



Richard Bray

Biting the bullet

Insourcing IT to a shared service model

REG ALCOCK IS PLANNING a revolution. Last spring, speaking with this magazine as an ordinary member of Parliament, he said, "I think public management is broken right now. I think we are on the verge of one of these transformational changes where at some point we are just going to have to bite our lower lip and make a series of changes." Today, as Treasury Board President, Alcock is in a position to initiate those changes and it is clear that information technology will be used as a tool to reshape the national government into a cost-effective, efficient and above all, responsive organization. Viewing information technology as a basic and all-pervasive tool, a shared services model is an instrument that can bring fundamental change to how the Government of Canada does business.

According to the Institute of Management Accountants, modern shared services organizations operate independently, as businesses, providing "well-defined process or knowledge-based services for more than one unit of a company." They sign service level agreements with internal customers, and their offerings are well enough defined to be judged against 'real world' competitors by performance and price.

When it comes to IT, this 'internal outsourcing' could touch every area of a department, from mainframe computers to telephones, from the front desk to the back office, from internal operations to external service delivery. The department would keep its soul, the programs it delivers, but part of its heart would be somewhere else – within Public Works and Government Services Canada in the recently reintegrated Information Technology Services Branch (ITSB) led by Ken Cochrane.

Cochrane is an IT veteran with extensive private and public sector experience and the interesting, if not unique, title of chief executive officer. In PWGSC's words, "The title 'Chief Executive Officer' is reflective of Mr. Cochrane's role and mandate. It is representative of an enterprise approach, underlines the new direction of ITSB and is a title that many of ITSB's stakeholders are comfortable with." Certainly, with the promise of much more flexibility in personnel, procurement and budgeting, a move to Special Operating Agency status seems inevitable, and probably sooner rather than later.

With every department currently running its own show and duplicating functions, Cochrane sees huge areas of opportunity for shared services. "We aren't consolidating servers, we aren't consolidating mid-ranges, we're not consolidating data. And I know all of those things have challenges, if you try to do that, but we have not been looking at it to try to leverage the opportunity," Cochrane said. "If you were a big enterprise like a Siemens or a General Electric and you looked at this, I think you'd be shocked; I think you'd be saying, well, we can't run our enterprise this way."

The 'why' of shared services is straightforward. The savings from a successful implementation would be huge, and they

would be recurring. But reaping that rich harvest calls for more than 120 different organizations to recognize that their needs are not fundamentally different. They have to agree that if their business processes are not remarkably similar to every other department's and agency's, then they probably should be. They will have to change.

Cochrane knows the dimensions of the challenge. "As we approach this particular area, because it is so dispersed across departments, it will mean a fairly major transformational change for government, in terms of how people do business. It will mean a fairly major cultural change in terms of trusting someone or some organization or some entity with things that are particularly important to you – to doing your business."

Clearly, senior bureaucrats know the implications of a shared services initiative, because about 30 departments have dropped in for information briefings. As one deputy minister told him, "If you actually take these things and make them shared services, you are taking our means to deliver programs."

Private business has successfully implemented shared services, as have smaller governments in Canada and around the world. A Government of Canada move to shared IT services is probably at least one scale of magnitude larger.

"I think, realistically, we're talking about huge scale here," Cochrane said. As Treasury Board President Reg Alcock himself asked, why do 74 percent of IT procurements over \$10 million fail? Big IT projects have always been problematic for most organizations, not just governments. Even with moving incrementally and choosing product lines that look like sure winners so it can build on success, the drive towards shared services is an enormous challenge, with no guarantee of success.

There may be no bigger IT procurement in Canada than shared services for the federal government and none whose success would bring so many benefits. ♪

Richard Bray is an Ottawa-based freelance writer specializing in the IT sector. He has been published in magazines and newspapers in Australia, the US and Canada. Before freelancing, he worked as a producer, reporter and senior writer for CBC in Toronto.

Did you know?

Summit provides online links to procurement expertise... on our website only.

Make the connection @ www.summitconnects.com