Shared Services Review

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Shared Services Review

1.   Introduction

The Finance, Human Resources, Information Technology, Communications and Law Branches of the Corporate Services Department adopted a shared services strategy for the delivery of their respective services as part of the City '97 Project. Shared services often involve some form of centralization and the application of marketplace and business principles to the management and provision of services. Based on input received from a number of stakeholders, the OCA included the review of Shared Services to its 2004 Annual Plan.

The Administration initiated its own review of Shared Services in 2004. To avoid duplication of effort, the OCA changed its overall objective from evaluating the current delivery of services and identifying opportunities for improvement to participating in the Administration's assessment of the current service delivery model. In this role, the OCA ensured that appropriate action plans were developed to address all identified opportunities for improvement.

2.   Background

Since 1997, the Administration has taken several steps to enhance the City's Shared Services model and increase the operational efficiency and effectiveness of service delivery. Service Level Agreements that serve as contracts between the service provider and the users of those services were established for shared services in 1998.

In 1999, the Administration hired external consultants to evaluate the City's Shared Services model, outline alternatives and assist shared services providers in creating action plans for the sustainability of the City's Shared Services. Recommendations were provided to help the City build on its successes and mitigate some of the detracting factors. The recommendations covered areas such as effective project management, improved communication, reshaping business partner roles, separating governance and service functions, and operating more like a business.

At the beginning of 2004, a project team comprised of City staff and external consultants initiated another review of the delivery of shared services. The goal of this review was to significantly improve the service provided to the corporation. The consultant facilitated a number of meetings and group sessions with service providers and users of shared services within the City. Fourteen opportunities for improvement (Appendix 1) relating to strategy, people, process and technology were identified to achieve the next level vision for shared services in the City. The current state of shared services delivery was assessed in relation to leading practices and a model (Appendix 2) was developed to guide the implementation of action plans to enhance service delivery. Two OCA staff members participated as observers during this review.

3.   OCA Objectives

1. To review the history of shared services delivery in the City, assess the oversight provided by the Senior Management Team (SMT) and identify actions required for the successful implementation of enhancements to shared services.

2. To determine whether the 2004 shared services model proposed by the project team will enhance the delivery of shared services.

4.   Scope and Methodology

The scope of our review included obtaining an understanding of Shared Services initiatives undertaken by the City from 1997 to 2004. The following methodology was used to achieve our objectives:

- Reviewed relevant Shared Services documentation prepared by various City '97 project teams and subsequent reports prepared by consultants.

- Examined minutes of SMT meetings to determine the strategic direction and guidance provided by senior management during the period reviewed.

- Observed meetings and group sessions with service providers and users of shared services that were facilitated by the consultant during 2004.

- Reviewed deliverables prepared by the 2004 project team including the current state assessment, proposed service delivery models and the final report to SMT.

5.   Summary of Results

5.1.   Strategic Direction and Guidance

The OCA's review indicated that during the City '97 project and throughout the following year, members of SMT were instrumental in providing guidance and direction through an active oversight role in the implementation of shared services. In subsequent years, however, this role became passive and service providers adopted a variety of models of service delivery. The OCA noted that while SMT supported the principles of shared services, the corporation faced many challenges in its implementation and execution of the shared services model as originally envisioned.

In 1999, SMT made a concerted effort through an external consultant to focus on evaluating the existing model(s) and initiate the development of action plans for the sustainability of the City's Shared Services. However, most of these action plans were not finalized and implemented. It was also noted that the 1998 service level agreements that were intended to serve as a tool for outlining performance criteria, monitoring service delivery, and comparison with leading practices were not renewed when they expired at the end of that year. At the time of this review, the Information Technology Branch was the only service provider that had initiated pilot service level agreements for selected services. As reflected in the Opportunities for Improvement

identified by the project team (Attachment 1), a consistent and clearly defined process for managing service delivery expectations was absent.

In the opinion of the OCA, strong corporate leadership and consistent support is required to ensure that the City maximizes the benefits of its Shared Services program.

5.2.   *Opportunities for Improvement*

Throughout the review, the OCA observed the following behaviours that support the Administration's goal to significantly improve the service provided to the corporation:

- Encouragement by management for staff to actively participate in all phases of the review.
- Involvement of a large number of stakeholders representing all departments and all levels from senior management to front line staff.
- Openness of discussions and sharing of information among stakeholders, including the OCA.

These observations along with a review of relevant documentation have allowed the OCA to confirm that the project deliverables accurately reflect the current state and direction for future delivery of shared services.

The OCA compared the fourteen Opportunities for Improvement (Attachment 1) to the approved model (Attachment 2) to confirm that all opportunities were addressed in the approved model and strategies. This comparison indicated that thirteen of the fourteen opportunities will be addressed during the implementation phase. The remaining opportunity relates to a specific service. The Administration has advised the OCA that this will be considered after implementation of all the other strategies. It should be noted that the information contained in these strategies is high level, indicating only intent.

Management Response:

The Shared Services Review defined an implementation roadmap of 35 implementation projects that will allow Corporate Services to systematically implement the required changes. Of these 35 projects, eight were identified as a priority:

- Implement Customer-Centered Operational Excellence
- Corporate Services Governance Framework
- Shared Services Performance Measures
- Business Process Review
- Accountability Processes & Practices
- Define & Design Accountability Commitments
- Costing Methodology & Processes
- Organizational Change Management (OCM)

The Administration will begin with these eight projects in 2005. The Administration is currently in the process of establishing a Program Management Office (PMO) for the Shared Services Implementation. Once the PMO is staffed and operational, detailed plans will be developed for these eight projects.

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6.   Conclusion

The OCA believes that the approved model provides a solid foundation for taking the delivery of shared services to the next level. The Shared Services Project Management Office will face significant challenges as the project moves forward, including the development of a program that will address multiple perceptions and changes in the Corporate culture. SMT will need to clearly and visibly demonstrate ongoing support for the selected strategies in order to achieve successful implementation.

The OCA will review action plans developed by the PMO to ensure that sufficient detail is provided to allow a follow-up review on the opportunities for improvement listed in Attachment 1.

We would like to thank the Administration and the consultants for their cooperation during this review.

Attachment 1

Opportunities for Improvement

The Shared Services Project Team identified the following fourteen opportunities for improvement following interviews with Shared Services Branch Management and focus group sessions attended by both Shared Services staff and its customers.

Strategic Opportunities

1. Define the vision and definition of shared services

2. Clarify the governance model

3. Find a method to manage/prioritize demand (eg., contract, charge back)

4. Link accountability of shared services to Client success

5. Integration, synchronization, harmonization of the department planning process

6. Determine whether or not to locate shared services staff

People Opportunities

7. Clarify expectations and roles of both the service provider and the Client departments

8. Incorporate a planned system of shared services staff movement among Client departments for job enrichment

Process Opportunities

9. Create consistency of shared services business processes within Corporate Services and between Client departments

10. Provide more proactive, future-oriented services to the Client (as they fit with the Clients' strategy)

11. Organize around a process view of shared services (e.g., supply chain from procurement to payment)

Technology Opportunities

12. Coordinate, consolidate, and integrate eCommerce, ERP and IT strategies

13. Maximize current investment in technology (e.g., use ERP modules not yet turned on)

14. Deliver ongoing, up-to-date training on technology and tools

Attachment 2

Shared Services Model

An overarching principle of the approved model is that SMT requires all departments to use Shared Services. The role of Shared Services is to support Customer and corporate outcomes and optimize value for dollar. The role of the customer is to define their business needs and engage Shared Services where applicable. By fully knowing which services are in demand across the corporation, Shared Services can manage the resources and services offered.

Component	Strategy
1. Service Delivery Strategy	This service strategy focuses on supporting the corporation's business outcomes by providing high quality, most efficient and effective services. In order to be successful, Shared Services must understand the Customers' and corporate business needs.
2. Services Offered	Delivery of transactional services is essential. The preference is for focusing on improving our capacity to provide more advisory services. As Corporate Services masters their delivery focus, they can shift to more value-added advisory services.
3. Addressing Gaps in Shared Services	Shared ownership of corporate solutions and services. Joint responsibility of Shared Services and its Customers to identify and define service gaps, and work to develop the solutions. Together, the service provider and the Customers determine if the gap can be filled by Shared Services. Together, the service provider and the Customers decide on the appropriate external service provider, if required.
4. Service Accountability	Accountability in the Shared Services model has been a critical and often cited pre-requisite to success. Customers need to be assured that *their* business outcomes are the key measure of success for Shared Services. It was also recognized that a set of practices, processes and measures are required to ensure that Shared Services is held accountable for their role in meeting Customer outcomes. Services delivery staff are held accountable for the quality and efficiency of the services provided on a daily basis (transactional, advisory, strategic). Customers have a role in making the Shared Services model work. They are accountable for clearly defining their outcomes, communicating their needs and providing feedback on service delivery. Relationship management is an expectation of all levels in the corporation.
5. Service Costing	With virtual costing, costs are visible to the Customer but there is no transfer of dollars between the Customer and Shared Services. It is not intended to be a detailed transactional costing system. Virtual costing provides management enough information to make decisions on its services needs and provides a service evaluation tool to assess total cost of service. A costing model helps govern demand as Customers begin to understand service costs (virtual or otherwise) when requesting services and enables better performance measurement for Shared Services.

Component	Strategy
6. Accountability Commitments	An accountability commitment is a moderately formal document that is based on Customer outcomes and includes the following: • Mix and level of service offerings, • Qualitative and quantitative performance measures, • Issue escalation and conflict management procedures, • Incentives for exceeding expectations and consequences for non-compliance (for both Shared Services and the Customer).
7. Monitoring and Compliance	The day-to-day monitoring for compliance is a requirement within the corporation. There are three assumptions: • All roles have a service provision focus. • City staff comply with corporate policies and practices. Departmental line managers are accountable for compliance. • Expectation of Shared Services is to monitor for compliance in a service-oriented way.
8. Dispute Resolution	A dispute resolution process for addressing disagreements between the Client departments and Shared Services' interpretation of corporate policies and practices. The service provider and customer work together to build a business case for change to corporate policies, administrative directives and other legal/regulatory guidelines where necessary.
9. Physical Location	One size does not fit all. It will be important to develop criteria to identify those services and unique customer needs that require a different approach and apply the criteria consistently across the corporation. Transactional functions are located with Shared Services, and where necessary, strategic, professional, expert, advisory functions are located with the customer.
10. Dedicated versus Pooled Resources	Transactional resources are pooled; Strategic professional, expert, and advisory resources are dedicated where necessary.