



Successfully Executing IT Shared Services in the Canada Post Group of Companies

October 2009

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Agenda

1. Background

2. Case Study: Enterprise Resource Management (ERP)
3. Case Study: Next Generation Network (NGN)
4. Questions and Answers

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The Canada Post Group of Companies (CPG)



- Over 700 Canada Post Group sites located across Canada
- 72,000 employees
- 6,600 retail outlets
- 11.8 billion pieces of mail to nearly 15 million addresses in 2008
- 9,500 desktops
- 180 TB of storage
- 155 Unix Servers, 159 Wintel Servers

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IM/IT Shared Services

A strategy to lower operating and capital costs by leveraging economies of scale, standardization and elimination of duplication and to refocus scarce resources from commoditized activities (both IT and non-IT), to core services that directly add value to constituents.

- *Gartner, July 2009*

As the amount of common IT shared services grows, government will achieve more efficient and cost-effective operations through economies of scale and standardization; clearer accountabilities; timely decision-making based on consistent management information; and common, more consistent levels of service across the government.

- *PWGSC Information Technology Services, May 2009*

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Shared Services Challenges at CPG

- CPG companies are different businesses (i.e. different priorities, different products, different market segments)
- A variety of IM/IT solutions in various stages of their life cycle
- Differences in IM/IT planning approaches
- Differences in strategic investment approaches (e.g. leasing versus buying)
- Managing the people-side of change

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Innovapost – 3rd Party with Commercial Mandate

- Founded in 2002 as IM/IT supplier for the Canada Post Group
- Shared services mandate for leveraging IM/IT investments and infrastructure across CPG
- Governance around solution quality and service level agreement compliance
- Commercial model has delivered over \$300 million in operational cost savings to CPG since it was founded



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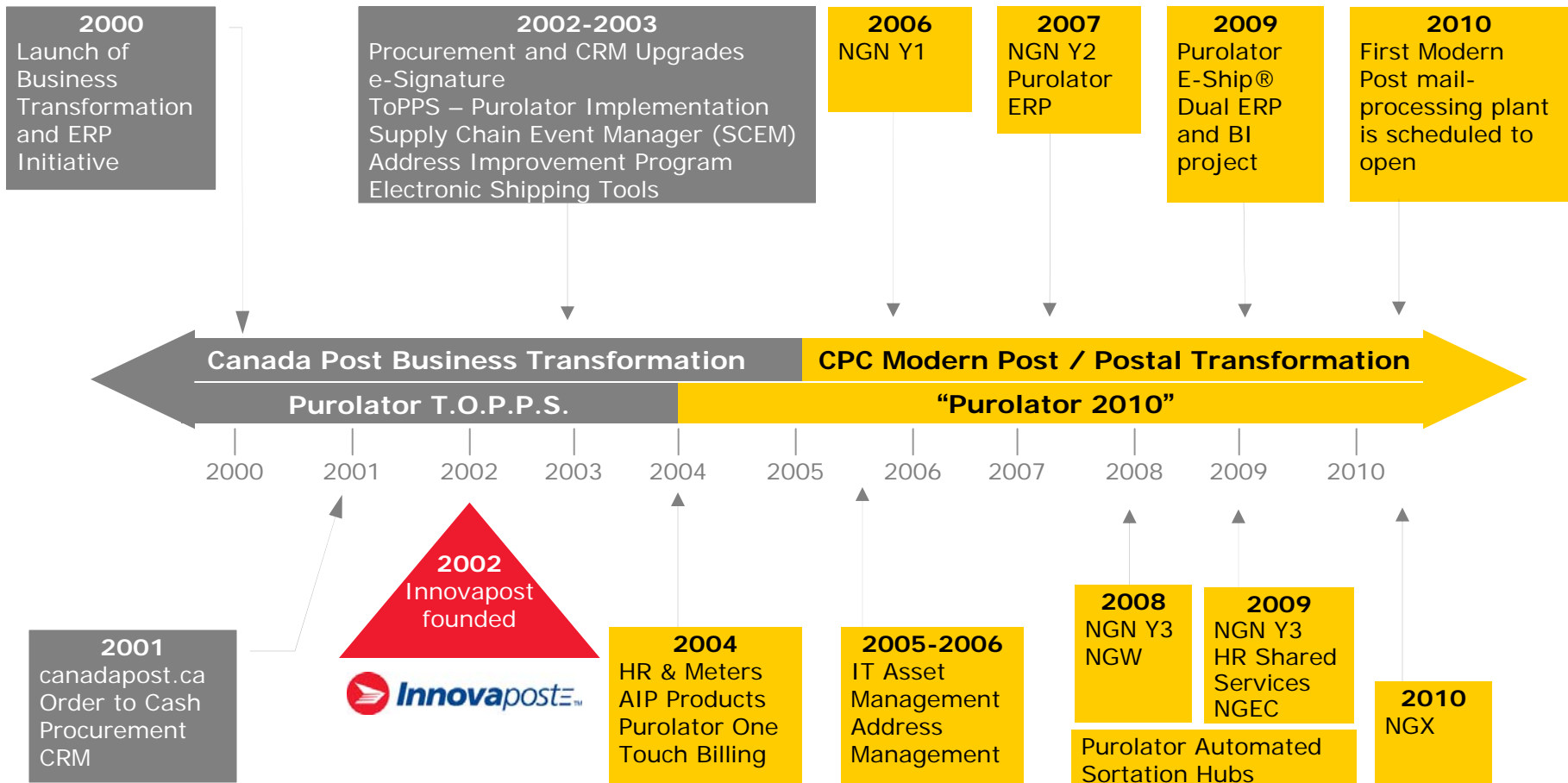
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10 Years of IM/IT Transformation at CPG



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Key ERP Statistics

The Canada Post Group has one of the largest SAP footprints in North America. It is used extensively throughout its network, operations, and systems.

- Large SAP ECC 6.0 application (5 TB database)
- Over 30,000 custom objects
- Over 120,000 business users (including external parties)
- Over 650 connected locations
- Over 500 interfaces
- Over 30 third-party applications



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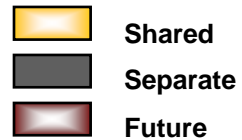
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Shared ERP Landscape at CPG



Canada Post:

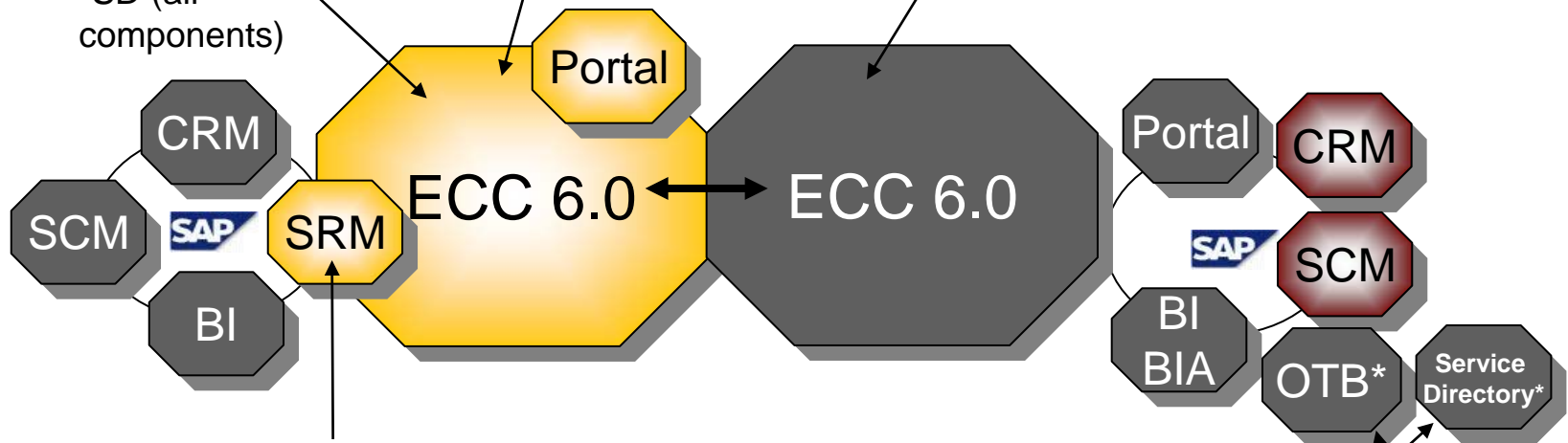
- FI (AR, AP, GL)
- CO
- MM, Procurement
- HR
- QM
- PM
- SD (all components)

Purolator:

- FI (AP, GL)
- CO
- MM, Procurement
- HR

Purolator:

- FI-AR
- Contract Management
- Customer Master
- Pricing
- Order Processing
- HR - Time Management



Procurement, Self-Serve, Catalogue Management

*Custom developed modules utilizing SAP framework

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Shared Services Objectives for ERP

- Optimize IM/IT investments for the Canada Post Group of Companies
- Run IT service delivery like a business
- Desired outcomes:
 - More effective utilization of resources and capabilities
 - Create an experienced SAP practice: people, methodologies, tools, processes
 - Business process improvements that lead to improvements in delivery and other operations
 - Better response to customer needs and improved product and service delivery
 - Standardized quality of service

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Sharing This Impact with Purolator

- Purolator implementation leveraged solutions, resources, SAP license agreement and technology infrastructure developed, and in production at CPC
 - **Reusability savings of 42%**
- What forms the reusability dividend?:
 - **Approach** – estimating models, plans, deliverables, design and delivery tools
 - **Personnel** – same resources involved
 - **Process Model** – the process model was reused, where applicable
 - **Configuration** – reuse by process area, wherever possible
 - **Technical Platform and Environments** – shared single instance, wherever possible
 - **Training** – shared approach, resources and facilities
 - **Application Support** – is an *ongoing* dividend shared between the companies

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Addressing Shared Services Challenges with ERP

- *Differences in IM/IT planning and investment approaches*
 - Implemented disciplined managed release and upgrade processes
 - Solid planning, clear objectives, realistic timelines, strong SLAs and governance
 - Paired up business experts with IT experts to keep design and development aligned with business processes
 - Redeployed data architects and project managers to maintain consistent naming conventions, integration and process methods
 - Attracted and retained skilled SAP technical and consulting resources (Innovapost is an SAP Customer Competency Center)

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Addressing Shared Services Challenges with ERP

- *A wide variety of IT solutions in various stages of their life cycles*
 - A reusable, solution-based approach to implementations (common applications)
 - Worked on several application areas at the same time, which drove integration
- *Managing the people-side of change*
 - Established passionate executive leadership buy-in with “customer-focus”
 - Prepared for extensive change management and preparation of employees
 - Engaged end users with early demonstrations and training

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Questions?

- Is your network (WAN, LAN) and telephony infrastructure outdated, end of life or failing?
- Are you unable to upgrade to take advantage of new technologies (e.g. IP Telephony, Video Conferencing and Unified Messaging)?
- Do you only have Service Level Objectives - no Service Level Agreements (with remedies)?
- Is your Network/Telephony non-benchmarkable or consist of non-standard billing units?
- Are your prices higher than market rates?

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Answer

- Yes, there is an answer. And you can have your cake and eat it too.
 - You can modernize your networks and telephony infrastructure and achieve significant cost savings
- The Next Generation Network (NGN) Program at The Canada Post Group of Companies is proof of this
 - Canada Post, Purolator, Innovapost
 - 700+ sites across Canada
 - Each site ranging in size between 2 employees and 4,000 employees
 - 3 year program – 2006 to 2009 to modernize WAN, LAN & Telephony Infrastructure

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NGN Phase 1 – Wide Area Network (WAN)

- **Scope:**

- Address the Wide Area Network at 700+ sites across Canada

- **Benefits:**

- Significant annual cost savings
- Simplified billing by displacing over 100 line items on invoice with approximately 15 standardized line items
- Achieved industry standard pricing using Competitive Bid Assessment (CBA)
- Implemented High Availability Option at Tier 1 (Large Sites)
- Increased bandwidth (in some cases x 1000%)
- Service Level Agreements are in place with enforceable remedies, including financial penalties
- Data Network Traffic Monitoring Tool for tasks that require in-depth packet inspection and custom traffic reporting. (e.g. Used in rollout of Centralized File System project)

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NGN Phase 2 – Local Area Network (LAN)

- **Scope:**

- NGN Phase 2 program consolidated and enhanced the CPG LAN switch infrastructure while positioning CPG for future IP applications
- Deployment to > 670 sites across Canada with minimal disruption. Identified and remedied incompatible protocols e.g. Decnet and IPX

- **Benefits:**

- Significant annual cost savings
- Significantly increased accuracy of CPG LAN network documentation (through site surveys and installation of new equipment at each site)
 - Removed non-standard LAN equipment (hubs) from all CPG sites
 - Implemented industry best practice LAN configurations & monitoring
 - Implemented High Availability LAN distribution switches at key CPG sites
 - Optimized LAN network significantly reducing the number of LAN ports
 - CPG LAN network is now Power over Ethernet (PoE), capable of supporting voice and data on a single LAN network
 - Added LAN port capacity across CPG
 - Markedly improved the quality of the LAN switch asset tracking, inventory management and billing accuracy across CPG

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Long Distance and Toll Free Implementation

- **Scope:**

- Project cutover >28,000 telephone numbers in a 7 month period (May-Nov 2007) on time and on budget

- **Benefits:**

- Significant annual cost savings
- More control and management with detailed billing information and access to Call Detail Records for 1-800 lines
- Ease of use with self-serve web portal for Moves, Adds and Changes

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NGN Phase 3: Telephony Services

- **Scope:**

- Upgrade, consolidate and enhance the CPG Voice Infrastructure
- Program started deploying in January 2009 and the installations at ~540 CPC sites are to be completed by Oct 30, 2009
- Three Tiered Solution:
 - Large Site Solution (> 80 users) – PBX Upgrade or Net New PBX
 - Medium Site Solution (5 to 80 users) –Telephony Appliances (BCMs)
 - Small Site Solution (< 5 users) – CENTREX Service

- **Benefits:**

- Significant annual cost savings
- Reduction in Centrex services, replacing some existing Centrex sites with cost effective BCM telephony appliances or PBXs
- Replacement of all existing key systems with BCM telephony appliances
- Upgrading or replacement of all current PBX solutions with new CS 1000E PBXs
- Maintaining use of CPG's current TDM phone sets
- Ability to upgrade any CPG site to an IP telephony solution with the implementation of any building and infrastructure upgrades required plus IP phone purchase.

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Addressing Shared Services Challenges with NGN

- *Differences in IM/IT planning and investment approaches*
 - Steering Committee structures setup for governance
 - Established Service Level Agreements with penalties
 - Addressed scheduling and investment obstacles with a phased approach: defined requirements and standards for each company, defined pilot, defined implementation schedule, defined the scope
 - Created detailed business cases, defined implementation processes

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Lessons Learned

- IM/IT service delivery should be run as a business – an enabler to drive business value beyond cost recovery
- Shared Services model needs to be flexible enough to tailor services for participating entities
- Know what to share and what should remain separate
- Share what is stable and minimize customization
- Value from buyer power and consolidated vendor management especially for utility services
- Need for common understanding and a high degree of transparency

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Questions and Answers

Thank You!

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Overview of Canada Post



- Canada Post Corporation is Canada's official mail service, providing letter and parcel delivery and electronic delivery solutions to over 14 million addresses across the country.
 - Canada Post Corporation delivers over 11 billion pieces of mail each year to 14 million destinations
 - The corporation has over 60,000 employees and 6,600 post offices - i.e. the largest retail network in Canada
 - In 2007, net income for Canada Post and its affiliates, which include Purolator Courier, SCI Logistics and Innovapost was CDN\$ 54 million on revenues of CDN\$ 7.5 billion
 - It serves 32 million Canadians and over 1 million businesses and public institutions from coast to coast to coast
 - Website: www.canadapost.ca

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Overview of Innovapost



- Innovapost is a leading provider of IT solutions and services to the Canada Post Group of Companies, with a specialization in SAP, e-business and mobility solution development.
 - Innovapost provides consulting and technology services to the Canada Post Group of Companies and their customers
 - Since the company was founded in 2002, Innovapost has delivered to its clients over \$250 million in operational cost savings
 - For Canada Post alone, application support costs decreased by 20%, and infrastructure costs decreased by 30%
 - Innovapost is an ISO-9001:2000 certified service provider and has been certified as an SAP Customer Competency Center since 2005
 - Website: www.innovapost.com.

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