



Scottish Enterprise

BT Programme Evaluation

Final Programme Report

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KPMG

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Foreword

Business transformation is emerging as the key agenda for the public sector in order for it to meet the challenge of efficiency and continuous improvement.

Scottish Enterprise has led the way in this area in the design and implementation of its Business Transformation Programme between 1999 and 2003. This initiative was both bold in its vision and broad in the scale of ambition, seeking to fundamentally transform how it operated and meet the needs of its customers through a series of interdependent projects.

The programme, implemented and successfully mainstreamed into the business, has enabled the organisation to consolidate its network and deliver significant efficiency savings in terms of financial benefits and headcount reduction that also created a new kind of organisation. In doing so it shifted the culture of Scottish Enterprise towards a greater focus on performance, customer service and the use of technology, whilst introducing new skills into the organisation.

KPMG were asked to undertake a post-implementation evaluation of the Business Transformation Programme to assess its achievements, highlight emerging issues and identify the lessons learned that could help the organisation continually improve.

We conclude that Scottish Enterprise has demonstrated real achievement and progress in transforming its business and, in doing so, has laid the platform for its future success as an organisation. If it can build on the lessons learned it will no doubt continue on its upward improvement curve.

The transformational activity undertaken within Scottish Enterprise between 1999 and 2003 compares very favourably with other organisations that have taken on this level of change. For organisations embarking on the journey of business transformation and wishing to learn by example, Scottish Enterprise therefore provides a very important benchmark for how to take on this difficult challenge.

KPMG
June 2005

Contents

1	Executive Summary	5
1.1	Introduction	5
1.2	Programme Analysis & Review	6
1.3	Conclusions	9
2	Introduction	12
2.1	Introduction and purpose of the document	12
2.2	Structure of this report	12
2.3	Scope of this evaluation	12
2.4	Terms of reference	13
2.5	Evaluation of BTP	13
2.6	Evaluation of BT projects	15
2.7	Limitations on use	15
3	Context	17
3.1	Introduction	17
3.2	The historical development of BTP	18
3.3	The BTP approach	18
3.4	Expected benefits of BTP	19
4	Programme Analysis & Review	20
4.1	Overview	20
4.2	Phase 1 Analysis –Visioning & Concept	20
4.3	Phase 2 Analysis & Design	21
4.4	Phase 3 Analysis	25
4.5	Programme management	26
4.6	Overall analysis of cross-cutting issues	30
4.7	Cultural change achieved through BTP	35
5	Financial Review	38
5.1	Overview	38
5.2	Methodology	39
5.3	Costs	39
5.4	Benefits	41
5.5	Assessment of benefits	43
5.6	Net Present Value (NPV)	46
5.7	Monitoring of benefits achievements	48
5.8	External Support Costs	49
6	Conclusions	51
6.1	Key achievements	51

6.2	Emerging issues	54
6.3	Additionality & Attribution (Value for Money)	57
6.4	Lessons learned	59
6.5	Leading practice assessment	71
7	Final Thoughts	75
7.1	Life beyond BTP	75

1 Executive Summary

1.1 Introduction

1.1.1 Purpose

KPMG were commissioned in May 2004 to undertake an evaluation of the Business Transformation Programme (BTP) undertaken by Scottish Enterprise (SE) between 1999 and 2003. The emphasis on this evaluation is to review what happened in relation to the programme, what was achieved and identifying the lessons learned that can help SE sustain its goal of continuous improvement.

1.1.2 Scope

The scope of the report primarily covers the transformation period of 1999 to mid-2003, when the programme concluded, to evaluate its achievements and lessons learned. We comment on actions arising since closure in relation to the programme but have not evaluated new initiatives, programme or structural changes that have since arisen.

1.1.3 Terms of reference

The terms of reference, were to:

- Examine BTP as a whole, including the approach taken, how the Business Transformation (BT) projects were identified and taken forward to the present day status and their inter-dependencies;
- Examine both the extent to which the BT projects are meeting their objectives and the effectiveness of BT projects by assessing the costs, operational benefits, impact of headcount reduction, additionality and attribution;
- Examine the monitoring and evaluation arrangements for the BT projects to ensure the anticipated benefits that are being generated through the delivery of the BT projects are captured effectively and to consider what improvements might be made to those existing mechanisms. By assessing “service level” benefits, the study will make recommendations on how they should be measured and on timing;
- Identify learning opportunities to inform future improvements and developments through lessons learned and emerging leading practice with BTP; and.
- Advise where practicable on leading practice and learning, based upon knowledge of working with other organisations in the public and private sector that have undergone a transformation to remain competitive and flexible to help inform SE’s future developments.

1.1.4 BTP approach

BTP was a bold and ambitious initiative undertaken by SE, both in its vision and scale. It is made up of three distinct phases in the business transformation activity of SE between 1999 and 2003, namely developing the vision (Phase 1), analysing and designing the blueprint (Phase 2) and implementing the programme and projects (Phase 3).

The original work on BTP commenced in 1999 and was to become the vision for a programme of transformational projects, which was later referred to as Phase 1.

A second phase, Phase 2, was commissioned to analyse and design BTP in 2000 and the implementation phase, Phase 3, which sits at the core of our evaluation, commenced in November 2001. The programme was completed in June 2003.

Phase 3 involved the delivery of BT projects. 23 projects were implemented as part of BTP.

1.2 Programme Analysis & Review

Our programme analysis and review is based around the key tools we used during our evaluation, including interviews, workshops, data and document review and a staff survey we designed in conjunction with the Steering Group.

We comment on the key aspects of BTP below.

1.2.1 The vision for BTP

The initial vision for business transformation was derived through the Knowledge-Web (K-Web) project until the production of a blueprint document in Phase 2 when the name BTP was then adopted to spearhead the initiative. The broad vision at the vision phase was appropriate, though it is less clear how the vision was formally aligned into the broader strategy of SE at the time, other than its association with *A Smart Successful Scotland*.

1.2.2 BTP design

At the design phase a route map showing the key steps for a blueprint for transformation was developed. This was a very structured and well tried approach that delivered a comprehensive blueprint. In our view, the approach adopted was fit for purpose. The blueprint itself was professionally developed and produced and contains all the design criteria needed to complete an implementation plan.

1.2.3 Project selection and implementation

Phase 3 led to the fundamental re-design of the programme that challenged all project business cases for final inclusion into BTP. The key features of the re-design were: a re-cut of the projects from 44 to 23 constituent projects plus 3 additional projects, a re-assessment of the potential for benefits forecasts to reflect a more reasonable expectation and a clear approach to programme and project management by theme, including the use of project management to support this process. This was a necessary process to ensure that BTP remained capable of delivery and within the investment SE had allocated at the commencement of this phase.

1.2.4 Programme management

A strong feature of this phase was the structure introduced into BTP around programme and project management to drive forward the implementation of the projects. Robust programme management structures, systems and processes were introduced that greatly enhanced the credibility of BTP and significantly improved on what existed at Phases 1

and 2, which, by contrast were considerably less rigorous and clear. Overall, the approach and deployment to programme and project management was appropriate to the needs of BTP

1.2.5 Delivery of projects

The key findings in terms of the delivery of the BT projects are:

- All projects scheduled within the re-cut of BTP at the start of Phase 3 were taken forward and implemented and the organisation is assessing the ongoing benefits of these projects;
- However, some projects were only partially delivered, such as the web platform, and one project, the Strategic Procurement Hub, was fundamentally changed and re-designed following its integration into business as usual;
- In the main, most projects were completed within scheduled timescales. Given the scale of ambition in implementing so many projects over a relatively short timescale this is a significant achievement and further underlines the strength of the programme management arrangements SE had in place; and
- All projects have been handed-over to the business and are now 'business as usual', integrated within the organisation as part of normal operations.

1.2.6 Integration and sustainability

The programme design ensured that BTP had a clear structured approach to moving from project state to business as usual. This was effectively achieved through a project closure reporting process whereby the business unit received the completed work and took on responsibility and a programme closure process that identified and agreed with the Change Board the formal handover process of key programme responsibilities.

Performance measures to reflect new service arrangements still need to be fully developed and integrated into a wider performance system within SE, although a series of service level agreements (SLAs) and performance indicators have been set up in some project areas that have moved to a business as usual status.

1.2.7 Leadership

Leadership is a critical element of a transformation process to sustain the momentum and motivation of an entire organisation. Overall, there is a consistent theme of chief executive leadership of BTP even though the process came under the jurisdiction of three serving chief executives. The significant re-cut of the programme undertaken at the start of Phase 3, having made a substantial investment at Phase 2, is indicative that there was less clarity at the top of the organisation in determining the best way forward for the BTP process at that point in time. However, it is equally indicative of an organisation that appropriately considered risk and the level of funding it was prepared to allocate to BTP.

There is also strong evidence that the appointment of a programme director for Phase 3 was a decisive step in driving BTP forward and the same action at the start of Phase 2 may have alleviated some of the overloading of the Chief Executive and the subsequent delays incurred during and at the end of Phase 2.

1.2.8 Governance

Governance of BTP became progressively stronger, from a less well articulated base, through the three transformation phases, becoming a very important theme of BTP at Phase 3 and developing a rigour that we would expect to find on this scale of programme and investment. The Change Board was well supported and a key vehicle of driving BTP during Phase 3 though it was perceived as being too large and unwieldy and therefore not as agile as it could have been. A tighter Change Board may have alleviated this concern, though SE had to maximise buy-in to BTP.

Risk assessment was a core part of the programme and project management process and was clearly documented. Whilst there were some variations in the quality and compliance to risk, we are clear that, in the main, effective management controls were in place and founded upon a well structured risk assessment process.

1.2.9 Use of consultants

It is evident that the use of external consultants, in principle, was a key component in the success of BTP as they brought new insight and expertise into SE and brought a significant degree of challenge and capacity to deliver the programme. SE as a whole benefited from this experience through an injection of new skills and knowledge into the organisation and in providing rewarding personal development opportunities for staff involved in BTP.

There is evidence of some inconsistency in how each of the three contracted external consultants operated, for example, introducing differing methodologies, styles and approaches across the lifetime of BTP. The adaptations in approaches and methodologies is likely to have added to the cost of BTP, for example, re-working project design added to the cost base.

1.2.10 Cultural change

An additional benefit that was to emerge from BTP was the degree of organisational change that occurred during the process that has fundamentally impacted upon the culture of SE. Key examples where this occurred include: embedding performance management, as a concept and key management tool into the organisation; developing a culture of customer orientation, for example, training for out staff on SE's brand and values, and a need to understand and listen to the organisation's customers through the customer related projects; achieving greater synergy and creating a more joined-up organisation through joint working opportunities opened up by BTP; making a step change in the use of technology through the Web and ICT projects; and achieving significant organisational development through the skills and knowledge acquired at the time.

1.2.11 Costs and benefits

At the visioning phase of BTP it was anticipated that BTP would enable SE generate financial benefits of £200 million and contribute to a reduction in overall headcount by 500.

Our evaluation determined that, as a result of BTP and wider headcount reduction activity that can be attributed to BTP, SE is on track for savings, classified as 'benefits' of £170 million. When compared against a transformation cost which we estimate at £88 million

(including £29million severance costs) this represents good value for money, as it delivers savings in the region of £82 million overall. We have not calculated an overall Net Present Value (NPV) figure for the programme as a whole though have done so for individual projects, mainly due to the use of estimates for Phase 1 and 2 costs and severance costs.

Benefits of £98.2 million are directly attributed to the BT project, categorised as cost savings (£50.4 million), headcount reduction (£6.4 million), productivity (£22.9 million) and higher impact (£18.5 million). Wider headcount reduction, an indirect but associated benefit arising from BTP, was £71.8 million.

Overall, SE met their headcount reduction target of 500 reducing staff numbers by 523. Under BTP, planned headcount reduction within BTP was exceeded despite some projects not achieving what was originally forecast. In total BTP achieved a reduction of 107 against a target of 96, whilst the remainder was achieved through wider headcount reduction as a result of other BTP associated activities in particular the implementation of the Future State Operating Model.

1.2.12 The additionality and attribution of BTP

On the basis of the evidence we have evaluated we are able to conclude that BTP has been successfully implemented and adopted. There have been difficulties along the way which have had to be addressed as you would expect with any project of this scale and vision. As a consequence BTP has on balance not achieved all of the things it set out to achieve. However, SE is now a fundamentally different organisation than the SE that existed before BTP.

BTP delivered additional benefits covering financial, operational and cultural aspects. In the case of attribution there is very strong evidence to support the causal relationship between the actions associated with BTP and the outcomes achieved. Significant change has been delivered. SE is very much now a different organisation to that which existed pre-BTP. A large degree of this change can be attributed to BTP.

1.3 Conclusions

1.3.1 Key achievements

There are many positives to come out of the evaluation of BTP that demonstrate real achievement and progress within SE and which provides strong evidence of its ongoing development, namely:

- Overall the programme has broadly achieved what it set out to do. The transformation in Phase 3 was effectively overseen and implemented within the planned timescales;
- There is strong evidence that BTP, as a series of interdependent projects with a single programme, acted as an enabling vehicle for the organisation to change and transform;
- The vision of the BT programme was impressive, both in terms of driving efficiency savings and becoming more customer-orientated. It was ahead of UK public sector thinking at the time and far-reaching in its ambitions;

- SE now has the opportunity to build on its transformational successes and consolidate lasting change and improvement into the culture of the organisation;
- Cultural change, particularly in laying down platforms for performance improvement and the importance of customer orientation and SE's brand and values, produced very significant additionality for SE;
- The use of consultants was essential for SE to bring the capacity, expertise and degree of momentum and challenge to the transformation process;
- In our view the overall spending on BTP provided value for money for SE as the net benefits more than outweigh the cost of change; and
- Much of the transformational activity, implemented through projects, is now mainstreamed within the organisation. Business as usual reflects the success of the transformation across a range of service areas.

1.3.2 Emerging issues

SE aims to be a learning organisation and has invested significantly in ensuring that lessons arising from its experiences can be linked back into a cycle of continuous improvement. We identify a number of issues that are important for SE to consider, namely:

- Phase 2, the analysis and design period, was longer than normal and lost the organisation time and momentum. It also meant that benefits took longer to come through the organisation. Rigorous programme management and consistency of leadership in initiatives of this type, from start to finish, are important lessons to consider;
- The transformation process created new cultural challenges for SE, for example, a perceived centralisation of many services and a 'power' shift in the organisation. Given the degree of process change made to SE, which has been largely overlaid on a structure relatively unchanged for many years, we are surprised that structural change did not follow to further consolidate the direction of travel, for example, considering whether the current structure and number of LECs were still relevant for the transformed network;
- An additional outcome of BTP has been the impact of upskilling key parts of the workforce. The organisation had no clear strategy to capture and retain knowledge as a result of BTP and therefore the investment made in many staff has not fully benefited SE following closure of the programme;
- In future transformation of this nature SE will need to design best approaches and processes to establish baselines for people and budgets. Post evaluation is inherently more difficult where baselines and clear audit trails cannot be followed through design issues;
- The less positive view of BTP by staff we surveyed highlights that motivation will remain a challenge for SE going forward for future projects of this nature; hence the need to use positive reinforcement of what was achieved through BTP;
- Resourcing was an issue during BTP. Some projects encountered resourcing problems despite being earmarked at the time. The shortfalls impacted the time

required to complete some of the projects. Resource planning, deployment and management will need further strengthening in initiatives of this scale, the key onus being on the leadership team to ensure that resources remain constant and available wherever practical; and

- Overall we found that leadership was inconsistent during the three phases of BTP. Hands-on delivery and the difficult change management such as headcount reduction and the management of consultants were delegated and it is less clear how key BTP decisions were taken as part of core strategic business within SE.

1.3.3 Lessons Learned

We identified more specific lessons that can be learned from the evaluation of the BT Programme around three main groupings, namely: *Business Transformation* – lessons that have implications for future transformational activities for SE or for other organisations that may seek to go down a similar approach; *Programme Management* – lessons that inform future programme management activity in relation to programme design, management and review; and *Project Management* – practical lessons relevant to project management within SE that will inform SE's training and development, project management systems and protocols.

The lessons we identify, in the main body of the report, should enable the organisation to carefully consider how it will inform change, learning and development as part of its ongoing transformational efforts within the organisation.

1.3.4 Next Steps

We now expect SE to take forward the conclusions and lessons learned from this report and consider what actions it will take. It will be important to consider whether some actions can be taken in the short or medium term and whether they can be incorporated within existing planning and continuous improvement processes established within SE.

1.3.5 Acknowledgement

KPMG would like acknowledge the support given to us by SE staff during this evaluation, particularly the efforts of nominated steering group members for their help and guidance.

2 Introduction

This section introduces the report, explaining its purpose, structure, scope, approach and methodology adopted and its limitations of use.

2.1 Introduction and purpose of the document

KPMG were commissioned in May 2004 to undertake an evaluation of the Business Transformation Programme (BTP) undertaken by Scottish Enterprise (SE) between 1999 and 2003. The emphasis on this evaluation is to review what happened in relation to the programme and focuses mainly on what was achieved and on identifying the lessons learned that can help SE sustain its goal of continuous improvement.

The evaluation looks at benefits that arise as a result of BTP. Whilst BTP covers the four year period of 1999-2003 the benefits have been assessed over the period 2001-2006.¹

This document is the final report on the evaluation of BTP, focusing at a programme level, and accompanies the learning reports produced by KPMG as part of the overall evaluation.

2.2 Structure of this report

The report, from this point forward, is structured around the following sections:

- **Section 2** introduces the report, explaining its purpose, structure, scope, approach and methodology adopted and its limitations of use;
- **Section 3** explains the Business Transformation Programme, summarises its aims, vision, ambition, scope and benefits expected;
- **Section 4** sets out our analysis and review, at programme level, of all stages of the BTP;
- **Section 5** sets out the financial review of costs and benefits;
- **Section 6** summarises our conclusions on the achievements, benefits gained and the lessons learned as a result of the BTP; and
- **Section 7** sets out our final thoughts.

2.3 Scope of this evaluation

The scope of the report primarily covers the transformation period of 1999 to mid-2003, when the programme concluded, to evaluate its achievements and lessons learned. We comment on actions arising since closure in relation to the programme but have not evaluated new initiatives, programme or structural changes that have since arisen.

The programme report evaluates BTP at programme level and is therefore concerned with the actions and activities in relation to the vision for BTP, the design of the programme and the overall implementation and programme management. It is essentially a forward looking document and therefore does not focus upon the individual reviews of projects. These have been dealt with separately through a series of learning reports that accompany

¹ A five year calculation of benefits has been used in this evaluation. In practice some benefits will continue beyond the 2006 period, for example, reductions made in headcount.

this report and are deliberately more mechanical in nature to test what was achieved/not achieved within each of the projects. The direction of the report is to offer good practice for ongoing change and improvement within Scottish Enterprise and to more specifically enable the organisation to further enhance its approach to business transformation, programme and project management. The report will cover all requirements set out in the original brief, except where insufficient evidence is available, to provide meaningful commentary and analysis. We refer to specific scope limitations of this work, including what the evaluation does not cover, in Section 2.7 ‘Limitations on Use’.

2.4 Terms of reference

The terms of reference, based upon the original brief and agreed within the evaluation Project Initiation Document (PID), were to:

- Examine BTP as a whole, including the approach taken, how the Business Transformation (BT) projects were identified and taken forward to the present day status and their inter-dependencies;
- Examine both the extent to which the BT projects are meeting their objectives and the effectiveness of BT projects by assessing the costs, operational benefits, impact of headcount reduction, additionality and attribution;
- Examine the monitoring and evaluation arrangements for the BT projects to ensure the anticipated benefits that are being generated through the delivery of the BT projects are captured effectively. By assessing “service level” benefits, the study will make recommendations on how they should be measured and on timing; and
- Identify learning opportunities to inform future improvements and developments through lessons learned and emerging leading practice with BTP and externally.

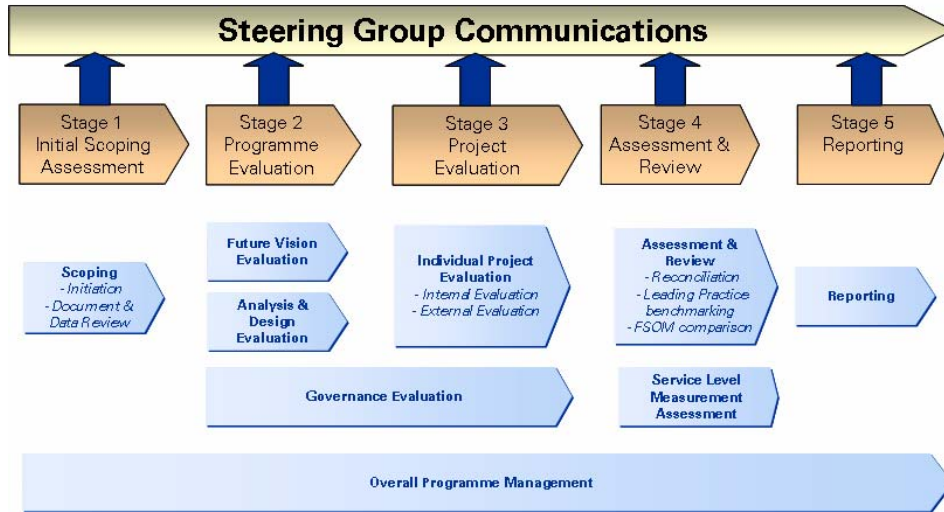
2.5 Evaluation of BTP

The approach adopted was a top-down evaluation that scopes and evaluates the programme as a whole at the outset, evaluating the 25 projects as a series of ten groups and concluding with an assessment that drew together all findings from our analysis and review of the BTP and projects.

The detailed approach and the technical deliverables are set out in detail within the PID and should be referred to as necessary.

The graphic overleaf sets out the approach that was adopted. An important element of the approach was the ongoing engagement of the Steering Group that provided operational input and challenge and a formal monitoring and reviewing role when meeting as a full Steering group alongside independent members from Scottish Executive. We acknowledge the important contribution played by their role in providing internal guidance, co-ordination and challenge to the evaluation process. Importantly, however, this report represents an independent view of BTP and its achievement and lessons learned.

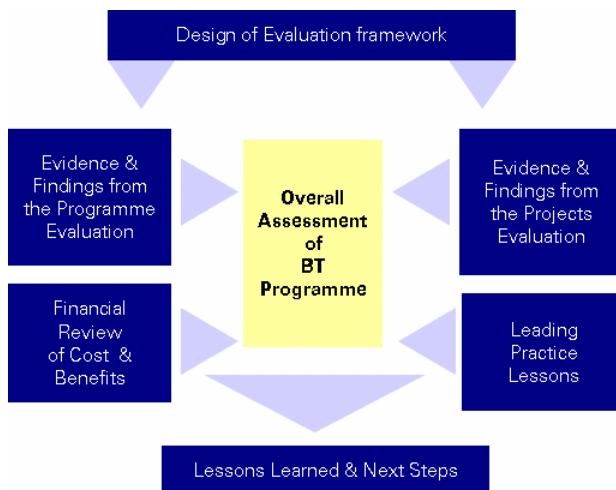
Figure 2.1 Evaluation Approach



We assessed costs and benefits as a single exercise to ensure consistency across the programme.

The graphic below sets out an overview of our approach to the production of this document which draws together the key strands of our evaluation into a final and overall commentary on the programme as a whole.²

Figure 2.2 Producing the evaluation



² Further details on our approach and methodology can be sourced within the evaluation PID and proposal

2.6 Evaluation of BT projects

The 25 BT projects from Phase 3 have been grouped into 10 core strands, as agreed at the start-up evaluation meeting with the Steering Group on the 31st March 2004:

Table 2.1 Core strands of the projects

Groups	Projects
Group 1	Shared Services (Finance, Audit, Compliance)
Group 2	ICT Shared Services, Strategy and Service Management
Group 3	Performance Management
Group 4	K-Packs & Communities of Practice
Group 5	Network Products & Development
Group 6	3rd Party Contractors
Group 7	Strategic Prioritisation
Group 8	The Customer
Group 9	Shared Services (HR, Customer Relations, Legal, Procurement)
Group 10	The Web

We agreed at the outset with the Steering Group how the BT Projects would be evaluated. Our shared assumptions were that project evaluation should be undertaken in natural groups to reflect an agreed rationale, which was based upon:

- Common types of projects, such as shared services;
- Projects that were completed early on in the programme or were the last to close;
- Projects with strong interdependencies such as the customer related projects; and
- Projects that had common operational ownership and could therefore benefit by taking forward lessons learned as a whole.

In total we produced 16 learning reports covering the 10 groups. Multiple reports were produced for some groups where it was considered necessary to break down report findings at the single project level. The wider lessons related to these project are referred to later in this report.

2.7 Limitations on use

The evaluation is based upon the agreed scope as per our Letter of Engagement and Project Initiation Document.

This document is intended for the sole purpose of Scottish Enterprise and its representatives. It should therefore not be used or relied upon by any other party or for any other purposes, though we would expect wider interest in the report.

The programme report will focus primarily on the BT evaluation at programme level, drawing on both the evaluations of individual projects within the programme and the programme itself. It is written in a manner that focuses upon lessons learned so that it is forward looking and enables Scottish Enterprise to improve its approach to transformation, managing change and continuous improvement, as well as programme and project management.

The report will cover all requirements set out in the original brief except where insufficient evidence is available to provide meaningful commentary and analysis. This will apply to areas such as the use of consultants and impact of headcount reduction. Where evidence is less clear we do, where possible, endeavor to discuss these areas through examples.

The scope of the report will primarily cover the transformation period of 1999 to mid-2003 when the programme concluded to evaluate its achievements and lessons learned. We would expect to comment on actions arising since closure but we will not evaluate new initiatives, programme or structural changes that have since arisen, for example, the evaluation of the change agenda. Lessons learned and areas for improvement have therefore been identified from this 5 year period in line with the approach adopted by Scottish Enterprise.³

Information for this report, including the financial data, was supplied to us by Scottish Enterprise staff, as well as researched from publicly available sources. Whilst we have no reason to believe that the information supplied to us is inaccurate, we have not been asked to nor have we independently verified the accuracy of this information.

³ We understand from discussions with Scottish Executive that, in general, 10 Net Present Value (NPV) figures are used in Scotland. Whilst this is not mandatory, the application of this approach potential delivers greater benefits over and above those stated in this report.

3 Context

This section explains Scottish Enterprise’s historical development of the Business Transformation Programme, approach adopted and the benefits expected.

3.1 Introduction

Scottish Enterprise (SE) is the key economic development agency for Scotland, covering 93% of the population in Lowland Scotland from Grampian to the Border. It was established in 1990 as a non-departmental public body (NDPB) and is a key vehicle for the Scottish Executive. The organisation, when first established employed over 2000 people and oversaw an annual budget of £500 million covering a wide range of economic development activity. The Chief Executive and other members of SE Board are accountable to the Scottish Executive which provides SE’s main funding source.

SE, over recent years consolidated to become a network that consists of its main base at Atlantic Quay, Glasgow and 12 Local Enterprise Companies (LECs). Working in partnership with the private and public sectors, it aims to secure the long-term future of the Scottish economy by making businesses more competitive.

To address this challenge and exploit the opportunities, Scottish Ministers introduced a national enterprise development strategy entitled *A Smart, Successful Scotland*⁴. This was to become an important driver behind BTP alongside a theme of running the business and continuous improvement. *A Smart, Successful Scotland* provides both the strategic direction for the Enterprise Networks (Scottish Enterprise and Highlands & Islands Enterprise) and an Enterprise Strategy for Scotland, through which others can share and contribute.

The priorities within the strategy, which has recently broadened its remit, are shown in the diagram below:

Figure 3.1 SE Economic Development Strategy Priorities



Source: Scottish Enterprise Operating Plan 2005-2008

⁴ *A Smart, Successful Scotland* was introduced in 2001 and refreshed in 2004.

3.2 The historical development of BTP

Business transformation was envisaged in April 1999 as a way of modernising and improving SE. Its foundations lay in the work of the Network Management team that agreed that in order for SE to become better at delivering economic development, it needed to be more open, accessible and accountable through the use and communication of knowledge.

At this time, the project was known as K-Web (Knowledge Web) and was mainly based around the concept of better reporting on performance and improving the infrastructure to enable knowledge sharing both internally and with its customers and stakeholders.

K-Web envisaged that SE could develop further as a leading economic development agency, using and communicating knowledge to improve its services, deliver greater impact and create value for its customers. In addition, a strong infrastructure would provide the platform for e-government to become a key medium through which to do business.

It became apparent however that there were opportunities to radically rethink business processes and maximise benefits to the organisation. The transformation of the business, later known as BTP, the basis for our evaluation, took forward a programme of interdependent projects that were anticipated to achieve these aims and support the creation of a Smart, Successful Scotland.

The resulting programme that became BTP was based upon the rationale of a transformational approach of business process re-design that would drive a number of operating benefits, both in terms of service improvement and efficiency gains. By removing a large element of transactional processing, it was perceived that opportunities existed to enhance the value chain and improve customer interaction; increase the customer base whilst improving the quality of service and achieve greater efficiency in transactions, both internally and externally.

At the time this degree of transformation was generally considered to be very ambitious and forward-looking with little in the way of antecedents elsewhere in the public sector. Whilst a theme of modernising public services has been a key national policy agenda since 1998, transformation through business process re-design on this scale was not so apparent and there were very few examples that SE could examine at this stage. In this respect BTP might be seen as a pathfinder for other parts of the public sector in Scotland.

3.3 The BTP approach

The original work on BTP commenced in 1999 and was to become the vision for a programme of transformational projects, which was later referred to as Phase 1.

A second phase to analyse and design BTP commenced in 2000 and the implementation phase, Phase 3, which sits at the core of our evaluation, commenced in November 2001. The programme was completed in June 2003.

BTP covered the three key phases of activity set out in Table 3.1 below:

Table 3.3 Key Phases of BTP activity

<p><i>Phase 1 (completed January 2000)</i></p>	<p>Included high-level network review informing the business case; BPR training; workshops; developing a framework for the future and developing a business case.</p> <p>This work was undertaken by PA Consulting Group</p>
<p><i>Phase 2 (completed June 2001)</i></p>	<p>Included the analysis of current business processes; way forward workshops; analysis of Best Practice and process mapping / organisational change.</p> <p>This work was undertaken by Cap Gemini Ernst & Young.</p>
<p><i>Phase 3 (commenced July-November 2001 – completed June 2003)</i></p>	<p>Included review of BT programme governance arrangements, the development of a programme plan and structure and the implementation of the projects.</p> <p>This work was undertaken by an internal BTP team within SE and supported from implementation partners Deloitte and Touché.</p>

3.4 Expected benefits of BTP

The expected benefits of the BTP to SE were quantified as:

- The net savings in costs (other than those associated with staffing) arising from the implementation of BTP;
- The net saving in staff and running costs arising from the implementation of BT solutions through reducing the number of staff required to be employed in these respective areas;
- Productivity gains following the implementation of BTP;
- Benefits arising as a consequence of the network reprioritising its operational activities by implementing a new strategy; and
- Wider headcount reductions.

At the design stage benefits were clearly set out at hard measurable benefits though it is clear from our evaluation that other, less tangible, benefits were to emerge, particularly in respect of organisational change and development of the workforce, which we comment on in our analysis and conclusions.

4 Programme Analysis & Review

This section sets out our analysis and review, at programme level, of all stages of the BTP.

4.1 Overview

BTP is made up of three distinct phases in the business transformation activity of SE between 1999 and 2003, namely developing the vision (Phase 1), analysing and designing the blueprint (Phase 2) and implementing the programme and projects (Phase 3).

Whilst each of the phases is distinct they were not discrete – continuity was important between each phase. However to analyse and review BTP this section is constructed around the following approach, namely:

- Analysis and review of each of the phases where specific issues relate to a phase; and
- Overall analysis and review of themes that cut across all phases such as leadership, governance and risk management.

The programme analysis and review is based around the key tools we used during our evaluation, namely interviews, workshops, data and document review and a staff survey we designed in conjunction with the Steering Group.

We do not assess value for money and financial aspects of the programme in this section; this instead is addressed in the following section and both form the basis of our overall analysis that drives the conclusions later in the report.

4.2 Phase 1 Analysis –Visioning & Concept

The Phase 1 analysis and review focuses upon the initial visioning that was conducted in 1999 that originally led to the conception of BTP.

4.2.1 Approach adopted to developing vision

The vision for BTP derived from the original work of the K-Web project was personally led by the then-Chief Executive. The vision was developed through the engagement of a consultant, PA Consultants, whose work included:

- A high-level review of SE across its network to understand its structure, current approach and the opportunities that existed to transform the organisation;
- Using the analysis to inform the business case;
- Raising awareness of transformation through business process engineering training and facilitating management workshops to develop vision; and
- Developing a framework for the future and assembling the initial business case.

Phase 1 was conducted using a recognised and structured approach. This approach, which was largely focused upon the management of the organisation, through a series of development workshops enabled SE to produce a vision and route map from which BTP could be taken forward, primarily through the production of the business case, for internal

justification, and the invitation to tender (ITT) externally when the organisation concluded that external support would be need for the next phase.

This phase however was not underpinned by strong project management and limited documentation was available from this phase for evaluation and review. In this context, whilst the approach to developing the vision is broadly sound there is not enough detailed evidence available to determine:

- The role of external consultancy for the added value gained from their involvement; or
- The degree of learning and skills transfer that took place.

We saw limited evidence of governance arrangements for Phase 1. The main sponsor of the work was the Chief Executive who formed a short-life Steering Group, though formal project management is not evident, such as a project initiation document. The above points are lessons learned for SE that can be incorporated in future approaches, for example, through a clear developed specification and subsequent project management that states specific inputs and outputs, how data and documentation will be managed and the process for knowledge and skills transfer. We are clear however that improvements were made at later stages in BTP which shows early evidence of learning and applying lessons as part of the process.

4.2.2 The appropriateness of vision

The initial vision for BTP was derived through the processes implemented in Phase 1. K-Web⁵ remained the driver for BTP up until the production of a blueprint document in Phase 2 when the terminology around BTP was then adopted.

The development of the business case and vision at Phase 1 was initiated and given overall sponsorship by the Chief Executive. However at the end of this phase a new Chief Executive was appointed and the programme was formally re-defined at the next phase.

The broad vision at this phase was appropriate, in the sense that it simply adopted the K-Web vision, though it is less clear how the vision was formally aligned into the broader strategy of SE at the time, other than its association with *A Smart Successful Scotland*.

4.3 Phase 2 Analysis & Design

The Phase 2 analysis and review focuses upon the design and analysis stage of BTP carried out from May 2000 to July 2001.

4.3.1 Phase 2 BTP design principles and approach adopted

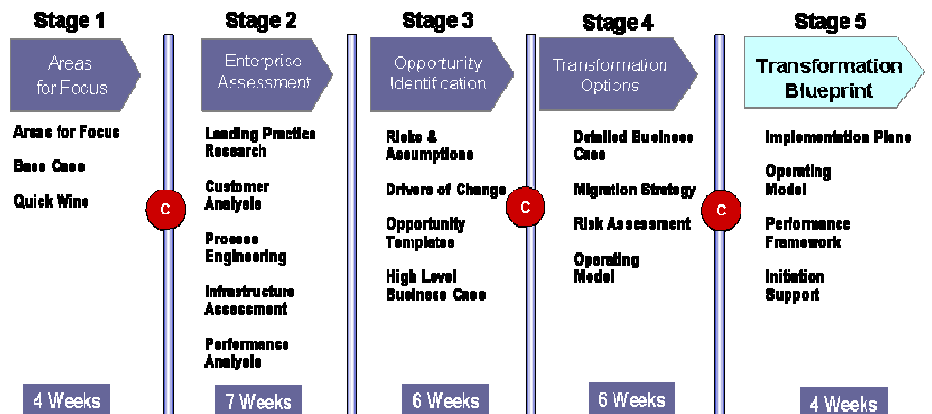
Phase 2 was a more significant piece of work that ultimately led to the development of a blueprint document that set out what would be transformed and how transformation would take place.

At the outset of this work, which was scheduled to be conducted over a 27 week time scale, was a route map, below in Figure 4.1, which would drive the production of a blueprint document. In order to deliver the blueprint, key tasks included:

⁵ As outlined in Section 3.2

- Identifying the key areas for focus and confirming the business case;
- Detailed assessment of the organisation including an analysis of business processes; way forward workshops, customer analysis and analysis of leading practice;
- Development of opportunities, high level and detailed business case, risk assessment; and
- The production of the transformation blueprint.

Figure 4.1 Route map to produce blueprint



SE appointed consultants (Ernst & Young, later to become Cap Gemini Ernst & Young (CGEY)) to work alongside them in the development of the blueprint which was scheduled for completion by October 2000.

The route map was developed by CGEY and this was a very structured and well tried approach designed to deliver a comprehensive blueprint. The blueprint was delivered in December 2000 following the production of a package of information relating to each of the opportunities developed to business case which were provided to the SE Challenge Panel in October 2000. The panel advised on the final decisions on what should be taken forward with indicative timescales. These were later captured on the blueprint, which was published and distributed in a CD format. The delay was due to additional time taken to fully develop the business case and blueprint and therefore the original route for development was marginally too ambitious, though the over-riding importance of getting the detail right cannot be overlooked in this type of work. The lesson learned is to allocate more time, as a contingency, to produce this form of strategic documentation.

In our view, the approach adopted was fit for purpose. The blueprint itself was professionally developed and produced and contains all the design criteria needed to complete an implementation plan, namely:

- Definition of the 44 transformation projects to be adopted;
- Stream design to set out how delivery should take place,
- Programme organisation and reporting mechanism,
- Governance arrangements including the structure and roles of an executive steering group (in Phase 3 called the Change Board); and

- Risk management arrangements.

In addition, the blueprint contained a tool kit of processes and approaches needed for implementation, though most tools are technical in nature and did not relate to ‘softer’ transformational and change management issues, such as the management of change and culture, selling concepts and managing resistance to change, managing performance and skills needed for effective programme and project management. However many key tools assembled at this stage were used and applied, for example, the use of benefits templates, risk assessment processes and programme management structures, though adaptations were made later by Deloitte and Touché.

The proposed schedule and interdependency of the work-streams were also delivered in significant detail at this phase and provided SE with a clear platform to move forward to the implementation phase of BTP.

4.3.2 Business case and blueprint justification

The business case and the production of the blueprint represented the core justification for taking forward BTP.

Business Case

The full business case was not worked up in practice, as planned in the original route map. Instead only an outline of the business case was presented and the support used in this phase was geared up to focusing upon what should be transformed and how that transformation should take place, i.e. a working assumption that transformation was required without the need to produce a full business case, though an initial case was prepared. Whilst this is a common occurrence in this type of transformation activity, particularly when the leadership of the organisation is clear that the vision and strategy will be implemented, it does not provide a clear and transparent audit track to fully justify the actions going forward, though two factors should be taken into account, namely:

- An investment plan was worked up at high level to estimate the funding that would be required by SE to implement BTP (a figure of £18 million); and
- Phase 3 was to build on from the blueprint work of this phase and work up in detail the full implementation plan and establish the cost benefit templates.

The approach to business case preparation therefore fell short of expectations from the original route map and in terms of typical expected practice. For example, we have seen no evidence that benefits were fully quantified at this stage in terms of high, medium or low expectations or any articulation of what the impact specific projects not being taken forward might have had on the wider BTP process. Anecdotally however, we were told that some degree of quantification had taken place. The degree of prioritisation for the projects identified at this phase was unclear which was left unresolved until Phase 3 when the projects were cut down from the original 44 to a more manageable target of 23 BT projects. It is therefore clear to us that the use of business case justification was not a strong driver in the process; instead a much stronger drive emerged behind fulfilling a vision through a sense of confidence and boldness.

This approach is both impressive in its desire and ambition but equally representative of a high risk strategy that moved BTP forward without firm business justification foundations.

Blueprint

The blueprint and its associate documentation including leading practice research, arrangements for programme and project selection and a wealth of other material was captured within a CD. However, given the investment made in developing the blueprint there is limited evidence that knowledge and skills transfer took place, for example, through a structured process or by staff awareness and education training but rather more informally through some SE team members picking up new skills by working alongside external consultants. We are aware however that training for work stream managers did take place alongside the consultants. This was a lost opportunity for SE to significantly improve the awareness of both the transformation process and the knowledge and skills needed to undertake this. A responsive and more thought out view of how this knowledge and information could be shared across the organisation might have impacted upon the level of external consultancy support engaged for Phase 3 of BTP, for example, reducing the level of support needed.

In terms of the development of the blueprint it is unclear how the wider organisation was engaged in the process, though anecdotally staff surveys and workshops were used to inform the process. SE also sought to gain wider external understanding through its 'Voice of the Customer' initiative. Mostly, however, the development was essentially a top-down process where the wider involvement and buy-in of staff was quite limited at this phase of BTP. In the absence of a change management process that achieved a clear buy-in at the outset it is certain that SE faced atypical change management problems within the workforce such as fear of change, resistance to change and mistrust of organisational leadership. The 'selling' of the blueprint and the principle benefits to be achieved through BTP gave SE a clear opportunity to tackle and address these change issues. Despite facilitating a number of 'network' sessions to inform staff, these opportunities were not taken at the time and change management continues to be a major theme for the organisation.

In the absence of a full business case we would expect to see within the blueprint a clear business rationale to support the aspiration to be the best enterprise agency. This element of the blueprint was significantly under-developed and does not provide the degree of clarity needed to evidence the robustness of decision-making at this stage. A key lesson learned for this phase of BTP is the importance of business case justification and ensuring that a process is underpinned by strong project management, so that variations from original plans can be fully captured and explained.

A detailed risk assessment was undertaken as part of the exercise however risks mainly relate to those associated with Phase 2 rather than the implementation process and the overall risks of taking BTP forward. We would expect to see a more detailed risk assessment to take place alongside the business case justification and the benefits assessment so that the organisation and its stakeholders are absolutely clear of the expected risks and rewards and how risks would be mitigated.

In terms of BTP overall, the production of the blueprint and the way forward it set out was a valuable piece of work that laid the foundations for Phase 3. Where concerns have been identified as far as business planning and project management are concerned for this phase, it is clear later in the process that much more robust governance and project arrangements were in place which counterbalanced some of the deficits at this phase.

On a comparative basis with other change programmes, Phase 2, with appropriate leadership and project management arrangements in place, could have been completed earlier, possibly within three months, to get to a key decision point of how to proceed and with what justification. This would have maintained momentum, commenced the implementation phase earlier and with greater certainty and therefore have begun the process of benefits realisation at an earlier period in the change cycle. We accept though that SE wanted to learn as they progressed and was, correctly, less willing to be 'led' by the consultants.

4.4 Phase 3 Analysis

Phase 3 is the key element of BTP, the implementation phase between July 2001 and June 2003, concluding finally in August 2003 with the presentation of a programme closure report. Our analysis and design therefore focuses upon how the implementation was taken forward.

4.4.1 Programme design and project selection/interdependencies

An unscheduled period of re-consideration and re-design of BTP took place between July and November 2001 to reflect upon the changing needs of SE and to clarify the scale and scope of what was achievable. A key emphasis that emerged towards the end of Phase 2 and the early stages of Phase 3 was the alignment of BTP with the strategy for *A Smart, Successful Scotland (SSS)*. This approach undoubtedly strengthened the relevance and emphasis of BTP and also aligned it to the political landscape, though also raised high expectations outside of the organisation about what would be delivered. In reality the linkage was purely tactical; SSS could have said many things in terms of enterprise development; the importance was in drawing the two strands together, which in turn strengthened the relevance of SSS.

The emphasis on driving efficiency and productivity improvement through BTP as part of the implementation programme design was a known driver by the leadership team by the commencement of this phase – the headline figures being routinely talked about a £200 million saving and a headcount reduction, directly and indirectly related to BTP, of 500 staff. It is less clear however that the wider workforce were as clear about the emphasis on efficiency gains and cost reduction. Again this clear view at the outset of the implementation process set out the expectation both internally and externally placing a clear focus on the desired outcome and a significant imperative on the programme team to deliver.

The appointment of a third consultant, Deloitte and Touché, in July 2001 led to the fundamental re-design of the programme. The key features of the re-design were:

- A re-cut of the projects from 44 to 23 constituent projects plus 3 additional projects as part of a prioritisation and impact assessment exercise. The projects falling out of the re-cut were deemed no longer relevant or strategically important enough to merit their inclusions;
- A re-assessment of the potential for benefits forecasts to reflect a more reasonable expectation of what could be achievable across the re-cut project areas; and
- A clear approach to programme and project management, including the use of project management to support this process.

Table 4.4.1 below shows the 23 projects that formed the basis of BTP at this stage. In addition BTP took on the responsibility for other related projects, 26 in total.

The re-design was a necessary process to ensure that BTP remained capable of delivery and within the investment SE had allocated at the commencement of this phase.

Table 4.4.1 BTP projects by theme

Knowledge and Products	Corporate and Strategic	Customers and Channels	Servicing the Business	ICT
1. Consistent 2. Network Products 3. Communities of Practice 4. K-Packs 5. Web Content	1. Performance Management 2. Strategic Prioritisation	1. Customer Relationship Strategy 2. Brand and Values 3. Customer Segmentation 4. Refocus Third Party Contracts 5. Consistent Customer Management 6. Channel Strategy Marketing and Communications Shared Service 7. SE Web Portal	1. Internal Audit Shared Service 2. Strategic Procurement Hub 3. Finance Shared Service 4. Legal Shared Service 5. HR Shared Service 6. Phase 1 Skills Contract Management	1. ICT Shared Service 2. ICT Strategy and Governance 3. ICT Systems and Service Management

This approach led to the programme being structured around the five core themes of Knowledge & Products, Corporate & Strategic, Customers & Channels, Servicing the Business and Information Communication Technology⁶. Whilst the degree of commonality was strong within each of the themes, and this approach enabled projects to be structured and overseen, project interdependencies, in our view, did not play such a substantial role within BTP as many projects, with the more obvious exceptions around customer and channel strategies and associated customer service projects that had to follow a critical path and the ICT projects, were delivered as relatively independent solutions. The prioritisation process for project selection and sequencing for implementation was therefore less critical in practice.

4.5 Programme management

A strong feature of this phase was the structure introduced into BTP around programme and project management to drive forward the implementation of the projects. Robust programme management structures, systems and processes were introduced that greatly enhanced the credibility of BTP and significantly improved on what existed at Phase 1 which, by contrast were considerably less rigorous and clear. Phase 2 did have better programme and project management arrangements but were not as developed as Phase 3.

Programme management arrangements were designed and introduced by the external consultants and well structured with extensive tracking and reporting mechanisms. These arrangements followed well established principles of good programme management such as the establishment of a programme office, design authority, change board, demand team and implementation covering the five themes of BTP. These arrangements were bespoke in nature, rather than using programme management standards such as the Office of

⁶ ICT is recorded as a theme in some papers but more of a cross-cutting range of projects in others.

Government Commerce's (OGC's) Managing Service Programmes (MSP), but there is strong evidence that they were well designed, documented and implemented in practice.

Programme commissioning was a part of the overall process and the approach to establishing the BT projects was well structured. PRINCE 2 standards were adopted for project management purposes and skills training was provided by the external consultants. The deployment of the project management system was also appropriate. For example, each project produced a Project Definition Document (PDD), refined from the original blueprint, setting out purpose, scope, objectives deliverables and risks that were signed-off by the programme office. In the main, there was a rigorously applied use of PDDs to drive all projects though we found evidence of inconsistencies and variations in the quality of some PDDs, for example, in the clarity of objectives and the robustness of risk management. This may indicate that skills training and monitoring and review processes were not as embedded as expected.

Each project produced a closure report which, although not in a consistent manner, satisfied the requirements of the programme and was signed-off by the Change Board. Some closure reports were light on lessons learned, for example they were too general (e.g. the statement "get top management support" does not indicate what actions are required and what problem is being solved), though the technical requirements of the closure process, such as confirmation of deliverables and handover arrangements, was satisfactory. However, we found some projects have reported successful closure within the scheduled timeframe and that the actions outstanding at the hand over stage to specific individuals were not formally recorded.

Changes to Chief Executives at SE did not significantly impact upon BTP once momentum had been built from Phase 1, though delays in key decisions, for example, changes to SE Board leadership (and therefore buy-in at the top) and changes in consultants were in part influenced by successive Chief Executive. These delays did affect momentum for BTP. Overall however, the strength of the organisational leadership shown by the BTP programme director and leaders directly involved with the BTP process at Phase 3 was well regarded and seen as a crucial element in enabling SE to effectively take forward the implementation phase. However, leadership of BTP was very much left to the Change Board and Programme Director.

The approach and deployment to programme and project management was appropriate to the needs of BTP. In particular the clearer focus and drive is much more evident at this phase, emphasised in the re-assessment of the projects and the clarity of the programme and project management arrangements. Effective programme management and the support of external consultant to provide capacity and support were key ingredients of building and maintaining the momentum for transformation at this stage. SE has benefited more widely from the rigour of this approach, significantly developing the knowledge and skills base of the organisation in programme and project management has significantly improved as a result of BTP.

4.5.1 Delivery of projects

We examined the BT project in groups and reported our findings back through a series of structured learning reports that assessed:

- The rationale for project selection;

- Whether it achieved or will achieve its stated objectives and expected benefits;
- Value for money in terms of economy, efficiency and effectiveness;
- Whether additionality was achieved and the outputs from the project can be attributed;
- Whether best practice was applied; and
- Whether lessons were learned from the experience.

The 16 learning reports that were produced to accompany this report should be referred to for specific details on the achievements made and benefits gained for each project. We also comment in the Financial Review section on the costs and benefits arising from the implementation of the projects.

In summary the key findings in terms of the delivery of the BT projects are:

- All projects planned for delivery within the re-cut of BTP at the start of Phase 3 were delivered and the organisation is assessing the ongoing benefits of these projects;
- Not all projects originally envisaged as part of BTP were delivered. These projects were discounted at the re-cut of 2001 and although re-assessed by the Change Board in 2002, were no longer as strategically important for SE;
- Some projects were only partially delivered, such as the web platform, and one project, the Strategic Procurement Hub, was fundamentally changed and re-designed following its integration into business as usual;
- In the main however, most projects were delivered within scheduled timescales. Given the scale of ambition in implementing so many projects over a relatively short timescale this is a significant achievement and further underlines the strength of the programme management arrangements SE had in place;
- All completed projects have been handed-over and are now 'business as usual', integrated within the organisation as part of normal operations; and
- BTP carried out additional work at the request of the CEO, e.g. The Future State Operating Model and the Time Management pilot, over and above its original resource base.

4.5.2 Business as usual integration and sustainability

The programme design that underpinned this phase of BTP had a clear structured approach to moving from project state to business as usual. This was effectively achieved at two levels:

- Through a project closure reporting process whereby the business unit received the completed work and took on responsibility; and
- Through a programme closure process that identified and agreed with the Change Board the formal handover process of key programme responsibilities.

We found that this process was well managed and executed across the programme. Areas that had not been addressed as envisaged at the PDD stage were absorbed into normal business activity. In the main this did not create any knowledge and skills transfer issues as often business team members had previously been part of the project implementation

team. It is not so clear however, how knowledge and skills transfer was systematically undertaken at the project closure stage to ensure that all staff could benefit from the knowledge gained. SE has had natural staff turnover across the organisation including people that were part of the project implementation process. SE has not routinely monitored the departure of staff that were significantly involved in BTP, for example, through detailed exit interview or knowledge capture processes, therefore the impact and cost of staff turnover is unknown to SE. The absence of a formal knowledge management process at the time of BTP closure limited the degree of knowledge and learning that the organisation could have brought into the business. Such a system at the outset of BTP could have significantly contributed to organisational-wide knowledge and learning of business transformation.

The ownership of the delivery of benefits was assigned to operational heads and was a core requirement of the handover process to take this onboard. We commented earlier upon the need for greater change management as a core of BTP. Whilst we consider this form of operational handover to be an appropriate end of programme activity the lack of emphasis on change readiness at this level would have undoubtedly made this potentially a difficult process, though in some cases the project team became the core operational team, significantly mitigating the risk.

However there were two areas where greater clarity could have been made at the handover stage, namely:

- The process for how risks, including new risks arising from the creation of new forms of service arrangements were to be managed; and
- Initial expectations for measuring the impact, not only in terms of benefits realised, but also in terms of service quality and performance.

The above areas links into one of the areas that the evaluation sought to examine, namely service level measurements.

4.5.3 Service level measurement

Service level measurement was recognised as an important aspect of continuous improvement beyond the BTP process and, at the time of our commission, was not systematically developed. We were asked in the brief to suggest how this might be achieved.

In practice performance measures to reflect new service arrangements still need to be fully developed and integrated into a wider performance system within SE, although a series of service level agreements (SLAs) and performance indicators have been set up in some project areas that have moved to a business as usual status. This has been recognised as part of building on the work of the performance management project with BTP and remains a target within the Operating Plan for 2005-2008, to ensure that the organisation aspires to achieving excellent service delivery and develops better impact measures. Whilst the majority of BTP transformational activity relates to SE's infrastructure and 'running the business' the development of these types of measures equally applies alongside excellent service delivery.

We would expect to see, for example:

- The establishment of a consistent series of service plans and service level agreements for all post-BTP business as usual activities;
- The articulation and assigning of key performance measures that are SMART, balanced between financial and non financial measures but essentially customer facing (both internal and external);
- The alignment of service measures into established performance appraisal systems so that key managers are made responsible for designated key performance targets and measures, both in terms of aligning them with personal objectives and ensuring that the management of performance is core to normal duties;
- The development of an integrated performance measurement and management system, probably using bespoke or off-the-shelf software that is integrated into routine management and business planning processes; and
- An emphasis on building a culture of performance within the current change programme, building on the use of balanced scorecards, both corporately and at service level across SE, as articulated at the closure of BTP in June 2003.

The development of service level measures is an activity that can only be effectively undertaken within the organisation. Effective performance measurement and management systems, in our experience, need to be led internally, drawing upon expertise as required. Development of performance systems also need to broadly engage staff in the process to ensure that performance is a by-word for continuous improvement, not a perceived tool to control the workforce. Building a culture of performance within an organisation is largely a bottom-up process. The role of management is to ensure that it provides the leadership, resources, systems and structures to make it happen.

We recognise that developing service level measures is not contained to post-BTP projects but is organisational wide in nature, and should build upon the performance management project originated within BTP.

Given this, and the aims of the current Operating Plan, we conclude that this evaluation cannot meaningfully suggest or propose these measurements as an outcome of this exercise, though the development of performance measurement and management systems represent a key strategic project for SE going forward to build upon BTP and continue the change and improvement process.

4.6 Overall analysis of cross-cutting issues

There are a number of themes that cut across the three phases of BTP that are best addressed collectively to review the overall impact. We set these out in the remainder of this section.

4.6.1 BTP leadership

Leadership is a critical element of a transformation process. The 52 months taken from the inception of BTP in March 1999 to its conclusion in June 2003 is a considerable time to sustain the momentum and motivation of an entire organisation. Overall, there is a consistent theme of Chief Executive leadership of BTP even though the process came under the jurisdiction of three serving Chief Executives. Whilst leadership styles were different, a theme of commitment was constant within the organisation that transcended the role of Chief Executive.

Within Phase 1 the origin and envisioning of BTP was evidently driven from the top. Phase 1 was a relatively short piece of work and the importance of the Chief Executive as the sponsor was significant in ensuring that the Board was clearly linked in at the outset of what was to become a very large scale transformation programme.

A change of leadership took place before the commissioning of Phase 2 and the production of the blueprint for BTP.

BTP was clearly defined at the Phase 2 stage and is characterised by very strong and committed leadership from the incoming Chief Executive; particularly in the management of the external relationship with the Minister and other stakeholders. The alignment of *A Smart Successful Scotland* to BTP was also pragmatic in helping firmly embed the transformation programme as a core business imperative to SE and particularly external stakeholders. For example, following the alignment of *A Smart Successful Scotland* to BTP the Minister set up Future Skills Scotland (FSS) as the economic think tank and linked Careers Scotland into the SE to provide a strong linkage between learning, education and the economic development of Scotland, thereby strengthening and consolidating the efforts of SE to transform itself as part of a broader aspiration..

Leadership was also critical in obtaining the broad 'buy-in' of the wider network. The Chief Executive also played a very significant role in aligning LECs closely into the BTP process and in tackling constraints and barriers that worked against creating a strong network. A change team was created in Phase 2 led by the Chief Executive which signalled an intention to lead from the top, an essential ingredient of transformation. However the process was slow which suggests the leadership team at the time did not quickly get behind BTP, borne out by the long delay in the creation of a Change Board.

There is some evidence of uncertain leadership between the design and implementation phases which created a disconnection between the end of Phase 2 and the commencement of Phase 3. A significant re-cut of the programme was undertaken at the start of Phase 3, which suggests that there was less clarity at the top of the organisation in determining the best way forward for the organisation. This is quite significant as SE had allocated over £6 million of spending on BTP up to this point and it would have been a reasonable assumption to expect complete clarity at that point in time. The gap of nearly one year between the completion of the blueprint in December 2000 and the effective start of implementation at the end of November 2001 did little to maintain momentum and mobilise the rest of the organisation. Such a gap can occur in business transformation, for example, to take stock of the change process or clarify risks and costs. However, this does not reflect leading practice and could have permanently lost momentum for BTP over and above the stasis it created, for example, in losing staff commitment and strengthening the hand of resisters of change.

At the commencement of Phase 3 however, the evidence is once again indicative of clearer and decisive leadership. A major decision had been taken in a change of external consultants, a re-cut of the BT projects and the internal appointment of a Programme Director. These crucial decisions appeared to have given real momentum to BTP and re-invigorated leadership both at the executive and programme level. The role of the Phase 3 consultants was significant at this point in terms of the fresh thinking and challenge they brought, though the degree of change to BTP that followed suggests that internally, to some degree, SE leaders were somewhat 'led' by the consultants. Indeed, there is strong evidence that the appointment of a programme director for Phase 3 was a positive step and the same action at the start of Phase 2 would have alleviated some of the overloading

of the Chief Executive and the subsequent delays incurred during and at the end of Phase 2. We are aware however, that changes within SE, such as the appointment of a new Chairman, caused delays as BTP had to be fully justified to the new Board.

A key factor that delayed BTP, but helped crystallised what SE were trying to achieve, was the decision not to proceed with the procurement of an Enterprise Resource Management (ERP) system. SE took some time to assess the cost benefits implications of this investment and decided, on balance, that the investment was not justifiable in terms of likely benefits generated. This pushed SE to look at other options to deliver the benefits and led it to be a series of interdependent ICT projects rather a large scale ICT implementation project that would drive all other activities.

Leadership of the organisation changed at the end of Phase 3 but at this time the implementation phase was firmly embedded and a strong programme management process was the key driving force in completing BTP, though some issues brought to the attention of the senior management team were not perceived to be fully addressed, creating difficulties for staff further down the organisation.

Overall, we conclude that, despite personnel changes, leadership of the programme was a strong element of BTP and critical in ultimately delivering BTP. Without it the programme may not have been as ambitious; gained the level of resources needed to implement it; or have delivered such a wide range of projects over a relatively short period. Better programme management would have alleviated delays at the end of Phase 2 though in the final analysis this was not a decisive factor in the implementation phase and arguably gave the organisation an unexpected checkpoint so it could be certain about what it wished to achieve through BTP. Ultimately though this delay did impact upon the speed that benefits were driven through the organisation, though it cannot be certain what the opportunity cost implications might have been.

4.6.2 Governance

Governance of BTP became progressively stronger, from a weak base, through the three transformation phases. Phase 1 governance was limited, partially due to the type of work, i.e. developing a vision, the short timescale and, in comparative terms, by the cost of this phase. However in Phase 1 there is an absence of clear project management arrangements, for example, no project initiation or closure documents were available for our evaluation and neither have we seen or understand the project structure or reporting arrangements.

An implementation management group was established at Phase 2 that was chaired by the Chief Executive fortnightly, but overall governance lacked some rigour despite some evidence of formal reporting back to the Board of SE. A challenge panel was established from this group involving wider membership and it met three times over the 30 week period (May-Nov 2000) but there a significant gap until the kick off of formal implementation at the end of October 2001.

Governance became a more important theme of BTP at Phase 3 and developed a rigour that we would expect to find on this scale of programme and investment. There is good evidence that BTP was underpinned by the establishment of clear programme management arrangements and the creation of the Change Board. However, the governance process was slow to start, for example, the first meeting of the Change Board convened in November 2001, 3 months after the kick off of Phase 3 and one year after the

last challenge panel of Phase 2. This period could have created a serious risk to SE in the absence of clearly structured control mechanisms. We would have expected an executive steering group to have been set up very early in a programme of this magnitude and importance. In addition, whilst many of the project management mechanisms should have been in place at the start of Phase 3, in practice they were introduced in later meetings, such as report format and monitoring process guidelines, closure procedures in February 2002, benefits guidelines in 2002 and risk management guidelines in September 2003.

A key lesson learned in the governance of Phase 3 is the availability of information that enables evaluators to understand how decisions were made. For example, Change Board minutes do not effectively capture decisions and the rationale behind them, only that items are noted (e.g. “quick wins paper was noted”). It is unclear whether the Change Board initiated any actions and what the outcomes were to underpin them. The Local Enterprise Company (LEC) point of view was not formally expressed in the recorded minutes for November 2001 – June 2003, which is surprising considering the feedback we received regarding some of the difficulties expressed by interviewees regarding the resistance tactics deployed by some key personnel. It is likely that the LEC point of view was discussed as three Board members were chief executives of LECs at the time. Scope changes were noted but no impact statement was recorded.

However there is strong evidence that the Change Board was a well supported and key vehicle of driving BTP during Phase 3 as two thirds of the Board meeting managed over 80% attendance which represents a high degree of commitment. However the Change Board was perceived by many people as large and unwieldy and therefore not as agile as it could have been. A tighter Change Board may have alleviated this concern.

We comment on governance issues in relation to the use of consultants below.

4.6.3 Use of consultants

It is evident that the use of external consultants, in principle, was a key component in the success of BTP as they brought new insight and expertise into SE and brought a significant degree of challenge and capacity to deliver the programme. SE as a whole benefited from this experience through an injection of new skills and knowledge into the organisation and in providing rewarding personal development opportunities for the approximately 120 staff involved in BTP. Whilst there is some anecdotal evidence that skills and knowledge transfer was formally undertaken through this period, a great many SE staff did benefit and it is likely that the gain has become partially embedded into the organisation. However the approach adopted was weak and is unlikely to be sustainable.

In terms of value for money derived from the use of external consultants, the evidence is less clear when examining contract arrangements for BTP. For example, we would expect to find fixed payments for the use and payment of external consultants in transformation programmes, with contractual milestone payments, capped expenditure and change control exercised by a steering group. This type of arrangement creates a balance between risk and reward and is a typical leading practice approach.

Our understanding is that all three phases of BTP were conducted under time and materials contracts only which would have made costs difficult to control. Furthermore, we understand that the contract for Phase 3 was not signed at its commencement but at a much later date, beyond half the contract life. We do not know the specific circumstances

that caused this delay, but at face value, it is not leading practice and could have created financial and governance risk issues for SE.

Whilst a flexible approach creates some advantages, it significantly heightens the financial risk that can emerge as a consequence. In particular this approach can make it very difficult to programme manage and control costs which in turn impacts upon benefits that can be realised. However we have no evidence, either way, which suggests costs were not controlled during the programme, though it is clear that the final costs for the use of consultants in Phase 3 is higher than the original forecasts made during the commissioning process, partly due to the lack of resource being released from the business, for example, the Customer and Channels theme. Original assumptions for consultant costs at the commissioning stage of Phase 3 were in the region of £4 million. Final costs for Phase 3 consultants were approximately £12 million. We assess and review financial costs in relation to the use of consultants in more detail in the next section.

There is some evidence also that inconsistency in how each of the three contracted external consultants operated created a degree of duplication across the lifetime of BTP. For example, each firm used appropriate, but specific, methodologies and approaches which, although similar in substance, differ in form, due largely to firms' evolving and customising their approaches to gain differentiation in a competitive market place. With earlier, simpler approaches to business transformation, consultancies tended to customise their approach to their client's need. The changes in approaches and methodologies is likely to have added to the cost of BTP, for example, re-working project design added to the cost base and was seen as poor use of scarce resources.. The experience emphasises the importance of having a very clear view of how they prefer to manage change rather than conform to the methodologies of a consultant.

4.6.4 Risk management

The management of risk is a theme that we would expect to feature strongly through a transformation programme. We saw no evidence of this in Phase 1 but very strong evidence of structures, systems and process in Phases 2 and 3.

For example, in the Blueprint there is a comprehensive risk assessment process that forms the basis for project management in Phase 3. Risk assessment was a core part of the project management process within the Phase 3 programme and is clearly documented in the PDDs. Risks were identified in respect of impact and likelihood of occurrence and scored. Risk management plans and risk registers were developed that were the responsibility of project managers.

Whilst there were some variations in the quality and compliance to risk, we are clear that, in the main, effective management controls were in place and founded upon a well structured risk assessment process.

4.6.5 Programme continuity between phases

BTP was evaluated across all three phases. Whilst the links are obvious and evident it is equally clear that all three phases were distinctly different, in terms of time and resource expended, in respect of what each phase sought to achieve and in the use a of different consultant at each phase.

In practice Phase 1 and 2 followed on in quick succession, despite a change in Chief Executive. The key noticeable changes were in relation to the scale of the ambition and the distinct alignment of BTP with wider national policy for enterprise agencies, ensuring that the BTP 'ante' was raised in political terms and its success was tied tightly into the strategic ambitions of SE.

There was a noticeable delay between Phase 2 (Analysis and Design) and Phase 3 (Implementation). It is not untypical for an extended bridge between these phases in business transformation due to, for example, a need for political buy-in, a loss of momentum, potential hardening of resistance, perceived weakening of management resolve and dispersal of committed and trained resources. The main reasons for the delay, effectively for a period of 6 months, were, namely:

- A change of Board leadership, necessitating a new process of overall buy-in;
- Uncertainty over the procurement of external consultants and the level of support needed; and
- Doubt arising about the deliverability of over 40 projects, later resolved at the start of Phase 3 through a re-cut of the programme.

It is unreasonable to be too critical of the delay as an element of business transformation is the level of risk an organisation is prepared to take in relation to spending and the level of disruption it causes. Nonetheless, the delay did lead to a significant loss of momentum and this could have undone the good platform that was built up in Phases 1 and 2. It also meant in practice that benefits realisation and change took longer to come through the organisation as the overall time period was extended.

4.7 Cultural change achieved through BTP

An unplanned benefit that was to emerge from BTP was the degree of cultural change that occurred during the process that has fundamentally altered the mindset of the organisation.

As always with cultural change it is quite intangible and difficult to evidence, however there are many areas where BTP has impacted upon and changed the overall culture in SE, for example:

- **Performance management** is now strongly embedded as a concept into the organisation. The impact of the performance management project went well beyond its expected impact as the importance of performance improvement was clear and apparent in the many people we spoke with during the evaluation. There was no obvious performance culture in place prior to BTP, in many respects SE was seen as an organisation that was difficult to understand in terms of its focus and priorities. BTP brought in a new style of working that creating much greater transparency to external stakeholders, for example, through greater information about SE and what it was doing;
- **Customer focus** was a core component of BTP and a number of associated projects supported this area of work. Fundamentally BTP firmly introduced a culture of customer orientation and a need to understand and listen to the organisation's customers. The re-branding of SE signalled a more corporate and joined-up network that culturally has moved it from being a looser confederation of semi-autonomous

bodies. Importantly the concept of internal customer focus is now well established through the creation of shared services and the emergence of service level agreement and service standards. This could not have happened so easily without BTP;

- **Greater synergy and a more joined-up organisation** have emerged from BTP. Key projects such as strategic prioritisation has pushed LECs towards greatly collective working and shared common goals in the pursuit of major initiatives and inward investment opportunities to maximise what the Scottish Lowlands has to offer. This has undoubtedly made SE more credible to its customers and more strategic in its focus. A by-product of this degree of closely working across the network now raised more fundamental questions about the kind of organisational structure that SE need to go forward over the next five years;
- **Use of technology:** A strong driver for SE that was enshrined within BTP was improvement through the use and communication of knowledge. Technology was therefore a key component of BTP through the Web and ICT projects. In many respects, incorporating these facets of change within BTP at the time gave SE a distinct lead over its peers, both in terms of other enterprise and development agencies and other parts of the Scottish public sector. Whilst many public sector organisations across the UK struggle to effectively implement electronic government within their respective organisations, SE has achieved a step change by building it into the heart of BTP, culturally indicating that SE has modernised more quickly than others; and
- SE has achieved significant **organisational development** benefits arising from BTP. A large scale programme and project management culture is now partially embedded into the organisation through the extensive use of these tools during BTP and can further develop through the skills and knowledge acquired at the time. The organisation through delivering a series of projects generated many opportunities for staff to work cross-organisationally, generating synergy between distinct groups and breaking down long established prejudices and ingrained silo working which is typical in most organisational of this scale. The skills of many people were greatly enhanced through BTP, many for the benefit of SE, some lost to other organisations. Overall however, transformation created a new breed of staff within SE that understood more of the nature of change management, re-engineering services and managing through a project culture. Without BTP it is difficult to foresee how this could have occurred within a normal learning and development environment.

At the post-BTP stage SE recognised the need for sustainable improvement. BTP raised the bar for the organisation, but without an appropriate response the momentum of transformation can easily be lost. The closure of BTP followed with the introduction of a Change Agenda, a process that was underpinned through the use of a balanced scorecard approach, further evidence that performance management was now a key cultural priority for SE. The Change Agenda recognised that a number of key issues still need to be tackled as part of improving the organisation, namely:

- Managing strategic relationships better;
- Using resource allocation to drive change;
- Developing strategic skills in our people;
- Operationalising SE's strategy;
- Focussing and energising people; and

- Improving Governance.

We do not comment further on the Change Agenda, recognising this is outside the scope of this evaluation except to say that it provides good evidence that SE were geared up to ongoing change at the closure of BTP.

5 Financial Review

This section sets out the key findings from the analysis and review of costs and benefits, undertaken as part of the evaluation of BTP.

5.1 Overview

Overall, SE has been successful in achieving significant savings as a result of the implementation of the BTP. These savings have been delivered in the main through cost savings arising from the re-design of the internal ICT and back office processes, the development of shared services and through the strategic prioritisation project.

Headline benefits envisaged and regularly discussed by the leadership team for BTP were anticipated to be in the region of £200m, with reductions in headcount of 500 staff, though the original source and breakdown of this target is unclear⁷ other than a broad visionary ‘feel’ at the time of Phase 2. However, by the time of the BTP closure, the target saving was met through a combination of the savings arising from the BTP projects and the headcount reductions from the wider organisational initiatives that were also being implemented at the same time as BTP⁸. It is important to include wider headcount as part of this evaluation as the indirect benefits generated are closely associated with the transformational activity taken place at the time of BTP. Table 5.1 summarises the total savings achieved by SE as part of the ongoing monitoring of actual and forecasted benefits⁹.

Table 5.1 Total Forecasted Savings

Source of Savings	Headcount Reduction	Savings ¹⁰ £m
BTP	107	98.2
Wider initiatives across SE	416	71.8
Total Savings	523	170.0

Source: BT Project financials update from SE 041110 from SB v4 adjusted for Network Audit review Oct 04. Headcount for KPMG (Revised 11.11.04)

Overall, SE therefore achieved on their headcount reduction target of 500 by 23, but due to the savings arising from productivity gains and cost savings being lower than planned, fell short of the planned financial saving of £200 million by £30m. In our judgement this still constitutes a very successful period of business transformation for SE – targets for transformation are meant to be stretching and therefore actual savings can be expected to vary from planned in these circumstances. This is also the case with individual projects, some over-achieving, and some under-performing.

⁷ Network Audit Review Oct 2004

⁸ Network Audit Review Oct 2004. Original benefit forecast of £131.4m less the overestimated £33.2m of cost savings benefit (see Table 1.5.2)

⁹ Savings are based upon actual benefits recorded to May 2004 and forecasted benefits up to 2006, overall covering a five year period

¹⁰ Savings are net of recurrent costs

The following sections provide further detailed analysis on the costs and benefits for BTP. Further analysis has not been included for the savings arising from the headcount reductions from the wider initiatives as this was not within the BTP scope.

5.2 Methodology

In order to perform the financial review, we undertook a desktop review of the cost benefit templates from the impact assessment and re-baselining exercises and the benefit achievement templates completed during May 2004. The data on these templates was also discussed during the project evaluation interviews and with the staff involved in the financial monitoring of BTP.

A number of re-planning exercises were undertaken over the course of BTP due to changes in scope. It was therefore agreed that the planned figures submitted to the Board in August 2002 based on the latest re-planning exercise would be used as the plan to compare against actual performance, as this most closely matched what was actually delivered. Our financial information is sourced directly from information provided by, and confirmed by, SE. This covers:

- Planned and actual costs for the Programme Office and central functions during all three phases of BTP;
- Planned and actual costs for all projects involved in BTP; and
- Planned, actual and forecasted benefits from the projects.

SE's Internal Audit function has reviewed BTP costs and benefits and we have ensured that dialogue took place to achieve consistency. A summary spreadsheet with all planned and actual costs and benefits for projects and the programme was completed and signed off by SE, and this has been used for the purposes of this financial review.

5.3 Costs

5.3.1 Overview of BTP Costs

BTP costs are based upon our assessment of planned and actual figures between 2001/02 and 2005/06. The financial data from SE was provided through normal cost and benefit monitoring processes and has since been supplemented by a Network Audit Review, undertaken in October 2004.

Based on our assessment of key papers submitted to the Board, BTP required an investment of £30m. This was increased to £40m¹¹ in subsequent reports to the Board¹². This investment was to cover the following costs:

- Programme costs (Phases 1, 2 and 3); and
- One-off project costs including costs incurred on technology, consultancy and contractors.

¹¹ Excludes an additional £2.1 million that was approved for CRM

¹² 030603 Board Closure Paper v3.1

Costs were not provided for the work undertaken in Phases 1 and 2 which were largely based upon consulting costs to assist SE set out its visions and design the transformation programme.

However, there were other costs incurred in delivering BTP, including:

- Staff costs for resourcing the project teams;
- Severance costs as part of the implementation of the headcount reduction targets; and
- Training for staff in the management and operation of new and transformed services and the new brand and values of the organisation.

The costs funded from Business as Usual (BaU) budgets (except the costs for staff on the project teams) were included in the cost benefit plans for the projects, but due to the reporting systems in place, cannot be separately identified and assigned to the projects and therefore were excluded in the actual costs provided for the review. However, based on the Closure Report¹³, it was estimated that those costs funded from BaU budgets (which did not include the costs of staff in the project teams) were approximately £29m.

Whilst SE has adopted a cost assessment process that excludes much of the above costs we consider that, as external evaluators, it is appropriate to include them. Accordingly, we have produced cost estimates for those costs that could not be provided (Phases 1, 2 and BaU have been funded) to give a more accurate indication of the actual cost of investment to SE of the BTP. The following table 5.3.1 gives a final overview of the total costs of the BTP¹⁴. The key additional costs are:

- Phase 1 Consultancy costs @ £0.2 million;
- Phase 2 Costs, mainly consultancy @ £3.5 million; and
- Business as Usual costs to manage severance and training @ £29 million.

We have not included staff costs to support project teams as we have treated them as costs that would have likely occurred within SE regardless of BTP.

Table 5.3.1 Revised BTP Costs and Costs from Wider Headcount Reduction

	Estimated Actual Outturn £m	Planned Outturn £m	Variance £m
Phase 1 (based on plan)	0.2	0.2	-
Phase 2 (based on plan)	3.5	3.5	-
Phase 3	14.7	12.2	2.5
Projects – one-off project funded	25.3	19.8	5.5
Projects and wider headcount reduction – one-	29.0	15.5	13.5

¹³ 030603 Board Closure Report v3.01.doc and Network Audit Review Oct 2004

¹⁴ The estimates that we calculated and have included, over and above SE costs are marked in shading

off BaU funded			
Projects – recurring	13.3 ¹⁵	18.2	(4.9)
Other projects¹⁶	1.9	4.9	(3.0)
Total	87.9	74.3	13.6

Source: BT Project financials update from SE 041110 from SB v4 adjusted for Network Audit review Oct 04. Headcount for KPMG (Revised 11.11.04) and 030606 Board Closure Report v3.01

5.3.2 Comparison of costs and benefits

The above revised costs therefore indicate that SE spent nearly £14m more than was planned to develop and deliver the projects involved in the BTP.

Overall however, when comparing the costs and benefits including the wider headcount reduction which is an important, but indirect, part of the benefits generated through BTP, based upon our assessment, it is clear that the investment is justified and represents value for money as per table 5.3.2 below.

Table 5.3.2 Cost and benefit comparison table

Overview of Costs and Savings	£ million
BTP Costs and Costs from Wider Headcount Reduction	87.9
BTP and wider headcount reduction savings	
- BTP @ £98.2 million	170.0
- Wider Headcount Reduction @ £71.8 million	
Total Savings	82.2

Source: KPMG Assessment of SE costs and benefits

5.4 Benefits

5.4.1 Summary of BTP Benefits

Table 5.4.1 summarises the total planned and forecasted benefits for BTP over the period 2001/02 to 2005/06 based on the financial data from SE. Further analysis of the BTP benefits is provided in Section 6.

¹⁵ Recurring costs covering new staff, training, accommodations and ICT costs

¹⁶ Other projects include projects that were started but not completed due to re-scoping, e.g. Time Recording System and Employee Self Service

Table 5.4.1 Summary of BTP Benefits

	Forecasted Outturn £m	Planned Outturn £m	Variance £m
Gross ¹⁷	111.5	144.4	(32.9)
Recurring Costs	(13.3)	(18.2)	4.9
Net	98.2	126.3	(28.1)
Headcount reduction (FTEs)	107.0 FTEs	95.8 FTEs	11.2 FTEs

S Source: BT Project financials update from SE 041110 from SB v4, Headcount for KPMG (Revised 11.11.04) adjusted for Network Audit review Oct 04

5.4.2 Breakdown of benefits by areas

Based on the benefit achievement templates which support the summary spreadsheet provided by SE, Table 5.4.2 summarises the forecasted benefits net of recurring costs across the key benefit areas against planned for the financial period 2001/02 to 2005/06.

Table 5.4.2 Summary of Benefits across Key Benefit Areas

Category	Forecasted Outturn		Planned Outturn	
	Headcount FTE	£m	Headcount FTE	£m
Cost Savings ¹⁸		50.4		74.2
Headcount Reduction	107.0	6.4	95.8	5.6
Productivity		22.9		31.6
Higher Impact		18.5		14.8
Total	107.0	98.2	95.8	126.3

Source: BT Project financials update from SE 041110 from SB v4, Headcount for KPMG (Revised 11.11.04) adjusted for Network Audit review Oct 04

5.4.3 Breakdown of benefits by projects

Table 5.4.3 summarises the forecasted benefits net of recurring costs across the projects and key benefit areas against planned. Negative figures (in brackets) indicate that recurrent costs exceed benefits.

We have provided some analysis across the key benefit areas in the following sections.

¹⁷ Original benefit forecast of £131.4m less the overestimated £33.2m of cost savings benefit (see Table 1.5.2)

¹⁸ Original costs savings forecast of £83.6m less £33.2m identified as overestimated following the Network Audit review

Table 5.4.2 Benefits by Project by Key Benefit Area

	Actual				Planned			
	Cost Savings £000	Headcount Reduction £000	Productivity Gains £000	Higher Impact £000	Cost Savings £000	Headcount Reduction £000	Productivity Gains £000	Higher Impact £000
Finance Shared Service	(57)	2,831			(57)	3,822		
Audit Shared Service	92	773			(536)	708		
Skills Contract Management		1,646				2,589		
Strategy and Governance	511				(60)		804	
Service Management	(447)		1,984		(486)		1,890	
ICT Shared Services	(3,469)	2,104			(2,979)	674		
Performance Management								
Knowledge Capability - K Packs Top	(359)	(1,185)			(405)	(1,186)		
Communities of Practice		(284)				(342)		
Consistent Network Products		(542)	6,663			(625)	6,376	
Refocus 3rd Party Contractors	1,153				2,086			
Strategic Prioritisation				18,480				14,820
Consistent Customer Management			429				2,251	
One HR Team	3,165	1,798	1,676		1,890	1,620	1,560	
Legal	934				934			
Network Customer Relations	20,610	2,087			20,612	1,544		
Strategic Procurement Hub	21,995	(2,369)	1,552		37,328	(2,306)	1,661	
Web Content	4,294		1,354		7,159		375	
Web Platform	1,410		4,492		7,881		12,123	
CRM	542	(428)	4,782		783	(858)	4,601	
Total	50,374	6,431	22,932	18,480	74,150	5,640	31,641	14,820
				98,217				126,251

Source: BT Project financials update from SE 041110 from SB v4, May 2004 Benefit Achievement Templates adjusted for Network Audit review Oct 04

5.5 Assessment of benefits

The four key benefit areas identified at the outset of the BTP process that covered the tangible benefits are:

- Costs Savings;
- Headcount Reduction;
- Productivity; and
- Higher Impact.

We assess each of these benefits below, in addition the Wider Headcount Reduction which is an indirect benefit of BTP.

5.5.1 Headcount Reduction

Headcount reduction was an important element of the BTP, though in financial terms it represented less than 5% of planned benefits. In practice SE achieved higher forecasted headcount reductions and associated costs savings than were planned.

Overall SE was successful in achieving headcount reduction, often a difficult and controversial element of transformation, especially given that a number of projects, such as Knowledge, CRM and Procurement entailed investment in new resources to create the transformed service. This meant that gross headcount reductions needed to be high to deliver the net saving. Key to achieving this was the successful implementation of three core projects, namely Financial Shared Services, Network Customer Relations and ICT Shared Service which delivered benefits as planned.

The higher headcount reductions overall were achieved due to higher than planned reductions in the One HR project, Internal Audit and Network Customer Relations.

Overall headcount reduction will continue to grow as the Strategic Procurement Hub was further rationalised after it became business as usual by a further ten posts¹⁹.

Table 5.5.1 summarises the headcount reductions across the projects. Negative figures (in brackets in red) indicate where headcount increased.

Table 5.5.1 Headcount Reductions by Project

Project	Actual	Planned	Variance
SCM (Lead LEC)	6.0	14.0	(8.0)
SCM (Compliance)	6.0	6.0	-
Finance Shared Service	63.5	63.3	0.2
One HR Team	16.0	10.0	6.0
Strategic Procurement Hub	(15.0)	(15.0)	-
ICT Shared Service	23.5	23.5	-
Internal Audit Shared Service	7.5	4.0	3.5
Communities of Practice	(1.0)	(1.0)	-
Network Products	(4.0)	(4.0)	-
Knowledge Tools	(9.0)	(12.0)	3.0
Network customer Relations	23.5	17.0	6.5
CRM	(10.0)	(10.0)	-
Total	107.0	95.8	11.2

Source: Headcount for KPMG (Revised 11.11.04).xls

5.5.2 Cost Savings

Cost savings benefits were the bedrock of the BTP process as they were expected to contribute almost 60% of overall benefits, excluding wider headcount reductions. Higher costs savings were expected than originally planned due to optimism that the Network Customer Relations and the Strategic Procurement Hub projects would deliver higher levels of savings from reduced operating costs and savings from procuring goods and services.

These levels of forecasts were revisited in October 2004, Network Audit undertook a review of the headcount reduction and cost saving benefits forecasted for BTP, together with supporting documentation. The review recommended that the forecast for cost savings be revised down by £33.2m from the forecasted £83.6m saving to £50.4m as it was seen as unrealistic to achieve these savings,. We have reflected this change in our assessment of the forecasted benefits.

Table 5.5.2 summarises the cost saving figures verified by Network Audit against the plan as at June 03 (as per Network Audit's review).

The main cost savings came from three projects, the Strategic Procurement Hub, Network Customer Relations and the Web Platform, accounting for virtually all benefits. We have used the Strategic Procurement Hub figures based upon the benefits available to us at the time of the evaluation. It is clear that these benefits will not be realised in practice and

¹⁹ This cost was excluded from our figures as benefit information has not been completed at the time of our evaluation

therefore are over-stated. Future benefits tracking will reduce these cost savings and this will need to be reflected in the overall benefits arising from BTP.

Table 5.5.2 Network Audit Review of Cost Savings

Project	SE Board June 03 £m	Verified by Audit £m	Variance of Figure Verified by Audit from Plan £m	Forecast as at May 04 £m	Variance of Figure Verified by Audit from Forecast £m
Strategic Procurement Hub (SPH)	37.33	22.0	(15.33)	49.17	(27.17)
Network Customer Relations	20.61	20.61	-	26.64	(6.03)
Web Platform & Content	15.04	5.7	(9.34)	5.7	-
Customer Relations Mgt	0.78	0.54	(0.24)	0.54	-
Other (<i>not audited-assume no variance</i>)	0.24		(0.24)	1.52	-
Total Cost Savings Benefit	74.0	48.85	(25.15)	83.6	(33.2)

Source: Network Audit Review Paper and May 2004 Benefit Achievement templates

5.5.3 Productivity

Productivity represented 25% of the planned benefits that SE expected to achieve through BTP. This proved to be a very difficult area to attribute benefits and to evidence as part of the ongoing benefits monitoring process. Whilst we have no reason to doubt the assumptions made on productivity gains, which could be defined as more for less or the same or the same for less, this is clearly an area that SE will need to be more systematic about in its approach to productivity improvement.

For example, many productivity benefits are estimated of likely service improvement that would arise through BTP and are defined as single, unsourced figures. We would like to have seen a much more systematic approach that, for example, examined existing cost drivers and outputs and compared them to future cost drivers and outputs so that a clearly built up approach to productivity improvement can be assembled.

In our assessment of the benefits information presented to us, significant productivity gains were made, though these were not as high as planned, mainly due to a lower forecast from the Web Platform project. This was due to a reduction in the number of staff impacted by the increased efficiency as it was expected that the same service could be delivered for less staff. Overall however there are very few tangible examples of productivity benefits arising from BTP by way of example and, in the main, most are forecasts of what SE could reasonably expect as a result of a new or transformed service.

5.5.4 Higher Impact

The Higher Impact category of benefits related solely to the Strategic Prioritisation project which performed better than planned, with higher savings forecasted than were originally planned through higher productivity gains from increasing the economic impact by re-aligning resources onto strategic priorities. This benefit category has cultural significance for SE as it signalled that the network had to work in a more joined up way to make the biggest impact and get the best possible outcome for Lowland Scotland.

SE has, through this project, did demonstrate an acceptable rationale for ensuring that a greater proportion of resources have been committed to strategic priorities. Strategic Prioritisation is a long term project and on-going within the business-as-usual model and the longer term economic benefits may not be generated for 10-15 years.

The single project concerned with this benefit represents outstanding only cost £27,000 in cash terms (not including the opportunity cost of people's time) and the planned benefits were over £18 million in productivity gains. Given the massive benefits gained from such a small investment, the extent to which benefits of this magnitude are attributable to this project should be subject to a thorough audit.

5.5.5 Wider Headcount Reduction

Wider headcount reduction was an associated, rather than direct, benefit arising from the period covering BTP. SE essentially sought to reduce its overall workforce so that it became leaner and more focused on the key priorities it needed to deliver. SE has provide to be very successful it delivering this step change, managing the change process and making the actual reductions in staff numbers that were required. Wider headcount reductions of 416, and £71.8m²⁰ in savings, were achieved across the whole organisation through a series of organisational-wide initiatives, which helped to contribute to the delivery of the original target reductions.

We report on this savings as context to the evaluation as our scope has not covered this area.

5.6 Net Present Value (NPV)

We assessed NPV at a project level only and Table 5.6.1 below shows that, at an 8% discount factor, the actual figure is £86.5 million against a planned target of £79.3 million. However this NPV calculation is indicative only. There are costs which have not been allocated to projects, for example the severance costs from the headcount reductions and the costs of the project teams, which means that total NPV cannot be calculated accurately.

²⁰ Based on the £78.2m manpower benefits verified by Network Audit, less the £6.4m attributable to BTP projects

Table 5.6.1 Net Present Value

Project	Planned @ 8% (£1,000s)	Forecasted @ 8% (£1,000s)	Variance (£1,000s)
Finance Shared Service	£2,380	£1,699	-£681
Internal Audit Shared Service	£119	£709	£590
Skills Contract Management	£1,798	£1,271	-£527
Strategy & Governance	£292	£119	-£173
ICT Service Management	-£189	-£63	£126
ICT Shared Service	-£1,784	-£1,059	£725
Performance Management	-£425	-£454	-£29
Knowledge Capability	-£1,588	-£1,296	£292
Communities of Practice	-£365	-£332	£33
Consistent Network Products	£3,885	£4,528	£643
Re-focus 3 rd Party contractors	£1,632	£944	-£688
Strategic Prioritisation	£10,856	£14,615	£3,759
Customer Group	£859	-£469	-£1,328
One HR Team	£3,863	£5,323	£1,460
Legal	£725	£770	£45
Network Customer Relations	£17,063	£18,631	£1,568
Strategic Procurement Hub	£25,865	£39,205	£13,340
Web Projects	£14,305	£2,339	-£11,966
Total	£79,291	£86,480	£7,189

Source: Network Audit Review Paper and May 2004 Benefit Achievement templates

At a programme level there are a number of issues with regard to the information available on the costs and benefits which mean that it is impractical to calculate an overall NPV²¹ for the BTP. For example, given that we have made estimates only for Phase 1 and 2 costs and included costs for severance and training it would be unreliable to produce a meaningful final NVP figure.

We can conclude that the impact of the above reduction in benefits and increase in costs on the NPV would reduce it significantly, but based on the total of the NPVs for the projects, BTP would still achieve a positive NPV, indicating a worthwhile investment – again this is an indicative view based upon the information available at the time of the review.

In addition, there are a number of other non-tangible benefits to SE from the BTP, including a change in culture and a more efficient and effective organisation, that needs to be taken into account when looking at investing in a major change programme such as BTP.

²¹ The NPV is the present value of the future net flows for the project minus the initial investment. We have adopted the SE approach of calculating NPV over 5 years though recognise that MPG calculation used by Scottish Executive cover a 10 year period. NPV benefits are therefore likely to be greater if the latter system is prepared. The information therefore is indicative.

5.7 Monitoring of benefits achievements

5.7.1 Network Audit Role

We were asked to look at how benefits were being monitored by SE as part of the evaluation.

Network Audit have undertaken a review of the benefits forecasted, and should continue their role in reviewing forecasted benefits to ensure benefits are reported accurately and provide an independent review of the data. This is particularly important given the size of the benefits involved with BTP, and the political interest in the Programme.

The Knowledge Management function were to carry out further work on the forecasts for the productivity gains and higher impact benefits, which were not included in the review in October 2004. Network Audit should be involved in this review given their experience of BTP to ensure lessons learned are incorporated in the financial planning and monitoring of future initiatives.

5.7.2 Financial Reporting

The Programme maintained good financial records of the expenditure incurred on the Programme and projects for technology, consultancy and contractors, and developed clear templates for the purposes of monitoring costs and benefits. Costs were monitored regularly and reported to the Board, and approvals for budget were in place up to the Programme closure.

Clear guidance was produced by the Programme Office to support the project teams on how costs and benefits should be recorded.

However, we did experience some issues in obtaining the financial information for the BTP evaluation, and would therefore recommend a review of the reporting mechanisms in place for future projects to ensure:

- There is a clear business plan at the original visioning stage with clear assumptions on costs and benefits;
- A clear audit trail showing changes in scope and the corresponding financial changes over time in costs and benefits is maintained on one document. This will allow comparison against the original business case for the investment and provide clear revised plans for monitoring;
- Future reporting of costs and benefits is more transparent and in line with Government accounting principles which recommends reporting of gross figures:
 - By reporting net figures, the true cost of the investment required to generate benefits is hidden and benefits are under-stated, for example costs related to headcount reduction were netted off against benefits reported;
 - All costs should be recorded against project(s)/BTP. Costs kept within BaU budgets understate the investment and has prevented SE having a clear picture of the total costs invested and the inability to calculate an NPV for BTP; and
 - Benefits should be attributed to the project responsible for their realisation. For example, the savings from the training contracts arising from the introduction of

the Lead LEC model were actually reported under the Strategic Procurement Hub (SPH), which understates the achievement of the Lead LEC project and overstates the benefits achieved by the SPH. We understand that SE has now implanted this process and that benefits are attributed to the responsible department.

- Although we would not expect forecasts to be exact, they should be realistic. For example, the increase in the forecast for the SPH project from the figure submitted to the Board in June 2003 to that forecasted in May 2004 seems unrealistic given the issues being faced by the SPH project;
- The benefit achievement templates should avoid the use of hard coded numbers (i.e. numbers with no known source), and support the use of calculations to provide an audit trail and understanding of how the benefit is derived. This is particularly important with staff turnover where there is a risk that the knowledge is lost when the person leaves. Templates should also undergo quality assurance to ensure accuracy and consistency with figures quoted in other reports; and
- Review of the forecasted benefits now occurs every 3 months. However, as the projects are now part of business as usual, reporting of these should be monthly in line with the rest of the financial reporting of the organisation.

5.8 External Support Costs

Table 5.8.1 and Table 5.8.2 summarises the information provided by SE on the spending and headcount numbers for consultants and contractors. We explain their meaning in the text after the tables.

Table 5.8.1 Total Spend on Consultants and Contractors

	1999/00 £m	2000/01# £m	2001/02 £m	2002/03 £m	2003/04 £m
Consultants	21.2	23.4	38.3	43.7	32.4
Contractors	-	-	-	63.8	45.4
Total	21.2	23.4	38.3	107.5	77.8

Source: BT Network Consultancy & Contractor Expenditure.xls

Table 5.8.2 Headcount for Consultants and Contractors

	1999/00 £m	2000/01# £m	2001/02 £m	2002/03 £m	2003/04 £m
Total	148	130	113	43.5	29.5

Source: SEN HR

No details of Network expenditure on contractors were collated prior to 2002/03. Figures on headcount are submitted to SEN HR by the Network and therefore are dependent on accurate feedback. There is no robust system in place to assess the role that consultants and contractors play that might have impacted upon, or arose as a consequence of, BTP. Therefore whilst we were asked to comment on whether there had been a knock-on effort as a result of staff reductions no proper records exist within SE to verify this either way.

The data available to assess whether the reduction in headcount from BTP (and wider) had resulted in increased outsourcing of work is therefore limited and lacking in detailed to enable a clear assessment. Based on the data we have been provided with, the use and spend on consultants and contractors has decreased over the period which would indicate that there has not been a corresponding increase in outsourced work to offset the benefits from the headcount reductions. However, there is no direct ratio relationship between cost and number of consultants and contractors.

6 Conclusions

This section summarises our conclusions on the achievements and emerging issues and the lessons learned as a result of the BTP. Our conclusions are independent and challenging but deliberately forward looking so that Scottish Enterprise can take these forward as part of striving to become a learning organisation.

6.1 Key achievements

There are many positives to come out of the evaluation of BTP that demonstrate real achievement and progress within SE, provide strong evidence of its ongoing development as a key organisation within Scotland and act as a beacon of good practice in business transformation more widely in the public sector. Indeed, the boldness of the programme is a model for transformation in the public sector with aspects of leading practice in visioning and programme design, programme management and elements of implementation and delivery.

Overall the programme has broadly achieved what it set out to do. The transformation in Phase 3 was effectively overseen and implemented within the planned timescales. The changes were also tangible, new shared services were established and headcount reduction was, in the main, achieved. Longer term aspirations, for example, service improvement and creating greater value for customers will need a further period of time to determine the real and lasting impact of BTP, though it is clear at this stage that the platform is now in place to do this. A further developed performance measurement system that routinely reports performance at regular intervals is built into performance appraisal and is part of a mature performance culture, building on the firm building blocks established so far, will be fundamental in providing greater evidence and confirmation of the direction of travel for SE.

The vision of the BT programme was impressive, both in terms of driving efficiency savings and becoming more customer-orientated. The transformational drive towards efficiency improvement in the core supporting activities of SE pre-dates the Gershon Report and the Scottish Executive's key efficiency guide, *Building A Better Scotland*.

It is of note that Tom McCabe, Minister for Finance and Public Reform sets an ambition in *Building a Better Scotland* of “*improving the productivity of the public sector to secure time – releasing savings, through improvements in technology, workforce reform, and removing boundaries which get in the way of delivering excellent services to the public*”. BTP leads the way in Scotland in respect of this ambition as an early innovator.

Moreover, SE's approach to transformational change was ahead of UK public sector thinking at the time and far-reaching in its ambitions. The Gershon Report and subsequent government efficiency drives through service cost reduction, productivity gains and quality improvement at little or no extra cost describe much of what BTP has brought to SE and the organisation can do much to support other public sector bodies in Scotland and beyond to face up to this new agenda.

There is no doubting the scale of ambition on delivering the BT projects and in delivering BTP as a whole. The transformation undertaken by SE was complex in nature and presented real strategic, operational and people risks, financially in terms of investment made and in the upheaval and change momentum that it created and politically, in relation

to the potential fall-out if transformation failed to deliver tangible benefits. On the basis of what we evaluated we remain optimistic that SE will build on its transformational successes and consolidate lasting change and improvement into the culture of the organisation.

Most projects in Phase 3 were delivered as planned. A combination of consistent programme management, external consultancy implementation support and a high level of staff commitment, noted by the BT team, underpin this success. A re-cut of the project originally envisaged in the blueprint re-invigorated BTP and led to a more realistic expectation of what could be transformed, and in what priority, within SE. Projects that fell out of BT were not considered relevant or strategically important at the time. The re-cut no doubt provided a tighter focus on BTP and gave renewed momentum to the change process. The projects falling out of the re-cut were last reviewed in December 2002. It would now be appropriate for SE to revisit these projects and re-assess whether any could now be seen as strategically important and whether they could support further transformation in the organisation.

There is strong evidence that BTP, as a series of interdependent projects with a single programme, acted as an enabling vehicle for the organisation to change and transform. Individual project implementation, as one-off or isolated activities with SE, would not have achieved the more intangible benefits, that is, to signal a change of behaviour and culture and for the organisation to operate as a single network and to become customer-orientated. In particular, projects related to customer service would have found it more difficult to achieve their goals outside of a programme of this scale.

Cultural change, particularly in laying down platforms for performance improvement and the importance of customer orientation, was a very significant spin-off of BTP. We found much evidence that these two areas had become an established way of working amongst the people we interviewed during the evaluation. This was significant given that these areas were perceived to be lesser priorities to SE prior to BTP. Moreover, intangible benefits such as BTP represented significant achievement especially given that benefits arising from BTP at the outset were not well articulated and instead focused upon cashable benefits.

The momentum for change was largely achieved through the programme of joined-up projects grouped as core themes which provided some synergy to the process, though the critical mass gained by driving through the number of projects in such a short time was a more significant factor as it drew in a wide number of staff and cut across so many operational activities within the network. The programme approach enabled the organisation to prioritise its activities and achieve greater focus on what it wished to do and its direction of travel. Whilst the interdependencies, in our view, were less crucial to driving the transformation process, the momentum gained through the overall programme was essential to successfully implement the scale of change within the planned timescale.

The use of consultants was essential for SE to bring the capacity, expertise and degree of momentum and challenge to the transformation process. Whilst it could be argued that there was a potential for their over-use, for example, in supporting operating activities arising from SE staff resource shortfalls that might otherwise have slowed progress, it is difficult to imagine circumstances whereby SE could have lead and fully delivery this ambitious programme of change without external support.

There have been other indirect benefits of BTP. For example, the introduction of BTP through a programme and project management structure has greatly enhanced the competencies of the organisation as over 100 people were directly involved in BTP and working within a PRINCE 2 type environment. The widespread organisational involvement of SE staff in the process, alongside external consultants has enhanced the personal and organisational capabilities of SE and its staff to deliver major programme change in the future. However, the organisation will need to continue to work hard to capture, retain and disseminate best practice arising from this experience as part of its ongoing knowledge and learning efforts.

The programme management arrangements introduced for BTP was well designed and structured and, as a process, consistently delivered. All projects had project definition documents and closure reports and operated within a clear and consistent project environment. Important to the success of driving and delivering the programme was the strong leadership demonstrated within the programme structure and the underpinning systems and processes adopted and applied. There was a wealth of project information available to us that gave a good audit trail and it is evident that documentation was well managed and codified with few areas of inconsistency evident.

One of the strong drivers for change has been the guidance laid out in *A Smart Successful Scotland* (SSS) that sets out the ambitions for the enterprise networks in Scotland. There was a mutually beneficial causal relationship between SSS and BTP. On the one hand BTP gained a political, as well as operational, relevance by its close association with an important piece of policy guidance in Scotland, whilst BTP in turn added significant credibility to SSS through the degree of change it created within SE, which in turn enhanced the importance of SSS.

BTP remained consistent with the goals of SSS of growing business, enhancing global connections and developing learning and skills though in part, the transformational changes are 'back-office' and help build the foundations from which SE can aspire to these goals. In this respect SSS was not so strategically relevant for BTP, but tactically useful to help the then-Chief Executive 'raise the stakes' for BTP amongst stakeholders and staff. Again we would expect to see full and continued alignment to SSS through the emerging performance measurement system whilst this policy guidance remains relevant to Scotland.

SE has now established a clear system for monitoring benefits arising from BTP. We expect this system to produce regular quarterly information to SE on progress with benefits realisation. Within the course of our evaluation the system for tracking benefits was continually refined and codified to provide greater clarification on how benefits should be captured and assessed. This process of change to the system created numerous problems for evaluators attempting to fully understand benefits achievement though we accept that benefits monitoring was largely a new process for SE and there was little in the way of good guidance on how this should be done. We expect some refinement to this system but conclude the evaluation with confidence in the quality of information now being provided.

Overall, benefits realisation is on track across many project areas. The wider target of £200 million over a five year period, as a result of BTP and wider headcount reduction activity, is on track for £170 million, £98.2 million can be directly attributed to BT projects and the remaining £72 million on more indirect wider headcount reduction. When compared against a transformation cost which we estimate at £87 million this

represents good value for money, capable of delivering savings in the region of £82 million overall.

Planned headcount reduction within BTP was exceeded despite some projects not achieving what was originally forecast. This is not too surprising as we would not expect forecasts made typically for this type of transformational change to exactly match what happened in practice – in the real world some will always fall short, whilst others will hit their target or over-achieve.

In our view the overall spending on BTP provided value for money for SE as the net benefits more than outweigh the cost of change. However a positive perception of value for money was not as high from staff. Whilst our survey indicated that 62% of staff surveyed said that BTP was on track to achieve its vision, a much smaller percentage, 32%, believe that it would deliver value for money. Given the evidence emerging from the figures we evaluated, the low staff perception appears to be more of a communication issue than a real one. SE should therefore focus on the communication of the positive benefits of BTP to all staff and stakeholders to maximise the impact of the achievement.

Much of the transformational activity, implemented through projects, is now mainstreamed within the organisation and it will be important for the business to maintain the momentum. Business as usual reflects the success of the transformation across a range of service areas. We have seen good evidence that there has been a development and consolidation of shared services within the network that are maturing and have established service level agreements across the organisation. Importantly where projects have not achieved the expected changes post-implementation, the organisation has been quick to act and instigate the change needed to consolidate the achievement. The constant review of performance across these new business-as-usual activities should continue be a routine theme of management to build a culture of sustainable improvement.

The application and use of network products and services has strengthened the brand of SE and provided a platform for consistent quality to its customer base.

6.2 Emerging issues

The overall story of business transformation within SE is a positive one with much achieved through the BTP process. SE is determined to be a learning organisation and has invested significantly in ensuring that lessons arising from its experiences can be linked back into a cycle of continuous improvement.

BTP is one such opportunity where the evaluation has identified areas for ongoing learning and improvement and we set these out as emerging issues below.

At a programme level SE delivered major transformational change over a period of 4½ years. The implementation timescales for the BT projects, i.e. Phase 3, were reasonable and acceptable given the degree of internal and external resources available to the organisation and in our view proceeded without too many difficulties.

In our experience, and in examining the transformational process in detail we conclude that Phase 2, the analysis and design period, was longer than normal and lost the organisation time, and therefore some momentum, costing more than what could have been anticipated in terms of external consultancy support. The learning area here is around leadership and management – there was a discontinuity of leadership on BTP,

other than the Chief Executive, which was ultimately resolved by the smart appointment of an internal Programme Director at the Phase 3 stage. This enabled the organisation to re-capture lost ground and drive forward a modified, and more deliverable, version of the changes originally envisioned at Phase 1.

Overall, delivery took longer for SE in comparison to other similar programmes, for reasons earlier documented, the net effect being to slow down the timescale for benefit realisation by 6-9 months. Much of the lost time was at the close of Phase 2 and the time lapses that resulted between the conclusion of that phase and the appointment of new implementation consultants. This was due in part to a change in Board leadership and the political uncertainty surrounding succession and the re-visiting of the projects earmarked for Phase 3 implementation.

BTP achieved its financial benefit and headcount targets at an acceptable cost to the organisation. The gains across the four categories of benefits of costs savings, headcount, productivity and higher impact produced larger than planned savings. The most difficult area to drive benefits and to clearly evidence them was productivity. This category proved difficult to define and capture throughout BTP though overall £22 million of benefits have been identified, approximately two thirds of the target. Benefits attributed to the productivity category need tighter scrutiny, to a degree greater than this evaluation, to test whether they will be fully achieved.

BTP has largely been, and appropriately so, focused upon the transformation of its key processes, for example in shared services, prioritisation investment and establishing common technical platforms. We have seen evidence of complementary changes to structures to accommodate and consolidate transformation at operational level. Equally, many BTP programme activities were consolidated into the organisation, particularly within finance, knowledge management and HR.

In many respects the cultural change that happened during BTP did so as unplanned benefits. This should not be the case in typical transformational change and SE should have considered more closely what it was seeking to achieve, for example, in the values and behaviours of its people, not just the tangible measures it envisaged. Process change and cultural change are synonymous – BTP was mainly concerned with process change.

The transformation process created new cultural challenges for SE, for example, a perceived centralisation of many services and a ‘power’ shift from LECs to the centre, which began prior to BTP but was a core theme during transformation, for example, through the creation of Glasgow-based shared services for some projects. This created some strain between the centre of the network and the LECs during BTP. Given the degree of process change made to SE, which has been largely overlaid on a structure relatively unchanged for many years, we are surprised that structural change did not follow to further consolidate the direction of travel, though we did not detect any appetite to do so in our review, suggesting that these tensions still remain.

The transformation to SE and the establishment of one network is now sufficiently advanced through BTP that further structural change, over and above what happened alongside BTP, now needs further consideration to fully consolidate the benefits, particularly in relation to the structure of the LECs vis-à-vis, the centre, to ensure that the organisation overall remains flexible, dynamic and efficient in its operation.

An unplanned outcome of BTP has been the impact of upskilling key parts of the workforce. For example, the estimated 120 people involved directly with BTP were considerably personally developed in activities such as programme and project management and the management of change as these were skills set new to most staff at the time. The external consultants for Phase 3 did invest time in ensuring that key staff were provided with key training, such as PRINCE 2, and worked alongside them at project and programme level. Whilst this approach represented a significant investment cost to SE²², the speed of learning for staff would have been accelerated through this route. Other people had direct upskilling through direct project work such as customer service, performance management and ICT. The net effect has been to lose a not insignificant number of staff as a result of turnover. Whilst, in the spirit of SE as a learning organisation and committed to personal development, this cannot be seen as a pure negative consequence of BTP it is a key learning area as the organisation had no clear strategy to capture and retain knowledge as a result of BTP and therefore the investment made in many staff has not fully benefited SE following closure of the programme.

At a practical level, benefits realisation was below original expectations. This underplays the achievement made through BTP as some projects have not delivered what was expected in terms of real benefits, whilst in others some of the forecasts were too ambitious. The key learning area here is about setting cautious and optimistic forecasts for savings for transformation of this nature – however there is no particular failing or shortfall around this issue as we would have expected the vision of BTP to be bold and confident.

In future change of this nature, managing the expectations of external stakeholders is crucial so that all parties understand the boldness and scale of ambition that is intended and that falling short is not failure to deliver but simply a reality of a confident approach. To this extent there will always be a balance to be struck between being bold and driving forward with transformational change and the pressure that is placed on the organisation and its staff to achieve to headline targets.

A key learning area for SE in future transformation of this nature will be to design best approaches and processes to establish baselines for people and budgets. Post evaluation is inherently more difficult where baselines and clear audit trails cannot be followed through design issues. For example, whilst we could assess the overall number of staff changes within the organisation and therefore the resulting headcount reduction and we could attribute changes to each project, we could not compare to the original baseline as different budget heads and organisational structural data had changed.

Notwithstanding the obvious difficulties of seeking to compare areas of major change where, in the case of shared services, entire structures had been deleted and superseded by new arrangements, it is helpful to the organisation to monitor the delivery of benefits where it can fully track and compare staffing and budget changes. We recognise however that the budget tracking and benefits realisation data was made more difficult due to the re-baselining exercise done at the start of Phase 3 implementation and to assumptions made about whether benefits should be recorded as gross or net savings.

²² The actual figure is not quantifiable, but anecdotal this was a key contribution from the consultants in Phase 3.

We encountered a somewhat understandable sense of ‘BT fatigue’ from many of the people with whom we spoke during the evaluation. Given that this form of evaluation by nature must, to some extent, look back as well as forward staff told us they were keen to ‘move on’ from this period in time. Whilst there is a positive sense emerging of a forward looking view from staff there is a lesson in part of ensuring that, where change programmes are seen to be successful in terms of delivery, the messages are reinforced as a positive experience for staff remaining in the organisation. This indicates that cultural change and consolidation, whilst positive, needs further work. It is equally likely, however, that such comments are representative of the ‘trauma’ of transformational change: in reality 500 lost their jobs, some services were significantly changed and many difficult leadership decisions would have been made throughout the process. Transformation by its nature creates ‘winners’ and ‘losers’ or ‘survivors’. An important element of change post-transformation is to understand how this impacts on staff morale and motivation. The lack of a positive response for BTP from staff we surveyed highlights that motivation will remain a challenge for SE going forward; hence the need to use positive reinforcement of what was achieved through BTP.

We found evidence that some projects encountered resourcing problems despite being earmarked at the time. The shortfalls impacted the time required to complete some of the projects. Best practice indicates that the overall resource management in programmes of this nature cannot be compromised and that senior management should be delegated to solve resourcing issues as quickly and decisively as possible.

Overall we found that leadership was inconsistent during the three phases of BTP, notably much stronger at Phase 3, though Phase 2 can also be characterised as a period of strong Chief Executive commitment and drive, a classical example of leadership from the top. It is unclear, however, the extent to which the overall leadership team shared the same degree of commitment and drive. On the one hand the Chief Executive provided very clear leadership in terms of driving BTP and this was supplemented by a senior director as Programme Director and other senior directors as theme sponsors.

However the hands-on delivery and the difficult change management such as headcount reduction and management of consultants were delegated and it is less clear how these decisions were taken as part of core strategic business within SE. This created inherent risks for the organisation that too much could have been delegated to the Change Board and programme team. It would also have been less clear where responsibility sat if BTP had failed to deliver.

Such delegation at this level should always be continually assessed in programmes of this nature though we recognise that leadership is a balance between trusting and empowering staff and providing real hands-on leadership and control.

6.3 Additionality & Attribution (Value for Money)

The effect of BTP on SE can be measured in a number of ways: financially, operationally and culturally. An assessment of the success or otherwise of BTP should review its performance across these measures. BTP was a very challenging and forward-looking approach to fundamentally change how SE worked. On the basis of the evidence we have collected, our analysis of this information and interpretation of the results, plus further discussions with SE to understand the context within which BTP took place, we are able to conclude that BTP has been successfully implemented and adopted. There have been difficulties along the way which have had to be addressed as you would expect with any

project of this scale and vision. As a consequence BTP has on balance not achieved all of the things it set out to achieve. However, SE is now a fundamentally different organisation than the SE that existed before BTP.

Of interest in any evaluation of a project of the scale of BTP is the issue of additionality and attribution. Broadly speaking, that is firstly, whether BTP delivered net benefits after taking account of what would most likely have happened in its absence and secondly, whether the outputs or outcomes achieved can be traced back to BTP itself. There may be some unintended outcomes from BTP and BTP may not have delivered additional benefits in the long term but it may have brought forward their achievement.

In the case of the additionality associated with BTP we can, on the balance of information collected and analysed, conclude that BTP did deliver additional benefits. They included financial, operational and cultural aspects:

- Financial additionality can be evidenced by the strong NPV performance across the majority of individual projects;
- Operational additionality can be evidenced by the degree and scale of change that has been enacted within SE. The BTP appears to have acted as a critical catalyst in this instance; and
- Cultural additionality can be evidenced by the ability of SE to accept, absorb and action change to a degree post-BTP that it is unlikely to have achieved pre-BTP.

Cultural additionality was a significant unplanned benefit for SE that delivered additionality. For example, the upskilling of staff as a by-product of BTP in new areas such as programme and project management and in the management of change enhanced organisational knowledge. The performance management emphasis more widely captured within BTP, including the specific performance management project, has raised its priority within SE, for example, as seen in its references and actions within the latest Operating Plan.

In the case of attribution there is very strong evidence to support the causal relationship between the actions associated with BTP and the outcomes achieved. Significant change has been delivered. SE is very much now a different organisation to that which existed pre-BTP. A large degree of this change can be attributed to BTP. To this extent it is, on balance, true to conclude that BTP not only brought forward significant improvements in how SE and the LECs functioned aligned with significant cost savings, mostly on budget and broadly on time, but also effected much broader and wider change within SE. SE is now a more efficient and effective agency and part of this change must be laid at the feet of BTP.

There are things that SE would do differently were it to embark on another journey of the type and scale of BTP but that is expected and broadly understood. One of the best measures of attribution and additionality is to assess whether the change process delivered learning points beyond those initially expected. In the main, this is the case with BTP with most projects and certainly the case in the overall approach that was implemented. A key challenge however, will be to systematically capture the learning points, preserve and applying them more widely across the organisation.

6.4 Lessons learned

In breaking down the findings from our evaluation and our overall conclusions we have structured the lessons learned from the evaluation of the BT Programme around three main groupings, namely:

- **Business Transformation** – lessons that have implications for future transformational activities for SE or for other organisations that may seek to go down a similar approach;
- **Programme Management** – lessons that inform future programme management activity in relation to programme design, management and review; and
- **Project Management** – practical lessons relevant to project management within SE that will inform SE’s training and development, project management systems and protocols.

The lessons we identify should enable the organisation to carefully consider how it will inform change, learning and development as part of its ongoing transformational efforts within the organisation. For consistency have structured lessons learned in a similar fashion to our learning reports to cover three distinct elements, namely:

- What the lesson was emerging from the evaluation?
- What its significance and implication could be for SE?
- What does SE need to consider in taking this lesson forward?

6.4.1 Business Transformation Lessons Learned

Overview

Business Transformation lessons are those that may lend themselves to learning if SE were to implement something of the scale of BT in the future. These lessons will also be of particular interest to organisations in Scotland and elsewhere that are considering undertaken something on the scale of BT and would wish to know the good practices to adopt and pitfalls to avoid.

Table 6.4 1 below sets out the key lessons learned at a business transformation level as a result of BTP.

Table 6.4 2 Business Transformation Lessons

BUSINESS TRANSFORMATION LESSONS		
Lesson Learned	Significance/Implication	Area for consideration
Celebrating success	Ground breaking programme for this organisation and this sector in terms of scale of ambition and approach. SE is a public sector pioneer in this endeavour in terms of the	SE should actively promote the achievements of BTP to a wider audience to enhance both the status of the organisation and to demonstrate a commitment to support other agencies and public sector organisations.

BUSINESS TRANSFORMATION LESSONS

Lesson Learned	Significance/Implication	Area for consideration
	<p>extent, ambition of approach and the wealth of knowledge amassed over 4 years. This represents a significant investment but one which will pay dividends if leveraged into other parts of the enterprise sector and other agencies within the Scottish Executive.</p>	<p>The vision of where SE wants to be needs to be continually reinforced through effective communication and strong leadership from the CMT to ensure the momentum for ongoing change and improvement is not lost – wider transformational experience shows that momentum, once lost, can be very difficult to regain amongst staff.</p>
<p>Learning from leading practice at the outset</p>	<p>There have been many successful and unsuccessful transformation programmes in the period leading up to 1999. We would have assumed that SE could have done more to explore and understand more about what works and the pitfalls to avoid prior to commencement and prior to the implementation stage.</p>	<p>Seek to gain an understanding from an organisational risk perspective of what might be encountered and constitute a major risk in this form of programme.</p>
<p>Clarity of direction</p>	<p>Successful Business Transformation projects are characterised by a balance of “push and pull” namely a well understood and agreed aspiration - “where do we want to get to” (pull) - and a business imperative to justify the immediate investment of resources and effort (push). The work done on the Balanced Scorecard has helped SE think through these issues with greater clarity.</p> <p>The pull of <i>A Smart Successful Scotland</i> and “to be the Best Development Agency” was well articulated, communicated and bought into. Less well communicated was the push to “improve or be shut down” and this left many</p>	<p>An overt approach to push and pull helps to give clarity of direction to staff and stakeholder in transformational change.</p> <p>Importantly an organisation embarking on this route must be clear how it will run the business in the future and what the emerging values and behaviours will be in order to successfully thrive as a business.</p>

BUSINESS TRANSFORMATION LESSONS

Lesson Learned	Significance/Implication	Area for consideration
	in the organisation uninformed and short of a key piece of motivation.	
Using transformation as a unifying change vehicle	<p>When launching a significant change programme, it is not uncommon for there to be existing initiatives already underway which are addressing some of the issues of the main programme.</p> <p>We found evidence that SE used BTP as a change vehicle and sought to include as many initiatives as practical within the programme as interdependent projects. This was distinctly beneficial both in terms of focus and better use of resources. However, there was anecdotal evidence that some projects did prove difficult to halt at Phase 2 as key parts of the business were wedded to them and reluctant to draw to a close.</p>	In order to avoid duplication of effort and tying up of scarce resources, a best practice has been found to suspend any independent departmental efforts and bring them under umbrella of an overall transformation programme.
Use of external consultants	<p>Significant cost variations can occur in these instances that could undermine benefits. Well documented examples exist where a shortfall in resource commitment has necessitated a backfill by consultancy personnel as an interim measure to maintain momentum only for this to be permanent for the duration of the project.</p> <p>Phase 3 external consulting support was undertaken on a 'time and materials' basis, meaning that SE, whilst retaining flexibility over the use of consultants, did not have a clear view of the</p>	<p>Fixed price contracts will quickly expose this as a risk to keeping on schedule versus keeping on budget. Where practical, fixed term contracts should be adopted.</p> <p>Similarly, it is important that senior management/the overall programme sponsor at Board level is fully aware of changes in costs for consultants at a matter of routine.</p>

BUSINESS TRANSFORMATION LESSONS

Lesson Learned	Significance/Implication	Area for consideration
	expenditure that would be incurred throughout this phase	
Risk management	Existing risks can quickly change in terms of impact or likelihood of occurrence. Equally new risks can arise during a programme of this scale, particular people and financial. In the main this was observed by SE though could be further strengthened, particularly in the first two phases of BTP.	Ongoing risk management is a key element of transformation and should have a high profile throughout the process Detailed feasibility, risk analysis and risk management assessments. Thorough on-going risk assessments on all key process and deliverables, for example, in the design stage to ensure that the business case and the implications of each deliverable are fully understood.
Baselining	Use of clear baselines from the outset to ensure that benefits realisation can be fully understood and documented from 'As Is' to 'To Be'. Baselines used by SE were capable of providing a clear audit trail to understand, for example, headcount reduction, though a more detailed baseline at the outset would have yielded more specific detail of where reductions took place.	The establishment of baselines that are thorough at the outset enables the change achieved to be measured. This applies to baseline information in relation to finance, people and performance.
Placing greater emphasis on Organisational Development	Transformation is as much about people and culture as it is about process change and improvement. SE invested a significant amount in process change and, to a lesser extent, addressed the people and culture change factors. It is significant that the organisation continues with a change strategy after the closure of BTP	Future programme design needs to contain a significant element in relation to organisational design In the main other transformation programmes tend to place greater emphasis on culture change and organisational development than did BTP. We illustrate with some case studies later in the report.
Building HR into transformation	Staff involved in BTP had excellent opportunities to develop skills and	An organisation's HR strategy should be tied in directly to a transformation programme of

BUSINESS TRANSFORMATION LESSONS

Lesson Learned	Significance/Implication	Area for consideration
	competencies through skills transfer. If this process is not systemic then only BTP staff benefit as individuals, not SE as a whole.	this scale to ensure that the organisation maximises skills transfer.
External communications and the management of 'key messages'.	Organisations involved in difficult and complex transformations of this nature often do not get external recognition during the process.	External communication of achievement and gains should be designed into a transformation programme of this type to ensure key external bodies understand what is being achieved. This approach also reinforces to staff the value of their contribution.
Maintaining momentum	<p>The planning stage was lengthy due to the amount of time spent on design and consultation. This could have lead to a significant loss of momentum. Delays in momentum can impact on the morale of the change team and affect the perception of staff across the SE Network.</p> <p>Inconsistencies in approach to design and consultation in future projects could result in inefficient use of resources.</p>	Time needs to be invested to ensure the design will deliver the future requirements, and sign up from all parties to the new design is best achieved by involving key stakeholders through consultation. However, consensus of agreement from all stakeholders should not be pursued at the expense of implementation, and compromises should be identified, agreed and accepted in order to continue progress.
Outcome focused transformation.	<p>Transformation success criteria were mainly outputs rather than outcomes, e.g. shared services being implemented rather than the outcomes from having shared services.</p> <p>Consequently, appropriate metrics to measure achievement were not identified, and baselines from which to measure benefits to be realised. The absence of appropriate performance measures and baselines means that it is difficult to fully</p>	Outcomes should be identified and the benefits associated with them. From these, the appropriate performance measures/ metrics and their baselines can be identified, together with what is required, e.g. web trend data. This will allow the achievements and impact of future projects to be evaluated fully. The design of BTP was more inward looking in practice rather than customer orientated and this may have contributed to a lack of outcome measures at the close of these projects.

BUSINESS TRANSFORMATION LESSONS

Lesson Learned	Significance/Implication	Area for consideration
	evaluate success.	
Knowledge and skills transfer	<p>Knowledge and skills transfer is generally a planned and systematic process. Whilst such transfer undoubtedly took place this was less planned than it could have been and there not as effective.</p> <p>In particular, the investment in external consultants is not maximised in situations where knowledge and skills transfer is not fully planned. By appropriate learning from the skills and knowledge of consultants over such a large programme, personal development of staff is enhanced and the organisation as a whole benefits. In addition, the organisation should then be able to implement future similar projects in-house, rather than have to continue using consultants, except for roles requiring specific knowledge and skills.</p>	<p>Future working relationships with consultants should take account of knowledge transfer as a core planned process and agreed outcome that is capable of effective measurement.</p> <p>Skills and knowledge transfer can be encouraged by the consultant's role changing from leading the process at the start of the project to facilitating and supporting the team to lead the process to ensure skills have been learnt and applied, thereby ensuring staff are in a position to deliver future change projects.</p>
Influencing Stakeholders	<p>The influence of external and internal stakeholders and the impact on the business decision of their resistance was underestimated by SE.</p> <p>Positively influencing internal and external stakeholders is crucial to ensure that programme and projects are fully understood, owned and people are committed to. This reduced lead time, eases the change process and helps realise benefits sooner where the way has been prepared.</p>	<p>Identification of the key players who can influence business decisions should be performed at the early stages of the project in order to engage in stakeholder management and ensure maximum benefits are achieved.</p> <p>Working closely with key stakeholders and partners also enables them to understand how they interact with SE and highlights potential barriers and constraints.</p> <p>Engaging internal staff at the earliest possible stage helps</p>

BUSINESS TRANSFORMATION LESSONS		
Lesson Learned	Significance/Implication	Area for consideration
		ensure that the programme or project is realistic for the business and increases their buy-in and support.
Transformation scope changes	<p>There was BT Project scope changes due to a re-assessment of requirements and/or lack of funding. De-scoping of projects resulted in a reduction in benefits that could have been achieved, e.g. employees self service, web-enabled services.</p> <p>Infrastructure requirements, specifically IT dependencies and funding needed to support projects should ideally have been fully identified before starting implementation and reasons for changes communicated clearly.</p>	<p>By identifying the outcomes and benefits to be derived for the programme as a whole and for individual projects, de-scoping becomes easier to communicate and explain where changes do not greatly impact overall outcomes.</p> <p>This approach could help prevent an adverse affect on motivation and morale where the reasons for de-scoping are seen as cost-cutting.</p>

6.4.2 Programme Management Lessons Learned

Overview

Programme Management lessons are those that help learning at a programme level where a similar programme-type initiative may take place within SE in the future. These lessons will also be of particular interest to SE in relation to good practice in programme management.

Table 6.4 3 below sets out the key lessons learned at a programme management level as a result of the BTP.

Table 6.4 3 Programme Management Lessons

PROGRAMME MANAGEMENT LESSONS		
Lesson Learned	Significance/Implication	Area for consideration
Wider deployment of programme management across SE	BTP led to the development and deployment of a highly structured approach, methods and tools that were	SE should consider how the programme management system applied during BTP can be fully embedded into the organisation to

PROGRAMME MANAGEMENT LESSONS

Lesson Learned	Significance/Implication	Area for consideration
	<p>consistently applied during the process.</p> <p>It is essential that this major piece of organisational development is not lost within the organisation and SE can more widely benefit from the experience and knowledge gained.</p>	<p>become a standard for all future major programmes and initiatives.</p>
<p>Programme & project management skills</p>	<p>Programme and project staff engaged during BTP learnt skills that could be taken back into the business, and allowed them to develop personally, improving confidence and feeling positive about change.</p> <p>Experience from involvement in BTP will impact on staff performance in their job within business as usual. Management need to help staff realise the skills they have learnt SE to maximise their investment in staff development and build internal capacity</p>	<p>SE need to review whether staff that were involved in BTP are transferring the skills learnt back into business to ensure the Network maximises the opportunity to embed knowledge and skills learnt.</p> <p>Future projects should ensure that staff reviews are undertaken to highlight skills learnt and enable staff the opportunity to share these with the SE Network.</p> <p>There should also be greater use made of PERFORM to monitor staff contributions to knowledge sharing through objective setting.</p>
<p>Programme Communication</p>	<p>The programme experienced issues with regard to effective communications amongst some staff, particularly in ensuring that messages had been understood.</p> <p>Communication deficits impacts on staff effectiveness and morale, particularly with regard to major change management issues such as re-deployment or severance. This may partially explain why staff are less positive about the impact of BTP.</p>	<p>Communication planning should be considered a core priority at the initiation stage of any future programme. Plans should identify who the key stakeholders are, how they are to be communicated with, what key elements need to be communicated and the timing of the communication.</p> <p>Business as usual people could be more involved with the project, including the business owner, and their influence used to help promote and sell the project back in the workplace.</p> <p>Clear leadership and effective</p>

PROGRAMME MANAGEMENT LESSONS

Lesson Learned	Significance/Implication	Area for consideration
		communication provides a mandate to deliver change.
Programme Handover	<p>Greater emphasis could have been given to hand-over of deliverables to ensure continuity and transfer of knowledge when external consultants/partners were changed mid-project.</p> <p>The incoming consultancy team did not have access to the appropriate experience as with its predecessors and consequently additional consultant time and cost was incurred to provide the appropriate knowledge and experience.</p> <p>The change in partners also resulted in additional work for the project teams as deliverables had to be revamped to match the new partners' formats.</p>	<p>If there is to be a change in partner in future projects, SE should consider the following:</p> <ul style="list-style-type: none"> • A value should be included in the selection criteria used for evaluating the tenders to reflect any benefits to be gained from continuity, and costs associated with potential re-work in the early stages; and • The ITT should stipulate that migration to the in-house style will be at no cost to SE.
Resource Management	SE experienced unplanned resource shortfalls at Phase 3 that necessitated additional consultancy input to be used for programme administration tasks to meet the SE staff resource shortfall which are an expensive source of resource, resulting in higher costs for the project.	<p>Specific provision is needed in resource planning and timescales for programme activities. The leadership need to ensure that resource management is resolved and contingency plans are in place for future major initiative such as BTP.</p> <p>An effective resource management system operating alongside the programme should be considered to help alleviate these pressures. We understand that this has been a lesson learned and applied in the CRM project.</p>
Virtual Programme Management	Some project and programme management staff were re-located at Atlantic Quay from	The use of virtual teams can strengthen approaches to programme management. This

PROGRAMME MANAGEMENT LESSONS		
Lesson Learned	Significance/Implication	Area for consideration
	various LECs to support BT projects. This can create barriers for the people involved in the projects and impact on morale, and therefore performance.	approach enables project staff to be locally rather than centrally relocated and therefore still seen as part of the business team. They can also address any issues that arise early on in the project, and also help to promote it at the operational face.
Benefits realisation	Some projects had benefits realisation attributed indirectly (i.e. through other projects). Whilst this approach helps demonstrate interdependencies it does not directly assist the evaluation of benefits at a project level.	Future projects should have benefits assigned directly in order to assess benefit realisation expected from the investment in a project (i.e. cause and effect).

6.4.3 Project Management Lessons Learned

Overview

The learning reports we produced that accompany this programme report focus upon the project lessons learned on a project-by-project basis. However, for the purposes of this report we have identified key project lessons learned where we believe them to be cross-cutting in nature.

Table 6.4 4 below sets out the key lessons learned at a project management level as a result of the BTP.

Table 6.4 4 Project Management Lessons

PROJECT MANAGEMENT LESSONS		
Lesson Learned	Significance/Implication	Area for consideration
Project management system	BTP was instrumental in enabling SE to establish a consistent and robust project management system based upon PRINCE2.	It is essential that 'fit for purpose' systems, protocols and templates are firmly established within SE and used, where appropriate amongst partner and supplier organisations to promote project

PROJECT MANAGEMENT LESSONS

Lesson Learned	Significance/Implication	Area for consideration
		management.
Project Resources Management	<p>Projects faced staff resource pressures due to:</p> <ul style="list-style-type: none"> • Staff being released onto the project only on a part-time basis; • Delays in appointments; and • Staff trying to cover 'day-jobs' which had increased over the time of the programme due to changes, e.g. HR and Legal teams. <p>This leads to unnecessary use of interim staffing or consultants, resulting in higher costs for the project.</p> <p>Delays in appointment to roles can also affect momentum and the morale of staff within the team.</p>	<p>Greater support should be provided by management to the SE Network to allow staff to be released onto projects on a full-time basis. This would result in less consultants needing to be used to fulfil roles that could be carried out by SE staff, and ensure consultants are engaged where specific knowledge and skills are required and have clearly defined roles.</p> <p>An effective project resource management system should be considered to help alleviate some of these pressures.</p>
Effective working relationships with external consultants	<p>Having a good working relationship with the consultant was a benefit and helped the successful delivery of the project and the use of the apprentice model ensured knowledge transfer occurred.</p> <p>.</p>	<p>SE should adopt the apprentice model in future working arrangements with consultants.</p>
Use of consultants	<p>The use of consultants should be on specific tasks and to tight terms of reference in order to control stages of work and costs.</p> <p>Managing consultants with well defined briefs and clear instructions delivers optimum value when compares to</p>	<p>Ensuring that objectives are well defined and that consultants work to meet these is imperative. Scope creep needs to be managed.</p>

PROJECT MANAGEMENT LESSONS

Lesson Learned	Significance/Implication	Area for consideration
	costs.	
Use training to reinforce change	Understanding when professional trainers or advisors should be bought in and when to undertake the work in-house can add real value, save time and real cost. For example, use of professional trainers may have increased the user acceptance and ability to operate new IT systems.	The appropriate use of external professional advisors can improve the effectiveness of implementing new systems and hence save time and money in the medium to long term.
It was challenging for a small team to manage the BT process, facilitate culture change and deliver Strategic Prioritisation within an organisation of the breadth and depth of Scottish Enterprise. The lesson is that the size and quality of the team has to reflect the scale of the challenge.	Currently there are 120 people working on Competitive Place across the SE Network with 23 people in Glasgow.	The whole organisation and team have to be engaged and buy-in to the process to deliver real and lasting change.
Sequencing of communication is important to staff buy-in, e.g. the HR team had already started implementing the revised structure when they discussed the project with the wider SE Network.	Sequencing issues can increase resistance from staff as they do not feel part of, or own, the process.	Time needs to be invested at the beginning of the project to sell ideas to staff.
Risks not appropriately managed/SE unable to appropriately manage the risks.	Clear risks were identified that created problems at the implementation stage.	Risk, as part of effective project management, requires a greater profile and challenge.
More time spent specifying the business requirements and acceptance criteria would have been beneficial to the successful outcome of the project	Clear planning enable more efficient delivery.	Detailed and effective planning is critical and impacts upon change. Changes to requirements midway through projects results in delays and cost overruns.

6.5 Leading practice assessment

An additional element of the evaluation undertaken by KPMG was to undertake comparisons, where practical on how other transformational programmes compared and contrasted with BTP. In particular we were asked to look at leading practice examples covering:

- How BTP broadly compared to typical leading practice in business transformation;
- What typically happened to transformational programmes once they had formally ended, in particular focussing upon how organisations sustained change and ongoing improvement.

Accordingly, we address both areas in the sub-sections below.

6.5.1 Comparison with typical leading practice

Comparisons with leading practice at programme level are set out below against a series of stages in the transformation process.

Expected Outcomes of Leading Practice Business Transformation Programmes	Observed Achievements from Scottish Enterprise BTP
Launching the Project	
<ul style="list-style-type: none"> • Clear objectives, implementation approach and supporting infrastructure • Aligned and prioritised stream-wide portfolio of projects • A business that's engaged from the start 	<ul style="list-style-type: none"> • Significant efforts invested to plan for success • Board and CEO commitment from the outset • An early recognition, in part, of the change management challenges within the network, but no clear plan the address these at the outset of Phase 1 • Very clear approach to implementation arising from the production of a Blueprint and portfolio of thematic projects, though project re-cut suggests less certainty on the route of travel
Observing the Changes	
<ul style="list-style-type: none"> • Programme and sub-project delivery on-time within budget • Work process adoption and structured approach to delivery 	<ul style="list-style-type: none"> • Many projects on time and within budget despite ambition of the programme. Overall programme length longer than comparative leading practice, especially from inception to start of implementation

	<ul style="list-style-type: none"> • Clear programme and project management approach, including adoption of PRINCE 2 methodology • Strong evidence of programme leadership in Phase 3 implementation • Limited evidence of learning from experience throughout the delivery of Phase 3 projects
Measuring Business Impact	
<ul style="list-style-type: none"> • Cost reduction achieved broadly in line with targets • Growth or reduction of price inflation • Productivity gains and demonstrable process improvement • Increasing levels of customer and stakeholder satisfaction 	<ul style="list-style-type: none"> • Commitments to headcount reduction realised and driven through the organisation. Typically organisations to not effectively tackle this matter • Certain tangible benefits difficult to measure, for example, clarity on baselining headcount reduction and use of consultants • Too great a focus on process, not enough on delivery, reflected by a lack of clearly performance measures and targets for new services, though strong focus on process got the projects delivered, which was essential. Evidence of customer and stakeholder satisfaction not a core element of BTP
Transforming enabling behaviour	
<ul style="list-style-type: none"> • From Business unit optimised To Optimised across the value chain • From Service focus To Provider of complete service solutions to customers • From Bottom line focus To Bottom and top line focus • From Physical asset driven To Customer, knowledge & innovation • From Solid but uninspiring employer To Attracting world-class talent 	<ul style="list-style-type: none"> • The foundations for a significant cultural change in how SE should face its market have been achieved through BTP • Significant strides achieved in culture and behaviour at working level to become customer focused • A clearer strategic prioritisation view across the Network through BTP • Failure to retain talent pool and manage knowledge base established through BTP, organisation now responding • Establishment of a basis for shared

	goals across the network through shared infrastructure
Ensuring completion	
<ul style="list-style-type: none"> • Avoid overruns • Manages burnout of change agents • Sustains appetite of management and staff 	<ul style="list-style-type: none"> • Delays in key decisions prolonged the programme life, disaffected key change personnel, though in the main, no significant overruns in overall terms • Managing the political agendas of external stakeholders is key to minimise disruption and confusion • New change programme builds on the next challenges for the organisation following closure of BTP

6.5.2 Leading practice examples of Sustainability of Business Transformation Programmes

Below we relate examples of the strategies, structures and processes other organisations have put in place to maintain, sustain and build upon the successes of business transformation programmes. In general, a successful Business Transformation programme breeds confidence in management to capitalise on the enthusiasm and good will which has been generated in doing something different. BT Programmes normally involve a significant investment both financial and emotional. Achieving the business case becomes a means to an end rather than an end itself which was probably the focus of senior management at the outset of the programme. Senior management will have made commitments, behave in a new and more enabling manner and find it difficult to revert to the old ways of working without compromising their credibility.

Case Study 1	Oil multinational with a subsidiary based in Aberdeen improved its performance so much that it not only delighted its corporate headquarters but also its majority non-operating partner. It moved from cash cow status regarded only as a source of income to be invested in other parts of the world, to that of “golden goose”, namely “keep feeding it and it lays golden eggs”. The local management emboldened with improving and demonstrable performance were able to justify and secure higher levels of investment which further inspired the workforce to produce exceptional results. This enabled careers to be fast tracked and this reversed high levels of attrition among professional staff. The transformation programme was designed as inclusive process, involving all levels of staff in open meetings where the executive team subjected itself to open and honest scrutiny, reversing decades of exclusiveness and apparent secrecy. This inclusiveness was maintained during and after the implementation phase, open communication and involvement became part of day to day life. Change management techniques were continued for example, team building through problem solving. The change director having reverted to his line job had to post a problem on the notice board and invite applications to join a short term
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	<p>solutions team and he would have all team places filled within half a day. Staff had found the structured change management experience challenging, rewarding and above all, fun. Change management and improvement is a constant theme in this organisation having now established it within the culture.</p>
<p>Case Study 2</p>	<p>A state owned company seeking privatisation and a public listing was found to have a market value only one third of its asset book value, a listing would have not brought the expected returns to the public purse and would have severely compromised the government's privatisation agenda. The resulting Transformation Programme improved the financial performance of the company leading to a successful floatation such that after a year the share price had doubled from that of the initial float. Here the joint team were retained into a strategic sort term solutions division focused on finding innovative profit improvement opportunities, deploying the analysis and benefits tracking techniques deployed during the transformation programme. Each of the executive committee undertook further projects to capitalise on the momentum and enthusiasm generated during the BT programme.</p>
<p>Case Study 3</p>	<p>A division within a European subsidiary of a global company started its own transformation programme within the authority of the divisional director but without the whole hearted support of Head-office, "It's my last year before retirement, what are they going to do? Fire me?" As an outcome of the programme, Head-office adopted the approach, co-opted the local joint team to lead further programmes sponsored by HQ who had convinced themselves that it was their idea all along. Again, interactive town meetings proved very popular to engage what at the outset had been a very sceptical and suspicious work force. Poor performance and behaviour was openly challenged. Smart remarks and cynicism were routinely checked and reported on in performance reviews and seen as a key personal development objective.</p>
<p>Case Study 4</p>	<p>Another example of continuing the joint team principle had mixed fortunes. Best practice recommends that the brightest and the best become change agents. These are future leaders of the company, a year of change management can be equivalent to 5-10 years in a normal line job. This quasi state owned company made such outstanding gains that it was rewarded by government; the leadership went on to significant positions in the public sector to propagate the successes elsewhere, the joint team undertook another more embracing transformation programme again with significant results. Applications to join the team came thick and fast as this became synonymous with rapid advancement and promotion. Every organisation has a limited number of top performers once they have passed though and are back in the line they took those skills with them, were successful in their new jobs. The change team became institutionalised staffed by second rate performers who would fail to secure promotion under any circumstances.</p>

7 Final Thoughts

This section summarises our final thoughts on the future sustainability of BTP and the next steps for taking forward this report.

7.1 Life beyond BTP

BTP brought with it radical new thinking on how an enterprise agency should operate more effectively and efficiently as a network. The implications of change in terms of culture, structure and ways of working will no doubt continue in the years ahead.

It is already clear though that a new mindset has been established in SE and that step change and radical thinking on how the organisation should continue to change and develop is becoming embedded.

The challenge for SE moving forward will be to maintain the momentum, taking forward the people in the organisation and ensuring its customers and key stakeholders understand the way ahead. Leadership of the organisation will be crucial in meeting this challenge

Overall, leadership will continue to be a core theme to drive continuous improvement, both in terms of providing the vision, energy and motivation and dealing with resistance to change to ensure that new ways of working become custom and practice. One of the key thrusts moving forward will be to fully embed a culture of performance management and improvement across the organisation, building upon the success of BTP.

Staff engagement and effective communications is critical to delivering ongoing change and improvement. Celebrating and recognising success internally alongside positively promoting the achievements of BTP externally will help build this culture of improvement.

Change is dynamic and interlinked. In many respects BTP has laid the platform for delivering process improvement. BTP now needs to be consolidated through a focus on establishing the appropriate structures and systems that best complement the process changes and by focusing upon the development of SE's people.

SE will also need to maximise its learning from BTP, including this evaluation, by ensuring that it decisively embeds the skills and knowledge gained firmly into the organisation, for example, programme and project management practices established during the implementation of BTP. It also needs to ensure that a conduit exists to capture all other critical knowledge for the wider benefit of the organisation.

In embedding all the above it will be important to manage the processes and actions through as clear a programme and project focus as BTP, and to align such actions to the overall operational plan of SE, in effect, creating a strand of operational planning devoted to continuous improvement.