

Nova Scotia Uses Shared Services to Align Operations Across the Province

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By sharing an ERP platform and advocating a shared-service model across municipalities, academia and the healthcare sector, the taxpayers of Nova Scotia have realized economies of scale resulting in more-efficient use of time, money and expertise.

WHAT YOU NEED TO KNOW

As the pressure on governments to reduce infrastructure costs grows, more governments should look for opportunities to merge IT infrastructure, such as ERP and back-office solutions, across not only departments, but also across jurisdictions. However, the biggest challenges of sharing software and other infrastructure are rarely technical; they are more often related to turf and political concerns and the ability to align processes. Unifying procurements across jurisdictions brings new negotiating power to public-sector entities — and can result in dramatic cost savings, improved operational efficiency and meaningful gains in employee knowledge, job satisfaction and productivity.

CASE STUDY

Throughout the world, thousands of governments perform essentially the same functions. Yet, for many reasons, primarily concerns about turf and politics, governments are unable or unwilling to share basic infrastructure and applications that could dramatically reduce operating costs (see "Government's Hierarchy of Challenges"). Canada's province of Nova Scotia has set an example for government operations by creating a collaborative business and service environment in which the provincial government and other public-sector organizations located in Nova Scotia share common business processes. The shared-service model was created to provide technology guidance and frameworks that could be replicated for all municipalities, academia, school boards and healthcare providers (known as the "MASH sector") while respecting the requirements of operational independence.

Problem

Many provincial government departments and jurisdictions in Nova Scotia needed to replace their back-office systems. In the past, public-sector organizations in the MASH individually bought and implemented their own systems rather than consolidating needs across government. Rather than having all jurisdictions buy their own systems, the provincial government wanted consistent and increased financial accountability, improved planning through evidence-based decision making, and the ability to identify and execute Nova Scotia's economic development opportunities in a more cost-effective way.

Objective

The province of Nova Scotia drafted a set of objectives that would guide program development, including:

- Improve consistency in financial reporting and accountability.
- Enable accountable, productive and sustainable government through the implementation of a unified approach to technology across the Nova Scotia public sector.
- Optimize the portfolio of projects within the program to provide the greatest return on investment for its stakeholders.
- Coordinate and deliver several projects within the program consistently and efficiently.
- Ensure quality implementation of technology projects.

- Provide quality operational and infrastructure support services to the program's stakeholders.

Approach

In the mid-1990s, following a competitive bidding process, the provincial government of Nova Scotia began using SAP's business applications to execute the financial and business process changes critical to meeting the needs of the provincial government. Coincidentally, beginning in 1997, the Halifax Regional Municipality and Cape Breton Regional Municipality also conducted competitive tenders for back-office solutions, and selected SAP's financial applications. In addition, the primary-12 school boards (collectively through the provincial Department of Education) conducted a search for a system that also resulted in the selection of SAP.

The provincial government recognized that it and the MASH sector could realize significant savings by pooling its efforts as well as positioning the Nova Scotia government as a leader in public administration. Nova Scotia's Department of Finance developed a business case that was presented to the Business Technology Advisory Committee of the provincial government. Under this proposal, the provincial government would expand the software licenses purchase to include all provincially funded public-sector entities. The new agreement included the purchase of an expanded suite of SAP software applications, including SAP's human resources, business intelligence and portal offerings.

The business case was approved in March 2002 and the Nova Scotia government created the Nova Scotia-SAP Public Sector Program to help transform and support functions such as human resources and financial management across the public sector. The Department of Finance negotiated licenses for 86,000 users, with 125,000 employees ultimately accessing SAP's applications, plus 500,000 citizen portal licenses. Because so many potential users had already selected SAP through competitive bidding, it was decided that no additional competitive bidding was required to buy the larger pool of licenses. Gartner sees good business sense in Nova Scotia's decision to handle the expanded scope in this way, rather than begin a new procurement (see "Competition vs. Time in Government Procurement").

In addition to the software savings, the Nova Scotia government, through competitive bidding, created an agreement with Sun Microsystems for hardware — enabling the SAP users in the MASH sector to benefit from volume discounts, predictable costs, and reduced administration and maintenance fees.

In 2002, school boards and some municipalities implemented SAP financials and maintenance management and the Nova Scotia government expanded services to provide operations and infrastructure support implementation resources for provincial school boards. In 2003, the Nova Scotia Office of Economic Development formalized a government-staffed SAP Program Management Office (SMPO). In addition to the SMPO, the Department of Finance set up a SAP Customer Competency Center (CCC). The CCC is staffed by provincial employees with experience using SAP applications. CCC staff members provide application support, help desk services and training on SAP products for all SAP users in the MASH sector. This support organization helps to determine hardware needs for new additions, allots resources for projects, and remains involved throughout system implementations, enhancements and upgrades.

Each provincial department or organization in the MASH sector must hire its own systems integrator for implementation. Additional help is available from the SMPO, the CCC, and internal employees trained to develop and use the product.

Economies of Scale Through Collaboration

Throughout the process, the provincial project team nurtured relationships with key stakeholders. For most of them, participation is voluntary, so project team members must reach out to participants and provide them with resources and answers to their questions. By law, public-sector entities that receive most of their funding from the provincial government are prohibited from acquiring other systems unless an exception is granted by the provincial finance minister. Public-sector entities with sources of revenue other than the provincial government (primarily municipalities and academia) may access the software licenses or related services if they choose. They must select their own systems integrator for implementation. The business case for the effort is predicated on a critical mass of users taking advantage of the SAP licenses and the CCC. As additional voluntary users take advantage of the CCC, greater economies of scale can be derived.

To "sell" the value of the shared-service arrangement to these groups, the SMPO and the CCC continue to identify areas that will likely need to invest in business applications in five to 10 years, and present these groups with the shared-service option, noting that the software has already been purchased as a provincial investment, and can easily be extended to include their employees. Moreover, each user agency is responsible only for the maintenance costs associated with active users of the system.

Today, more than 60 percent of municipal transactions are handled through the SAP system, and demand for services through this project is rising. More prospective public-sector entities within the MASH sector are approaching the SMPO and CCC with requests to help implement and maintain the solution for all users. In fact, the program is so popular that the demand for services is currently outstripping the assistance available from within government. As a result, several consulting firms are beginning to establish SAP practices in Nova Scotia to meet anticipated service demands.

Results

Many SAP modules have been deployed. The provincial government has now moved finance, procurement, HR/payroll and plant maintenance to the system. Seven of 55 local governments — representing more than 80 percent of the people of Nova Scotia — and all school boards are running SAP. The Department of Health is about to award a contract for implementation services for hospitals. The implementations range in size from 13,000 provincial government employees to local governments with as few as six users.

The province of Nova Scotia has realized significant cost savings, as well as program efficiencies, including:

Lower Total Cost of Ownership: The province estimated that it has saved taxpayers CDN\$43 million by aggregating the purchase of software licenses and operating the CCC, instead of having multiple jurisdiction buy the same product on their own. Standardized back-office functions across departments have resulted in unified contract negotiations, as well as volume discounts for hardware agreements and support systems.

Successful, Ongoing Rollout: Currently, 60 percent of municipal transactions are handled through the same system; all eight school boards and 450 schools have implemented financial and procurement applications; and the health sector will soon be awarding a contract for implementation services.

Single View of the Province: By unifying back-office systems through one software provider, Nova Scotia and its political subdivisions were able, for the first time, to obtain a single view of the province's inner workings.

Unified Support Programs to Minimize Personnel Needs: By leveraging the common support organization, fewer personnel are needed for systems support. For example, the province added three people to help implement financials on behalf of the school boards, rather than the 12 to 15 positions that would have been required if the school boards had implemented on their own.

Expanded Internal Capability: Internal expertise and capacity have been added to support the public sector. As a result, civil servants who have developed expertise in the chosen software are able to assist with upcoming implementations — driving down implementation and support costs.

Applicability to Others: The Canadian province of Manitoba is adopting the Nova Scotia model and has bought 86,000 software licenses for use by the provincial government, local governments, and the education and health sectors.

Critical Success Factors/Lessons Learned

The Nova Scotia experience demonstrates an important opportunity relevant to many public-sector organizations. The potential economies of scale that can be derived from a relatively small provincial government hosting a shared-service arrangement for its jurisdictions offer tremendous advantages. Success depends on several critical factors:

- Make the shared-service arrangement a win-win and market it as such. Overcoming the traditional turf and political barriers is more easily accomplished if the business plan effectively addresses the business reasons for creating synergies in the back-office environment. Ultimately, government leaders are most concerned about delivering services to their constituents, not necessarily about the underlying back-office applications that support that service delivery.
- Look for opportunities to pool needs and resources across jurisdictions, and sell the concept by driving volume discounts in software, hardware or other support needs. Encourage smaller units of government to participate by offering a pool of products, services and solutions that they would be unable to afford on their own.
- Larger governments should play a leadership role on behalf of their smaller jurisdictions, while allowing room for independent decision making. This reduces the fear that the central government will underserve the needs of the local constituent governments.
- Involve all participants in the program — from the high levels of government down to the everyday users of the system. Attain buy-in at every level to spread the word about the benefits of jurisdictional integration. Involve users in the governance process.
- Create some financial incentives for other departments and agencies to participate. In this instance, the Nova Scotia government paid all of the software costs, removing the burden from various agencies and, more importantly, enabling small governments to take advantage of a technology that they would not have been able to afford on their own. But the province doesn't allow user jurisdictions to abdicate responsibility for their systems. It requires that users cover the cost of software maintenance to increase their involvement in the project.
- Develop internal expertise to support longer-term implementations. Create a center of excellence to provide support for all implementations, but remember to include everyday users in early implementation plans.
- Be innovative in the procurement process. In this case, the procurement processes justified the expanded purchase of software licenses. However, for most governments, the procurement process may make this more difficult. Further, if the shared-service

arrangement can be created prior to the procurement process, it will change the scope of the tender to recognize the larger deal size, potentially resulting in a more-competitive proposal from the vendors.

Recommended Reading and Related Research

"Government's Hierarchy of Challenges"

"Pennsylvania: Creating an Enterprise Application"

"Implementing Shared Services in Government"

"Shared Services Offer Promise for Governments"

"Alternative Approaches to Sharing Government Services"

"Shared Services Are Paying Off With healthAlliance NZ"

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