

States of Guernsey

PMO Review – Operations and Benefit Realisation

SAP/STSC Project

23-25 April 2013

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Delivery Confidence Assessment:	Amber
Senior Responsible Owner:	Simon Elliott

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1. Background

1.1 Aims of the Project

To develop the States' of Guernsey's (SoG) existing core business system, SAP, and establish a new 'Shared Services' administration model.

The proposals include centralisation of some administrative staff into a Shared Transactional Service Centre (STSC) and a corresponding extension of the States' principal business system (SAP) so that it covers not only finance and procurement but also human resources, together with development of the SoG corporate asset management system.

1.2 Driving Force for the Project

The proposals will deliver major improvements in the manner in which the entire public service operates its 'back office' services by centralising and streamlining them, thereby releasing considerable and ongoing efficiency savings.

The SoG Fundamental Spending Review (2009) focussed heavily on removing duplication of effort in the delivery of back-office functions. The introduction to the FSR Phase 2 report defines the "Introduction of standardised systems and processes" as one of the six key principles underpinning the Financial Transformation Programme.

The project is closely aligned to two of the SoG's Strategic Plan's Fiscal and Economic Objectives:

a) Spending within the constraints of the fiscal framework

The project contributes towards this objective by allowing the SoG to develop a much clearer picture on past, present and future spend while allowing unprecedented access to this information through the use of improved reporting tools.

b) Real term freeze on aggregate SoG revenue expenditure

With the cost of providing true front-line services continuing to escalate it is more important than ever to cut costs on back-office administration. This project will provide the SoG with improved financial controls that will ensure that both less money is spent overall through better procurement, and less resource is required to administer these back-office functions.

1.3 Procurement/Delivery Status

The project entered its operations and benefit realisation stage with the 'go-live' of the STSC and the extended SAP system on 1 January 2013.

1.4 Current Position Regarding Reviews

A PMO Review – Investment Decision was conducted between 12 and 14 March 2012. The delivery confidence assessment was that successful delivery appears feasible but there are significant risks that require management attention, with an overall assessment of **Amber**.

2. Purpose and Conduct of the Review

2.1 Purpose of the Review

This Review assesses whether the benefits set out in the Business Case are being achieved and if the operational service is running smoothly. The Review is repeated throughout the life of the service, with the first Review typically 6-12 months after handover to the new owner and a final Review shortly before the end of a service contract. The Review can also be used on a one-off basis, to check that a project has delivered its intended outputs.

A full definition of the purpose of the review is attached for information at **Appendix A**.

This report is an evidence-based snapshot of the project's status at the time of the review. It reflects the views of the independent review team, based on information evaluated over a three day period, and is delivered to the SRO immediately at the conclusion of the review.

2.2 Conduct of the Review

The Review was carried out on 23/04/13 to 25/04/13 at the States of Guernsey's offices.

The Review Team members and the people interviewed are listed in **Appendix C**.

The Review Team would like to thank the SRO, Simon Elliott, the SAP-STSC Project Team and all interviewees for their support and openness, which contributed to the Review Team's understanding of the project and the outcome of this review, as well as the SoG Programme Management Office staff for their efficient organisation of the review in a restricted timeframe.

3. Review Conclusion

The SAP-STSC services went live on the 1st January 2013 after extensive blueprinting, development, testing and training.

The new services enabled the centralisation of the SoG's back office functions with consequent efficiency improvements, improved controls and cost savings.

Successes include establishing the STSC and deploying the extended SAP solution. This represented a very substantial change to organisational structures, culture, processes and systems. There is support for the change at all levels of the organisation but there is also evidence of resistance or reluctance to change.

SoG underestimated the extent and time-frame of the changes. The go-live date, far from being the end of the project as anticipated, was actually very close to the start of the business change. Therefore the decision to disband the bulk of the project team after go-live was premature.

Immediately following go live there were many issues including quality of data provided to the project by departments, user training and technical issues. STSC staff have been able to address and resolve most of these early issues but there are still critical outstanding issues relating to the financial systems and to dealing with a backlog of unpaid invoices.

These issues are being addressed by the depleted project team and STSC staff, but there is not sufficient resource to deal with their volume and criticality. It is essential for all departments to work together to apply the necessary resources to resolve these critical issues. This will require visible support from politicians and the Executive Leadership Team.

In addition benefits realisation has been neglected and it is crucial that resources are now provided to manage benefit realisation.

The issues are not insurmountable and provided they are resolved, the SAP-STSC project should succeed in meeting its objectives.

Finally, the determination and professionalism shown by the project team should be acknowledged as instrumental in getting this challenging project to the operational stage.

3.1 Delivery Confidence Assessment.

The Review Team finds that overall delivery confidence assessment is **AMBER** i.e. successful delivery appears feasible but significant issues already exist.

The Delivery Confidence assessment RAG status uses the definitions below.

<u>RAG</u>	<u>Criteria Description</u>
Green	Successful delivery of the project/programme to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly
Amber/Green	Successful delivery appears probable however constant attention will be needed to ensure risks do not materialise into major issues threatening delivery
Amber	Successful delivery appears feasible but significant issues already exist requiring management attention. These appear resolvable at this stage and if addressed promptly, should not present a cost/schedule overrun
Amber/Red	Successful delivery of the project/programme is in doubt with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and whether resolution is feasible

Red	Successful delivery of the project/programme appears to be unachievable. There are major issues on project/programme definition, schedule, budget required quality or benefits delivery, which at this stage do not appear to be manageable or resolvable. The Project/Programme may need re-baselining and/or overall viability re-assessed
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3.2 Good Practice.

The review team identified the following examples of good practice:

- Effective management of the relationships between SoG and the main contractor, CGI;
- The commitment and professionalism of the project team to delivering the project;
- Good HR management in transferring staff so that the STSC was fully staffed by the 'go-live' date; and
- Use of an effective triage process to handle issues escalated to the STSC.

3.3 Report Recommendations

A summary of the report recommendations is available at Appendix B.

4. Findings and Recommendations

4.1 Review of operating phase

The extended SAP solution and the STSC went live on 1 January 2013, following Project Board review and acceptance that wide ranging readiness criteria across functions and Departments were met – the culmination of sustained and intensive effort and commitment by all involved.

The SRO (with delegated authority from the Project Board) agreed SAP operations should commence on the understanding that important elements – the Budgeting and Planning module and Dashboard reports had not yet been delivered, but would be available within a month of go-live.

The STSC is fully staffed and operational, and working to SLAs agreed with Departments.

Employee Self Service, Manager Self Service, Estates, and Managers' Reporting systems are now largely functioning as planned. At this stage, many requests for support appear to be due to lack of understanding and /or training rather than issues inherent to the system.

System availability has been good, other than some issues with connectivity to remote sites.

However the full Services are not yet operating as planned. While some components are working satisfactorily, there are key elements that are not yet fully operational, and whilst a large number of issues have been raised and resolved since go-live, critical issues remain unresolved:

- There have been problems with the electronic purchase to pay processes, caused by inaccurate or incomplete staff approval structures provided at the build stage and continuing purchasing outside the purchase order systems, leading to problems with the Accounts Payable and Accounts Receivable systems, a backlog of unmatched invoices and delays in making payments to suppliers.
- There are also problems with the operation of the Bank Reconciliation System, the HSSD variant of the procurement module, and with the operation of interfaces to the SAP financial systems.
- The Budgeting and Planning and the Dashboard modules have still not been delivered.
- Lack of SAP support for internet browsers such as Google Chrome and Internet Explorer 10 has prevented take up of the e-recruitment application.
- Internal and external IT issues have resulted in some key areas being unable to access SAP, for example Education, or have resulted in slow access, for example HSSD and Home.
- There is no contingency plan should issues not be resolved (eg alternative budgeting processes should the Budgeting and Planning Module not be completed satisfactorily).

SoG has under-estimated the resources needed to address the post go-live issues. The scale of the change for people and the organisation has been huge – involving restructuring, staff redeployment, new processes and new systems in almost every part of the civil service. Significant efforts were made to prepare the organisation ahead of go-live, but these needed to be sustained as the new services were deployed operationally.

The project team was wound down as planned after go live.

The project manager has been allocated new demanding work, at a time when the project still needs full time management.

The Senior User, Departmental SAP Leads and Functional Leads have largely returned to their business as usual roles. This has led a serious weakening of the links between the project team, the STSC and Departments. Whilst new SAP Representatives have

been established and there are proposals to train SAP 'buddies' at present these are embryonic.

The SRO acknowledges that the scale of support needed to support the initial operational stage was seriously under-estimated.

The STSC has been staffed to meet forecast steady state volumetrics, but was not prepared to handle the volume of issues arising at the go-live date.

As a result there have not been sufficient resources to address the post go-live issues – both in terms of change management, communication, training and support for users, and to ensure rapid completion of the outstanding products. There is now a risk that delays in resolving a 'hump' of post go-live issues may undermine the credibility of the new services, discourage take up and result in the expected benefits not being realised.

Progress is being made. There is a good working relationship with the contractor, with regular review meetings between the client and contractor. The 3 month contractual warranty period has been extended by one month, because technical issues have not been resolved, and the contractor is to fly in a team to address rapidly the outstanding technical issues.

STSC staff are working to resolve issues – there is a triage process in place to support prioritisation, together with a change control process. User confidence in the STSC would be improved if the outcomes of the triage and the timetable for fixing each issue were communicated to the users who raised them.

Strong risk and issue management processes are in place, including assigning risk/issue owners and developing action plans that are regularly reviewed. However, risks and issues appear to have been considered at an operational level rather than a strategic level. Therefore, risks and issues may not be prioritised in relation to organisational urgency.

The STSC has provided training materials including e-learning and quick reference guides, and is developing webinars to cover areas of concern. However there are only limited numbers of trainers to serve 5000 SoG staff, and meeting all user requests for support is difficult. It appears that the main need may be to overcome cultural barriers so that users are committed to learning and using the systems, as much as formal training events.

The SRO now recognizes that due to the scale of the changes continuing project support will be needed up to 31 Dec 2013. Support for the business changes and the SOG wide adoption of new ways of working must be high priority for leaders and managers throughout the organisation, and visible commitment to the changes from politicians and the Executive Leadership Team in support of the SRO is critical.

Recommendations:

REC 1) Political Leaders and the Executive Leadership Team must support the SRO and:

- show visible support and sponsorship for this important corporate project
- lead on business change and reinforce the message that this is a vital SoG corporate initiative; and
- emphasise the importance of resolving go-live issues such as unpaid invoices.

CRITICAL

REC 2) Formally extend the project to December 2013 to provide support for the implementation and benefit realisation phases including re-establishing the project team with a full time Project Manager, Business Change Manager, Benefits Realisation Manager and suitably empowered Departmental SAP Reps. **CRITICAL**

REC 3) Urgently resolve critical SAP issues (bank reconciliation, budgeting and planning) and ensure that there are SoG resources from functional areas and departments allocated to test, deploy and support implementation of fixes whilst continuing to ensure that these fixes remain high priority for CGI. **CRITICAL**

REC 4) Resolve essential SAP issues (browser compatibility and dashboard reports). **ESSENTIAL**

REC 5) Ensure that corporate IT prioritises and addresses the connectivity issues in the Education Department. **ESSENTIAL**

REC 6) Strengthen the STSC by appointing temporary resources to deal with the peak of post go live issues, including clearing the invoice backlog, providing a greater training capability and updating and improving training materials. **CRITICAL**

4.2 Business case and benefits management

The Business Case is still valid; the benefits forecast is slightly below the Business Case baseline. Looking ahead there is the potential for further cashable benefits to be identified and realised.

Establishment of the STSC has created the opportunity for savings in staffing costs of £1.2m. These are planned to be realised through changes in Departmental budgets shortly.

However following the return of staff from the project team to their business as usual roles there now appears to be no leadership, governance or resource in the project team or in Departments to manage benefit realisation. Remaining project resources and

the STSC team are now understandably focussed on resolving the post go-live issues rather than on benefit realisation.

There is no Benefits Realisation Plan, that sets out both the time-frame and identified roles to manage, measure and report on delivery of benefits.

Efforts to date have been centred on realising the immediate cashable benefits from establishing the STSC. There now needs to be a focus on the non-cashable benefits. Now that the new systems and organisation are in place benefits should start to flow from the new efficient processes, stronger financial controls and improved management information. These benefits should be identified and captured.

There is a significant risk that benefits will not be realised as planned. This is closely linked to a lack of departmental support for business change. The serious issues around performance of the financial systems and compliance with new ways of working, in particular purchasing outside the electronic purchase order system, are preventing or diluting the achievement of benefits. Departmental commitment needs to improve if the full benefits of this project are to be realised.

There is also some evidence that staff released to the STSC are being replaced within Departments, eroding the benefits case.

The significant volume of issues, some of which have become public knowledge, risks undermining confidence in the system before it has had the chance to settle down.

To date there have been no surveys of user satisfaction, and there is evidence that some believe that it was not designed with their needs in mind.

Recommendations:

REC 7) Appoint a Benefits Realisation Manager and allocate Departmental resources to support benefit realisation (particularly of benefits originating from Departments). **CRITICAL**

REC 8) Develop and execute a Benefits Realisation Plan. **ESSENTIAL**

REC 9) Ensure ongoing and visible senior sponsorship for realising benefits. **CRITICAL**

REC 10) Continue to identify and where possible quantify non cashable benefits (including taking account of any possible disbenefits). **ESSENTIAL**

REC 11) Acknowledge and celebrate corporate achievements and successes. **RECOMMENDED**

4.3 Plans for ongoing improvement in value for money

At this stage SoG's priority is to resolve the post go-live issues and achieve steady state operations for the restructured back office functions. It is too soon to expect plans for improvement to be agreed.

The contract with CGI to provide SAP support is in place and is affordable for the 5 year term.

The contract is well managed, and there is a commitment from CGI to fix the project issues in their areas of responsibility. CGI has agreed to extend the warranty period and is committed to providing additional resources to fix issues.

Recommendations:

N/A

4.4 Plans for ongoing improvement in performance and innovation

At this early stage in the project implementation there are no plans for performance improvement and innovation. The emphasis is on addressing post go-live issues and base-lining the services.

Service levels have been developed for STSC support functions against which performance will be measured.

Recommendations:

REC 12) Baseline current service levels so that future improvements can be measured. **ESSENTIAL**

4.5 Review of organisational learning and maturity targets

The project team plans to produce lessons learned reports; however none were complete and available at the time of this review.

The organisation shows a willingness to learn, and there are PMO processes to capture and share lessons.

Recommendations:

REC 13) Ensure that there is a holistic SoG wide lessons learnt process to capture and share lessons across the whole organisation. **RECOMMENDED**

4.6 Readiness for the future – Plans for future service provision

The SAP/STSC project is a key enabler for further projects with the Financial Transformation Programme. Future projects include Transforming Support Services – Tranche 2, which is planned to establish centralised IT, Procurement , Estate

Management, Plant Management and Strategic Asset Management, services supported by SAP.

Recommendations:

N/A

5. Previous Review Recommendations

An SoG PMO Review – Investment Decision was completed on 14 March 2012. The main recommendations were:

- The outline business case should be updated to produce a full business case that includes the current estimated costs, benefits and results of sensitivity testing, particularly around the numbers of posts saved in order to demonstrate that the benefits will outweigh the investment cost.
- Current Status - the Review Team did not find evidence that the business case had been updated.
- A detailed plan should be developed for the Realisation Stage that includes all activities, including the SoG resource requirements, HR activities, communications, testing, data migration and cleansing, and transition to demonstrate that the delivery timetable is achievable;
- Current status - the Review Team found that whilst the planned Realisation Stage to go-live was achieved; the plans did provide adequate support beyond the go-live date.
- There must continue to be visible strong leadership from the top of the organisation, to ensure that the challenging culture and business changes are driven through to completion.
- Current status - the Review Team found that visible leadership must be sustained to ensure that issues are resolved and benefits realised during the operational life of the new services.

6. Next Review

A second Operations and Benefit Realisation review is expected in autumn 2013 to review benefit realisation once the system has achieved steady state operation.

7. Distribution of the Review Report

The contents of this report are confidential to the SRO and their representative/s. It is for the SRO to consider when and to whom they wish to make the report (or part thereof) available, and whether they would wish to be consulted before recipients of the report share its contents (or part thereof) with others.

The Review Team Members will not retain copies of the report nor discuss its content or conclusions with others.

The SoG PMO will provide a copy of the report to review team members involved in any subsequent review as part of the preparatory documentation needed for planning meetings.

Any other request for copies of the Report will be directed to the SRO.

8. Appendix A - Purpose of Operations & Benefits Realisation Review

- Assess whether the Business Case justification for the project at the Investment decision review was realistic
- Confirm that there is still a business need for the investment
- Assess whether the benefits anticipated at this stage are actually being delivered
- Assess the effectiveness of the ongoing contract management processes
- Confirm that the client side continues to have the necessary resources to manage the contract successfully
- Confirm continuity of key personnel involved in contract management/'intelligent customer' roles
- Where changes have been agreed, check that they do not compromise the original delivery strategy
- Assess the ongoing requirement for the contract to meet business need. Ensure that if circumstances have changed, the service delivery and contract are adapting to the new situation. Changing circumstances could affect: partner management; relationship management; service management; change management; contract management; benefits management; performance management
- Check that there is ongoing contract development to improve value for money
- Confirm that there are plans to manage the contract to its conclusion
- Where applicable, confirm the validity of exit strategy and arrangements for re-competition
- Evaluation of actions taken to implement recommendations made in any earlier assessment of deliverability.

9. Appendix B - Summary of Recommendations

Ref No.	Report Section	Recommendation	Status (C.E.R.)
R1	Review of operating phase	<p>Political Leaders and the Executive Leadership Team must support the SRO and:</p> <ul style="list-style-type: none"> - show visible support and sponsorship for this important corporate project - lead on business change and reinforce the message that this is a vital SoG corporate initiative; and - emphasise the importance of resolving go-live issues such as unpaid invoices. 	C
R2		Formally extend the project to December 2013 to provide support for the implementation and benefit realisation phases including re-establishing the project team with a full time Project Manager, Business Change Manager, Benefits Realisation Manager and suitably empowered Departmental SAP Reps.	C
R3		Urgently resolve critical SAP issues (bank reconciliation, budgeting and planning) and ensure that there are SoG resources from functional areas and departments allocated to test, deploy and support implementation of fixes whilst continuing to ensure that these fixes remain high priority for CGI.	C
R4		Resolve essential SAP issues (browser compatibility and dashboard reports).	E
R5		Ensure that corporate IT prioritises and addresses the connectivity issues in the Education Department	E

Ref No.	Report Section	Recommendation	Status (C.E.R.)
R6		Strengthen the STSC by appointing temporary resources to deal with the peak of post go live issues, including clearing the invoice backlog, providing a greater training capability and updating and improving training materials.	C
R7	Business case and benefits management	Appoint a Benefits Realisation Manager and allocate Departmental resources to support benefit realisation (particularly of benefits originating from Departments).	C
R8		Develop and execute a Benefits Realisation Plan	E
R9		Ensure ongoing and visible senior sponsorship for realising benefits.	C
R10		Continue to identify and where possible quantify non cashable benefits (including taking account of any possible disbenefits).	E
R11		Acknowledge and celebrate corporately achievements and successes.	R
R12	Plans for ongoing improvement in performance and innovation	Baseline current service levels so that future improvements can be measured.	E
R13	Review of organisational learning and maturity targets	Ensure that there is a holistic SoG wide lessons learnt process to capture and share lessons across the whole organisation.	R

Each recommendation has been given Critical, Essential or Recommended status. The definition of each status is as follows:

CRITICAL - Critical for immediate action, i.e. to achieve success the project should take action immediately to address the following recommendations:

ESSENTIAL - Critical before next Review, i.e. the project should go forward with actions on the following recommendations to be carried out before the next Review of the project:

RECOMMENDED - Potential Improvements, i.e. the project is on target to succeed but may benefit from uptake of the following recommendations.

10. Appendix C - Review Team and Interviewees

Names redacted

Appendix D – Documents provided to the review team

Ref No.	Document
1	Business Case v 1.3
2	SAP Supply Agreement
3	Minutes of Project Board meeting 20 Dec 12
4	Customer Readiness Indicators Go Live Checklist and Approval to Proceed Report
5	Risk Log V 1 18
6	Minutes of Project Board meeting 18 Feb 13
7	Cashable Benefits Position 15 Feb 13
8	SAP-STSC Dashboard Report 18 Feb 13
9	Issues Log v 1.11
10	Risk Log Final Feb 13
11	CCNs
12	SLAs
13	Statements of Readiness
14	Support Service Manager Job Description
15	HUB Roles
16	Change Board Action Log

