrative activities in a principal-agent relationship (directional or governance functions). It also was based on the



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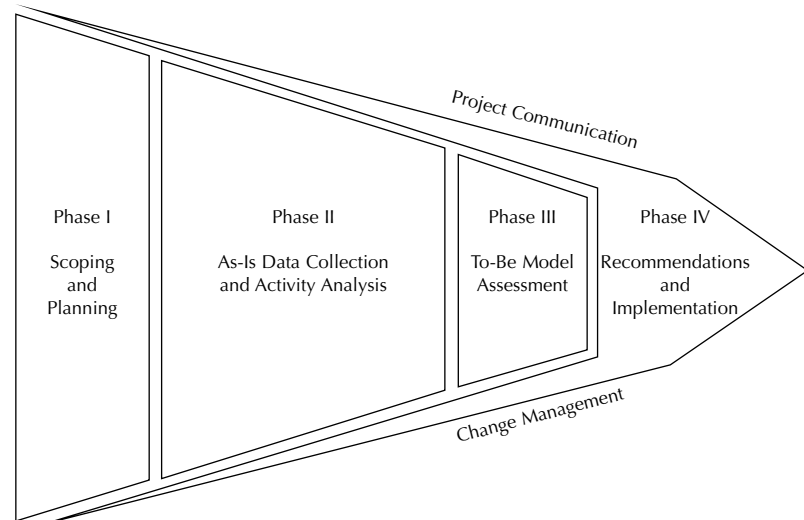
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concept that, aside from the governance/directional functions, the department provides services that support the organization in conducting its core businesses in a "client-supplier" relationship (transactional functions).

The Study required a full examination of NRCan's corporate and service functions with the view of how they are delivered throughout and across the Department. The functions to be included were:

- Financial management;
- Procurement, contracting and asset management;
- Information management and information technology;
- Human resources management;
- Real property management;

Figure 1. Study Phasing



- Safety, security and emergency management;
- Environmental assessment and audit;
- Communications;
- Audit, Evaluation and Risk management;
- Executive Correspondence; and
- Travel support service.

DMC expected to receive recommendations on the efficiency and effectiveness of the delivery of these functions at NRCan and on the appropriate governance, reporting and operating relationships. Any savings resulting from the implementation of the recommended approach were to be re-invested into NRCan.

The Approach

NRCan decided to compare its current service model with three (3) generic governance models. Senior management used these models as principles to guide decision-making about on how to organize the service functions in the future in order to best support program delivery and their needs. The generic concept that defined each of the models is described below:

Model 1: Centralized Services

The centralized services model required that all service activities, directional and transactional, that are carried out in the Department, including those that are undertaken within the Line Sectors, be repatriated into the relevant corporate group at headquarters.

Corporate groups would establish a baseline level of service for their activities based on available resources. Budgets for services would be centralized.

Services would then be provided to Line Sectors and to Headquarters. Some services could be co-located with clients and decentralized; others could be highly centralized. However, the reporting relationship would remain with the corporate groups.

Model 2: Corporate Shared Services

In this model, as with model 1, all service activities, including directional and transactional activities, were to be repatriated and performed by the relevant corporate groups at Headquarters.

Budgets for transactional services would remain in the hands of the line managers while budgets for directional activities would remain with corporate groups. Line Sector Managers and corporate groups would negotiate an agreed level of service and service standards and appropriate service fees.

Services could be co-located, centralized or decentralized. Reporting relationships would be to the corporate groups.

Model 3: Business Unit services (Shared Services strategy)

The aim of this model would be to shift the actual delivery of all transactional functions from a corporate responsibility to a line organization.

The idea would be to have a departmental business line that would have as an operational mission to provide internal clients (i.e. line Sector and Headquarters) with highly efficient and effective in transactional services and to have a distinct and separate “corporate” group responsible for the directional activities.

The role of the manager of this internally focused business line would be to focus on service and client satisfaction for a fee. Budgets

"BUD" JOHNSON, BUTCHER


HE CAN ADVISE WHAT YOU SHOULD STEW, WHAT

YOU SHOULD GRILL,

AND WHICH KIND OF WINE TO DRINK WITH

YOUR ROAST. EVEN WHERE TO FIND A

BAKER AND CANDLESTICK MAKER.




BUT WHEN IT COMES TO AUDIT ADVISORS, BUD

SHRUGS HIS SHOULDERS AND RECOMMENDS

THE ONLY EXPERTS HE KNOWS,

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would be in the hands of the internal clients, as in model 2.

This model differs from Model 2 in that it would be run as a “separate” business, seeking out where possible different and more efficient ways of delivering the service. It would provide clearer accountabilities for service delivery.

The methodology

The Study was divided into 4 distinct but somewhat iterative phases, as presented in Figure 1 and described below.

Phase 1: Scoping and Planning:

The objective of this phase was to obtain clarity and agreement on the scope of the Study, the methodology to be used for the data collection phase and to develop a common understanding of the governance model currently in use at NRCan.

Phase 2: As-Is Baseline data collection and Activity Analysis:

The aim of this phase was to describe the current model of service delivery in NRCan with emphasis on the existing level of service and cost structure for each activity. The analysis was conducted using a Process Framework (Figure 2) rather than using the organizational approach. The process approach allowed NRCan to understand the level of effort and the investment made

across organization and to assess how, as a department, services are being dispensed.

Phase 3: To-Be Model assessment:

The objective of this phase was to describe the operating principles, structure, organization, and reporting relationships of each of the proposed governance models with emphasis on cost structure and level of service.

Phase 4: Recommendation and Implementation:

The aim of phase 4 was to compare the models and make recommendations on the best approach for NRCan.

At the end of each phase, The Departmental Management Committee would be briefed to ensure a “made-in-NRCan” approach was accepted.

Process Framework

The process-based approach was used to categorize and document baseline support services effort and costs. The process perspective provided a view of support services activities throughout the department, independent of organizational boundaries.

Processes were defined as are a group of activities, which together deliver outcomes.

Sub-processes were defined as a subset of recurring activities that needed to be performed to complete a process.

Activities were defined as a discrete and

logical grouping of tasks required to deliver outcomes

A total of 12 processes and 124 sub-processes were identified to gather the information for the base-line analysis. The 124 sub-processes were defined, discussed and negotiated in a working group made up of sector representatives. The sub-processes and activities represented a consensus on how support services were delivered at NRCan.

The following list presents the 12 processes used for gathering the data:

- Plan and Manage the Enterprise
- Develop and Manage Budgets and Plans
- Manage Accounting and Finance
- Manage Procurement, Inventory and Logistics
- Manage Capital Assets
- Manage Audit, Evaluation and Risk
- Manage Human Resources
- Manage Security, Safety and Emergency Response
- Manage Information Management
- Manage Information Technology
- Manage Communications
- Manage Environmental Affairs

The next article will bring the theory to life by presenting the facts that lead to the decision to implement the shared services strategy. A third article that will discuss the implementation process used to establish the Shared Services Office will follow it. ■

Figure 2. Process Framework

