Lessons Learned from the Transformation of Pay Administration Initiative

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Abstract for the report on Lessons Learned from the Transformation of Pay Administration Initiative

This report presents the results of a study on the management and implementation of the Transformation of Pay Administration Initiative (TPA). The Treasury Board of Canada Secretariat (the Secretariat) hired Goss Gilroy Inc. (GGI), an independent, third-party firm, to conduct this study on behalf of both the Secretariat and Public Services and Procurement Canada (PSPC). GGI (Goss Gilroy Inc.) undertook the study between February and July 2017.

This study is not an audit. GGI (Goss Gilroy Inc.)'s methodology consisted mainly of consultations to obtain perspectives from across the federal public service. GGI (Goss Gilroy Inc.) also conducted a document review to understand the context and validate what they heard.

The scope of the lessons learned study covers Government of Canada activities related to the TPA (Transformation of Pay Administration Initiative) from 2008 to April 2016. The study identifies 17 lessons in 6 major areas:

- Initiative Definition (Lessons 1 and 2)
- Governance and Oversight (Lessons 3 to 5)
- Change Management (Lessons 6 to 8)
- Business Case and Outcomes Management (Lessons 9 to 13)

- Initiative and Project Management (Lessons 14 to 16)
- Capacity Management (Lesson 17)

Although mandated by the Government of Canada, this was an independent study. The opinions and conclusions expressed in this study are therefore solely those of GGI (Goss Gilroy Inc.) and do not necessarily represent those of the Government of Canada.

View the Government Response to the Independent Report: Lessons Learned from the Transformation of Pay.

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Executive summary

Overview of the study

Goss Gilroy Inc. (GGI (Goss Gilroy Inc.)) was hired by the Internal Audit and Evaluation Bureau (IAEB (Internal Audit and Evaluation Bureau)) at Treasury Board Secretariat on behalf of both Treasury Board Secretariat (TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat)) and Public Services and Procurement Canada (PSPC (Public Services and Procurement Canada)) to undertake a lessons learned study for the management and implementation of the Transformation of Pay Administration Initiative (TPA (Transformation of Pay Administration Initiative)). The scope of the lessons learned study covers activities from 2008 to April 2016. The aim of the lessons learned study was to provide a high level, rapid and credible assessment of lessons learned from the management and implementation of the TPA (Transformation of Pay Administration Initiative) with a view to identifying lessons that may be applied to other current and future federal transformation initiatives. It is important to emphasize that this study reflects the lessons that have been learned based on the information available at this point in time; there may be additional lessons to be learned as the TPA (Transformation of Pay Administration Initiative) continues to evolve.

This study was undertaken under the broad direction of 2 sponsors, including the Secretary of the Treasury Board and the Deputy Minister of PSPC (Public Services and Procurement Canada). However, this was an independent assessment. The GGI (Goss Gilroy Inc.) study team was given the flexibility and latitude to identify

individuals and documents that we felt would be important to consult in order to understand what happened during the management and implementation of the TPA (Transformation of Pay Administration Initiative) and to identify the lessons learned.

It is important to emphasize that this study is not an audit. Our methodology relied primarily on consultations and utilized documents for context and to validate what we heard from those consultations. The study team approached the work with open minds and sought a high degree of engagement of stakeholders in a confidential environment. Based on a planning phase that included several interviews and a review of documents, GGI (Goss Gilroy Inc.) designed and implemented a methodology that included a series of almost 40 interviews and 8 half-day workshops involving over 100 individuals. In addition, we consulted and reviewed many different documents from a variety of sources. Every effort was made to obtain the views of all relevant stakeholders in the TPA (Transformation of Pay Administration Initiative). Public servants from TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat), PSPC (Public Services and Procurement Canada), as well as other departments and agencies were consulted. In all, we spoke with individuals from 39 large and small departments and agencies, with varying relationships to the pay information technology (IT (information technology)) solution and the Pay Centre. Additionally, the study design sought representation of public servants at all levels of the organization, including employees, compensation advisors, managers, executives and deputy heads. We also consulted many from outside of government including representatives of bargaining agents and private sector entities involved in the TPA (Transformation of Pay Administration Initiative). Finally, the study included an in-depth validation phase to ensure that the facts contained in the report are correct and that the views and opinions are appropriately balanced.

Context

The federal government was facing significant pressures related to pay during the early 2000s. An old failing pay system coupled with a compensation advisor community that was facing above-average turnover called for change. The TPA

(Transformation of Pay Administration Initiative) was introduced to address issues with the existing software, the Regional Pay System (RPS (Regional Pay System)), coupled with a consolidated service delivery model in a regional setting.

The TPA (Transformation of Pay Administration Initiative) was defined as 2 projects: Pay Modernization and Pay Consolidation. Pay Modernization entailed replacing the 40-year-old existing system (RPS (Regional Pay System)) with a commercial off-the-shelf (COTS (Commercial off-the-shelf)) option that would be integrated with existing human resources (HR (human resources)) management systems. Pay Consolidationentailed transferring the pay services of departments and agencies using My Government of Canada Human Resources (My GCHR, an IT (information technology) system for human resources used in the Government of Canada) to a new Pay Centre (eventually located in Miramichi, New Brunswick).

The compensation environment within the federal government is very complex. It is estimated that the Government of Canada pay system carries out close to 8.9 million annual transactions, valued at approximately $17 billion. In all, the public service is comprised of 22 different employers (such as for the core public administration and for separate agencies) negotiating over 80 collective agreements totaling over 80,000 business rules.

During the timeframe of the TPA (Transformation of Pay Administration Initiative) (from 2009 to 2016), there were many important contextual factors affecting the environment. These included both cost-saving measures introduced by the Government of Canada as well as several IT (information technology)-related initiatives (including the creation of Shared Services Canada (SSC (Shared Services Canada)) and the development and implementation of My GCHR).

This was a high-risk initiative and the impacts of failure could be extremely significant. Employees could receive incorrect (or no) pay. Also, the reputation of the Government of Canada would be negatively impacted by such a failure. At the time of TPA (Transformation of Pay Administration Initiative)'s approval in 2009, the Government of Canada had not undertaken a similarly complex transformation with such far-reaching impacts.

The lessons learned

Through the conduct of the lessons learned study, the team identified 17 lessons in 6 areas. The 6 areas are depicted below:

Figure 1: Major areas of lessons learned
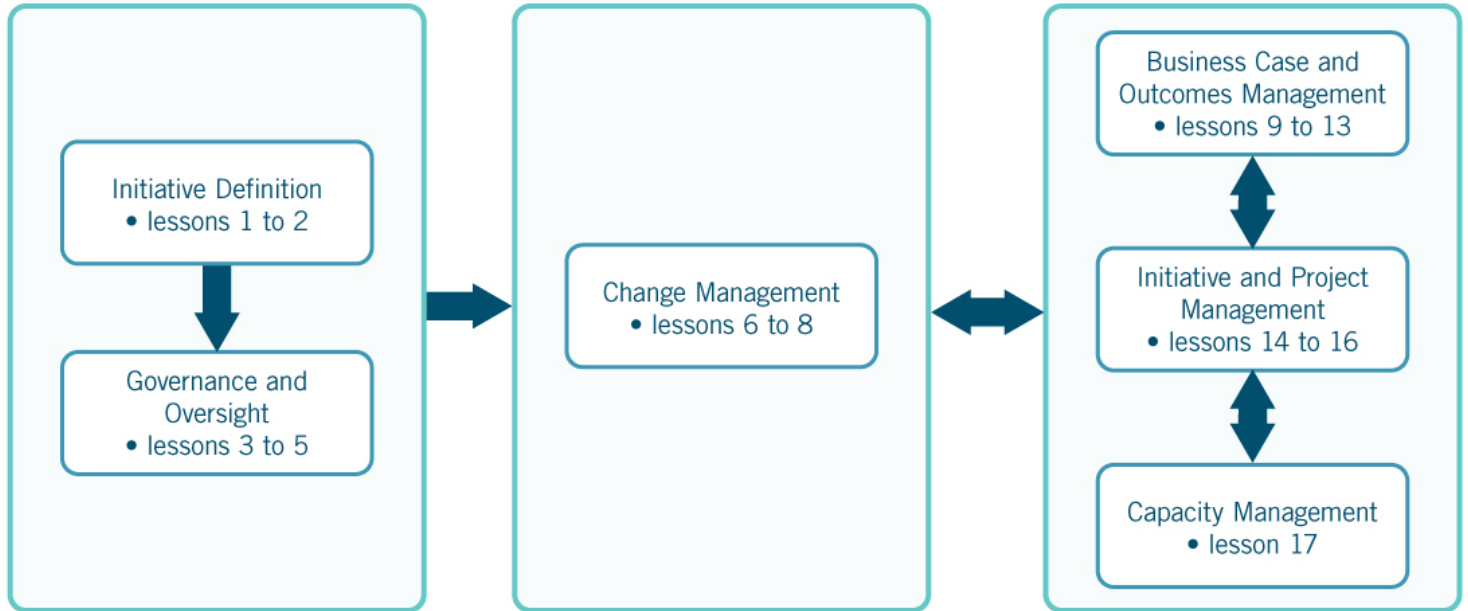
▼ Figure 1 – Text version

This figure shows a series of rectangles to illustrate the flow of the major areas of the lessons learned. There are six major areas and reference to 17 lessons. The figure consists of three large rectangles (left, middle and right), with smaller rectangles inside, each with text. The text in the smaller rectangles shows the title of each of the six major areas and indicates which of the 17 lessons are related to each major area.

In the large rectangle at the left, there are two smaller rectangles, top and bottom. The text in the top smaller rectangle says "Initiative Definition, lessons 1 to 2." A second smaller rectangle is below, with an arrow pointing down from the top smaller rectangle. The text in the second smaller rectangle says "Governance and Oversight, lessons 3 to 5."

The middle large rectangle contains one smaller rectangle. This smaller rectangle says "Change Management, lessons 6 to 8." An arrow points from the large rectangle on the left to the large rectangle in the middle. A two-headed arrow points in both directions from the middle large rectangle to a large rectangle at the right.

In the large rectangle at the right, there are three smaller rectangles at the top, middle and bottom. The top smaller rectangle contains the text "Business Case and Outcomes Management, lessons 9 to 13." The text in the middle smaller rectangle says "Initiative and Project Management, lessons 14 to 16." The text in the bottom smaller rectangle says "Capacity Management, lesson 17." Double-headed arrows are between the top and middle smaller rectangles and between the middle and bottom smaller rectangles.

The flow shows "Initiative Definition" leading to "Governance and Oversight." These two major areas are the foundation areas and lead to "Change Management," which is central to all the lessons. "Business Case and Outcomes Management," "Initiative and Project Management" and "Capacity Management" flow back and forth to each other. These three major areas flow back and forth to "Change Management."

Two of the 6 major areas were identified as foundational to the overall success of the initiative. The most critical area is the "what" of the transformation (Initiative Definition). This is the big picture of the transformation, the conceiving of all the organizations, business processes, people, and information technology systems that will be involved and will undergo change. This big picture is then broken down into manageable components (usually projects) with a roadmap of how these will all unfold over the years of the transformation. Closely related is the second foundational area, Governance and Oversight, which is the high level "who" of the transformation and ensures that leadership, accountability, decision-making, engagement and oversight are appropriate for the "what" of the transformation.

If these 2 major foundational areas are addressed effectively in the earliest stages of the initiative, the transformation has a greater probability of being successful. The lessons learned from TPA (Transformation of Pay Administration Initiative) highlight challenges in both Initiative Definition, as well as in Governance and Oversight.

The additional 4 major areas of lessons learned greatly influence the probability of success of the transformation initiative. Each of these major areas is critical to success. They cannot overcome flaws in the 2 major foundational areas, but the lessons learned in these areas are each essential to get right for transformation initiatives.

The lessons within Change Management focus on the "who," the people involved with and impacted by the transformation initiative. Change Management must surround and underpin the whole initiative and be treated as a fundamental component, being critical for buy-in from those affected by the change, and must support staff and managers to help them adapt to their changing roles.

The lessons within Business Case and Outcomes Management address the "why" of the transformation. The reasons for undertaking the transformation initiative and the outcomes of the transformation (including more than just costs and financial benefits) form commitments that then need to be assessed, adjusted and achieved so that the initial "why" is addressed throughout the transformation and not just at the beginning.

The lessons within Initiative and Project Management area highlight aspects of "how" the transformation initiative and the projects within it are managed day-to-day over the years of the initiative. Although this is a mature area in the literature and there are many experienced practitioners both within and external to the Government of Canada, there are specific lessons learned coming from TPA (Transformation of Pay Administration Initiative) in this area.

Capacity Management is the final of the major areas and addresses the need to explicitly manage the transformation of the workforce, the "who", but emphasizing the knowledge and how that knowledge must be stewarded and developed as a critical resource.

The lessons under each of these major areas are:

Major area of lesson	Lesson learned
Initiative Definition	**Properly define what is changing** Lesson 1: Define the scope of areas undergoing change and define the changes as discrete projects with associated interrelationships and interdependencies within the overall initiative. **Articulate discrete projects and how they interrelate** Lesson 2: Develop a roadmap to articulate the interrelationships and interdependencies between the discrete projects within the defined scope of the transformation initiative (as well as with other related projects).
Governance and Oversight	**Assign accountability and authority to a single office** Lesson 3: Assign accountability and authority for a multi-department/agency or government-wide transformation initiative to a single minister and deputy head, with the accountabilities, authorities, roles and responsibilities of other implicated organizations being designed, documented and implemented as part of an overall accountability framework. **Establish broad and inclusive governance** Lesson 4: Establish governance that fully reflects the broad range of stakeholders affected by the entire initiative. For example, a committee with membership from the end-to-end process owner, the organization(s) leading projects, and different types of stakeholders (such as departments/agencies, representatives of affected functional communities and policy centres) should oversee the initiative. **Ensure oversight provides sufficient challenge** Lesson 5: Establish a challenge function for effective independent oversight that encompasses the complete scope of the transformation, drawing upon organizations with international experience and individuals in that transformation area, and reporting directly to the minister or deputy head accountable for the overall initiative.

Major area of lesson	Lesson learned
Change Management	**Assess and then adapt or manage the culture and leadership environment** Lesson 6: Assess the culture of the organization(s) in which the transformation is occurring. Ideally, organizational culture should be agile, open to change, engaging, responsive to stakeholder feedback and willing to receive unwelcome and unexpected information. Where culture is not ideal, take steps to manage the transformation within that culture (for example, heightened challenge function, effective communications). **Treat change management as a priority** Lesson 7: Plan and implement change management as a priority throughout the life of any high risk, complex transformation initiative. Change management cannot be considered optional, an add-on, nor expendable when looking for ways to save time or money. **Focus on communications that are effective** Lesson 8: Communicate in a relevant, timely, comprehensive manner as a key priority of the change process, integrating into and across each and every project, phase and activity, with the effectiveness of communication being the measure of success.

Major area of lesson	Lesson learned
Business Case and Outcomes Management	**Engage and communicate with stakeholders regarding anticipated IT (information technology) Solution functionality** Lesson 9: Communicate the anticipated functionality of any required new IT (information technology) solution (including any limitations) to all stakeholders. Strategies for dealing with any limitations should be discussed and developed in collaboration with affected stakeholders and be ready for implementation at go-live. **Do not conduct extensive or risky customizations if they can be avoided** Lesson 10: Align business processes and organizational models as much as possible to the underlying structure of any COTS (Commercial off-the-shelf) IT (information technology) solution being considered, rather than engaging in extensive or risky customizations. **Implement outcomes management throughout the life of the initiative** Lesson 11: Develop and fully implement explicit outcomes management throughout the life of the transformation initiative from inception to post go-live. Success must be assessed for progress on implementing the various projects that make up the initiative, including the business transformation, change management and any new IT (information technology) solution. **Do not expect savings until well after implementation** Lesson 12: Realistically challenge the timing of when benefits (for example, efficiencies, cost savings, service quality) will be actually achieved recognizing experience to date and the experiences of others, then adjusting as necessary over the life of the transformation initiative. **Support affected stakeholders if they are to play a role in the initiative** Lesson 13: Fund and equip departments and agencies to successfully carry out the necessary activities to support horizontal transformation initiatives, including access to change management expertise, financial and human resources.

Major area of lesson	Lesson learned
Initiative and Project Management	**Fully test the IT (information technology) Solution before launch** Lesson 14: Launch any required new IT (information technology) solution only after it has been fully tested with end-to-end real-life simulations using a broad spectrum of real users and when all doubts regarding success have been addressed and verified independently. **Leverage and engage the private sector to maximize initiative capacity and capabilities** Lesson 15: Involve government and the private sector fully and collaboratively in the critical initial stages of any transformation initiative, before adopting any one particular approach and with full consideration of the capabilities that each can bring to possible approaches. **Reassess, learn and adjust** Lesson 16: Update and revisit regularly the business case for the transformation initiative and the individual projects as the implementations evolve. In addition to assessing whether key assumptions were accurate pertaining to time and budget, consideration should include any changes in the initiative and projects' scope, the progress and success in stakeholder engagement, the effectiveness and projected timing of any business or organizational transformation and the effectiveness of governance and leadership.
Capacity Management	**Identify and establish required capacity prior to go-live** Lesson 17: Manage the required workforce transformation as an explicit function or project through the life of the initiative from inception to post go-live ensuring the necessary workforce capacity, expertise and corporate memory are available through to the end state. Establish a detailed contingency plan that can be readily implemented, if necessary.

Final thoughts

It is our view, that it was the underestimation of the initiative's complexity that led to its downfall. Had the initiative been managed recognizing the wide-ranging scope of the transformation, not limited simply to a system replacement or the movement of personnel, then the initiative definition, governance and oversight, change management, outcomes management, project management and capacity management principles underlying the 17 lessons learned could have been established and closely followed.

While the study did not outright assess current Government of Canada capacity/capability to undertake such a transformation, the study team believes that, together, the public service and the private sector possess the correct set of capabilities and capacities to successfully manage and implement such initiatives in the future. However, there is a need to assess how much can be taken on internal to government (given current capacity and capabilities) and to creatively engage the private sector to bring global expertise and to fill the gap in capacity and capabilities. Once the gap in capacity and capabilities is met, then the appropriate initiative definition and governance/ oversight can be put in place to form the foundation for the transformation initiative.

Furthermore, perhaps more important than capacity and capabilities is having the appropriate culture within which to undertake a complex transformation. Agility, openness, and responsiveness are key features of a culture that needs to be aligned with the magnitude and challenge of the transformation.

Finally, in our view, these are lessons that are yet to be learned, not lessons that have been learned through the course of the management and implementation of the TPA (Transformation of Pay Administration Initiative). It will be critical for the government to actually apply these lessons in future transformations and more immediately in the transformation challenge currently before the government in addressing the multitude of issues with pay administration today.

Acknowledgements

This study was undertaken by a team of 6 consultants, all of whom brought a unique and valued contribution. Goss Gilroy Inc. would like to thank these team members, including Sandy Moir, Jim Alexander, Dominique Dennery, Steve Mendelsohn, Lauren Evans and Lisa Allison.

The study team would also like to thank those within Treasury Board Secretariat and Public Services and Procurement Canada who supported our work throughout the assignment.

Of course, no study of this kind can be undertaken without the generosity of those who participated in interviews and workshops. Many of those we consulted for the study were asked to provide additional documents, clarification and participate in the validation of the findings. We thank them for their insights and commitment to continuous improvement in their organizations and the Government of Canada as a whole.

1.0 Introduction

Goss Gilroy Inc. (GGI (Goss Gilroy Inc.)) was hired by the Internal Audit and Evaluation Bureau (IAEB (Internal Audit and Evaluation Bureau)) at Treasury Board Secretariat on behalf of both Treasury Board Secretariat (TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat)) and Public Services and Procurement Canada (PSPC (Public Services and Procurement Canada)) to undertake a lessons learned study for the management and implementation of the Transformation of Pay Administration Initiative (TPA (Transformation of Pay Administration Initiative)). The scope of the lessons learned study covers activities from 2008 to April 2016. A summary of the timelines associated with the TPA (Transformation of Pay Administration Initiative) is presented in Appendix A.

This lessons learned study was launched in late February 2017 and data collection was completed in July 2017.

1.1 Objective of the study

The aim of the lessons learned study was to provide a high level, rapid and credible assessment of lessons learned from the management and implementation of the TPA (Transformation of Pay Administration Initiative) with a view to identifying lessons that may be applied to other current and future federal transformation initiatives. It is important to emphasize that this study reflects the lessons that have been learned based on the information available at this point in time; there may be additional lessons to be learned as the TPA (Transformation of Pay Administration Initiative) continues to evolve.

By the term "implementation" we mean the implementation of the TPA (Transformation of Pay Administration Initiative) Initiative and its 2 main projects, Pay Modernization and Pay Consolidation. The scope of this study goes up to the "go-live" of the information technology (IT (information technology)) solution (Phoenix) for a total of 290,000 public servants in February and April 2016. Lessons learned relative to the ongoing management of pay administration after April 2016 are outside the scope of this study.

This study was undertaken under the broad direction of 2 sponsors, including the Secretary of the Treasury Board and the Deputy Minister of PSPC (Public Services and Procurement Canada). However, this was an independent assessment and, as such, does not necessarily represent the opinions or conclusions of the Government of Canada. The GGI (Goss Gilroy Inc.) study team was given the flexibility and latitude to identify individuals and documents that we felt would be important to consult in order to understand what happened during the management and implementation of the TPA (Transformation of Pay Administration Initiative) and to identify the lessons learned. Our main contacts were with the internal audit groups at both TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) and PSPC (Public Services and Procurement Canada). Both internal audit groups supported the study team by sending out advanced communications to individuals who we were hoping to consult, by providing access to documents and by supporting us so that we could undertake the project as smoothly as possible. The 2 audit departments were also provided with early drafts of all study deliverables to which they provided comments aimed at clarifying our findings.

It is important to emphasize that this study is not an audit. Our methodology relied primarily on consultations and utilized documents for context and to validate what we heard from those consultations. The study team approached the work with open minds and sought a high degree of engagement of stakeholders in a confidential environment. We were not seeking consensus during our consultations but were seeking input from various perspectives on the observations and issues identified in the discussions, which led to the lessons contained herein.

1.2 Methodology

Based on a planning phase that included several interviews and a review of documents, GGI (Goss Gilroy Inc.) designed and implemented a methodology that included a series of almost 40 interviews and 8 half-day workshops involving over 100 individuals. We also consulted and reviewed many different documents from a variety of sources (including those that were TPA (Transformation of Pay Administration Initiative)-focused, Government of Canada-wide and from other jurisdictions and multi-lateral organizations). Appendix B provides more details regarding the methodology for the study.

During the examination phase, every effort was made to obtain the views of all relevant stakeholders in the TPA (Transformation of Pay Administration Initiative). Public servants from TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat), PSPC (Public Services and Procurement Canada), as well as other departments and agencies were consulted. In all, we spoke with individuals from 39 large and small departments and agencies, with varying relationships to the pay IT (information technology) solution and the Pay Centre. Additionally, the study design sought representation of public servants at all levels of the organization, including employees, compensation advisors, managers, executives and deputy heads. We also consulted many from outside of government including representatives of bargaining agents and private sector entities involved in the TPA (Transformation of Pay Administration Initiative).

In order that the study team was able to properly interpret and categorize the input from the consultations, respondents were directed to focus their comments on areas of the TPA (Transformation of Pay Administration Initiative) with which they were most familiar and had direct experience.

To conduct the analysis, the study team met several times to discuss and consolidate the main findings and identify the lessons learned. We also reviewed many different Canadian and international reports on leading practices in the conduct of large-scale,

complex, IT (information technology)-enabled transformations. All the lessons contained in this report are based on the consultations and supported with the team's knowledge of leading practices in these areas.

It was critical for the study to validate the views and opinions of respondents. We did this in 3 ways.

1. We tested and validated concepts from documents and early interviews/workshops with subsequent interview respondents.

2. As we synthesized and reviewed the results, we sought out areas of agreement and disagreement and identified where opinions were held by many or a few or by only certain types of participants. Any areas of disagreement or confusion were followed up with additional validation through a review of documents and judgment based on our professional expertise and experience. Also during the analysis of the evidence, the team brought their considerable and varied experiences to help interpret what we heard and to apply known leading practices.

3. We shared preliminary findings with Departmental Audit Committees for TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) and PSPC (Public Services and Procurement Canada) and also conducted 5 targeted in-person follow-up interviews with individuals (all but 1 of whom had provided input during the examination phase). We chose these 5 individuals for their knowledge of the management and implementation of TPA (Transformation of Pay Administration Initiative) and for their differing perspectives and experience with TPA (Transformation of Pay Administration Initiative).

2.0 Background and context

2.1 The issue

In fall 2007, the Minister of Public Works and Government Services proposed to implement a new Government of Canada pay system to address issues with the existing software, the Regional Pay System (RPS (Regional Pay System)). The Minister

of Public Works and Government Services subsequently brought forward an "Initiative to Fix the Pay System" as a response to a number of human resources and pay-related issues in the public service. The initiative was approved in June 2009 and then in July 2009 to define both the new Government of Canada pay system and the consolidated service delivery model.

Transforming the pay system of the public service is no small task. At the time, Public Works and Government Services Canada (PWGSC (Public Works and Government Services Canada)) (renamed as Public Services and Procurement Canada in 2015) administered pay for over 100 departments and Crown Corporations which represented almost 300,000 employees. [1] The Government of Canada pay system carried out close to 8.9 million annual transactions, valued at approximately $17 billion. [2] In all, the public service is comprised of 22 different employers negotiating approximately 80 collective agreements totaling over 80,000 [3] business rules. Compensation [4] across the public service is also regulated through federal legislation including the Financial Administration Act, the Public Service Employment Act, the Public Service Superannuation Act, the Public Sector Equitable Compensation Act, the Federal Public Service Labour Relations Act and the Government Employees Compensation Act.

The RPS (Regional Pay System) used by PWGSC (Public Works and Government Services Canada) and departments was severely outdated, ineffective and cost-inefficient. [5] The demand for flexible and reliable pay services was increasing at the time, [6] and benchmarking against other organizations showed that the system was performing poorly compared to similar infrastructures. [7] Also, the system's maintenance was labour-intensive and depended on the specialized knowledge and experience of IT (information technology) and compensation staff with high attrition rates. [8] [9] This was further complicated by compensation advisors frequently transitioning among departments in the National Capital Region. [10]

Moreover, there was a lack of integration between RPS (Regional Pay System) and the multiple Human Resources Management Systems (HRMS (Human Resources Management Systems)) used throughout the public service. It was almost

impossible to effectively monitor the overall pay administration due to its fragmentation. The problems associated with the pay system were also described in the Auditor General's spring 2010 report on the effective functioning of government, which contains 1 chapter on the Aging Information Technology Systems within the public service. [11] The audit, which examined 5 departments with high IT (information technology) expenditures, highlighted significant risks associated with the old pay IT (information technology) infrastructure "at risk of breaking down." Such a technical failure could significantly disrupt the activities of these organizations. The report mentions that PWGSC (Public Works and Government Services Canada) had included the precarious state of the outdated system in its corporate risk profile, describing it as "close to imminent collapse."

The TPA (Transformation of Pay Administration Initiative) Initiative was designed to address these overlapping issues. TPA (Transformation of Pay Administration Initiative) was articulated to mesh with other public service modernization projects, including the Back Office Systems Modernization and the Greening Government Initiative. [12] In addition, it was aligned with ongoing commitments to increase effectiveness and innovation in the public service, as outlined in the 2008 Speech from the Throne. The initiative was also responding to the recommendations of the Standing Committee on Government Operations and Estimates, which issued a spring 2008 report underlining problems in the Pay and Benefits community. The initiative was to support modernization and increase stability in the compensation workforce. [13]

2.2 The initiative

The TPA (Transformation of Pay Administration Initiative) Initiative received Government of Canada approval in 2009. [14] In 2010, the Prime Minister announced that pay services would be consolidated in Miramichi, New Brunswick. This would bring economic benefit to the region. The initiative had 2 distinct but related components: Pay Modernization and Pay Consolidation. The overall objective of this initiative was to ensure the long term sustainability of federal pay administration and services.

The Pay Modernization Project of TPA (Transformation of Pay Administration Initiative) entailed replacing the 40-year-old existing pay system (RPS (Regional Pay System)) with a commercial off-the-shelf (COTS (Commercial off-the-shelf)) option. The new IT (information technology) solution would be integrated with the Government of Canada's HRMS (Human Resources Management Systems). The COTS (Commercial off-the-shelf) option (coupled with the Pay Consolidation project, described below) was selected as the option offering the highest ongoing annual cost savings and the best risk mitigation, compared to other options of upgrading the system or outsourcing pay services altogether. Overall, moving to a COTS (Commercial off-the-shelf) solution was meant to increase the sustainability and adaptability of pay administration, allow for government-wide integration of systems, increase the capabilities of managers and employees for self-service, contribute to the TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) Public Service Modernization agenda, improve business intelligence and reporting, and increase efficiency.

In an attempt to reduce costs, improve services, stabilize the workforce and minimize turnover of compensation advisors, the Consolidation of Pay Services Project (referred to in this report as Pay Consolidation) entailed transferring the pay services of departments and agencies to a new Public Service Pay Centre located in a single region outside the National Capital Region. The decision to locate the new Pay Centre in Miramichi, New Brunswick, was made in 2010, with the decision highlighting the promise to replace jobs lost by the closing of the Firearms Centre and the Prime Minister noting that the "payroll centre move will absorb any job losses in the firearms centre "many times over." [15] The Pay Centre opened in March 2012.

The Pay Consolidation component of TPA (Transformation of Pay Administration Initiative) had 2 phases: the objective of Phase I was to have the Pay Centre manage an initial 184,000 pay accounts associated with those departments using "the current government HR (human resources) standard" (PeopleSoft, branded for the Government of Canada as My GCHR, described below), accounting for about 68% of federal departments/agencies. These pay accounts were to be transferred in

3 waves. The first phase also included establishing partnerships with community colleges in relatively close proximity to Miramichi for compensation-related training to ensure a supply of compensation advisors for the Pay Centre. Phase II, which will consolidate pay services for all the remaining departments/agencies, will be implemented in the future as a separate initiative (as of the writing of this report, Phase II has not yet begun).

In 2009, the cost for Pay Modernization was estimated at $192.1 million and Pay Consolidation at $106.1 million, for a grand total of $298.2 million for TPA (Transformation of Pay Administration Initiative). In 2012, the cost of Pay Modernization was re-evaluated at $186.6 million and Pay Consolidation at $122.9 million, for a new total cost of $309.5 million. [16]

It was estimated that TPA (Transformation of Pay Administration Initiative) would generate significant savings from a number of sources, including economies of scale, integration, self-service capabilities and automation, as illustrated below in Table 1. A 2012 update included a small adjustment in savings (in the amount of $1 million). [17]

Table 1: Savings summary

Area of savings	Amount (2009)	Amount (2012 update)
Modernization: due to self-service	$46.9M	$17.6M
Modernization: due to other automation	$6.7M	$14.4M
Consolidation only: due to economies of scale	$11.8M	$10.8 M
Consolidation with modernization: due to efficiencies gained in the consolidated service environment once the modernized pay system is operational	$13.7M	$35.3M
Total	**$79.1M**	**$78.1M**

Once launched, 98 departments and agencies would have their pay administered by Phoenix. Of those, 45 departments and agencies would be serviced by compensation advisors located at the Pay Centre and the remaining 53 departments and agencies would continue to have compensation advisors within their organizations. Of these 53 departments and agencies, 30 were using PeopleSoft 9.1, 17 used direct entry to Phoenix and 6 used the web service to access Phoenix. Appendix C presents this information graphically.

2.3 Context

The Government of Canada is a large and complex organization. There were (and remain) many important contextual factors that influenced the design, management and implementation of the TPA (Transformation of Pay Administration Initiative). These include the government's model for accountability, as well as initiatives that were introduced during the timeframe of the TPA (Transformation of Pay Administration Initiative), such as cost-saving measures and other IT (information technology)-related initiatives that would impact the environment within which the TPA (Transformation of Pay Administration Initiative) was unfolding. These contextual factors are described below.

Government of Canada model for accountability

Under the Westminster model of government, deputy heads are professional, non-partisan public servants positioned at the head of departments and agencies. They are selected by the Prime Minister on the advice of the Clerk of the Privy Council, and appointed by the Governor in Council through an Order in Council. Deputy heads serve as expert advisors to their respective Ministers, and are in charge of day-to-day management of their department on behalf of the Minister. Deputy heads are accountable to multiple parties. [18] They are accountable to their Minister in the exercise of their duties, but also to the Prime Minister through the Clerk of the Privy Council on matters that are of importance to the collective management of the government. Deputy heads are also accountable to Treasury Board for the management and performance of their respective departments [19] and to other central agencies with regards to the powers entrusted in them (which include [22]

management of human resources). However, in this model of accountability, a degree of ambiguity remains with regards to who is responsible for the implementation of government-wide initiatives.

More specifically pertaining to people management, deputy heads have primary responsibility for the effective management of the people in their organizations. They are responsible for planning and implementing people management practices that deliver on their operational objectives and for assessing their organization's people management performance. One of the people management practice principles is "An effective people management information infrastructure supports business success and accountabilities." [20]

As a central agency, TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) is the administrative arm of the Treasury Board, and the President of the Treasury Board is the Minister responsible for TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat). TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) supports the Treasury Board by making recommendations and providing advice on program spending, regulations and management policies and directives, while respecting the primary responsibility of deputy heads in managing their organizations, and their roles as accounting officers before Parliament. The Treasury Board oversees the government's financial, human resources and administrative responsibilities, and establishes policies that govern each of these areas. The Treasury Board, as the management board for the government, has 3 principal roles. It acts as:

- the government's Management Office by promoting improved management performance
- the government's Budget Office by examining and approving the proposed spending plans of government departments and by reviewing the development of approved programs
- the human resources office and employer or People Management Office by managing compensation and labour relations for the core public administration [21]

Organizationally, there are 3 broad areas within TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat), namely the Office of the Chief Human Resources Officer (OCHRO (Office of the Chief Human Resources Officer)), the Office of the Comptroller General (OCG (Office of the Comptroller General)), and the challenge function (including Program Sectors and policy centres such as the Chief Information Officer Branch (CIOB (Chief Information Officer Branch))). OCHRO (Office of the Chief Human Resources Officer)'s responsibilities include the management of compensation, including compensation planning and reporting, collective bargaining, establishing the collective agreements, establishing the common business processes for people management, and the management of HR (human resources)-related functional communities (with the compensation advisor community as a particularly relevant community for the transformation of pay administration). The OCG (Office of the Comptroller General)'s responsibilities include monitoring, providing guidance and recommending corrective actions regarding financial management performance of departments and agencies and providing advice on control frameworks for financial management (with compensation being a large component of the operating expenditures of government [22]). The challenge function or due diligence of TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) involves cost validation, assessment of risk, alignment to current priorities and sound advice on submissions in the overall role of general manager of the federal public service. [23] The challenge function draws heavily upon the various Treasury Board policy areas of the Government of Canada including not only Information and Technology, but also areas such as Risk, Assets and Acquired Services, Financial Management, Compensation, and People Management. [24] The Information Technology Project Review and Oversight Division (ITPROD (Information Technology Project Review and Oversight Division)), a group within CIOB (Chief Information Officer Branch) at TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat), has a mandate for the oversight of a select portfolio of high-risk or complex IT (information technology)-enabled projects within the Government of Canada.

In terms of service provision, under the Treasury Board Common Services Policy, PSPC (Public Services and Procurement Canada) (formerly PWGSC (Public Works and Government Services Canada)) is identified as a common service organization with compensation being identified as a mandatory service for which departments and agencies must use PSPC (Public Services and Procurement Canada) as the common service provider.

In terms of accountabilities regarding compensation, the Department of Public Works and Government Services Act requires the department to provide such administrative and other services required for the disbursement of pay, employee benefit plans and superannuation or pension plans to persons employed in or by any department, and to persons employed in or by other portions of the federal public administration, as the Governor in Council may direct. Moreover, as directed by the Act, by Order in Council, the Pay Disbursement Administrative Services Order (2011) repeals the 1981 Order and states (in part) that the Minister of the department shall provide services required for the disbursement of pay including the verification of payment requisition certification, the development, operation and maintenance of a pay processing system and take all necessary steps with respect to pay administration to initiate, change or terminate pay based on personal employee information and pertinent personnel documentation.

Cost saving measures

Around the time the TPA (Transformation of Pay Administration Initiative) was launched, the government was actively pursuing a range of cost-reduction objectives. The 2010 and 2011 Budgets reflected an intention to reduce government spending, namely by having Treasury Board carefully manage department growth and freezing operating budgets to 2010 to 2011 levels. The 2011 and 2012 Budgets, building on 4 rounds of reviews initiated in 2007 to improve management of government spending, introduced a 1-year Strategic and Operating Review spearheaded by Treasury Board (in 2011) and a comprehensive Deficit Reduction Action Plan (in 2012). The goal of these measures was to achieve at least $4 billion in ongoing savings by fiscal year 2014 to 2015 (or 5% of the review base). [25] The

Strategic and Operating Review covered 67 departments and organizations representing about $80 billion of direct program spending. [26] The Deficit Reduction Action Plan also entailed generating ongoing savings of 5% to 10% [27] of direct program and operations spending through increased efficiencies in departments and agencies.

Other contextual factors

At the time TPA (Transformation of Pay Administration Initiative) was launched, each department managed its own technological resources and related budget, which resulted in a decentralized and uneven IT (information technology) landscape across the public service. In order to remedy the obsolescence of IT (information technology) systems in the public administration, the Government announced in 2011 the creation of Shared Services Canada (SSC (Shared Services Canada)), a new organization which was charged with modernizing, standardizing and consolidating IT (information technology) resources across 43 departments. The initiative aimed to reduce costs by updating the technological structure and centralizing IT (information technology) staff and budgets within SSC (Shared Services Canada). SSC (Shared Services Canada)'s broad mandate includes reducing the number of data centres from almost 500 to 7, [28] consolidating and securing 50 overlapping networks, and ensuring all emails are managed through a single common infrastructure, among other commitments. SSC (Shared Services Canada) also equips departments and agencies with updated hardware (for example, voice over the internet for phones, video-conference, wifi).

The Human Resources Services Modernization (HRSM (Human Resources Services Modernization)) initiative was launched by TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) in 2011. The objective was to modernize human resources (HR (human resources)) services in departments to reduce the number of HR (human resources) systems to support 1 process, 1 system and 1 data set for the Government of Canada, leading to efficiencies for transactional HR (human resources) activities. The HRSM (Human Resources Services Modernization) initiative included several components, but of particular relevance to TPA (Transformation of

Pay Administration Initiative) was the implementation of Common HR (human resources) Business Processes (CHRBP (Common Human Resources Business Processes)). The CHRBP (Common Human Resources Business Processes), led by OCHRO (Office of the Chief Human Resources Officer), was meant to "bring consistency to the delivery and management of HR (human resources) services in all government organizations." [29] There is no reference to alignment with pay systems or processes in the foundational CHRBP (Common Human Resources Business Processes) documentation. The implementation of CHRBP (Common Human Resources Business Processes) entailed that organizations would analyze and report on their departmental HR (human resources) practices based on the new business process, and would then identify, prioritize and implement actions to ensure their alignment with the CHRBP (Common Human Resources Business Processes). This synchronization process was deemed by OCHRO (Office of the Chief Human Resources Officer) to be completed by March 31, 2014. However, an evaluation of the HRSM (Human Resources Services Modernization) initiative in 2016 found that, while all participating departments and agencies indicated they had implemented CHRBP (Common Human Resources Business Processes), a few of those consulted for the evaluation did not feel their organization had fully adopted CHRBP (Common Human Resources Business Processes) and that their organization continued to use previous processes (especially pertaining to the roles continuing to be carried out by HR (human resources) personnel rather than managers, with the establishment of "shadow" HR (human resources) units). [30] Moreover, the evaluation raised concerns that the CHRBP (Common Human Resources Business Processes) was not implemented to a sufficiently detailed level in order to ensure government-wide consistency for IT (information technology)-systems and data and found that there was a continuing need to implement processes at a more detailed level. [31]

My GCHR, introduced in 2015, is the Government of Canada-branded version of a PeopleSoft 9.1 Human Resources Management System, which, with onboarding taking place over many years [32] is meant to replace the over 70 different HR (human resources) systems that were in use across the Government of Canada. [33] The synchronization to this new platform is meant to increase automation, standardize

and streamline HR (human resources) processes across departments, increase self-service options, and facilitate information sharing. [34] As of June 2017, My GCHR was only introduced in 44-organizations and there are an additional 31-different-HR (human resources) systems remaining in departments and agencies.

Appendix C presents the landscape of the various HR (human resources)-systems that operated within the Government of Canada at the time of the launch of Phoenix in 2016. It illustrates the various systems and interfaces required of the new pay IT (information technology)-solution at launch.

3.0 Lessons learned

Through the analysis of the consultations and documents, the study team has identified 6 major areas of lessons learned containing a total of 17 lessons. The 6 major areas are presented in Figure 1, as follows:

- Initiative Definition (Lessons 1 and 2)
- Governance and Oversight (Lessons 3 to 5)
- Change Management (Lessons 6 to 8)
- Business Case and Outcomes Management (Lessons 9 to 13)
- Initiative and Project Management (Lessons 14 to 16)
- Capacity Management (Lesson 17)

In our view, these are lessons that are yet to be learned, not lessons that have been learned through the course of the management and implementation of the TPA (Transformation of Pay Administration Initiative).

Two of the 6 major areas were identified as foundational to the overall success of the initiative. The most critical area is the "what" of the transformation (Initiative Definition). This is the big picture of the transformation, the conceiving of all the organizations, business processes, people, and information technology systems that will be involved and will undergo change. This big picture is then broken down into manageable components (usually projects) with a roadmap of how these will all unfold over the years of the transformation. Closely related is the second

foundational area, Governance and Oversight, which is the high level "who" of the transformation and ensures that leadership, accountability, decision-making, engagement and oversight are appropriate for the "what" of the transformation.

If these 2 major foundational areas are addressed effectively in the earliest stages of the initiative, the transformation has a greater probability of being successful. The lessons learned from TPA (Transformation of Pay Administration Initiative) highlight challenges in both Initiative Definition, as well as in Governance and Oversight.

The additional 4 major areas of lessons learned greatly influence the probability of success of the transformation initiative. Each of these major areas is critical to success. They cannot overcome flaws in the 2 major foundational areas, but the lessons learned in these areas are each essential to get right for transformation initiatives.

The lessons within Change Management also focus on the "who," in terms of the people involved with and impacted by the transformation initiative. Change Management must surround and underpin the whole initiative and be treated as a fundamental component, being critical for buy-in from those affected by the change, and must support staff and managers to help them adapt to their changing roles.

The lessons within Business Case and Outcomes Management address the "why" of the transformation. The reasons for undertaking the transformation initiative and the outcomes of the transformation (including more than just costs and financial benefits) form commitments that then need to be assessed, adjusted and achieved so that the initial "why" is addressed throughout the transformation and not just at the beginning.

The lessons within the Initiative and Project Management area highlight aspects of "how" the transformation initiative and the projects within it are managed day-to-day over the years of the initiative. Although this is a mature area in the literature and there are many experienced practitioners both within and external to the Government of Canada, there are specific lessons learned coming from TPA (Transformation of Pay Administration Initiative) in this area.

Capacity Management is the final of the major areas and addresses the need to explicitly manage the transformation of the workforce, the "who", but emphasizing the knowledge and how that knowledge must be stewarded and developed as a critical resource.

The lessons under each of these major areas are described below.

3.1 Initiative definition

Scoping: Properly define what is changing

A Target Operating Model construct as illustrated in Figure 2 indicates the scope of areas to be considered in any transformation initiative.

<p align="center">**Figure 2: Target operating model** [35]</p>

▼ Figure 2 – Text version

This figure consists of a series of hexagons that is based on a model for the finance function developed by KPMG. There is one large hexagon in the background. Centred on each of the six sides of the large hexagon's perimeter is a smaller hexagon. There is one small hexagon in the centre that contains text. Each hexagon on the large hexagon's perimeter contains text that describes the six aspects of a model for the finance function.

The hexagon in the centre contains the text "Federal Pay Operating Model." Centred above it, the first smaller hexagon contains the text "Services, Functions and Processes." Moving in a clockwise direction, the next five

hexagons each contain text that describes another aspect. They are "Technology," "Organization and Governance," "Clients," "Performance Management" and "People and Skills."

> **Lesson 1**
>
> Define the scope of areas undergoing change and define the changes as discrete projects with associated interrelationships and interdependencies within the overall initiative.

While each of the areas in this model was actually undergoing change as part of the TPA (Transformation of Pay Administration Initiative), the focus was almost wholly confined to the management of technology (the Pay Modernization project pertaining to development a new IT (information technology) solution) and of organization (the Pay Consolidation project pertaining to the downsizing of the compensation advisors and establishment of the Pay Centre).

However, the initiative implicated much more than these 2 aspects. The TPA (Transformation of Pay Administration Initiative) Initiative was complex, broad, and highly dependent on the ability of a wide range of users to prepare for the transition, and adapt and change the way they carried out their HR (human resources) and pay activities. While TPA (Transformation of Pay Administration Initiative) documentation frequently referred to the complexity associated with the processes and business rules for pay, most of those consulted for the study admitted that very few people (other than compensation advisors) understood the degree of complexity associated with the day-to-day requirements to ensure accurate pay. The complexity of the HR (human resources) to Pay process and how it would be transformed may have been understood in segments or silos but the overall management of the end-to-end process transformation from, for example entering HR (human resources) data for an initial hiring offer, to the regular entry of overtime or other compensation actions, to paying employees and benefit providers (through an overall process owner [36]) did not appear to be in place.

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Business processes, people/skills (including compensation advisors, others working in HR (human resources) and managers with HR (human resources) responsibilities), all users of the new IT (information technology) solution (that is, all public servants), organizational culture, services and functions (for example, the transforming of the roles of managers and HR (human resources) professionals in departments and agencies), quality and timely provision of HR (human resources) data and related HR (human resources) systems were also very significant areas of change in this initiative. While some of these other aspects were mentioned in the early documentation (PWGSC (Public Works and Government Services Canada)'s Report on Plans and Priorities for the 2010 to 2011 fiscal year that briefly discussed business processes), it was only in passing and no comprehensive plan for transformation was implemented.

Cutting across all these elements was the establishment of a new service model for the administration of pay. Where before departments and agencies had compensation advisors internal to their organizations, these positions became centralized at PSPC (Public Services and Procurement Canada) for 45 departments and agencies. [37] However, the design of this service model (including culture, service standards, roles and responsibilities, governance, processes) did not address the full scope of the changes end-to-end across HR (human resources) to Pay that would be required within individual departments and agencies, nor did the development of the service model fully address the diversity of practices within all departments and agencies.

To further illustrate the complexity of the environment within which the Government of Canada administers its pay and the resulting impact of this environment on the performance of pay under RPS (Regional Pay System), a benchmarking analysis undertaken by IBM compared the Government of Canada pay administration performance with industry performance in the areas of cost, efficiency and quality, and cycle time. [38] This study confirmed the complexity of the environment within which pay is administered in the Government of Canada and suggests that this complexity should have been addressed (at least in part) prior to implementing a new IT (information technology) solution.

Thus, additional discrete projects (scoped and funded and with assigned accountability) were needed to address all aspects of change per the operating model. Some examples of these additional projects include:

- implementing new business processes (and controls) in departments and agencies to be carried out by those in HR (human resources) (including compensation advisors) and by managers (such as CHRBP (Common Human Resources Business Processes), but to a greater level of detail and fully implemented by departments and agencies)
- implementing changes to existing HR (human resources) systems and introducing new HR (human resources) systems (such as My GCHR)
- implementing an HR (human resources) to Pay performance management framework, including benchmarking key service, efficiency and quality performance metrics for the original pay administration environment so that the performance of the new pay administration environment using Phoenix (by all departments and agencies) could be properly understood and tracked
- addressing the cultural aspects at play such as the resistance to changing long-established practices such as carrying out most HR (human resources) transactions retroactively, which has contributed to substantial backlog of pay transaction (as outlined below under Lesson 9)

Roadmap: Articulate discrete projects and how they interrelate

When considering implementing a complex initiative, a roadmap is a high level description (which can be a graphic, a table or narrative) of the various components of the projects, along with the schedule, deliverables and interrelationships. [39] Leading practice suggests that a roadmap should be developed that is based on the discrete components that fully account for the proposed changes to all aspects of the operating model, as well as related projects.

The roadmap encourages project managers to see how each part of the project (or in this case, each discrete project in the TPA (Transformation of Pay Administration Initiative) Initiative) ties to:

- initiative objectives

- timeline
- deliverables
- risks
- interdependences and interrelationships

Lesson 2

Develop a roadmap to articulate the interrelationships and interdependencies between the discrete projects within the defined scope of the transformation initiative (as well as with other related projects).

The roadmap is a tool whereby each of the discrete projects would then be considered holistically. This would include not only project management, but when and how the concepts of change management and risk management would be brought in. It is the view of the study team that if the various discrete projects had been considered as a whole, the interrelationships and interdependencies would have been identified and could have been better managed and associated risks better mitigated.

Even in the absence of the identification of all the various discrete projects, a more holistic and inclusive approach to project, change and risk management would have addressed many of the issues encountered throughout the TPA (Transformation of Pay Administration Initiative) lifecycle. Indeed, if a roadmap had been outlined, then a better staging of the various components could have been undertaken. The study team suggests that the staging of the components could have been:

- the business processes within PSPC (Public Services and Procurement Canada) and also within departments and agencies pertaining to HR (human resources) to Pay (including roles and responsibilities with respect to approvals) should have been examined and changed/fully implemented first. This would have included training managers on their HR (human resources) responsibilities and any of their changed roles, including those pertaining to Section 34 [40] of the Financial Administration Act

- next, new or updated HR (human resources) systems would have been implemented (ideally based on a common configuration of PeopleSoft across most departments and agencies) and the quality of HR (human resources) data addressed in a systematic way in all organizations
- this would have been followed by the build of a new pay system based on the new business processes and on the common HR (human resources) system implemented, along with the training on the new system of an experienced compensation workforce. Reduction of the number of compensation advisors could be managed based on efficiencies within the new pay system
- the last part of the transformation would have been the relocation of compensation advisors to a more centralized delivery model

3.2 Governance and oversight

Accountability: Assign accountability and authority to a single office

Accountability is a relationship based on obligations to demonstrate, review, and take responsibility for performance, both the results achieved in light of agreed expectations and the means used. The principles of effective accountability are outlined below. [41]

Clear roles and responsibilities	The roles and responsibilities of the parties in the accountability relationship should be well understood and agreed upon.
Clear performance expectations	The objectives pursued, the accomplishments expected, and the operating constraints to be respected (including means used) should be explicit, understood, and agreed upon.
Balanced expectations and capacities	Performance expectations should be clearly linked to and balanced with each party's capacity (authorities, skills, and resources) to deliver.
Credible reporting	Credible and timely information should be reported to demonstrate what has been achieved, whether the means used were appropriate, and what has been learned.

Reasonable review and adjustment	Fair and informed review and feedback on performance should be carried out by the parties, achievements and difficulties recognized, appropriate corrections made, and appropriate consequences for individuals carried out.

Lesson 3

Assign accountability and authority for a multi-department/agency or government-wide transformation initiative to a single minister and deputy head, with the accountabilities, authorities, roles and responsibilities of other implicated organizations being designed, documented and implemented as part of an overall accountability framework.

From the perspective of roles and responsibilities, as noted previously in Lesson 1, the overall undertaking within the Government of Canada to transform the compensation environment was shaped by reducing of the scope of the transformation to be simply the 2 projects under the TPA (Transformation of Pay Administration Initiative). Accountability for both projects under the TPA (Transformation of Pay Administration Initiative) (that is, Pay Modernization and Pay Consolidation) was assigned to PSPC (Public Services and Procurement Canada). As noted previously, its roles and responsibilities as the overall lead were sought by the Minister of Public Works and Government Services in 2009, and granted, following the normal challenge process of the TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat).

However, as noted in Lesson 1, the actual scope of the undertaking to transform the compensation environment, which involved much more than these 2 projects, was not well understood. One result of the too-narrow scope was an incomplete accountability framework for the transformation. The roles and responsibilities of additional parties with accountabilities for the broader areas (namely TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) along with departments and agencies) were not effectively designed, documented nor implemented as part of an overall accountability framework.

An important party in the transformation of the compensation environment was the deputy head community responsible for leading affected departments and agencies. Deputy heads are accountable for their own organizations and therefore, for the implementation of TPA (Transformation of Pay Administration Initiative) within their organizations. However, the study team learned that most deputy heads were not aware of most of their responsibilities with respect to the TPA (Transformation of Pay Administration Initiative), particularly ensuring new business processes introduced by the CHRBP (Common Human Resources Business Processes) initiative were fully understood and implemented, and also implementing change management more broadly. Moreover, most deputy heads did not realize the extent of the changes being introduced by the initiative and the corresponding risks to their organization and to their employees' pay. Reasons for this varied but the most commonly mentioned factor was that there were many change initiatives underway at the time and TPA (Transformation of Pay Administration Initiative) was not identified to deputy heads as being more important than any other. Also, briefings provided by PSPC (Public Services and Procurement Canada) throughout the initiative were generally positive and, other than raising concerns on the need to ensure HR (human resources) data was accurate, did not raise any red flags or other reasons to warrant more deputy head attention.

Another principle of effective accountability is that of balanced expectations and capabilities; that is that performance expectations should be clearly linked to and balanced with each party's capacity (authorities, skills, knowledge and resources) to deliver. PSPC (Public Services and Procurement Canada) sought and was granted the accountability to carry out both projects on behalf of the Government of Canada. However, it did not appear that the authority to ensure that the full scope of changes to occur throughout the whole of the Government of Canada was either recognized as being needed nor was it given to or assumed by any one organization. So although PSPC (Public Services and Procurement Canada) had the accountability to deliver on TPA (Transformation of Pay Administration Initiative), neither PSPC (Public Services and Procurement Canada) nor any other organization was able to exercise the necessary authority to make this happen.

With PSPC (Public Services and Procurement Canada) not being able to exercise the overall authority (neither at the deputy minister nor ministerial level) over the full scope of the transformation of the compensation environment, the senior coordinating body for the transformation success appeared to fall to the Public Service Management Advisory Committee (PSMAC (Public Service Management Advisory Committee)). [42] PSMAC (Public Service Management Advisory Committee) regularly received updates on TPA (Transformation of Pay Administration Initiative) and even served as a sounding board for deputy head concerns about the project; however, the committee could not be accountable for the initiative. No one individual or governance body was assigned the authority to ensure the necessary steps were being taken to ensure the overall success of the initiative.

In a government-wide initiative such as the transformation of compensation, it is clear that an effective and comprehensive accountability framework should explicitly include the authorities and roles of TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat), departments and agencies, as well as of any organizations leading specific projects within the initiative. The accountability framework should also clearly state where the overall accountability rests for the full scope of the transformation initiative. This overall accountability should be specified at both the ministerial and deputy head level.

The actual selection of the appropriate minister, deputy head and organization for overall accountability is complex and would likely depend on the particular transformation initiative. At the moment, it does not appear that any one organization has the necessary accountability, authority and capabilities to carry out such a role in future transformations. Given that these could be adjusted, one possibility to consider would be TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat), given its "general manager" role. [43] It could assume the overall accountability for such government-wide transformation initiatives. Other possibilities could be a lead client department/agency or the department/agency leading the major project(s) within the initiative. In each case, accountabilities, authorities and capabilities would need to be addressed.

Governance: Establish broad and inclusive governance

Governance refers to how an organization makes and implements decisions. [44] Governance is complex and fluid and complicated by the fact that it involves multiple actors who are the organization's stakeholders. They articulate their interests, influence how decisions are made, who the decision-makers are and what decisions are made. Decision-makers must consider this input and are then accountable to those same stakeholders for the organization's output and the process of producing it. [45]

Lesson 4

Establish governance that fully reflects the broad range of stakeholders affected by the entire initiative. For example, a committee with membership from the end-to-end process owner, the organization(s) leading projects, and different types of stakeholders (such as departments/agencies, representatives of affected functional communities and policy centres) should oversee the initiative.

According to documentation received from PSPC (Public Services and Procurement Canada) during the lessons learned study, the Pay Modernization project included the following governance mechanisms:

- Senior Project Advisory Committee (SPAC (Senior Project Advisory Committee))
- Risk Management Oversight Committee (RMOC (Risk Management and Oversight Committee))
- Executive Management Team
- Change Agent Network
- External Advisory Committee
- TPA (Transformation of Pay Administration Initiative) Union Management Committee (TPAUMC (Transformation of Pay Administration Union Management Committee))

The initiative's governance (and decision-making) was led by PSPC (Public Services and Procurement Canada) but did not reflect the full scope of the areas undergoing change in the initiative. In particular, most governance was focused on the Pay Modernization project rather than the Pay Consolidation project. Documentation from PSPC (Public Services and Procurement Canada) indicates that the Pay Modernization governance bodies (SPAC (Senior Project Advisory Committee) and RMOC (Risk Management and Oversight Committee)) received Pay Consolidation updates starting in fall of 2013. Thus, there was really no overall governance body for the TPA (Transformation of Pay Administration Initiative) as a whole. Such an overall governance body, established at the outset of the initiative, should have had participation from PSPC (Public Services and Procurement Canada), various players at TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) (such as OCG (Office of the Comptroller General) and OCHRO (Office of the Chief Human Resources Officer)) and departments and agencies.

One of the key gaps in the governance structure was the lack of decision-making involvement of an HR (human resources) to Pay process owner. Leading practice would suggest that there should be a defined accountability for the end-to-end process, in this case the HR (human resources) to Pay compensation process and that this process owner should be part of governance. The SPAC (Senior Project Advisory Committee) and RMOC (Risk Management and Oversight Committee), being only advisory bodies and being focused almost exclusively on the Pay Modernization project did not fully consider the HR (human resources) to Pay process. While all those consulted for the study agreed that PSPC (Public Services and Procurement Canada) was not the HR (human resources) to Pay process owner, there was little consensus regarding who the process owner was, whether OCHRO (Office of the Chief Human Resources Officer) or OCG (Office of the Comptroller General). Regardless, while being members of the SPAC (Senior Project Advisory Committee), OCHRO (Office of the Chief Human Resources Officer) and OCG (Office of the Comptroller General) rarely attended meetings.

Leading practice would see external service providers (that is, firms) included as observers/members in governance bodies. According to documentation received, an External Advisory Committee was struck to provide strategic advice and guidance to the Minister and Pay Modernization project executives. It met 8 times and included 2 to 3 external members representing private sector companies. This committee received project updates at their meetings and provided advice to the project team.

The Change Agent Network was the product of combining the Empowering Change Network (established for the Pay Modernization project) and the Change Agent Network (established for the Pay Consolidation project). The purpose was to share information with departments/agencies, which could then be used to brief up and throughout the organization. It was composed of representatives of all departments and agencies affected by Pay Modernization. While organizations were encouraged to appoint individuals at a manager level or above, this was not the case for many organizations. In fact, some organizations appointed people at a much more junior (for example, AS-02) level. Additionally, attendance by many departments and agencies was uneven with some organizations hardly attending at all and other attending frequently. Generally, attendance by departments and agencies was good until October 2015 when attendance dropped to less than 50%. However, the change agents consulted as part of the study (at all levels) felt that they did not completely understand their role (as the primary point of contact between PSPC (Public Services and Procurement Canada) and their organization) and that information provided at meetings was not clear or adequate to allow organizations to fully understand the status of the projects or their role, particularly pertaining to change management.

The TPAUMC (Transformation of Pay Administration Union Management Committee) was established in early 2011 based on a request from the Public Service Alliance of Canada (PSAC (Public Service Alliance of Canada)) for meaningful consultation on the TPA (Transformation of Pay Administration Initiative) with a view to minimizing the adverse effects on employees. The committee met at least quarterly from 2011 to the end of 2015. While no one consulted from PSPC (Public Services and Procurement Canada) or TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) mentioned this committee during the consultations for

this study, PSAC (Public Service Alliance of Canada) spoke about the committee at length. While the union felt the committee was a very useful forum for discussing the workforce adjustment impact of the TPA (Transformation of Pay Administration Initiative) on existing compensation advisors, the union did not feel the Government of Canada representatives were responsive to the concerns raised by the union at the committee about the rollout of TPA (Transformation of Pay Administration Initiative). According to PSAC (Public Service Alliance of Canada), PSPC (Public Services and Procurement Canada) did not share key documents with the committee that would have likely led to red flags early on in the process. Additionally, according to PSAC (Public Service Alliance of Canada), PSPC (Public Services and Procurement Canada) never wavered from its plan that the Pay Centre could be run by 550 employees, despite numerous concerns raised by the union at meetings of the committee.

While not a formal part of TPA (Transformation of Pay Administration Initiative) governance, over the timeframe of the initiative, the project executives presented to PSMAC (Public Service Management Advisory Committee) 7 times. According to many of those consulted for the study, PSMAC (Public Service Management Advisory Committee) was often used as a senior governance body for the initiative. That is, PSMAC (Public Service Management Advisory Committee) was asked to determine departmental readiness for go-live and to provide advice about key project milestones. However, members of PSMAC (Public Service Management Advisory Committee), having only received a limited number of briefings and not being completely attuned to the various initiative (and project) nuances, were not well-placed to provide this kind of advice. It is the opinion of the study team that the use of existing enterprise-wide advisory or information sharing bodies (such as PSMAC (Public Service Management Advisory Committee)) should not be regarded as a substitute for governance of such significant transformation initiatives.

Oversight: Ensure oversight provides sufficient challenge

Oversight is a critical function in any transformation initiative, group of projects or project. It is carried out on behalf of the accountable leader in order to monitor risks, issues, schedule, budget, scope and outcome achievement. It is a challenge role, having a degree of independence from the ongoing management of the initiative or project itself.

> **Lesson 5**
>
> Establish a challenge function for effective independent oversight that encompasses the complete scope of the transformation, drawing upon organizations with international experience and individuals in that transformation area, and reporting directly to the minister or deputy head accountable for the overall initiative.

As mentioned, TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) CIOB (Chief Information Officer Branch) ITPROD (Information Technology Project Review and Oversight Division) has a mandate for the oversight of complex IT (information technology) projects within the Government of Canada. One important way that ITPROD (Information Technology Project Review and Oversight Division) carries out its oversight role is through attendance as an ex officio member at project governance meetings. Membership at assistant deputy minister (ADM (Assistant Deputy Minister))-level SPAC (Senior Project Advisory Committee)s is the ADM (Assistant Deputy Minister) of CIOB (Chief Information Officer Branch), the Executive Director of ITPROD (Information Technology Project Review and Oversight Division), or the assigned Oversight Executive, depending on the project. At the SPAC (Senior Project Advisory Committee) for TPA (Transformation of Pay Administration Initiative), the Government of Canada Chief Information Officer (that is, the ADM (Assistant Deputy Minister) of CIOB (Chief Information Officer Branch)) was ITPROD (Information Technology Project Review and Oversight Division)'s representative at the committee. However, the study team heard that ITPROD (Information Technology Project Review and Oversight Division)'s influence was arguably weak during the timeframe of the initiative due to

cutbacks as a result of the Deficit Reduction Action Plan and the tendency to delegate attendance at SPAC (Senior Project Advisory Committee) meetings (according to meeting minutes, the ADM (Assistant Deputy Minister) CIOB (Chief Information Officer Branch) attended less than 25% of meetings). A review of the minutes from the SPAC (Senior Project Advisory Committee) meetings further revealed that delegated representatives rarely voiced concerns or questions whereas the ADM (Assistant Deputy Minister) CIOB (Chief Information Officer Branch), when in attendance, would frequently make contributions to the meeting that resulted in action items. The study team heard that while senior managers at ITPROD (Information Technology Project Review and Oversight Division) did voice concerns about the dashboards, these concerns were not reflected in updated dashboards and PSPC (Public Services and Procurement Canada) project management leadership team took steps to reassure ITPROD (Information Technology Project Review and Oversight Division) and CIOB (Chief Information Officer Branch) at TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) that the project was on track (for example, through phone calls). [46] Further exacerbating the challenges pertaining to the role of ITPROD (Information Technology Project Review and Oversight Division), their role was limited to oversight of the Pay Modernization project only.

Thus, the initiative was operating within an environment of limited oversight other than the management hierarchy at PSPC (Public Services and Procurement Canada). Since this oversight was within the organization, there was limited independence of those tasked with the challenge role. Within that hierarchy, the study team heard from those consulted from both within and outside PSPC (Public Services and Procurement Canada) that there was a culture (at PSPC (Public Services and Procurement Canada) in particular, but also to some extent within the Government of Canada more broadly) that is not open to risk and does not reward speaking truth to power. Additionally, we heard that this culture of discouraging briefings with bad news was particularly strong at PSPC (Public Services and Procurement Canada) during the timeframe of the initiative. According to many of those consulted for the study, project briefings provided a more positive report on project progress and

minimized areas of concern raised by others within PSPC (Public Services and Procurement Canada) (including individuals from the Chief Information Officer Branch and Finance and Administration Branch of PSPC (Public Services and Procurement Canada)). Those who observed the practice could not say definitively whether project management executives were unaware of the problems, unwilling to admit there were problems or were rather hoping that they would be able to address the problems in a timely manner/before the next briefing.

This practice of not providing briefings that contained bad news was exacerbated by a tendency to accord a great deal of leeway to managers with a good track record of managing projects. In particular, the study team heard from multiple sources that if certain managers were assuring others that problems would be resolved or that the project was on track, senior managers/decision-makers were more likely to believe those managers rather than to seek independent confirmation of what they were being told about problems.

Given that TPA (Transformation of Pay Administration Initiative) was managed in a cultural environment that did not reward those who spoke truth to power (that is, to identify and communicate problems) and a tendency to believe those with good reputations, a strong oversight/challenge function was needed. Senior management, decision-makers and those asked to provide input should have been willing to ask for an independent assessment of what was in the briefings. For example, independently validated assessment for government-wide readiness to proceed with the go-live launch (from both PSPC (Public Services and Procurement Canada) as well as departments and agencies) should have been sought by PSMAC (Public Service Management Advisory Committee) when this body was asked to provide advice on readiness to launch.

Other stakeholders within the government system should have also played a stronger challenge role. For example, TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) in its role pertaining to ensuring the quality of Treasury Board Submissions and adequate follow-up and reporting to Treasury Board could have required more frequent and formal reports to Treasury Board regarding project

progress, coupled with evidence of progress. Also, others with responsibilities pertaining to compensation (including OCHRO (Office of the Chief Human Resources Officer) and OCG (Office of the Comptroller General)) could have stepped forward and asked more questions. Members of the various governance/advisory bodies who received briefings could have asked more pointed questions and, upon not receiving a satisfactory response, could have escalated their concerns to their deputy head. Internal audit units could have conducted audits of departmental readiness for the transition to Phoenix and/or could have escalated any concerns they may have had to the Office of the Comptroller General. Those within OCHRO (Office of the Chief Human Resources Officer) could have better advocated for the compensation advisor community regarding the complexity of their role and concerns about the ability of the Government of Canada to operate effectively after go-live. The design of the Pay Consolidation project combined with the decision to locate the Pay Centre in Miramichi effectively meant that the pre-existing knowledge and capacity of the compensation advisor members was eliminated. It is important to note that compensation advisors were represented by their union, PSAC (Public Service Alliance of Canada), which spurred the development of the TPAUMC (Transformation of Pay Administration Union Management Committee). However, the work of that committee does not appear to have influenced the outcome of the TPA (Transformation of Pay Administration Initiative) in any meaningful way. Decisions were made despite the warnings issued by the union representatives at TPAUMC (Transformation of Pay Administration Union Management Committee).

It is the view of the study team (based on leading practices) that third parties who have extensive comparable experience globally should be brought in as a regular part of the challenge function to provide independent assessments of progress of the initiative as a whole and to share leading practices from other jurisdictions. [47] The scope of these independent assessments should be sufficiently broad and report directly to the senior governance body. While 3 independent reviews (linked with 3 of the Gates, per guidelines for project management oversight) were conducted for the Pay Modernization project, these reviews unfortunately were very limited in scope, and although following Treasury Board policy direction for IT

(information technology) project oversight, were not effective. A closer examination of this work reveals that those consulted for the reviews were limited to project management personnel within PSPC (Public Services and Procurement Canada) and that the reviews were very IT (information technology)-focused. Thus, although appearing to be effective reviews, they did not identify significant problems or issues with the project, or the broader TPA (Transformation of Pay Administration Initiative) Initiative and each review recommended proceeding to the next phase of the project.

3.3 Change management

Culture/leadership environment: Assess and then adapt or manage the culture and leadership environment

Organizational culture is defined as the shared values of and behaviors uniquely common to an organization. Organizational culture is integral in determining how tasks are completed, the way people interact with one another, the language they use when communicating, and the attitudes, goals, values, and leadership behaviors that are exhibited.

As they embark on a large transformation, leaders need to assess the organizational culture to determine the cultural elements within the organization that may help or hinder the change direction and achievement of expected benefits.

This assessment determines if the organization's current culture, structure, processes, and performance management system will support the change. If so, then the assessment process will investigate how the current culture can be managed through the change. If the current culture will not support the change, then the assessment identifies the aspects of the current culture requiring change in order to realize the future state.

Indicators that a cultural change may be necessary to support and sustain the change include:

- the current culture does not allow stakeholders to work in ways that support the future state

- the current culture does not support the planned organizational process or behavior change
- the current values are in conflict with what will be expected of the stakeholders and leaders [48]

Lesson 6

Assess the culture of the organization(s) in which the transformation is occurring. Ideally, organizational culture should be agile, open to change, engaging, responsive to stakeholder feedback and willing to receive unwelcome and unexpected information. Where culture is not ideal, take steps manage the transformation within that culture (e.g., heightened challenge function, effective communications).

The public service culture and environment at the time of the change initiative was described as being unreceptive to inconvenient feedback. The study team heard that this unreceptive culture was further compounded by the existing top-down approach to management within TPA (Transformation of Pay Administration Initiative). We heard this tendency to 'bury bad news' and to only brief up the good news was 1 of the reasons some of the major concerns were not raised, were not considered, or did not reach senior levels.

As described in previous sections, there was no individual or governance body assigned the authority to make sure key steps to ensure the overall success of the initiative were taken. The study team heard this was further compounded by problems with the existing culture which is not open to risk and does not reward those who share negative news. As a result even if negative news was shared within a department (and it was not always done), the negative feedback may not have reached executives or decision-makers. Negative news did not necessarily travel across departments. Individual groups focused on carrying out their individual responsibilities, without realizing that the initiative's success was dependent on the success of everyone involved.

The team also heard that there was not enough focus on ensuring buy-in and ownership at the department level. PSPC (Public Services and Procurement Canada) took on the role of pushing for the implementation of the IT (information technology) solution while departments and agencies received the information passively and felt it was being imposed on them.

When assessing the extent to which individuals in an organization would be amenable to sharing feedback that might not be positive with their organization, it is useful to consider the advantages and disadvantages of so doing. From the feedback received during the study, the disincentives to express concerns outweighed the advantages. Employees and contractors who delivered messages of being on track, on time, and on budget were favourably received, while those who expressed their fears, worries or concerns indicated that their concerns were dismissed.

In a culture where errors and failure are not tolerated, learning and innovation are stunted and with this the agility to respond to a complex and changing transformation agenda.

Therefore, assessing the organization's culture as well as its capacity and readiness for change (focusing on required behavior changes, skill sets, competencies and potential barriers to change) is essential for successful change and transformation.

Change management planning and execution: Treat change management as a priority

According to leading practice, successful change management requires buy-in from those affected by the change, and support for staff and managers to help them adapt to changing roles. When undertaking complex changes in an organization currently facing many changes (as described in Lesson 1 and the Context section), the use of Change Agent Networks can be especially beneficial.

Change leadership is also critical to success. Change leadership requires leaders to take both accountability and responsibility for the change, that is, accountability for outcomes management and responsibility for driving the change operationally as they attend to the people, process and technology components of the transformation.

Change leaders need to be trained to use effective strategies to facilitate organizational change and overcome resistance to change. They must be versed in change management practices but also model openness to the mindset, behavior and culture required to support change. [49]

> **Lesson 7**
>
> Plan and implement change management as a priority throughout the life of any high risk, complex transformation initiative. Change management and change leadership cannot be considered optional, an add-on, nor expendable when looking for ways to save time or money.

Initially the TPA (Transformation of Pay Administration Initiative) was on track to follow leading practices in change management. For example, comprehensive and thorough change management plans were developed early on in the initiative and these identified numerous potential risks and challenges. Their existence suggests that there was a good understanding that the TPA (Transformation of Pay Administration Initiative) required a strong focus on change management to mitigate the many identified risks to success. However, as mentioned earlier, the study team heard that these plans were not fully implemented since they were declared out-of-scope when costing for the project identified higher overall costs.

As mentioned above, most of those consulted for the study admitted that very few outside the compensation advisor community understood the day-to-day requirements to ensure accurate pay. We heard that, given that pay transactions were carried out by compensation advisors who are lower-ranking employees, decision-makers may have under-estimated their role and under-valued their expertise. Underestimating the required skills, knowledge and expertise to administer pay led to a commensurate underestimation of the value and importance of the change management processes necessary to support the change.

A further challenge was the fact that the public service as a whole was undergoing a number of changes in parallel with the implementation of the project. It is a leading practice when engaging in ambitious change processes to secure the enthusiasm of those involved to help propel the change forward. In the context of TPA (Transformation of Pay Administration Initiative), immediately preceding the launch, public servants' enthusiasm for change may have been dampened by less than positive press coverage about the value of public servants, cuts to staff and funding and increased workloads and numerous other change initiatives impacting the way they worked. The TPA (Transformation of Pay Administration Initiative) was introduced in an environment of instability and fatigue. Challenging environments require more, not less, of an active change management process to ensure success. Despite this, change management for the TPA (Transformation of Pay Administration Initiative) was decentralized and delegated to departments/agencies in fiscal year 2012 to 2013 as part of cost savings for the overall initiative. Representatives of departments and agencies consulted for the study reported they had insufficient resources to fully understand and implement change management.

The TPA (Transformation of Pay Administration Initiative) required a significant change in the way individual employees and managers carried out their day-to-day activities. The change required that pay and compensation personnel, HR (human resources) personnel, supervisors and managers perform HR (human resources) and pay operations online and in real time. This meant, for example, that managers had to approve hours worked before or right at the end of the pay period rather than after the end of the pay period, which removed the previous flexibility to adjust data after the fact. Delays in entering and approving information in the system could have a direct impact on the accuracy of employees' pay.

Many of these changes were not well understood by those affected by the transformation because of scoping issues outlined in Lesson 1. Change initiatives with such a significant human impact should have magnified the need for a comprehensive and sustained change management function and the development of change leadership competencies, particularly for managers.

The use of Change Agent Networks is considered a leading practice in change management, in particular when the change affects a number of groups and organizations. A team of change agents plays a crucial role liaising between the working level and senior management. Their role is to facilitate the engagement of system users and prepare them for the challenges ahead. Again, a leading practice with change agents requires them to have superior knowledge of the systems and processes that are being transformed, and thus serve to provide an early warning system when there are anticipated or unanticipated issues with, for example, resources, expertise, integration, functionality, processes, funding, capacity, acceptance to change.

As noted previously, a Change Agent Network was created. However the feedback provided to the study team showed that while departmental/agency colleagues appreciated the support of the change agents, these agents could not provide the full level of value as they routinely lacked current and complete information and context to share with others. We also heard that the change agents were originally at the director general level but it was often a more junior person attending the meetings that were organized. One of the rationales given by interviewees was that meetings were focused on detailed procedural information that was not adapted to a senior executive audience.

Although change agents received briefings, attended workshops and had access to information and resources, the majority did not have a broad enough understanding of the initiative, the risks and the impacts of the changes. If change agents had been provided current and complete information and context, then they could have more effectively briefed their own senior managers and also would have understood the importance of relaying their own organization's readiness back to the PSPC (Public Services and Procurement Canada) project management team in a timely manner. Thus, it is critical that change agents be provided with the full scope of the change and the implications if they are not able to carry out their expected duties.

A well-managed change management function also has an added advantage of bringing together disparate parts of the change process into a cohesive perspective. In the case of the TPA (Transformation of Pay Administration Initiative), an effective change management process would have allowed for monitoring of progress from a horizontal multi-function, multi-department/agency perspective. Had this been the case, the seriousness of the issues that were not addressed (for example, as presented throughout this document, in particular departmental readiness, lack of accurate and timely data, functionality of the IT (information technology) solution) because they were HR (human resources) to Pay issues, could have been identified and raised early on.

Another important role of a change management function is to help all key stakeholders keep their focus on the ultimate goal. Those consulted for the study described a culture where the primary focus was more on the immediate goal of launching on time and within budget. The immediate goal was achieved successfully at the expense of a sustainable solution. A centralized change management group could have potentially identified the effect of this pressure to deliver on time and within budget, and worked to find the time, resources, and engage in discussions in the appropriate forums to ensure a renewed focus on the longer term goals.

As evidenced in the previous paragraphs, when major transformation processes are being carried out in a cost-savings environment, the investment in change management (that is, the cost to inform, educate, engage and train the key stakeholders, including users of the IT (information technology) solution) becomes even more critical to the success of the initiative, and should be treated as an indispensable investment in success, rather than an optional or add-on to the change process that can be under-funded and under-utilized. Successful change management plans are integrated to all aspects of the major change, funded adequately, and change agents are given continuous and priority access to senior levels to ensure the change can be successfully carried out. Had change management plans been carried out as planned, benefits could have included: improving alignment of resources and decreased costs; minimizing disruption to day-to-day activities while preparing for the transformation; providing a forum for

concerns; escalating risks which were identified; anticipating challenges; improving morale; engaging key stakeholders; increasing opportunities for information sharing across groups and departments/agencies; and leveraging best practices.

Communications: Focus on communications that are effective

Communications are an integral part of change management processes. When implementing communications strategies, the measure of success is when the conveyed messages are understood, discussed, and result in necessary actions. The more significant the change, the greater the imperative that communication be carried out successfully.

Lesson 8

Communicate in a relevant, timely, comprehensive manner as a key priority of the change process, integrating into and across each and every project, phase and activity, with the effectiveness of communication being the measure of success.

Effective communication was critical for this initiative as it involved significant change in processes, interrelated systems, and involved a large number of individuals across a myriad of departments and agencies and communities of practice.

A key principle is that the measure of success of communications is not (just) the volume or frequency or avenues of communication, but rather the extent to which the communication results in desired actions for all parties involved. Effective communication is dynamic (two-way) and focuses on exploring new ideas and adapting messages to improve outcomes.

From the start of the TPA (Transformation of Pay Administration Initiative), communications from PSPC (Public Services and Procurement Canada) with departments and agencies was described to the study team as a one-way, top-down process. Whether it was in-person meetings (for example at committees), or email

transmissions, the information was viewed as being instructions and updates, without a mechanism or venue through which to ask questions, seek clarification, provide feedback or express concerns.

According to documentation and many of those consulted for the study, PSPC (Public Services and Procurement Canada) provided regular, periodic updates to various existing governance bodies as a mechanism to share information; these bodies did not form part of the initiative or projects' governance and did not have an oversight role. These included the Executive Project Oversight Committee, the Human Resources Council, Back-Office Transformation committee and PSMAC (Public Service Management Advisory Committee). Ad hoc presentations, upon request, were also provided to the Chief Financial Officers and Deputy Chief Financial Officer community and the National Joint Council. Again, the study team heard that most of these briefings were one-way (that is, from PSPC (Public Services and Procurement Canada) project executives to the committee) and often did not include a question/answer period. If questions or concerns were raised, the study team heard that there was no mechanism or commitment to provide answers or clarification.

The study team heard that communications were further complicated by an apparent unreceptiveness to departments and agencies who were seeking discussions and negotiations on serious issues such as the processing of employees with irregular hours. We heard that client departments and agencies encountered resistance when they requested meetings with the PSPC (Public Services and Procurement Canada) project management team.

The study team heard that the content of the messages communicated by PSPC (Public Services and Procurement Canada) often lacked context; hence, the target audience did not have a full understanding of what was required of them and they did not have the background needed to help guide them when making important decisions about their own activities. For example, we heard departments received instructions to clean their HR (human resources) data; however, some ended up cleaning the wrong data or not cleaning in the manner specifically required for the

introduction of Phoenix. Sometimes the messages communicated were viewed as unhelpful and inconsequential, while leaving more pressing questions unaddressed, for example how Phoenix would interface with other HR (human resources) systems.

The timing of communication was highlighted by many of those consulted for the study as being a key problem that contributed to ineffective messaging. Often, when the information was received it was out-of-date or inaccurate because it did not reflect more recent changes to the IT (information technology) solution, processes or requirements which were evolving on a continual basis. The study team heard that communications were often delayed due to the approval process required to release these. A different governance structure (Lesson 4) would have accelerated approval.

A variety of factors, as identified through the consultations, may have influenced this pattern of communications. For example:

- the study team heard that an important driver for the project management team was meeting established launch dates; hence any feedback that might slow down or delay progress was unwelcome and resisted
- we heard content of the communication was largely focused on specific technical issues and requirements, for specific users, and the broader context was lacking. As well, we heard that information provided to decision-makers was incomplete. As a consequence the information was not available to assess the broader HR (human resources) to Pay risks that were arising or the organizations' readiness
- the study team heard that there was a lack of clarity about where users could address questions and comments, which caused some confusion and uncertainty
- finally, the study team heard from PSPC (Public Services and Procurement Canada) that once the communications were crafted, further communications within departments and agencies were deemed to be the department/ agency's responsibility, which could explain why communications were not tailored to

departmental realities and why the impact of communications was not measured

3.4 Business case and outcomes management

The IT (information technology) solution

Phoenix is based on Oracle's PeopleSoft 9.1, a COTS (Commercial off-the-shelf) IT (information technology) solution. In order to ensure the IT (information technology) solution meets the needs of the user, it must be configured and customized. In an IT (information technology)-enabled business transformation, the IT (information technology) solution is but 1 component in the overall initiative. Although it is often an expensive and high profile component, its relationship with business process change and other functions is critical for success.

Functionality: Engage and communicate with stakeholders regarding anticipated IT (information technology) Solution functionality

> **Lesson 9**
>
> Communicate the anticipated functionality of any required new IT (information technology) solution (including any limitations) to all stakeholders. Strategies for dealing with any limitations should be discussed and developed in collaboration with affected stakeholders and be ready for implementation at go-live.

The study team heard that many departments and agencies raised concerns about the IT (information technology) solution's ability to meet the pay needs of their organization. We heard that the PSPC (Public Services and Procurement Canada) project management team did not provide satisfactory reassurances that their needs would be fully incorporated. When some needs were not incorporated in the end, the study team heard that the mitigation strategies proposed did not address the concerns in a timely manner. Having said that, there were a few examples where strategies were put in place by PSPC (Public Services and

Procurement Canada) to address concerns, such as introducing the role of "timekeeper" to enter HR (human resources) information needed for accurate pay on behalf of employees who were unable to access a computer in a timely manner.

Of particular relevance to explain the large degree of backlog at the Pay Centre when the IT (information technology) solution went live in 2016, is that Phoenix works best when HR (human resources) transactions are entered before they take place and is extremely inefficient dealing with retroactive transactions (that is, HR (human resources) transactions that have taken place in the past). However, the Government of Canada's culture and business processes are firmly entrenched in retroactive transactions. Moreover, based on consultations for the study, those within departments and agencies were not aware that pay accuracy and overall throughput for the compensation function would be negatively affected by the continued culture of retroactive transactions, despite communications from PSPC (Public Services and Procurement Canada) to this effect.

For example, at go-live, when a transaction related to "acting" had to be entered retroactively (which was most of the time), compensation advisors were required to make a manual adjustment or workaround. This contributed to the very large number of pay transactions requiring the personal attention of a compensation advisor (and continues to impact the backlog of pay transactions at the Pay Centre). The study team heard that there was minimal engagement of the compensation advisor community to test and assess the true cumulative impact of such a large number of workarounds.

Compounding the problem, many pay procedures were not clearly articulated at go-live. In fact, the study team heard that the complete user manual was not ready until after go-live (and it continues to be updated). Also, procedures were simply not in place for some transactions until recently (such as leave with income averaging) resulting in compensation advisors across government guessing how to do it, choosing different approaches, many of which were not correct and caused further errors in pay.

As mentioned earlier (under the Initiative Definition section), proper initiative definition and scope would have identified the mismatch between Government of Canada culture/processes regarding retroactive transactions and endeavoured to adjust culture/business processes prior to go-live to minimize the number of retroactive transactions.

Customization: Do not conduct extensive or risky customizations if they can be avoided

> **Lesson 10**
>
> Align business processes and organizational models as much as possible to the underlying structure of any COTS (Commercial off-the-shelf) IT (information technology) solution being considered, rather than engaging in extensive or risky customizations.

PeopleSoft 9.1 is a COTS (Commercial off-the-shelf) IT (information technology) solution that is recognized around the world. The study did not find compelling evidence to suggest that a different COTS (Commercial off-the-shelf) solution would have been more appropriate for the Government of Canada. However, 2 significant challenges in implementing this COTS (Commercial off-the-shelf) solution in the Government of Canada were raised that were unique to the Government of Canada and were noted as very significant challenges.

First, the decision [50] to split PeopleSoft into 2 IT (information technology) solutions (Phoenix and My GCHR) introduced significant complexity. Experts consulted for the study confirmed that splitting PeopleSoft in this way has not been done anywhere else in the world, to their knowledge. The usual implementation would use the full PeopleSoft "out of the box" integration between compensation and HR (human resources) functions, as opposed to severing all these interfaces and then re-implementing interfaces between the resultant different configurations of

PeopleSoft. Complexity was increased even further by having multiple HR (human resources) systems besides My GCHR continuing to operate and interface by different means.

The other significant challenge was that the system integrator (that is, the private sector entity that was responsible for configuring and customizing software products) was required to make extensive workarounds within PeopleSoft 9.1 to meet the untransformed business practices and accommodate the complex business rules. As mentioned in Lesson 9, 1 of the major challenges with the Phoenix implementation was to adopt customizations to deal with the very extensive workload of transactions that occur retroactively. This business practice, with over 50% of transactions being at least 60 days in the past, is unique to the Government of Canada and required not only customizations to PeopleSoft, but also manual workarounds. Leading practices confirm that the greater the degree of customizations and workarounds to the system, the greater the risks and erosion of the value of purchasing a world-recognized COTS (Commercial off-the-shelf) IT (information technology) solution. Thus, the business processes and operating model should be reviewed and amended to best leverage the availability of the functionality of the COTS (Commercial off-the-shelf) application prior to adopting an IT (information technology) solution.

Outcomes management

Outcomes management, value management or benefits realization are similar terms for the explicit management and tracking of the various outcomes and benefits of projects and transformation initiatives. Success must be defined and a plan to measure progress established. Performance should be assessed before, during and after implementation (including people, processes, HR (human resources) data and the IT (information technology) solution). Success should not be declared too early but rather be based on the achievement of outcomes.

Determining success: Implement outcomes management throughout the life of the initiative

Lesson 11

> Develop and fully implement explicit outcomes management throughout the life of the transformation initiative from inception to post go-live. Success must be assessed for progress on implementing the various projects that make up the initiative, including the business transformation, change management and any new IT (information technology) solution.

There are 2 ways to look at the expected outcomes of the TPA (Transformation of Pay Administration Initiative). The first is to identify what outcomes that a new pay IT (information technology) solution and consolidation of compensation advisors would afford the government. In the 2011 to 2012 Report on Plans and Priorities for PSPC (Public Services and Procurement Canada), [51] several outcomes (including cost savings) were identified, including:

- Strategic outcome:
  - Government of Canada being an employer of choice
  - increased contribution to public service renewal/Management Accountability Framework
  - increased stakeholder confidence in payroll administration function
  - supports recommendations of report of the Standing Committee on Government Operations and Estimates
  - greening government operations
- Final outcome:
  - increased pay administration sustainability
  - increased Government of Canada operational efficiencies
  - increased quality of reporting for departments
  - created simplified compensation advisor organization
  - eliminated need for departments to keep compensation advisors, space, A-base, etc.
- Measured outcome:
  - increased employee satisfaction
  - decreased time to train pay administration staff

- decreased cost to deliver pay administration
- decreased materiel usage (for example, paper, mail)
- decreased work effort for compensation advisors
- increased pay administration staff retention
- increased number of accounts per compensation advisor

The study team did not see any further evidence of these outcomes being tracked or measured or mentioned in subsequent documents. Additionally, through consultations for the study, we learned that no further actions were taken to measure or track the achievement of these outcomes. It appears that the comprehensive outcomes management plan developed in the original business case was never implemented. [52]

The second way to look at the success of the initiative is determining the extent to which the initiative was delivered on scope (that is, functionality of the IT (information technology) solution), on budget and on time. In this definition of success, the outcomes and benefits are all implicit in the achievement of the scope. However, the study team heard that the project management team at PSPC (Public Services and Procurement Canada) was primarily focused on the project budget and timeframe. This meant that the scope was decreased when time and budget pressures were felt.

Even if the areas highlighted above had been explicitly measured, a number of indicators that the initiative would be successful were still missing. These include, for example, progress in transforming business processes, training the workforce on new processes, measuring efficiency and quality of service provision as changes are made, training and productivity of managers and employees in interacting with the pay IT (information technology) solution, and development of and access to a complete knowledge base for the new IT (information technology) system and the transformed processes, roles and responsibilities (this was called the User Productivity Kit, an Oracle Development Platform) for and by all user types.

Timing of benefits: Do not expect savings until well after implementation

> **Lesson 12**
>
> Realistically challenge the timing of when benefits (e.g., efficiencies, cost savings, service quality) will be actually achieved recognizing experience to date and the experiences of others, then adjusting as necessary over the life of the transformation initiative.

As mentioned in the context section, the total amount of savings was to be $79.1 million (later decreased by $1 million to $78.1 million in 2012) per year, starting in the first year of Phoenix go-live, fiscal year 2016 to 2017. This amount was to be recouped largely from workforce adjustments of over 700 compensation advisors. Savings were anticipated to come from 4 main areas:

- savings from consolidating pay services, due to a greater degree of standardization and economies of scale ($10.8 million/year)
- savings due to seamless integration between the HR (human resources) PeopleSoft system and the new pay IT (information technology) solution ($35.3 million/year)
- savings due to self-service as a result of employee and manager self-service capabilities ($17.6 million)
- savings due to process changes and automated payroll calculations, as well as internal efficiencies found in ongoing operations in pay administration ($14.4 million)

Because the project planned for these savings in the first year when Phoenix went live (starting in April 2016), over 700 compensation advisors received workforce adjustment notices in October 2014. To ease their workforce transition, many compensation advisors began to seek out new positions resulting in a shortage of compensation advisors prior to go-live. The end result was that there was an existing backlog of pay administration tasks that had to be entered into the IT (information technology) solution at the time of go-live that were transferred to the Pay Centre.

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The expectation that 100% of annual savings could be realized in the first year was based on an assumption that not only would the new compensation advisors be working at full productivity, but that managers, employees and HR (human resources) professionals would also be sufficiently familiar with the new IT (information technology) solution self-service capabilities and aware of their own responsibilities, so as to be fully productive and not require assistance from a compensation advisor (or other person within HR (human resources)). However, leading practice suggests that full savings could not be achieved simultaneously with the implementation of a new IT (information technology) solution. The most realistic scenario would actually be an increase in costs in the first year, allowing for some compensation advisors to stay on in their organizations to support managers and employees as well as allowing for a gradual increase to full productivity at the Pay Centre. From there, cost savings would be realized gradually over time.

A comprehensive implementation of the outcomes management plan with tracking of metrics related to areas such as the effectiveness and extent of business transformation, the efficiency and quality of operations by the evolving community of compensation advisors (with departures, relocations and new recruits), and the extent of training taken and retained was essential but never done. It likely would have clearly illustrated that the financial benefits promised would not be achievable as scheduled and that quality, timeliness and service levels would be at significant risk.

Support to affected stakeholders: Support affected stakeholders if they are to play a role in the initiative

A key component of a business case is the complete and realistic picture of costs and benefits representing the full scope of the transformation initiative and the departments and agencies involved. In addition to making funding available to stakeholders who are part of the transformation, other supports in the way of communications and training are necessary for success.

Lesson 13

> Fund and equip departments and agencies to successfully carry out the necessary activities to support horizontal transformation initiatives, including access to change management expertise, financial and human resources.

The role of the departments and agencies was central in contributing to the success of the TPA (Transformation of Pay Administration Initiative) Initiative. During the planning phase this role was recognized, and sound and detailed strategies for supporting and engaging the 'people' part of the change process were devised, consistent with leading practice. These comprehensive plans, however, were not fully implemented and the study team heard it was likely due to a lack of human and financial resources.

Specifically, in the case of the TPA (Transformation of Pay Administration Initiative), departments and agencies were asked to do more to support the success of TPA (Transformation of Pay Administration Initiative) within their organization but they did not receive additional supports to undertake these additional tasks either in the form of additional human resources, training or funding. The risks were high, as their participation in the change process (such as cleaning HR (human resources) data on time, training line managers on their HR (human resources)-related roles and responsibilities) had a direct effect on the success of the new pay IT (information technology) solution. These risks were also not fully appreciated since the scope of the project was not well understood (Lesson 1).

The lack of funding to support the new process and procedures at the departmental level, coupled with the lack of communication, poor engagement of managers in the change process, insufficient training (these issues are discussed in other sections), meant that departments and agencies were not equipped to hit the ground running when Phoenix was launched. The study team heard that setbacks may have been avoided by having a solid centralized process in effect as well as having an individual or governance body assigned the authority to ensure necessary steps were being taken. This authority could have developed strategies to ensure that the activities for

the overall initiative were optimized in light of a decreased budget, and that managers across departments and agencies received necessary resources (that is, information, money and human resources) to allow them to fulfill their roles.

3.5 Initiative and project management

Testing: Fully test the IT (information technology) solution before launch

The testing of software for an IT (information technology) solution is a complex and lengthy process. It includes unit, integration, system and acceptance testing, characterized by increasing levels of complexity. Testing ensures that not only the IT (information technology) solution is working on its own, but that it is properly interacting with other components or systems, that the new IT (information technology) solution meets specified requirements and that it meets the needs of users.

Lesson 14

Launch any required new IT (information technology) solution only after it has been fully tested with end-to-end real-life simulations using a broad spectrum of real users and when all doubts regarding success have been addressed and verified independently.

Evidence from all sources consulted for the study confirms that Phoenix was not fully tested. While over 16,000 test scripts were executed that demonstrated that Phoenix could process most pay transactions, either through automation or workarounds, testing was not done in such a way as to identify the likely challenges to be encountered due to issues such as: complex procedures required to effect workarounds; imperfect or late information provided to Phoenix from HR (human resources) systems; and multiple pay issues for many individuals.

A report [53] was issued the month before Phoenix went live for the payroll for 120,000 employees. It listed 4 types of outstanding defects, the nature of the resolution and the planned date for the fix. The 4 types of defects were related to:

1. the 10-day rule (that is, determine eligibility for allowances that require an employee to work 10 business days within a given month);

2. late reporting (retroactive) functionality defects (effective dates prior to the current Pay Period);

3. integration (between Phoenix and Government of Canada HRMS (Human Resources Management Systems), including My GCHR and web service); and

4. defects resulting in additional manual steps in existing procedures. In all, there were 69 defects, including 19 that were major, 46 that were moderate and 4 that were minor. Temporary solutions for most were compensation advisor workarounds and fix dates for most were later in 2016 or at a time to be determined.

In the opinion of the study team, there was a large number of defects that were major and a large number of defects that had no planned fix date only a month before the first launch.

While the original implementation plan was to conduct a pilot (with Natural Resources Canada), this was cancelled because testing was not yet complete and thus the IT (information technology) solution was not ready for a pilot. Also testing should have included a more extensive set of real-life end-to-end scenarios using actual users trained only on available training material with the full spectrum of what managers, employees and HR (human resources) professionals would experience. Additionally, testing different types/levels of complexity of pay records with the broad spectrum of users should have been thoroughly performed but was not. The volume of testing and thus completeness and representativeness from a statistical sampling perspective was decreased in the final stages due to time and budget pressures.

Sandbox environments (that is, isolated testing environments) were either not available or not available for a sufficient period for the real go-live IT (information technology) solution. This is at odds with leading practice. Reasons for this were put

forward as budget pressures, time pressures, inability to stabilize the IT (information technology) solution and/or difficulty in Government of Canada provisioning the actual IT (information technology) environments.

While client acceptance testing was conducted (running 207 scripts with 6 departments), it was not end-to-end. Documentation reviewed for the study revealed that there was a disconnect between expectations of PSPC (Public Services and Procurement Canada) and departments and agencies in terms of the test process and department and agency responsibilities. As well, the study team heard that only some types of pay were tested by departments and agencies, usually not the most complex types of pay (such as seasonal, part-time, acting). Also, there was little engagement of departments and agencies in testing whereby the actual "trained" users (that is, managers and compensation advisors) involved could interact with the system to provide approvals and conduct manual workarounds. This kind of testing would have allowed PSPC (Public Services and Procurement Canada) to assess not only the IT (information technology) solution's capabilities, but also the capability of the Government of Canada overall to carry out the function of pay administration.

Engagement of the private sector: Leverage and engage the private sector to maximize initiative capacity and capabilities

Private sector entities were hired to configure and customize the software solution (IBM, the system integrator), provide resources to support project management (ADGA) and provide specific assistance for detailed tasks related to business or technical issues (PwC).

Lesson 15

Involve government and the private sector fully and collaboratively in the critical initial stages of any transformation initiative, before adopting any one particular approach and with full consideration of the capabilities that each can bring to possible approaches.

The division of responsibilities between PSPC (Public Services and Procurement Canada) and the contracted entities (including the system integrator, the project management office and advisory services) did not appear to fully leverage expertise nor take into account capacity. For example, PSPC (Public Services and Procurement Canada) was the project manager for the initiative as a whole and individuals were brought into certain roles through a staff augmentation contract with ADGA, as opposed to PSPC (Public Services and Procurement Canada) contracting a firm to carry-out work to achieve outcomes related to project management. In addition to overseeing the work of the various contracted entities, PSPC (Public Services and Procurement Canada) was responsible for communications, testing and training. [54] The study team heard from multiple stakeholders (who were also closely involved throughout the initiative) that PSPC (Public Services and Procurement Canada) did not have the capacity or capability to carry out the full extent of their duties. These stakeholders pointed to poor decisions, lack of detail in communications and poor quality training as indicators that PSPC (Public Services and Procurement Canada) did not have the necessary capacity and/or capability to carry out their responsibilities for communications, testing and training.

We also heard that the private sector entities that were engaged on the project were not encouraged to contribute to the broader initiative of TPA (Transformation of Pay Administration Initiative). This included not communicating or collaborating with others involved in the initiative and not being invited to the governance table(s), except to receive or provide briefings. Despite their expertise and experience in similar transformations, TPA (Transformation of Pay Administration Initiative) was then not able to benefit from a collaborative environment with the private sector entities which would have enabled leveraging their broader perspectives pertaining to the nature of the risks and mitigation strategies, change management approaches and impacts of incompatible business processes with PeopleSoft 9.1.

A significant portion of the involvement of private sector entities was limited to the role of staff augmentation, rather than as advisors. Specifically, in project management, the contract was only for individual contracted resources with specific skills, not for the delivery of an effective project management function. Thus the

private sector could not adjust and augment resources to address gaps in project management effectiveness, but rather was only accountable for staff augmentation (the provision of individuals with specific skills related to a project office).

In examining the role of the private sector, it is evident that a traditional procurement approach was adopted for the system integrator, with the government spending a number of years developing the approach and a full set of very detailed requirements (several hundred pages). The system integrator was not involved in this initial project scoping but instead were only able to subsequently take those requirements and provide a design for the new pay system including what could/could not be automated; what could/could not be integrated, etc.; they were not given the leeway to question fundamental project or initiative assumptions. One result of this was the fact that there were reportedly (from several different sources) over 2,500 change orders to the tasks included in the contract between PSPC (Public Services and Procurement Canada) and the system integrator. Additionally, change orders related to business requirements continued throughout 2015, impacting the timing of finalization of the final IT (information technology) solution configuration, which in turn impacted the timing and thoroughness and effectiveness of documentation, testing, training materials and training delivery on the actual IT (information technology) solution configuration.

Leading practices in developing and selecting private sector partners and their roles in achieving a transformed service involves much more than traditional procurement approaches with lengthy and detailed specifications developed by government. Approaches such as Commissioning, [55] Outcome-Based Contracting and Joint Solutions Procurement [56] allow the private sector and government to work together prior to settling on roles and involvement of the private sector. Under these models, the private sector may be able to assume a much larger role in designing and delivering the actual services, or the system integrator would be involved with government in designing the project and roles, fully understanding the outcomes to be achieved and the capacity and capabilities of the parties involved.

**Mid-initiative adjustments: Reassess, learn and adjust**

Large multiyear initiatives will likely have their overall context changed in some significant way through the life of the initiative, ranging from a change of government priorities, new or changed initiatives affecting the initiative in question and also the increased experience and understanding of the challenges and opportunities within the initiative itself.

Lesson 16

Regularly update and revisit the business case for the transformation initiative and the individual projects as implementation evolves. In addition to assessing whether key assumptions were accurate pertaining to time and budget, consideration should include any changes in the initiative and projects' scope, the progress and success in stakeholder engagement, the effectiveness and projected timing of any business or organizational transformation and the effectiveness of governance and leadership.

As far as the study team could determine, the business case and outcomes management plan were not reviewed at any point during the initiative implementation. While plans were updated in 2012 following the project definition phase of the initiative, very little was actually changed. In particular, the budget was adjusted down from $192.1 million to $186.2 million and annual cost savings were adjusted down from $79.1 million to $78.1 million due to better estimates. But the harvesting of the savings was still expected in the year the new system would go live. Though the overall savings did not change, the source of the savings did change significantly as the anticipated functionality of the IT (information technology) Solution was better understood. This should imply a revised outcomes management plan, for example, which was not included in 2012 updates.

Illustration 1: The project management triangle
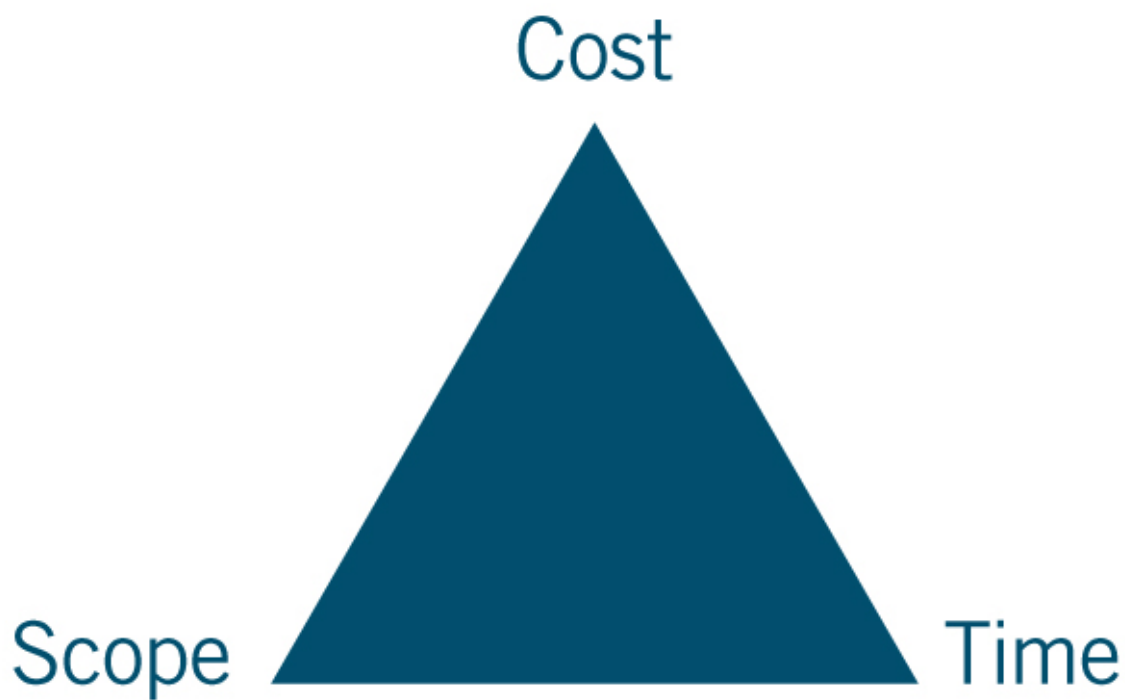
Cost

Scope

Time

Project management is often seen as the managing of the inter-relationships between budget, time and scope (that is, functionality). This inter-relationship is commonly referred to as the project management triangle or triple constraint. In much of the literature on project management, the scope dimension is linked with quality. Alternatively, quality is described as the ultimate objective of the project and thus does not appear on the triangle.

The study team heard that there was resistance to request additional time (beyond the 2015 to 2016 fiscal year) and budget for the initiative. It is not clear to the study team why this was the case aside from the previously mentioned tendency to minimize briefings with bad news. During interviews, PSPC (Public Services and Procurement Canada) representatives indicated that they did not think they could get additional time or budget and thus did not make the formal request. However, the study team heard that there were other initiatives that successfully returned to

the Treasury Board at the time to seek additional funding. The rationale for not seeking additional time is somewhat clearer when considering that compensation advisors had received their workforce adjustment notices that were effective April 1, 2016, and cancelling or further delaying this action would have contravened collectively bargained workforce adjustment provisions. While it is not impossible to seek exceptions to these provisions, it is nevertheless a major decision that must be taken at the highest levels of the bureaucracy. Given the positive reports from the project management executives, coupled with department and agency reports they were ready for go-live, seeking additional time through an exception to the workforce adjustment provisions did not seem warranted.

Thus, while the planned scope was decreased over the timeframe of the initiative due to budget and time pressures, the overall impact on departments/agencies, the Pay Centre and initiative outcomes were not explicitly reassessed. While the study team heard that the project team did make some adjustments to their assumptions about case load per compensation advisor after launch, we did not find evidence that the project team changed their messaging to departments/agencies. In particular, with the loss of many self-service and automation functionalities, there would likely be a greater reliance on compensation advisors as well as managers within departments/agencies to interact with the system in a timely manner. We could not find evidence that this was communicated to users of the system. Also, the plan for the Pay Centre to be staffed with 550 compensation advisors was never adjusted despite changes in scope and concerns voiced by the community and the bargaining agent. This would likely have an impact on the overall outcomes of the TPA (Transformation of Pay Administration Initiative), but again, we did not find or hear any evidence that impacts in departments or agencies were being factored in as part of the considerations.

3.6 Capacity management

Major transformation initiatives can be times of significant upheaval and turmoil within organizations. Beyond managing the business transformations and the enabling IT (information technology) systems, there must be a real and sustained

focus on the workforce transformation. As such, even when 1 of the goals is to reduce resources and lower costs, this should be planned to take place over the medium to long term. In the immediate to short-term horizon of a major transformation, subject matter experts and a full complement of personnel may be most crucial for success.

Capacity: Identify and establish required capacity prior to go-live

> **Lesson 17**
>
> Manage the required workforce transformation as an explicit function or project through the life of the initiative from inception to post go-live ensuring the necessary workforce capacity, expertise and corporate memory are available through to the end state. Establish a detailed contingency plan that can be readily implemented, if necessary.

In the case of the TPA (Transformation of Pay Administration Initiative) Initiative, a large number of highly skilled compensation advisor positions were lost through cuts of their position, or their decision to seek alternate employment rather than moving to the consolidated Pay Centre in Miramichi. OCHRO (Office of the Chief Human Resources Officer) was responsible for the HR (human resources) functional community, including the 2,500 compensation advisors that were part of the community at the start of the initiative; however we were told the focus was on workforce adjustment more than on community management. The compensation advisor community underwent a high number of changes, in addition to having to work with new software. Many compensation advisors had to adapt to moving from being embedded in a department or agency to working within PSPC (Public Services and Procurement Canada). This pressure was compounded with the loss of over 700 positions and a move to Miramichi. As a result, many compensation advisors with experience and expertise in payroll were either lost to attrition or chose not to move to Miramichi.

While staff cuts may have been motivated by urgency in achieving planned initiative savings, in hindsight there was overconfidence in the abilities of the new pay IT (information technology) solution, and a serious underestimation of the necessary role of the compensation advisors in ensuring employees are paid accurately and on time.

Underestimating the required capacity to carry through the transformation to the steady state may also have resulted from the misunderstanding of the complexity of administering pay under RPS (Regional Pay System). While TPA (Transformation of Pay Administration Initiative) documentation frequently referred to the complexity associated with the processes and business rules for pay, most of those consulted for the study admitted that very few people (other than compensation advisors) understood the degree of complexity associated with the day-to-day requirements to ensure accurate pay. The study team also heard that some project management executives dismissed concerns by saying that the Pay Modernization project was simply "replacing a giant calculator." This did not accurately reflect the complexity of pay nor the critical role of compensation advisors' knowledge in pay administration, and may have led others to assume the upcoming transformation was not as multi-faceted and complicated as it was. These misunderstandings likely led to poor decisions about required staff capacity after go-live.

Additionally, when new compensation advisors were brought on board at the Pay Centre, many did not initially have the required level of knowledge to administer pay. The study team heard that it can take several years for someone new to compensation and pay to fully grasp the work given the complexity of the federal public service pay environment driven by myriad ever-changing union agreements, and system rules and regulations.

Furthermore, no formal mechanisms had been established for the transfer of knowledge and capacity building prior to eliminating the compensation advisor positions. All involved were faced with a steep learning curve with a system which was in flux (it was evolving at a rapid rate), while having limited support in terms of

tools (including user guides) as well as how to do their jobs at launch. This resulted in challenges for both the new staff and for existing staff as they were still learning the system when it was live and had real-life impacts.

Line managers had an important role to play in the new pay system, which for many of them involved taking over some of the responsibilities previously delegated (unofficially) to administrative personnel and compensations advisors. Some of these activities were time sensitive. If approvals in Phoenix were delayed, this would have an adverse impact on an employee's pay (because manual workarounds were required resulting in extensive delays). Many line managers were caught unawares when it came time for them to take on these duties they had never exercised in a self-service environment before and which had become much more complex than in the past. The capacity of managers to complete their duties had not been adequately considered, communicated, negotiated, and addressed. Also, managers with a large number of direct reports, found themselves in situations where they lacked the time to enter the required information for their entire team, to the new deadlines.

Training is one of the foundational aspects of change processes, as it provides key stakeholders with the knowledge, information and skills needed to change the way they carry out their activities and to adapt to new responsibilities. The consistent feedback received during the study indicated that the training provided was insufficient. As mentioned above, compensation advisors did not have the information and tools to use the new Phoenix system effectively, and line managers either lacked the training (less than 50% participated in the training) or the training received was inadequate (that is, did not explain that some tasks may be new for some managers, did not explain the importance of timely approvals), and/or the time delay between the training and the requirement to put the training into practice was too long.

While the reasons for the inadequate training were not confirmed, there were numerous suggestions:

- not enough importance was assigned to training by providers (to ensure training was current and relevant and useful) or recipients (to make the time to

seek and attend training)

- the pace of change was unfolding so quickly training was overlooked at times
- there were so many changes to Phoenix as it was being configured for the Government of Canada, that when training was delivered it was already outdated and not relevant
- much of the training delivered was paper-based or based on screen shots, which was too far removed from the experience of working with the actual IT (information technology) solution to be of value to participants

The experience of the TPA (Transformation of Pay Administration Initiative) highlights the imperative of considering and planning for sufficient numbers and skilled capacity to support change processes, in particular when the change is major and complex and relies on subject matter experts, such as compensation advisors, and a high number of users (including managers and employees).

While this lessons learned study did not explore the time post-launch, it is obvious from our consultations that no detailed contingency plan was available for implementation in the event that something went wrong with the launch of TPA (Transformation of Pay Administration Initiative). Having detailed and operational mitigation strategies in the event that some of the identified risks are realized is a critical part of being ready for the launch.

Thus, success routinely hinges on having the right numbers of people, with the right skills, sufficiently trained to take on their new responsibilities, as well as having a sufficiently detailed contingency plan that can be readily implemented if necessary.

4.0 Conclusions

The federal government was facing significant pressures related to pay during the early 2000s. An old failing pay system coupled with a compensation advisor community that was facing above-average turnover called for change. The Transformation of Pay Administration Initiative (TPA (Transformation of Pay

Administration Initiative)) was introduced to address issues with the existing software, the Regional Pay System (RPS (Regional Pay System)), coupled with a consolidated service delivery model in a regional setting.

The TPA (Transformation of Pay Administration Initiative) was defined as 2 projects: Pay Modernization and Pay Consolidation. Pay Modernization entailed replacing the 40-year-old existing system (RPS (Regional Pay System)) with a commercial off-the-shelf (COTS (Commercial off-the-shelf)) option that would be integrated with existing human resources (HR (human resources)) management systems. Pay Consolidation entailed transferring the pay services of departments and agencies using My Government of Canada HR (human resources) (My GCHR) to a new Pay Centre (eventually located in Miramichi, New Brunswick).

The compensation environment within the federal government is very complex. In 2009, it was estimated that the Government of Canada pay system carried out close to 8.9 million annual transactions, valued at approximately $17 billion. In all, the public service was comprised of 22 different employers (such as for the core public administration and for separate agencies) negotiating over 80 collective agreements totaling over 80,000 business rules.

During the timeframe of the TPA (Transformation of Pay Administration Initiative) (from 2009 to 2016), there were many important contextual factors affecting the environment. These included both cost saving measures introduced by the Government of Canada as well as several information technology (IT (information technology))-related initiatives (including the creation of Shared Services Canada (SSC (Shared Services Canada)) and the development and implementation of My GCHR).

This was a high-risk initiative and the impacts of failure could be extremely significant. Employees could receive incorrect (or no) pay. Also, the reputation of the Government of Canada would be negatively impacted by such a failure. At the time of TPA (Transformation of Pay Administration Initiative)'s approval in 2009, the Government of Canada had not undertaken a similarly complex transformation with such far-reaching impacts.

Through the conduct of the lessons learned study, the team identified 17 lessons in 6 areas. It is our view that fundamentally it was the underestimation of the initiative's complexity that led to its downfall. Had the initiative been managed recognizing the wide-ranging scope of the transformation, not limited simply to a system replacement or the movement of personnel, then the initiative definition, governance and oversight, change management, outcomes management, project management and capacity management principles underlying the 17 lessons learned could have been established and closely followed.

While the study did not outright assess current Government of Canada capacity/capability to undertake such a transformation, the study team believes that, together, the public service and the private sector possess the correct set of capabilities and capacities to successfully manage and implement such initiatives in the future. However, there is a need to assess how much can be taken on internal to government (given current capacity and capabilities) and to creatively engage the private sector to bring global expertise and to fill the gap in capacity and capabilities. Once the gap in capacity and capabilities is met, then the appropriate initiative definition and governance/ oversight can be put in place to form the foundation for the transformation initiative.

Furthermore, perhaps more important than capacity and capabilities is having the appropriate culture within which to undertake a complex transformation. Agility, openness, and responsiveness are key features of a culture that needs to be aligned with the magnitude and challenge of the transformation.

Finally, in our view, these are lessons that are yet to be learned, not lessons that have been learned through the course of the management and implementation of the TPA (Transformation of Pay Administration Initiative). It will be critical for the government to actually apply these lessons in future transformations and more immediately in the transformation challenge currently before the government in addressing the multitude of issues with pay administration today.

List of acronyms

ADM

Assistant Deputy Minister

CA

Compensation advisor

CHRBP

Common Human Resources Business Processes

CIOB

Chief Information Officer Branch

COTS

Commercial off-the-shelf

GGI

Goss Gilroy Inc.

HR

Human resources

HRMS

Human Resources Management Systems

HRSM

Human Resources Services Modernization

IAEB

Internal Audit and Evaluation Bureau

IT

information technology

ITPROD

Information Technology Project Review and Oversight Division

My GCHR

My Government of Canada Human Resources

OCG

Office of the Comptroller General

OCHRO

Office of the Chief Human Resources Officer

OGGO

Standing Committee on Government Operations and Estimates

PSAC

Public Service Alliance of Canada

PSMAC

Public Service Management Advisory Committee

PSPC

Public Services and Procurement Canada

PWGSC

Public Works and Government Services Canada

RMOC

Risk Management and Oversight Committee

RPS

Regional Pay System

SPAC

Senior Project Advisory Committee

SSC

Shared Services Canada

TBS

Treasury Board Secretariat, Treasury Board of Canada Secretariat

TPA

Transformation of Pay Administration initiative

TPAUMC

Transformation of Pay Administration Union Management Committee

Glossary

accountability

Accountability is a relationship based on obligations to demonstrate, review, and take responsibility for performance, both the results achieved in light of agreed expectations and the means used. Principles include clear roles and responsibilities, clear performance expectations, balanced expectations and capacities, credible reporting and reasonable review and adjustment.

acting assignment

A situation where an employee is required to perform temporarily the duties of a higher classification level for at least the qualifying period specified in the collective agreement or the terms and conditions of employment applicable to the employee's substantive level.

business rules

As articulated in a collective agreement, they are the set of wages, hours, benefits, working conditions and associated rules that have been mutually agreed upon.

common service provider

A single organization identified as the service provider for multiple other organizations.

compensation

Total compensation and covers cash and non-cash remuneration provided to an employee for services rendered, and includes, but is not limited to, wages and salaries and other cash compensation such as performance awards; pensions and insurances benefits; paid time off; allowances; and programs that compensate employees for the costs of serving in difficult environments.

commercial off-the-shelf (COTS)

Software or hardware products that are ready-made and available for sale to the general public.

enterprise-wide

Throughout an organization, or throughout a government, including all departments, agencies and other operational units.

Human Resources Management Systems (HRMS)

The Government of Canada operates multiple different HRMS (Human Resources Management Systems) on different platforms, including but not limited to,

PeopleSoft.

HR (human resources) to Pay

An end-to-end process from, for example entering HR (human resources) data for an initial hiring offer, to the regular entry of overtime or other compensation actions, to paying employees and providing benefits.

IT (information technology) Solution

A set of related software programs and/or services that are sold as a single package.

outcomes management

The set of activities for the planning, managing, and realizing of the desired outcomes from initiatives.

pay

See "compensation."

PeopleSoft

A subsidiary and product line of Oracle Corporation. As a product line, PeopleSoft is an integrated software package that provides a wide variety of business applications to assist in the day-to-day execution and operation of business processes.

process owner

The business unit or functional manager(s) who lead the revitalization of business processes and who will be accountable for its success.

sandbox

A testing environment that isolates untested code changes and outright experimentation from the production environment or repository, in the context of software development.

scope

Breadth and/or depth.

system integrator

A private sector entity that is responsible for configuring and customizing software products.

transformation

Involves making a series of fundamental changes in how business is conducted in order to respond to and cope with shifts in the operating environment.

Westminster model

Under the Westminster model of government, deputy heads are professional, non-partisan public servants positioned as the lead public servant for a department or agency. They are selected by the Prime Minister on the advice of the Clerk of the Privy Council, and appointed by the Governor in Council through an Order in Council. Deputy heads serve as expert advisors to their respective Ministers for the Ministers' portfolio responsibilities, and undertake the day-to-day management of their department on behalf of the Minister.

Appendix A: Timeline of the TPA (Transformation of Pay Administration Initiative) Initiative [57]

April 2007 to March 2008

September 2007	Large volume of complaints sent by public servants to Cabinet Ministers regarding long delays in processing their pay. Presentation of Pay Modernization Project (technology only, replace old payroll system). **Decision** to defer.

April 2008 to March 2009

Spring 2008	Early spring: Standing Committee on Government Operations and Estimates meetings held on pay administration. Discussions about adding consolidation of services to the pay transformation initiative.
Fall 2009	**Election** 2009 (Conservative) Speech from the Throne delivered highlighting measures to address the economic crisis.

April 2009 to March 2010

Spring 2009	Fix the Pay System, included two projects: Pay Modernization and Pay Consolidation. **Approved**
July 2009	**Decision:** fix the pay system with the 2 projects (modernization and consolidation). **Decision:** Pay Consolidation limited to departments using or which will use PeopleSoft HRMS (Human Resources Management Systems) (Government of Canada standard) by go-live.
February 2010	Issue request for proposal for System Integrator/COTS (Commercial off-the-shelf).
March 4, 2010	Budget 2010: government priority announced to reduce the rate of growth of Government of Canada operating expenditures and improve efficiency while lowering the rate of growth in the size and operations of the public service.
March 2010	Issue contract to ADGA for project management office services.

April 2010 to March 2011

June 6, 2011	Budget 2011: announcement of Deficit Reduction Action Plan. 2010 targeted restraint measures reported to be on track.
August 2010	**Decision:** Prime Minister announced Pay Centre installation in Miramichi, New Brunswick. Represented a 9-month delay from original assumptions. **Change:** associated with the Deficit Reduction Action Plan, the Pay Policy Unit at TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) is eliminated.

April 2011 to March 2012

June 2011	**Decision:** contract issued to IBM for system integrator and PeopleSoft's Payroll for North America (single bidder).
July 2011 to June 2012	Fit Gap conducted for COTS (Commercial off-the-shelf) IT (information technology) solution to fulfill payroll requirements.

December 2011	Pay Consolidation costs are $122.9M and total TPA (Transformation of Pay Administration Initiative) costs increase to $309.5M. Internal project re-allocation and departmental transfers. The 46 departments to consolidate pay services identified.
Spring 2011	**Election** 2011 (Conservative) **Decision:** governance committees aligned to the Treasury Board Framework.
August 2011	**Change:** Shared Services Canada (SSC (Shared Services Canada)) created.

April 2012 to March 2013

Fiscal Year 2012 to 2013	**Decision:** reduce revised cost estimates for Pay Modernization by $76M to align with original 2009 estimates. Among other things, funding for change management is removed from the project and change management is determined to be a departmental mandate. **Decision:** Pay Modernization is approved (representing $186.6M of the $309.5M). **Decision:** system integrator proposed implementation in 2 rollouts (1 release) versus original plan to launch in 1 rollout. **Decision:** established 2 change networks to communicate changes to departments with membership from all departments (Pay Modernization and Pay Consolidation). **Delays:** SSC (Shared Services Canada) experienced delays in hardware procurement. (Delivery of the initial environment by November 2013, as planned.) Independent review conducted and indicates go ahead to move to Pay Modernization's implementation phase.

April 2013 to March 2014

Fall 2013	**Decision:** combine Pay Modernization and Pay Consolidation governance committees for TPA (Transformation of Pay Administration Initiative).
September 2013	**Decision:** modified service delivery model at the Pay Centre moved to imaged files rather than paper files.

March 31, 2014	**Milestone:** OCHRO (Office of the Chief Human Resources Officer) confirmed that **all** departments were aligned to the Common HR (human resources) Business Processes.

April 2014 to March 2015

May 2014	**Milestone:** Government of Canada moved to Payment in Arrears.
June 2014	**Milestone:** Phoenix design complete.
	Change: instance of PeopleSoft to be used for Phoenix changed from 8.9 to 9.1.
	Delay in roll-outs of departments moving to My GCHR causing modifications to which departments and agencies were in each Phoenix roll-out.
	SSC (Shared Services Canada) experienced delays setting up network connectivity to the Quality Assurance environment for testing purposes. The delay was caused by incomplete data from various sources which affected testing delays with third parties including participating departments and agencies.
	Independent review Health Check completed and indicated okay to continue.
December 2014	PWGSC (Public Works and Government Services Canada) signed Memorandum of Understanding with 4 community colleges for professional development programs for compensation advisors.

April 2015 to March 2016

Spring 2015	**Decision:** modified planned July pilot with Natural Resources Canada to become an internal (PWGSC (Public Works and Government Services Canada)) pilot to conduct parallel pay runs for additional reconciliation testing (scope remained the same).
	Decision: modified service delivery model to ready for Phoenix.
Summer 2015	**Decision:** defer functionality enhancements including 3-decimal points, retroactive automation for acting, automation for the 10-day rule, retroactive transactions pertaining to changes in collective agreements.
September 2015	Departments received readiness checklist for Phoenix.

Fall 2015	**Decision:** move roll-out from October and December 2015 to February and April 2016. Move testing to January 2016. **Election** (Liberal) Independent review signals things are okay to go live.
January 2016	**Milestone:** PSMAC (Public Service Management Advisory Committee) consulted and those present indicate departmental readiness to go live. Phoenix had 109 defects at go-live with none identified as being critical.
February 2016	**First roll-out:** 34 departments, 120,000 employees.

April 2016 to May 2016

April 2016	**Second roll-out:** 67 departments, 170,000 employees. Hired 50 resources for telephone support team in Miramichi.
May 4, 2016	First full payroll from Phoenix for nearly 300,000 employees.

Appendix B: Methodology for the study of lessons learned

The study had 4 main phases:

- Phase 1, Planning: included scoping interviews with key players and stakeholders of the TPA (Transformation of Pay Administration Initiative) in both TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) and PSPC (Public Services and Procurement Canada) as well as the review of key documents
- Phase 2, Examination: included the conduct of interviews and workshops with key players and stakeholders of the TPA (Transformation of Pay Administration Initiative). See below for more details
- Phase 3, Analysis and validation: included the synthesis and analysis of information gathered in the examination phase and validation through targeted document review and holding meetings / providing presentations to TBS

(Treasury Board Secretariat, Treasury Board of Canada Secretariat), PSPC (Public Services and Procurement Canada) and others, as appropriate

- Phase 4, Reporting: included the preparation of this report that summarizes the lessons learned from the management and implementation of the TPA (Transformation of Pay Administration Initiative)

Planning phase

In the planning phase, the team conducted 7 interviews with 10 individuals at TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) and PSPC (Public Services and Procurement Canada). The purpose of the interviews in the planning phase was twofold:

1. to better understand some of the possible thematic areas that influenced the outcome of the TPA (Transformation of Pay Administration Initiative), and
2. to identify the individuals and/or organizations to be consulted in the data collection phase as well as the most appropriate approaches to solicit their input.

The thematic areas that emerged from the scoping interviews and preliminary document review are presented in Figure 3. The analysis of these 7 thematic areas revealed that 4 areas were undergoing change and there were 3 mechanisms to effect that change. Additionally, all these areas must be viewed through a change management lens. The planning phase quickly revealed that the TPA (Transformation of Pay Administration Initiative) was a major transformation initiative of more than just an IT (information technology) system. The 4 areas of the Government of Canada undergoing change were: people/culture (including Pay Centre Consolidation); business processes; data management; and the technology (including My GCHR as well as Phoenix). The 3 main mechanisms identified in the planning phase influenced the extent to which each of these 4 areas was able to successfully navigate the changing landscape. These influencing mechanisms were: management/leadership of the transformation; communication and engagement; and capacity building and training.

Figure 3: Areas for exploration in examination phase

Management/Leadership
Communication/Engagement
Capacity/Training

People/Culture
Business Processes
Technology
HR Data
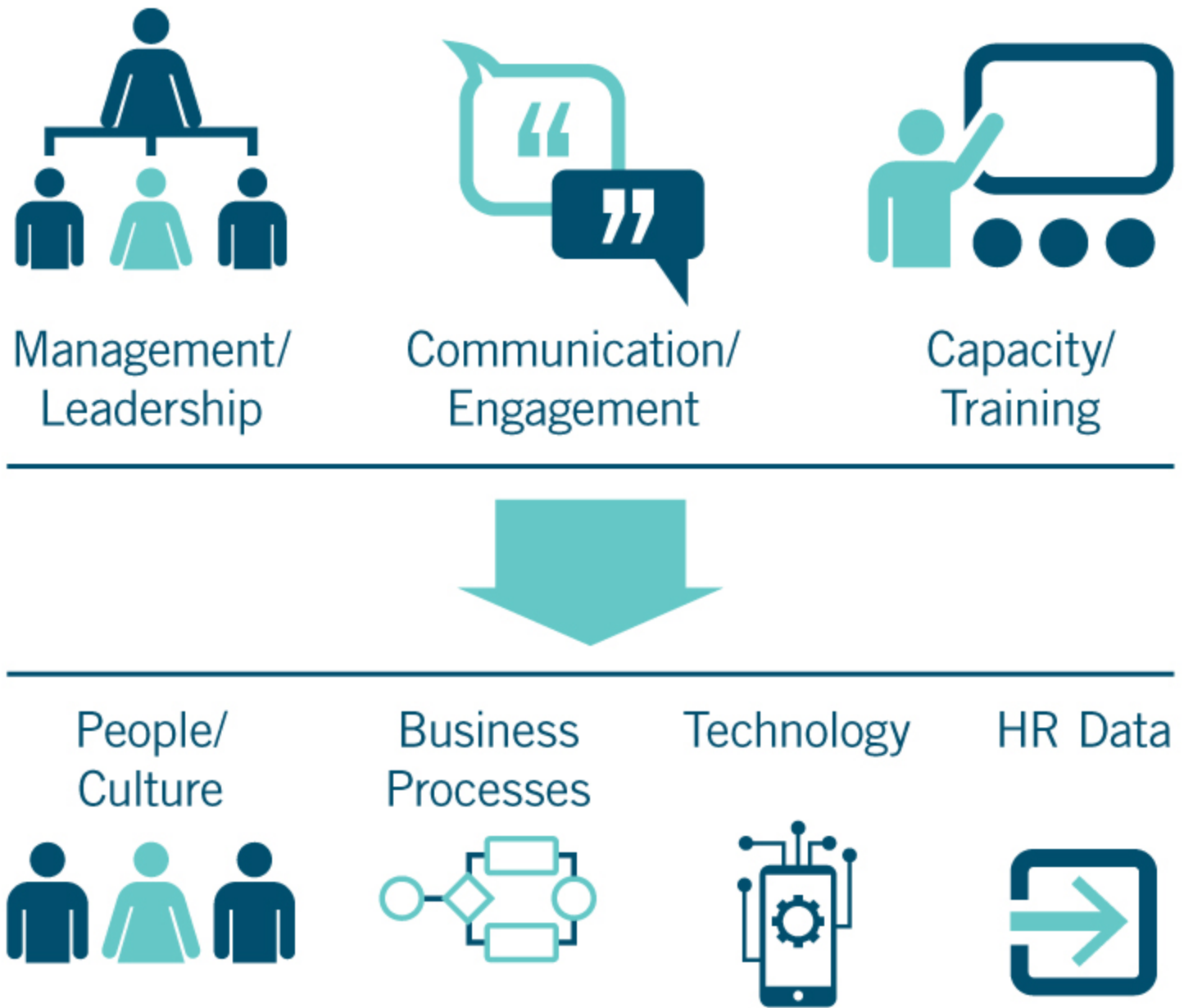
▼ Figure 3 – Text version

This figure explains the initial themes explored during the Examination Phase of the study. There are seven pictures of icons that have text accompanying descriptions. Three pictures with text are aligned horizontally along a line. Four other pictures with text are aligned horizontally along a second line below it. There is an arrow between the two lines pointing downward.

The left picture in the top line shows an organizational structure, with a larger icon depicting a person, or manager, on top, and three smaller person icons, or employees, underneath, with lines leading from each employee to the manager. The text underneath says "Management/Leadership." The middle picture in the

top line depicts two text bubbles, each with quotation marks inside. The text underneath says "Communication/Engagement." The right picture in the top line shows a teacher pointing to a whiteboard in front of three students. The text underneath says "Capacity/Training."

The left picture in the bottom line shows a group of three people. The text above says "People/Culture." The next picture to the right shows a process flow chart. The text above it says "Business Processes." The third picture to the right is an icon of a machine. The text above it says "Technology." The fourth and right-most picture is a data icon. The text above it says "HR (human resources) Data."

The methodology for the examination phase explored the intersections between these areas (and others raised during data collection, as appropriate). Each of these areas was explored over time (that is, from 2008 to April 2016). As well, the study team endeavoured to understand the broader (and evolving) context and its influence on the outcome of the TPA (Transformation of Pay Administration Initiative). Note that while data collection during the examination phase of the project explored these areas, it was not limited to only these areas. The examination phase took an open approach to solicit other possible areas of influence on the outcome of the TPA (Transformation of Pay Administration Initiative).

Examination phase

Based on the planning phase, the study team conducted 2 main types of consultations: a series of almost 40 interviews; and 8 half-day workshops. We also consulted and reviewed many different documents from a variety of sources (including those that were TPA (Transformation of Pay Administration Initiative)-focused, Government of Canada-wide and international, such as the United Nations).

In order to ensure that the study team was able to properly interpret and categorize the input from the consultations, understanding participants' context, familiarity with TPA (Transformation of Pay Administration Initiative) and how they fit with the initiative was very important. While many people may have had opinions about other

parts of the initiative, the aim was to encourage interview and workshop participants to target their comments in areas where they have adequate knowledge rather than areas where they are speculating or relying on hearsay. Based on participants' context, the study team attempted to narrow the focus of the questions posed to align with each person's/group's sphere of familiarity.

The consultations undertaken for the study included:

- 37 interviews with over 50 individuals, including:
  - 9 interviews with deputy heads, including those at TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) and PSPC (Public Services and Procurement Canada)
  - 11 interviews with current and former executives at PSPC (Public Services and Procurement Canada)
  - 5 interviews with current and former executives at TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat)
  - 1 interview with a representative from SSC (Shared Services Canada)
  - 2 interviews with representatives from 5 different bargaining agents
  - 3 interviews with representatives of third-party organizations (that is, private sector entities involved in the initiative)
  - 7 interviews with representatives from 8 different departments/agencies
- 8 workshops with over 100 individuals, [58] including workshops with:
  - a mix of line managers from departments/agencies
  - a mix of senior managers including Chief Financial Officers, Heads of Human Resources (HR (human resources)) and Chief Information Officers from departments/agencies
  - compensation advisors working in departments/agencies in the Ottawa-Gatineau region
  - compensation advisors working in the Pay Centre (via video-conference);
  - managers/senior managers in TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat), including representatives from the Office of the Chief HR (human resources) Officer (OCHRO (Office of the Chief Human Resources Officer)), the Office of the Comptroller General (OCG (Office of

the Comptroller General)), Government Operations Sector, Expenditure Management Sector and the Chief Information Officer Branch (CIOB (Chief Information Officer Branch))
  - managers/senior managers from PSPC (Public Services and Procurement Canada), including representatives from Integrated Services Branch, Accounting Banking and Compensation Branch (including Compensation Sector business integration specialists)
  - Chief Audit Executives
  - employees

Other than TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) and PSPC (Public Services and Procurement Canada), participants at the workshops spanned 37 different large and small departments/agencies and a mix of organizations with different pay models (that is, those who deal with the Pay Centre, those who have direct access to the system, those who have web-based access).

Analysis and validation

To conduct the analysis, the study team met several times to discuss the main findings and identify the lessons. We also reviewed many different Canadian and international reports on leading practices in the conduct of large-scale complex IT (information technology)-enabled transformations. All the lessons contained in this report are based on the consultations and supported with the team's knowledge of leading practices in these areas.

Validation of the findings took place in 3 waves. The first wave was during the data collection phase. In order to properly understand the context and what study participants were telling us, the study team sought lessons based on leading practices in the Government of Canada and other large organizations identified via document review and interviews. We could then test out or validate these concepts during interviews and workshops. Also, as we heard things in interviews and workshops, we probed and validated these findings with subsequent interview respondents and also sought to confirm what participants were telling us in documents.

The second wave of validation was during the analysis of the evidence from our consultations. As we synthesized and reviewed the results of what we were told, we then sought out areas of agreement and disagreement. Also, we coded the evidence in such a way that we could assess how often an opinion was held and whether it was held by many different types of participants and/or in many different types of organizations. Any areas of disagreement or confusion were followed up with additional validation through a review of documents and judgment based on our professional expertise and experience. Also during the analysis of the evidence, the team brought their considerable and varied experiences to help us to interpret what we heard and apply known leading practices.

The third wave of validation was conducted after the lessons were developed. This included sharing a presentation of preliminary findings (lessons) with a joint meeting of the Departmental Audit Committees for both TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) and PSPC (Public Services and Procurement Canada), where members posed questions and provided their advice regarding additional level of details or areas requiring clarification. Also, the team conducted targeted in-person follow-up with 5 individuals who had provided input during the examination phase. We chose these 5 individuals for their knowledge of the management and implementation of TPA (Transformation of Pay Administration Initiative) and to ensure we got different perspectives.

Reporting

GGI (Goss Gilroy Inc.) developed 2 main deliverables as part of the study. The first was a presentation of preliminary lessons that was developed during the validation phase and shared with the Departmental Audit Committees as well as others consulted for the purpose of validation. The second was this report. The first draft of this report was shared with the internal audit divisions at TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) and PSPC (Public Services and Procurement Canada) for comment. The second draft was shared with the Secretary of the Treasury Board and the Deputy Minister of PSPC (Public Services and

Procurement Canada) (and their teams) for their comment. The final version was then prepared and submitted to IAEB (Internal Audit and Evaluation Bureau) for translation and preparation for web publishing.

Appendix C: Government of Canada landscape of IT (information technology) systems for HR (human resources), pay and pensions

Figure 4: Federal government pay processing model
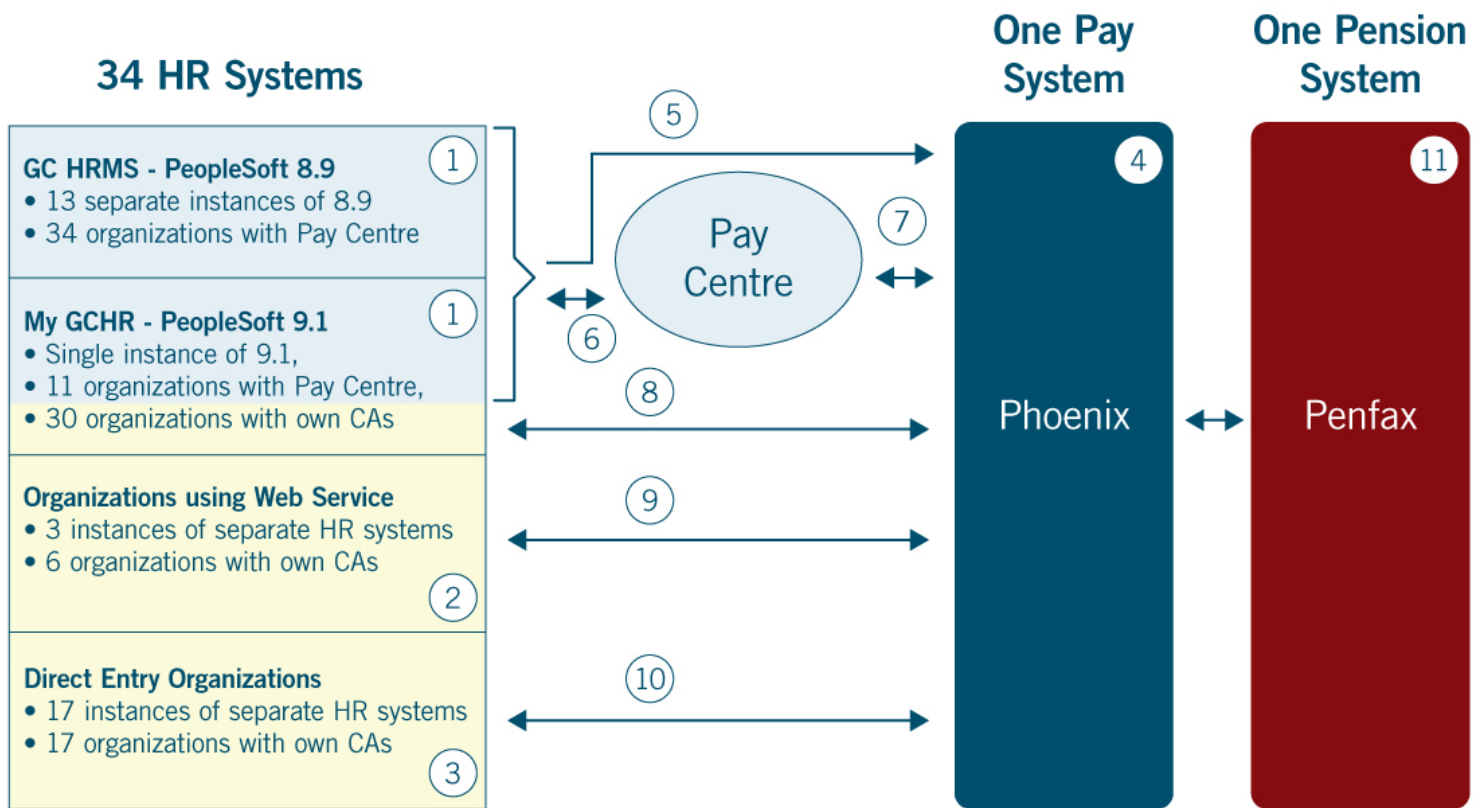
▼ Figure 4 – Legend

1. **Integration:** HRMS (Human Resources Management Systems) communicates with Phoenix on a regular basis via several different methods:
   - direct entry into Phoenix by employee/manager and departmental HR (human resources)
   - integration into Phoenix via entry into PeopleSoft by departmental HR (human resources)

- integration into Phoenix via entry into PeopleSoft by Pay Centre compensation advisors (CA (Compensation advisor)s)
- direct entry into Phoenix by Pay Centre CA (Compensation advisor)s

2. **Web services:** creates and submits a data file directly to Phoenix.

3. **Direct entry:** direct entry into Phoenix by departmental (CA (Compensation advisor)s).

4. **Phoenix:** services all Government of Canada organizations.

5. **Self-service:** employees, managers and departmental HR (human resources) enter and/or approve transactions directly in Phoenix.

6. **Pay Action Requests:** departments submit Pay Action Requests and supporting documents, via the Departmental Trusted Source (which validates section 34), to Matane. These documents are digitally imaged and transmitted to the Pay Centre.

7. **Pay Centre:** Pay Centre CA (Compensation advisor)s enter transactions directly into PeopleSoft and/or Phoenix

8. **Departmental CA (Compensation advisor)s:** departmental CA (Compensation advisor)s enter transactions directly into PeopleSoft and/or Phoenix.

9. **Departmental CA (Compensation advisor)s:** departmental CA (Compensation advisor)s enter transactions into departmental HRMS (Human Resources Management Systems) and use data in HRMS (Human Resources Management Systems) to create a data file that is submitted directly to Phoenix.

10. **Departmental CA (Compensation advisor)s:** departmental CA (Compensation advisor)s enter transactions into departmental HRMS (Human Resources Management Systems). Departmental CA (Compensation advisor)s also enter transactions directly into Phoenix

11. **Penfax:** the core pension system for 140 Government of Canada organizations of which 98 provide information via Phoenix and 42 via other systems.

This figure is accompanied by a legend on the next page. The figure illustrates the change from the 34 human resource (HR (human resources)) systems in place before the Phoenix pay system was implemented to the current state, with the Pay Centre and the Phoenix pay system.

On the left of the diagram are four stacked rectangles. The text above them says "34 HR (human resources) Systems." The top rectangle has a light blue background and contains the text "GC HRMS (Human Resources Management Systems) (Human Resource Management System) - PeopleSoft 8.9," made up of "13 separate instances of 8.9" and "34 organizations with Pay Centre." The second rectangle below it contains the text "My GCHR (My Government of Canada Human Resources) (Government of Canada Human Resources) - PeopleSoft 9.1," made up of a "Single instance of 9.1," "11 organizations with Pay Centre," and "30 organizations with own CA (Compensation advisor)s (compensation advisors)." All but the "30 organizations with own CA (Compensation advisor)s" have a light blue background. The remaining background is yellow. The top two rectangles have the number 1 in the top right, referring to number 1 in the legend. The third rectangle, below, contains the text "Organizations using Web Service," made up of "3 instances of separate HR (human resources) systems" and "6 organizations with own CA (Compensation advisor)s." This rectangle refers to number 2 in the legend. The bottom rectangle contains the text "Direct Entry Organizations," made up of "17 instances of separate HR (human resources) systems," which means 17 organizations that have their own CA (Compensation advisor)s. This rectangle refers to number 3 in the legend. The bottom two rectangles have a yellow background.

In the centre of the diagram is a light blue circle with the text "Pay Centre." To the right of it is a large, dark blue rectangle containing the text "Phoenix." Above this rectangle are the words "One Pay System." To the right of this

rectangle is a dark red rectangle with the word "Penfax" in it. Above it are the words "One Pension System" (refer to number 11 in the legend).

In the middle of the figure, there are several lines flowing left to right to show the flow in the pay system. Each has a number (5 through 10) referring to the legend. The 45 organizations with GC <u>HRMS (Human Resources Management Systems)</u> and <u>My GCHR (My Government of Canada Human Resources)</u> (represented by the top two rectangles that have a light blue background) use self-service directly with Phoenix (refer to number 5 in the legend) and submit pay action requests to Matane (refer to number 6 in the legend). The 30 organizations with <u>My GCHR (My Government of Canada Human Resources)</u> (represented in the second rectangle by a yellow background) have their own <u>CA (Compensation advisor)</u>s enter transactions directly into PeopleSoft or Phoenix (refer to number 8 in the legend). The organizations using Web Services (third rectangle on the left, with a yellow background) have departmental compensation advisors who enter transactions first into their system, create a file and then send it to be submitted into Phoenix (refer to number 9 in the legend). The organizations with direct entry (refer to number 10 in the legend), which are represented in the bottom rectangle by a yellow background, have departmental compensation advisors who enter transactions into their system and directly into Phoenix. There is a double-headed arrow between the dark blue rectangle with "Phoenix" in it and the dark red rectangle with "Penfax" in it. Penfax is the core pension system for 140 Government of Canada organizations. Ninety-eight of these organizations provide information via Phoenix, and 42 of these organizations provide information via other systems.

Footnotes

1   Public Services and Procurement Canada, Transformation of Pay Administration Initiative.

2   Public Services and Procurement Canada, Transformation of Pay Administration Initiative.

3   Technical briefings on the status of Phoenix, for example, Government of Canada update on the Phoenix Pay System for 18 July, 2016.

4   The term "compensation" as used in this report implies total compensation and covers cash and non-cash remuneration provided to an employee for services rendered, and includes, but is not limited to, wages and salaries and other cash compensation such as performance awards, pensions and insurances benefits, paid time off; allowances, such as the Penological factor allowance, and programs that compensate employees for the costs of serving in difficult environments (for example, the Isolated Posts Directives and the Foreign Service Directives). (Treasury Board Policy Framework for the Management of Compensation) The term "pay" is also used in the report to refer to "compensation," for example when used in the title of the initiative, the Transformation of Pay Administration Initiative.

5   Standing Committee on Government Operations and Estimates (OGGO (Standing Committee on Government Operations and Estimates)) Meeting, July 28, 2016.

6   Government of Canada Transformation of Pay Administration Initiative (PDF 3.16 MB).

7   Frequently Asked Questions (FAQs); see "Why is the pay system being replaced?"

8   Government of Canada Transformation of Pay Administration (TPA (Transformation of Pay Administration Initiative)) Initiative (PDF 620,3 KB).

9   Frequently Asked Questions (FAQs); see "Why is the pay system being replaced?"

10   The Right Pay for Valuable Employees, Report of the Standing Committee on Government Operations and Estimates (OGGO (Standing Committee on Government Operations and Estimates)).

11   2010 Spring Report of the Auditor General, Chapter 2: Modernizing Human Resource Management.

12   Public Works and Government Services Canada, Report on Plans and Priorities: 2007 – 2008 Estimates (PDF 7.22 MB).

13   The Right Pay for Valuable Employees (PDF 132 KB), Report of the Standing Committee on Government Operations and Estimates (OGGO (Standing Committee on Government Operations and Estimates)), May 2008, and the Government Response to the Report.

14   Public Works and Government Services Canada, Report on Plans and Priorities 2010–11, Status Report Major Crown Projects.

15   "Harper pledges 550 new jobs in Miramichi, N.B."

16   Public Works and Government Services Canada, Departmental Performance Report 2014–15, Status report on transformational and major crown projects.

17   Government of Canada Transformation of Pay Administration Initiative (PDF 745 KB).

18   The Deputy Minister's Role in the Government of Canada: His Responsibility and His Accountability (PDF 176 KB).

19   Accountable Government: A Guide for Ministers and Ministers of State, 2008.

20   Policy Framework for People Management (July 19, 2010).

21   The description of the roles of Treasury Board and TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) is taken from the TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) Report on Plans and Priorities 2015-16. (PDF 1.79 MB)

22   According to the Public Accounts of Canada 2016, Volume 1, personnel costs are $50.2B and total program expenses are $87.2B, accounting for 58%.

23   Roles and Responsibilities in the Treasury Board Submission Process.

24   Treasury Board Policies, directives, standards and guidelines.

25   Department of Finance Canada, Update of Economic and Fiscal Projections, 2011: Part 1 of 3.

26   Canada: Renewal of the Expenditure Management System, Strategic Reviews and Lessons Learned (PDF 264 KB).

27   Prime Minister's Advisory Committee on the Public Service, Sixth Report to the Prime Minister, Moving Ahead: Public Service Renewal in a Time of Change (PDF 111 KB).

28   Government of Canada Data Centres; see "Data centre consolidation and modernization."

29   OCHRO (Office of the Chief Human Resources Officer), (2013) Report on the implementation of the CHRBP (Common Human Resources Business Processes).

30   Evaluation of the Human Resources Services Modernization Initiative.

31   CHRBP (Common Human Resources Business Processes) was implemented only to level 4, not to level 5. Level 4 (task) is a discrete unit of work performed by an individual and is the lowest level of work that can be portrayed in a process. Level 5 (step) is the detail of how the task is performed. For example, the information at level 5 is required to support the development of training material.

32   Note that the original onboarding schedule was to span 4 years, but delays have been encountered due, in part, to challenges with Phoenix.

33   TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat) (2015) My GCHR OnBoarding Implementation Project.

34   Why is My GCHR Transformational?

35   Adapted from KPMG model for finance function.

36   In "Process Ownership: The Overlooked Driver of Sustained BPR Success (PDF 395 KB)," the term "process owner" is defined by Booz & Co. as "the business unit or functional managers who lead the revitalization of business processes and who will be accountable for its success."

37   At the time of design, 46 departments and agencies; since then, there were machinery changes adjusting the number downward to 45.

38   As an aside, the Government of Canada pay administration performance was worse than the benchmark on all aspects, including quality where the Government of Canada had an error rate of 3.50% compared with 0.01% for the benchmark.

39   Project Management Guide: The Ultimate Introduction to Project Management Fundamentals.

40   Section 34 of the Financial Administration Act stipulates that any work performed for the federal public administration is certified (approved) by the deputy head or their delegated authority.

41   2002 December Report of the Auditor General of Canada, Chapter 9: Modernizing Accountability in the Public Sector.

42   PSMAC (Public Service Management Advisory Committee) is an advisory body co-chaired by the Secretary of the Treasury Board and the Chief Human Resources Officer of the Government of Canada. It is comprised of over 40 deputy heads. The purpose of the committee is to provide a forum for discussion of the public service management agenda.

43   According to TBS (Treasury Board Secretariat, Treasury Board of Canada Secretariat)'s mandate, its responsibilities for the general management of the government affect initiatives, issues, and activities that cut across all policy sectors managed by federal departments and organizational entities.

44   Institute of Internal Auditors.

45   Institute on Governance.

46   Note that departments and agencies are not compelled to follow the advice of ITPROD (Information Technology Project Review and Oversight Division).

47   Although there was an External Advisory Committee, it was not intended to act as a challenge or oversight body.

48   Adapted from the Association of Change Management Professionals.

49   Centre for Creative Leadership.

50   It is not known by the study team who or what entity made this decision.

51   Public Works and Government Services Canada, Report on Plans and Priorities 2011–12, <u>Status Report on Transformational and Major Crown Projects</u>.

52   <u>PSPC (Public Services and Procurement Canada)</u> indicated that several studies were undertaken by the <u>PSPC (Public Services and Procurement Canada)</u> team, from early in the design of Phoenix through to its implementation, which assessed the measurement of the outcome related to the decreased work effort for compensation advisors (that is, moving from 200 cases per compensation advisor to 400). These studies were not reviewed as part of this lessons learned study.

53   <u>PSPC (Public Services and Procurement Canada)</u>. <u>TPA (Transformation of Pay Administration Initiative)</u> Initiative Pay Modernization Project. Summary of Phoenix Testing Results, January 20, 2016.

54   <u>PSPC (Public Services and Procurement Canada)</u> based the development of the training on a framework developed by 1 of the contracted private sector entities. <u>PSPC (Public Services and Procurement Canada)</u> was entirely responsible for the delivery in coordination with the Canada School (for employees and managers) and via train the trainer to departments (for compensation advisors).

55   The term "Commissioning" refers to "the process of assessing the needs of people or users in an area, designing and specifying the services to meet those needs, and choosing the delivery mechanism to secure an appropriate service while making the best use of total available resources." An overview of commissioning and other relevant concepts is contained in <u>Unlocking the Public Service Economy in Ontario: A New Approach to Public-Private Partnership in Services</u> (PDF 1.11 MB).

56   The term "Joint Solutions Procurement" refers to when a vendor is selected based on demonstrated capability and expertise to solve a problem or to present new creative ideas and solutions to a particular business or governmental program opportunity; Joint Solutions Procurement allows both the vendor and the government to work together in developing a joint solution that meets the government's business needs.

57   According to documents received from PSPC (Public Services and Procurement Canada).

58   Note that 2 of the workshops occurred during the week when the bridges between Ontario and Quebec were closed. Those who were not able to attend the workshops that week were invited to send written submissions. The 4 written submissions are included in the total number of participating individuals noted.

Date modified:

2018-05-15