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Final Report

2010-601

Evaluation of Government Consulting Services

January 26, 2012

Office of Audit and Evaluation

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MAIN POINTS

What was examined

i. This report presents the results of the evaluation of Government Consulting Services (GCS), hereinafter referred to as the program. The objective of the evaluation was to determine the program's relevance and performance in achieving its planned outcomes in accordance with the Treasury Board *Policy on Evaluation*. The evaluation examined GCS activities from 2005/06 to 2009/10. The majority of the data was collected between January, 2010 and March 31, 2011. This report presents information on GCS activities and governance as it existed in the time period examined.

ii. GCS is a part of the Consulting, Information, and Shared Services Branchⁱ of Public Works and Government Services Canada (PWGSC). It was previously a part of Consulting and Audit Canada, which was dismantled in 2005. GCS' core mandate is to provide departments and agencies, across the federal government, with integrated solutions that are consistent with government priorities and contribute to a more effectively managed Public Service.

Why it is important

iii. GCS became a separate organization reporting to the Deputy Minister of PWGSC in 2005 after Consulting and Audit Canada was dismantled. The management consulting function of the former Consulting and Audit Canada was moved to the Consulting, Information, and Shared Services Branch. GCS has not been evaluated since it was established as a separate organization.

iv. The federal government routinely engages management consultants when specialized expertise is required but unavailable within a federal department or agency. In 2009/10, the federal government spent \$413 million on management consulting services to support the delivery of its programs. It is generally recognized that the majority of services provided by GCS are available from the private sector.

What was found

v. The evaluation found that while there is a continuing need for management consulting services, in the areas covered by GCS, there is no evidence of a continued need for a separate, internal consulting service provider like GCS. There is considerable overlap with the present capacity in the private sector and individual federal departments that offsets the need for an internal service provider. Although GCS is not directly linked to federal or departmental priorities, the management consulting services it provides can support federal departments in achieving management accountabilities. Further, the evaluation found that GCS represents a small overall share of the market for management consulting services within the federal government.

ⁱ Became the Integrated Services Branch effective August 15, 2011.

vi. GCS' clients generally receive timely services that meet their expectations and needs and projects are generally completed within budget. Clients report overall satisfaction with the services they receive from GCS. GCS' work has resulted in adoption of recommendations and best practices by client organizations. Clients reported some positive impacts on organizational efficiency or effectiveness as a result of using GCS.

vii. GCS is meeting its obligation under its revolving fund status to break even and has demonstrated efficient business operations since 2008/09.

viii. GCS' rates were found to be comparable to those of mid- to large-size firms and its services comparable to those of mid-size or small firms.

Implications of Strategic Review

ix. At the time this evaluation was being conducted, PWGSC was one of 13 federal departments reviewing its priorities through a Strategic Review process. As part of Budget 2011, the government announced the initiatives that PWGSC would implement, including elimination of some programs. The elimination of GCS is intended to better align PWGSC activities with its core mandate and leverage private sector services. PWGSC is ceasing to provide management consulting services as of March 2012, while maintaining standing offers with several private sector companies that other government departments may call upon to meet their consulting needs.

x. As data collection and analysis for this evaluation project were mostly complete at the time of the Budget 2011 announcement, the reporting phase was undertaken to present the findings and conclusions of the GCS evaluation so as to document GCS' performance and add to the literature base supporting policy and program development. In light of the wind-down of the program, recommendations for response and actions by program management are not presented in this evaluation as a final decision on the future of the program has been taken.

INTRODUCTION

1. This report presents the results of the evaluation of Government Consulting Services (GCS). The Audit and Evaluation Committee of Public Works and Government Services Canada (PWGSC) approved this evaluation as part of the *2009/10-2013/14 Risk-Based Multi-Year Audit and Evaluation Plan*. The evaluation examined GCS activities from 2005/06 to 2009/10. The majority of the data was collected between January, 2010 and March 31, 2011. This report presents information on GCS activities and governance as it existed in the time period examined.

PROGRAM PROFILE

Background

2. GCS is part of the Consulting, Information, and Shared Services Branch of PWGSC. In the PWGSC Program Activity Architecture for 2010/11, Government Consulting Services is situated under the Specialized Programs and Services program activity. As the federal government's 'in-house' management consulting organization, it aims to "contribute to a more effectively managed public service. PWGSC has a legislated mandate to provide optional services to all levels of government in Canada as well as foreign governments and international organizations on a full cost-recovery basis."

3. GCS' predecessor, Consulting and Audit Canada, was established as a Special Operating Agency in 1990 by amalgamating the Bureau of Management Consulting and the Audit Services Bureau, two agencies of Supply and Services Canada. Concurrently, the Treasury Board authorized the establishment of the Consulting and Audit Canada Revolving Fund to provide the agency with the financial flexibility required to operate in a business-like manner and focus on performance and results. In 2005, Consulting and Audit Canada was dismantled. The management consulting function was moved to the Consulting, Information, and Shared Services Branch of PWGSC and renamed Government Consulting Services. The audit function of Consulting and Audit Canada became Audit Services Canada (ASC), a Special Operating Agency reporting to the Deputy Minister of PWGSC. In 2009, ASC was moved to the Departmental Oversight Branch within PWGSC, reporting to the Assistant Deputy Minister.

Governance

4. Governance of GCS is provided through the Consulting, Information, and Shared Services Branch. Six Service Line Directors report to the Director General for Government Consulting Services, who in turn reports to the Assistant Deputy Minister for Consulting, Information, and Shared Services Branch.

Activities

5. GCS services lines were divided across the following eight business lines in 2010/11: Strategic Management; Results-Based Management; People Management; Financial Management; Decision Support; Information Management; Information Technology and Security; and Project Management.

6. GCS engagement with client organizations is in the form of a Memorandum of Understanding, negotiated at the outset of each project and amended if required. GCS reviews its rate structure and charging practices annually. The charging model is derived from an estimate of costs (GCS estimates what level of revenue must be generated in a given planning period in order to fully recover fixed costs) and generates sales, revenue, and net income targets for each service line.

Authority

7. The mandate for PWGSC to offer consulting services on an optional fee-for-service basis is derived from the following:

- *Department of Public Works and Government Services Act, S.15*, authorizes the Minister to provide management consulting services on request, to departments, boards, and agencies of the Government of Canada;
- *Department of Public Works and Government Services Act, S.16*, authorizes the Minister to provide management consulting services to any government, body, or person within Canada or elsewhere with the approval of the Governor in Council;ⁱⁱ
- The Treasury Board *Common Services Policy* (issued under S.7 of the *Financial Administration Act*) recognizes management consulting as an optional common service provided by PWGSC (Appendix F, Section 7).

Resources

8. As of August 26, 2010, GCS' staff complement consisted of 109 indeterminate full-time equivalents (FTEs): 6 service line directors (practice leaders), 80 revenue-generating consultants (across three levels: principal, senior, and consultant) and 23 employees providing management and administrative support.

9. GCS and ASC share the same funding mechanism: the Consulting and Audit Canada Revolving Fund, which functions like a line of credit. The maximum available for withdrawal from the Consulting and Audit Canada Revolving Fund is \$20 million,

ⁱⁱ Approval was granted in 2003.

divided equally between GCS and ASC. GCS represented approximately 52% (\$18 million) of the revenues in the 2009/10 Consulting and Audit Canada Revolving Fund.

10. The use of a revolving fund allows GCS access to cash to pay for operating costs. GCS recovers operating costs through charges to government departments and international agencies for services provided.ⁱⁱⁱ GCS operates on an annual break-even principle, where its revenues are expected to match (and replace) withdrawals made from the Consulting and Audit Canada Revolving Fund.

Stakeholders

11. GCS provides services across eight areas to a wide range of clients within the federal government. Stakeholders in GCS include: PWGSC management; the Consulting, Information, and Shared Services Branch (the PWGSC Branch where it is located); and other federal departments and agencies (which are eligible to employ GCS). The evaluation found that GCS has worked for 81 different federal departments and agencies.

Logic Model

12. A logic model is a visual representation that: links a program's activities, outputs, and outcomes; provides a systematic and visual method of illustrating the program theory; and shows the logic of how a program, policy, or initiative is expected to achieve its objectives. It also provides the basis for developing performance measurement and evaluation strategies, including the evaluation matrix.

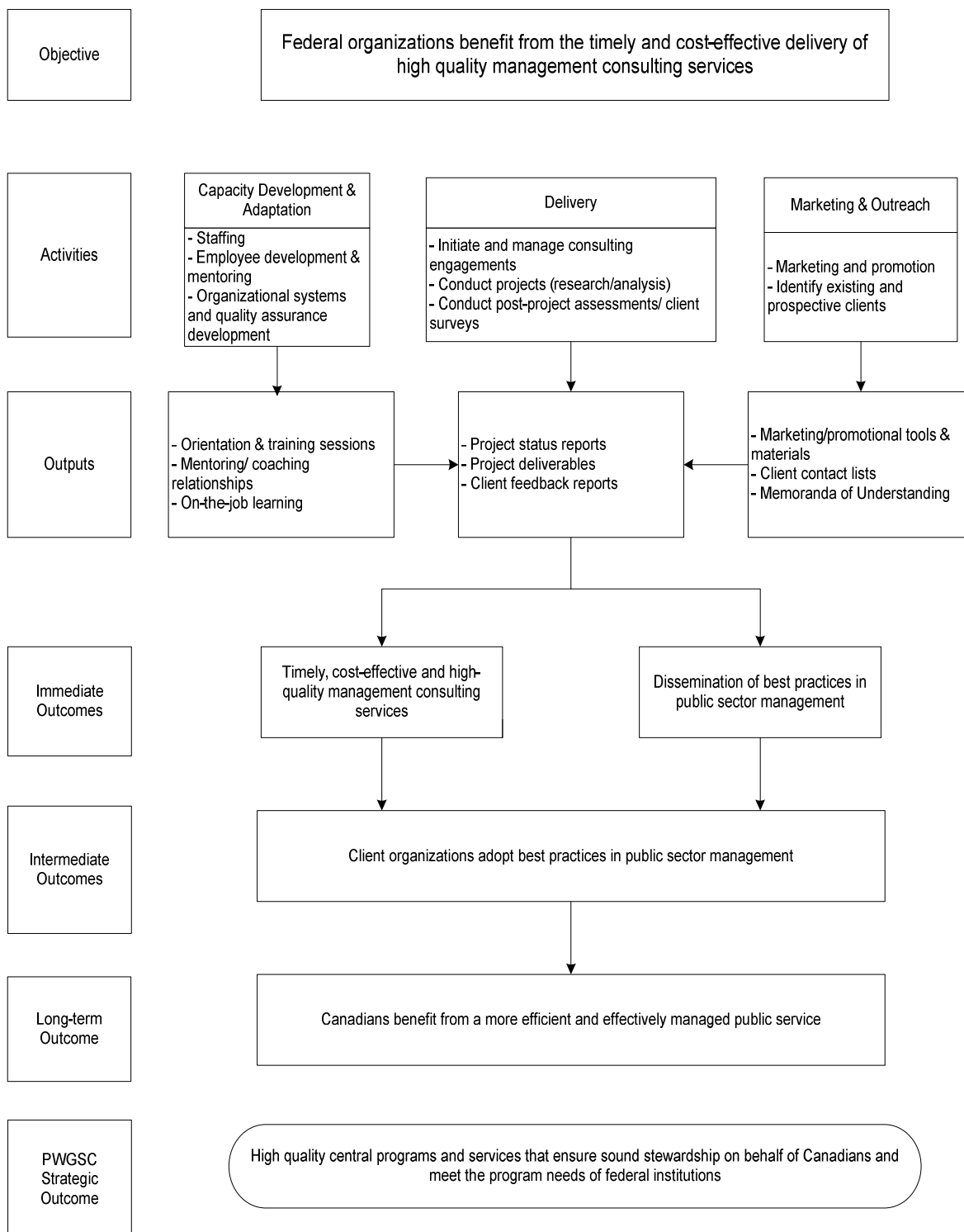
13. A logic model for GCS was developed based on a detailed document review, meetings with program managers, and interviews with key stakeholders. It was subsequently validated with program staff. Exhibit 1 presents the GCS logic model.

14. The immediate outcomes that GCS intends to achieve are: the provision of timely, cost-effective, and high-quality management consulting services; and the dissemination of best practices in public sector management. In the intermediate term, these are expected to lead to client organizations adopting best practices in public sector management, with the intended long-term outcome that Canadians benefit from a more efficient and effective public service.

ⁱⁱⁱ Project expenses such as travel and translation are charged back to clients at cost.

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Exhibit 1: Government Consulting Services Logic Model



FOCUS OF THE EVALUATION

15. The objective of this evaluation was to determine the program's relevance and performance in achieving its planned outcomes in accordance with the Treasury Board *Policy on Evaluation*.

16. An evaluation matrix—including evaluation issues, questions, indicators, and data sources—was developed during the planning phase. Appendix A presents the GCS evaluation matrix. Multiple lines of evidence were used to assess the program. These included:

- a) *Document and database review*: An initial document review provided an understanding of the program and its context to assist in the planning phase. Documents reviewed included documents provided by the program and documents written about the program.
- b) *Literature review*: A literature review was conducted to develop national and international context, provide theoretical background for the program model, compile baseline data against which the program could be assessed, and to identify alternative delivery models through an analysis of other jurisdictions.
- c) *File review*: A review was conducted of a random sample of 50 GCS project files across six GCS service lines over the five-year evaluation period. This constituted approximately 5% of projects with Memoranda of Understanding in that time frame.
- d) *Interviews*: The evaluation team conducted interviews with 33 GCS staff members, as well as seven client departments and agencies. Interviews or e-mail exchanges were also conducted with three private sector management consultants. The qualitative analysis of the interviews provided information on the program's activities, outputs, expected outcomes, stakeholders, relevance, and performance from the perspective of program managers, client departments, and other related stakeholders.
- e) *Survey of past GCS clients*: A Web-based survey was developed by the evaluation team to capture client perspectives on program performance. The survey was sent to individuals who had completed one of GCS' post-project client satisfaction surveys. Some questions from GCS post-project survey were included in the survey of past clients for benchmarking purposes.
- f) *Survey of potential GCS clients*: A Web-based survey was developed by the evaluation team to capture opinions of GCS from potential clients. Potential respondents were defined as individuals holding managerial responsibility related to federal administrative reforms or policy directions and working in areas covered by GCS service lines.
- g) *Case studies*: Case studies were conducted of five randomly selected GCS projects and five projects selected by GCS that were considered to have exemplary results. The exemplary cases provide evidence of the potential level of impact, while the representative cases document typical impact.

17. Additional information on the approach and methodologies used in this evaluation can be found in the *About the Evaluation* section at the end of the report. The evaluation matrix is provided in Appendix A.

FINDINGS AND CONCLUSIONS

18. The findings and conclusions are based on the multiple lines of evidence used during the evaluation. They are presented by evaluation issue (relevance and performance).

RELEVANCE

19. Relevance is measured by the extent to which the program addresses a demonstrable and continuing need; is an appropriate role for the federal government; and is aligned with departmental and federal priorities.

CONTINUING NEED

20. Continuing need is assessed by three primary elements: continued relevance of original program rationale; legislative or policy requirements; and use of the program's services. The evaluation did not find strong evidence of a demonstrable and continuing need for GCS.

21. The original rationale for GCS is no longer relevant. GCS' predecessor program, the Bureau of Management Consulting, was established in 1967 to address a need for a centre of expertise. In recent years, GCS' market share has been consistently minor (3.35% in 2007/08 and 4.41% in 2009/10) with respect to total management consulting services accessed by Government of Canada departments and agencies; evidence that the majority of federal department and agencies management consulting needs are being met through other sources. GCS' current mandate includes: a) marketing itself as a disseminator of best practices; b) focusing on developing clients in areas where it aspires to be recognized as a centre of expertise within the public service (such as the Treasury Board Secretariat); and c) positioning itself as a learning organization in an effort to demonstrate its value.

22. There is no legislative or policy basis that mandates the continued operation of GCS. While PWGSC has authority to provide management consulting services under sections 15a and 16 of the *Department of Public Works and Government Services Act*, "whereby the Minister of Public Works and Government Services may, on request of a department, board, or agency of the Government of Canada, provide it with management consulting services," Appendix F, section 7.1 of the *Common Services Policy* identifies management consulting services as optional.

23. Although GCS maintains a core group of loyal client departments, it has made limited inroads in attracting new clientele. The evaluation's database review revealed that 98% of projects (925 out of 942) from 2005/06 to 2009/10 were for repeat client

organizations. Within a specific set of client departments, GCS maintains a moderate market share (as a proportion of total client expenditure on management consulting services): from 2005/06 to 2009/10, Public Safety Canada used GCS for 13.03% of their management consulting needs, while the Treasury Board Secretariat engaged GCS for 12.51% of its total expenditures on management consulting during the same period. Although demand for GCS services (in terms of fee-based revenue) saw a marginal increase from \$13.90 million during 2008/09 to \$14.20 million in 2009/10, its overall market share remained small. Furthermore, among GCS clients that spend the largest overall amount on management consulting services in the federal public service (Human Resources and Skills Development Canada, Public Works and Government Services Canada, and the Department of National Defence), GCS maintains a market share of 2% or less.

24. In addition to private sector firms, federal government departments and agencies also have in-house capacity to meet their management consulting needs. The client survey conducted by the evaluation found that 57% of projects completed by GCS would have proceeded in its absence. Of those projects which would have proceeded, 77% respondents identified an external contractor and 48% of respondents identified internal staff as an alternative resource for completing a project tasked to GCS. This finding is further evidence that federal departments and agencies have access to external service providers and internal resources that can conduct the kind of projects undertaken by GCS.

25. In conclusion, the evaluation did not find strong evidence of a demonstrable and continuing need for GCS' management consulting services. The provision of management consulting services is identified as optional within legislative and policy requirements. Federal departments and agencies have access to other capacity to meet their management consulting needs with GCS representing a small share of the overall market for these services.

ALIGNMENT WITH FEDERAL AND DEPARTMENTAL PRIORITIES

26. Alignment with federal and departmental priorities (as expressed in the departmental strategic outcome) was determined by assessing GCS services against both federal and departmental priority-setting reports. The evaluation found that the provision of services by an entity such as GCS was not aligned with federal priorities.

27. Services such as those provided by GCS (and those of other management consultants) can support federal departments and agencies by enabling them to better achieve the objectives of key federal priorities such as accountability, national security and privacy protection, risk management, performance measurement, and public service renewal. Aside from this indirect support, GCS is not specifically mentioned in any federal priority-setting documents. There is some alignment between GCS services and federal government priorities. The 2010/11 Core Services Review conducted by GCS found that it was offering services in all eight Management Accountability Framework domains, with a concentration in stewardship (32% of fee-based revenue in 2009/10) and

risk management (20% of fee-based revenue in 2009/10). Despite the alignment of GCS services with federal management accountabilities, the evaluation did not find evidence that the provision of management consulting services through GCS is a federal priority area.

28. As a common service, the provision of centralized management consulting services supports the PWGSC departmental strategic outcome. As defined in the 2010/11 *Report on Plans and Priorities*, the department's mission and strategic outcome is to "deliver high-quality services and programs that meet the needs of federal organizations and ensure sound stewardship on behalf of Canadians." Its mandate includes acting as a common service organization for the Government of Canada's various departments, agencies, and boards as per the *Common Services Policy*.

APPROPRIATE ROLE AND RESPONSIBILITY FOR THE FEDERAL GOVERNMENT

29. To determine whether or not the program is aligned with the roles and responsibilities of the federal government, three elements were examined: whether the responsibility for the program could be transferred to another level of government (i.e., to the provinces); whether the responsibility for the program could be transferred to the private sector; and whether the responsibility for the program could be decentralized to individual departments and agencies.

30. Devolution of GCS to other levels of government is not viable. While PWGSC has a legislated mandate to provide optional management consulting services to all levels of government in Canada (as well as foreign governments), GCS' primary mandate is to serve the needs of the federal government. As such, devolution of responsibility to another level of government would not be a viable option.

31. The possible devolution of responsibility of some management consulting service lines to the private sector is a potentially viable option. While the devolution of GCS as an entity to the private sector is not viable, the private sector offers management consulting services which are adequate to meet the needs of the federal government.

32. The possible devolution of responsibility of some management consulting service lines to other federal departments and agencies is also a potentially viable option. Stakeholder interviews revealed that many departments, especially large departments and agencies, have in-house knowledge in GCS service areas, such as Information Technology and Information Management, policy analysis and Treasury Board/Memoranda to Cabinet preparation, organizational development, and program evaluation.

33. Overall, the evaluation found that GCS is not fulfilling an essential role and responsibility for the federal government.

Conclusions: RELEVANCE

34. In conclusion, the evaluation did not find strong evidence of a demonstrable and continuing need for GCS. While the *Common Services Policy* requires the Minister of PWGSC to make GCS services available, GCS activities overlap with the present capacity of the private sector.

PERFORMANCE

35. Performance is the extent to which a program or initiative is successful in achieving its objectives and the degree to which it is able to do so in a cost-effective manner that demonstrates efficiency and economy. GCS performance is discussed in the *Outcome Achievement* and *Efficiency and Economy* sections.

OUTCOME ACHIEVEMENT

36. The outcomes presented in a logic model are designed so that their achievement will aid the Department in achieving its strategic outcome. As such, the evaluation examined the degree to which the program's activities are sufficient for achieving its intended outcomes. GCS' outcomes are identified in italics below, followed by an assessment of their performance.

Timely, cost-effective and high-quality management consulting services

37. This outcome was measured by the extent to which services were delivered within expected timeframes, were quality assured, and the extent of client satisfaction with service quality. This outcome is paramount since it is the primary result from the program's main body of activities. The issue of cost-effectiveness in GCS' provision of management consulting services is discussed separately under the issue of efficiency and economy.

38. Seventy-five percent of clients surveyed for the evaluation were somewhat or very satisfied that GCS had delivered the project in accordance with the timelines in the Memoranda of Understanding. The evaluation file review showed that 39% of projects were delivered within a month of the expected end date in the original Memorandum of Understanding. However, a majority of projects' agreements were amended, most often for timelines. Program-based interviewees stated that when projects experienced schedule slippage, it was often the result of client issues, such as an inability to provide needed information on schedule.

39. Seventy-two percent of GCS clients surveyed agreed that GCS services met their needs, and 65% agree that GCS provided services comparable to, or better than, other providers. Eighty-three percent agreed that GCS achieved the project objectives as described in the agreement, while 75% agreed that GCS met the quality expectations for the work described in the agreement. These last two items are part of GCS Service Standards and were included in its fall 2010 client satisfaction survey.

40. GCS' client survey showed that projects operated within budget and the evaluation's client survey found that clients were generally satisfied with the value for money provided by GCS. According to the client survey, 75% of GCS clients were satisfied that their projects were delivered within budget (as set in the agreement). Similarly, the file review showed that 82% of projects were conducted either on or under budget, with approximately half being under budget. The evaluation's client survey also found that 58% of GCS clients were satisfied with the value for money provided by GCS.

41. GCS administers its annual client survey to gauge client satisfaction at the conclusion of projects. The evaluation's review of client satisfaction responses found that clients who engaged GCS for program evaluation and performance measurement showed less overall satisfaction with GCS' services when compared to other clients. Fifty-two percent said that they would use GCS again should the need arise. Conversely, clients who engaged GCS for Knowledge and Information Management Services showed high overall satisfaction when compared to other clients. One hundred percent said that they would use GCS again should the need arise.

Dissemination of best practices in public sector management

42. Dissemination of best practices was measured by the extent to which the program identifies, gathers, and shares best practices in public sector management across the Government of Canada.

43. Fifty-five percent of client survey respondents agreed that the work conducted by GCS allowed their organization to learn about or adopt best practices. Clients who engaged GCS for Information Management Services most frequently believed that best practices were integrated into their projects (at 72% of clients), compared to 38% of clients who engaged GCS for Strategic Management. Two examples of the use or application of best practices identified by the evaluation are a project management practice based on the Project Management Body of Knowledge and a financial control practice based on Treasury Board-recognized standards.

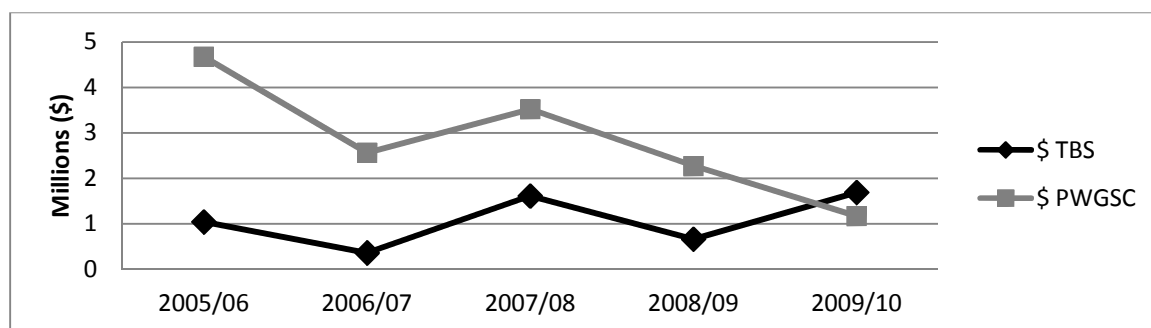
44. The evaluation also found selected instances where GCS developed innovative best practices, including: an organizational effectiveness review methodology; an engagement strategy to support the implementation of the Department and Agency Audit Committees; and E-discovery methodology.

45. Internal interviewees commented on the strategic importance of central services as clients for GCS, as work for them has the potential for government-wide impacts when GCS assists in policy development. Examination of the GCS client database shows that central services (Treasury Board of Canada Secretariat, Canada School of Public Service, the Office of the Auditor General, the Public Service Human Resource Management Agency and the Public Service Commission) account for 14.2% of GCS projects and 9.6% of revenues in the five-year evaluation period. Exhibit 2 shows that work for

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Treasury Board Secretariat has increased to the point that it surpassed PWGSC as GCS' largest client in 2009/10.

Exhibit 2: Value of GCS' service agreements with the Treasury Board Secretariat and Public Works and Government Services Canada, from 2005/06 to 2009/10^{iv}



Source: GCS project database.

Client organizations adopt best practices in public sector management

46. Adoption of recommendations and best practices was measured by the extent to which the Government of Canada is accepting the recommendations and/or results of GCS services and is actively implementing the results into their practices. The outcome was measured by the extent that client organizations confirm adoption and are recognized for their best practices.

47. GCS' work has resulted in adoption of recommendations and best practices by client organizations. In the client survey, the results of GCS services were said to have resulted in changes in most client organizations: 83% of clients stated that they had adopted recommendations, while 70% said they had made changes in line with the work conducted by GCS. Among the seven case studies, four organizations adopted recommendations in line with the project results while the remaining organizations experienced a change in internal priorities or direction that rendered the recommendations no longer relevant.

48. Survey respondents were asked how much impact the work done by GCS had on organizational effectiveness or efficiency. Fifty-three percent agreed that GCS' work had 'some,' 'quite a bit,' or 'a great deal' of impact on organizational efficiency or effectiveness. Strategic Management Services showed the greatest impact (38% of clients said it had 'quite a bit' or 'a great deal' of impact) and People Management the least (7%). The forty-five percent of client survey respondents who had indicated that GCS' work had no impact or some impact stated that there was no opportunity for changes to occur (e.g., the work was a partial step or not intended to lead to change, or

^{iv} N.B., interpretation of financial data must take into consideration the phase-out of flow-through contracting until 2007/08.

the changes were still being considered). In about 20% of cases, organizational change impeded impact (e.g., management change, new organizational priorities).

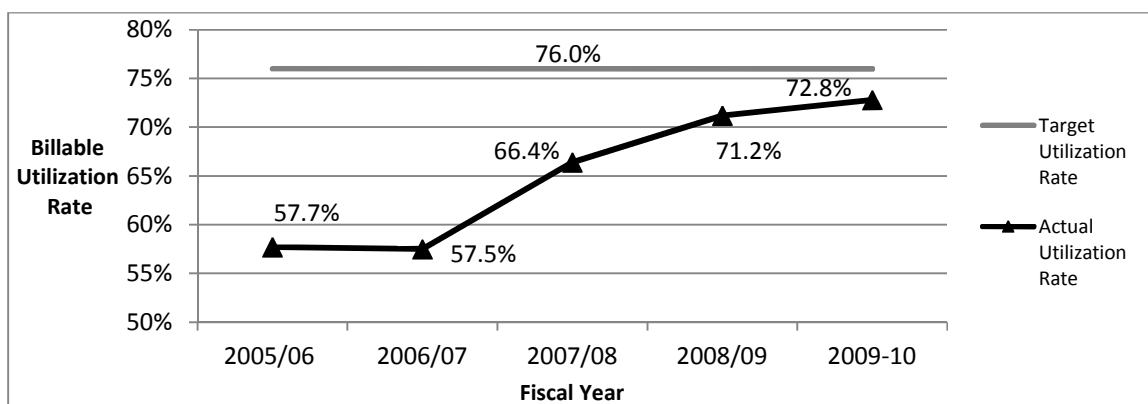
EFFICIENCY AND ECONOMY

49. Demonstration of efficiency and economy is defined as an assessment of resource utilization in relation to the production of outputs and progress toward expected outcomes. Efficiency refers to the extent to which resources are used such that a greater level of output is produced with the same level of input or, a lower level of input is used to produce the same level of output. Economy refers to minimizing the use of resources. A program has high demonstrable economy and efficiency when resources maximize outputs at least cost and there is a high correlation between minimum resources and outcomes achieved.

Efficiency

50. GCS' ability to generate revenue is directly linked to the proportion of time that its staff remains engaged in revenue-generating activity, also known as the billable utilization rate. Illustrated in Exhibit 3, GCS' productivity has improved over time through increased average billable utilization rates. GCS' productivity climbed from a low of 57.7% in 2005/06 to a high of 72.8% in 2009/10.

Exhibit 3: GCS Actual Utilization Rate versus Target Utilization Rate, 2005/06 to 2009/10



Source: GCS Three-Year Business Plan and Calculation of Net Utilization.

51. An additional avenue for determining the efficiency of GCS business operations is to calculate the proportion of its business that is comprised of low dollar-value projects (less than \$24,999). Projects less than \$24,999 could be arranged by clients through sole-source contracting and require, on a per capita basis, more non-billable time for marketing and MOU development. Efficient resource utilization would be characterized by maximizing the number of large, high dollar-value projects, and minimizing the amount of low dollar-value ones so as to increase billable utilization rates.

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52. While GCS has taken on fewer projects since 2005/06, it has also decreased the proportion of its business that is composed of low dollar-value projects. In 2005/06, 29.10% of its business was composed of low dollar-value projects, compared to 20.27% in 2009/10.

Exhibit 4: Proportion of projects less than or greater than \$24,999 in value, 2005/06 to 2009/10

	2005/06	2006/07	2007/08	2008/09	2009/10	all years
Percentage of projects < \$24,999	29.10%	29.12%	20.75%	16.46%	20.27%	23.73%
Percentage of projects > \$24,999	70.90%	70.88%	79.25%	83.54%	79.73%	76.27%
Total # of projects	244	182	212	158	148	944

Source: GCS project database.

Economy

53. Revolving funds provide a business oriented funding mechanism for delivering services on a commercial basis. They are intended to promote good business practices since they must be self-sufficient and recoup costs (e.g., fixed asset lifecycle costs, employee benefits).

54. As an optional service within a revolving fund, the use of GCS services represents a choice for client organizations. GCS has been breaking even since 2007/08, signifying that a base of clients continue to choose GCS services over other options available to them.

55. GCS' annual total revenues have declined from a high of \$55.56 million in 2006/07 to \$17.99 million in 2009/10. Exhibit 5 shows GCS projects' volume, total revenues (including fee-based revenue, administrative fees and some remaining project management fees), and fee-based revenue from 2005/06 to 2009/10. 'Fee-based revenue' is revenue derived from consulting fees, while 'total revenue' includes revenues from consulting fees and funds transferred to GCS that were then transferred to other agencies. This practice, known as 'flow-through contracting,' where clients used GCS as a manager for contracts with external consultants, was discontinued in 2007/08.^v

56. A total of 942 projects were conducted between 2005/06 and 2009/10; an average of 175 projects per year (Exhibit 5 on p.14).

57. GCS operated at a loss from 2006/07 to 2007/08. According to the program's financial statements, on an accrual basis the program posted net negative results of \$218,000 in 2006/07 and \$2.3 million in 2007/08.

^v At the height of this practice, flow-through contracting accounted for approximately three-quarters of GCS' revenue.

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Exhibit 5: GCS projects and revenue, 2005/06 to 2009/10

	No. of projects	Total revenues (\$ millions) ^{vi}	Fee-based revenues (\$ millions) ^{vii}
2005/06	243	n/a	\$37.70
2006/07	182	\$55.56	\$26.40
2007/08	212	\$17.70	\$18.00
2008/09	158	\$18.14	\$13.90
2009/10	147	\$17.99	\$14.20
Total	942	\$109.4 ^{viii}	\$110.2

Sources: GCS revenue: GCS project database and GCS Three-Year Business Plan (2009-2011 to 2012-2013).

58. GCS attributed these losses to the elimination of flow-through contracting in 2007/08, as “it was not possible to fully reduce overall costs in line with the rapid decline in flow-through contracting revenues.”

59. GCS covered the losses during the 2006/07 to 2007/08 period with \$3 million from the program’s accumulated surplus. According to the Guide on Revolving Funds, “a surplus in one year can offset a deficit in subsequent years.” It is important to note that even with these withdrawals, the program continued to maintain an accumulated surplus.

60. In response to the elimination of flow-through contracting, GCS implemented a new business model in which revenue was primarily generated from consulting fees. This has put GCS on stronger financial footing, and they have operated on a break-even basis since 2008/09. On an accrual basis, the program posted net positive results of \$1.1 million in 2008/09 and \$780,000 in 2009/10.

61. For the program to break-even, it must deliver sufficient billable services to recover its total expenses. GCS determines an appropriate rate structure for its services by forecasting the average revenue per resource that must be generated in order to fully recover the estimated costs over the fiscal year. This process is conducted annually.

62. High fixed costs drive GCS to deliver as many billable services as possible to break-even. Such an impetus may not give the program the flexibility to choose projects in areas “that offer the greatest opportunity to improve public sector management.” An organization on cost-recovery which strategically accepts projects where its value proposition is strong (and reduces business in areas where it is not) may jeopardize its ability to break-even.

Alternative Delivery

63. A program’s delivery method should be strongly correlated with efficiency and economy. While alternative program delivery methods exist, it is preferred to use the

^{vi} Total revenue (which includes flow-through contracting) was obtained from the program's 2009/10 Business Plan. The Business Plan did not present data for 2005/06.

^{vii} Fee-based revenue was obtained by calculating the total value of contracts in the project database.

^{viii} Excludes 2005/06 data.

delivery method that maximizes the use of inputs. The evaluation identified the private sector as the primary alternative delivery option.

64. GCS provides management consulting services to individual departments or agencies that lack the internal resources or, in some cases, specialized skills, to address their management consulting needs. As such, GCS provides fee-based management consulting services that duplicate services offered by the private sector. The question, then, is whether GCS can provide these services more efficiently and economically than the private sector.

65. There is a fundamental difference between a program within a revolving fund and the private sector. A program within a revolving fund has a mandate to recover full costs, while the objective of a private sector entity is to maximize profits. As GCS is not permitted to make a profit it does not pay taxes on revenues, unlike private sector companies. Furthermore, government programs have additional requirements that must be met in the conduct of their work (e.g., respecting official languages). GCS reports that it would be unable to reduce rates due to fixed operational costs, while clients stated that GCS' rates or project costs could not be accurately compared to those of the private sector. The evaluation found GCS' rates to be comparable to those of mid- to large-size firms, as reported in a 2009 Canadian Management Consultants study of the management consulting industry. GCS consultants' per diem rates are \$1,800 for managing consultants, \$1,350 for principal consultants, \$1,275 for senior consultants, and \$975 for consultants.

66. Further, the 2005 Mandate Review of Consulting and Audit Canada found that private sector providers of management consulting services could absorb "virtually all of the market currently served by Consulting and Audit Canada," but that internal management consulting services "fulfill a need in instances where, in view of urgency or sensitivity, an internal service provider is optimal." According to GCS' own analysis, an estimated 40% of projects could be fully carried out by other providers and only 8% of projects involved activities that should only be conducted by public servants. Human resources, performance measurement, program evaluation, and project management were identified by GCS staff and clients as areas where there are many private sector firms providing management consulting services similar to those offered by GCS.

67. The types of private sector management consulting firms that could supply management consulting services were identified by stakeholders (both GCS staff and clients) as including a range of types: global firms with Canadian and Ottawa offices; local mid-size firms; and small or solo firms, often with retired senior civil servants as principal consultants. The management consulting industry is highly competitive, with the top 20 firms controlling only 13% of the market. As a mid-size operation offering specialized services that require sophisticated knowledge of the federal government, GCS would be analogous to mid-size and small firms.^{ix}

^{ix} The Canadian Association of Management Consultants defines a mid-size operation as an organization with ten to ninety-nine full-time consultants and a small-size operation as an organization with two to nine full-time consultants.

Conclusions: PERFORMANCE

68. GCS' clients are receiving timely services which meet their expectations and needs. Projects are conducted within budget and clients are generally satisfied with the services they receive from GCS and believe it provides value for money. GCS' work has resulted in the adoption of recommendations and best practices by client organizations. Clients report some positive impact on organizational efficiency or effectiveness as a result of using GCS.

69. GCS is meeting its obligation under its revolving fund status to break even and has demonstrated efficient business operations since it adopted its new business model in 2008.

70. GCS' rates were found to be comparable to those of mid- to large-size firms and its services comparable to those of mid-size or small firms.

GENERAL CONCLUSIONS

71. *Relevance:* The evaluation did not find strong evidence of a demonstrable and continuing need for GCS. While the *Common Services Policy* requires the Minister of PWGSC to make GCS services available, GCS activities overlap with the capabilities and capacity of the private sector.

72. *Performance (outcome achievement):* GCS' clients are receiving timely services that meet their expectations and needs. Projects are conducted within budget and clients are generally satisfied with the services they receive from GCS and believe it provides value for money. GCS' work has resulted in the adoption of recommendations and best practices by client organizations. Clients report some positive impact on organizational efficiency or effectiveness as a result of using GCS.

73. *Performance (efficiency and economy):* GCS is meeting its obligation under its revolving fund status to break even and has demonstrated efficient business operations since it adopted its new business model in 2008. GCS' rates were found to be comparable to those of mid- to large-size firms and its services comparable to those of mid-size or small firms.

IMPLICATIONS OF STRATEGIC REVIEW

74. At the time this evaluation was being conducted, PWGSC was one of 13 departments reviewing its priorities through a Strategic Review process. As part of Budget 2011, the government announced the initiatives that PWGSC would implement, including elimination of some programs. The elimination of GCS is intended to better align PWGSC activities with its core mandate and leverage private sector services. PWGSC is ceasing to provide management consulting services as of March 2012, while maintaining

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standing offers with several private sector companies that other government departments may call upon to meet their consulting needs.

75. As data collection and analysis for this evaluation project were mostly complete at the time of the Budget 2011 announcement, the reporting phase was undertaken to present the findings and conclusions of the GCS evaluation so as to document GCS and add to the literature base supporting policy and program development. In light of the wind-down of the program, recommendations for response and actions by program management are not presented in this evaluation as a final decision on the future of the program has been taken.

ABOUT THE EVALUATION

Authority

The Audit and Evaluation Committee of Public Works and Government Services Canada approved this evaluation as part of the *2009/10-2013/14 Risk-Based Multi Year Audit and Evaluation Plan*.

Objective

The evaluation examined Government Consulting Services, delivered by the Consulting, Information, and Shared Services Branch. This evaluation had two objectives:

- To determine the relevance of the program: the continued need for the program; its alignment with governmental priorities; and its consistency with federal roles and responsibilities.
- To determine the performance of the program: the achievement of its expected outcomes; and a demonstration of the efficiency and economy of the program.

Approach

To assess the evaluation issues and questions, the following lines of evidence were used:

Document and database review: An initial document review provided an understanding of the program and its context to assist in the planning phase. Documents reviewed included documents provided by the program, as well as documents written about the program. They included the 1996 *Department of Public Works and Government Services Act*; the *Common Services Policy*; Treasury Board policies relevant to GCS service lines; GCS Business Plans, reports, policies and procedures; and various other documents describing GCS activities and outputs. Analyses were also conducted of GCS client and financial databases and its client satisfaction survey data.

Literature review: A literature review was conducted to contextualize the program both nationally and internationally; provide theoretical background for the program model; provide baseline data against which the program could be assessed; and identify alternative delivery models through an analysis of other jurisdictions.

File review: A structured review was conducted of a random sample of 50 GCS project files in six GCS service lines for projects conducted within the five-year evaluation period. This constituted approximately 5% of projects, for which agreements were signed during the specified timeframe.

Interviews: The evaluation team conducted interviews with GCS managers and staff (n=33). In addition, the evaluation team conducted interviews with client departments and agencies (n=7). Interviews or e-mail exchanges were also conducted with three

private sector management consultants. The qualitative analysis of the interviews provided information about the program's activities, outputs, expected outcomes, stakeholders, relevance, and performance from the perspective of program managers, client departments, and other related stakeholders. Interview guides were used.

Follow-up survey of GCS clients: A Web-based survey was developed by the evaluation team to capture the clients' perspective on the performance of the program. The sampling frame was GCS project records and client names, with e-mail addresses located by the evaluation team, following up on individuals who had changed position. The survey provided additional depth and evidence to the findings. In total, clients for 237 GCS projects from 2005/06 to 2009/10 were invited to participate. A total of 68 replies were received out of the 207 respondents reached for a response rate of 33%. Of these, 60 questionnaires were completed (29%), representing 30 out of 62 potential departments and agencies (48%).

Survey of government departments – potential GCS clients: A Web-based survey was developed by the evaluation team to capture views of GCS among its potential clients: organizational units who are affected by, and require external support to implement new government priorities as captured in action plans, policy directions, frameworks, directives, and standards emitted by government and its central agencies.

Potential respondents were defined as individuals holding managerial responsibility related to federal administrative reforms or policy directions and working in areas covered by GCS service lines. Based on a sampling frame, they were identified using the Government Electronic Directory Services, basing the search on the organizational chart constructed through the Government Electronic Directory Services listing. There were a total of 213 valid invitations. Fifty-four complete responses were received, for a response rate of 23%. These represented 29 out of 38 potential departments and agencies (76%).

Case studies. Case studies were conducted of five randomly selected GCS projects and five projects selected by GCS that were considered to be exemplary in terms of results. The exemplary cases provide evidence of the potential level of impact, while the representative cases document typical impact. Each case study involved interviews with the GCS consultants (where possible) who managed the project; one or more representatives of the client organization; and a file review. Interviews were conducted with eight clients and nine staff members for these (the latter sometimes as a second component of their key informant interview as a staff member). A case report was prepared for each case, synthesizing information from all data sources.

Limitations of the Methodology

Document review: Some of the documents reviewed were produced by GCS and hence are not independent sources.

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Literature review: There is no single body of literature on effective public service management practices that covers all of the types of services offered by GCS. The literature remains general, focusing on the role of management consulting as a contributor to public service organizational development, learning and management.

File review: One file was not available out of the 50 selected.

Interviews: Not all of those approached for interviews consented to participate, either internally or externally. Non-responsiveness was more prevalent among external stakeholders, some of whom had retired or changed positions, and some of whom declined, citing insufficient recent experience with GCS.

Follow-up survey of GCS clients: The response rate was low and responses may not be representative of all GCS clients. In addition, there is a recency bias in the data, in that proportionately more responses were received from clients of more recent projects (69% pertained to projects conducted in the last two years out of five).

Survey of government departments – potential GCS clients: The response rate was low and responses may not be representative of all GCS potential clients.

Case studies: Sufficient interview data could only be obtained for 10 out of 16 initially selected case projects, due to unavailability of respondents.

The use of multiple lines of enquiry served to mitigate these limitations.

Reporting

Findings were documented in a Director's Draft Report, which was internally reviewed through the Office of Audit and Evaluation's Quality Assessment function. The Program's Director General was provided with the Director's Draft Report and a request to validate facts and comment on the report. A Chief Audit and Evaluation Executive's Draft Report was prepared and provided to the Assistant Deputy Minister, Integrated Services Branch for acceptance as the Office of Primary Interest. The Draft Final Report was presented to PWGSC's Audit and Evaluation Committee for the Deputy Minister's approval on January 26, 2012 where it was approved with minor changes. The Final Report will be submitted to the Treasury Board Secretariat and posted on the PWGSC website.

Project Team

The evaluation was conducted by employees of the Office of Audit and Evaluation, overseen by the Director of Evaluation and under the overall direction of the Chief Audit and Evaluation Executive. The evaluation was reviewed by the Quality Assessment function of the Office of Audit and Evaluation.

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APPENDIX A: EVALUATION MATRIX

Relevance:		
Evaluation Question	Indicators	Source(s) of Data
1. To what extent does Government Consulting Services address a demonstrable need and respond to the needs of Canadians?	1.1 – Estimated size (number of organizations, # of contracts, \$) of market for government consulting services.	<i>Department of Public Works and Government Services (DPWGS) Act, 1996</i>
	1.2 – Estimated relative market share for Government Consulting Services with respect to total management consulting services expenditures by Government of Canada departments and agencies.	Treasury Board <i>Common Services Policy</i> Survey of a size-stratified sample of federal government departments and agencies eligible to use GCS services
	1.3 – Stakeholder perspectives on the availability and accessibility of management consulting services in the Government of Canada.	Review of GCS client database Financial & marketing reports and plans Interviews with key stakeholders at client organizations and central agencies

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Relevance:		
Evaluation Question	Indicators	Source(s) of Data
2. Does Government Consulting Services continue to be consistent with PWGSC and GC priorities?	2.1 – Evidence of legislative and policy requirements for the internal federal government provision of management consulting services.	Speech from the Throne (2004-2010) Budgets (2004-2010) Management Accountability Framework
	2.2 – Extent to which management consulting services provided by GCS are aligned with PWGSC priorities.	<i>DPWGS Act 1996, Common Services Policy</i> and other relevant GC policies Review of GCS project mandate descriptions
	2.3 – Extent to which management consulting services provided by GCS are aligned with Government of Canada priorities.	TBS mandates to Departments Interviews with key stakeholders at PWGSC

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Relevance:		
Evaluation Question	Indicators	Source(s) of Data
3. To what extent is the Government Consulting Services program aligned with the role and responsibilities for the federal government?	3.1 – Extent to which GCS services are or are not in competition with private sector providers of management consulting services.	<i>DPWGS Act 1996</i> <i>Common Services Policy</i> and other relevant GC policies
	3.2 – Extent to which GCS' current roles and responsibilities are consistent with its original public policy rationale.	Government Consulting Service Mission and Mandate
	3.3 – Extent to which historical rationale and current federal roles and responsibilities are consistent.	Government Consulting Services Business and Marketing Plans Survey of a size-stratified sample of federal government departments and agencies eligible to use GCS services
	3.4 – Overlap or duplication with other federal services.	Review of GCS client database and MOUs- project mandate descriptions

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	3.5 – Approaches to provision of management consulting services in other jurisdictions.	<p>Interviews with key stakeholders at PWGSC, central agencies, and client departments</p> <p>Benchmarking study of management consulting services use in other jurisdictions</p> <p>Review of private sector services and practices</p> <p>Review of departmental correspondence</p>
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Performance:		
Evaluation Question	Indicators	Source(s) of Data
4. Are GCS clients receiving timely, cost-effective, high quality consulting services? (immediate outcome)	4.1 – Proportion of project deliverables meeting quality indicators (on time, on cost, on specification).	<p>Review of project files including status reports</p> <p>Quality of service statistics</p>
	4.2 – Existence and completeness of quality review process for GCS products and services.	<p>Client satisfaction ratings</p> <p>Past client follow-up survey, at least six months after project completion</p>
	4.3 - % of GCS products undergoing quality assurance processes.	<p>Survey of a size-stratified sample of federal government departments and agencies eligible to use GCS services</p>

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	4.4 – Proportion of clients satisfied that deliverables or services effectively met their needs and provided value for money.	Memoranda of Understanding, amendments and project-related correspondence
	4.5 - Proportion of clients indicating that GCS consultants had the appropriate skills, knowledge, experience and education to conduct the project.	
	4.6 - Clients' assessment of service quality compared to that of other providers.	

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Performance:		
Evaluation Question	Indicators	Source(s) of Data
5. Is GCS disseminating best practices in public sector management?	5.1 – Evidence of GCS catalogue of best practices for operation in the services and products it delivers.	Government Consulting Services publications
	5.2 – Evidence of GCS activities to disseminate best practices in public sector management in addition to fee-based products and services.	Government Consulting Services outreach activities Literature review of expert opinion on best practices in the Canadian Public Service
	5.3 – Expert opinion on the extent to which best practices are being disseminated by GCS in its fee-based products and services as well as other activities.	Consultations with Canadian Public Administration Academics Interviews with GCS management
	5.4 – Evidence of awards or other forms of recognition given to GCS for the dissemination of best practices within its business areas.	GCS Document Review
	5.5 – Canadian Public Service stakeholders' perspectives on the extent to which best practices are being disseminated by GCS.	Interviews with key stakeholders at PWGSC

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Performance:		
Evaluation Question	Indicators	Source(s) of Data
6. To what extent are clients adopting best practices in public sector management?	6.1 - Extent of GCS clients' adoption of recommendations from GCS products and services (i.e. development and implementation of Management Action Plans and/or other change management tools within client organizations using recommendations stemming from GCS products and services).	Survey and review of OGD Management Action Plans and other change management documentation Past client follow-up survey, at least six months after project completion
	6.2 - Proportion of clients indicating that they have adopted best practices within their organization following working with GCS.	Case studies of (a) representative and (b) exemplary impacts Survey of a size-stratified sample of federal government departments and agencies eligible to use GCS services
	6.3 - Expert opinion on the extent to which best practices are being adopted by public service client organizations as a result of GCS.	Literature review of expert opinion on best practices in the Canadian public service
	6.4 - Evidence of awards or other forms of recognition received by clients for best practices attributable to GCS services.	Consultations with Canadian public administration academics

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Performance:		
Evaluation Question	Indicators	Source(s) of Data
7. To what extent are Canadians benefiting from a more efficient and effectively managed public service?	7.1 – Proportion of clients indicating that GCS' work contributed to improvements in the management and/or operation of their organization.	Client satisfaction ratings
	7.2 – Proportion of projects related to the current administrative policies and/or priorities of the Government of Canada.	Past client follow-up survey, at least six months after project completion
	7.3 – Proportion of projects aligned with (then) emerging or current government priorities.	Review of project files

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Performance:		
Evaluation Question	Indicators	Source(s) of Data
8. To what extent is Government and Consulting Services demonstrating efficiency and economy?	8.1 – Comparison of GCS' rates and overall project costs to private sector management consultants.	<p>Review of project files</p> <p>GCS financial systems data</p> <p>Interviews with GCS managers and consultants</p> <p>Survey of a size-stratified sample of government departments and agencies</p> <p>Interviews with PWGSC and Central Agency stakeholders</p> <p>External review by panel of top-tier private sector management consultants</p> <p>Benchmarking study of alternative service providers</p> <p>Consultations with private sector management consulting firms</p>