

# E-Government, Service Transformation, and Procurement Reform in Canada

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## INTRODUCTION<sup>1</sup>

New organizational arrangements are required to underpin emerging public sector service transformation initiatives with a substantial electronic government (e-government) dimension. These arrangements are both internal to government, involving new collaborative relationships among service delivery agencies and reform of procurement processes, and external, involving the formation and management of strategic relationships between private sector information technology (IT) vendors and public service providers.

This article explores the relational context of service transformation by first examining some current initiatives in Canada—at both provincial and federal levels. These case studies reveal the nexus between digital technologies, internal organizational change, and public-private sector interactions. They also reveal the emergence of new collaborative mechanisms between both sectors, especially in the initial phase of relationships where the IT-enabled service transformation is being mutually defined.

This heightened level of collaboration also represents a significant departure from traditional government procurement models—where inputs are defined by public authorities and then secured in the marketplace from qualified vendors. E-government—and service transformation initiatives in particular—are consequently driving a rethinking of the role and purpose of procurement mechanisms in an increasingly digital and interdependent environment.

Many political and administrative quandaries remain, however, as governments struggle to achieve a balance between traditional public interest principles such as probity, transparency, and accountability, and the rising importance of strategic collaboration. Building on the case studies and a review of current efforts at procurement reform, this article offers an assessment of how this interrelationship between service transformation and public-private collaboration is likely to shape future e-

government-based service transformation efforts in Canada.

## SERVICE TRANSFORMATION AND COLLABORATION

As more citizens have flocked to the Internet for online services in areas such as banking and retail shopping, governments have begun to identify parallel opportunities for the application of online services in the public sector. Initially, the impetus for utilizing online channels to deliver information and services was couched in terms of financial savings: many business models were developed by government officials and consultants demonstrating the savings accorded to online methods of service delivery versus more traditional channels such as face-to-face facilities or telephone call centres.

Most of these initial models proved to be wildly optimistic due to forecasts predicated on massive transaction cost savings from Internet communication (relative to paper and telephone) or strong, short-term growth in demand for online services, relative to other channels (Roy, 2003). Nonetheless, new organizational and technological models for delivering services both online and via more traditional channels are taking hold—and beginning to generate encouraging results.

One of the most widely recognized examples of a unique service transformation involving the internal integration of government services and the establishment of a public-private partnership is that of Service New Brunswick (SNB). SNB is a crown corporation of the provincial government that has a dual role: to provide the people and business owners of New Brunswick with the greatest ease and access to government services, and to maintain authoritative public information through its three registries (real and personal property and corporate affairs).

SNB has been aggressively making use of its autonomy as a crown corporation (in comparison to a tradi-

tional line department) to forge collaborative relationships with industry. Central to its citizen-centric mission is the formation of “gBiz” in partnership with CGI (a Canadian technology solutions provider), a comprehensive and integrated framework for transactional service delivery. The company and the government shared in the financing of the development of this system, much as it is now sharing the revenues from licensing arrangements between CGI and other governments in Canada and elsewhere.<sup>2</sup> SNB now conducts more than 40% of its transactional business online and it is expanding into a variety of other collaborative projects with companies designed to jointly develop solutions for New Brunswick that can be marketed and sold elsewhere.

One notable model in the United States is New York City’s NYC Serv Epayment Project that is indicative of the parameters of a service-delivery architecture predicated on more citizen-centric services using a range of integrated channels:

*The NYC Serv application streamlines and integrates three key business processes for the city of New York—processing payments, conducting adjudication hearings, and tracking towed vehicles. It has four separate revenue channels: walk-in payment centers, Internet, interactive voice response (IVR) and kiosks. The system processes 1.9 million receipts for a total of over \$6 billion in 2003. ... It was developed by an integrated team of approximately 20 per cent Finance Department staff and 80 per cent IBM staff.*<sup>3</sup>

These examples are exciting and provocative, but in general, such fundamental electronically based service transformations have been problematic. Although one can envision the potential for some form of efficiency gains through automated work practises, it is hardly a straightforward calculation—as any financial savings incurred over time must be weighed against the upfront investment costs of new technological systems and the corresponding training, organizational development, and inevitable technological upgrading requirements.

Within the Canadian context there are few examples of genuine long-term service transformation collaborations. One such example is a current collaborative undertaking between BC Hydro and Accenture Consulting that illustrates the evolution of outsourcing into new relational forms of governance tied to joint management and results-based accountability including costs and compensation. This unique, 10-year partnership arrangement is predicated on the formation of a new organizational entity, a limited liability partnership jointly accountable to both parties.

BC Hydro is contractually guaranteed to realize \$250 million in cost savings over the 10-year period (by virtue

of spending \$1.45 billion for services that would have cost \$1.74 billion under existing internal systems), as well as agreed-upon measures of performance improvement in customer service (as determined by customer service mechanisms, comparative benchmarking, and a service-level metric system formulated and utilized in concertedly by both partners). In order to generate these sorts of results, the formation of the new entity (with limited and specified functional responsibilities<sup>4</sup>) enables Accenture to develop new and more innovative business processes aimed to the desired outcomes. Notably, all of the previous employees from the government agency have been offered private sector employment on equivalent salary and benefit terms, and labour representation and collective agreement terms remain unchanged.

Despite the relative novelty of this level of complexity and relational activity, the stakes in such initiatives are enormous since if partnerships fail, so too does e-government. This message was underscored some time ago: if IT projects cannot be managed well, the infrastructure for broader organizational renewal and performance improvements can only suffer (OECD, 2001). Moreover, the track record of managing IT has not been encouraging and as discussed above, there is no quick solution for how governments should organize themselves to partner, nor is there agreement as to the optimal scope of partnering activity.

To address such concern and risk, two important trends are becoming apparent in service transformation initiatives. First, affected government agencies are spending far more time up front working out the shape of the long-term service transformation. Second, government and industry are engaging in much higher levels of collaboration earlier on in the partnership development process, not only defining objectives but also preparing the groundwork to achieve them. These shifts are notable departures from traditional public sector management processes that have typically internalized preparation within the government body looking to procure outside services of one sort or another—defining the need in isolation from the very organizations with whom the work will ultimately be undertaken (Dutil, Langford, & Roy, 2005). Two case studies below explore this shift in more detail.

## **TWO CASE STUDIES**

The first case study comes from the Ministry of Sustainable Resources in the Provincial Government of British Columbia which was faced with the challenge of electronically integrating the collection and delivery of land, resource, and geographic information of 19 separate agen-

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