

For better or worse

by Richard Bray



Government of Canada creeps towards a shared service model for IT

AT FIRST GLANCE, the benefits of IT being delivered as a shared service are crystal clear – lower costs and better service. In terms of procurement, shared services has the potential to create big winners – taxpayers and a greatly shortened list of major vendors – and big losers – suppliers whose technologies don't make the cut, and the possibly substantial number of employees whose jobs will disappear. The technical challenges are surmountable using proven products and techniques. With effort and expense common, compatible systems can be achieved. However, the move to consolidate the federal government's far-flung IT assets under one umbrella may be the biggest IT mega-project ever undertaken by government in this country – and past performance does not always justify confidence.

The move is in its early stages. Daunting challenges remain through the stages of consensus-building, design and implementation. Shared services is moving into an environment where keeping abreast of change is already difficult and expectations are high. Plus, all currently available services must remain available until the shared service proves stable and secure.

And it doesn't take much in the way of legislative change or political pressure to force operational change. Today, there seems to be political will for change. Treasury Board president Reg Alcock is solidly behind shared services, as is Public Works and Government Services Canada (PWGSC) minister Scott Brison, who says, "Information technology is the fastest growing part of our business. Our goal is to provide centralized IT services – networks, data centres, backup and recovery services,

and phone lines – for the entire federal government."

The Institute of Management Accountants says shared services operate like businesses, using their own resources to manage their own costs and quality. Service level agreements (SLAs) define the services they provide their internal 'customers.' The focus of accountability narrows sharply, cutting across ambiguity and obfuscation onto actual performance. Getting things done depends less on internal political maneuvering and more on value for money. And, with centralized products and services, for better or worse, each customer should receive the same support, updates and enhancements at the same time as every other customer, no matter their size or relative clout. With proper benchmarks, customers will be able to measure the service they receive, and adjust their negotiating stance appropriately.

With whole-of-government solutions, help desks with more knowledgeable staff could remain open later and be centrally located, creating centres of excellence rather than islands of expensive but isolated knowledge; staffing and customer demand changes can be anticipated and balanced. Senior managers could 'get out of the computer business' and concentrate on their department's core activities.

In its 2005-2006 *Report on Plans and Priorities*, WGSC said the department would augment its excellence and cost savings in the provision of IM/IT services by "providing enterprise-wide solutions in IM/IT," but it did not specify a timetable. When it comes to shared services, 'why' is much easier to answer than 'when.'

The case for shared services

Shared services sounds like a private sector solution and Ken Cochrane, the man responsible, has a correspondingly entrepreneurial title: Chief Executive Officer, Information Technology Services Branch (ITSB), PWGSC.

Created in 2003, ITSB began as a hybrid organization, facing inwards to manage its own department's operations – voice/data networks, desktop services and data centres – and facing outwards to provide other departments with similar offerings.

As well as managing an ever-changing team of IT experts, Cochrane must manage expectations. Cochrane carefully sets the context. "We haven't committed to what the savings or efficiencies might be or the effectiveness. The reality is that we think we can do it better – manage it more holistically and allow government to communicate more effectively and gather the efficiencies associated with it. Can we make internal government services more efficient? Part of it really does relate to savings, but a big part of it relates to [IT's] value as an enabler," he says. "Sure, we could be more efficient and reduce redundancies, but it is the ability to move quickly to something new – if we are all managing servers in one way and something radical comes out, we can migrate to it without dragging 90 individual departments along. Or if we were attacked we could protect ourselves more rapidly – be more aware of the threat with a more cohesive understanding of how things connect. So, it is a key enabler."

The way it is

In some ways, federal Ottawa could be called feudal Ottawa. It is impossible to



hand ministers and deputy ministers responsibility without power, and until now, they have had wide authority over their departments' budgets, including IT. Convincing senior executives to relinquish responsibility for key business processes will take as much diplomacy as technological expertise. And, there are already complex arrangements in place between vendors, departments and groups of departments, and some contracts will need to be renegotiated.

Right now, many departments run a mix of shared and stand-alone IT services. When looking at shared services, many may perceive 'buying in' now as too great a risk. They may decide to wait until they know exactly what services are being offered, and on what terms.

The first priority for Cochrane is credibility and that depends on team building. Recognizing existing potential, his recruiting started in-house.

"When I came in to this assignment, 16 or 17 months ago, we were just beginning a journey towards establishing government-wide shared services for [IT], so there really wasn't much of a team here," he said. "There is a large organization within [PWGSC] that provides technology services both to the department and, on a smaller scale, to the rest of government. So to access some funds, we put the equivalent of a business case to Treasury Board to actually do some work in this area and we developed a team." By late spring, about 60 people were working on approximately 10 project tracks.

In the summer of 2004, ITSB worked with about 15 of the larger client departments on the scope of shared services – what it should look like. "We did that to get collaboration and open the box with departments so they understood what we were doing at the CIO and 'thought leader' level. It is not just the CIOs that need to be convinced, it is the thought leaders."

In late fall 2004, the Public Policy Forum conducted a survey and a series of round table sessions with the supplier community. "What we were asking for, both through the survey and the round tables, was 'what can we do to engage you in the work we are doing? – not so much to do it for us but to understand better what we are doing. You need a voice; you want a voice; you are a small or a large business; how could you do business with government?'" Those sessions wrapped up in February and a report was released in early spring.

By early spring, work focused on what Cochrane called "going over the fence," explaining, "It is one thing to say, 'here are the services' and on the other side to say 'here is the department with its demand,' but how do we move them over? What must we do, from a due diligence perspective, to make sure we understand what it is that we are moving into the shared services domain – the people, the skills, the technology and so on. Then, as we do that, the question is how do we assume responsibility for those services alongside the people who are doing them today?"

Cochrane made it clear that departments and agencies would maintain control over the essential components of their IT operations. "There will be either programs within departments or departments themselves that have unique 'empires,' to use that terminology. So even though we have

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By the numbers

By any measure, information technology in the Government of Canada is big business. Today, there are more computers than jobs, with 315,000 workstations serving about 250,000 federal employees working in 94 departments and agencies. More than 55,000 of those full time employees, or 26 percent, are solely dedicated to the internal operations of government.

Government departments and agencies today use more than a dozen different HR applications and more than half a dozen financial and materiel packages with countless degrees of customization. A recent report would not hazard a guess at the number of data centres operated by the federal government, but concluded that it could not be fewer than 100.

There is a wide gulf between the IT personnel and the other staff they must work with, and it is more than metaphorical, because seven out of ten IT staff work in Ottawa while 60 percent of their colleagues in finance and human resources positions work in the regions.

Debt and transfer payments aside, the Government of Canada spent \$51.3 billion in 2003/04. IT consumed about 10 percent of that, or \$4.95 billion – an increase of 4 percent from the year before.

IT spending may be going up, but the cost of the technology is going down. Every home user knows the cost of computing is falling but in government language, "Exponential improvements in the price performance of computers continues to dramatically drive gross hardware expenditures downward."

Hardware is getting cheaper, but the people who install, run and maintain it are becoming more expensive. Within the federal government, the rate of growth in the computer sciences (CS) category continues to rise, exceeding that of most other government employee groups. And they are more subject to 'classification creep,' as managers try to retain scarce job skills by hurrying promotions for their most valued IT workers. That also pushes IT costs up. In fact, without rising personnel costs, overall spending on IT would be trending down, not up. Even consulting expenditures are going down.

a common platform, they can exercise their own program and policies [to help define] what they want us to do for them.” For example, a data centre would run under a common set of rules regarding recovery, continuity and timeliness, but client departments would do different operations within that, exercising their own policies around their programs.

High expectations, high hopes

ITSB's high hopes for compatible, interoperable systems probably match the high expectations in its various user communities. Canadians, for example, are getting used to better government websites, toll-free telephone lines and an increasing number of online services like tax filing and benefits applications. Government departments and agencies can now attach to common secure data networks, payments services and authentication systems. Today, only about five percent of federal government IT services are shared; Cochrane would like to see that number increase to 50 percent.

From 'what' to 'when'

Shared services will not arrive with a 'big bang,' but rather through a series of incremental successes. Cochrane believes it is critical to demonstrate competence to the departments that would use the services, "...I want them to be confident that we know how to do the service and the service levels, that we know how to deal with the ongoing requirements, that we can guarantee them a reasonable level of service, that we can deal with all the people issues, and all of the other issues that come with us."

There will be a carefully selected first wave of services offered to a very manageable group of organizations, services that can be managed effectively and demonstrate success.

As Cochrane says, "Given the success of that first wave, we will be ready for the second, or ready to alter our approach. So I think we are very, very close to saying we are ready to go." ~~~

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