

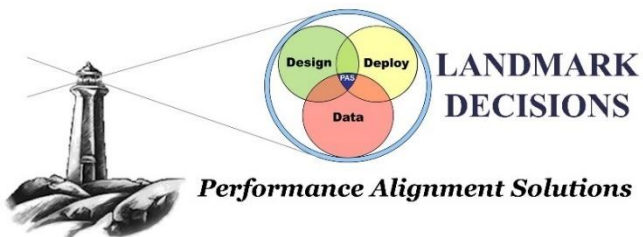


Delivery Execution

Case Studies in Operational Planning & Budgeting, Costing, and Technology Enablement

Mike Haley

Performance Architect
Landmark Decisions Inc.



FMI Capital Chapter PD Day
Ottawa, October 25, 2018

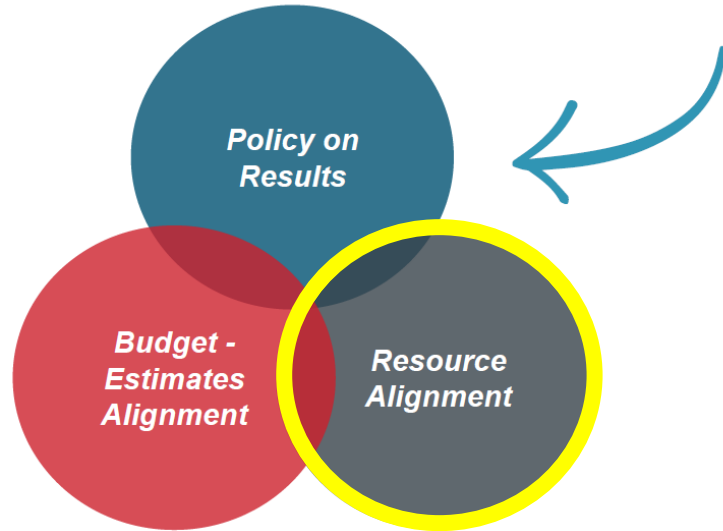


AGENDA

- TBS Signaling around Resource Management
- Challenges and Research around Public Sector Planning and Budgeting
- Activity-Based Planning and the Importance of Resource Utilization
- The Role and Value of Technology Enablement
- Case Studies in Operational Planning
 - Veterans Affairs Canada
 - Canadian Coast Guard
 - Canada Council for the Arts
- Q & A

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

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



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

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



Track and report on the progress of commitments

Assess the effectiveness of our work

Align resources with priorities

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

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

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

4

Recent Content from TBS on Resource Management



> Planning for centrally-led evaluations

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

1

> Continuing work on **resource alignment reviews**

- Departmental reviews
- Horizontal reviews

2

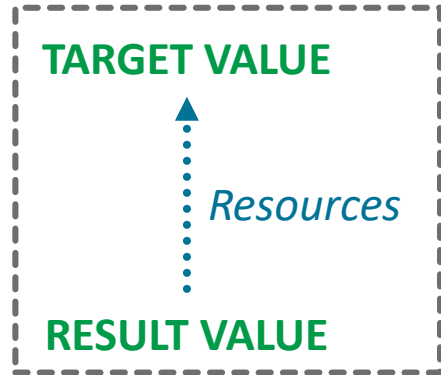
Working towards **performance budgeting** ^(-informed)

HUGE!!!

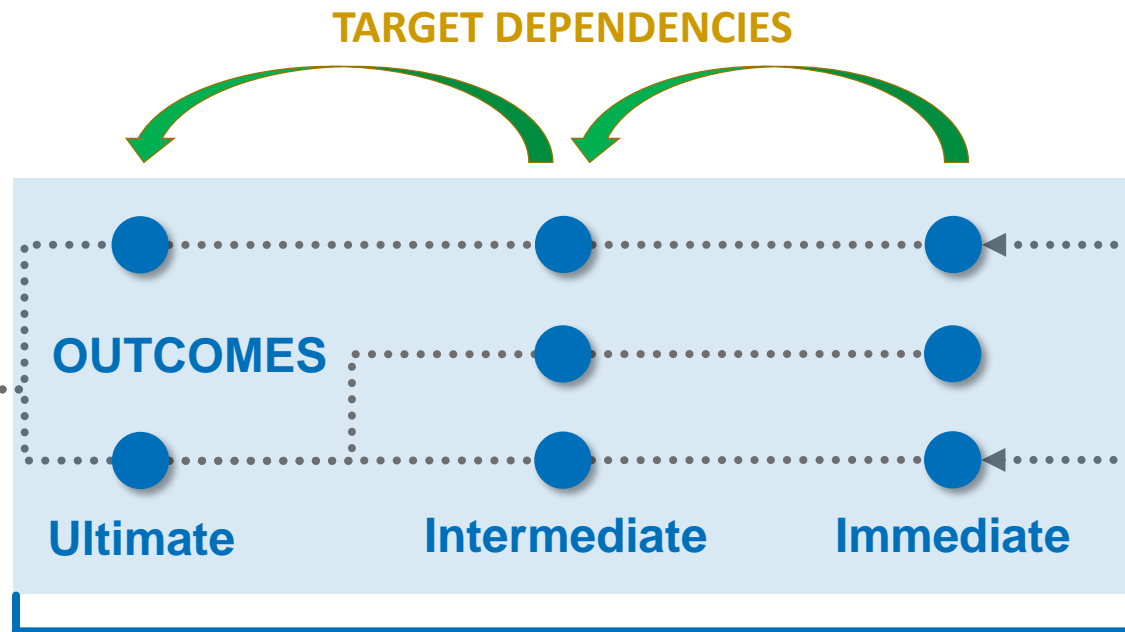
Source: TBS Presentation at PPX 2018 Symposium (May 2018)

What is Performance (-informed) Budgeting?

Performance Targets are Interrelated and Bounded by Resources!

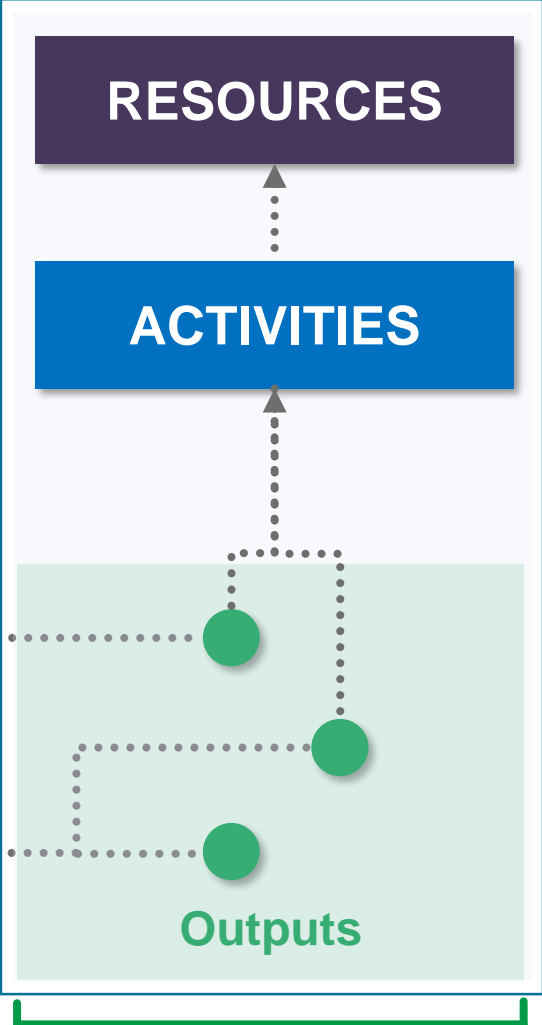


BUSINESS PLAN
(Organizational,
Divisional,
Program)



Performance Indicators

Planning & Budgeting



Operational/Financial Indicators

Current Challenges in Public Sector Planning and Budgeting

- **Fiscal Focus**

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

- **Governance & Timing**

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

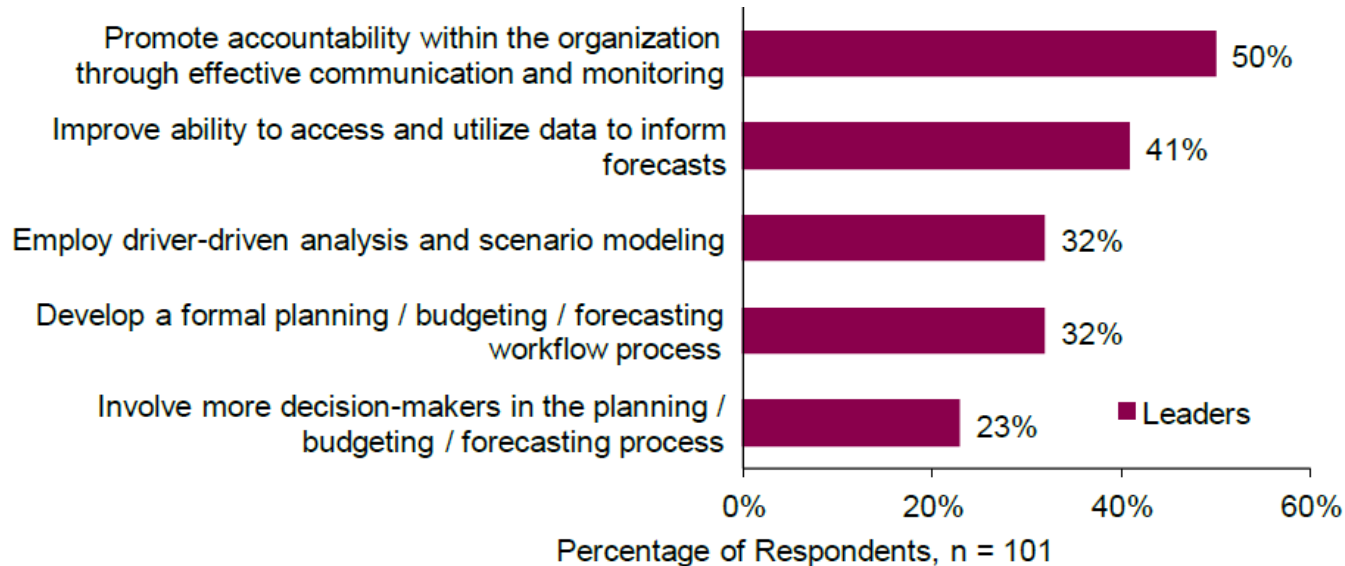
- **Technology Enablement**

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

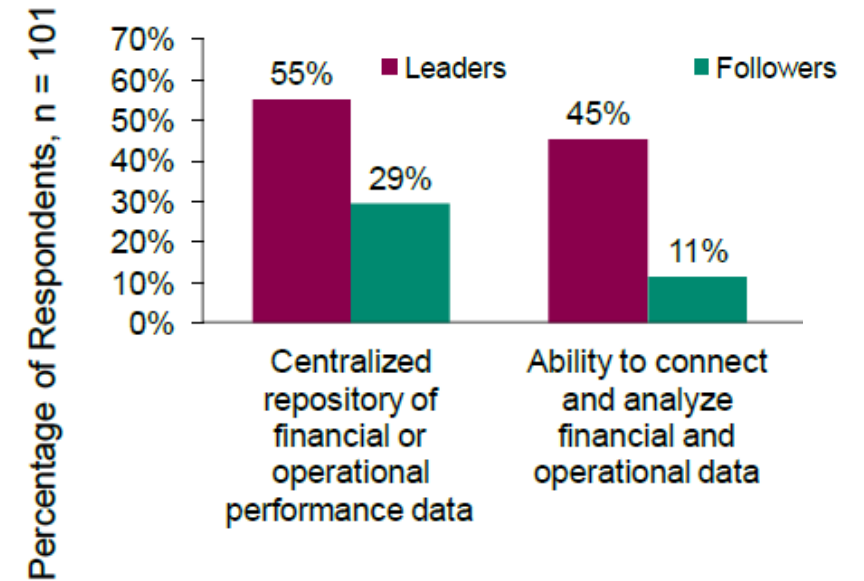
Research on the Direction of Planning and Budgeting

“Top-performing organizations enable collaborations across business units to ensure that all key stakeholders are accounted for, creating a cohesive plan that is aligned with real business conditions”

Top Strategies for Enacting Better Planning & Budgeting



Key Information Requirements



ABERDEEN GROUP

Enable Collaborative Financial Planning & Analysis (FP&A) for More Accurate Forecasts and Budgets, Castellina, N., (March 2017)

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Ottawa, October 25, 2018



Research on the Direction of Planning and Budgeting

CFOs' top 5 Priorities



1 Greater simulation and scenario planning



2 Engage with more non-finance stakeholders in the PBF process



3 Shift to rolling forecasts



More sophisticated analytical techniques



5 Non-financial data capture

Non-financial data capture ranked last on CFOs' top 5 priorities, BUT....Those CFOs whose organizations make better use of non-financial data are much further along the planning, budgeting and forecasting journey.



THEY ARE 50% MORE LIKELY TO HAVE STANDARDIZED AND AUTOMATED



2.3x MORE LIKELY TO BE ABLE TO REFORECAST WITHIN 24 HRS

Non-Financial Data - the Forecasting Game Changer

Those CFOs who said their organization makes more use of non-financial data are....



ABLE TO FORECAST BEYOND 12 MONTHS

2x more likely to be able to forecast beyond the 12 month horizon.



ABLE TO FORECAST WITH MORE ACCURACY

1.7x more likely to be able to forecast earnings within +/- 0-5%.

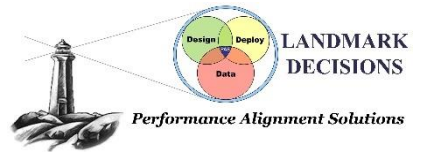


ABLE TO RESPOND MORE QUICKLY TO MARKET CHANGE

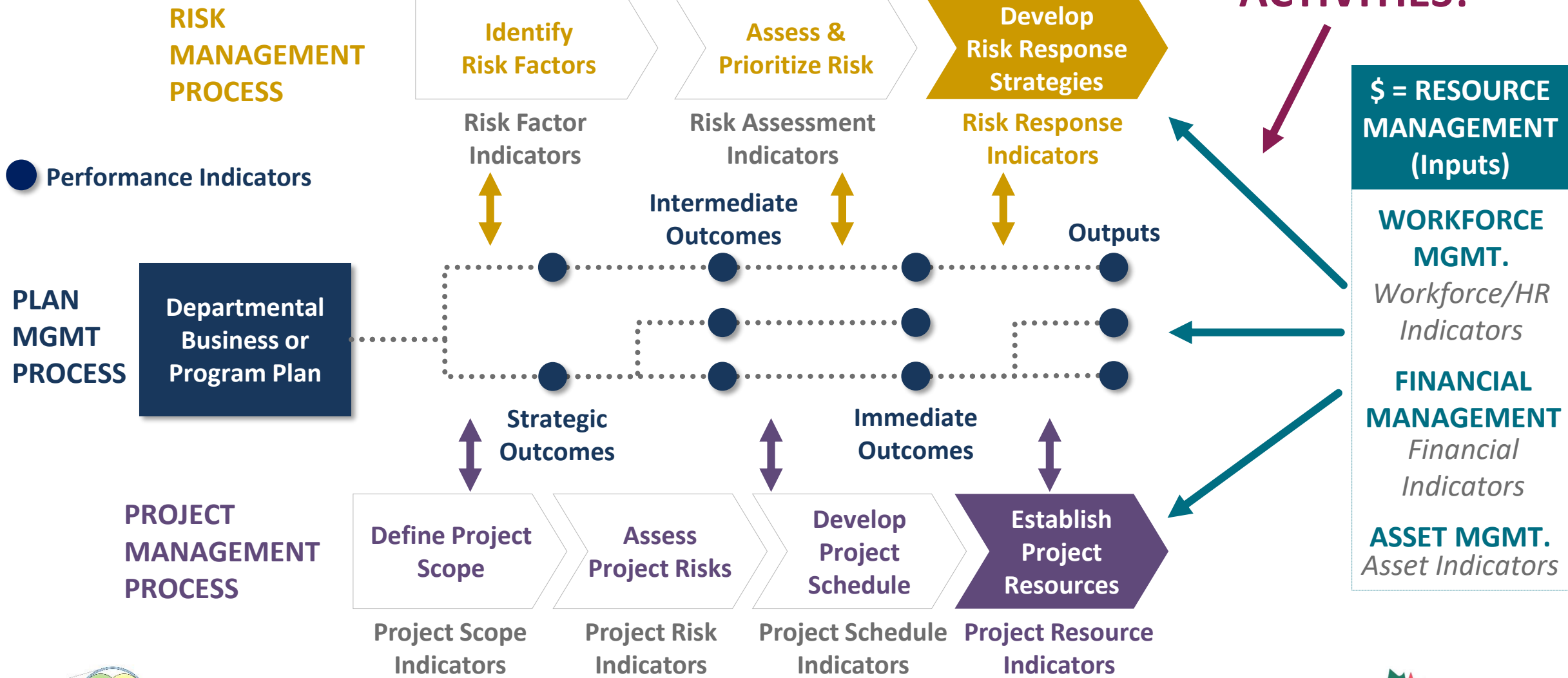
2.5x more likely to respond more quickly to market change.

955 Senior Finance Professionals covering 23 countries and 13 industry sectors with over 50% from organizations >1000 employees

LinkedIn FSN Modern Finance Forum - The Future of Planning, Budgeting and Forecasting Survey (2016)

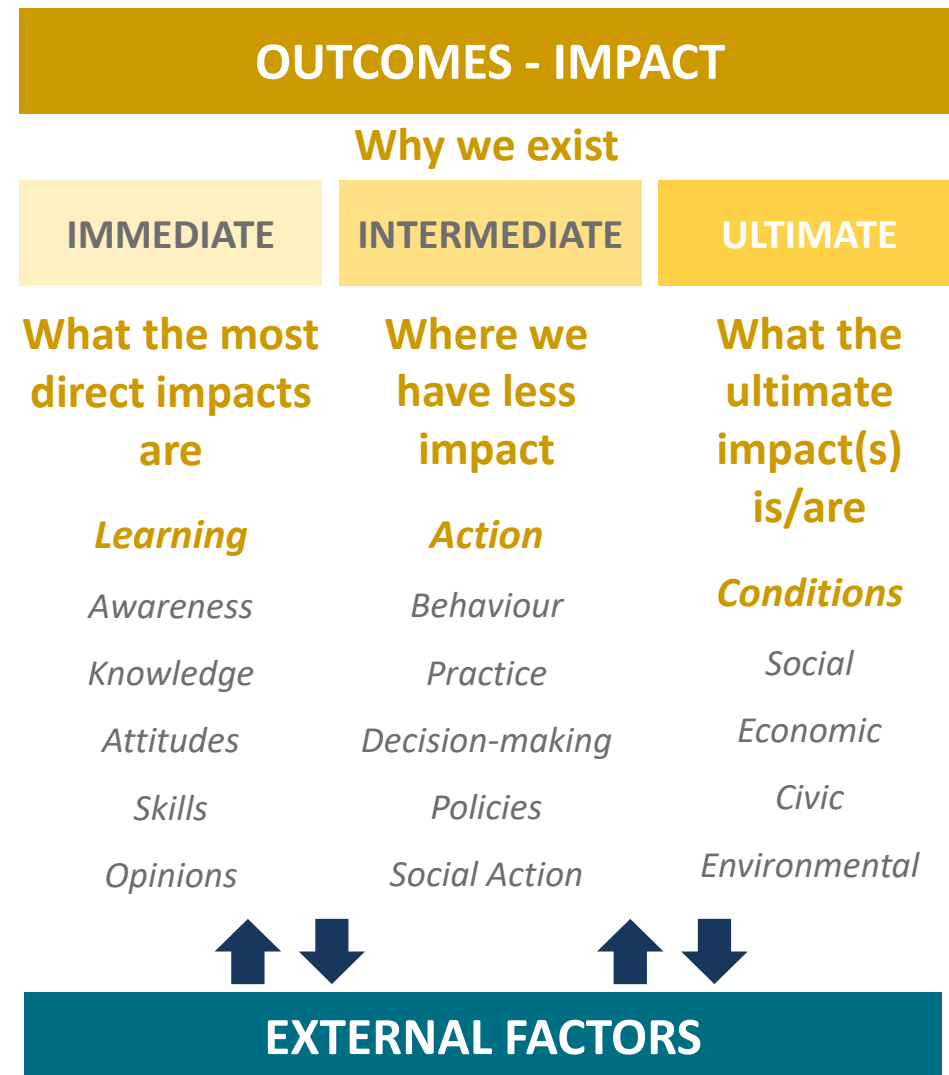
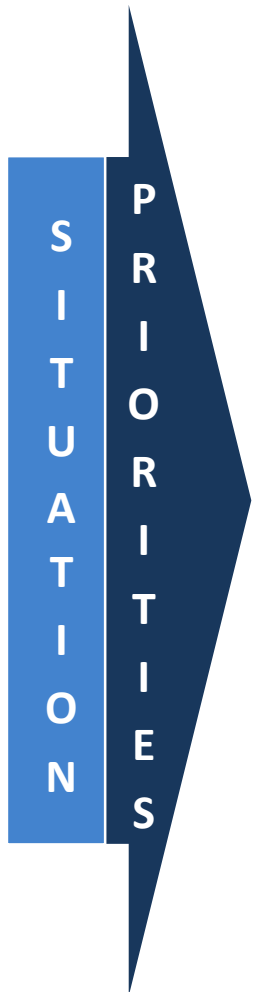


Resource Alignment and Linkages to Performance



Logic Models Help Chart the Course

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

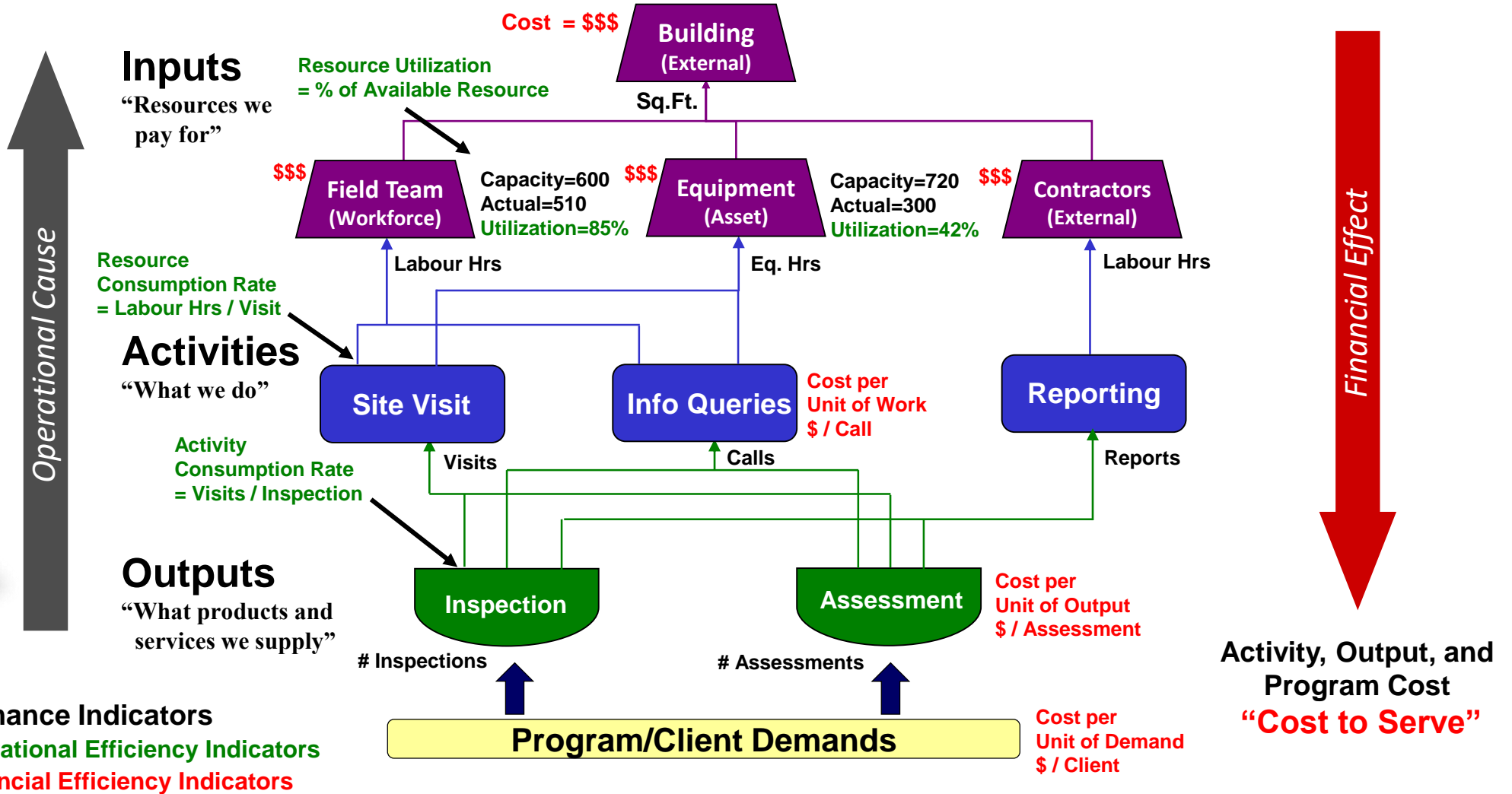
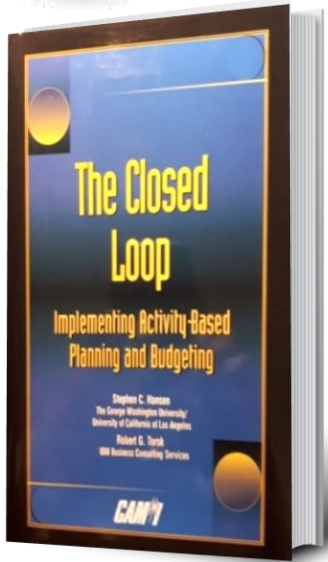


Business Process Modeling (BPM)

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Ottawa, October 25, 2018

Activity-Based Planning (ABP) via Business Process Modeling

Adapted from



Why Measure Resource Utilization?

What is the assessment of resource utilization?

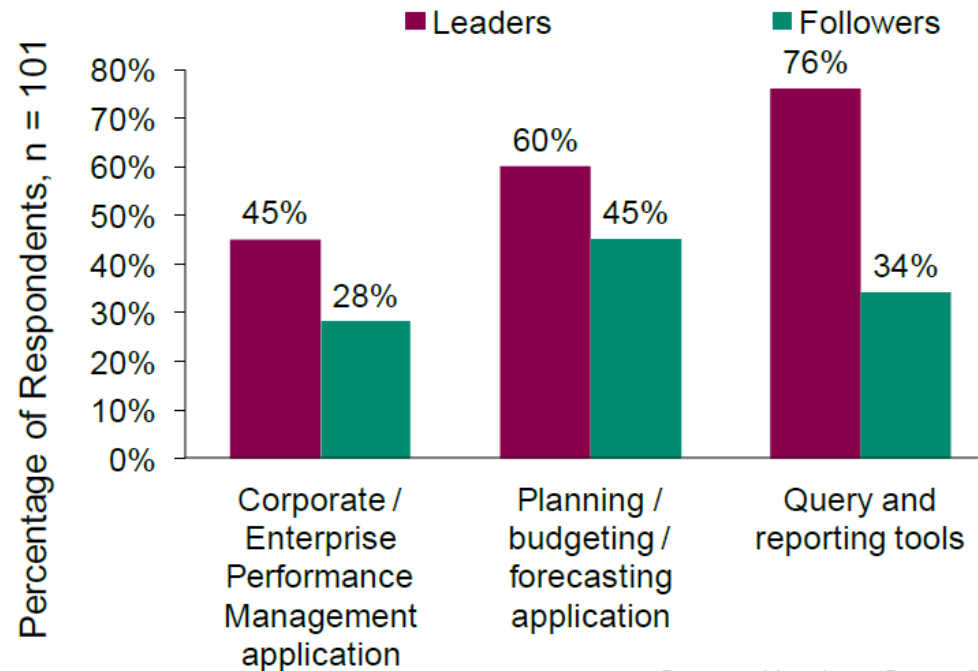
- An assessment of resource utilization generally involves asking questions like:
 - What resources are being used by the program?
 - How well are resources being used by the program?
 - Were resources optimized to achieve results?
 - Did the program have enough resources?
 - Could the program have used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

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



Technology Enablement – Value Proposition

- Ad-hoc studies and Excel-based solutions become dated the moment they are completed are difficult to maintain/update
- Technology forces the standardization of meta-data and data collection strategies and drives discussions and consensus on operational definitions and terminology.
- Makes performance real and engaging for all levels of personnel by putting planning and reporting into “the hands of the masses” (especially Millennials!)



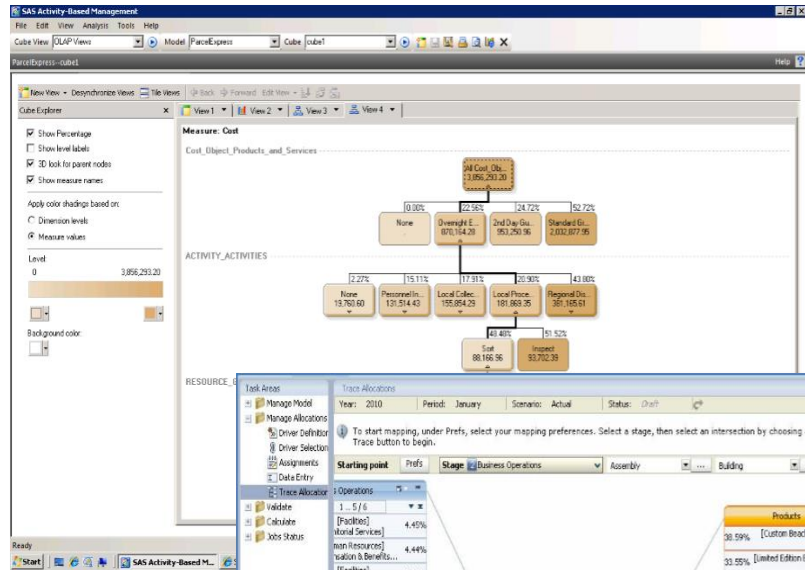
Source: Aberdeen Group, March 2017

Technology Options for Activity-Based Planning

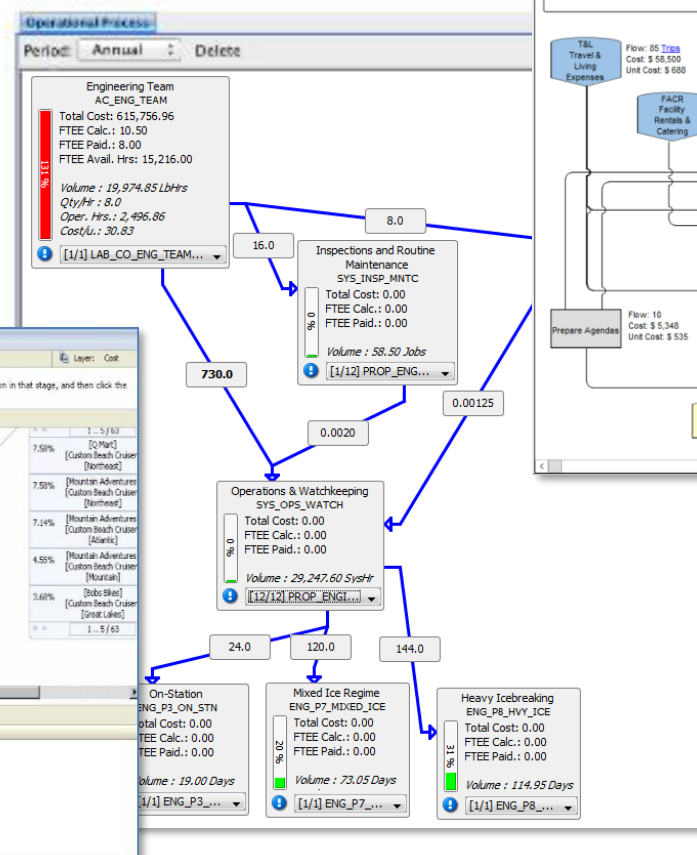
Lots of Options!

1. Large SW Vendors (Oracle, SAP, SAS)
2. Niche SW Vendors (CloseReach CBP, CostPerform, Decimal, myABCM, ProDacapo)

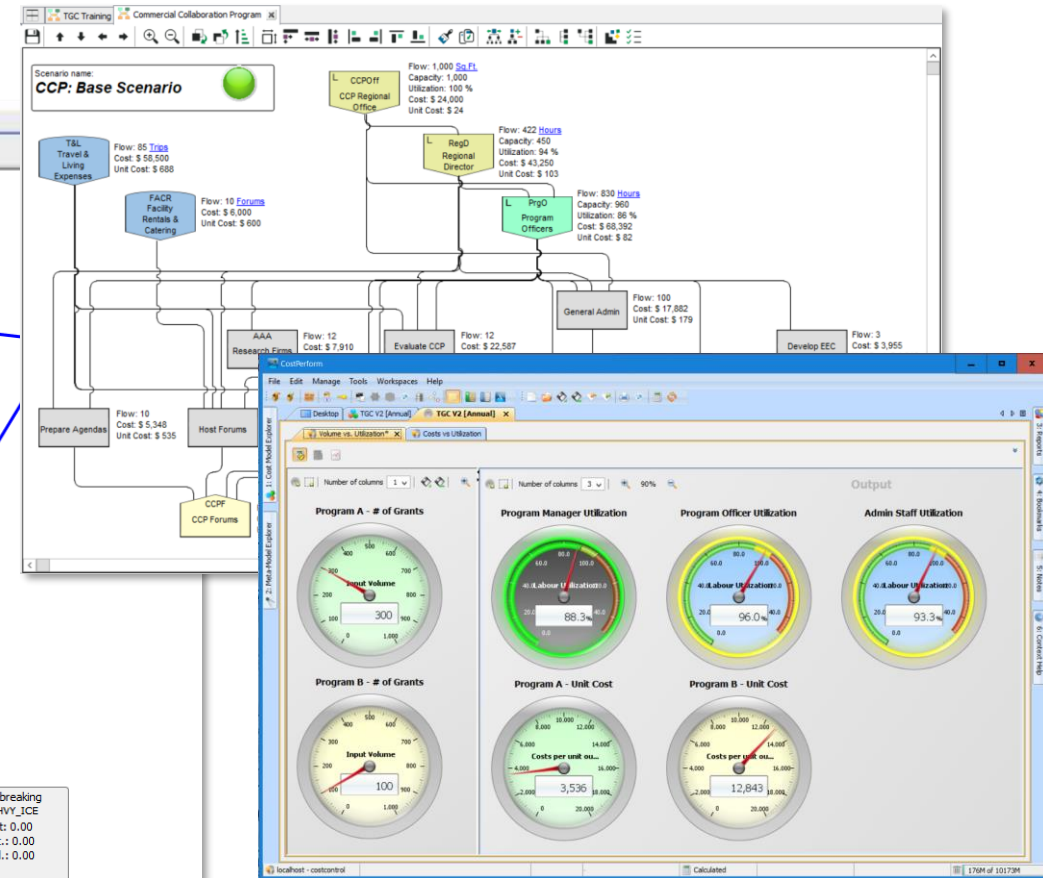
SAS Cost and Profitability Management



Decimal® Suite - Modeler



CloseReach – Collaborative Business Planning (CBP)



QPR CostControl BV® - CostPerform



Oracle-Hyperion Profitability and Cost Management (HPCM)

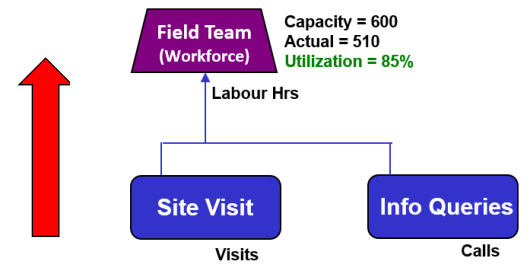
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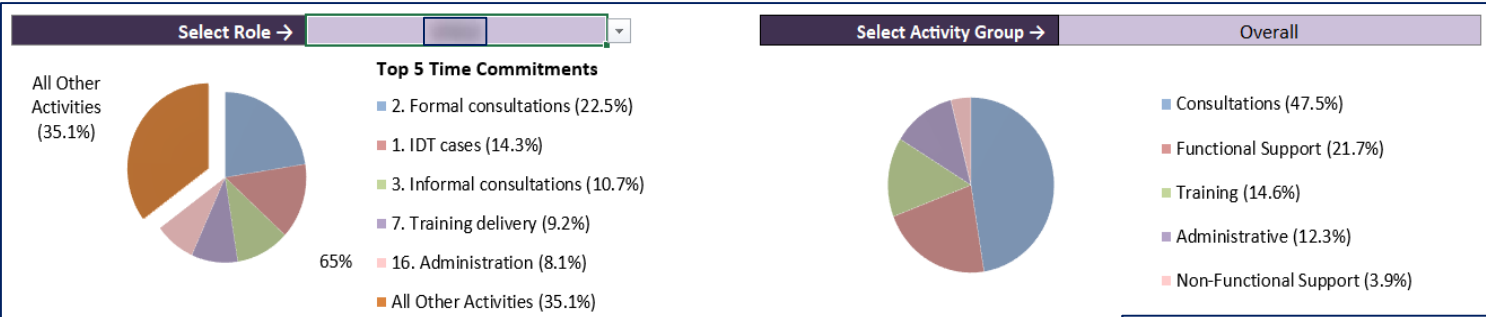
Case Study in Resource Planning

Veterans Affairs Canada

via Excel-based Analysis and Planning Technology



Workload Planning (Scenario Playing)



Highlight Items in blue with % of total effort that is greater than → 5%

Key Activities	Units of Measure	Total Annual Volume	Total Time Required	Average
1. IDT cases	cases			
2. Formal consultations	consultations			
3. Informal consultations	consultations			
5. Training development	modules			
6. Training updates	modules			
7. Training delivery	modules			
4. Materials review	documents			
10. Field Ops Forums	meetings			
12. Field Ops Led Projects	projects			
13. Field Ops Projects	projects			

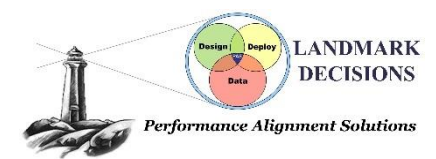
Workload Analysis by Role

Reset Scenarios

VAC Consultant/Officer Workload Analysis

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

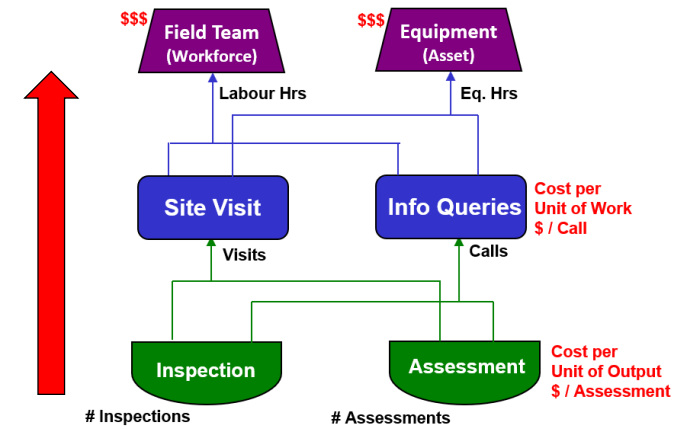
Activity	Unit of Measure	Dec 2017 Base Case				Scenario 1			
		Annual Volume	Unit Time	Total Time	FTEs Required	Annual Volume	Unit Time	Total Time	FTEs Required
1. IDT cases	cases								
2. Formal consultations	consultations								
3. Formal Remote Consultations	consultations								
21. Consultation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



Case Study in Resource Planning

Canadian Coast Guard – Polar Icebreaker

via Decimal Suite



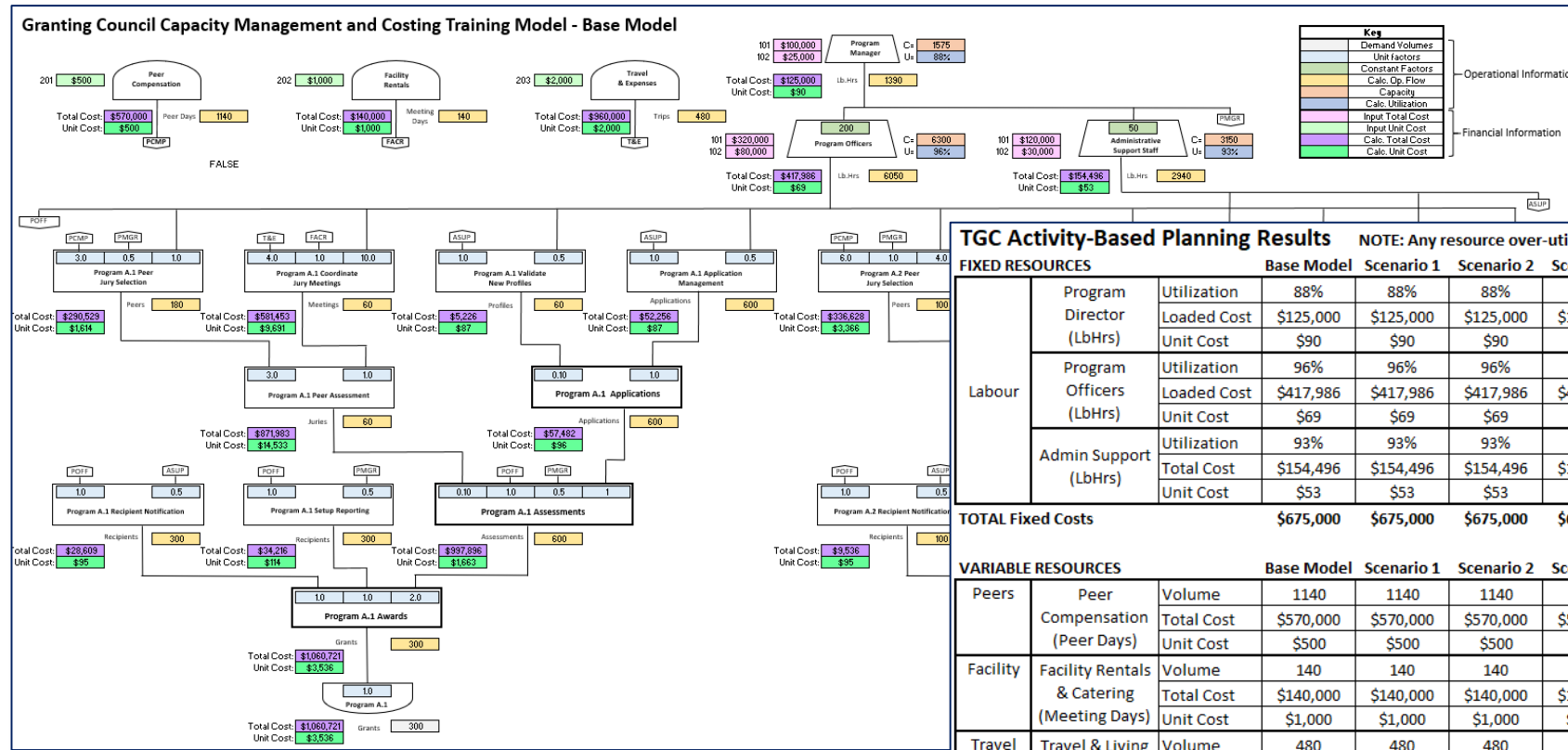
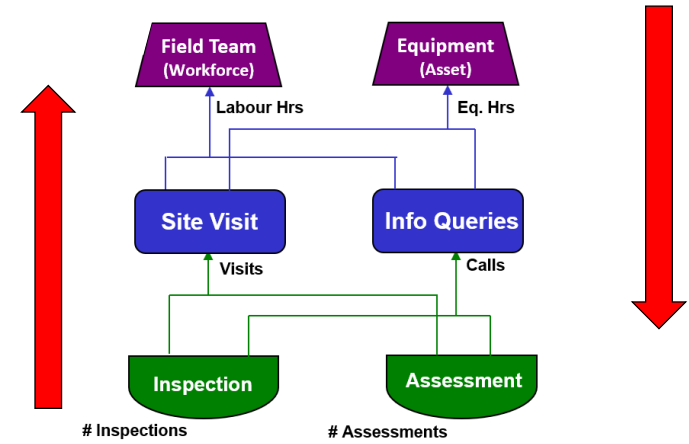
Key Benefits

- Operational modeling
- Resource constraint analysis
- Scenario playing
- Operating and capital project budgeting

Case Study in Operational Planning & Costing

Canada Council for the Arts (Training Demo)

via Excel-based Modeling Technology



TGC Activity-Based Planning Results

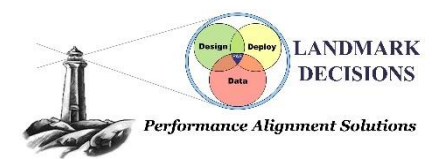
NOTE: Any resource over-utilization (>100% shown in red) will result in incorrect financial values so are not shown

FIXED RESOURCES		Base Model	Scenario 1	Scenario 2	Scenario 3
Labour	Program Director (LbHrs)	Utilization 88%	88%	88%	88%
	Loaded Cost	\$125,000	\$125,000	\$125,000	\$125,000
	Unit Cost	\$90	\$90	\$90	\$90
Program Officers (LbHrs)	Utilization	96%	96%	96%	96%
	Loaded Cost	\$417,986	\$417,986	\$417,986	\$417,986
	Unit Cost	\$69	\$69	\$69	\$69
Admin Support (LbHrs)	Utilization	93%	93%	93%	93%
	Total Cost	\$154,496	\$154,496	\$154,496	\$154,496
	Unit Cost	\$53	\$53	\$53	\$53
TOTAL Fixed Costs		\$675,000	\$675,000	\$675,000	\$675,000
VARIABLE RESOURCES		Base Model	Scenario 1	Scenario 2	Scenario 3
Peers	Peer Compensation (Peer Days)	Volume 1140	1140	1140	1140
	Total Cost	\$570,000	\$570,000	\$570,000	\$570,000
	Unit Cost	\$500	\$500	\$500	\$500
Facility	Facility Rentals & Catering (Meeting Days)	Volume 140	140	140	140
	Total Cost	\$140,000	\$140,000	\$140,000	\$140,000
	Unit Cost	\$1,000	\$1,000	\$1,000	\$1,000
Travel	Travel & Living Expenses (Trips)	Volume 480	480	480	480
	Total Cost	\$960,000	\$960,000	\$960,000	\$960,000
	Unit Cost	\$2,000	\$2,000	\$2,000	\$2,000
TOTAL Variable Costs		\$1,670,000	\$1,670,000	\$1,670,000	\$1,670,000
TOTAL Resource Costs		\$2,345,000	\$2,345,000	\$2,345,000	\$2,345,000

BASE ACTIVITIES		Base Model	Scenario 1	Scenario 2	Scenario 3
Peer Jury Selection (Peers)	Volume	180	180	180	180
	Total Cost	\$290,529	\$290,529	\$290,529	\$290,529
Coordinate Jury Meetings (Meetings)	Volume	60	60	60	60
	Total Cost	\$581,453	\$581,453	\$581,453	\$581,453
Validate New Profiles (Profiles)	Volume	60	60	60	60
	Total Cost	\$5,226	\$5,226	\$5,226	\$5,226
Application Management (Applications)	Volume	600	600	600	600
	Total Cost	\$52,256	\$52,256	\$52,256	\$52,256
Peer Assessment (Juries)	Volume	60	60	60	60
	Total Cost	\$871,983	\$871,983	\$871,983	\$871,983
Recipient Notification (Recipients)	Volume	300	300	300	300
	Total Cost	\$28,609	\$28,609	\$28,609	\$28,609
Setup Reporting (Recipients)	Volume	300	300	300	300
	Total Cost	\$34,216	\$34,216	\$34,216	\$34,216
Peer Jury Selection (Peers)	Volume	100	100	100	100
	Total Cost	\$336,628	\$336,628	\$336,628	\$336,628

Business Process Modeling/Visualization

Operational and Financial Reporting and Analysis



Benefits of Activity-Based Planning

OPERATIONS MANAGEMENT

- Resource Allocations & Work Planning
- Capacity Analysis
- Efficiency Indicators (LEAN)

CLIENT MANAGEMENT

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

BUSINESS
PROCESS
MODEL

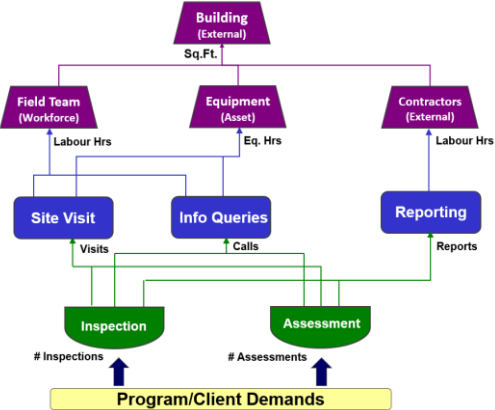


FINANCIAL MANAGEMENT

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

STRATEGIC MANAGEMENT

- Shared Services
- Program Rationalization
- Capital Investment



Collaborative Scenario Playing – “What-if?”



Benefits of a More Operational Approach to Resource Management

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

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



Questions & Answers?

Thank – You !

Mike Haley

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