

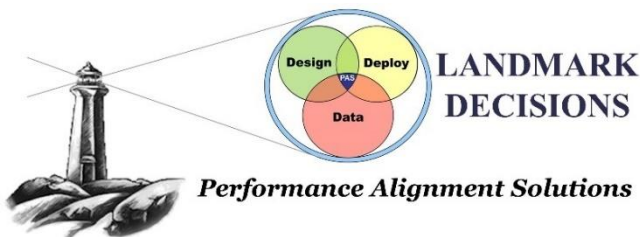


Resource Alignment Reviews

The Role of Business Modeling and Technology Enablement

Mike Haley

Performance Architect
Landmark Decisions Inc.



22nd Annual Performance and Planning Exchange Symposium
Ottawa, May 16-17, 2018



AGENDA

- Challenges in Public Sector Resource Management
- TBS Guidance on GC Resource Alignment
- Planning, Reporting and Decision-Making Processes
- Performance-Based Budgeting
- Activity-Based Planning and Resource Utilization
- Technology Enablement Case Studies
 - TBS – OCHRO
 - Veterans Affairs Canada
 - Canada Council for the Arts
- Q & A

Current Challenges in Public Sector Resource Management

■ Fiscal Management

- Centrally allotted departmental budget which is allocated “top down” to cost centers
- Focus on “hitting the year-end mark” for public reporting purposes
- Lack of alignment to organizational or program/service performance (i.e. the Finance “silo”)
- Perceived “gaming” of forecasts

■ Governance & Timing

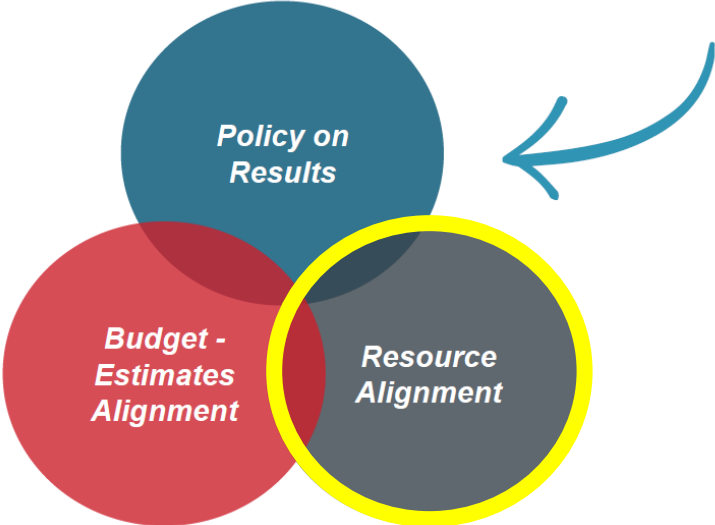
- Excessive layers and approval processes (including annual budget authorization)
- Delegation of responsibility to “planners” – lack of true management buy-in or engagement
- Timeliness of creating, reporting and forecasting for decision-making

■ Technology Enablement

- “Excel Hell” – versioning, workflow/approvals, consolidation, ownership
- Software acquisition – procurement policies, IT support (bandwidth, hosting, cloud)
- Insufficient resources for technology implementation and training

Policy on Results – Only One Cog in a Bigger Wheel!

Treasury Board Secretariat has launched **three priorities** to transform how the Government manages expenditures



The Departmental Evaluation Plan (excerpt)

A five-year schedule of evaluations, including the identification of specific evaluations

- An indication of whether specific evaluations are mandatory¹⁴ or discretionary
 - If mandatory identify the authoritative basis, i.e., FAA or TB commitments and the expected date of completion as referenced in TB submissions
 - If discretionary identify whether the evaluations are based on risks, priorities or needs

14. While there are more than two types of mandatory evaluations, FAA and TB commitments will form the main focus of mandatory evaluations in the 2017-2018 DEPs. This Guide will be updated in the future to reflect the other types of mandatory evaluations, i.e., evaluations requested by the Secretary of the Treasury Board of Canada; and evaluation activities required to support centrally-led evaluations (e.g. horizontal evaluations initiated by the Secretary) or to support resource alignment reviews (e.g., exercises initiated by the President of TB).

Source: TBS Interim Guide on Results (Sept 2017 - pg. 34)

A renewed Policy is an important step in instilling a **strengthened culture of measurement, evaluation, and innovation** in program and policy design and delivery.

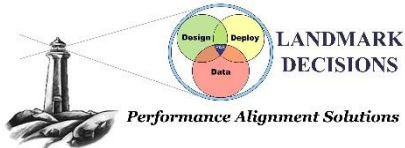
It will support a strong **focus on results**, enabling Cabinet committees and individual ministers to: ...



... in order to **get the results we want** and Canadians deserve.

We will better ensure that our **work will be informed by performance measurement and evidence** so that we may direct our resources to those initiatives that are having the greatest, **positive impact** on the lives of Canadians, and that will allow us to meet our commitments.

Source: TBS Launch of the Policy on Results (June 2016)



Very Recent Guidance from TBS on Resource Management

Policy on Results (2016)



> Planning for centrally-led evaluations

- Additional arms-length perspective
- Greater experimentation and the testing to support ongoing evaluation and reviews
- Performance measurement evolution through work with partners and the development of analytical tools

1

> Continuing work on **resource alignment reviews**

- Departmental reviews
- Horizontal reviews

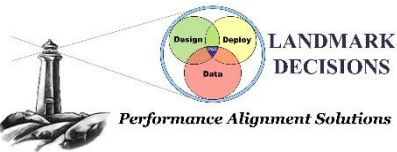
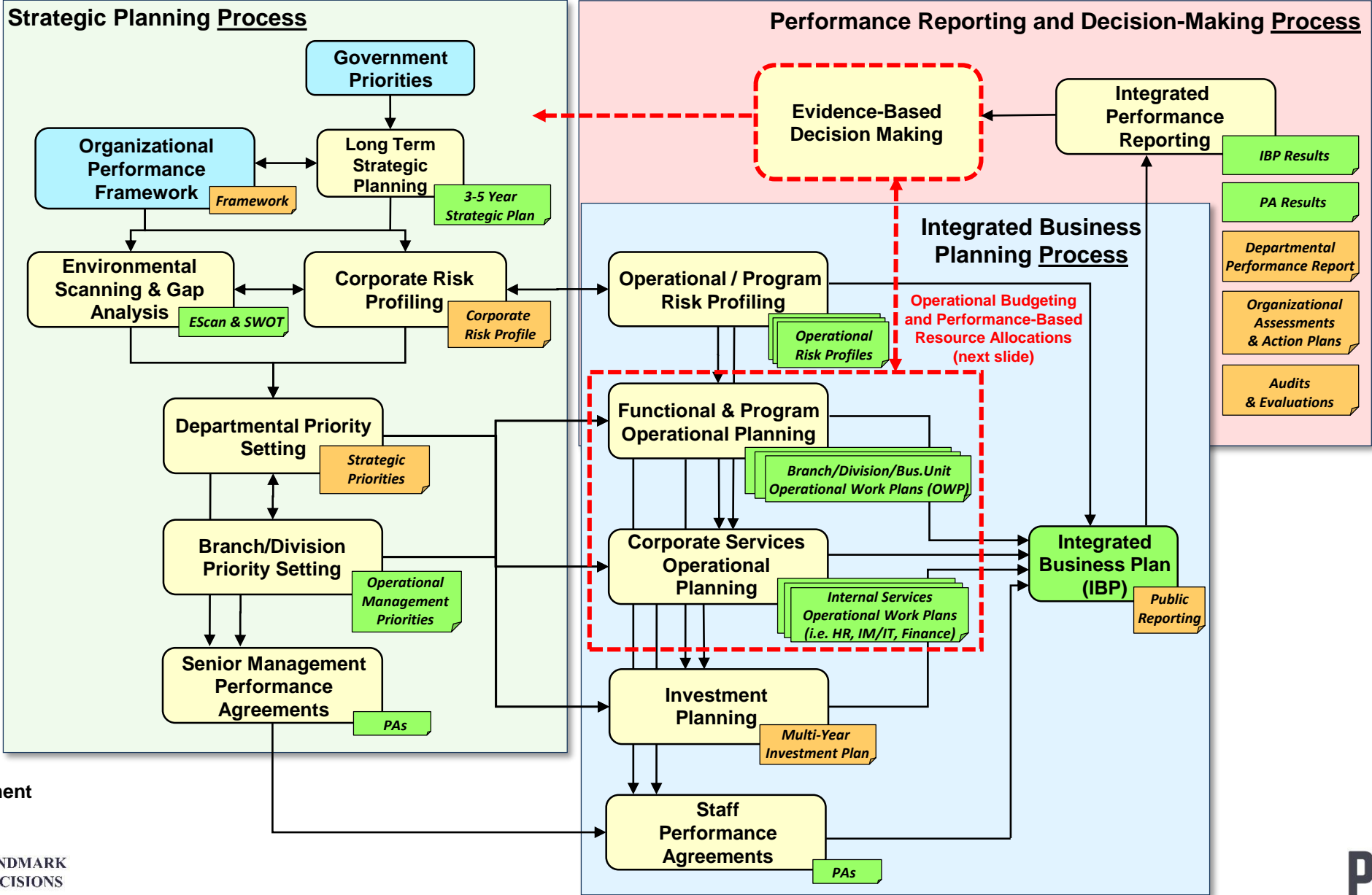
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Working towards **performance budgeting**

HUGE!!!

Source: TBS Presentation at PPX 2018 Symposium (May 2018)

Planning, Reporting and Decision-Making Processes

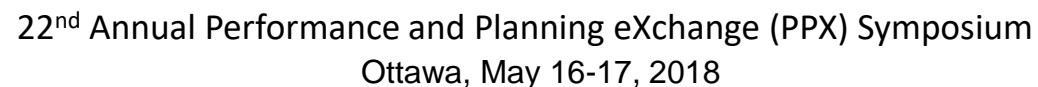


“Evidence-Based Decision-Making for Resource Alignment”

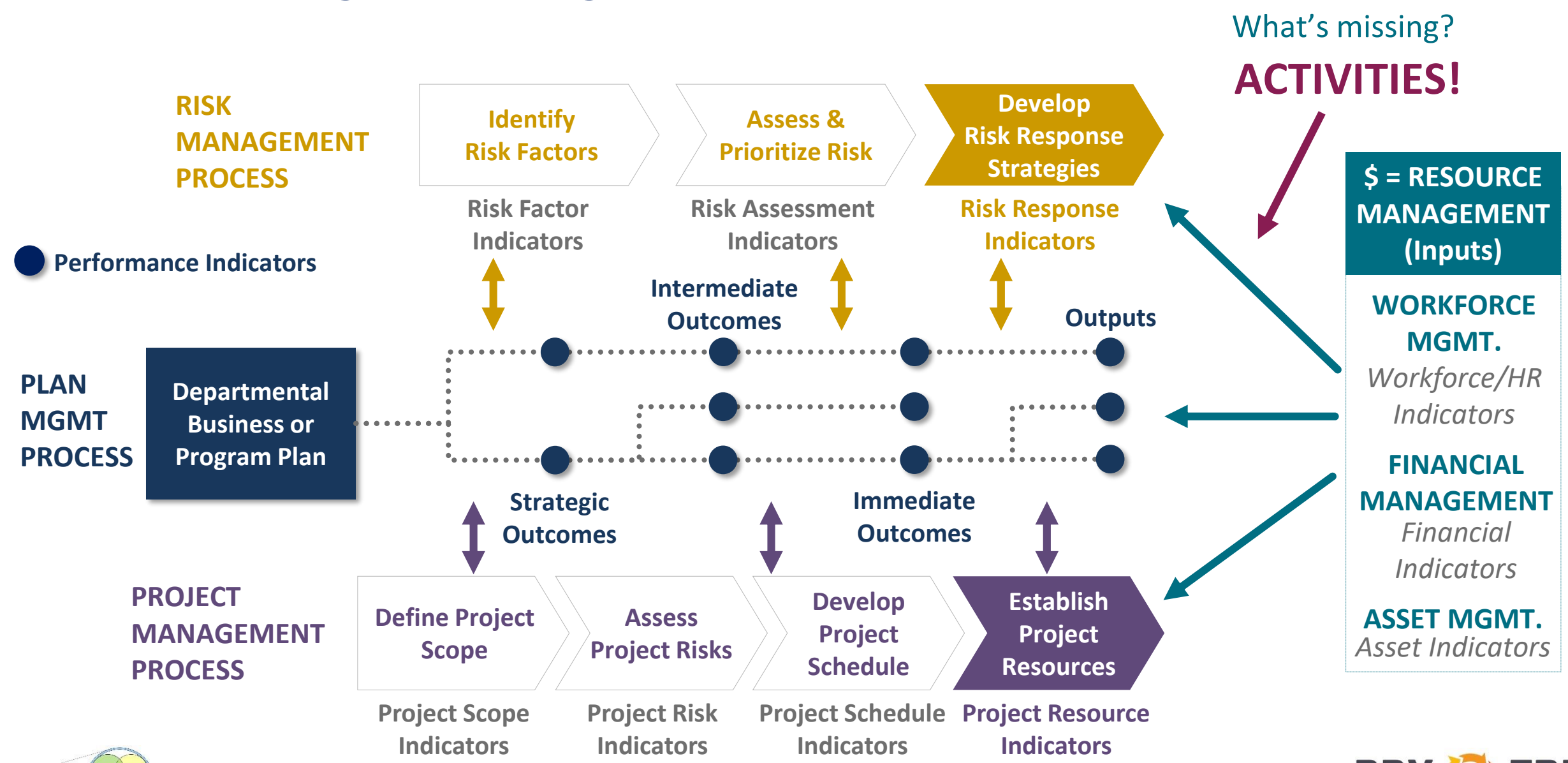


Financial and Operational Planning and Budgeting Tool

Decision Points

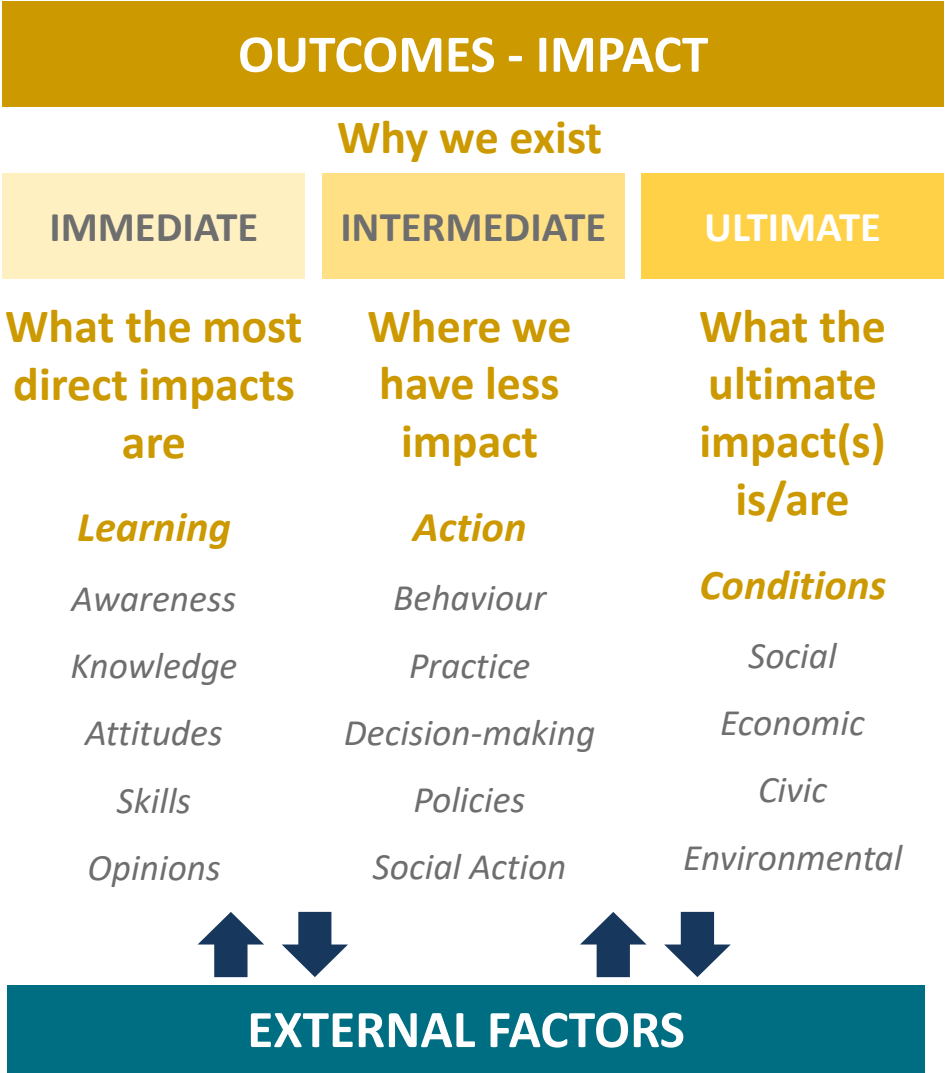
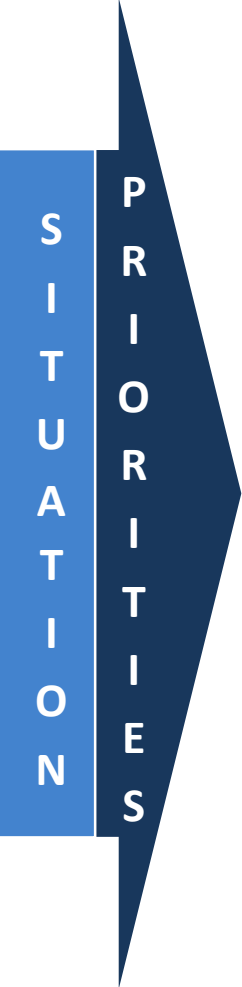


Resource Management Alignment



Logic Models Help Chart the Course

Modified from: University of Wisconsin-Extension - Enhancing Program Performance with Logic Models, p.23.(2003)



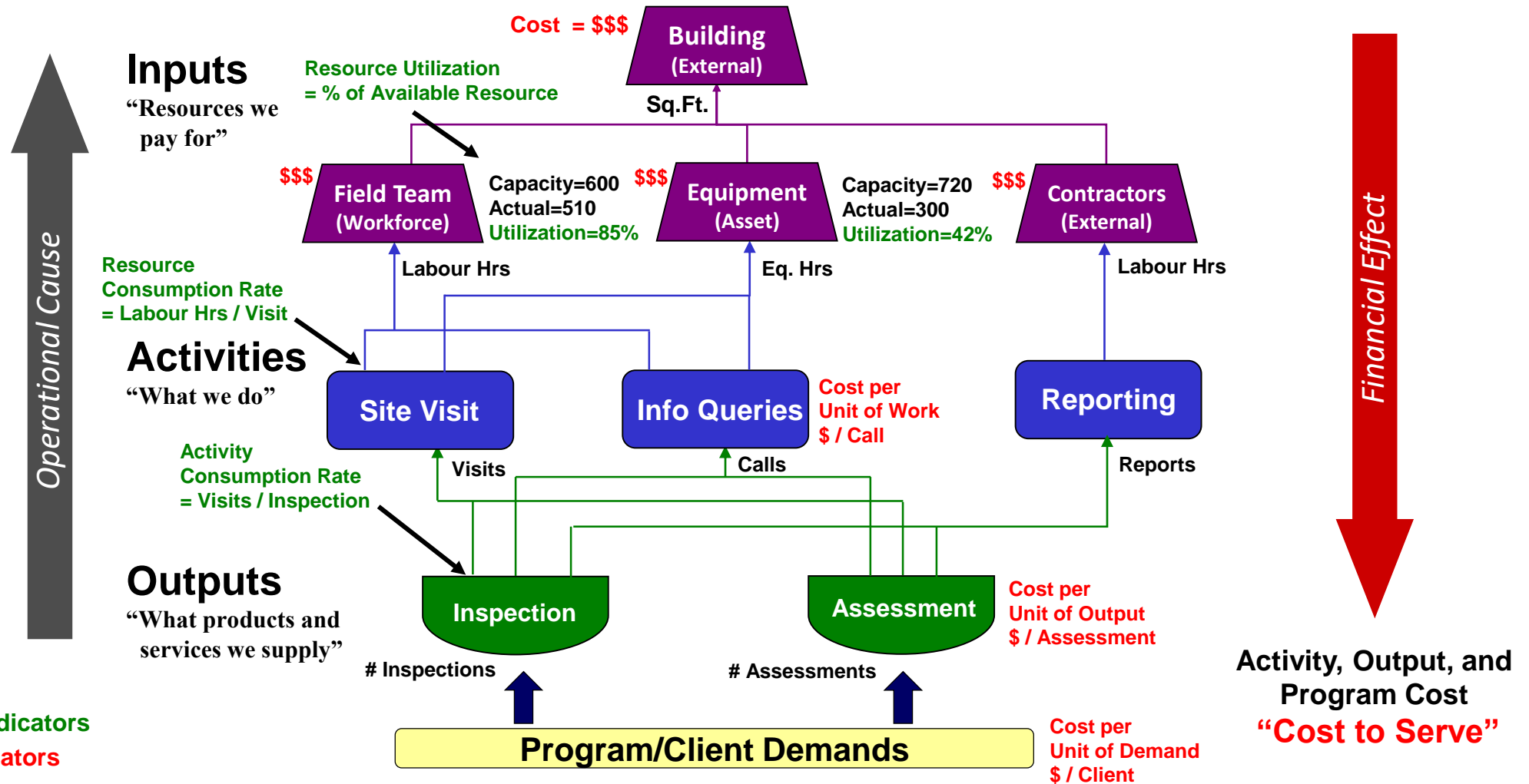
BUSINESS PROCESS MAPPING (BPM)

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Ottawa, May 16-17, 2018



Activity-Based Planning (ABP)

via Business Process Mapping



Performance Indicators

- Operational Efficiency Indicators
- Financial Efficiency Indicators

Activity, Output, and
Program Cost
“Cost to Serve”

Why Measure Resource Utilization?

What is the assessment of resource utilization?

- An assessment of resource utilization generally involves asking questions like:
 - What resources are being used by the program?
 - How well are resources being used by the program?
 - Were resources optimized to achieve results?
 - Did the program have enough resources?
 - Could the program have used fewer resources?
 - Can the resources being put into this program be used differently?

SOURCE: Addressing Resource Utilization in Evaluations of Federal Programming: Advancing the Dialogue, Theory and Practice – TBS Centre of Excellence for Evaluation - Canadian Evaluation Society Annual Conference – Halifax (2012)



Benefits of Business Process Modeling for ABP

OPERATIONS MANAGEMENT

- *Resource Allocations & Work Planning*
- *Capacity Analysis*
- *Efficiency Indicators*

CLIENT MANAGEMENT

- *Service Standards*
- *Cost to Serve / Cost Recovery*
- *User Fee Pricing Strategies*

BUSINESS
PROCESS
MODEL

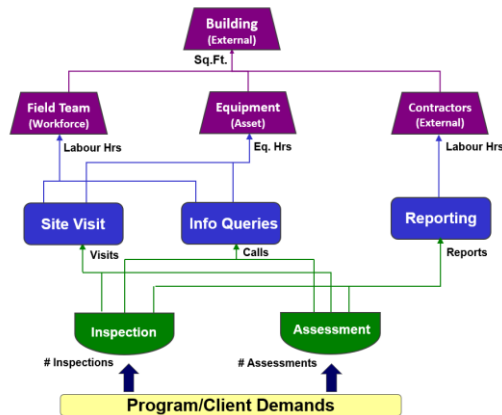


FINANCIAL MANAGEMENT

- *Planning & Budgeting*
- *Transfer Pricing*
- *“Value for Money”*

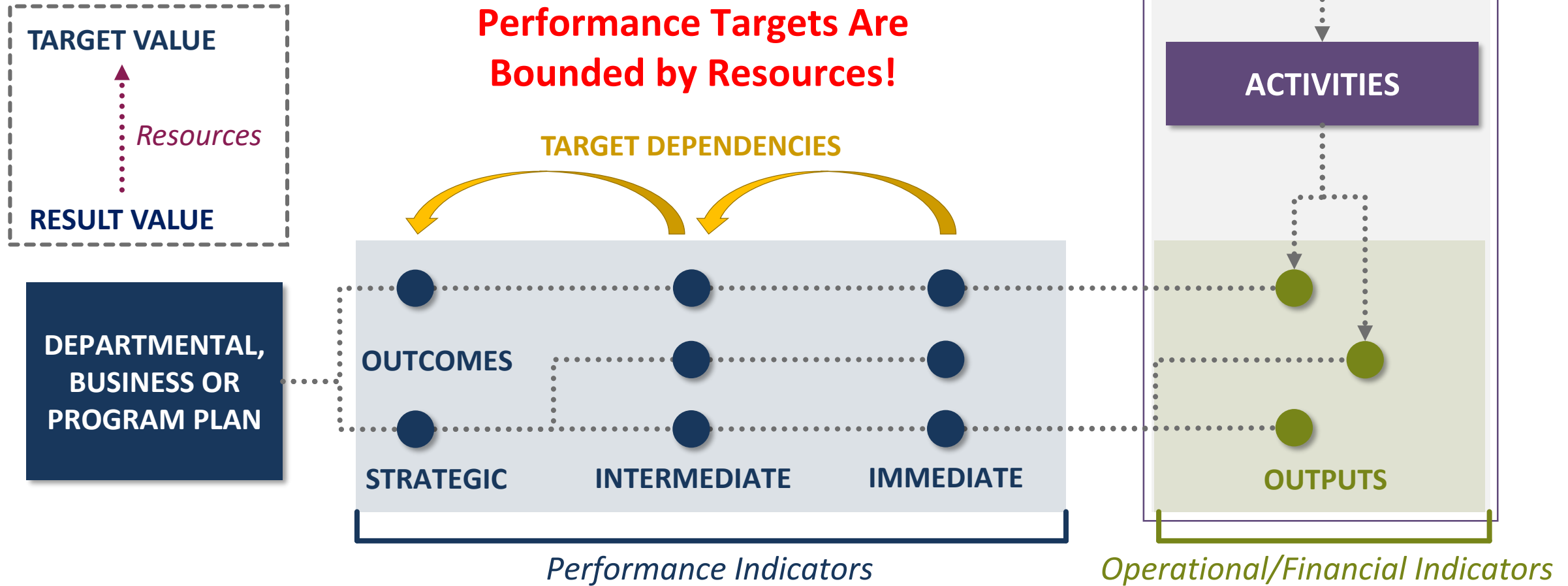
STRATEGIC MANAGEMENT

- *Shared Services*
- *Program Rationalization*
- *Scenario Playing – “What-if”*



Linking Activity-Based Planning and Performance

Understanding Resource Consumption is the Key to Performance Budgeting!

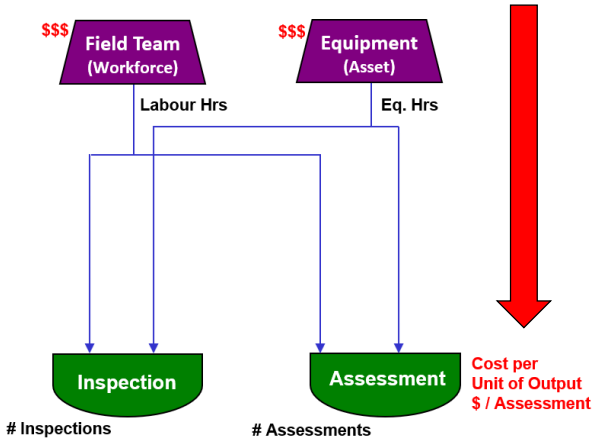


Integrated Business Planning

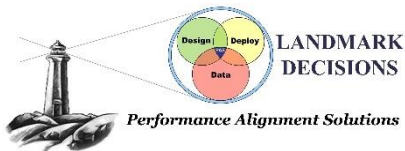
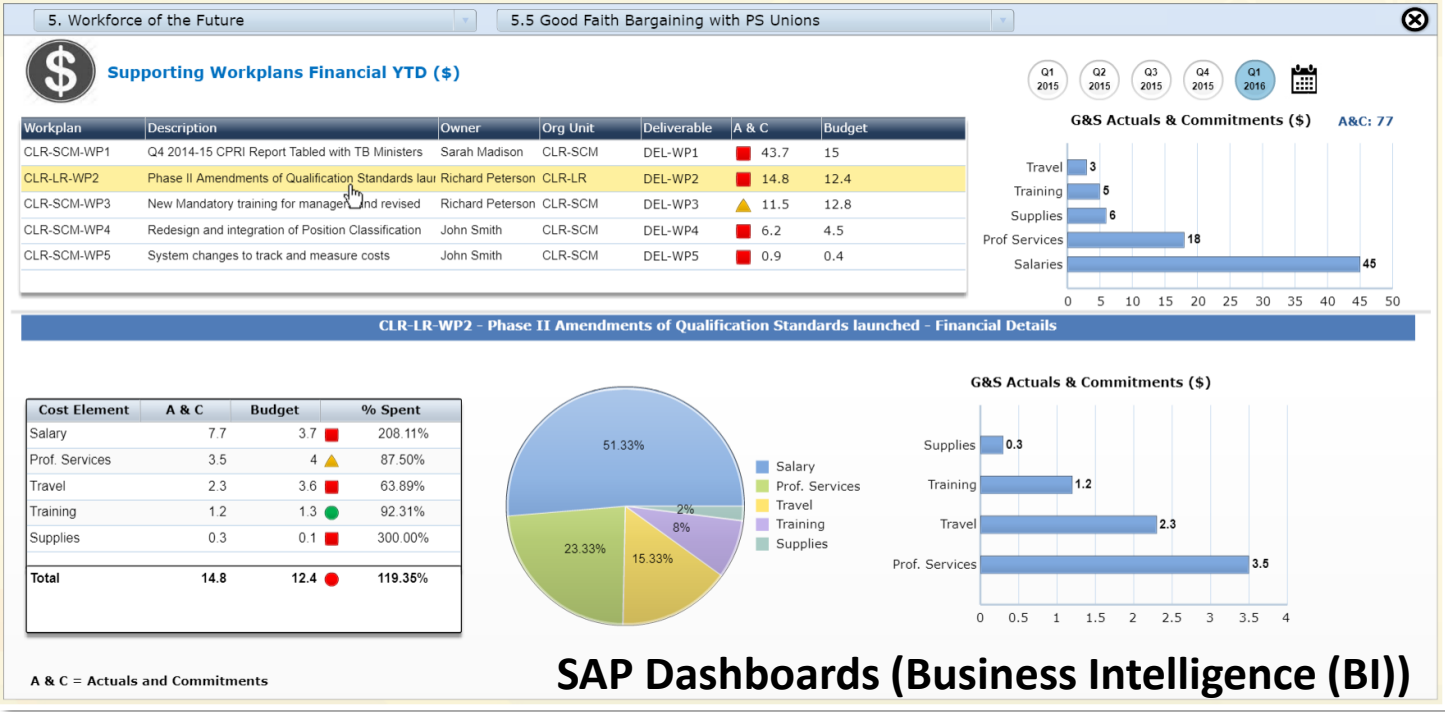
TBS-OCHRO (Proof of Concept – POC)

via SAP Technology

| | | | | | | |
|------------------|--|-------------------------------------|---|-----------------|---------------|----------------------|
| Fund Center | 272241 | | | | | |
| Version | WP Draft - Pre Approval | | | | | |
| Time Period | FY 2016-17 Q1 | | | | | |
| | | Based on TBS Risk Taxonomy | | | | |
| Sector Workplans | | Corporate Risk | Operational Risks Assessment / Response | | | |
| Workplan ID | WorkPlan Description | Corporate Risk Influence | Risk Category | Risk Assessment | Risk Response | Risk Response Status |
| CLR-SCM-WP1 | Q4 2014-15 CPRI Report Tabled with TB Ministers | N/A | Legal | Low | | |
| CLR-LR-WP2 | Phase II Amendments of Qualifiction Standards launched | CR3: High-Performing Public Service | Legal | Medium | | |
| CLR-SCM-WP3 | New Mandatory training for managers | CR3: High-Performing Public Service | Stakeholder and Partnerships | High | | |
| CLR-SCM-WP4 | Redesign and integration of Position Classification | N/A | HR Management | Medium | | |
| CLR-SCM-WP5 | System changes to track and measure costs | N/A | IM/IT | Low | | |



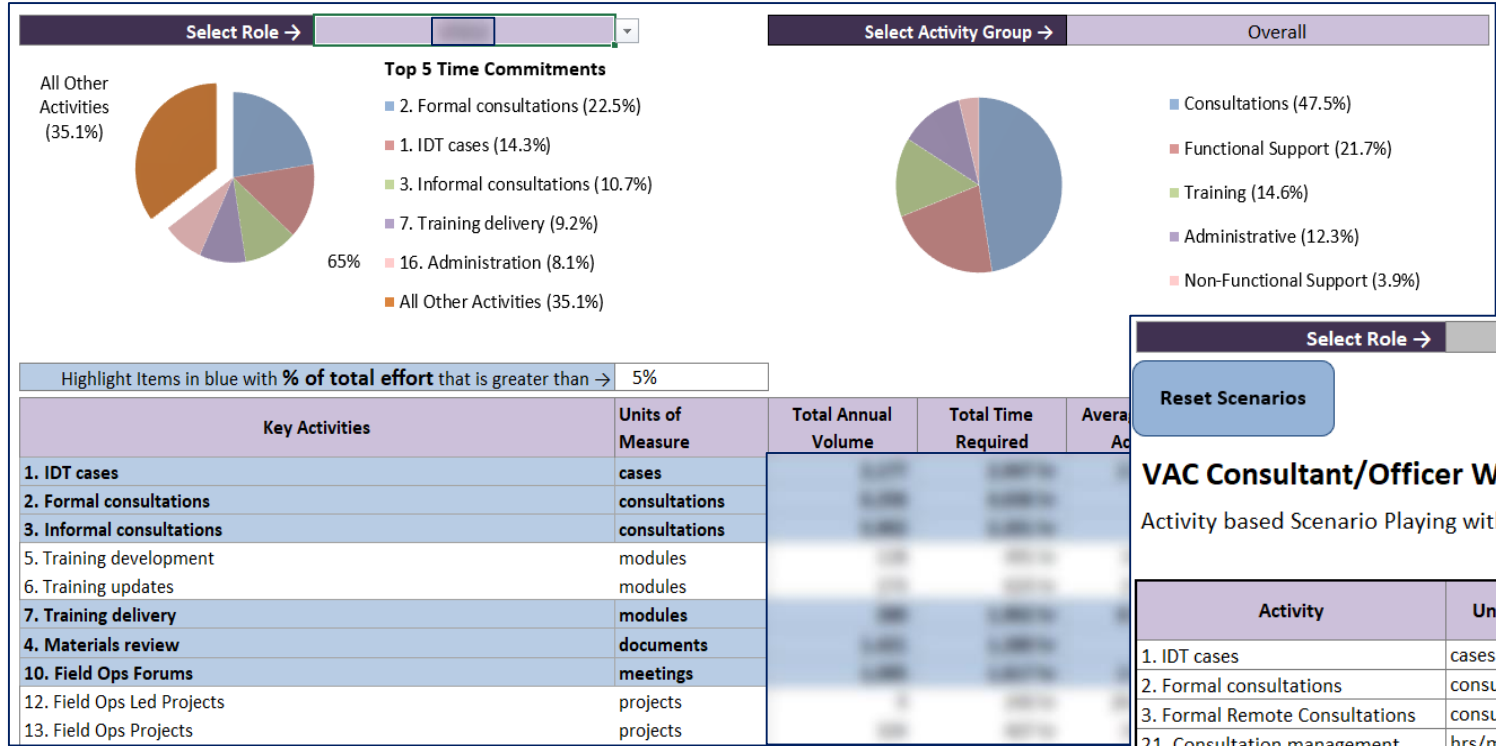
SAP Business Planning and Consolidation (BPC)



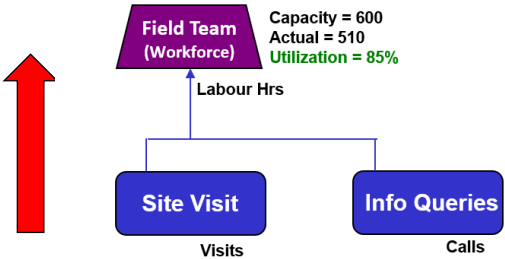
Workload Planning

Veterans Affairs Canada (Production)

via Excel-based Analysis and Planning Technology



Workload Analysis by Role



Workload Planning (Scenario Playing)

Select Role →

Reset Scenarios

VAC Consultant/Officer Workload Analysis

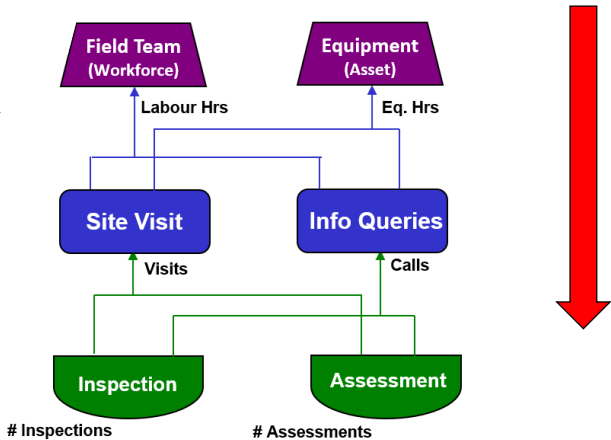
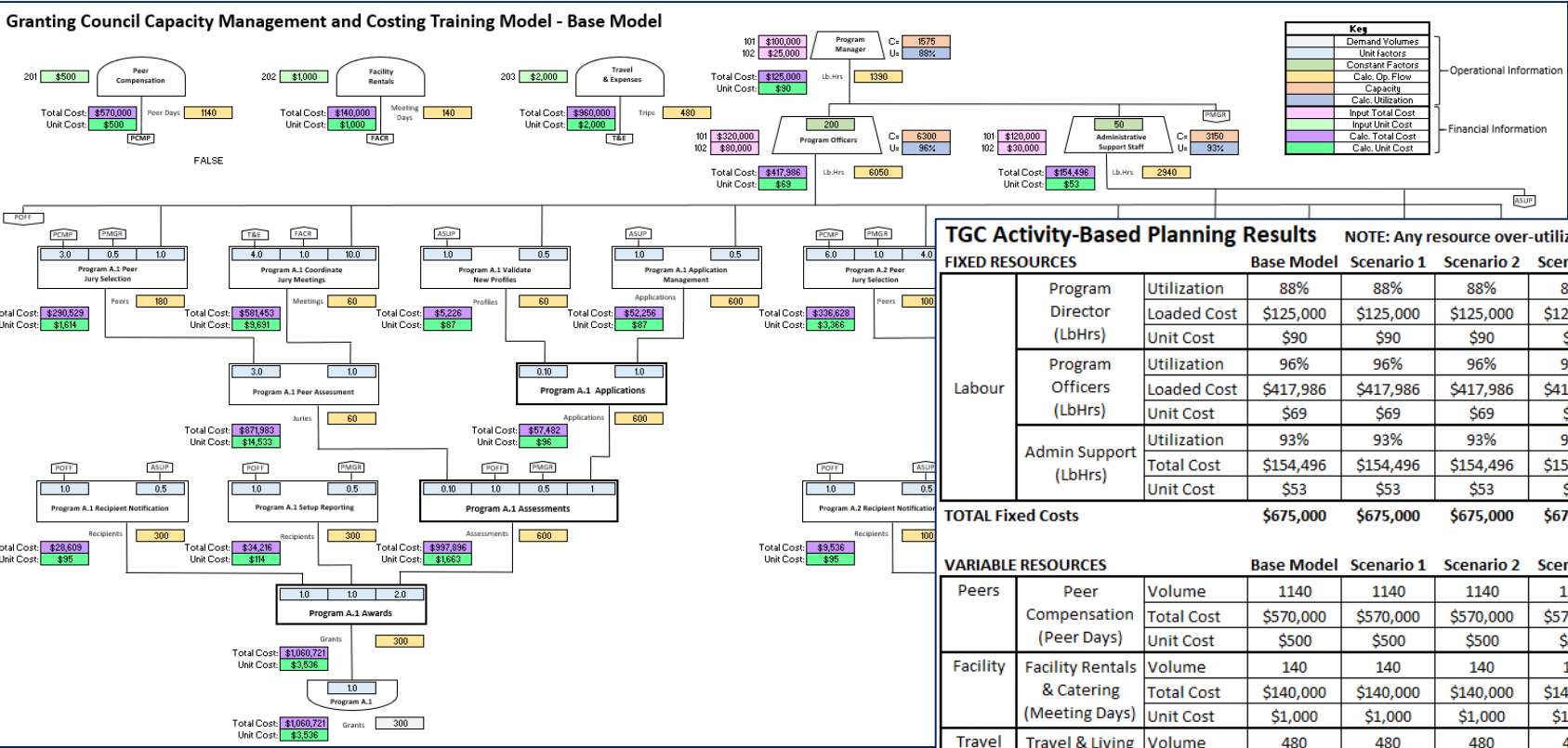
Activity based Scenario Playing with Role - based on December 2017 Data Collection Exercise

| Activity | Unit of Measure | Dec 2017 Base Case | | | | Scenario 1 | | | |
|----------------------------------|-----------------|--------------------|-----------|------------|---------------|---------------|-----------|------------|---------------|
| | | Annual Volume | Unit Time | Total Time | FTEs Required | Annual Volume | Unit Time | Total Time | FTEs Required |
| 1. IDT cases | cases | | | | | | | | |
| 2. Formal consultations | consultations | | | | | | | | |
| 3. Formal Remote Consultations | consultations | | | | | | | | |
| 21. Consultation management | hrs/month | | | | | | | | |
| 4. Informal consultations | consultations | | | | | | | | |
| 5. Informal Remote Consultations | consultations | | | | | | | | |
| 6. SDAT/Written responses | responses | | | | | | | | |
| 7. General inquiries | inquiries | | | | | | | | |
| 8. Training development | modules | | | | | | | | |
| 9. Training updates | modules | | | | | | | | |
| 10. Training delivery | modules | | | | | | | | |
| 15. Field Ops Projects | projects | | | | | | | | |

Operational Planning & Costing

Canada Council for the Arts (Training Demo)

via Excel-based Modeling Technology



TGC Activity-Based Planning Results NOTE: Any resource over-utilization (>100% shown in red) will result in incorrect financial values so are not shown

| FIXED RESOURCES | | Base Model | Scenario 1 | Scenario 2 | Scenario 3 |
|-----------------------|--|-----------------------|-------------|-------------|-------------|
| Labour | Program Director (LbHrs) | Utilization 88% | 88% | 88% | 88% |
| | | Loaded Cost \$125,000 | \$125,000 | \$125,000 | \$125,000 |
| | | Unit Cost \$90 | \$90 | \$90 | \$90 |
| | Program Officers (LbHrs) | Utilization 96% | 96% | 96% | 96% |
| | | Loaded Cost \$417,986 | \$417,986 | \$417,986 | \$417,986 |
| | | Unit Cost \$69 | \$69 | \$69 | \$69 |
| Admin Support (LbHrs) | | Utilization 93% | 93% | 93% | 93% |
| | | Total Cost \$154,496 | \$154,496 | \$154,496 | \$154,496 |
| TOTAL Fixed Costs | | \$675,000 | \$675,000 | \$675,000 | \$675,000 |
| VARIABLE RESOURCES | | Base Model | Scenario 1 | Scenario 2 | Scenario 3 |
| Peers | Peer Compensation (Peer Days) | Volume 1140 | 1140 | 1140 | 1140 |
| | | Total Cost \$570,000 | \$570,000 | \$570,000 | \$570,000 |
| | | Unit Cost \$500 | \$500 | \$500 | \$500 |
| Facility | Facility Rentals & Catering (Meeting Days) | Volume 140 | 140 | 140 | 140 |
| | | Total Cost \$140,000 | \$140,000 | \$140,000 | \$140,000 |
| | | Unit Cost \$1,000 | \$1,000 | \$1,000 | \$1,000 |
| Travel | Travel & Living Expenses (Trips) | Volume 480 | 480 | 480 | 480 |
| | | Total Cost \$960,000 | \$960,000 | \$960,000 | \$960,000 |
| TOTAL Variable Costs | | \$1,670,000 | \$1,670,000 | \$1,670,000 | \$1,670,000 |
| TOTAL Resource Costs | | \$2,345,000 | \$2,345,000 | \$2,345,000 | \$2,345,000 |

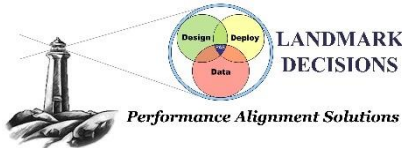
| BASE ACTIVITIES | | Base Model | Scenario 1 | Scenario 2 | Scenario 3 |
|-----------------|---------------------------------------|----------------------|------------|------------|------------|
| Program A.1 | Peer Jury Selection (Peers) | Volume 180 | 180 | 180 | 180 |
| | | Total Cost \$290,529 | \$290,529 | \$290,529 | \$290,529 |
| | | Unit Cost \$1,614 | \$1,614 | \$1,614 | \$1,614 |
| | Coordinate Jury Meetings (Meetings) | Volume 60 | 60 | 60 | 60 |
| | | Total Cost \$581,453 | \$581,453 | \$581,453 | \$581,453 |
| | | Unit Cost \$9,691 | \$9,691 | \$9,691 | \$9,691 |
| | Validate New Profiles (Profiles) | Volume 60 | 60 | 60 | 60 |
| | | Total Cost \$5,226 | \$5,226 | \$5,226 | \$5,226 |
| | | Unit Cost \$87 | \$87 | \$87 | \$87 |
| | Application Management (Applications) | Volume 600 | 600 | 600 | 600 |
| | | Total Cost \$52,256 | \$52,256 | \$52,256 | \$52,256 |
| | | Unit Cost \$87 | \$87 | \$87 | \$87 |
| Program A.2 | Peer Assessment (Juries) | Volume 60 | 60 | 60 | 60 |
| | | Total Cost \$871,983 | \$871,983 | \$871,983 | \$871,983 |
| | | Unit Cost \$14,533 | \$14,533 | \$14,533 | \$14,533 |
| | Recipient Notification (Recipients) | Volume 300 | 300 | 300 | 300 |
| | | Total Cost \$28,609 | \$28,609 | \$28,609 | \$28,609 |
| | | Unit Cost \$95 | \$95 | \$95 | \$95 |
| | Setup Reporting (Recipients) | Volume 300 | 300 | 300 | 300 |
| | | Total Cost \$34,216 | \$34,216 | \$34,216 | \$34,216 |
| | | Unit Cost \$114 | \$114 | \$114 | \$114 |
| | Peer Jury Selection (Peers) | Volume 100 | 100 | 100 | 100 |
| | | Total Cost \$336,628 | \$336,628 | \$336,628 | \$336,628 |
| | | Unit Cost \$3,366 | \$3,366 | \$3,366 | \$3,366 |

Business Process Modeling/Visualization

Operational and Financial Reporting and Analysis

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Ottawa, May 16-17, 2018

Slide 16



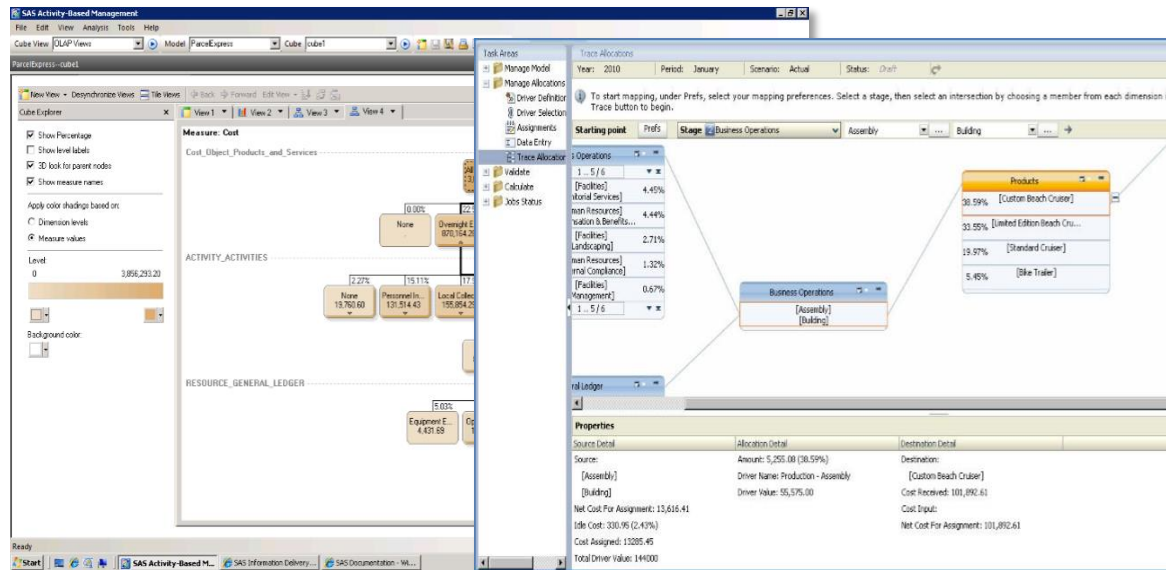
Technology Enablement – Value Proposition

- Ad-hoc paper-based studies are dated the moment they are completed and are too easily “forgotten.”
- Drives discussions and consensus on operational definitions and terminology. Forces the standardization of meta-data and data collection strategies.
- Makes performance “Real & Engaging” for all levels of personnel by putting planning and reporting into the hands of “the masses” (particularly the more technology-minded employees (aka Millennials!).

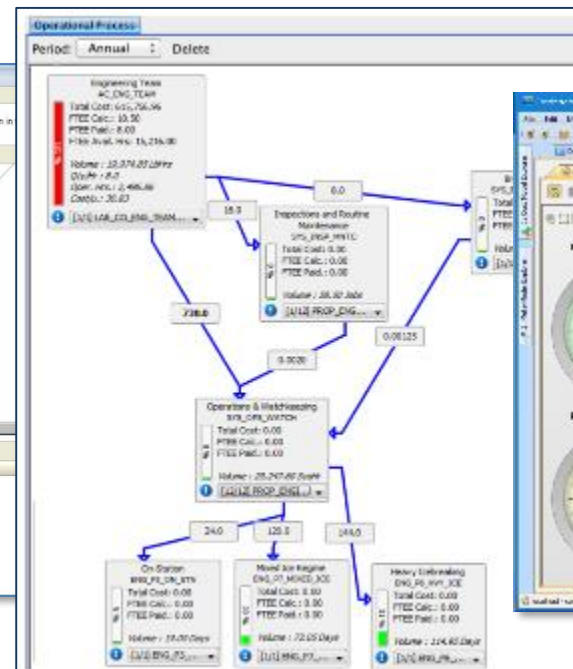
Lots of Options!

- Large SW Vendors (Oracle, SAP, SAS)
- Niche SW Vendors (Cost Perform, Decimal, Ignite, myABCM, Prodacapo)

SAS Cost and Profitability Management



Decimal® Suite - Modeler



QPR CostControl BV® - CostPerform



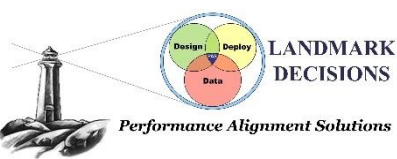
Oracle-Hyperion Profitability and Cost Management (HPCM)

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Benefits of a More Operational Approach to Planning & Budgeting

The benefits of the demonstrated approach can be summarized in terms of overcoming some of the existing known issues of a purely traditional approach in the public sector

| Issues with traditional approaches | Benefits of the ABP approach |
|---|--|
| “Top down” approach to hit an annual target | “Bottom up” approach to balance operational requirements and provide more flexible in-year resource management |
| Perceived “gaming” of forecasts | The use of an observable model reduces disagreement on operational forecast metrics. Financial detail follows the operational results. |
| Lack of alignment and buy-in from all areas of organizational management | All managers are involved on an on-going basis. The clear relationships between inputs and outputs increases understanding and ultimately buy-in |
| Too detailed / time consuming | Detail only required in key operational areas. Time spent on forward-looking Planning rather than microscopic Budgeting. |
| “Excel Hell” - often significantly out of date before half-way through the budget cycle | Easier to keep budgets and forecasts up to date with business models and scenario playing |



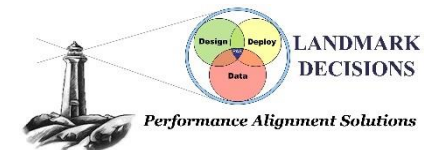
Questions & Answers?

Thank – You !

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