

Department of
Internal Services



Final Report: Procurement Shared Services Health Check Analysis – 2016/17



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RE: Procurement Shared Services Health Check Project

Dear Ms. Crowell,

Group ATN Consulting Inc. (GATN) is pleased to submit this final report for the Procurement Shared Services Health Check Project.

This health check review has involved an examination of quantitative data with a special emphasis on the impact of the procurement shared services initiative on the health sector. In addition, it has also involved an extensive outreach and engagement process with key stakeholders – past and present – to secure the qualitative input so important to developing a 360-degree view of the initiative.

The report is organized to map to the key deliverables associated with the originally-issued *Statement of Work*.

Sincerely,



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EXECUTIVE SUMMARY

Background

Following considerable planning and preparation and in a concerted effort to achieve new efficiencies and cost savings that could be reinvested in front-line government services, including health care, the Nova Scotia Government implemented the procurement shared service model in 2014. This undertaking was embedded in a broader shared services initiative. It was included within a new department charged to implement shared services in Nova Scotia - the Internal Services Department.

In moving in this direction, Nova Scotia was in the vanguard across Canada. There were no other similar models to emulate and from which to learn. This became a ‘made in Nova Scotia’ process, which, as the initiative evolved, has served as a model for others to emulate.

The Procurement Shared Services Project was officially initiated in March 2014. The focus was on identifying procurement cost savings and efficiencies across provincial departments and other public sector entities for re-investment in front line services. The focus was also on modelling best practices and bringing a more private sector-oriented approach to procurement - one that enshrined greater accountability in tracking and reporting on results and outcomes. It included Nova Scotia Government departments, select Crown agencies and the health sector – the evolving Nova Scotia Health Authority (NSHA) and the Isaak Walton Killam (IWK) regional pediatric hospital.

This initiative has now been underway since March 2014. It is against this backdrop of early experience with the initiative that the Health Check Project is being undertaken to examine progress, to validate or adjust the forward path and to gauge how Nova Scotia’s efforts in this area compare to leading practice analogues.

The authority for shared services was granted in legislation – Bill 62 - an *Act Respecting Shared Services for Crown Corporations, Government Departments and Public Sector Entities*.

It is important at the outset to underscore the magnitude and complexity of this transformative initiative. This was a significant undertaking involving a new governance model, the concurrent introduction of a modified and refined procurement policy, and, **within the overall shared services initiative, transferring 400 staff from other departments into the new Internal Services Department**. Alone, any one of these changes would have presented a set of challenges: taken together, the degree of difficulty increased exponentially.

Purpose

In the interest of gauging progress, in late 2016, the Department of Internal Services issued a *statement of work* (SOW) to undertake a health check analysis on the procurement shared

services project. The SOW makes it clear that this project is not an in-depth project evaluation, audit or financial analysis.

An important focus of this analysis has been on determining the specific impact of the procurement shared services project on the health sector in Nova Scotia, particularly in light of the transformation of health services into the Nova Scotia Health Authority structure.

Jurisdictional Review

Conducting a jurisdictional review was part of the health check analysis process. Following a review of both international and national analogues, there are several conclusions that can be drawn related to the ongoing implementation of the procurement shared services initiative in Nova Scotia. These include:

- Nova Scotia's procurement shared services initiative compares favourably with leading practice analogues both internationally and nationally. In fact, within Canada, several provinces are looking to the Nova Scotia experience as a model to potentially adapt and emulate;
- Within a Canadian context, Nova Scotia can be seen as having an advanced approach to procurement services. Based on the principles associated with category management, Nova Scotia's approach, though still being implemented, reflects best practices;
- The jurisdictional review reveals that there are various approaches and governance models that can be applied to procurement transformation including outsourcing, and offering service on a recovery or fee-for-service basis, among others.
- The range of services that mature procurement organizations offer are instructive in optimizing the efficiency and effectiveness of shared services procurement and imbuing greater innovation in the process. Prominent among these is the importance of analyzing and reporting on outcomes as a knowledge mobilization tool and providing data analytics that can be used to gauge success, assess ongoing risk and inform adjustments to the way procurements are undertaken.
- The jurisdictional review suggests that having a strong client relationship management strategy in place is equally important.

Program Achievements

Three years later, staffing and technology improvements continue to be addressed and, to date, the initiative is delivering well on financial savings targets, in fact, is ahead of schedule based on 2016/17 projections.

The following addresses a summary of key findings reached during the health check analysis process as interpreted through the lens of the key questions typically represented in a health check analysis process.

- **Were the objectives of the project clearly articulated to stakeholders and members of the project team?** As a result of the health check analysis review, it is clear that extensive and highly detailed planning in respect to this initiative took place.
- **Were the objectives of the project widely supported?** The document review associated with project initiation, the project charter and other background information associated with the project indicates that the objectives were widely supported at the outset, at the political level and among the senior officials involved.
- **Was the project fully costed and budgets/funding agreed with the sponsor?** Yes, based on the document review, cost estimates were provided and tracked. Based on the analysis undertaken during the health check review process, these estimates were generally realistically framed and accurate.
- **Does the project sponsor share accountability with the project team for the project's success?** Based on the document review, discussions with the current project sponsor and with key stakeholders, the governance around the project and the shared accountability was very good from the outset and continues to be. As the project is still being implemented, the governance model continues to evolve.
- **Were all resource needs (who, when, etc.) understood and specified in the project plan?** Generally, the health check analysis reveals that initial project resourcing requirements were well understood and adjusted as the project has evolved. However, as referenced in the detailed analysis, there were staff changes at the leadership level early in the launch of the project which likely had an impact on its implementation trajectory.
- **Were sufficient project team members and business resources available at the right times?** Overall, the implementation of the procurement shared services initiative has proceeded well with appropriate adjustments to respond to evolving circumstances along the way. Operationally, twenty-one staff from the NSHA were transferred into the procurement shared services initiative within ISD. There is now a staff complement of sixty, representing a doubling in size since implementation began.
- **Were roles/responsibilities understood and does the project team have the required expertise?** Based on the comprehensive review undertaken in the health check analysis, roles and responsibilities were well understood.
- **Was adequate training (and time for training) incorporated within the project scope and schedule? Was a change management strategy developed and is it viewed to have been successful?** This is an area that continues to evolve, but, generally project planners and implementers paid attention to change management and the importance of acclimatizing staff to the category management model and the new professionalized approach to provincial procurement.
- **Were stakeholders consulted to provide effective input early in the project?**

There is clear evidence that stakeholders were consulted in the planning stage of this initiative.

- **Is there evidence that stakeholders bought into the procurement shared services project?** Virtually all stakeholders consulted as part of the procurement shared services initiative are supportive of the initiative and express the view that it is fundamentally the right approach. There is strong support for the use of category management as a leading practice and an important tool in extracting optimal benefit and value from the procurement process.
- **Were processes established to measure the benefits of project?** The planners and current implementers of the initiative put processes in place to monitor, outcomes, results and benefits. These are tracked and regular reporting protocols have been established. Surveys have been used to measure staff and client satisfaction with the implementation process.
- **Are estimates of the financial and process improvement benefits of the project in place and have these been tracked?** The financial impacts have been tracked and ISD Procurement uses a leading practice tool – a benefits tracking dashboard to illustrate the progress achieved.
- **Are the benefits sustainable?** The benefits arising from the procurement shared services initiative go beyond the savings engendered. They include less-easily quantified factors such as: more effective risk management and mitigation, improved quality of products and services; and enhanced contract and product life cycle management.
- **What is the perspective of key team members on the success of the project in meeting the original objectives?** Project stakeholders genuinely telegraphed the belief that the project has been very successful. The internal team is proud of the results. The original precepts of the project have been borne out in fact. That said, the implementation process is ongoing and there is a great deal of more work to be done and more successes that can be achieved.

Financial Performance

Thus far, the procurement shared service initiative has exceeded expectations in terms of savings achieved, as illustrated in the following highlights. The following summary is based on annual net new savings for the Fiscal Year 2016/17, reported at March 10, 2017.

ISD PROCUREMENT BENEFITS

YTD for FY 2016/17 BENEFIT – Total year to date (YTD) net new procurement benefits reported at \$14.4 million (achieved) against a 16/17 target of \$10 million (based on the original business plan for shared services), an achievement of \$4.4 million over the target of \$10 million (144% of target).

RETURN ON INVESTMENT (ROI) – calculated as the projected procurement benefit over the total cost of ISD Procurement, of 1.71 against a target ROI of 1.3.

BY THE END OF THE YEAR – ISD Procurement is projected to generate nearly \$1 million more savings across all, directorates, with 60% in Clinical alone. Once these planned savings are achieved, the total benefit for 2016/17 is estimated to be in the order of \$15.3 million relative to a \$10 million target for this fiscal year.

CUMULATIVE BENEFIT GENERATED THROUGH ISD PROCUREMENT – showing over \$50 million in benefit through \$18.6 million in NSHA and IWK procurement and more than \$31.5 million in broader Government of Nova Scotia procurement.

HEALTH-RELATED ISD PROCUREMENT – has generated over \$18.6 million in savings.

TOTAL CONTRACT LIFE SAVINGS – this figure includes both the benefits achieved and the projected savings from ISD Procurement activities over the life of the established contracts. **As of this writing, total contract life savings are just over \$68.4 million.**

Looking forward, at this early stage before the fiscal year even starts, projected savings are in the order of \$11.3 against the 2017/18 target of \$13 million. Across organizations, the \$11.3 million is shared with: NSHA: \$7.2 million, GNS: \$3.6 million and IWK: at \$571,564.

Health Procurement Performance

The procurement shared services initiative had its genesis in the health sector. Given the volume of procurement undertaken annually by the NSHA and the IWK, well over \$.5B, the health sector has long been seen as a logical target for potential savings in creating new efficiencies in procurement. The original examination of these potential savings involving the then 9 DHAs evolved into what is now the procurement shared services initiative. Since then, the health sector has continued its significant transformation to one provincial health authority and the IWK.

The health check analysis examines the impact of the procurement shared services initiative on the health sector in Nova Scotia, considering both quantitative and qualitative factors. This is a snapshot taken at a point in time when the health care transformation initiative in Nova Scotia is still being implemented.

Savings	Nova Scotia Health Authority (NSHA) & Isaak Walton Killam (IWK)
FY 14/15	\$4,000,000
FY 15/16	\$5,213,949
FY 16/17	\$7,994,475
FY 17/18	\$1,363,506
Total	\$18,571,930

The adjoining table provides the cumulative benefits in relation to price, cost avoidance, and capital reduction through ISD Procurement Services on behalf of the Nova Scotia Health Authority (NSHA) and Isaak Walton Killam (IWK).

Cumulatively, health-related ISD Procurement has generated over \$18.6 million in savings since its implementation in 2014.

Outreach and engagement with the Nova Scotia Health Authority and the IWK during the health check analysis revealed strong support for the procurement shared services initiative along several dimensions including:

- The importance of professionalizing procurement services;
- The belief that the focus on category management is fundamentally the right approach;
- The belief that this kind of approach is best-suited to managing risk and achieving better results in respect to life safety and patient outcomes. This is important because it also extends to savings in the health sector on several levels including:
 - Better outcomes for patients when the right products and services are procured.
 - Purchasing of better equipment and enhanced life cycle management when the economies of scale of volume buying and a focus on the value of the product or service are applied on a system-wide basis.
- That the new approach to procurement is creating considerable value and that it has the potential to create even more as the implementation continues and the initiative evolves.

Health sector informants consulted during the health check analysis recognize that the procurement shared services initiative is continuing its implementation and that there is further evolution to take place. Health sector informants identified targeted areas for enhancement going forward. These are detailed in this report.

Overall, the procurement shared services initiative has had a beneficial impact on procurement in the health care sector. These impacts translate not only into savings achieved but, also in terms of value created. Health providers strongly support the professionalization of procurement services and believe that the track the Province has chosen with a focus on category management is fundamentally the right one. We would conclude that at this time, the potential for the procurement shared services initiative to offer continued savings and increased value to the health care sector is high. That said, ultimate performance will depend on the ability of the ISD to address the escalating challenges of backlog and increasing volume and complexity in consolidating contracts.

The health check analysis culminates in several recommendations that are outlined in the Future Considerations section of this report.

***Procurement Shared Services
Snapshot of Key Results:***

- 1. So far, the initiative has exceeded projected savings*
- 2. Beyond savings, the Procurement Shared Services initiative has resulted in value creation -professionalizing procurement and mitigating and managing risk*
- 3. This is an initiative that is still being implemented – it's potential to continue to deliver savings and real value is strong*

TABLE OF CONTENTS

1	INTRODUCTION	1
1.1	Bill 62	1
1.2	The Magnitude of this Initiative.....	2
1.3	Target Setting	3
2	AN OVERVIEW OF THE PROCUREMENT SHARED SERVICES PLAN IN NOVA SCOTIA	5
3	THE CURRENT SITUATION IN NS IN RESPECT TO PROCUREMENT REFORM	8
3.1	Conclusions	14
4	FINDINGS ARISING FROM THE HEALTH CHECK REVIEW.....	16
4.1	Summary of the Findings.....	17
5	FINANCIAL SAVINGS, TARGETS, AND PROGRESS AGAINST MEASURABLE	30
5.1	Communications and Messaging	31
5.2	Limitations.....	32
5.3	Benefits Reporting	32
5.4	Components of Reporting: By Directorate.....	33
5.5	Components of Reporting: By Client Group.....	33
5.6	Total Contract Life Savings (Cumulative Savings).....	33
5.7	Total Contract Life Savings	34
5.8	Looking Forward: 2017/18 Benefits	34
6	THE HEALTH SECTOR	35
6.1	The Quantitative Picture	36
6.2	The Qualitative Picture.....	36
7	FUTURE CONSIDERATIONS	40

TABLES

Table 1: Summary of Key Imperatives	7
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1 INTRODUCTION

There is a growing awareness of the importance of procurement to a jurisdiction's overall GDP and to financial performance. The literature points out that, on average, upwards of 40% of government expenditures are on the procurement of goods and services. Traditionally, among governments everywhere, these expenditures have received less scrutiny than other budget items. The 2008 financial crisis and the general level of fiscal constraint that governments are facing have resulted in a more critical examination of these expenditures, as policy makers seek strategies to save costs and drive increased value from a broad range of public sector expenditures.

As a result, governments generally have been carefully assessing how procurement is being done and seeking to ensure that the key imperatives of value and quality are being effectively met.

Following considerable planning and preparation and in a concerted effort to achieve new efficiencies and cost savings that could be reinvested in front-line government services, including health care, the Nova Scotia government implemented the procurement shared service model in March 2014. This undertaking was embedded in a broader shared services initiative. It was included within a new department charged to implement shared services in Nova Scotia - the Internal Services Department.

VISION

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In moving in this direction, Nova Scotia was in the vanguard across Canada. There were no other similar models to emulate and learn from. This became a 'made in Nova Scotia' process, which, as the initiative evolved, has served as a model for others to emulate.

1.1 Bill 62

The authority for shared services was granted in legislation – Bill 62 - an *Act Respecting Shared Services for Crown Corporations, Government Departments and Public Sector Entities*.

The implementation design and plan underpinning procurement shared services was highly structured. A Project Charter was developed and *key performance indicators* (KPIs) were established, along with projected cost savings and benefit targets. These estimated cost savings were specifically designed to be realistic and achievable.

The Procurement Shared Services Project was officially initiated in March 2014. The focus was on identifying procurement cost savings and efficiencies across provincial departments and agencies for re-investment in front line services. The focus was also on modelling leading procurement practices including greater accountability in tracking and reporting on results and

outcomes. It included government departments, select Crown agencies and the health sector – the evolving Nova Scotia Health Authority (NSHA) and the Isaak Walton Killam (IWK) pediatric hospital.

This initiative has now been underway for three years. It is against this backdrop that the Health Check Project is being undertaken to examine progress, to validate or adjust the forward path and to gauge how Nova Scotia's efforts in this area compare to leading practice analogues.

1.2 The Magnitude of this Initiative

It is important at the outset to underscore the magnitude and complexity of this transformative initiative. This was a significant undertaking involving a new governance model, the concurrent introduction of a modified and refined procurement policy, and, within the overall shared services initiative, transferring 400 staff from other departments into the new Internal Services Department. Alone, any one of these changes would have presented a set of challenges: taken together, the degree of difficulty increased exponentially.

This transformation also included a significant change management component, with staff being asked to acculturate to a new model of procurement – at the outset, a strategic sourcing model. As the initiative proceeded, it evolved into the more expansive and integrated approach to procurement known as category management; the difference between the two is explored in the adjoining text box. Category management is viewed as a best practice in procurement.

Given the enormity of the effort and the associated complexity, projected annualized savings / benefit targets for Year 1 and later years were each shifted to one year later than originally targeted to allow for a staged implementation process.

Three years later, staffing and technology improvements have been addressed and, to date, the initiative is delivering well on financial savings targets, in fact, is ahead of schedule based on 2016/17 projections.

In the interest of gauging progress, in late 2016, the Department of Internal Services issued a *statement of work* (SOW) to undertake a health check analysis on the procurement shared services project. The SOW makes it clear that this project is not an in-

For the most part, differences between category management and strategic sourcing center on the former's longer time horizon and the broader scope and scale of its activities. Category management is aligned with the life cycle of the processes which consume the products and services in those categories. It involves not only a more comprehensive internal customer management and supplier management approach, but a broader, more facilitative way of constructing solutions that support both category and business objectives.

<http://www.mypurchasingcenter.com/purchasing/industry-articles/category-management-beyond-the-strategic-in-strategic-sourcing/>

depth project evaluation, audit or financial analysis. Rather, the *statement of work* outlines the following required deliverables:

- An assessment of what is going on in this area generally in Canada and regionally (high level) jurisdiction review;
- An examination of what Nova Scotia (NS), through the Internal Services Department, set out to do by implementing Procurement Shared Services and whether these objectives have been achieved;
- An assessment of progress to date relative to the defined scope, objectives and outcomes, primarily focusing on the following key elements:
 - Anticipated financial savings;
 - Service quality improvements; and
 - Efficiencies through simplifying and standardizing work.
- Discuss where NS is relative to others, the expectation being that this will be more anecdotal than deep analysis; and
- Identify/validate future directions/opportunities.

The primary deliverable arising from this project is a Health Check Report on Procurement Shared Services, along with supporting presentation slides to be used for briefings.

An important focus of this project has been on determining the specific impact of the procurement shared services project on the health sector in Nova Scotia, particularly in light of the transformation of health services into the Nova Scotia Health Authority structure, a process which is ongoing.

1.3 Target Setting

Benefits targets initially established for ISD Procurement follow from the original business plan, with some post-implementation adjustment made in recognition of changes in scope to the shared services implementation process.

These original benefits targets were extrapolated from business plans created pre-implementation. They were based on a vision of shared services that was, ultimately, scaled back with the postponement of including school boards in the initiative at the time it was approved.

Going forward with an increased focus on more in-depth planning for complex procurements, target setting related to saving and overall benefits are expected to be further enhanced. As ISD completes *service level agreements* (SLAs) and has more visibility of future client procurement planning beyond current cycles through multi-year planning, target setting will become more

scientific, based on benchmarks and inclusive of all the factors that can impact price, including exchange rate fluctuations, where relevant.

Additionally, the ISD Procurement will continue to develop its own historical data on recent procurements and, with its clients, use this knowledge to inform planning for future procurements. Together, this information will help ISD more precisely calculate the full range of potential benefits and the value arising from these procurements. This will assist in minimizing any significant deviations from targeted benefits over time.

2 AN OVERVIEW OF THE PROCUREMENT SHARED SERVICES PLAN IN NOVA SCOTIA

The original analysis of potential savings in procurement within Nova Scotia began with the health sector. The potential outcomes were promising enough for the initiative to evolve through a two-phase review process that sought to assess the impact of a broader, more expansive shared services initiative extending across government departments and Crown agencies, school boards and health authorities, among others.

In preparation for this major change, the Government of Nova Scotia established a dedicated staff team, utilized an external consulting company and embarked on a multi-year (2011 – 2013) planning initiative to determine how best to proceed.

The Nova Scotia initiative was complex, involving 20+ Departments and Agencies, including 5 Crown Corporations and 11 District Health Authorities (later amalgamated into the Nova Scotia Health Authority and the IWK). It also initially included consideration of the 8 school boards, which were, ultimately, not included in the initial implementation process.

This project staff team engaged in a multi-year analysis and implementation planning initiative (2011-2013).

Services that were initially considered included financial, building management, human resources, information technology, supply chain/procurement, and major construction projects.

The focus of this health check analysis is on the procurement shared services initiative.

The review process was comprehensive and included the following elements:

- An assessment of best practice models in effective and efficient procurement;
- A benchmarking exercise to examine other analogues;
- An extensive data collection exercise;
- Stakeholder and participant engagement;
- A business case analysis; and
- An examination of the governance requirements for the proposed broader shared services initiative.

A principal finding arising from this early planning effort was the identification of significant structural inefficiencies within Government of Nova Scotia operations and those of associated agencies. These included:

- 1,700+ computer applications supported;
- 31 ways to pay a bill;
- 14 different IT Help Desks;
- Significant supply chain savings opportunities;
- Many organizations performing administrative/non-core functions around which new efficiencies could be engendered; and
- Similar services being provided separately and in different ways.

Within procurement, the planning focus was on:

- Securing a significant level of savings in procurement using strategic sourcing undertaken across sectors, including health, through volume consolidation, standardization of products/services, contract/vendor management and market intelligence; and.
- Streamlining and standardization across organizations and entities involved in procurement.

At the time, potential savings were estimated at \$50m over 5 years, eventually building to \$70m. In the initial design, these savings were to be re-deployed to front line health care, education and other core government programs.

In short, the conclusion reached following this complex planning exercise was that the system was ripe for reform. Further, several contextual factors heightened the focus on the need for change. These included the significant fiscal challenges the province was facing and the tabling of the Ivany Report. This Report catalyzed a widespread debate on what we need to do as a province to achieve greater prosperity and sustainability into the future. An important element of the ensuing discussion was recognition of the Province's fiscal challenges and the need to be more efficient and effective in the provision of public services.

Initiated in March 2014, the focus of the procurement shared services initiative was on quality and customer-focused administrative or support services used by multiple divisions or organizations within provincial departments and associated public sector agencies. Efficiency and sustainability are key objectives. The review of procurement services resulted in a new vision as follows:

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The focus was on three key imperatives – efficiency, quality and sustainability – with the key objectives under each outlined in the table below.

Table 1: Summary of Key Imperatives

Efficiency	Quality	Sustainability
Ensure scalability and flexibility of the model to enable future growth and development	Invest in continuous improvement and change management	Use evidence-based decision making to guide the evolution of the organization
Eliminate unnecessary duplication within and across the services	Design and service performance measurement decisions will be unbiased and evidence-based	Invest in people to enhance skill over time
Organized to deliver benefits across government; rather than any particular entity	Leverage leading practices and technologies to support current and future business needs	Allocate resources and services based on needs of clients
Leverage investments and assets where appropriate	Core function of individual organizations are respected /maintained	Consider the cumulative impact of change and restructuring
Simplify management structure / reporting lines		Leverage and invest in technology that will enable effective delivery of service

3 THE CURRENT SITUATION IN NS IN RESPECT TO PROCUREMENT REFORM

An important aspect of this Health Check assignment has been to assess how Nova Scotia is doing in the procurement area relative to analogues across the country.

In conducting this analysis, the GATN team first looked at international analogues and trends and then examined the situation in Canada in respect to public sector procurement reform including at the federal level and targeted provinces. The team also spoke to a recognized national practice leader in procurement with PWC Canada.

Provinces of interest in this analysis were Manitoba (selected because of its comparability to Nova Scotia), Ontario and New Brunswick. As part of the jurisdictional scan, we also looked at several agencies established to provide out-sourced procurement services. We also examined leading practices – international and domestic - as a means to assess how Nova Scotia compares with leading practice analogues.

From a best practices perspective, the Organization for Economic Cooperation and Development (OECD), through its Council on Public Procurement¹, provides a 21st century reference for modernising procurement systems that can be applied across all levels of government and state-owned enterprises. It addresses the entire procurement cycle while integrating public procurement with other elements of strategic governance such as budgeting, financial management and additional forms of services delivery. The OECD Council Recommendation represents the collective knowledge, insight and political will of OECD Member countries in seeking to transform public procurement into a strategic tool for good governance.

OECD – the 2015 Recommendation builds upon the foundational principles of the 2008 OECD Recommendation on Enhancing Integrity in Public Procurement, expanding them to reflect the critical role governance of public procurement must play in achieving efficiency and advancing public policy objectives. By helping governments to better meet their policy objectives, well-governed public procurement contributes directly to greater public trust, enhanced well-being and more prosperous and inclusive societies.

In considering the Nova Scotia procurement shared services initiative, it is a good place to start. The OECD recommendation related to procurement enshrines the following principles as an international standard:

¹ <http://www.oecd.org/gov/ethics/OECD-Recommendation-on-Public-Procurement.pdf>

- Ensure an adequate degree of transparency of the public procurement system in all stages of the procurement cycle.
- Preserve the integrity of the public procurement system through general standards and procurement-specific safeguards.
- Facilitate access to procurement opportunities for potential competitors of all sizes including having in place coherent and stable institutional, legal and regulatory frameworks, which are essential to increase participation in doing business with the public sector and are key starting points to assure sustainable and efficient public procurement systems.
- Recognize that any use of the public procurement system to pursue secondary policy objectives should be balanced against the primary procurement objective.
- Foster transparent and effective stakeholder participation and develop processes to drive efficiency throughout the public procurement cycle in satisfying the needs of the government and its citizens.
- Improve the public procurement system by harnessing the use of digital technologies to support appropriate e-procurement innovation throughout the procurement cycle.
- Develop a procurement workforce with the capacity to continually deliver value for money efficiently and effectively.
- Drive performance improvements through evaluation of the effectiveness of the public procurement system from individual procurements to the system as a whole, at all levels of government where feasible and appropriate.
- Integrate risk management strategies for mapping, detection and mitigation throughout the public procurement cycle.
- Apply oversight and control mechanisms to support accountability throughout the public procurement cycle, including appropriate complaint and sanctions processes.
- Support integration of public procurement into overall public finance management, budgeting and services delivery processes.

Measured against these criteria, at this stage of its implementation, the Nova Scotia shared services initiative compares favourably. Based on the health check review, all of these areas have been in scope for the development of the procurement shared services initiative. Some are obviously ‘works in progress’, however, the essential elements are present as the implementation process in Nova Scotia advances. These criteria also serve as a useful frame of reference going forward in respect to what constitutes best practices in procurement from an international perspective.

Examining the provincial procurement environment nationally is a challenge. Unlike many policy areas, there is not a great deal of collaborative policy development across provinces and respective levels of government as it relates to procurement. There is not a formal

federal/provincial/territorial table of ministers and senior officials responsible for procurement. There is a table where federal/provincial/territorial assistant deputy ministers (ADMs) of procurement periodically convene to compare notes and consider policy, strategy and areas where national collaboration may be possible. It is, however, certainly less formal than is the case in many other areas of inter-governmental relations and collaborative policy development.

Provincial targets for review included:

- Manitoba,
- Ontario, and
- New Brunswick.

In respect to procurement, Manitoba is in the initial stages of moving to a model similar to Nova Scotia. In fact, Manitoba officials have reached out to officials in Nova Scotia to learn more about this province's experience in undertaking the procurement shared services initiative. Their initial focus is on a narrower range of services than is the case in Nova Scotia. Saskatchewan is, reportedly, also at a similar stage of development in respect to evolving its approach to procurement. For both, Nova Scotia is seen as a leading practice analogue and, as such, can be seen as providing national leadership in this regard.

The approach taken to large scale, cost-intensive public procurement in Ontario in the health and education sectors is interesting – procurement is largely outsourced to purpose -built and sector-specific non-profit entities.

Health sector procurement is undertaken through an external agency – Plexxus². Incorporated as a non-profit, shared services organization, Plexxus offers transactional services and purchasing to member hospitals. Plexxus has a central distribution facility that provides order fulfillment and distribution services using a sophisticated warehouse management system. This facility operates six days a week providing just-in-time delivery to Member sites. An inventory management and control model is in place to optimize assets and achieve service levels. Plexxus also manages the In-Hospital Logistics teams who provide comprehensive materials management support and supplies management to our customers.

The service offerings for members include:

- Spend management
- Contract management
- Support & Enablement Services that provide timely and relevant information for

² <https://www.plexxus.ca/>

decision making, with a strong focus on relationship management

- Information technology including business intelligence tools and analytics to assist in decision making
- Services span e-Requisitioning, Purchasing, Warehousing, Cart Management, Accounts Payable and Financial Reporting
- Data governance and management including providing a single shared catalogue of Materials, Vendors, and Financial Accounts; and
- Customer relationship management to develop strategies and technologies to manage and analyze customer interactions with a goal of improving business relationships and enhancing value.

As a mature procurement services organization, the services offered by Plexxus are noteworthy. This is the range of services that a well-functioning procurement services organization should aspire to provide. They are also highly consistent with the procurement services best practice models and align with the principles espoused in the fore-going OCED Recommendation.

Similarly, OECSM³ is a not-for-profit group procurement sourcing partner for Ontario's education sector, broader public sector, and other non-profit organizations. Launched in 2006, OECSM provides a mature marketplace of products and services, including a range of support services such as:

- Advisory services – offering advice and guidance through all stages of the procurement process, from assisting with sourcing planning, to reviewing customer RFx documents and/or managing a procurement project itself
- Procurement Templates – providing a number of templates and resources to assist customers in the education sector in preparing their own RFPs; and
- Business Analytics - these services are designed to assist customers gain insights into their historical data and information that will help drive their business planning and inform their buying decisions.

Both of these organizations offer insight into sector-specific approaches to procurement and a robust range of accompanying services. The range of services they offer are similar and as mature procurement organizations, this range of services is reflective of what Nova Scotia is implementing within the procurement shared services initiative.

³ <http://oecm.ca/about-us>

Within Atlantic Canada, in May 2015, New Brunswick enacted legislation to create a new Crown corporation responsible for shared services including finance, information technology, and procurement.

Known as Service New Brunswick, the new corporation absorbed the functions of the New Brunswick Internal Services Agency, the Department of Government Services and FacilicorpNB.

Within this model, Strategic Procurement is a division of Service New Brunswick. This division manages the procurement process for the purchase of goods and services for departments, agencies and school districts. The stated role of Strategic Procurement is to maximize competition to achieve the best value for money, while ensuring that procurement operates in an open and transparent manner.

Within New Brunswick, the consolidation of common services was estimated to save \$30 million by 2020. Savings were to be achieved primarily through the modernization of technology, automated systems and business processes and strategic procurement.

FacilicorpNB, through Supply Chain, continues to offer the specialized services required by the health care sector in New Brunswick. Supply Chain is responsible for the sourcing, procurement, storage, delivery, distribution and disposal of all equipment, supplies and services for the health system throughout New Brunswick. It is comprised of several key departments including Inventory Management/Stores, Distribution, Shipping & Receiving, Motor Services, Strategic Sourcing, Print Shops, Mail Rooms and Purchasing.

Strategic Sourcing and Purchasing activities in New Brunswick include the procurement of goods, management of the tendering and contract process, product standardization, as well as identifying savings opportunities.

New Brunswick is in the early stages of implementing this initiative. Though the approach to procurement transformation in New Brunswick has proceeded differently than in Nova Scotia, in respect to procurement activities, it shares many of the same features. Certainly, its underlying objectives and approaches are similar.

The jurisdictional review also identifies national organizations that assist procurement entities across the country. Health Pro is one of these, representing the interests of more than 250 member shareholders who are the hospitals, Provincial Health Authorities and Shared Service Organizations (SSOs) in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, Newfoundland & Labrador and the Territories.

Health Pro provides national aggregated purchasing power for a variety of products and services hospitals use every day. Products and services procured include pharmaceuticals, medical

products, support services, nutrition and food products and capital equipment. The overall focus is on optimizing savings and maximizing resources available for frontline care.

Shared services and procurement reform within Canada’s federal government has been ongoing over the past decade. Public Works and Government Services Canada (PWGSC) is the Government of Canada’s central acquisition department, buying \$20 billion in goods and services from thousands of suppliers each year.

Shared Services Canada (SSC) is responsible for delivering mandated email, data centre and network services to partner organizations in a consolidated and standardized manner to support the delivery of Government of Canada programs and services. SSC also provides certain optional technology-related services to government organizations on a cost-recovery basis. Budget 2013 further expanded SSC’s mandate, adding the consolidation of government-wide procurement of software and hardware for workplace technology devices⁴.

PWGSC is now engaged in a process of procurement reform. The Conference Board of Canada⁵ has been contracted as an independent third-party to facilitate consultations with supplier communities in three procurement categories:

- Informatics Professional Services;
- Temporary Help Services; and
- Office Furniture.

At a time when governments everywhere are preoccupied with innovation, an important theme that emerges in the literature review is the link between innovation and procurement.

For the health care sector in Canada, the Council for Innovation Procurement in Health Care⁶ focuses on three core objectives:

- Discussion on how to enable a shift from cost control to value creation and to identify actions that will help Canadian leaders use innovation procurement tools effectively to increase value for money.
- Share knowledge and good practices related to innovation procurement processes.
- Enhance the capacity of organizations to transform their procurement processes and

⁴ <https://www.canada.ca/en/shared-services.html>

⁵ <http://www.conferenceboard.ca/topics/education/pwgsc/default.aspx>

⁶ <http://www.conferenceboard.ca/networks/cip/default.aspx>

improve performance.

The Council for Innovation Procurement in Health Care is a forum that works to identify and review transformations in Canada and other countries with an aim to leverage procurement processes, assess gaps in Canada's approach to innovation in procurement, shift the focus of procurement from cost control to value creation, and identify actions using innovative procurement tools to attain more value for money and enhance organizational performance.

Similarly, as noted in the above text box, the Canadian Advanced Technology Association (CATA) has offered advice to governments on how they can model best practices in procurement.

Canada's largest high tech association, the Canadian Advanced Technology Association (CATA Alliance) has released several consultation papers pressing for stronger links between Canada's Innovation Strategy goals and public procurement reform. In particular, CATA calls on the federal Government to step up action in three key ways:

- 1. Government as a model user,*
- 2. Government as a first customer,*
- 3. Government procurement that is fair, fast and forward-looking.*

3.1 Conclusions

Arising from the jurisdictional review completed as part of the health check analysis process, there are several conclusions that can be drawn related to the ongoing implementation of the procurement shared services initiative in Nova Scotia. These include:

- Nova Scotia's procurement shared services initiative compares favourably with leading practice analogues both internationally and nationally. In fact, within Canada, several provinces are looking to the Nova Scotia experience as a model to potentially adapt and emulate;
- Nova Scotia's shared services model is presently inclusive of a broader range of services than other analogues. The Nova Scotia model includes clinical, construction, and general goods and services, and, as such, is unique. As an example, Manitoba, while in the process of creating similar organization, at present, it only includes goods and services. Other models examined tend to concentrate on a narrow range of services. The corollary to this observation is that the more expansive Nova Scotia model carries with it considerably greater breadth and complexity.
- Within a Canadian context, Nova Scotia is seen as having an advanced approach to procurement services. Based on the principles associated with category management, Nova Scotia's approach, though still being implemented, reflects best practices;
- The jurisdictional review reveals that there are various approaches and governance models that can be applied to procurement transformation including outsourcing, and offering service on a recovery or fee-for-service basis, among others.

- The range of services that mature procurement organizations offer are instructive in optimizing the efficiency and effectiveness of shared services procurement and imbuing greater innovation in the process. Prominent among these is the importance of analyzing and reporting on outcomes as a knowledge mobilization tool and providing data analytics that can be used to gauge success, assess ongoing risk and inform adjustments to the way procurements are undertaken.
- The jurisdictional review suggests that having a strong client relationship management strategy in place is equally important.

4 FINDINGS ARISING FROM THE HEALTH CHECK REVIEW

The health check analysis process typically involves examination of a broad range of key questions associated with the initiative being reviewed. Answers to these questions are derived based on both quantitative and qualitative factors. Data and information is secured through a variety of sources including document review, consultation with key stakeholders including project planners and those charged with responsibility for implementation and ongoing management and data analysis. Conducting key informant interviews and canvassing the clients of the initiative comprises another level of inquiry and source of input on how the initiative is functioning and whether it is achieving the goals established.

In conducting the health check analysis project, a broad stakeholder outreach and engagement strategy was undertaken. This included the following:

- Minister Labi Kousoulis.
- Deputy Minister Jeffrey Conrad and the ISD senior management team (both as a group and bi-laterally in some cases).
- Officials involved in the original design of the procurement shared services initiative.
- Senior staff of the ISD procurement division.
- Data analysts from the ISD procurement division.
- The Deputy Minister and senior staff of the Department of Transportation and Infrastructure Renewal.
- Representatives of the Nova Scotia Health Authority.
- A representative of the IWK.
- A national practice leader in procurement.

From a methodology perspective, the outreach and consultation process was designed to determine how the procurement shared services initiative is working to enable the consultant team to provide advice and recommendations to the Department going forward. The nature of what the health check analysis process involves was explained to stakeholders so that there was a clear understanding on the focus of the health check analysis and the process used.

Beyond procurement broadly, the health check analysis also focused specifically on outcomes in the health care sector, particularly considering the significant changes being made in this sector within Nova Scotia, changes that are ongoing at the time of this review.

The broad themes in the health check analysis process examined during the health check analysis included:

- **The original project business case and project plan** - essentially addressing the planning that went into the initiative, the business case analysis and the overall project plan;
- **The project planning and initiation process** – essentially, addressing the launch and initiation of the project; how it worked and how issues that may have arisen were successfully addressed;
- **Examination of roles/responsibilities/resourcing** - addressing the human capital dimensions of the project - was it properly resourced, did staff understand their roles;
- **Assessing project operations** - essentially examining how the initiative worked through the implementation process to date including factors related to client service and factors such as thoroughness, responsiveness and service value;
- **Assessing project monitoring** - reflecting the extent to which results were monitored, how that was done and how the resulting information was used to enhance overall quality management of the initiative; and
- **Summarizing the findings and implications for the future of the project** - addressing things that we can learn from the health check analysis that might influence how the project is managed going forward.

Understandably, not all key informants could comment on all elements in the foregoing list. Rather, some focused on those areas in which they had direct experience and/or involvement. Observations and findings are aggregated and reflect an amalgam of both quantitative and qualitative factors examined during the health check analysis process.

4.1 Summary of the Findings

This section of the report summarizes the key findings reached during the health check analysis process as interpreted through the lens of the key questions typically represented in a health check analysis process.

- **Were the objectives of the project clearly articulated to stakeholders and members of the project team?** As a result of the health check analysis review, it is clear that extensive and highly detailed planning in respect to this initiative took place. The planning process began with an initiative around shared services with the health sector coordinated with the then 9 District Health Authorities (DHAs) and evolved into a more expansive shared services initiative within the Government of Nova Scotia broadly and inclusive of some aspects of health care, education and planning for major capital projects. The proposed options that were presented to policy and decision makers were

thorough and comprehensive. These related to:

- The design of the initiative,
- What it could include,
- The estimated impacts including both savings and achieving new efficiencies,
- The proposed timelines for implementation; and
- The business case for the initiative.

Challenges were realistically assessed including the labour relations and change management issues associated with this complex transformation process. Savings estimates were realistic and not over-stated.

The overall focus was on bringing best practices to procurement reform, of emulating private sector tools and efficiencies in the redesign of the system and of also imbuing the process with greater innovation.

- **Were the objectives of the project widely supported?** The document review associated with project initiation, the project charter and other background information associated with the project indicates that the objectives were widely supported at the outset, both at the political level and among the senior officials involved. This was confirmed in the stakeholder engagement process. Extensive advance work was undertaken including business case analysis and an in-depth financial analysis, including targets for aggregated savings. Consultants were engaged to assist with the design and to ensure conformance to procurement leading practice models.

Some informants point to the fact that, from a procurement perspective, the original design of the shared services procurement initiative focused on concepts founded in strategic sourcing in the 80's and 90's. Strategic sourcing is an approach to supply chain management that formalizes the way information is gathered and used so that an organization can leverage its consolidated purchasing power to find the best possible values in the marketplace.

In the early evolution of the Nova Scotia initiative, staff changed and the focus of the shared services procurement initiative evolved into one focused on a category management model.

Both strategic sourcing and category management organize processes and resources around supply markets, but category management not only sources these market categories, but also manages them on an ongoing basis and in an integrated manner. Category management involves building a clear understanding of the organization's key value objectives for the category (themselves based on business objectives) and then developing a set of executable strategies. Category management is considered to be the

higher value integrated approach to the complete procurement cycle, including ongoing contract management. Effective category management also pays attention to data analytics and customer engagement and relationship management. Ultimately, category management is focused on optimizing savings, achieving a quality outcome and adding value to the process. In the execution of an effective category management model, procurement's role is to come to the table with ideas as to what value is possible to capture, even if procurement might itself not be measured on all those benefits⁷.

Most stakeholders consulted during the health check analysis process expressed strong support for category management. It is seen as fundamentally the right approach.

Recognizing that the procurement shared services model in Nova Scotia is still in the implementation phase, stakeholders suggest that some components of the category management model are still evolving. As an example, the *service level agreement* process with key customer departments/agencies is presently under development and close to being launched. In addition, the suite of process improvements being made to procurement are still being implemented. These include:

- New Procurement Policy, Protocols and Templates (created with the Procurement Law Office, a Toronto firm with domain expertise in this area)
- Planned implementation of SAP Ariba including modules of Spend Analytics, Sourcing Module, Contract Management, and E-Sourcing. This will improve data analytics, contract management and provide a tool for automation of the intake process
- Implementation of the Flextrack solution and addition of the Temp Services coverage; creating an improved ability to engage and contract professional services for client departments/agencies
- Stand up and management of the GPO, HealthPRO Contract for procurement within the Clinical Health space
- Providing outreach to suppliers including the successful delivery of the Reverse Tradeshow and offering workshops to sector specific supplier groups or partnering with economic development groups to deliver workshops, delivery of a course within the CEED curriculum, and the development of supplier training material
- Details on the RFx documents Maritime Collaboration project

⁷ <http://www.mypurchasingcenter.com/purchasing/industry-articles/category-management-beyond-the-strategic-in-strategic-sourcing/>

- Refreshed approach to mandated Procurement Advisory Group (PAG) meetings, with specific deliverables established
- Launch of e-bidding with implementation planned for July 2017
- Improvements in the Ariba suite, requested by or to better support client departments
- Number of Procurement 101 and Ariba 101 deployed training courses delivered to departments – approximately 650 people trained on Procurement 101 over the last two years, over 1000 people have received Ariba training in some capacity since implementation (Sept. 2015)

Some stakeholders are seeking more capacity related to data analytics so that they can assess overall impacts with greater precision. And some stakeholder's feel that the customer relationship management process needs to be strengthened with enhanced communication and collaboration between client departments/agencies and the procurement shared services initiative. Because of the evolved focus from strategic sourcing to category management, coupled with staffing changes, there was some reported lag time as the new category management approach was introduced and inculcated with staff, including the staff transferred into ISD procurement services. This latter group of staff was experienced in a different approach to procurement, one more focused on their own respective domain areas, and hence, a strong change management component was required to support the evolution to the new model.

- **Was the procurement shared services project fully costed and budgets/funding agreed with the sponsor?** Yes, based on the document review and discussions with project planners, the project was fully costed at the outset. This costing included estimates associated with the delivery of the procurement shared services initiative and the accompanying budget requirements.

In addition, estimates of potential savings were provided and tracked over time. The following table compares these business plan estimates to actual results:

Savings (\$ Millions)	Nova Scotia Health Authority (NSHA) & Isaak Walton Killam (IWK)	Government of Nova Scotia (GNS)	Realized Totals	Target
FY 14/15	\$4.00	\$22.00	\$26.00	NA
FY 15/16	\$5.21	\$2.44	\$7.65	NA
FY 16/17	\$7.99	\$6.39	\$14.38	\$10
FY 17/18	\$1.36	\$0.69	\$2.05	\$13
Total	\$18.57	\$31.51	\$50.08	

- **Does the project sponsor share accountability with the project team for the project's success?** Based on the document review, discussions with the current project sponsor and with key stakeholders, the governance around the project and the shared accountability was very good from the outset and continues to be. The complexity of this transformation should not be underestimated. Acculturating staff to a new model, bringing different staff together with the accompanying labour relations issues and the change management process required to support the transformation was, at best, very complex and challenging. Organizations – public and private – typically underestimate the complexity of these changes and the time it takes for successful implementation. Overall, the procurement shared services initiative from planning through early implementation has achieved significant success in both over-achieving on savings and in the accompanying organizational transformation required to support the initiative.
- **Were all resource needs (who, when, etc.) understood and specified in the project plan?** As noted, and worthy of repetition, as a major undertaking, the procurement shared services initiative was very complex with many moving parts. Generally, the health check analysis reveals that the initial resourcing requirements were well understood and efficiently stewarded and adjusted as the project evolved. In the early stages, it was necessary to augment capacity. This was accomplished using external contractors. This was an inherent part of the plan – to build internal capacity. Three years in, the procurement services division is almost there, except for some extraordinary build-and-buy type projects for which external resources are sometimes required.

There were staff changes early in the launch of the project which likely had an impact on its implementation trajectory. The original initiative designers moved on to other jobs within the public service and new staff was brought into the procurement shared services project, including at the leadership level.

Further, the assignment of procurement staff from the NSHA to the new ISD shared services procurement initiative meant that there was a great deal of effort required to acculturate incoming staff to a new procurement model, to lead the client relationship and change management processes and to establish new approaches and policies.

Generally, the health check analysis reveals that the resource requirements were well anticipated in the original plan. However, several factors came into play which created a challenge for the new organization. One related to the pent-up demand for procurements, particularly, within the health sector. In the run up to the establishment of the procurement shared services initiative, reportedly, procurements in this sector were put on hold, resulting in an increased level of demand at the very time the initiative was being implemented. Further, as the project has unfolded more resources are periodically required to address complex procurements – in terms of both surge capacity

and on a long-term basis. This is exacerbated by the fact that the resources available from the NSHA for transfer to ISD needed to be trained and acclimatized to a new model of procurement including category management and strategic procurement methods, thus, placing further pressure on the new organization. Not having these resources available on a timely basis ultimately has an impact on the services being provided. This observation was raised by some stakeholders during the health check review process.

Given the complexities of staffing in a fiscally constrained public sector environment, it is not always possible to address these surge requirements, other than through contracted resources which are sometimes more expensive. This issue also enjoins the discussion arising from the jurisdictional review and that is, the governance model. Would a procurement shared services provider be able to be more nimble and responsive under a different governance model – perhaps, a special operating agency or an out-sourced non-profit organization? Should the business model be a fee for service to client organizations – in effect charging for the extra services related to executing on higher risk procurements where life/safety issues are prominent or in inordinately more complex procurements. These issues are addressed in the future considerations section of the health check analysis.

- **Were sufficient project team members and business resources available at the right times?** There were leadership changes early in the project. In addition to these changes, staff transferred into the procurement shared services initiative had to be acculturated to a new model, requiring an extensive change management processes. Overall, the implementation of the procurement shared services initiative has proceeded well with appropriate adjustments to respond to evolving circumstances along the way utilizing both external and internal sources as the project was implemented.
- **Were roles/responsibilities understood and does the project team have the required expertise?** Based on the document review and stakeholder engagement process, roles and responsibilities were well understood. Any capacity gaps in the early stages of implementation were addressed using external domain experts brought in to assist in building capacity within the team and the procurement division. Roles and responsibilities continue to evolve through the implementation process. The overall thrust of this initiative has been to ‘professionalize’ the procurement process. Clearly, this is an evolving process; however, testimonials received from stakeholders throughout the consultation undertaken point to some real success in improved client service and procurement outcomes.
- **Was adequate training (and time for training) incorporated within the project scope and schedule? Was a change management strategy developed and is it viewed to have been successful?** Change management was a clear feature of project planning and implementation. A training syllabus was developed and utilized

with staff – both internal and with client departments. Implementing category management and all it entails was, reportedly, a steep learning curve, not only for internal staff but some clients of the procurement shared services initiative as well. This is an area that continues to evolve, but, generally project planners and implementers paid attention to its importance and spent time ensuring that staff were appropriately prepared for this significant transformation.

■ **Were stakeholders consulted to provide effective input early in the project?**

There is clear evidence that stakeholders were consulted in the planning stage of this initiative. During the health check analysis process, some stakeholders noted the need for a more formalized stakeholder relationship management strategy and a desire for more engagement with the shared services procurement initiative. Issues related to this that were raised during the consultation with stakeholders included the following:

- The need for enhanced performance in schedule management and meeting the originating department's time constraints related to their procurements, including issues related to seasonality, among other factors. Delays in getting procurements launched can have a significant impact on delivery requirements, for example, in areas related to road building, paving contracts and construction;
- Ensuring sensitivity to the timelines associated with executing on procurements and issuance of RFPs and clearly demonstrating the value-added contributions the ISD procurement specialists are making. Articulating the ISD value proposition with clarity for the client departments is part of the ongoing education and engagement process;
- Taking more of a risk-based approach to procurement management and the allocation of resources based on the risk profile of a particular procurement. This is seen by stakeholders to be particularly important in the health sector and in complex procurements related to construction. This observation also includes the importance of longer lead times to facilitate better planning for the more complex procurements;
- Openness to optimizing the potential that could be leveraged by more direct collaboration with national organizations, such as Health PRO for procurements in mainstream health care, as well as pediatric services;
- A recent development has seen procurement planning being linked to the province's annual TCA Plan so that early scoping and planning can be initiated on complex procurements and capital projects involving extensive procurement requirements. Expanding and normalizing this process is strongly supported by key stakeholder departments/agencies;
- Some stakeholders noted that a smoother integration of roles/responsibilities

and more effective planning might be accomplished if ISD procurement staff had greater visibility into the strategic planning process of client departments and if client departments/agencies similarly had greater insight into the procurement shared services' own strategic plan and ongoing annual business planning and *continuous quality improvement (CQR)* process;

- Not all of the culture-change associated with the procurement shared services initiative rests with the ISD. Part of the culture change is for client departments and agencies to better understand their role as 'customers'. This includes examining the question of 'what it means to be a good customer' in the context of public procurement. This means being open to changing the way that business has been done in the past and, in some cases, letting go of processes, procedures and practices that may have been operative previously, but, which now are not required or need to be re-calibrated;
- More formal mechanisms for ongoing collaboration between ISD and client departments/agencies in procurement planning and asset management; and
- More collaboration and coordination when the procurement shared services initiative is developing new policies, adjusting existing policies or issuing new procurement templates.

As part of the mid-year review conducted by ISD, a client survey was developed for individuals at GNS departments which utilized ISD for procurement-related services over the previous 12 months. Feedback was collected based on a five-point scale, ranging from *Very Satisfied* to *Very Unsatisfied*. The survey responses and comments will enable continuous improvement by informing a formal plan and outlining areas for focused effort. This plan has been developed by ISD and is referenced in Section 7 of this report. Based on the results of that survey, clients valued:

- Knowledge and understanding of relevant category markets
- The high degree of effort and quality of work delivered throughout initiative
- Incorporation of client department needs and requirements into the initiative
- Competency and knowledge of ISD procurement staff related to the procurement process
- Effective issue resolution in a timely manner

Areas noted as requiring improvement include:

- Communication and collaboration with clients
- User-friendliness and usage of Ariba
- Resourcing - people and tools

- Category expertise
- Coordination of processes
- Clarity of roles and responsibilities, and ownership during initiatives
- Collaboration and interaction with stakeholders

In terms of internal stakeholders, a staff survey was also conducted as part of the Mid-Year review. It highlighted staff's pride in their work and their appreciation for the opportunities for professional development and skills building that ISD has provided. It also identified areas for improvement, including consistency in expectations and refinement of the overall vision and their roles within the organization, as implementation proceeds.

- **Is there evidence that stakeholders bought into the procurement shared services project?** Virtually all stakeholders consulted as part of the procurement shared services initiative are supportive of the initiative and express the view that it is the right approach. There is strong support for the use of category management as a fundamental tool in extracting optimal value from the procurement process. Stakeholders repeatedly emphasized the importance of professionalizing procurement and establishing clear benchmarks against which performance and fulfillment can be measured. Many stakeholders acknowledged the high level of knowledge and skill the leadership and staff at the procurement shared services initiative have brought to the procurement process. Beyond stakeholder input, GATN also undertook a jurisdictional review as part of the health check analysis to see how Nova Scotia compares to other analogues. This included discussions with a national practice leader and procurement expert. Generally, the finding is that Nova Scotia's Procurement shared services initiative is in the vanguard in procurement nationally and even internationally (as measured against the earlier-referenced OECD standards).
- **Were processes established to measure the benefits of project?** Based on the document review, and stakeholder engagement process, the planners and current implementers of the initiative put processes in place to monitor, outcomes, results and benefits. These include both quantitative and qualitative measures. Beyond the specific cost savings, and while more difficult to quantify, quality enhancement and better value procurement are nuances which add significantly to the impact of the procurement shared services initiative. This latter area includes benefit outcomes that are more challenging to quantify; and procurement measures that may have resulted in offsetting financial risk and/or in achieving better health outcomes, as an example.
- **Are estimates of the financial and process improvement benefits of the project in place and have these been tracked?** The financial impacts have been tracked. **Section 5** of this report includes a summary. In respect to financial tracking the

procurement shared services uses a leading practice tool – a benefits tracking dash board to illustrate the progress achieved (see the figure below).



Figure 1: ISD Procurement Dashboard

Other examples of expected savings arise through the following examples illustrative of the range and type of savings:

- Pacemakers, Implantable Cardioverter-Defibrillators and Accessories
- Ophthalmology - Cataract surgery
- Heating Oil/Propane/Aviation Fuel
- Bulk Diesel / Gasoline / Building Fuel Purchase
- MS Office Licenses - Upgrade Health Kiosk computers to Office 2013 using government perpetual licenses thus avoiding a substantial cost
- Server Monitoring Tools – Combined contracts (government & Health sector) resulted in volume savings; and
- Replacement of end-of-life wireless controllers for the IWK with devices already owned by Province.

The value of benefits from these amount to between \$4.75 million and more than \$9.65 million, depending on the period of the contract being considered. Other savings achievements include \$8.2 million through:

- Telecom Savings
- NSHA Security
- Catheters & Stents
- Tourism NS Services
- Phone Contract Savings – (including NSHA/IWK); and
- Savings through the Group Purchasing Organization.

■ **Are the benefits sustainable?** The benefits arising from the procurement shared services initiative go beyond the savings engendered. They include less-easily quantified factors such as:

- Risk management and mitigation.
- Improved quality of products and services; and
- More effective contract and product life cycle management.

Measured against both quantitative and qualitative considerations, quantitatively, in the original design of the initiative, the generation of a significant volume of savings compared to contemporary spend was expected to decline over the next several years. The results of the health check analysis suggest that this doesn't necessarily need to be

the case. For example, in multi-year contracts, the savings engendered in the initial contract are sustainable over the life of the contract. Further, the qualitative benefits and value that the shared services procurement initiative can produce will continue and factors such as ongoing cost avoidance and risk mitigation will continue to yield strong results. Over time, as staff become more efficient and effective, as the knowledge mobilization dimension of this initiative takes hold and the entire value chain is better understood by all players, the already significant benefits should be enhanced creating that important benefits sustainability over time.

- **What is the perspective of key team members on the success of the project in meeting the original objectives?** Project stakeholders genuinely telegraphed the belief that the project has been very successful. The internal team is proud of the results. The original precepts of the project have been borne out in fact. That said, the implementation process is ongoing and there is a great deal of more work to be done.

5 FINANCIAL SAVINGS, TARGETS, AND PROGRESS AGAINST MEASURABLE

Currently, as part of ISD’s work with client departments/agencies, ISD Procurement hosts bi-lateral workshops that address how ISD Procurement identifies and measures savings arising from the shared services / procurement approach they implement on the client’s behalf.

This process to identify savings is designed to create two opportunities to jointly identify and confirm agreement between ISD Procurement and the client on the areas of cost savings/benefits related to specific procurements.

At the conclusion of the process, the client signs off on the final assessment of total savings.

This effectively builds into the process a ‘real-time’ checkpoint on the calculation methodologies and, ultimately, the results of their application.

The two checkpoints are at the time when the overarching sourcing strategy is being developed, and again when the sourcing strategy is being executed and the overall assessment of savings is determined:

- The **initial Savings Checkpoint** addresses the current state of the business and outlines the strategies leveraged to improve (Project Charter/Sourcing Strategy Checkpoint Document).
- **The Second Checkpoint** details the overall project recommendation and will include the final savings estimates.

ISD applies a collaborative methodology for sourcing data used in the client / ISD savings calculations.

This includes data for baseline estimates built on client-supplied historical data and future estimates, including market intelligence on trends and other industry benchmarks, estimates for volumes, pricing, and related signals for future data, as well as information collected directly from the client’s suppliers. In all cases, ISD Procurement looks to 3 information sources (client may be one source) to create the baseline to provide the best possible baseline spend.

An important dimension of the savings calculation methodology is that it follows a “Total Cost of Ownership” (TCO) approach.

This is the right approach to understanding the true cost of procurement; however, it is an approach that is less frequently used and not one to which an average buyer would ordinarily default. Buyers are tactical sourcing positions which reside outside of GNS Procurement. A

buyer would usually use a simpler savings methodology (i.e. price savings only) as they do not usually work within a strategic process such as ISD staff does.

To utilize a consumer-related analogy, most consumers would contend that their purchases are 'value-based,' but often the only signal of value and savings is price.

In taking a values-based approach to procurement, *total cost of ownership* (TCO) considers the entirety of the direct costs (prices, taxes, and delivery costs), plus the indirect costs (opportunity costs, processing costs, overhead costs, among others) and the lifecycle costs (impact of rush order, impacts on inventory, maintenance costs, residual value/disposal costs, training costs, among others).

5.1 Communications and Messaging

Utilization of TCO, as a measure, provides a more comprehensive perspective of *costs* than solely considering only price.

To equate it again to a consumer analogy, it is a level of consideration a typical consumer might lend to the purchase of an automobile (purchase price, fuel consumption, maintenance costs, resale value, among other factors). In practice, though, they may not actually perform the necessary calculations and analysis, choosing to rely on several published sources that amalgamate these considerations and details into a more simplified ranking system. In fact, few consumers would be able to be able to perform this level of analysis themselves.

The fact that ISD procurement is able to provide this service to its clients supports its value proposition and, ultimately, enhances accountability, transparency, and the depth on which value and cost considerations are based.

Interestingly, the value of this service – the procurement rigour that is being applied by ISD under the category management model - is not part of the benefits calculations provided by ISD: under the former systems of procurement, what would it have cost the government for all who had a role in purchasing to bring the same level of depth, transparency, and accountability to the purchasing processes?

The complications involved in TCO itself creates challenges in communicating the value of ISD Procurement services to other government departments, officials, and a taxpaying public that may be more inclined to focus price as the single and most complete expression of savings.

In fact, ISD Procurement more often uses the term benefits rather than the term savings to help convey the multi-dimensional features of the concept of *savings* in the ISD Procurement context.

5.2 Limitations

The TCO approach is also limited to quantitative data related direct, indirect and lifecycle costs analysis. It does not (in its current form) make provisions for:

- Increases in service / product quality: where shared procurement allows buyers to acquire higher quality product / services within a given budgetary level but where the outcomes are preferred. As an example, a hip replacement done with a higher quality product resulting in lower rates of side effects, readmission and / or secondary replacement surgeries.
- Rushed procurement: where buyers engage ISD Procurement for an *urgent operational requirement* (UOR) with little or no time left to ‘shop’ for best prices. In these cases, there may be less opportunity to achieve savings.

This is not intended as a complete list of the limitations of current methodologies and ISD Procurement is continually evolving how they report on procurement benefits. Supporting this effort will be the development and establishment of *Service Level Agreements* (SLAs) which will allow ISD Procurement and their clients to better target customized key indicators that meet the needs of the client, while also addressing the overall reporting requirements and needs of government.

5.3 Benefits Reporting

Presently, ISD Procurement utilizes an evolving dashboard that delivers a graphical and metric based representation of key indicators of performance. Because these are based on client and ISD Procurement-agreed analysis, the consulting team has limited their analysis of these to reporting on the existing indicators as provided by ISD.

The following summary is based on the Fiscal Year 2016/17, reported at March 10, 2017:

- Total year to date (YTD 16/17) net new procurement benefits are reported at \$14.4 million (achieved) against a 16/17 annual target of \$10 million (based on the business case for shared services), an achievement of \$4.4 million over the annual target (144% of target) of \$10,000,000; and
- Return on Investment, calculated as the projected procurement benefit over the total cost of ISD Procurement, of 1.71 against a target ROI of 1.3.

5.4 Components of Reporting: By Directorate

The following table reports the Fiscal Year 2016/17 benefits across the three directorates of:

- Construction and fleet: \$2.6 million,
- Clinical: \$4.7 million, and
- Goods and services: just over \$7 million.

2016/17 Benefits	Achieved (In Basket)	Planned (not yet in basket)	Total Projected
Construction & Fleet	\$2,617,076	\$45,000	\$2,662,076
Clinical	\$4,715,877	\$600,735	\$5,316,612
Goods and Services	\$7,050,031	\$295,200	\$7,345,231
TOTAL	\$14,382,984	\$940,935	\$15,323,919

By the end of the year, ISD Procurement is projected to generate nearly \$1 million more savings across all, directorates, with 60% in Clinical alone. Once these planned savings are achieved, the total benefit for 2016/17 is estimated to be in the order of \$15.3 million relative to a \$10 million target for this fiscal.

5.5 Components of Reporting: By Client Group

The following table summarizes the benefits achieved (and planned) based on elements of the TOC approach and include price, cost avoidance, and capital reduction estimates.

2016/17 Benefits	Price (a)	Cost Avoidance (b)	Capital Reduction (c)	Achieved (a+b+c)	Planned	Gap to Target
NSHA	\$3,732,764	\$818,115	\$1,339,070	\$5,889,949	\$594,123	\$0
GNS	\$5,205,503	\$1,183,007	\$0	\$6,388,510	\$295,200	\$0
IWK	\$1,925,391	\$76,944	\$102,190	\$2,104,525	\$51,612	N/A
Combined	\$10,863,658	\$2,078,066	\$1,441,260	\$14,382,984	\$940,935	\$0

5.6 Total Contract Life Savings (Cumulative Savings)

The adjacent table summarizes the cumulative benefit generated through ISD Procurement, showing over \$50 million in benefit through \$18.6 million in NSHA and IWK procurement and more than \$31.5 million in GNS procurement.

Savings	Nova Scotia Health Authority (NSHA) & Isaak Walton Killam (IWK)	Government of Nova Scotia (GNS)	Total
FY 14/15	\$4,000,000	\$22,000,000	\$26,000,000
FY 15/16	\$5,213,949	\$2,436,640	\$7,650,589
FY 16/17	\$7,994,475	\$6,388,509	\$14,382,984
FY 17/18 ⁸	\$1,363,506	\$685,986	\$2,049,492
Total	\$18,571,930	\$31,511,135	\$50,083,065

⁸ These are benefits that have already been booked: the pre-confirmed portion of the 16/17 contract that Procurement has booked in the 17/18 fiscal.

5.7 Total Contract Life Savings

While the above metrics are annual reported benefits for fiscal 2016/17 and cumulative savings for past 3 years, the contracts issued through ISD procurement range from 1 to 10 year terms, with most contracts in the 3 to 5-year range. The *total contract life savings* is a figure that includes both the benefits achieved and the projected savings from ISD Procurement activities over the life of the established contracts. For example, in a 3-year contract, considered at the end of year 1, the *total contract life savings* would include the current year plus the expected savings from the subsequent 2 years (planned savings). **As of this writing, total contract life savings is just over \$68.4 million.**

5.8 Looking Forward: 2017/18 Benefits

The following table provides a forward look at the benefits for fiscal 2017/18 across construction and fleet, clinical, and goods and services for benefits that are achieved and those that are planned for the period. These potential savings

2017/18 Benefits Projected by Directorate	Achieved (In Basket)	Planned (not yet in basket)	Total Projected Benefits
Construction & Fleet	\$820,825	\$2,674,362	\$3,495,187
Clinical	\$1,142,022	\$5,362,650	\$6,504,672
Goods and Services	\$86,645	\$1,231,829	\$1,318,475
Total	\$2,049,492	\$9,268,841	\$11,318,334

are estimates for the initiatives in the pipeline. Client priorities will impact these (positively or negatively) as other initiatives are added and cause a re-prioritization of the initiatives. This is particularly the case for NSHA as they have a substantial list of procurements currently under review for prioritization. These are linked to additional/new project funding that is coming forward related to hospital upgrades/expansions. At this early stage before the fiscal year even starts, projected savings are in the order of \$11.3 against the 2017/18 target of \$13 million.

Across organizations, the \$11.3 million is shared with:

- NSHA: \$7.2 million,
- GNS: \$3.6 million, and
- IWK: at \$571,564

6 THE HEALTH SECTOR

The procurement shared services initiative had its genesis in the health sector. Given the volume of procurement undertaken annually by the NSHA and the IWK, well over \$.5B, the health sector has long been seen as a logical target for potential savings in creating new efficiencies in procurement. The original examination of these potential savings involving the then 9 DHAs evolved into what is now the procurement shared services initiative. During that planning period, it is reported that overall procurement activity was constrained, resulting in strong pent up demand when the new procurement shared services model was initiated, a phenomenon which naturally placed increased demand on the new organization.

Since then, the health sector has continued its significant transformation to one provincial health authority and the IWK. This is a significant level of change for any organization and obviously one which is complex, time-consuming and resource intensive. This section of the health check analysis examines the overall impact of the procurement shared services initiative at a relatively early stage of its implementation. In considering the impact of the procurement shared services initiative on the health sector, it is useful to examine both the quantitative factors, as well qualitative issues. As a reality check, it is also useful to understand how leading practice analogues view procurement and the emphasis that is placed on innovative procurement as one tool in the tool-kit to improving our health care system. This approach is borne out in the research as illustrated below:

- Over the past several years, people in the global health care sector have recognized the need to modernize procurement and make it more strategic and innovative. Insights from the Conference Board of Canada’s **Strategic Procurement and Innovation: Opportunities for Improving Canada’s Health Care Systems** focuses on four key lessons⁹:
- A strategic, value-based approach to procurement means taking a longer-term view of success and basing the value of products and services on broader quantitative and qualitative objectives.
- Collaboration between public and private stakeholders in health care and innovation can increase understanding of the factors that buyers use to determine value when procuring solutions, and improve and accelerate the development, production, commercialization, adoption, and implementation of innovations.
- Engaging clinicians and other key opinion leaders in the procurement process is critical to enabling and accelerating adoption.

⁹ <http://www.conferenceboard.ca/e-library/abstract.aspx?did=7480>

- Strategic, value-based procurement is most successful when it is broadly adopted, aligned between all funders and buyers, and informed by relevant data.

6.1 The Quantitative Picture

Interim results of the quantitative impact of the procurement shared services initiative are captured below.

As noted in **Section 5** above, for the Fiscal Year 2016/17 benefits to the NSHA and the IWK amounted to \$8 million in achieved and nearly \$646,000 in planned benefits, for a projected year-end total of \$8.6 million in health-related procurement alone.¹⁰

The following table summarizes the benefits from ISD Procurement in both the IWK and NSHA.

2016/17 Benefits	Price (a)	Cost Avoidance (b)	Capital Reduction (c)	Achieved (a+b+c)	Planned	Gap to Target
NSHA	\$3,732,764	\$818,115	\$1,339,070	\$5,889,949	\$594,123	\$0
IWK	\$1,925,391	\$76,944	\$102,190	\$2,104,525	\$51,612	N/A
Combined	\$5,658,155	\$895,059	\$1,441,260	\$7,994,474	\$645,735	\$ 0

The following table provides the cumulative benefits in relation to Price, Cost Avoidance, and Capital Reduction through ISD Procurement Services on behalf of the Nova Scotia Health Authority (NSHA) and Isaak Walton Killam (IWK).

Cumulatively, health-related ISD Procurement has generated over \$18.5 million in savings.

Savings	Nova Scotia Health Authority (NSHA) & Isaak Walton Killam (IWK)
FY 14/15	\$4,000,000
FY 15/16	\$5,213,949
FY 16/17	\$7,994,475
FY 17/18	\$1,363,506
Total	\$18,571,930

This is a very credible finding which reaffirms the fundamental rightness of this approach.

6.2 The Qualitative Picture

Outreach and engagement with the Nova Scotia Health Authority and the IWK during the health check analysis revealed strong support for the procurement shared services initiative along several dimensions including:

- The importance of professionalizing procurement services;

¹⁰ Clinical specific are identified as such under that directorate. see section 5.4: \$4.7M projected to \$5.3M for clinical

- The belief that the focus on category management is fundamentally the right approach;
- The belief that this kind of approach is best-suited to managing risk and achieving better results in respect to life safety and patient outcomes. This is important because it also extends to saving in the health sector on several levels including:
 - Better outcomes for patients when the right products and services are procured. A clear finding in the health check analysis is that the procurement shared services initiative has enabled health providers to purchase higher quality products or services at the same or a reduced price. Quite aside from the procurement savings, better outcomes for patients creates savings elsewhere within the health care delivery system in terms of less hospitalization and reduced demand for clinical services and interventions;
 - Purchasing of better equipment and enhanced life cycle management when the economies of scale of volume buying and a focus on the value of the product or service are applied on a system-wide basis.
- That the new approach to procurement is creating considerable value and that it has the potential to create even more as the implementation continues and the initiative evolves.

Among health sector informants consulted during the health check analysis, there is recognition that the procurement shared services initiative is continuing its implementation and that there is further evolution to take place. Areas that are of high priority for health sector informants include the following:

- The need for a greater focus and enhanced performance in sourcing cycle times and reducing those. With the transformation that has taken place in the health sector, this factor may be exacerbated by the pent-up demand arising from procurements which may have been delayed during the actual transformation process.
- The point was made that a broader view may be required in respect to managed equipment services, one which is vendor agnostic and focused on optimizing equipment life cycle performance.
- Given the complexities of some procurement within the health sector and their implications for patient safety and positive clinical outcomes, health providers advocate for a more risk-based approach to procurement management and the allocation of resources based on the risk profile of particular procurements. Health sector informants clarify that for them risk management in some clinical contracts means being able to bring the right people to the planning, complete the due diligence and that the focus needs to be first on the best product while also considering price. This recommendation also reflects an appreciation of the resource constraints that the procurement shared services initiative face. It also reflects the interest of health providers in seeing longer

lead times to facilitate better planning for the more complex procurements.

- Health sector informants express the view that greater collaboration with national organizations such as HealthPro and national pediatric organizations could potentially yield a larger volume of savings. Ultimately, these considerations also engage the imperative that governments often espouse in respect to 'buy local' with the well-intentioned hope that such procurement will also have an economic development impact. While these considerations need to be balanced in procurement and trade rules respected, some stakeholders believe that collaborations with organizations like Health PRO on the clinical side are likely to be fruitful in terms of savings engendered.
- Health sector informants understand that the focus on the category management model came later in the implementation of the procurement shared services initiative and respect that this has had an impact on the overall implementation process. That said, as noted above, they see this model as fundamentally the right approach and are anxious to see the ongoing implementation continue apace.
- Reporting, data and data analytics are seen as critical to the health care informants and, presently, they see this as a gap. Reporting out on results and providing data analytics which will assist in performance management, planning and the design of course corrections in procurement activity are seen as important elements in optimizing the impact of the category management model.
- Health care informants would also like to see more integrated planning between the province, including ISD, TIR and the health providers on major capital projects that will result in significant procurements in the future. They see this as particularly important in light of resource constraints.
- Health care informants also would support a more integrated planning model that has ISD sharing its strategic plan more broadly and even soliciting input into the plan by client departments.
- Communication, coordination and customer relationship management between the procurement shared services initiative and client departments are areas health care informants feel need to be enhanced. On one level, given the extent of change in transferring staff into the procurement division and acculturating them to a new model, it is understandable that the department has been strongly focused on internal priorities. In this context, this observation is more of a guidepost for the future.
- Health care informants recognize that the procurement shared services initiative is well along the way in developing service level agreements and supports this process.

Overall, the procurement shared services initiative has had a beneficial impact on procurement in the health care sector. Although, early going, as an example one security contract within the health delivery system overall achieved \$6M in savings.

These impacts translate not only into savings achieved but, also in terms of value created. Health providers strongly support the professionalization of procurement services and believe that the track the Province has chosen with a focus on category management is fundamentally the right one. We would conclude that at this time, the potential for the procurement shared services initiative to offer continued savings and increased value to the health care sector is high.

7 FUTURE CONSIDERATIONS

The leadership of the procurement shared services initiative has been proactive in assessing the status of the implementation and in responding to issues identified. The survey of client departments/agencies and staff, as well as input from clients, thorough interviews and a client satisfaction survey undertaken in the Fall of 2016 resulted in the identification of a forward plan designed to address the findings of these reviews. The process resulted in several recommendations that are highly consistent with the findings of this Health Check report as itemized in Section 3 of this report. These include:

■ Communications

- **Enhanced Communications of Organization Strategy and Roadmap:** Regular and formalized discussions of ISD plan, strategy, and procurement goals and vision may help staff in aligning themselves to provide additional value for clients and ISD, provide greater clarity of their roles and duties, and improve general engagement among staff.
- **Improved Communications:** Effective communication of ISD Procurement's structure and offerings, including recent policies and protocols, to stakeholders will eliminate uncertainty in execution; improve customer satisfaction and ISD Procurement's value proposition. Ensuring procurement and strategic sourcing processes are communicated in advance of project engagements will also address concerns with delays.

■ Process

- **Internal Process Assessment** – Continuous improvement and critical review of procurement and sourcing processes for improved efficiency/simplification opportunities may address client concerns for delays due to process, review and approval processes.
- **Improved Understanding of Category Management & Strategic Sourcing:** Continued focus on the methodology and promotion of cross-learning according to the learning plan will support continuous learning, and improve the interactions with client stakeholders. Additional access to tailored learning to staff needs may also increase staff engagement, improve time management, and equip staff with resources to excel in their roles.

■ Governance

- **Deployment of Client Governance Framework:** A structured approach and model for client governance structures will support improved performance management, category planning, and execution of projects. Further attention to

developing a robust contract governance structure and establishing supplier management processes will support contract compliance, and improve contract performance. This may involve a re-assessment of ISD's organizational structure at year-end to increase flexibility and capabilities.

■ **Technology Advancement**

- **Technology Training and Support** – Continued focus on providing additional training and support for use and navigation of Ariba is designed to support communication, transparency into procurement and strategic sourcing process, and data quality for procurement. This process is well underway with user reports disseminated bi-weekly identifying process/information deficiencies. Re-training of staff has been recently undertaken; a training and change position is posted for ongoing support and will be in place soon. Further the current touch point (sourcing request) with clients is being relaunched in a simplified format.
- **Enhanced Ariba Spend Data Integrity** – Renewed focus to improve Ariba data quality will support improved project execution (i.e. spend and contract information) and contract risk management. Decision whether to implement P2P will support the creation of a short-and long-term roadmap for implementation of new functionalities and improvement on existing modules.

Other related considerations for process improvement that emerged from this Health Check Analysis include:

- Through coordination with major clients, create a multiyear procurement plan within each Category of Spend.
- Through the adoption and implementation of additional Ariba modules, create the ability to provide improved analytics and information to client departments to inform their respective business decisions. This is important to procurement clients.
- Working with client departments, create a process that will enable unplanned or emergency requirements to be weighed against risk, and to inform decisions where deviations from agreed processes are warranted due to a potential high risk of failure.
- Continue efforts to become engaged by client departments early in their respective planning cycles to increase visibility and lead times for the procurement of large, complex goods or services.
- Through the implementation of Ariba P2P, create the ability to demonstrate to client departments their own off-contract spend. This will enable departments to realize estimated savings through the compliance of on-contract spend activity.
- As the implementation of the procurement shared services initiative proceeds, a regular examination of the governance model needs to be undertaken and accompanying

adjustments may need to be considered. This can be accomplished through the regular examination and adjustment of existing or planned governance models with a focus on key imperatives such as agility, responsiveness, flexibility and a high level of customer service across all categories of spend management.

As a complex and extensive transformation, the procurement shared services initiative continues its implementation process.

1. So far, the initiative has exceeded projected savings
2. Beyond savings, the Procurement Shared Services initiative has resulted in value creation - professionalizing procurement and mitigating and managing risk, getting better product at a better price, better service / quality outcomes
3. This is an initiative that is still being implemented – properly resourced and well-managed, it's potential to continue to deliver savings, accountability, risk reduction, and real value is strong

Leveraging ongoing good governance, this health check analysis suggests that it has the potential to produce even greater value in the future.