

Digital Financial Management

Building a Shared Future for Canadian Government

Introduction

Citizen expectations, technology and operational models are changing more rapidly than ever before, and governments are transforming to thrive in this changing environment. Government strategic themes that; put the citizen at the centre, leverage the value of information and enhance operational excellence are key enablers to this evolution. The Canadian Government identified the following measurable operational objectives to support these strategic themes:

- Provide timely access to reliable and consistent government wide information.
- Ensure financial management services better enable the delivery of programs for citizens and remain cost effective.
- Design and deliver streamlined processes and common data structures.
- Build modernized common systems to replace departmental platforms.

It is important to understand that these strategic themes and operational objectives are not unique to government and can also be seen in the private sector. In fact, if one accepts the premise that due to market competitive pressures, private sector organizations are more likely to undertake a strategic transformation sooner than public sector organizations, then there is common ground between public and private sectors that government can leverage to their benefit.

There are multi-national companies that have economic, political, and social influence that rival mid-sized countries. In certain countries, recent elections have demonstrated the impact of social media companies such as Twitter and Meta (Facebook.) Also, companies like Apple, British Petroleum, Shell, and SAP operate in many countries and have complex operating structures and governance that are similar to government. While examples in other multi-national companies exist, I will refer to personal examples I have experienced throughout my 18+ year career at Shell in this white paper.

To achieve the Canadian Government's objectives, the restructured landscape will be consolidated to approximately twelve SAP systems maintained by designated "hosting" departments and the remaining departments will be "hosted" by the hosting departments.

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Strategic enablers and similarities between public and private sectors

The Government of Canada has identified these strategic enablers that are critical to meeting the needs of Canada and its citizens.

- Putting the citizen at the centre

This enabler is focussed on enhancing citizen interaction with government by simplifying processes and offering consistent service across all delivery channels. Citizen at the centre is analogous to customer at the centre and at the core it is about identifying and delivering what citizens/customers need or want and delivering it consistently irrespective of the delivery channel. Around 2007, Shell initiated its Customer 1st global initiative with the objective of measurably improving customer satisfaction as well as providing a consistent customer experience globally. This was critical for an organization that processes over twenty-five million separate customer sales transactions daily. Though it took years due to the time needed to change public perception, Shell materially (greater than +2 on a scale from 1 to 10) improved customer service satisfaction as measured by its customer satisfaction survey that is completed by millions of customers annually.

Walt Disney (Orlando) is regarded as a world leader in putting its customer at the centre of its 77,000 employees (largest single site employer in North America.) I had the pleasure of completing the Disney Leadership Academy and was deeply impressed with concepts like their Customer Service rules that every employee carries a copy of as well as their vast interconnecting tunnel system, so customers do not see employees moving from location to location within Walt Disney. People seeing their favourite Disney character travelling to and from locations would no doubt detract from the customer experience.

While these two examples are not public sector examples, one can easily see the similarities in doing what needs to be done to meet citizen/customer expectations.

- Leveraging the value of information

Governments will transform their information and data capability to integrate internal and external sources for more timely decision making. Leveraging the value of information applies equally to public and private sectors. Organizations are all striving to have one trusted source of information to base decisions on. Also, advancements in artificial intelligence and analytics are enabling organizations to gain insights to better serve their citizens/customers. Walmart is known for its use of data analytics and suppliers understand that the physical placement of their products within a Walmart store can impact sales dramatically. For example, end of isle placements is the most sought after and Walmart has created value for suppliers by identifying this insight using their data analytics.

- Enhancing operational excellence

Core process optimization, standardization and adoption of best practices will enable government to deliver services that meet political, social, and financial goals. Enhancing operational excellence is a goal of most organizations. Being able to find better ways of doing things has always been fundamental to the evolution of organizations and humanity in the most basic sense. With ever increasing budgetary constraints being able to maintain operational excellence is key to an organization's sustainability.

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Strategic to operational objectives

While the above three strategic enablers are generally agreed on by government organizations, there is variability in how governments crystallize these strategic themes into specific operational objectives. The objectives the Canadian Government have identified to meet these strategic priorities are:

- Provide timely access to reliable, and consistent government wide information.
- Ensure financial management services better enable the delivery of programs for citizens and remain cost effective.
- Design and deliver streamlined processes and common data structures.
- Build modernized common systems to replace departmental platforms.

To translate strategic themes to operational objectives, we need answers to some of the “how” questions and for the Canadian Government, the “how” will be accomplished using the SAP HANA Enterprise Resource Planning (ERP) platform with S4HANA being the current version of SAP’s ERP. To provide a little technical background, High performance ANalytic Appliance (HANA) is SAP’s database. While earlier SAP versions (ECC 6.0 for example) can use other brands of databases such as Oracle and SQL, S4HANA runs exclusively on their HANA database hence the branding SAP for HANA which is abbreviated to S4HANA.

Having been personally involved in several large complex SAP implementations, I have experienced and worked through many of the challenges that organizations encounter and must overcome to have a successful large scale SAP implementation.

Of course, migrating to the latest version of SAP will not in of itself achieve the above listed operational objectives. Currently the Canadian Government has approximately fifty-four separate financial management systems supporting one hundred departments and intuitively if the status quo is maintained and fifty-four new S4HANA systems are implemented, little, if anything, would change from the current situation. This highlights the truism that the transformative value of a new system, S4HANA in this situation, is the opportunity to restructure and consolidate the landscape of fifty-four systems to leverage advancements in process workflow and analytics to provide new capabilities to the Canadian Government.

To achieve the Canadian Government’s objectives, the restructured landscape will be consolidated to approximately twelve SAP systems maintained by designated “hosting” departments and the remaining departments will be “hosted” by the hosting departments. Process standardization is critical to successful consolidation and the one of the goals of the transformation is move to approximately 70% adoption of standard processes and only 30% customized for each of the hosting instances. Given that the current fifty-four financial systems each have a significant customized component, the operational efficiency and streamlined costs savings would be significant. This also indicates that a material amount of organizational process change is needed to successfully migrate to the target consolidated financial management system landscape. At first glance this may seem like a daunting, if not next to impossible, task without significantly impacting the day-to-day operations of departments. This is where looking at the private sector is beneficial in shedding light on the mechanics of if and how a transformation like this can be done successfully and the example, I will review is Shell’s experience.

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The European energy giant Shell (60% Dutch, 40% UK) was founded in 1907 and today is one of the world's most recognizable brands. While Shell has always operated globally, up until the 1990's Shell operated as three distinct regional entities for the Americas, Europe/Africa, and Asia Pacific respectively. Each region was comprised of the countries where Shell operated and within each country there were multiple legal entities that added to its operating complexity. Culturally Shell is a consensus building matrix organization which requires a greater degree of finesse, relationship management, and consensus building then in a hierarchical organization.

Around 2003, Shell started its transformation to truly operate on a global basis first by standardizing processes globally where it made sense to do so with their "Streamline" initiative. Shell's Canadian operations, at the time, had a level of complexity greater than most countries. Until 2007, Shell Canada Limited was one of two legal entities in the world where a Shell entity had minority shareholders. Additionally in 2002, Shell acquired Pennzoil-Quaker State which was itself a sizable company that operated in over thirty countries, had the top two motor oil brands by market share in North America, and had over 20 additional consumer automotive retail brands. Pennzoil-Quaker State Canada was where I started my career as the IT manager reporting to the Canadian CFO and was effectively the senior IT leader in Canada. There were also around twenty other Shell legal entities operating in Canada. The legal entity Pennzoil-Quaker State still exists today and operates under the global banner Shell Lubricants.

These were challenging times as I engaged in migrating Canadian operations from legacy to the new "streamline" global standard processes. Intuitively adopting standardized processes where possible make sense to most people but change is always difficult as it is always easier to maintain the status quo. I recall many discussions and meetings to reach consensus on what processes could use the standard global process and what legacy processes needed to be maintained. Some processes such as account payable were relatively easy to gain consensus on. Some processes such those required to support a unique Canadian marketing support program (PennzPoints) were more challenging to gain consensus on. As an example of similarities between public and private sectors, I recently learned by talking with Health Canada, that PennzPoints operates essentially the same way as Health Canada's grants and contributions program. To provide an idea of the magnitude of change and the extent of consensus building required, it is important to know that Shell's target was an ambitious 90% standard, 10% custom business process mix. Once consensus was reached, then came the even more challenging task of changing and embedding business process changes within the organization. Over time, the new processes took root and paved the way for the next step in globalizing operations, which was the consolidation of its enterprise resource planning (ERP) and financial management systems worldwide.

Centre stage would be Shell's new Global SAP system (GSAP) with the ambitious goal of putting Shell's operations in seventy countries on a single SAP instance. While there were challenges and it took about a decade, Shell was successful in integrating all seventy countries into the world's largest single SAP instance. I was one of the few people in Canada to have been heavily involved in this complex transformation twice. Once when Pennzoil-Quaker State Canada migrated onto GSAP and once again when Shell Canada Limited migrated to GSAP.

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Like the Canadian Government, Shell understood that it did not make logical sense to consolidate everything to a single SAP instance. Running parallel to Shell Downstream's GSAP system is Shell Upstream's Blueprint SAP system. While not as large and complex as GSAP, it is still a significant multi-country SAP instance. As my career progressed and I moved into more senior global business/technology roles, I had responsibilities across the Americas region that encompassed North, Central and Latin America. Latin America as it turned out is the major area in the world where it did not make sense to migrate county level ERP's onto GSAP. The business practices and government legislation in these countries differed enough from global standards and the corresponding amount of country specific customization required defeated the purpose of a standardized global instance. Therefore, for valid business reasons, Latin America remains a complex landscape of SAP, Oracle (and its now sub-brands that were known as Peoplesoft and JDEdwards) compounded by different version numbers of the various ERP brands.

Around 2015 Shell successfully completed its deployment of a single SAP instance across seventy countries and the focus shifted to the evergreen phase of continually maximizing the business value of its multi-billion-dollar SAP investment. Business requirements, technology and the SAP ERP changed over the 10-year deployment cycle and there were new opportunities to generate value from the SAP investment. I personally led an initiative that enabled the removal of Shell infrastructure from third party logistics providers (3PL's) while still meeting Shell's stringent information security standards. This new process became the standard global business process for how Shell shares transactional information with 3PL's. This seemingly small value generation opportunity improved order fulfillment performance worldwide and removed millions of dollars of costs annually. This is also a good example of how even relatively small innovations can make a significant impact to an organization.

Leveraging the past to create the future

While at first glance, public and private sectors may appear too different to be able to leverage the experiences of the other, we have shown in this white paper, that some large private sector organizations are similar to the public sector both in culture and objectives. We also have seen that the Canadian Government's objective of consolidating to fewer financial management systems is realistic and similar to Shell's goals and objectives, in their successful transformation. After being personally involved for many years in Shell's successful journey, I believe that with proper due diligence and stewardship, the Government can also be successful. With this success, the Government's digital financial management vision of a shared future will be realized to the benefit of both the Government and Canadian citizens.

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Francis Borromeo

Francis has always been enthusiastic about helping organizations and people on their journey to excellence.

Having effective communication and partnership building skills, it is not surprising that majority of his 19-year career at Shell plc was in senior business relationship management global roles in the IM/IT, sales, marketing, and supply chain organizations of Shell. He has been consulting with the Government of Nunavut's Petroleum Division to ensure organizational readiness for a planned future Sales Information System. He also initiated and successfully led the Petroleum Division's migration to the Territorial Government's Microsoft SharePoint instance creating the first information repository available to all department offices throughout Nunavut.

He has also been consulting with Treasury Board Secretariat (Digital Comptrollership Program) developing a value management framework for the S4HANA based business transformation. This value management framework would enable departments across the Government to have access to value management key performance indicator (KPI) reporting on demand to support them in achieving their goals and objectives.

Also enthusiastic about supporting his community, while living in the area, he provided leadership for the United Way of Burlington/Hamilton in the community relations and the industrial sector fundraising Cabinet roles. His leadership contributed to the United Way surpassing its fundraising target for all seven years that he served with them. For 3 years he has also provided guidance to McMaster undergraduate and graduate business students through the University's mentoring program.

He has extensive SAP business transformation experience being the senior IM/IT representative in four major SAP implementations ensuring business and technical readiness of organizations.

He holds a BA, Mathematics from the University of Western Ontario, and an MBA from McMaster University.

If you are interested in learning more about Digital Financial Management contact Heather Buchan at hbuchan@therightdoor.ca.

Or call:

Heather Buchan 613-627-2158 Extn 100 or 613-447-5505

Sarah Pike 613-797-4388 | Sarah Hafez 613-325-0264

Daniel Barnabe 613-796-5435



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100 Gloucester Street, Suite 307, Ottawa, ON K2P 0A4 T 613.627.2158
M 514-970-4242 kring@therightdoor.ca www.therightdoor.ca