

Human Resources Management - Shared Services

MPA Society, St. James Community Service Society,
RainCity Housing and Support Society

23 November 2012

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1. Executive summary

The MPA Society (MPA), RainCity Housing and Support Society (RCH), and St. James Community Service Society (SJCSS) face an increasingly competitive environment where how they do business is just as likely to differentiate the agencies in the eyes of funders and the public as the services they provide. The not-for-profit sector in British Columbia's Lower Mainland has an increasing number of organizations chasing a shrinking number of contracts, which has increased funders' demands on organizational performance and capacity. At the same time the MPA, RCH, and SJCSS are experiencing high levels of growth, putting pressure on their administrative "back-office" services and challenging the way they do business. This has led to pressure on these agencies to:

- ▶ Improve operational efficiency;
- ▶ Increase the quality of measurable outcomes;
- ▶ Address growth and operational complexity;
- ▶ Address challenges in attracting, developing, engaging, and retaining a qualified workforce; and to
- ▶ Improve cost effectiveness.

This business case presents a proposed operating structure and implementation proposal for the development of a Shared Services Organization (SSO) - controlled by the MPA, RCH, and SJCSS - to address these growing pressures. However, rather than looking to create direct cost savings, the proposed SSO looks to create organizational capacity, operational efficiencies, and improved service quality by:

- ▶ Pooling resources and eliminating duplication;
- ▶ Allowing for specialization and standardization to make more effective use of resources;
- ▶ Allowing for strategic investments in staff and technology (i.e., pooled / shared investments); and
- ▶ Standardizing policies & processes and clearly defining roles & responsibilities (i.e., reducing transactional work completed by Program Managers, Directors, and Executive Directors).

Background

Individually the MPA, RCH, and SJCSS do not have the resources, financial or otherwise, to address these growing pressures. The three agencies have come together to explore the feasibility of strategically addressing these pressures by pooling their administrative "back-office" services in a Shared Services Organization (SSO), starting with Human Resources Management (HRM). Although the long-term vision is to include all "back-office" services in the SSO, HRM was chosen as the "pilot" service to prove the concept due to:

- ▶ Financial support being available for the planning and analysis of a HRM SSO;
- ▶ HRM being core to each agency's purpose of delivering high quality and efficient services to clients; and
- ▶ Recent growth causing the MPA, RCH, and SJCSS to outgrow their HRM capacity resulting in an overly "transactional" service that lacks "strategic" leadership and direction.

The three agencies commissioned two reports focused on a HRM SSO (a 2010 “Concept Outline” and a 2011 “Feasibility Study”). These reports were jointly submitted to the agencies’ Board of Directors along with six operating criteria and conditions to be met in order for a SSO to be successful:

1. Increase the effectiveness of the three agencies “back-office” functions, with a view of becoming employers of choice within Vancouver’s not-for-profit sector;
2. Create capacity across the three agencies, allowing them to meet both their transactional and strategic back-office needs;
3. Be able to accommodate services beyond HRM (i.e., Finance, IT, etc.);
4. Be able to accommodate the provision of services to agencies in addition to the MPA, RCH, and SJCSS (i.e., other not-for-profit societies);
5. Support the continued development of each agency as unique, high-quality, and professionally managed; and
6. Operate in a way that maintains each agency’s legal and financial independence, and business confidentiality.

Current state of HRM

The MPA, RCH, and SJCSS each maintains its own HRM services, which in this case includes Human Resources, Payroll, and Scheduling. The three agencies have been successful at managing HRM with a limited number of resources; however, with increases to the number of programs, clients, and employees the agencies have outgrown their HRM capacity resulting in a “transactional” rather than “strategic” focus. As a result they are each experiencing, to a greater or lesser degree, the following HRM issues:

- ▶ Lack of standardized policies and processes;
- ▶ Large numbers of transactional / administrative and paper-based / manual processes;
- ▶ Sub-optimal performance metrics (i.e., turnover);
- ▶ Large time investments required by Program Managers, Directors, and Executive Directors;
- ▶ Lack of strategic direction / initiatives; and
- ▶ Low investment relative to growth.

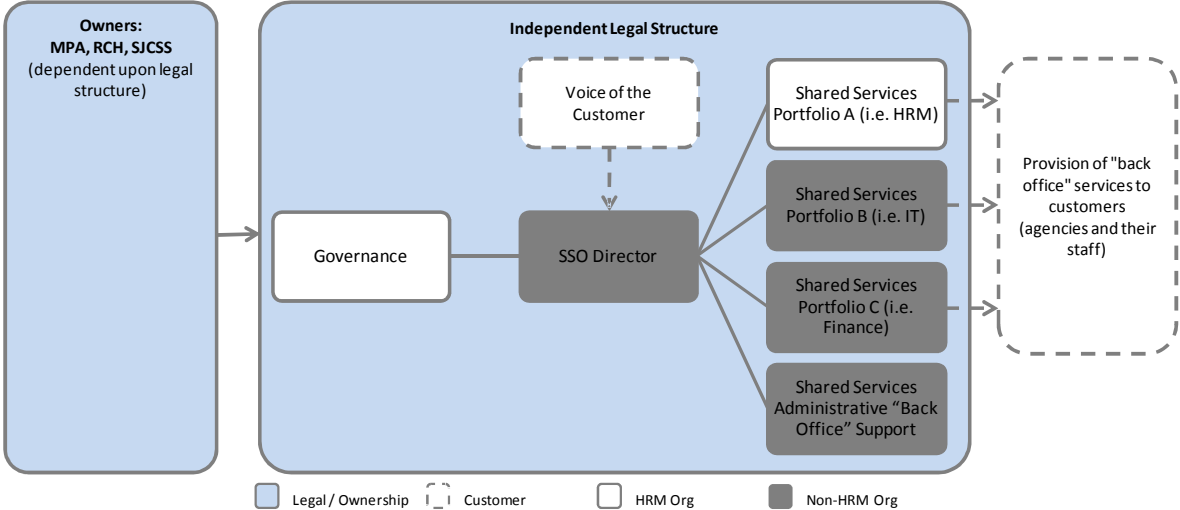
In order to facilitate continued growth the MPA, RCH, and SJCSS have identified the need to develop a strategic HRM capacity, with the goal of becoming employers of choice in Vancouver’s not-for-profit sector. This capacity would allow for initiatives such as:

- ▶ Policy & process development (i.e., diversity initiatives);
- ▶ Talent identification, attraction, and retention policies;
- ▶ Leadership and employee succession planning;
- ▶ Skill development and training programs;
- ▶ Performance measurement and tracking (i.e., HRM Balanced Scorecard);
- ▶ Strategic systems and solutions; and,
- ▶ Performance outcome improvement (i.e., sick days, turnover, and overtime).

Implementation proposal

In designing an organizational structure that addresses these growing pressures and desired future state a number of alternatives were considered (i.e., status quo, additional investment, outsourcing, etc.). However, it was found that a SSO provided the best ratio of cost, benefit, and risk while also meeting the conditions and criteria set forth by the three agencies. These conditions and criteria were used in conjunction with stakeholder interviews, detailed data requests, leading industry practices, and EY’s experience on projects with a similar size and scope to inform Figure 1, the proposed Future State SSO.

Figure 1: Future state SSO (concept)



Although the agencies’ long-term vision is to include all back-office services in the SSO (as depicted in Figure 1), HRM was chosen as the pilot service to prove the concept. The HRM components of Figure 1 are highlighted in white. Rather than creating direct cost savings, moving to a HRM SSO will create organizational capacity, operational efficiencies, and improved service quality. These benefits will be delivered through four key project initiatives:

- Project 1 - Human resource integration (Phase 2 - 3):** This project is focused on pooling Human Resources employees and integrating Human Resources policies and processes across the three agencies (i.e., recruiting, employee orientation, training & development, health & safety, and labour relations). As these policies and processes are integrated, and the three agencies begin to measure and track the same or similar outcomes, there will be an opportunity to transition away from existing manual / paper based processes and take greater advantage of IT systems. Benefits to be provided include:
- ▶ Improved performance outcomes (i.e., turnover rate);
 - ▶ Reduced administrative workload on Program Managers and Directors (i.e., screening resumes);
 - ▶ Reduced transactional workload (i.e., number of job postings); and
 - ▶ Increased opportunity for employee specialization allowing for a more effective use of resources.

Project 2 - Payroll consolidation (Phase 3): This project looks to consolidate the three agencies' Payroll services, standardize policies and processes, and implement a unified Payroll system that meets the agencies' functional requirements. Benefits to be provided include:

- ▶ Increased capacity (i.e., best practice processes and refined system implementation); and
- ▶ Improved performance reliability.

Project 3 - Scheduling consolidation (Phase 3): This project looks to consolidate the three agencies' Scheduling services, standardize policies and processes, and implement a unified Scheduling system that meets the agencies' functional requirements. Benefits to be provided include:

- ▶ Reduced transactional workload (i.e., consolidation of casual employees);
- ▶ Increased capacity (i.e., addition of scheduling system); and
- ▶ Improved performance outcomes (i.e., best practice policies and processes).

Project 4 - HRM strategy (Phase 3 - 4): This project focuses on leveraging the capacity created in Projects 1 - 3 to address some of the longer-term strategic issues identified by the three agencies (i.e., diversity planning).

Each of these projects will require detailed planning and prioritization throughout the proposed design phase. The proposed implementation timeframe is 24 months with key checkpoints between project phases. This timeframe is an estimate based on EY's assessment of agency readiness, capacity, competing priorities, and ability to manage change. The proposed 24 months will set a pace that is reasonable, and has been developed to deliver benefits over four project phases:

- ▶ Phase 1: Status quo
- ▶ Phase 2: Design
- ▶ Phase 3: Transition
- ▶ Phase 4: Ongoing operations

Risk assessment

Drawing on lessons learned from other projects of similar size and scope, eight high level risks have been identified in Figure 2.

Figure 2: Project risk assessment

Project risk assessment	Probability	Impact	General mitigation strategy
Risk 1 - Resistance to change	High	High	Communications & change management
Risk 2 - Ineffective collaboration	Medium	High	Project & organizational governance
Risk 3 - Ineffective performance	Medium	Medium	Phased implementation and measurement & tracking
Risk 4 - Project investment (cost)	Low	Medium	Detailed design and Project Steering Committee prioritization
Risk 5 - Loss of independence	Low	Medium	Project & organizational governance, and change management
Risk 6 - Inappropriate legal structure	Low	High	Detailed design and Project Steering Committee prioritization
Risk 7 - Timeframe not sufficient	Low	Medium	A 24 month phased implementation with key go/no-go checkpoints
Risk 8 - Union Management Issues	Medium	Medium	Robust Union engagement

Costs to implementation

The estimated costs to implementation include the following:

- ▶ **Project Manager:** Annual salary of \$100,000 to \$150,000. This salary range is an estimate based on knowledge of prevailing market costs in the private as well as public and not-for-profit sectors. It is currently envisioned, given the nature and size of the agencies, that the Project Manager would drive detailed planning and implementation of the project's four phases; and provide experienced and strategic shared services and HRM leadership for the term of the project. However, additional resources may be required depending on the desired speed to implementation, the ability to leverage existing technologies, and the experience of resources available. Such additional resources may include change management and information technology specialists.
- ▶ **Standardization of payroll systems:** Depending on the functionality required, one of the agencies' existing systems could be leveraged to reduce and eliminate cost (i.e., ACCPAC or Comvida). Cost estimates for alternate / customized systems would be developed in the Information Technology Roadmap workstream (Phase 1 - 2).
- ▶ **Standardization of scheduling systems:** Depending on the approach taken to Scheduling (i.e., centralized, decentralized, or mixed), one of the agencies' existing systems could be leveraged to reduce and eliminate cost (i.e., Comvida or RCH's customized system). Cost estimates for alternate / customized systems would be developed in the Information Technology Roadmap workstream (Phase 1 - 2).

Recommended next steps

While the project described in this business case is a challenging one, taking place over 24 months with multiple phases, it is believed that the benefits to each organization outweigh the costs. Therefore, this business case supports the creation of a HRM SSO, and recommends that the MPA, RCH, and SJCSS proceed with Phase 1 of the implementation proposal. The immediate next steps that can be taken are:

1. Decision to proceed with business case by the MPA, RCH, and SJCSS;
2. Gain approval / support of each agency's respective Board of Directors;
3. Secure funding for Phase 1 implementation;
4. Initial communications to employees and key stakeholders;
5. Establish project steering committee; and
6. Recruit Project Manager.

2. Background

Like many not-for-profit organizations in British Columbia the MPA Society (MPA), RainCity Housing and Support Society (RCH), and St. James Community Service Society (SJCSS) are facing growing pressure to:

- ▶ Improve operational efficiency;
- ▶ Increase the quality of measurable outcomes;
- ▶ Address growth and operational complexity;
- ▶ Address challenges in attracting, developing, engaging, and retaining a qualified workforce; and to
- ▶ Improve cost effectiveness.

Individually, the MPA, RCH, and SJCSS do not have the resources, financial or otherwise, necessary to address each of these pressures while continuing to grow. Compounding this issue are funding restrictions, which limit the three agencies ability to invest in administrative “back-office” services (i.e., Human Resources, Information Technology, Finance, Purchasing, Property Management, etc.). To strategically address these issues the MPA, RCH, and SJCSS have come together to explore the feasibility of pooling their administrative “back-office” resources in a Shared Services Organization (SSO), starting with Human Resource Management (HRM).

In this case a SSO refers to the consolidation of services, such as administrative “back-office” services, that were previously conducted throughout an organization(s) in a decentralized fashion. A SSO typically centralizes these services and effectively becomes a service provider, with funding and resourcing being shared by the organization(s). This consolidation is meant to have two effects: 1) pooling of resources allowing for the elimination of duplication and freeing of capacity; and 2) allowing for specialisation and standardisation to make more effective use of resources.

HRM was chosen as the ‘pilot’ back-office service to prove the SSO concept within the three agencies due to:

- ▶ Financial support being available for the planning and analysis of a HRM SSO;
- ▶ HRM being core to each agency’s purpose of delivering high quality and efficient services to clients; and
- ▶ Recent growth causing the MPA, RCH, and SJCSS to outgrow their HRM capacity resulting in an overly “transactional” service that lacks “strategic” leadership and direction.

To assess the possibility of pooling their resources in a SSO the three agencies commissioned two reports (a 2010 "Concept Outline" and a 2011 "Feasibility Study"). These reports were jointly submitted to the agencies' Board of Directors along with the following rationale for pursuing a SSO:

- ▶ **Differentiation & strategic leadership:** "We all face a more competitive environment where how we do business is more likely to differentiate us in the eyes of funders and the public than what business we do. The status quo in the NFP sector (especially in the Lower Mainland) is untenable: there are too many organizations chasing too few contracts and donor dollars, with increased demands on performance and organizational capacity. In this environment, fewer organizations are likely to be successful in the long-term with others left behind: we are already seeing a redefinition of what it means to be a 'large' not-for-profit."
- ▶ **Fostering collaboration:** "At the same time, these same funders and donors are looking for leadership and innovation from community organizations. There is an appetite to support groups that are truly prepared to do business in new ways, breaking down barriers between each other rather than trying to make the case that they are special. Ideas such as "collective impact" and "shared working" are core to this way of thinking: alternatives to ideas such as amalgamation or merger, while preserving the unique value, history and culture that we each have tried to foster. One of the key gains we heard from groups in the US was how shared corporate services led to "deeper" conversations about how to achieve better progress towards common visions of social equity and justice."
- ▶ **Increased business effectiveness:** "At an operational level we need to find ways to drive business practices to become more effective and more efficient: to become more strategic, more open to change, but also more productive. HR is the classic example of this: we are in a labour-intensive industry, with high turnover and high demands on both front-line staff and managers / leaders. We each have an HR infrastructure, but it is limited in scope and capacity, caught in a cycle of transactional and reactive work rather than strategic development. We all know that long-term development of staff is key to our success in the sector, but we also all know that we lack sophistication and strategic leadership in this area."
- ▶ **Increased efficiency & income generation:** "Other functions, from IT to finance, to property management to purchasing are all more likely to be able to be provided with greater efficiency and consistency when serving a larger group of services. By creating an organizational structure that can grow and accommodate other functions, we can gradually derive greater impact from this initiative. Furthermore, if successful, we can also explore the option of providing fee-for-service support to other NFPs to help offset our costs (this is only being done by others in limited areas, notably property management)."

Following Board approval the three agencies' moved forward with this SSO business case, which includes the following deliverables:

- ▶ Provide a high level assessment of the current state of human resource management practices and requirements;
- ▶ Evaluate the strategic rationale for a shared human resource services model;
- ▶ Outline a recommended operating model, organizational structure and funding;
- ▶ Identify the strategic value of the recommended model, its benefits and an estimate of projected costs to implement;
- ▶ Include an implementation roadmap that sequences changes, process improvements and investments; and
- ▶ Identifies risks and incorporates "lessons learned" from comparable initiatives.

Project description

The objective of this project is to develop a SSO - controlled by the MPA, RCH, and SJCSS - initially encompassing the three agencies' HRM back-office services. The three agencies have developed six operating criteria and conditions to be met in order for the SSO to be successful:

1. Increase the effectiveness of the three agencies back-office functions, with a view of becoming employers of choice within Vancouver's not-for-profit sector;
2. Create capacity across the three agencies, allowing them to meet both their transactional and strategic back-office needs;
3. Be able to accommodate services beyond HRM (i.e., Finance, IT, etc.);
4. Be able to accommodate the provision of services to agencies in addition to the MPA, RCH, and SJCSS (i.e., other not-for-profit societies);
5. Support the continued development of each agency as unique, high-quality, and professionally managed; and
6. Operate in a way that maintains each agency's legal and financial independence, and business confidentiality, which includes being:
 - a. Congruent with each agency's articulated values;
 - b. Democratic and transparent (in terms of decision-making, access to service, conflict resolution);
 - c. Cost-effective and measurable/accountable;
 - d. Responsive and flexible to the unique and changing needs of the organizations;
 - e. Controllable and manageable in scope and size; and
 - f. Enhancing the agencies' individual and joint political standing (particularly with government funding bodies).

Stakeholders

The implementation of a HRM SSO will impact both “primary” and “secondary” stakeholders, internally and externally. Those stakeholders are listed below:

Stakeholders:	Overview of business requirements:
Primary Internal	
Board of Directors (MPA)	Successful development of a HRM SSO solution that is: <ul style="list-style-type: none"> ▶ Flexible; ▶ Expandable; ▶ Effective; ▶ Supportive; ▶ Capacity building; and which ▶ Maintains organizational independence
Board of Directors (RCH)	
Board of Directors (SJCSS)	
Executive Director (MPA) - Dave MacIntyre	
Executive Director (RCH) - Mark Smith	
Acting Executive Director (RCH) - Leslie Remund	
Executive Director (SJCSS) - Jonathan Oldman	
Director of Licensed Housing (MPA) - Nick Blackman	Robust change management, communication, and training plans to ensure transparency and employee engagement when: <ul style="list-style-type: none"> ▶ Changing policies and procedures; ▶ Changing reporting, governance and organizational structures; ▶ Changing roles and responsibilities; and ▶ Changing physical locations.
Director of Corporate Development (MPA) - Kim Capri	
Director of Support Housing (MPA) - Sue Baker	
Director of Finance & HR (MPA) - Liz Hatton	
HR Coordinator (MPA) - Jennifer Llewellyn	
Associate Director (RCH) - Greg Richmond	
Associate Director (RCH) - Sean Spear	
Director of Finance (RCH) - France Gagnon	
Payroll Manager (RCH) - Jeanette Accettura	
HR Manager (RCH) - Hugu Wilkinson	
Manager Casual Staff (RCH) - Samm Higgison	
Director of Women's & Children's Services (SJCSS) - Trudi Shymka	
Director of Housing Operations & Standards (SJCSS) - Nick Phillips	
HR Manager (SJCSS) - Adam Charania	
HR Generalist (SJCSS) - Cathy Pham	
Scheduler (SJCSS) - Christine Koeck	
Payroll & Benefits Officer (SJCSS) - Ada Hayes	
Administration Support & Scheduler / Payroll (SJCSS) - Karen Shimokura	
Primary External	
Streethome	In exchange for financially supporting this business case SJCSS, RCH, and MPA will: <ul style="list-style-type: none"> ▶ Share the business case with Streethome upon completion. ▶ Provide Streethome with a report of findings and next steps.
Secondary - Internal	
Agency employees	Robust communication plan to inform these stakeholders: <ul style="list-style-type: none"> ▶ Who will be affected by the changes; ▶ What changes will impact them; ▶ When the changes will be implemented; and ▶ Why these changes are taking place.
Agency members	
Secondary - External	
Vancouver Coastal Health	Inform of updated organizational structure, strategic partnership, and any other changes directly impacting these and other funders.
BC Housing	

Scope

- ▶ **Organization:** The three organizations involved in developing this SSO are MPA Society, RainCity Housing and Support Society, and St. James Community Service Society.
- ▶ **Function:** The SSO will initially encompass HRM, which includes the following functional resources: Human Resource, Scheduling, and Payroll. Payroll is the only one of these that does not currently sit uniformly within HRM. Two of the three agencies are structured with Payroll reporting to Finance (MPA and RCH).
- ▶ **Technology:** Development of an SSO directly impacts HRM policies and procedures, and therefore the use of HRM technology across the three agencies. However, this business case does not address which technologies should be used to carry out these policies and procedures (existing or otherwise). These choices must be made in the design phase of this project.
- ▶ **Timeframe:** The proposed implementation plan (detailed in Appendix 9.4) takes place over 24 months, with key checkpoints between four project phases. This timeframe has been developed to deliver benefits along the way and set a pace that is reasonable given the capacity and competing priorities within the three agencies. Once an HRM SSO has been established the three agencies may make the strategic decision to include other administrative “back-office” functions (i.e., finance) or expand the service to other organizations (i.e., other not-for-profit societies). Although the same or similar steps would be involved in adding this functionality, they are not included in the project timeline.

Out of scope

- ▶ **Out of Scope:** Services and/or functions not normally considered to be part of the human resource management function.

Assumptions

- ▶ The availability of funding to invest in SSO project implementation (i.e., SSO Project Manager);
- ▶ The availability of funding and resources to make strategic investments in HRM (i.e., fill vacant positions and invest in technologies);
- ▶ The need for legal advice and direction around potential future state SSO legal structure and framework;
- ▶ Costing estimates to include only variable costs (i.e., wages and benefits), and not other fixed costs (i.e., facilities, utilities, etc.);
- ▶ The proposed operating model and implementation plan use the current state as a baseline, and do not take into consideration future growth or investment opportunities. The three agencies need to recognize and resource these opportunities appropriately on an as needed basis; and
- ▶ The proposed future state model should not increase the total number of HRM resources beyond that of the current state, with the exception of roles currently vacant throughout the year.

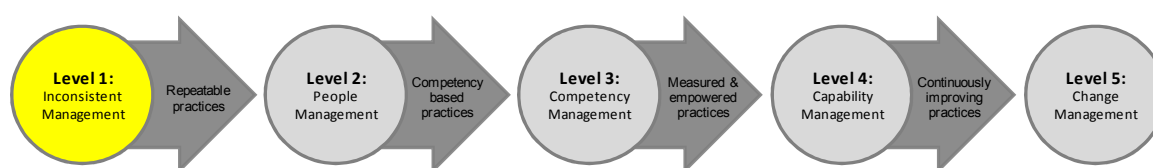
3. Current state of HRM

The MPA, RCH, and SJCSS are experiencing high levels of growth, putting pressure on their administrative back-office services and challenge the way they do business. The three agencies have been successful at managing HRM with a limited number of resources however, with increases to the number of programs, clients, and employees the agencies have outgrown their HRM capacity resulting in a “transactional” (i.e., recruitment and selection) rather than “strategic” (i.e., diversity and succession planning) focus. As a result they are each experiencing, to a greater or lesser degree, the following HRM issues:

- ▶ Lack of standardized policies and processes;
- ▶ Large numbers of transactional / administrative and paper-based / manual processes;
- ▶ Sub-optimal performance metrics (i.e., turnover);
- ▶ Large time investments required by Program Managers, Directors, and Executive Directors;
- ▶ Lack of strategic direction / initiatives; and
- ▶ Low investment relative to growth.

In order to assess the current state of HRM across the MPA, RCH, and SJCSS, relative to industry standards, the Carnegie Mellon People Capability Maturity Model (P-CMM) has been referenced below (see Figure 3). The P-CMM describes the evolution from an ad-hoc immature HRM process (Level 1: Inconsistent Management) to a disciplined mature HRM process (Level 5: Change Management). Each of the five maturity levels represents an increasing ability to attract, manage, develop, and retain the talent required for an organization’s workforce. Transitioning from one level to the next requires capabilities established at earlier levels. Thus, an organization achieves a new level of maturity when systems and processes are in place that provides capabilities not previously possible.

Figure 3: People Capability Maturity Model



Source: Carnegie Mellon’s People Capability Maturity Model (P-CMM) Version 2.0

Applying the Carnegie Mellon People Capability Maturity Model, the current state of HRM across the three agencies is Level 1: Inconsistent Management (highlighted in yellow). The issues driving this ranking are detailed in the sections below:

- ▶ Organizational structure;
- ▶ Resources;
- ▶ Policies & processes;
- ▶ Systems; and
- ▶ Strategy.

See Figures 4 through 6 for each agency's current state HRM organizational structure.

Figure 4: SJCSS current state

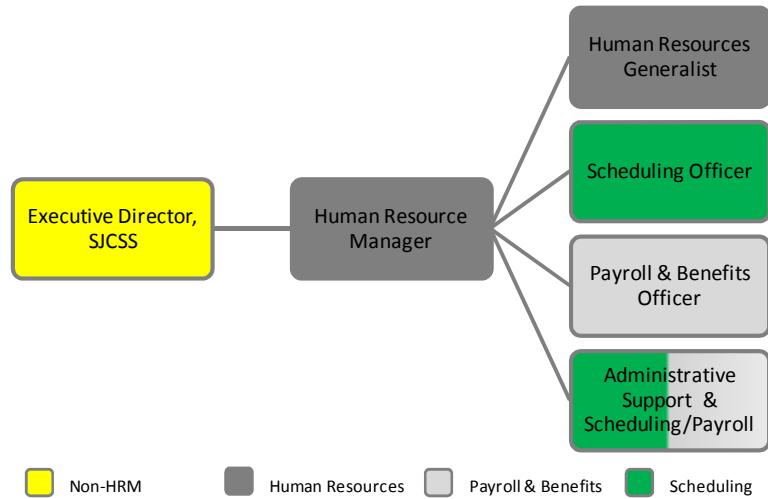


Figure 5: MPA current state

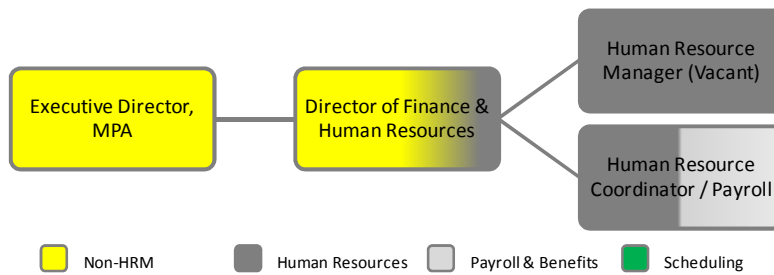
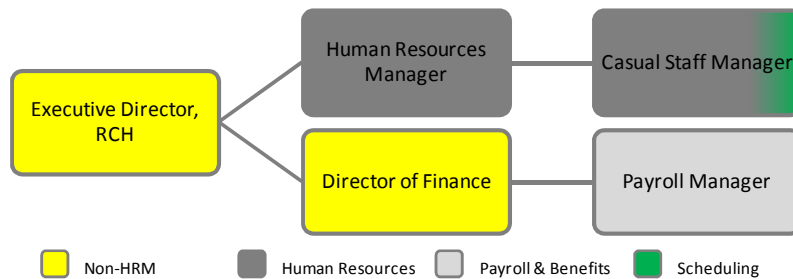


Figure 6: RCH current state



Organizational structure

Each agency currently maintains their own HRM services, which in this case includes Human Resources, Payroll, and Scheduling (see Figure 7 for metrics of each service by agency).

- ▶ **Human Resources:** Human Resources reports directly to the Executive Director across all three agencies. In SJCSS and RCH this is the role of the Human Resources Manager. In MPA this position has been vacant for a number of years, and it is the Director of Finance & Human Resources (80% Finance / 20% Human Resources) who reports to the Executive Director. All three agencies have indicated that Human Resources lack capacity contributing to the focus on transactional rather than strategic issues. In some instances this lack of capacity has caused employees to circumvent Human Resources when looking for policy or process solutions, which has the potential to cause fragmentation and conflict within the agency. Excluding the vacant position at MPA the three agencies have a total of 4.5 Human Resource employees.
- ▶ **Scheduling:** Scheduling does not have dedicated employees in all three agencies. For example, SJCSS has a highly manual process that it has centralized under Human Resources with 1.5 employees. MPA has decentralized Scheduling through the use of the Comvida Employee Management System (managing it from within each of its programs) and has no dedicated employees. RCH has also decentralized Scheduling through the use of the Comvida Employee Management System, but has chosen to dedicate 0.3 Human Resource employees to scheduling casual employees. Decentralising Scheduling has allowed MPA and RCH to manage this process with fewer HRM employees by shifting responsibility to their respective programs. However, this does not take into account the time spent by employees within each of these programs, which often falls on Program Directors and Managers. The three agencies currently have a total of 1.8 Scheduling employees.
- ▶ **Payroll & Benefits:** Payroll does not have a uniform reporting structure across the three agencies, reporting to either Human Resources and/or Finance. For example, SJCSS recently centralized Payroll under the Human Resources Manager; MPA has Payroll reporting to the Director of Finance & Human Resources; and RCH has centralised Payroll under the Director of Finance. The three agencies have a total of 3.0 Payroll & Benefits employees.

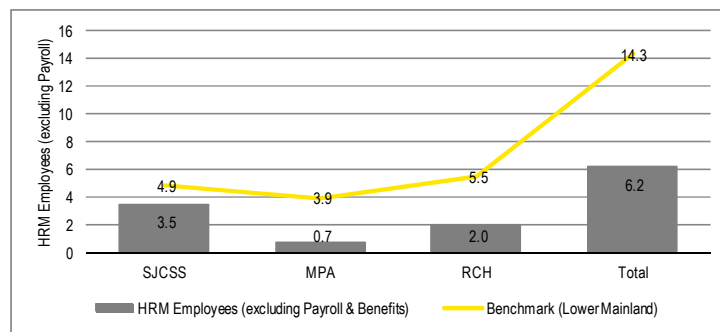
Figure 7: HRM employees

<i>Employees (2011/12)</i>	SJCSS	MPA	RCH	Total
Total Employees	267.0	217.0	302.0	786.0
HR Employees	2.0	0.7	1.8	4.5
Scheduling Employees	1.5	-	0.3	1.8
Payroll Employees	1.5	0.5	1.0	3.0
Total HRM	5.0	1.2	3.0	9.2
<i>Total Employees to HR & Scheduling</i>	<i>76</i>	<i>310</i>	<i>151</i>	<i>127</i>
<i>Total Employees to Payroll</i>	<i>178</i>	<i>434</i>	<i>302</i>	<i>262</i>
Total Employees to HRM	53	181	101	85

Resources

The MPA, RCH, and SJCSS currently have a total of 786.0 employees, supported by 4.5 Human Resources, 1.8 Scheduling, and 3.0 Payroll & Benefits employees. This is well below the Lower Mainland's benchmarked ratio of HRM employees to total employees, which according to Milliken HR Consulting's HR Shared Services Feasibility Study - 2011 is 1:55 (excluding Payroll & Benefits). For the three agencies to meet this benchmarked average, they would require an additional 8.1 HRM employees for a total of 14.3 (see Figure 8).

Figure 8: Ratio of total employees to HRM employees (excluding Payroll & Benefits)



The three agencies' limited numbers of HRM employees are forced to be reactive due to the large number of transactional and administrative processes. Examples include: managing casual staff, managing unionised staff, and recruiting new employees.

- ▶ **Casual staff:** Of the three agencies' 786 employees, 38% or 298 are casual. As such, a significant amount of HRM resources are dedicated to recruiting, scheduling, and tracking payroll for casual employees. Furthermore, it is not always possible to provide each of these employees with sufficient hours, resulting in a high turnover rate. While it is believed that a portion of this casual staff population migrates between the three agencies, there is currently no measurement or tracking in place to confirm this (see Figure 9).
- ▶ **Unionised staff:** Of the three agencies' 786 employees, 97% or 728 are unionised. Significant HRM time and resources are dedicated to grievances, negotiations, and interpretation of the collective agreement. Much of this work is duplicated as the majority of these unions overlap across the three agencies. Much of this work is completed at the HR Manager, Director, and Executive Director level (See Figure 10).
- ▶ **Recruiting / turnover:** According to Milliken HR Consulting's HR Shared Services Feasibility Study - 2011, turnover has ranged from 5.8% to 10.3% across the three agencies compared to benchmarks of 2.3% within the general industry. This creates a significant number of transactional processes that must be completed not only by HRM, but also by Program Managers and Directors. For example, it is often the case that reviewing resumes, checking references, and conducting new hire orientations falls to the Program Directors and Managers rather than being completed by HRM (see Figure 11).

Figure 9: Casual, part time, and full time employees

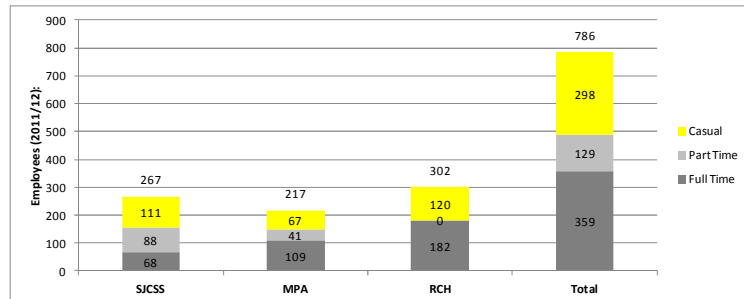


Figure 10: Unionised and excluded employees

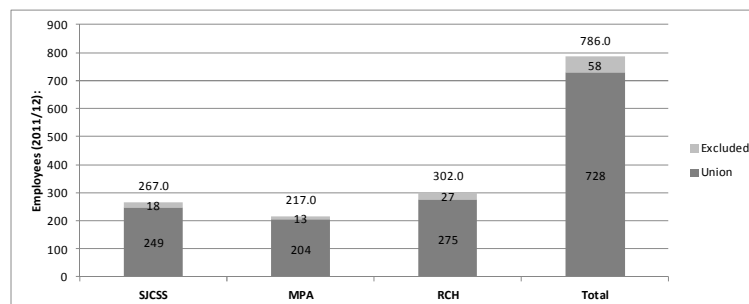


Figure 11: HRM metrics

HR Metrics (2010/11)	MPA	RCH	SJCSS
Turnover Rate	5.80%	8.00%	10.30%
Volume of Postings	54	105	76
Volume of Casual Hires	15	41	80
Average Sick Days Taken	8.3	10.3	10.9
Regular Employees with formal Performance Appraisal	42%	25%	20%
Average Grievances per year	5	5	9.5

Source: HR Shared Services Feasibility Study (2011) - This table reflects performance in 2011 and, while the underlying trends and issues remain, it does not necessarily represent the current state of performance within each agency. Also, as the three agencies do not share a common methodology for gathering and reporting numbers, it is possible that the tracking of statistics is based on slightly different parameters.

Policies and processes

HRM currently functions similarly to a SSO, and in many cases provides centralized services to each agencies' respective programs. However, where a SSO creates capacity by providing standardized services to its clients, the HRM currently provides ad-hoc services to each program. This lack of standardization has resulted in HRM responsibilities being pushed down to non-HRM employees and an exacerbation of HRM's transactional focus.

- ▶ **Polices & processes:** In many cases HRM policies and processes are not actively enforced and/or are not widely known; and in some cases there are no polices or processes in place at all. For example, a lack of policy around employee performance appraisals that has resulted in a completion rate of only 20% to 42% across the three agencies (see Figure 11). This has led to uncertainty as to when HRM can and should be approached, and the development of makeshift policy and process solutions on an as needed basis. It has further resulted in polices and processes that are: fragmented, bespoke, and based on personal relationships and knowledge of the organization.
- ▶ **Delineation of responsibility:** Limitations around HRM capacity, policies, and processes have resulted in HRM responsibilities being relegated to non-HRM employees. The result is relatively "high-skilled" and "high-cost" employees (i.e., Program Directors and Managers) performing highly administrative / transitional HRM tasks. Not only does this increase the incremental cost of completing these tasks, but it also reduces the time these employees have available to add value in other ways. Additionally, it is often the case that these tasks are completed to a lower standard as they are being managed "off the side of the desk" and with little or no oversight. Examples can be seen in Section 3: Organizational Structure and Resources above (i.e., scheduling and recruiting). Figure 12 shows the delineation of HRM responsibility across the three agencies.

Figure 12: HRM areas of responsibility

HRM Areas of Responsibility	SJCSS	MPA	RCH
Recruitment & selection	Program Director / Manager & HR	Program Director / Manager & HR	Program Director / Manager & HR
Employee orientation	Manager / Supervisor	Manager / Supervisor	Manager / Supervisor
Training and development	Program Director / Manager	Program Director / Manager	Manager / Supervisor
Performance management	Program Director / Manager	Program Director / Manager	Program Director / Manager
Attendance management	Employees & HR / Payroll	Program Director / Manager	Manager / Supervisor
Scheduling	HR Scheduler	Supervisor	Manager / Supervisor / HR Generalist
Compensation & benefits	HR Coordinator	HR Coordinator	Payroll Officer
Employee & labour relations	HR Manager	HR Director	HR Manager
Health & safety	Health & Safety Committee	Health & Safety Committee	Health & Safety Committee
Employee communications	HR Manager	Director of Corporate Development	Communications Manager
Payroll	HR / Payroll	Finance	Finance

Systems

The MPA, RCH, and SJCSS have a mixture of highly manual / paper-based and overlapping systems (see Figure 13).

Figure 13: HRM systems

<i>HRM Systems (2012)</i>	SJCSS	MPA	RCH
Payroll and Benefits	ACCPAC	Comvida Employee Management System	Comvida Employee Management System
Scheduling	MS Excel	Comvida Employee Management System	Comvida Employee Management System
Employee Database	MS Access	Comvida Employee Management System	Comvida Employee Management System
Employee Files / Personnel Records	Paper Base	Paper files & electronic	Paper files
Internal Competition & Scoring	Paper Base	Excel	SharePoint
Timesheets / tracking	Manual (Paper Based)	Comvida Scheduling System	Comvida Scheduling System
Attendance Management	Manual (paper Based)	Comvida Reports	Comvida Reports

Strategy

In order to facilitate continued growth the MPA, RCH, and SJCSS have identified the need to develop a strategic HRM capacity, with the goal of becoming employers of choice in Vancouver’s not-for-profit sector. This capacity would allow for initiatives such as:

- ▶ Policy & process development (i.e., diversity initiatives);
- ▶ Talent identification, attraction, and retention policies;
- ▶ Leadership and employee succession planning;
- ▶ Skill development and training programs;
- ▶ Performance measurement and tracking (i.e., HRM Balanced Scorecard);
- ▶ Strategic systems and solutions; and,
- ▶ Performance outcome improvement (i.e., sick days, turnover, and overtime).

4. Alternatives

There are a number of alternatives to consider when addressing the continued growth and growing pressures on the three agencies HRM services:

- 1. Status quo
- 2. Additional investment
- 3. Outsourcing
- 4. Shared services organization
 - A. Two to three agencies
 - B. Four or more agencies

The costs, benefits, and risks of each alternative are illustrated in Figure 14. This weighting is specific to HRM, and may be different for other administrative back-office services (i.e., Finance). The alternative that met the criteria and conditions set forth by the three agencies while also presenting the most attractive ratio of cost, benefit, and risk is option 4A, a SSO between 2 to 3 agencies (highlighted in yellow). Each alternative is described in greater detail below.

Figure 14: Cost/benefit analysis

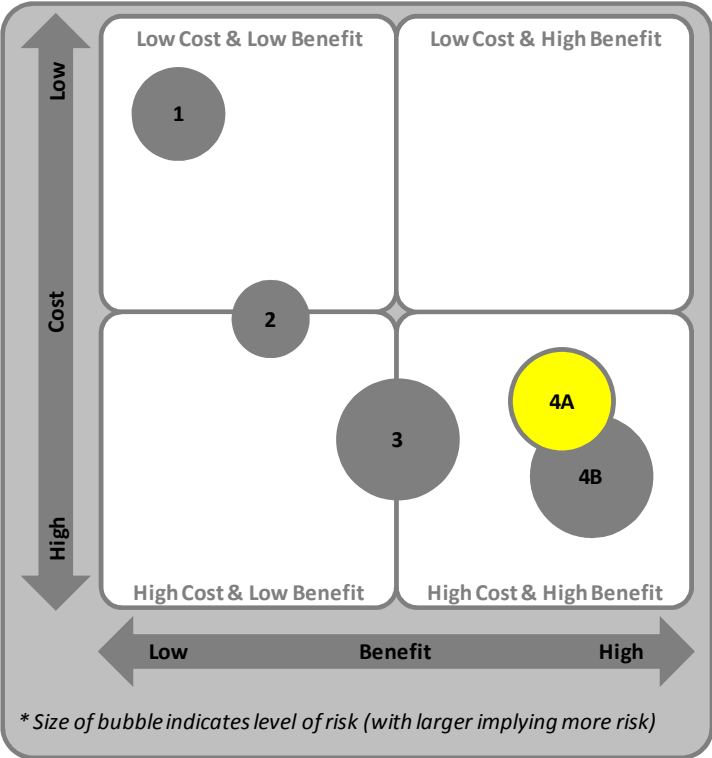


Figure 14 has been weighted with the following criteria:

- ▶ **Cost:** The relative implementation and ongoing operating costs of each alternative (lower is better);
- ▶ **Risk:** The relative risk to implementation and ongoing operations (smaller is better); and
- ▶ **Benefit:** The relative benefit in terms of the alternative's ability to meet the criteria and conditions set forth in Section 2: Project Description (higher is better).

1. Status quo

This alternative consists of maintaining each agency's current service levels and investment in HRM with no consideration of shared services. Given the current state of HRM (described in Section 3), the status quo option is not seen as sustainable. In order for each agency to meet the growing pressures on cost, efficiency, quality, growth, and complexity HRM must grow beyond the status quo.

- ▶ **Cost:** No additional investment beyond the current state.
- ▶ **Risk:** The status quo option may not be sustainable due to the growing pressures facing each agency.
- ▶ **Benefit:** No change from status quo.

2. Additional investment

This alternative consists of each agency individually investing in additional HRM resources (i.e., staff and technology) with the intent of addressing existing HRM issues. While additional investment by each agency may provide slightly more capacity, it is not seen as a viable solution to address HRM's transactional rather than strategic focus. For example, SJCSS has invested in a larger number of HRM employees (5.0) when compared to MPA and RCH (1.2 and 3.0 respectively). However, SJCSS has not been able to reach a critical mass within their budgetary constraints to have the desired impact.

This alternative does not allow the three agencies to pool their common resources, eliminate duplication of effort, and make the strategic investments in staff and technology that would allow them to develop the desired level of capacity. Reaching this critical mass of resources on an individual basis may not be feasible within each agency's budgetary constraints.

- ▶ **Cost:** Would require large individual investments across all three organizations.
- ▶ **Risk:** Status quo organizational structures and governance model result in low risk in the short term. However, the agencies' may not be able to address growing pressures within their budgetary constraints in the long term.
- ▶ **Benefit:** Short term gains in HRM capacity.

3. Outsourcing

This alternative consists of outsourcing some or all of the MPA, RCH, and SJCSS's HRM functionality to a for-profit third party provider (i.e., fee for service and / or retainers). In such a model the third party provider governs its own operations and is potentially able to offer competitive rates for a set of standardized services due to its pooled resources and large customer base.

The MPA, RCH, and SJCSS would choose what services they wished to purchase, but would have limited control over the management and delivery of those services. Additionally, any specialized services requirements could cost significantly more than the third party provider's set of standardized services. This alternative could also result in a loss of "organizational knowledge" and "personal touch". While outsourcing is a viable option, it may not create the long-term capacity or provide the level of control desired by the three agencies.

- ▶ **Cost:** The MPA, RCH, and SJCSS would be able to pool their purchasing power to jointly outsource HRM to a third party provider. However, this option would still require significant upfront investments in organizational design and standardization of HRM policies, processes, and systems to align them with that of the third party provider.
- ▶ **Risk:** Loss of control and ownership of the HRM process, as well as organizational knowledge and personal touch. Outsourcing is not a preferred option by public sector unions.
- ▶ **Benefit:** Re-imagining of HRM as a commodity on a fee-for service basis. The agencies can negotiate termination and exit provisions, as well as switch suppliers. Gain access to mature HRM policies, processes, systems, and technologies.

4. Shared services organization

This alternative consists of pooling HRM administrative "back-office" resources, and running these activities like a business to deliver services at a reasonable / competitive cost, quality, and timeliness. Benefits are realised by standardizing and combining like policies, processes, and systems. Funding and resourcing of the consolidated service is shared by the organizations, which effectively becomes a service provider. The SSO can be structured as an interim project under a Memorandum of Understanding (i.e., shared service or lead agency), or alternatively in the longer term through the creation of an independent legal entity (see Appendix 9.2).

For these agencies this will alleviate the growing pressures on cost, efficiency, quality, growth, and complexity by increasing HRM capacity and overall service quality, rather than through direct cost savings. Examples include:

- ▶ Pooling resources and allowing for the elimination of duplication and freeing of capacity;
- ▶ Allowing for specialisation and standardisation to make more effective use of resources;
- ▶ Allowing for some strategic investments in staff and technology;
- ▶ Standardizing policies and processes and clearly delineating responsibilities (i.e., reducing transactional work done by Program Directors and Managers); and
- ▶ Allowing additional administrative back-office services to be included in the SSO at a future date.

This Shared Services Organization (SSO) alternative consists of two options:

4.A. Two to three agencies: This option consists of two or three of the MPA, RCH, and SJCSS developing a HRM SSO.

- ▶ **Cost:** Requires short and medium term investments in project management, change management, and strategic investments in systems and resources.
- ▶ **Risk:** Requires top down support a strong program manager, and a robust change management plan.
- ▶ **Benefit:** Leverages pooled resources, elimination of duplicated functionality, and the potential for strategic investments in employees and technology to free up HRM capacity. Can be expanded to include other “back-office” functions in the future.

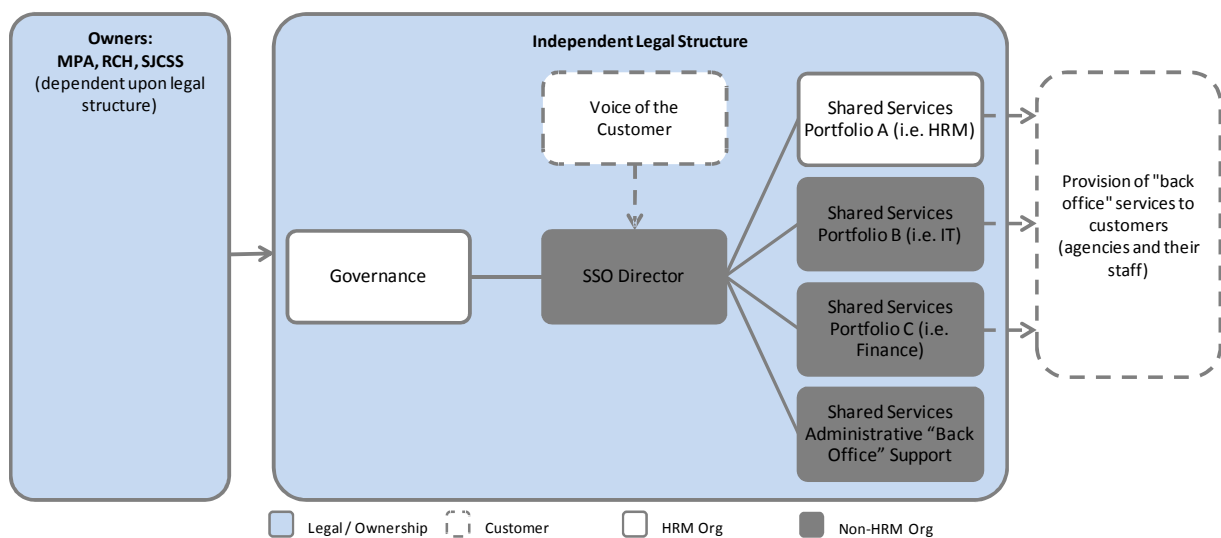
4.B. Four or more agencies: This option consists of partnering with additional organizations to invest in a HRM SSO. This reflects the proposed longer term potential for the SSO.

- ▶ **Cost:** As above with additional investments for: identifying additional agencies and constructing more complex organizational, governance, and reporting structures.
- ▶ **Risk:** As above with the additional risk of entering into a strategic partnership with more agencies which will increase complexity and likely extend the time to achieve results.
- ▶ **Benefit:** As above with the potential to leverage a large pool of resources.

5. Implementation proposal

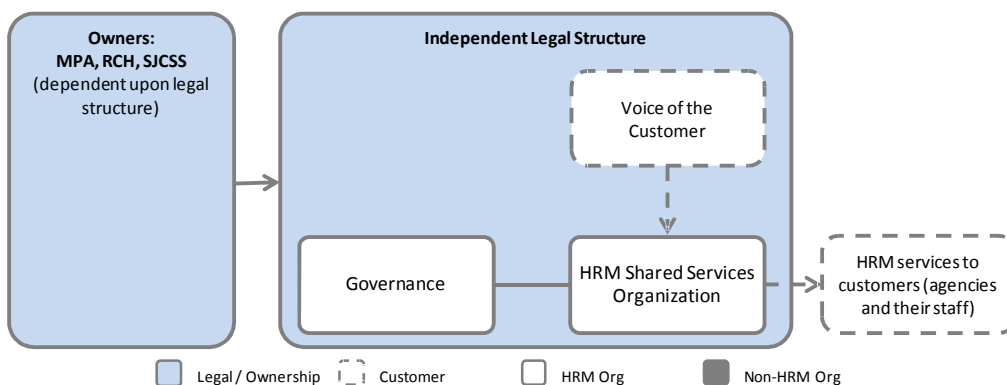
This section provides an overview of the implementation proposal for a standalone SSO - to be controlled by the MPA, RCH, and SJCSS - responsible for the provision of administrative “back-office” services, starting with HRM (see Appendix 9.4 for a detailed implementation proposal). Figure 15 was developed using the six operating criteria and conditions identified by the three agencies in conjunction with stakeholder interviews, detailed data requests, leading industry practices, and EY’s experience on projects with a similar size and scope.

Figure 15: Future state SSO



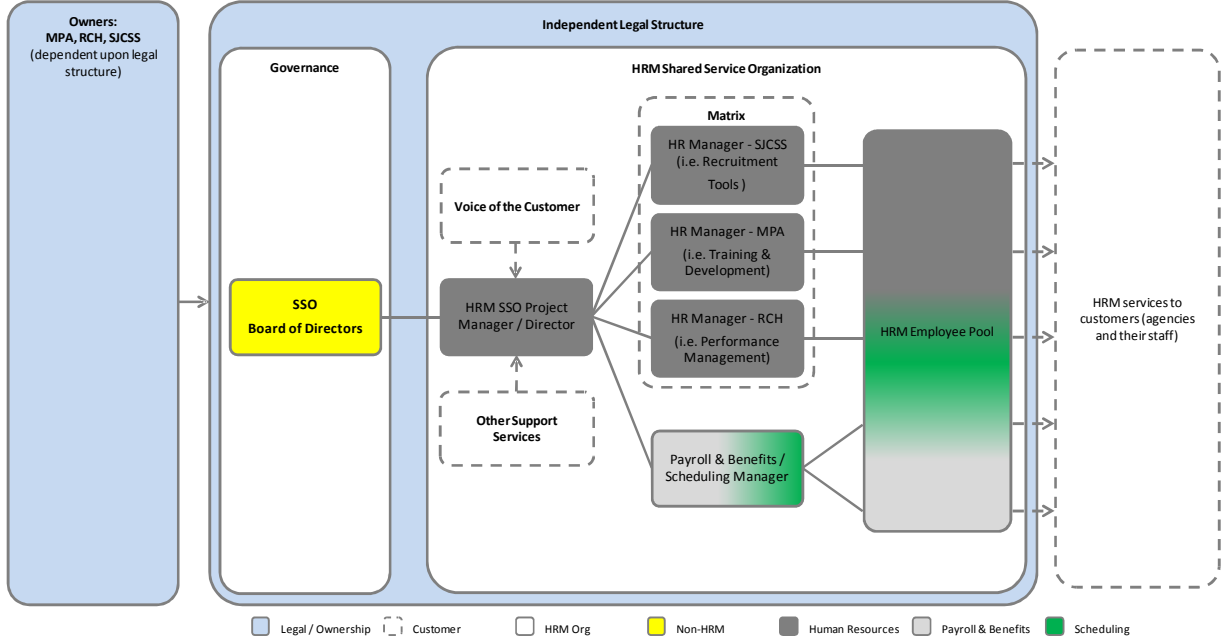
Although the agencies’ long-term vision is to include all back-office services in the SSO (as depicted in Figure 15), HRM was chosen as the pilot service to prove the concept. The HRM components of Figure 15 are highlighted in white and include: Governance, Voice of the Customer, Shared Services Portfolio A (i.e. HRM), and Provision of “back-office” services to customers. The future state HRM SSO model is presented in Figure 16.

Figure 16: Future state HRM SSO



Applying the three agencies' current state, available resources, and business case assumptions has allowed for the development of a detailed view of the Future State HRM SSO (see Figure 17).

Figure 17: Detailed future state HRM SSO (concept)



* This is a notional future state design, which is dependent upon successful completion of project implementation, availability of resources (i.e., Project Manager), strategic investments in technology, and standardization of policies and processes. This model does not take into consideration future growth or investment opportunities; these need to recognize and resource on an as needed basis. This model also assumes that the future state model should not increase the total number of HRM resources beyond that of the current state, with the exception of roles currently vacant.

Figure 17 is an evolving model based on the current state within each agency. Over the course of the implementation period this model will continue to be refined and revised. The component pieces of this model include:

- ▶ **Owners:** The ownership model for the Future State SSO is highly dependent upon the chosen legal structure, and will start with the MPA, RCH and SJCSS. The SSO can be structured as an interim project under a Memorandum of Understanding, or alternatively in the longer term through the creation of an independent legal entity (see Appendix 9.2).
- ▶ **Legal structure:** It is assumed that the SSO eventually could be incorporated under BC provincial law, as it will not be required to operate outside of BC and will not require federal charitable organization status. It is also assumed that the SSO would not seek donations from third parties and would not need to issue charitable donation receipts. It could be incorporated under one of the following BC laws: BC Corporations Act, Cooperative Association Act, or The Society Act (see Appendix 9.2). As part of the future phases of this project, legal advice would be needed.
- ▶ **Governance/SSO Board of Directors:** With multiple clients and the potential to include additional administrative back-office services in the future, a robust governance model will be required. Throughout the project implementation period, this will be accomplished through the appointment of a Project Steering Committee. Once the SSO enters "ongoing operations" the Project Steering Committee will be replaced by a SSO Board of Directors (BOD). It is recommended that the BOD be

truly independent from the owners of the SSO to eliminate any potential conflicts of interests that could arise from being both owner and customer.

- ▶ **SSO Project Manager/Director:** Throughout the project implementation period a Project Manager will be responsible for detailed project design, reporting to the Project Steering Committee, and driving project implementation. Once the SSO enters “ongoing operations” the Project Manager role will end and a SSO Director will be appointed by the BOD to be responsible for managing the effectiveness of the SSO on an ongoing basis. Although it could be the same person who transitions from one role to the next, the Project Manager and Director roles are generally seen as requiring different competencies.
- ▶ **Voice of the customer:** The SSO will have two sets of customers: 1) the agencies that require strategy, policy, and advice; and 2) the managers and employees who require services. The SSO will need to be aware of the needs of both these customers through the development of qualitative and quantitative feedback (i.e., customer advisory committee and satisfaction surveys).
- ▶ **Other support services:** Once the SSO is operating as an independent organization, it will be required to fund and manage its own support services (i.e. utilities and physical location).
- ▶ **Human Resources matrix:** Similar to the matrix presented in Milliken HR Consulting's *HR Shared Services Feasibility Study - 2011* (see Appendix 9.3), a “business partnering” approach is recommended where Human Resource Managers are co-located within each organization while also being responsible for the strategic development of policies and processes (i.e., recruitment, training & development, and performance management). This matrix is then supported by a group of shared Human Resource Generalists.
- ▶ **Integrated Payroll & Benefits/Scheduling:** Payroll and Scheduling are transactional in nature with similar requirements and outcomes across the three agencies. For this reason it is recommended that policies and processes be standardized across the three agencies, and resources combined under a single Payroll & Benefits / Scheduling Manager. This Manager is then supported by a group of shared Human Resource Generalists.
- ▶ **Provision of back-office services to customers:** Administration of HRM services to the MPA, RCH, and SJCSS. Initially includes only the three agencies and the current scope of HRM services, but could be expanded to include additional services and / or agencies in the future.

It has been assumed that the proposed future state model should not increase the total number of HRM employees beyond that of the current state, with the exception of roles currently vacant. The proposed shift in resources from current state to future state is presented in Figure 18.

Figure 18: Current versus future state full-time equivalent (FTE) positions

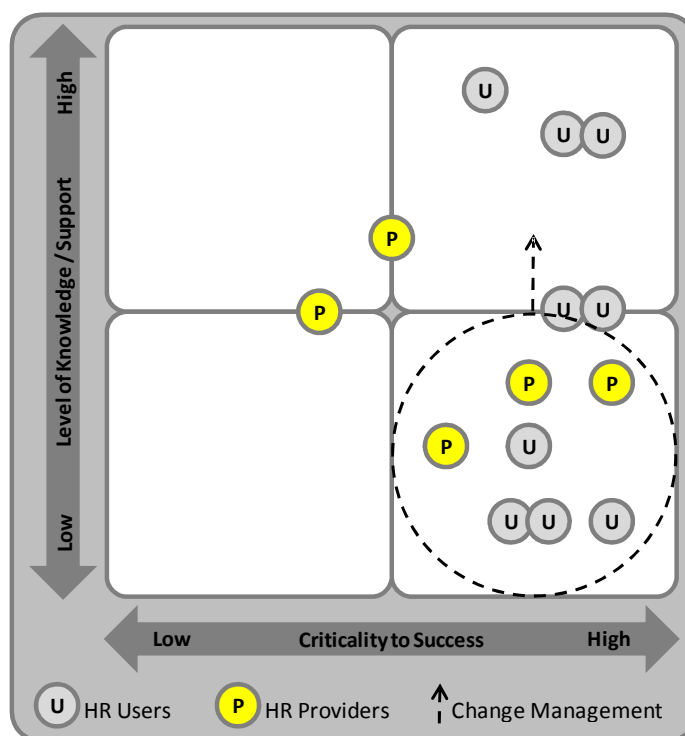
HRM FTE	Current State	Future State	Variance
Project Manager / Director	0.0	1.0	1.0
Directors	0.2	0.0	-0.2
HR Managers*	3.0	3.0	0.0
Payroll Managers	1.0	1.0	0.0
Staff	6.0	5.0	-1.0
Total	10.2	10.0	-0.2

*Managers includes one HR Manager role that is currently vacant within MPA

Readiness for change

Figure 19, which is based on interviews conducted with employees across the three agencies, depicts readiness for change. There is a large population of employees, who are relatively critical to the success of this project, but do not have a firm understanding of what a SSO is, how it would operate in the context of the three agencies, or how it would impact them. In order to manage this lack of understanding a robust communications plan and change management strategy will need to be developed.

Figure 19: Readiness for change



Project descriptions/timeline

Rather than creating direct cost savings, moving to a HRM SSO will create organizational capacity, operational efficiencies, and improved service quality. These benefits will be delivered through four key project initiatives:

Project 1 - Human Resource integration (Phase 2 - 3):

The three agencies currently have separate Human Resource organizations, each providing centralized services to their respective programs. However, each of the three agencies lack standardized HRM policies and processes, and has a significant number of manual, paper based, and administrative processes. This has led to ad-hoc HRM services being delivered, Program Managers and Directors taking on HRM responsibility, and poor performance outcomes (i.e., high turnover rate).

Project 1 looks to pool Human Resources staff across the three agencies while integrating their policies and processes. As these policies and processes are integrated, and the three agencies begin to measure and track the same or similar outcomes, there will be an opportunity to transition away from manual / paper based processes and take greater advantage of existing IT systems. The potential long-term goal of integrating these systems will be supported by the development of an Information Technology Roadmap in Phases 1 and 2 (see Appendix 9.4 Detailed implementation proposal). Examples of the types of policies and processes to be included are:

- a. Recruiting
- b. Training & Development
- c. Labour Relations
- d. Employee Orientation
- e. Health & Safety

Benefits to be provided include:

- ▶ Improved performance outcomes (i.e., turnover rate);
- ▶ Improved measurement and tracking of employees (i.e., performance appraisals);
- ▶ Reduced administrative workload on Program Managers and Directors (i.e., screening resumes);
- ▶ Reduced transactional workload (i.e., number of job postings); and
- ▶ Increased opportunity for employee specialization allowing for a more effective use of resources.

Project 2 - Payroll consolidation (Phase 3):

The three agencies currently have unique Payroll structures (reporting to either Human Resources and / or Finance) as well as unique IT systems (using either ACCPAC or Comvida Employee Management Systems). Project 2 looks to consolidate the three Payroll services under the HRM SSO, standardize their policies and processes, and implement an IT system that meets the three agencies needs. The functional requirements of this system will need to be detailed in the design phase of the proposed implementation plan, and could include one of the existing Payroll systems the agencies have in place now.

Benefits to be provided include:

- ▶ Increased capacity (i.e., best practice processes and refined system implementation); and
- ▶ Improved performance reliability.

Project 3 - Scheduling consolidation (Phase 3):

Scheduling across the three agencies is currently structured quite differently.

- ▶ The SJCSS have a centralized approach with little or no IT systems support, resulting in a large number of manual / administrative tasks;
- ▶ The MPA have a decentralized approach supported by dedicated IT systems which push Scheduling responsibilities down into the agencies; and
- ▶ The MPA have a mixture of both a centralized approach for casual employees, and a decentralized approach for regular employees.

One of the focuses of the design phase in the proposed implementation plan will be to determine which of these approaches, or what alternate approach, will best serve the HRM SSO (centralized, decentralized, or mixed).

- ▶ A centralized approach may require additional Scheduling employees to compensate for an increased workload; however, it may be possible to offset this with the addition of an IT system; or
- ▶ A decentralized approach may require Scheduling responsibilities to be pushed down into the agencies; however, it may be possible to offset this with the addition of a pooled set of employees.

This project looks to consolidate the three agencies' Scheduling services, standardize policies and processes, and implement a unified Scheduling system that meets the agencies' functional requirements. Benefits to be provided include:

- ▶ Reduced transactional workload (i.e., consolidation of casual employees);
- ▶ Increased capacity (i.e., addition of scheduling system); and
- ▶ Improved performance outcomes (i.e., best practice policies and processes).

Project 4 - HRM strategy (Phase 3 - 4):

This project focuses on leveraging the capacity created in Projects 1 - 3 to address some of the longer-term strategic issues identified by the three agencies, such as:

- ▶ Policy & process development (i.e., diversity initiatives);
- ▶ Talent identification, attraction, and retention policies;
- ▶ Leadership and employee succession planning;
- ▶ Skill development and training programs;
- ▶ Performance measurement and tracking (i.e., HRM Balanced Scorecard);
- ▶ Strategic systems and solutions; and,
- ▶ Performance outcome improvement (i.e., sick days, turnover, and overtime).

The proposed implementation timeframe is 24 months with key checkpoints between project phases. These checkpoints provide an opportunity for the Project Steering Committee and / or the three agencies' Board of Directors to assess the project's current state and make a go / no-go decision to continue funding the project at current (or better) levels. Additionally, they will be leveraged to provide guidance and prioritize each of the projects identified above.

The proposed 24 months is an estimate based on EY's assessment of agency readiness, capacity, competing priorities, and ability to manage change. This timeframe will set a pace that is reasonable, and has been developed to deliver benefits over four project phases:

- ▶ **Phase 1: Status quo**
- ▶ **Phase 2: Design**
- ▶ **Phase 3: Transition**
- ▶ **Phase 4: Ongoing operations**

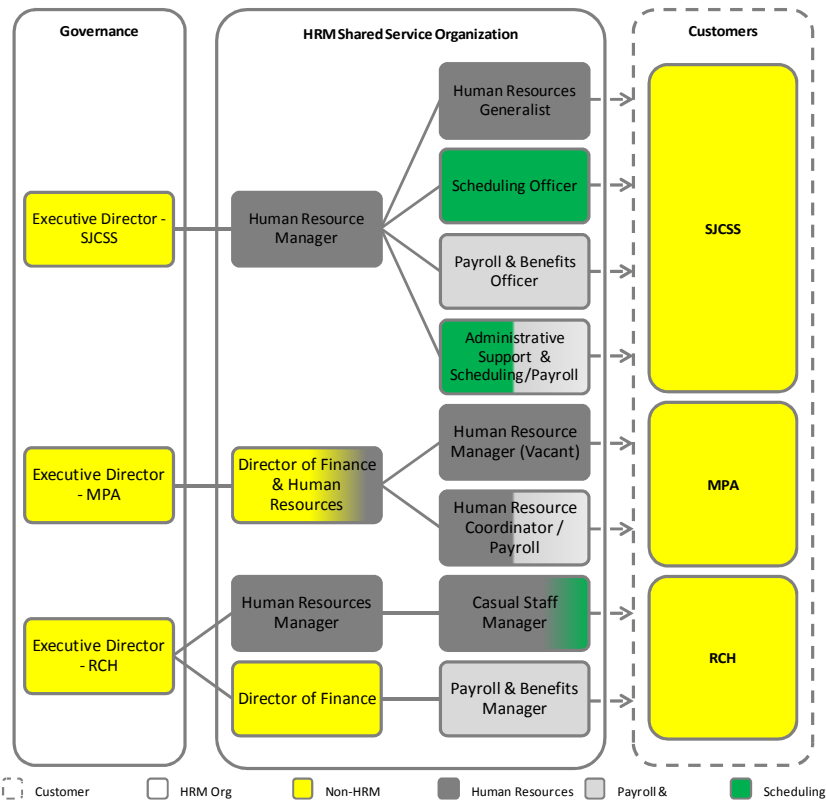
Figure 20: High-level timeline

Action	Workstream:	Timing (Months)	Phase 1			Phase 2				Phase 3																
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Governance - Project Reporting																										
Recruiting - Recruit HRM SSO Project Manager:																										
Governance - Establish Project Governance:																										
Recruiting - Recruit Human Resource Manager, MPA (currently vacant):																										
Governance - Establish Reporting Structure:																										
Change Management - Develop Communications & Change Management Plan:																										
Design & Transition - Information Technology Roadmap																										
Design & Transition - Measurement & Tracking																										
Change Management - Engage Employee Unions																										
Change Management - Support Employees Through Project Design and Transition:																										
Governance - Establish Future State Legal Structure and Governance Model:																										
Project 1 - Human Resources Standardization:																										
Project 2 - Payroll Consolidation:																										
Project 3 - Scheduling Consolidation:																										
Project 4 - HRM Strategy:																										
Design & Transition - Physical relocation of staff																										
Recruiting - Recruit HRM SSO Board Members:																										
Recruiting - Recruit HRM SSO CEO:																										
Recruiting - Recruit for future state organisation / turnover:																										

Phase 1: Status quo (month 0 - month 3)

The first project phase, Status Quo, is estimated to run from month 0 to month 3. This phase of the project is focused on establishing the appropriate organizational and project governance structures, recruiting the resources required to run the project, and establishing the baseline upon which the project will be measured. As can be seen in Figure 21, the project begins with the three agencies in a state of status quo (i.e., the same employees performing the same tasks for the same clients).

Figure 21: Phase 1 - Status quo



The high level deliverables for this phase are:

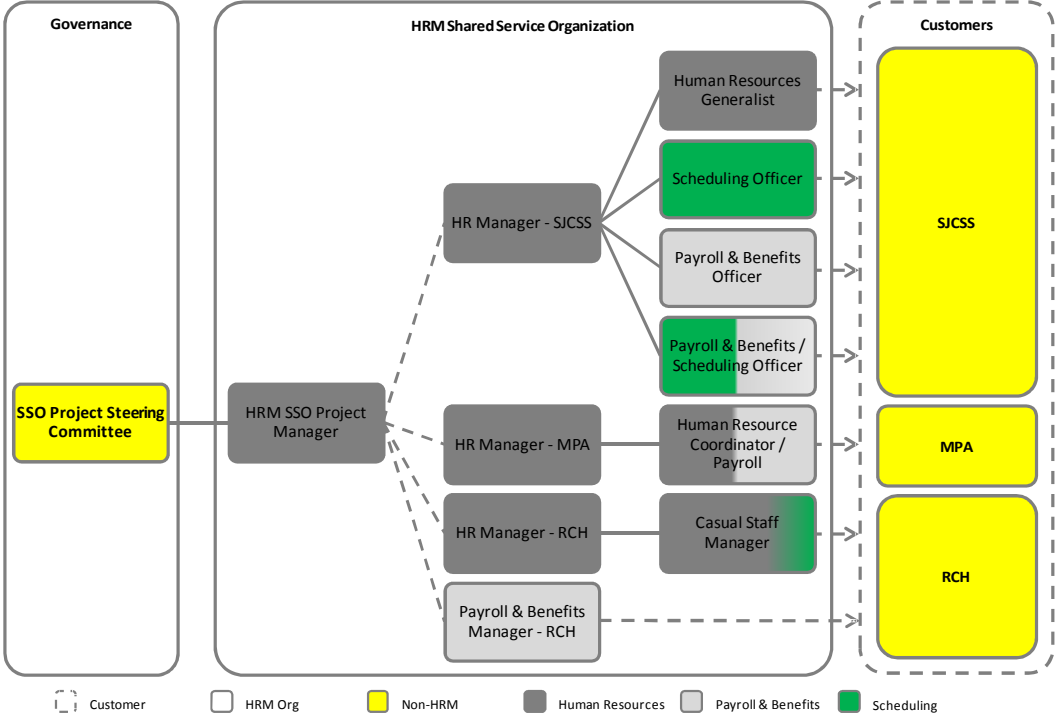
- ▶ **Recruit HRM SSO Project Manager:** Identifying required competencies, potential candidates, and making the new hire decision.
- ▶ **Establish Project Governance:** Establishing organizational governance and reporting structures, including the Project Steering Committee (frequency of meetings and members) and Memorandum of Understanding between the three agencies.
- ▶ **Recruit Human Resources Manager (currently vacant):** Identifying required competencies, potential candidates, and making the new hire decision.
- ▶ **Establish Reporting Structure:** Updating reporting structure to include the newly appointed Project Manager and Project Steering Committee.
- ▶ **Develop Communications & Change Management Plan:** Developing the project's communications plan and change management strategies.
- ▶ **Measurement & Tracking:** Establishing the baseline measurement of key performance indicators (KPI) upon which the project performance will be tracked (i.e., balanced scorecard).
- ▶ **Project Reporting:** Establish regular reporting structure between the Project Manager and the Project Steering Committee. This workstream spans the entire project.
- ▶ **Key Checkpoint 1:** Meeting with Project Steering Committee and / or Board of Directors to update project status and formalize governance structure and implementation.

Phase 2: Design (month 3 - month 9)

The second project phase, Design, is estimated to run from month 3 to month 9. This phase is focused on assessing current state policies and processes, identifying quick wins, and designing the future state. Phase 2 will also include, where possible, the implementation of quick wins. As depicted in Figure 22, the project reporting structure has been updated as follows:

- ▶ MPA's vacant Human Resource Manager role has been filled;
- ▶ MPA's Human Resource Coordinator / Payroll officer now reports to the MPA Human Resource Manager;
- ▶ RCH's Payroll Manager now reports to the Project Manager; and
- ▶ The Project Manager now has direct oversight over the project.

Figure 22: Phase 2 - Design



The high level deliverables for this phase are:

- ▶ **Measurement & Tracking:** Detailed review of current state policies and processes, identifying “low hanging fruit” / quick wins, and designing the future state.
- ▶ **Engage Employee Unions:** Liaison with employee unions, identify any conflicts, and develop plans for resolution (i.e., successor rights).
- ▶ **Support Employees through Project Design and Transition:** Begin communications and change management to support employees with the changes to project reporting (i.e.. appointment of Project Manager and Project Steering Committee), and prepare employees for future organizational changes.
- ▶ **Develop Future State Legal Structure and Governance Models:** Designing the future state legal structure and governance model, and identifying competencies required by the future state organization. This workstream takes place over phases 2 and 3.
- ▶ **Project 1 - Human Resource Integration:** This project is focused on pooling Human Resources employees and integrating Human Resources polices and processes across the three agencies (i.e., recruiting, employee orientation, training & development, health & safety, and labour relations). Policies and processes will be chosen starting with low hanging fruit / quick wins. As these policies and processes are integrated, and the three agencies begin to measure and track the same or similar outcomes, there will be an opportunity to transition away from manual / paper based processes and take greater advantage of existing IT systems.
- ▶ **Key Checkpoint 2:** Meeting with Project Steering Committee and/or Board of Directors to update project status and prioritize projects for implementation.

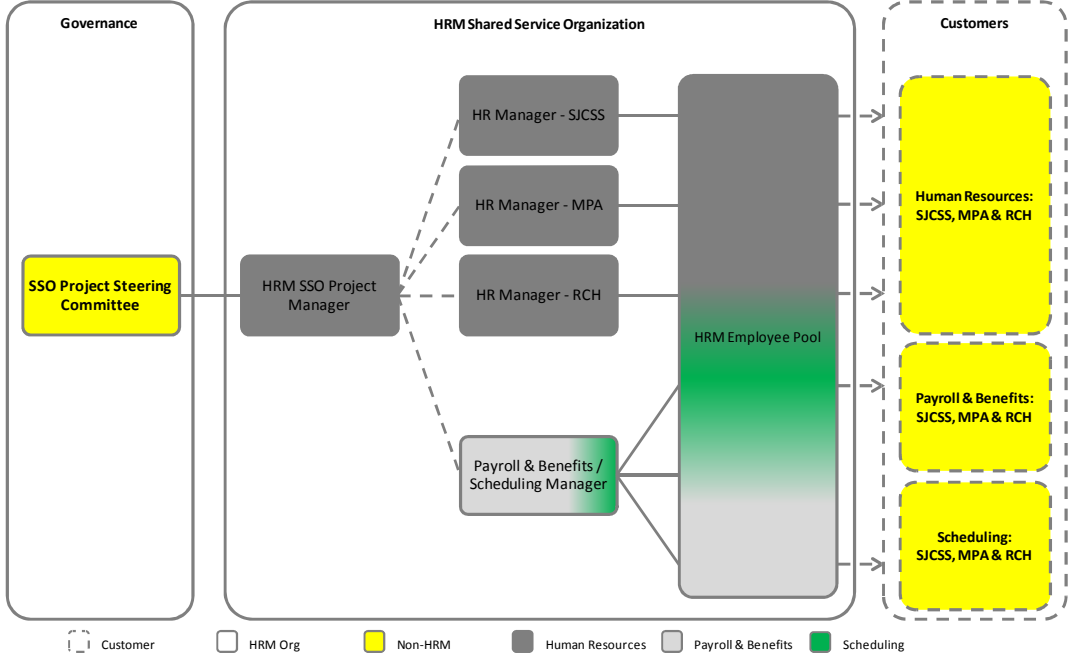
Phase 3: Transition (month 9 - month 24)

The third project phase, Transition, is estimated to run from month 9 to month 24. This phase is focused on transitioning from the status quo to the future state SSO. This will include standardization of policies and processes, updating employee roles and responsibilities, and evolving to the SSO's future state governance model. This phase will be looking to increase capacity by pooling like resources, eliminating duplication, specialising roles and responsibility, and standardising policies and processes.

As depicted in Figure 23, the project reporting structure has been updated as follows:

- ▶ Beginning to consolidate and standardize Human Resources, Payroll, and Scheduling resources;
- ▶ Beginning to offer Human Resources, Payroll, and Scheduling as a services, rather than supporting each client individually; and
- ▶ Beginning to develop the matrix Human Resources reporting structure.

Figure 23: Phase 3 - Transition



The transition phase is scheduled to take place over 15 months due to the strategic nature of the change being implemented. Standard policies and processes have to be designed, agreed, and implemented across the three agencies (and multiple respective programs). These changes must be supported with a robust communications and change management plan. Additionally, the impact of each change must be tracked and benchmarked to the current state to ensure gains are realized.

The high level deliverables for this phase are:

- ▶ **Support employees through project design and transition:** Maintaining project momentum and supporting changes with targeted communications and change management policies.
- ▶ **Establish future state legal structure and governance models:** Garnering legal advice and implementing the new legal structure and governance frameworks. This will also necessitate consideration of potential union successor rights and how those can be managed.
- ▶ **Project 2 - Payroll consolidation:** This project looks to consolidate the three agencies' Payroll services, standardize policies and processes, and implement a unified Payroll system that meets the agencies' functional requirements.
- ▶ **Project 3 - Scheduling consolidation:** This project looks to consolidate the three agencies' Scheduling services, standardize policies and processes, and implement a unified Scheduling system that meets the agencies' functional requirements.
- ▶ **Project 4 - HRM strategy:** This project focuses on leveraging the capacity created in Projects 1 - 3 to address some of the longer-term strategic issues identified by the three agencies (i.e., diversity planning).
- ▶ **Physical relocation of staff:** Relocating technology, physical files and folders, and utilities (heat, water, telephony).
- ▶ **Recruit HRM SSO Board members:** Identifying required competencies, potential candidates, and appointing a Board of Directors.
- ▶ **Recruit HRM SSO Director:** Identifying required competencies, potential candidates, and appointing a Director (may or may not be Project Manager).
- ▶ **Recruit for Future State Organization/Turnover:** Identifying required competencies, potential candidates, and hiring new employees (as required).
- ▶ **Key Checkpoint 3:** Meeting with Project Steering Committee and / or Board of Directors to update project status and formalize legal structure decision.

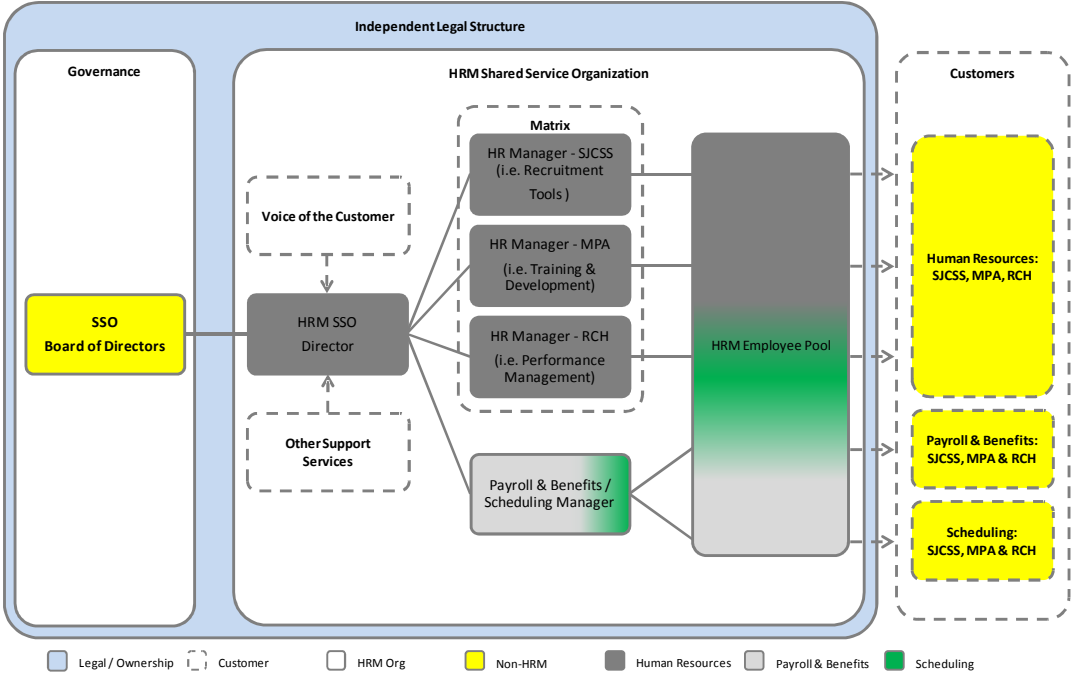
Phase 4: Independent SSO (month 24 and beyond)

The fourth project phase, Ongoing Operations, concludes in month 24. This phase concludes the “project” status and transitions to a fully functioning and legally independent SSO. As depicted in Figure 24, the SSO now consists of:

- ▶ Independent legal structure
- ▶ SSO Board of Directors
- ▶ SSO Director
- ▶ Voice of the Customer
- ▶ Other Support Services
- ▶ Human Resources Matrix
- ▶ Integrated Payroll & Benefits / Scheduling
- ▶ Provision of Back-Office Services to Customers

Future state policies and processes will be in place and maturing, which will create additional capacity to take on more strategic initiatives. Additional projects will also be identified throughout the transition phase that can be implemented on an ongoing basis. Measurement and tracking of performance should continue to allow for continued reporting and the potential to expand the SSO to other back-office services and/or other clients.

Figure 24: Phase 4 - Independent SSO



6. Risk assessment

Drawing on lessons learned from other projects of similar size and scope, eight high level risks have been identified in Figure 25. A risk is a factor or event that may jeopardize the project from achieving the anticipated benefits or increase the cost of the project. For each project risk, Figure 25 identifies the probability of the risk occurring and the impact it may have.

Figure 25: Project risk assessment

Project Risk Assessment	Probability	Impact	General Mitigation Strategy
Risk 1 - Resistance to change	High	High	Communications & change management
Risk 2 - Ineffective collaboration	Medium	High	Project & organizational governance
Risk 3 - Ineffective performance	Medium	Medium	Phased implementation and measurement & tracking
Risk 4 - Project investment (cost)	Low	Medium	Detailed design and Project Steering Committee prioritization
Risk 5 - Loss of independence	Low	Medium	Project & organizational governance, and change management
Risk 6 - Inappropriate legal structure	Low	High	Detailed design and Project Steering Committee prioritization
Risk 7 - Timeframe not sufficient	Low	Medium	A 24 month phased implementation with key go / no-go checkpoints
Risk 8 - Union Management Issues	Medium	Medium	Robust Union engagement process

Probability of risk:

- ▶ High indicates that the event is highly likely to occur;
- ▶ Medium indicates that the event is likely to occur; and
- ▶ Low indicates that the event is not likely to occur.

Impact of risk:

- ▶ High indicates that the event has a significant impact to the project;
- ▶ Medium indicates that the event will impact the project; and
- ▶ Low indicates that the impact is relatively minor to the project.

Resistance to change

Risk

Interviews were conducted with HRM users and providers across the three agencies. These interviews identified a large population of employees in leadership and management positions who will be critical to project success who:

- ▶ Generally do not have a firm understanding of what a SSO is or why they should be supportive of it;
- ▶ How it would impact their role and responsibilities;
- ▶ How it would impact their colleagues;
- ▶ What changes would be required of them; and
- ▶ How it would operate in the context of the three agencies.

It was also identified that certain employees have been exposed to unsuccessful and / or incomplete change initiatives in the past, resulting in a general resistance to change. The combination of these factors could lead to resisting the changes required by the project and / or increased turnover throughout the project phase.

Mitigation

This lack of knowledge diminishes support for project implementation. In order to manage this lack of understanding a robust communications plan and change management strategy will need to be developed, including:

- ▶ Identifying primary and secondary stakeholders;
- ▶ Ranking the power and influence each stakeholder has on the change process;
- ▶ Identify “change champions” throughout the three agencies and empower them;
- ▶ Developing a communications / action plan for each stakeholder (i.e., consistently applied key messages and FAQs):
 - ▶ When do they need to be communicated with?
 - ▶ What project milestones are they most affected by?
 - ▶ What messages to they need to hear?
 - ▶ What communications channels will reach them?
 - ▶ How often do they need to be communicated with?
 - ▶ Who can they contact with questions?
 - ▶ Where they can get additional information / assistance?
 - ▶ What are the timelines?
 - ▶ What actions can be taken to assist them through the change process?
 - ▶ What training or assistance can be given to help them through the change process?
 - ▶ How do we track the success of the change process?

Ineffective collaboration

Risk

The success of this project hinges on the ability of the MPA, RCH, and SJCSS to successfully collaborate throughout the project phase and into ongoing operations. To do this they will have to address the agencies’ areas of friction; for example:

- ▶ Competing for the same employees.
- ▶ Different organizational identities and “ways of working”.
- ▶ Three Executive Directors with unique personalities and expectations.
- ▶ Agencies’ policies and processes are at different stages of maturity (from no policies to some).
- ▶ Differing delineation of responsibilities amongst programs, managers, directors, and HR.
- ▶ Agencies’ working relationship with unions and employees may vary.
- ▶ Individual programs within each organization may have unique processes, philosophies, and approaches.

Additionally, there are a number of business principles that have to be agreed to facilitate collaboration; for example:

- ▶ How is the new organization, running under some different parameters, funded (grant from clients, service fees)?
- ▶ How will the SSO procure “other support services” (i.e., physical location and utilities) previously provided by the three agencies and will these services now need to be funded internally?
- ▶ How will the SSO identify and deliver services (i.e., service levels, agreements for services, identified costs of services, and agreements for payment of costs of service)?
- ▶ How will the SSO “charge” for the services rendered (Cost per? Split total cost?)
- ▶ How will the decision to expand into other “back-office” services be made (i.e. finance and IT)?
- ▶ How will the decision to take on additional clientele be made (i.e., other not-for-profit societies)?

Mitigation

To overcome these risks, the MPA, RCH, and SJCSS must establish project and organizational governance and reporting structures; for example:

- ▶ Establish Project Steering Committee;
- ▶ Memorandum of Understanding;
- ▶ Decision Making Protocol;
- ▶ Confidentiality Protocol;
- ▶ Conflict Resolution Protocol;
- ▶ Conflict of Interest and Project Governance / Board Ethics Policy;
- ▶ Co-Location Principles (as necessary);
- ▶ Communications Policy;
- ▶ Risk Management Protocols; and
- ▶ Inter-Organizational Protocols (to preserve the independence of activities outside the SSO).

Ineffective performance

Risk

One of the underlying goals of this project is to create capacity within the three agencies’ to allow for a greater focus on “strategic” (i.e., policy development and succession planning) rather than “transactional” (i.e., recruitment, selection, and time reporting) HRM. However, there is a risk that project implementation does not result in the type or level of performance improvement required.

Mitigation

This project has been designed with a phased implementation plan, allowing progress towards the future state to be measured and tracked to the status quo. If for any reason the project is not performing at desired levels, these project phases provide the opportunity to reassess the direction of the project or, if necessary, cancel the project altogether. The following are key aspects to this phased implementation plan:

Strong, disciplined project management which will include:

- ▶ Measurement and tracking to status quo;
- ▶ Agreed to key performance indicators and goals; and
- ▶ Regular reporting to project steering committee and Board of Directors.

Project investment (cost)

Risk

There is risk around the total cost to implement this project. While certain costs can be approximated with some degree of certainty (i.e., employee and Project Manager salary estimates), there are other areas that cannot be approximated before a period of detailed design (i.e., software and systems costs).

Mitigation

To mitigate this risk the implementation plan has allowed for a period of detailed design (through Phase 1 and Phase 2). During these phases more precise costs can be developed. The Project Steering Committee can then set priorities based on the investment required by each individual project.

Loss of independence

Risk

Each agency has identified as a risk the loss of organizational independence and identity and / or the impression of stakeholders that this is a merger of the agencies.

Mitigation

Mitigating this risk involves the development of change management policies geared at managing stakeholder expectations of what is changing and when; and a robust governance structure that clearly defines the relationship between the three agencies and the SSO:

- ▶ Establish Project Steering Committee;
- ▶ Memorandum of Understanding;
- ▶ Decision Making Protocol;
- ▶ Confidentiality Protocol;
- ▶ Conflict Resolution Policy;
- ▶ Conflict of Interest and Board Ethics Policy;
- ▶ Co-Location Principles (as necessary);
- ▶ Communications Policy;
- ▶ Risk Management Protocols; and
- ▶ Inter-Organizational Protocols (to preserve the independence of activities outside of shared services).

Inappropriate legal structure

Risk

It is assumed that the SSO will eventually be incorporated as an independent legal entity under BC provincial law, as it will not be required to operate outside of BC and will not require federal charitable organization status. It is also assumed that the SSO will not seek donations from third parties and will not need to issue charitable donation receipts. It could therefore be incorporated under one of the following BC laws: BC Corporations Act, Cooperative Association Act, or The Society Act (see Appendix 9.2).

Mitigation

To mitigate this risk the implementation plan has allowed for a period of detailed design (through Phase 1 and Phase 2). During detailed design each of these options can be weighed, and appropriate legal advice can be garnered to insure the correct legal structure is put in place.

Timeframe not sufficient

Risk

An inappropriate implementation timeframe could lead to either: 1) not enough time to complete the project; or 2) too much time and the project loses momentum.

Mitigation

The proposed implementation timeframe is 24 months with “key checkpoints” between 4 project phases. The key checkpoints allow the Project Steering Committee and / or the agencies’ Board of Directors will have the opportunity to assess the project state and make a go / no-go decision to continue its funding at current (or better) levels.

The 24 month timeframe is indicative of the limited resources available for project design and implementation; the challenge of standardising policies and processes across three agencies’ (and their respective programs); and the significant change required in implementing a SSO. This timeframe is an estimate based on EY’s assessment of agency readiness, capacity, competing priorities, and ability to manage change. It will set a pace that is reasonable, and has been developed to deliver benefits as the transition progresses.

Union management issues

In developing new policies, processes, roles, and responsibilities there is potential to create union management issues (i.e., successor rights).

Mitigation

Robust union engagement will be required to guarantee all such issues are identified and addressed appropriately. For example, one tactic to managing incumbent employees under successor rights could be to revert them to their home organizations rather than transfer them permanently to the new SSO. This type of solution would need engagement and union support.

7. Cost/benefit analysis

Quantitative analysis - project implementation

The timeline for project implementation is 24 months, and will include the following:

- ▶ **Project Manager:** Annual salary of \$100,000 to \$150,000. This salary range is an estimate based on knowledge of prevailing market costs in the private as well as public and not-for-profit sectors. It is currently envisioned, given the nature and size of the agencies, that the Project Manager would drive detailed planning and implementation of the project’s four phases; and provide experienced and strategic shared services and HRM leadership for the term of the project. However, additional resources may be required depending on the desired speed to implementation, the ability to leverage existing technologies, and the experience of resources available. Such additional resources may include change management and information technology specialists.
- ▶ **Standardization of payroll systems:** Depending on the functionality required, one of the agencies’ existing systems could be leveraged to reduce and eliminate cost (i.e., ACCPAC or Comvida). Cost estimates for alternate / customized systems would be developed in the Information Technology Roadmap workstream (see Appendix 9.4 Detailed implementation proposal).
- ▶ **Standardization of scheduling systems:** Depending on the approach taken to Scheduling (i.e., centralized, decentralized, or mixed), one of the agencies’ existing systems could be leveraged to reduce and eliminate cost (i.e., Comvida or RCH’s customized system). Cost estimates for alternate / customized systems would be developed in the Information Technology Roadmap workstream (see Appendix 9.4 Detailed implementation proposal).

Quantitative analysis - ongoing operations

The following tables use the HEABC job classifications and wage ranges to compare the current state and proposed future state organizations. The future state organization represents an average increase of \$151,004 to the ongoing operation of the business. Included within that increase is the addition of a SSO Director (estimated at \$90,000 to \$118,795), the addition of a HR Manager (estimated at \$56,934 to \$81,843), and the updating of role classifications to match future state responsibilities.

Figure 26: Current versus future state operating costs (estimate)

Current State Wages	Classification	Low	Average	High
HR / Finance Director (MPA)*				
HR Manager (SJCSS)	Grid Level 11	\$ 65,819	\$ 80,217	\$ 94,614
HR Manager (RCH)	Grid Level 9	\$ 56,934	\$ 71,168	\$ 81,843
HR Casual Staff Manager (RCH)	Grid Level 8	\$ 51,850	\$ 64,812	\$ 74,534
Payroll Manager (RCH)**	Grid Level 6	\$ 43,806	\$ 54,758	\$ 62,971
HR / Payroll Officer (MPA)		\$ 47,000	\$ 49,500	\$ 52,000
HR Generalist (SJCSS)	Grid Level 4	\$ 39,793	\$ 46,011	\$ 52,228
Scheduling Officer (SJCSS)	Grid Level 10	\$ 39,215	\$ 40,892	\$ 42,569
Administrative Support (SJCSS)	Grid Level 10	\$ 39,215	\$ 40,892	\$ 42,569
Payroll & Benefits Officer (SJCSS)	Grid Level 8	\$ 35,861	\$ 37,538	\$ 39,215
Salary Range (excluding vacant role)		\$ 419,492	\$ 485,786	\$ 542,542
Vacant HR Manager - Vacant (MPA)		\$ 63,000	\$ 64,000	\$ 65,000
Salary Range (including vacant role)		\$ 482,492	\$ 549,786	\$ 607,542

* The MPA HR / Finance Director is not included as there will be no net savings from transitioning this role out of HR.

** The RCH Payroll Manager currently earns more than the Grid Level 6 salary range, and needs to go through a HEABC role assessment.

Future State Wages (estimate)	Classification	Low	Average	High
SSO Director (estimate)	TBC	\$ 90,000	\$ 104,398	\$ 118,795
HR Managers	Grid Level 11	\$ 65,819	\$ 80,217	\$ 94,614
HR Managers	Grid Level 9	\$ 56,934	\$ 69,389	\$ 81,843
HR Managers	Grid Level 9	\$ 56,934	\$ 69,389	\$ 81,843
Payroll Manager	Grid Level 9	\$ 56,934	\$ 69,389	\$ 81,843
HR Generalist	Grid Level 8	\$ 51,850	\$ 64,812	\$ 74,534
HR Generalist	Grid Level 6	\$ 43,806	\$ 54,758	\$ 62,971
HR Generalist	Grid Level 4	\$ 39,793	\$ 46,011	\$ 52,228
Scheduling Officer	Grid Level 10	\$ 39,215	\$ 40,892	\$ 42,569
Payroll Officer	Grid Level 8	\$ 35,861	\$ 37,538	\$ 39,215
Salary Range - Future State		\$ 537,145	\$ 636,789	\$ 730,454

Variance from Current to Future State	Classification	Low	Average	High
Variance (excluding vacant role)		\$ (117,654)	\$ (151,004)	\$ (187,913)
Variance (including vacant role)		\$ (54,654)	\$ (87,004)	\$ (122,913)
<i>Variance (excluding vacant role)</i>		<i>-28%</i>	<i>-31%</i>	<i>-35%</i>
<i>Variance (including vacant role)</i>		<i>-11%</i>	<i>-16%</i>	<i>-20%</i>

Qualitative analysis

Consolidating resources in a SSO has the potential to create organizational capacity and service quality. The capacity created within HRM can be used to provide strategic leadership and direction to the organization. The types of qualitative benefits that can be expected from moving to a SSO can be found in Figure 27:

Figure 27: Qualitative benefit summary

Qualitative summary	Description	Stakeholder(s) impacted
Benefit 1 - Pooling resources to eliminate duplication and free capacity	Pooling Payroll resources	HRM employees, Program Managers and Directors, Executive Directors.
	Pooling Scheduling resources	
	Pooling Human Resources	
Benefit 2 - Freeing capacity through strategic investments in technology	Standardizing Payroll systems	HRM employees, IT, Program Managers and Directors, Executive Directors.
	Standardizing Scheduling systems	
Benefit 3 - More effectively utilizing resources through specialization and standardization	Recruitment & Selection	Human Resources employees, Program Managers and Directors, Executive Directors.
	Casual resources	
	Training & Development	
	Performance Management	
Benefit 4 - Reducing transactional workload within Programs through standardization of policies and processes	Labour Relations	HRM employees, Program Managers and Directors, Executive Directors.
	Providing clear roles and responsibilities, and reducing the transaction workload on Program Managers, Directors, and Executive Directors.	

The role of the HRM function in an organization is primarily to assist the organization attract and retain the human talent required to meet the organization's needs. The HRM within the three agencies allows them to attract and retain employees, but at a basic and sub-optimal level. An indication of this can be found in the number of postings, the turnover rates experienced, the volume of casual hires and in the number of sick days taken. These are all areas that speak to the attraction and retention of talent. Benefits that could be derived in these areas given the opportunity to take a more strategic approach to HRM include the following examples:

Example 1: Extraction of information from the recruitment and selection process to improve the processes quality and reliability.

- ▶ Are there good candidates for other / future jobs within the candidate pool of a posting? At present only the hiring supervisor will know this and unless they make the effort the information will be lost to the agency.
- ▶ Are the same people applying over and over again? If so, why are they not getting hired? Is the recruitment process attracting inappropriate applicants? Is there a better way to screen out applicants who have been screened out on other postings?
- ▶ Who are the most "successful" hiring supervisors? Who make good candidate selections as confirmed through employee retention data, employee satisfaction and employee performance ratings? What makes them successful? What can the agency learn from them and help others to learn?
- ▶ What are the best sources to use to recruit candidates? Do differing mechanisms attract different types or calibre of candidate?
- ▶ What are the experiences of candidates with recruitment and selection process? Is it clear, complete, timely, etc.? There is currently no way to collect feedback from successful and unsuccessful applicants.

Example 2: Reduction of the number of postings and of the effort required to undertake the posting process.

- ▶ Are there alternatives to the high number of postings for individual positions? Can a pool of "approved" candidates be developed from which vacancies can be filled on an ongoing basis? Does the existing pool of casual employees contain individuals who could fill a positional need?
- ▶ In how many cases are vacancies and postings the result of promotions (from casual to permanent, from junior to more senior roles, etc.)? In a unionized environment one resignation or retirement can often lead to a chain of vacancies / postings / hiring. Could these "chain events" be better recognized and managed?
- ▶ What do employees and their unions think about the posting process? The current process is costly to them and probably not all that satisfying. Could they be allies in developing improvements?

Example 3: Retention.

- ▶ Turnover rates have been high - do the agencies know the cause(s) and do they have strategies to mitigate?
- ▶ Are exit interviews held to gather employee reasons for leaving?

- ▶ Are resignations reviewed to understand why employees choose to leave?
- ▶ In how many cases are vacancies and postings the result of promotions (from casual to permanent, from junior to more senior roles, etc.)?

Example 4: Optimization of the workforce.

- ▶ There is a large pool of 298 casual employees. Does the agency know their preferences in terms of work and is the agency actively attempting to meet the employee's needs?
- ▶ As agencies grow, how are they providing opportunity for career growth to the current pool(s) of employees?
- ▶ How do employees know what the agency thinks of their on the job work performance? How can the agencies motivate employees if job performance isn't recognized?
- ▶ The number of sick days being taken has been high. Reviewing the cause of absenteeism, understanding and addressing abuses of sick days, and understanding and segregating information about short term and long term absences is key to reducing lost unproductive time - and the costs of replacement staff.
- ▶ Are the existing talents amongst the employees known to the agencies so that they can be deployed when required? Is there "hidden" expertise that could be called on to support training, or to support new initiatives, or step up to other challenges.

Having information about, and taking time to identify and analyze human resource issues provides the basis for human resource planning to address issues through: proposing changes to the collective agreement; managerial processes and behaviours; modifications to jobs and the organization of roles and responsibilities; implementation of technologies to reduce the human costs of processes; innovative practices, and more. Without information and analysis of human resource metrics there is very limited opportunity to pursue continuous improvements and optimize the investments being made in the current and future staff complements.

8. Conclusions and recommendations

While the project described in this business case is a challenging one, taking place over 24 months with multiple phases, it is believed that the benefits to each organization outweigh the costs. Therefore, this business case supports the creation of a HRM SSO, and recommends that the MPA, RCH, and SJCSS proceed with Phase 1 of the implementation proposal. The immediate next steps that can be taken are:

1. Decision to proceed with business case by the MPA, RCH, and SJCSS;
2. Gain approval / support of each agency's respective Board of Directors;
3. Secure funding for Phase 1 implementation;
4. Initial communications to employees and key stakeholders;
5. Establish Project Steering Committee; and
6. Recruit Project Manager.

9. Appendices

9.1 Definitions

- ▶ **HR:** Human Resources
- ▶ **HRM:** Human Resource Management, which in this case includes Human Resources, Payroll, and Scheduling.
- ▶ **IT:** Information technology.
- ▶ **MPA:** MPA Society.
- ▶ **RCH:** RainCity Housing and Support Society.
- ▶ **SJCSS:** St. James Community Service Society.
- ▶ **SSO:** Shared Services Organization refers to the consolidation of administrative “back-office” services, such as Human Resource Management, that were previously dispersed throughout an organization(s). The consolidated SSO effectively becomes a service provider with funding and resourcing being shared by the client organization(s).

9.2 Legal structure

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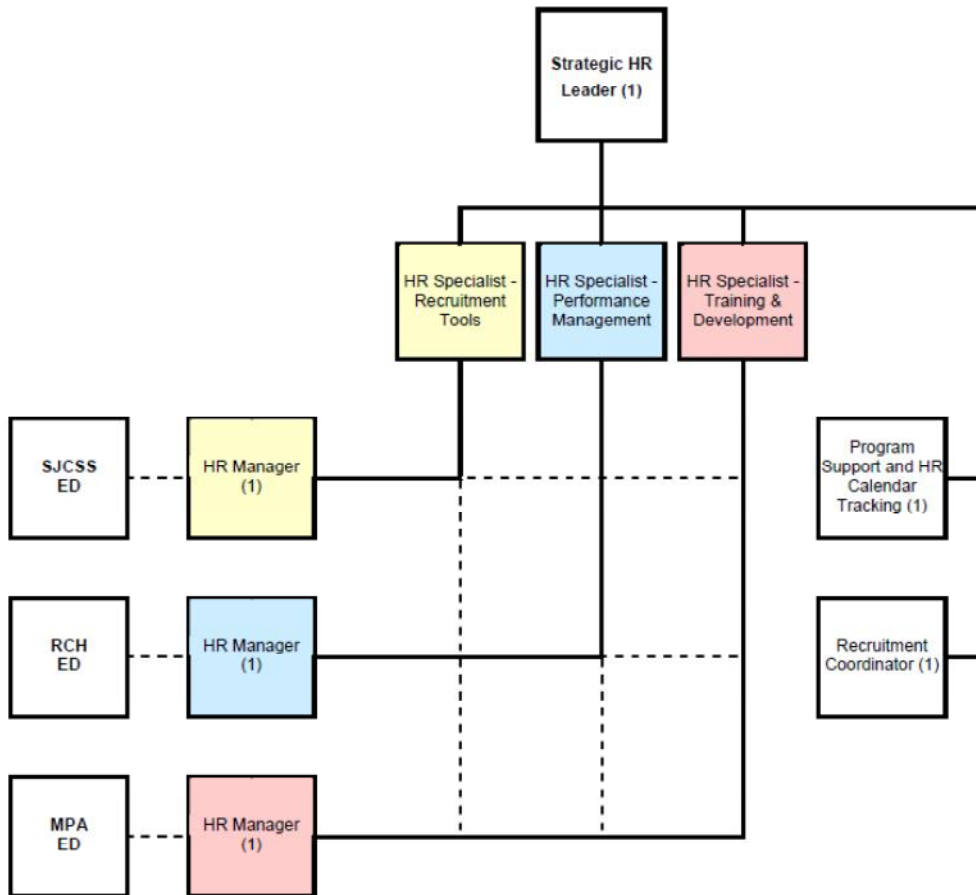
	Not for Profit (B.C.)	Company	Community Contribution Company (C3s or CCCs) (provisions not in force yet)
Legislation	<ul style="list-style-type: none"> • <i>Society Act</i> 	<ul style="list-style-type: none"> • <i>Business Corporations Act (B.C.)</i> 	<ul style="list-style-type: none"> • <i>Business Corporations Act (B.C.)</i>
Players	<ul style="list-style-type: none"> • Members (equivalent to shareholders in a company, but not entitled to profits) • Directors (no company, minimum of three, and one must be a B.C. resident) • Officers (i.e., president, secretary, treasurer) 	<ul style="list-style-type: none"> • Shareholders • Directors • Officers (i.e., president, secretary, treasurer) 	<ul style="list-style-type: none"> • Shareholders • Directors (minimum of three) • Officers (i.e., president, secretary, treasurer)
Profits	<ul style="list-style-type: none"> • Formed primarily for a charitable, educational, or social purpose • Cannot be formed for the purpose of carrying on business, trade, industry or profession for profit or gain • If in the course of pursuing its purposes a society carries on certain incidental business activities which generate a profit, then that profit must be used to further the society's purposes 	<ul style="list-style-type: none"> • Primary objective is the generation of profit for the benefit of shareholders • The only interest that matters is the company • Cannot be formed primarily for a charitable, educational, or social purpose 	<ul style="list-style-type: none"> • Dual purpose: earning profits for shareholders and benefiting society at large • Restrictions on distribution of profits to come into force by regulation (not yet released). Restrictions may include: <ul style="list-style-type: none"> ○ limits on the amount of dividends that can be paid to ensure profits are either retained or directed to a community benefit; and ○ prohibitions on certain transfers; ○ limits on distribution of capital on dissolution.
Benefits of Incorporation	<ul style="list-style-type: none"> • Exists perpetually • Separate legal entity (i.e., can own real estate, sue or be sued, enter into valid contracts) • Limited liability for members • Directors and officers are exposed to personal liability 	<ul style="list-style-type: none"> • Exists perpetually • Separate legal entity (i.e., can own real estate, sue or be sued, enter into valid contracts) • Limited liability for shareholders • Directors and officers are exposed to personal liability 	<ul style="list-style-type: none"> • Exists perpetually • Separate legal entity (i.e., can own real estate, sue or be sued, enter into valid contracts) • Limited liability for shareholders • Directors and officers are exposed to personal liability

Lawyers | Patent & Trade-mark Agents

	Not for Profit (B.C.)	Company	Community Contribution Company (C3s or CCCs) (provisions not in force yet)
Set Up	<ul style="list-style-type: none"> • Must have five initial members to incorporate • Must reserve name with the Corporate Registry and name must include corporate designation (i.e., society, foundation, association) • Approx. time to incorporate: 1-2 weeks 	<ul style="list-style-type: none"> • Any one person may incorporate as the first shareholder • Must reserve name with the Corporate Registry and name must include corporate designation (i.e., Ltd., Inc., Corp.) • Approx. time to incorporate: 1-2 weeks 	<ul style="list-style-type: none"> • Must have words "Community Contribution Company" or "CCC" as part of its name • Must include a specific statement in its articles that sets out a primary purpose to provide a health, social, environmental, cultural, educational or other benefit to society
Management	<ul style="list-style-type: none"> • Each voting member has say in the direction of the affairs of the corporation • Members appoint directors • Directors run the day-to-day management of the society and appoint officers • Must have annual general meetings each year, and file annual reports • Cannot waive financial statements 	<ul style="list-style-type: none"> • Each voting shareholder has a say in the direction of the affairs of the company • Shareholders appoint the directors • Directors run the day-to-day management of the company and appoint officers • Must have annual general meetings each year, and file annual reports • Can waive financial statements 	<ul style="list-style-type: none"> • Many of the specifics related to the governance of C3s will be included in the regulations • C3s will be subject to a greater degree of public accountability, including making financial statements and an annual community contribution report available online
Tax	<ul style="list-style-type: none"> • Can apply to the Canada Revenue Agency for charitable status (takes approx. 7 months) • If obtain charitable status, may issue charitable receipts for tax purposes 	<ul style="list-style-type: none"> • Some companies receive preferential income tax treatment (for example, the small business deduction) 	<ul style="list-style-type: none"> • No tax benefits at the moment

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9.3 Shared HR matrix model



Source: Milliken HR Consulting's *HR Shared Services Feasibility Study - 2011* (page 12)

"For HR departments to be most effective, it is necessary for them to be proactively strategic with strength in customer intimacy and functional expertise. The best approach for capitalizing on a shared services model is through the adoption of a matrix structure with HR professionals co-located with their client groups serving as true 'business partners' while also taking responsibility for content expertise in an assigned area, thereby playing a lead role in the design and development of speciality programs for implementation across all three organizations. A strategic and support function would exist centrally, in support of all program design and delivery." - Milliken HR Consulting's *HR Shared Services Feasibility Study - 2011* (page 9)

9.4 Detailed implementation proposal

Workstream:		Phase 1: Status Quo			Phase 2: Design					Phase 3: Transition																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	
Governance - Project Reporting																										
Ongoing	Project reporting and steering committee review																									
Phase 1	Key Checkpoint with Project Steering Committee / BOD - Formal implementation of governance / Approve Phase 2																									
Phase 2	Key Checkpoint with Project Steering Committee / BOD - Project prioritization / Approve Phase 3																									
Phase 3	Key Checkpoint with Project Steering Committee / BOD - Legal structure																									
Recruiting - Recruit HRM SSO Project Manager:																										
Phase 1	Identify required competencies																									
Phase 1	Identify potential candidates																									
Phase 1	Interview potential candidates																									
Phase 1	Appoint HRM SSO Project Manger																									
Governance - Establish Project Governance:																										
Phase 1	Establish Project Steering Committee																									
Phase 1	Letter of Understanding																									
Phase 1	Decision making Protocol																									
Phase 1	Confidentiality Protocol																									
Phase 1	Conflict Resolution Policy																									
Phase 1	Conflict of Interest and Board Ethics Policy																									
Phase 1	Co-Location Principles (as necessary)																									
Phase 1	Communications Policy																									
Phase 1	Risk Management Protocols																									
Phase 1	Inter-Organisation Protocols																									
Phase 1	Establish project timelines																									
Phase 1	Establish reporting, tracking, measuring, and verification procedures																									
Phase 1	Establish internal roles and responsibilities																									
Recruiting - Recruit Human Resource Manager, MPA (currently vacant):																										
Phase 1	Identify required competencies																									
Phase 1	Identify potential candidates																									
Phase 1	Interview potential candidates																									
Phase 1	Fill vacant role																									
Governance - Establish Reporting Structure:																										
Phase 1	Update reporting structure to include Project Manager																									
Phase 1	Update reporting structure to include Project Steering Committee																									
Phase 1	Update reporting structure to include Human Resources Manager, MPA																									
Change Management - Develop Communications & Change Management Plan:																										
Phase 1	Identify stakeholders																									
Phase 1	Rank stakeholders (i.e. power & influence)																									
Phase 1	Conduct change readiness assessment																									
Phase 1	Identify "change champions" throughout the three organizations																									
Phase 1	Develop communications & change strategy for each stakeholder:																									
Phase 1	- who will be impacted																									
Phase 1	- what messages do they need to hear																									
Phase 1	- what communications channels will reach them																									
Phase 1	- what actions can be taken to assist them through the change process																									
Phase 1	- what training can be provided to assist them through the change process																									
Phase 1	- what project milestones impact them																									
Phase 1	- when do they need to be communicated with																									
Phase 1	- where are they physically located																									
Phase 1	- how often do they need to be communicated with																									
Phase 1	- how do we track their readiness for change																									
Phase 1	Release initial set of communications to agencies																									
Design & Transition - Information Technology Roadmap																										
Phase 1	Review three agencies IT systems and processes:																									
Phase 1	- Develop current state assessment of IT systems and processes.																									
Phase 1	- Develop high level view of future state IT requirements																									
Phase 1	- Develop IT roadmap and implementation plan (including cost to implementation).																									
Phase 2	Identify quick wins																									
Phase 2	Begin detailed project design and transition / implementation (starting with quick wins)																									
Design & Transition - Measurement & Tracking																										
Phase 1	Development of a unified Employee Survey and HR Scorecard																									
Phase 1	Review three agencies policies and processes:																									
Phase 1	- Develop high level view of future state policies and processes																									
Phase 1	- Develop high level view of future state roles and responsibilities																									
Phase 2	Identify quick wins																									
Phase 2	Begin detailed project design and transition / implementation (starting with quick wins)																									
Phase 3	Ongoing measurement & tracking																									

Action	Workstream:	Timing (Months)	Phase 1: Status Quo			Phase 2: Design					Phase 3: Transition															
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Change Management - Engage Employee Unions																										
Phase 1	Communicate high level project rational to employee unions																									
Phase 1	Identify any impacts to unionized employees																									
Phase 1	Identify any conflicts with union agreements and collective bargaining																									
Phase 2	Engage with unions to reach conflict resolution																									
Phase 3	Ongoing union engagement																									
Change Management - Support Employees Through Project Design and Transition:																										
Phase 2	Communications to prepare employees for project transition:																									
Phase 2	- who they can contact with questions and concerns																									
Phase 2	- what are the project timelines																									
Phase 2	- where can they go to get additional information and assistance																									
Phase 2	- how will it affect them																									
Phase 3	Continued communications across agencies to maintain momentum																									
Phase 3	Communications focused on new legal structure																									
Phase 3	Communications focused on new roles & responsibilities																									
Phase 3	Communications focused on new policies and processes																									
Phase 3	Communications focused on new reporting structure																									
Phase 3	Communications focused on new technologies																									
Phase 3	Support the implementation of each project:																									
Phase 3	- Who it will impact																									
Phase 3	- What changes are required																									
Phase 3	- When is it happening																									
Phase 3	- Where can they get additional information / assistance																									
Phase 3	- How will it impact them																									
Governance - Establish Future State Legal Structure and Governance Model:																										
Phase 2	Research future state legal structure and governance model																									
Phase 2	Design future state legal structure and governance model																									
Phase 2	Garner legal advice on chosen legal structure and governance model																									
Phase 3	Submit necessary paperwork and regulatory documentation																									
Phase 3	Implement new legal structure and governance model																									
Phase 3	Update reporting structure to include CEO																									
Phase 3	Update reporting structure to include Board of Directors																									
Project 1 - Human Resources Integration:																										
Phase 2	Identify key project stakeholders across three agencies																									
Phase 2	Work with stakeholders across three agencies to design implementation plan:																									
Phase 2	- desired project outcome																									
Phase 2	- standardized policies and processes																									
Phase 2	- standardized software solution (where applicable)																									
Phase 2	- updated roles & responsibilities																									
Phase 2	- risk mitigation																									
Phase 2	- detailed implementation plan																									
Phase 2	Identify opportunities and threats to implementation																									
Phase 2	Rollout implementation plan across three agencies, examples include:																									
Phase 2	a. Recruiting																									
Phase 2	b. Training & development																									
Phase 2	c. Labour Relations																									
Phase 3	d. Employee Orientation																									
Phase 3	e. Health & Safety																									
Project 2 - Payroll Consolidation:																										
Phase 2	Identify key project stakeholders across three agencies																									
Phase 2	Detailed process mapping across three agencies																									
Phase 2	Identify opportunities and threats to implementation																									
Phase 3	Work with stakeholders across three agencies to design implementation plan:																									
Phase 3	- desired project outcome																									
Phase 3	- standardized policies and processes																									
Phase 3	- standardized software solution (where applicable)																									
Phase 3	- updated roles & responsibilities																									
Phase 3	- risk mitigation																									
Phase 3	- detailed implementation plan																									
Phase 3	Rollout implementation plan across three agencies:																									
Phase 3	- track against current state																									
Phase 3	- phased rollout																									
Phase 3	- communications to stakeholders																									
Phase 3	- update policies and processes																									
Phase 3	- update software solutions																									
Phase 3	- update roles and responsibilities																									

Workstream:	Phase 1: Status Quo			Phase 2: Design					Phase 3: Transition															
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Project 3 - Scheduling Consolidation:																								
Phase 3	Identify key project stakeholders across three agencies																							
Phase 3	Begin detailed process mapping across three agencies																							
Phase 3	Identify opportunities and threats to implementation																							
Phase 3	Work with stakeholders across three agencies to design implementation plan:																							
Phase 3	- desired project outcome																							
Phase 3	- standardized policies and processes																							
Phase 3	- standardized software solution (where applicable)																							
Phase 3	- updated roles & responsibilities																							
Phase 3	- risk mitigation																							
Phase 3	- detailed implementation plan																							
Phase 3	Rollout implementation plan across three agencies:																							
Phase 3	- track against current state																							
Phase 3	- phased rollout																							
Phase 3	- communications to stakeholders																							
Phase 3	- update policies and processes																							
Phase 3	- update software solutions																							
Phase 3	- update roles and responsibilities																							
Project 4 - HRM Strategy:																								
Phase 3	Identify strategic project to undertake																							
Phase 3	Identify key project stakeholders across three agencies																							
Phase 3	Begin detailed process mapping across three agencies																							
Phase 3	Begin measuring / tracking current state performance across three agencies																							
Phase 3	Identify opportunities and threats to implementation																							
Phase 3	Work with stakeholders across three agencies to design implementation plan:																							
Phase 3	- desired project outcome																							
Phase 3	- standardized policies and processes																							
Phase 3	- standardized software solution (where applicable)																							
Phase 3	- updated roles & responsibilities																							
Phase 3	- risk mitigation																							
Phase 3	- detailed implementation plan																							
Phase 3	Rollout implementation plan across three agencies																							
Design & Transition - Physical relocation of staff																								
Phase 3	Identify new physical location																							
Phase 3	Identify key risks																							
Phase 3	Identify key stakeholders																							
Phase 3	Develop relocation plan																							
Phase 3	- technology																							
Phase 3	- physical files																							
Phase 3	- utilities (heat, water, power, telephony)																							
Phase 3	- contract movers																							
Phase 3	- communicate dates																							
Recruiting - Recruit HRM SSO Board Members:																								
Phase 2	Identify required competencies																							
Phase 3	Identify potential candidates																							
Phase 3	Interview potential candidates																							
Phase 3	Appoint HRM SSO Board Members																							
Recruiting - Recruit HRM SSO CEO:																								
Phase 3	Identify required competencies																							
Phase 3	Identify potential candidates																							
Phase 3	Interview potential candidates																							
Phase 3	Appoint HRM SSO CEO																							
Recruiting - Recruit for future state organisation / turnover:																								
Phase 3	Identify required competencies of the future state organisation																							
Phase 3	Develop recruiting plan for competency gaps																							
Phase 3	Identify potential candidates																							
Phase 3	Interview potential candidates																							
Phase 3	Fill roles as required (ongoing)																							

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