
Independent Reporter - Business Change Projects Management Review

Executive Summary

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Business Change Projects Management Review
(CH/013)

Network Rail and ORR





Independent Reporter Interim Report - Business Change Projects Management Review

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Executive Summary

Background

In November 2010, the Office of Rail Regulation (ORR) found Network Rail to be in breach of its network licence following problems associated with the roll-out and implementation of the new Integrated Train Planning System (ITPS). A fine of £3m was imposed on Network Rail as a result of this breach.

In finding Network Rail in breach ORR found that, while Network Rail was right to replace old and inefficient timetabling systems and processes, its implementation of the new system failed to properly consider, mitigate, and communicate the risks of initial problems affecting its key customers – i.e. train operators and passengers.

The Independent Reporter notes that Network Rail accepted ORR's findings in full and in response established a project in November 2010 entitled 'Improve Business Systems' (IBS) and established a project team to implement the programme.

In undertaking the IBS project Network Rail was seeking to assure itself that it has the right project governance controls in position so as to successfully implement IM solutions which bring about significant business change – both to their internal business and the businesses of their customers.

A mandate was issued by Network Rail to the Independent Reporter, in March 2011 to work with the Network Rail IBS Project Team, to review their initial findings, comment on proposed solutions and make recommendations.

Methodology

The Independent Reporter carried out a desk top study of the information provided, followed a number of workshops with relevant Network Rail staff.

Key Change Programmes

The new ITPS system was introduced for setting the base timetable in September 2009 and short-term planning began in February 2010. Problems began to emerge in early March 2010 when operators and Network Rail informed ORR that there was likely to be a delay in the publication of the national timetable. The problems arising from this ultimately leading to the fine imposed by ORR based a possible breach of licence.

In reacting to the report by the Part A Reporter (issued by Arup July 2010), Network Rail have been developing their response since that date. In considering the Arup report, Network Rail developed their own list of key issues identified which broadens the issues identified by Arup and ultimately formed the basis of the proposed work streams and the current Independent Reporter mandate.

The Independent Reporter would observe that the IBS programme was launched in November 2010, the first major achievement was the creation of the Business Change Panel in August 2011 but the proposed process improvements from the Business Change Governance process are scheduled for completion in 2013.

Some elements of the original workstreams that specifically concerned the IM department, have now been adopted in a wider IM Improvement programme

referred to as “Efficiency & Effectiveness” (E&E) programme, Phase 1 due for completion in June 2012.

Summary Conclusions

This report addressed the following key questions:

- Does the approach taken address the original issues identified by Arup report and NR?
- What is current status of the initiatives?
- Are all business risks identified and being managed?
- When is overall completion anticipated?

Does the Approach Taken Adequately Address the Issues?

In general, the Independent Reporter would concur that the original issues are being addressed, and significant progress has been made, in particular with the BCP. But there is still a significant way to go before benefits are achieved in full.

The Independent Reporter acknowledges that the seven original workstreams have evolved into the two programmes outlined in section 5 and these programmes have far wider implications and impact than the original workstreams.

The Independent Reporter has confirmed in this report and previous “Initial Findings” presentation that these programmes incorporate the majority of the issues raised by the original Arup report.

Current Status

- The Business Change Panel (BCP) was established in August 2011 and its remit approved.
- The BCP is operating and continues to monitor the range of change projects that are “in flight” (see below)
- The Phase 1 of the E&E is due for completion in June 2012 but there are two more phases anticipated.

Business Risk of Change Programmes

The BCP Minutes for Period 12¹¹ confirms that there are currently 461 “in flight” changes programmes running within Network Rail. Two of these programmes alone pose serious risk to the effective running of the business i.e. relocation of Head Office to Milton Keynes, alongside national programme of “devolution” of the company into regions.

The Period 12 report confirms of that only 25 of the total 461 have been fully assessed against the newly established metrics, of another 14 have been assessed for “scale/importance” and as yet have not be assessed for security of delivery. Whilst it is acknowledged that there has been some rationalisation of the portfolio, to identify the most important/risky projects, 39 out of a total of 146 change projects in progress have now been assessed but it remains a concern that the vast majority of programmes have not been assessed yet and this must be a priority for the BCP.

Whilst the Independent Reporter would acknowledge that an appropriate governance process has been established, the total impact to the business of the various changes programmes is yet to be assessed and quantified.

The Independent Reporter would acknowledge the improvement that the introduction of the Business Change Process has helped to identify and manage the projects but there is still significant level of change across of the entire business that represents a serious risk to the business and their stakeholders.

Expected Completion Date

As outlined in the introduction to section 3, serious problems emerged during the implementation of the ITPS in March 2010 which led to the imposition by the ORR of a fine against Network Rail related to Breach of Licence. Thus it is two years since the original problems emerged and 18 months since the fine was levied.

The implementation of the BCP in August 2011 was the first “delivery” step towards addressing the problems. During the presentation made on 29th February, Network Rail stated that the BCP process would continue to roll out till mid 2013; by end of 2012 is anticipated that it will be possible to capture “value for money” delivered by the Business Change process and by mid 2013 it is anticipated to deliver the Business Change Success Factors.

The E&E programme anticipates completion of Phase 1 by June 2012 but there is no definition at this time of the anticipated completion of later phases, although during the discussion on 29th February, Network Rail expressed the opinion that this type of “culture” change can take many years to be completely embedded.

Measure of Success & Benefits Management

Business Change

Network Rail has stated that a “value for money” measure of the change process will be developed during 2013. The recent presentation to the BCP indicates that there are at least 6 projects which have yet to identify the benefit and a further 6 projects whose benefits have yet to be authorised.

E&E Programme

The anticipated financial benefit of the “E&E” programme is £10.1m per annum but the source of these savings is unclear. One of the key success metrics is the Hackett Value Grid but as discussed in previous sections this is a benchmark tool and does not provide a tangible measure of success or cost savings. It is recommended that a clear set of measurable success criteria are developed

Recommendations

Ref.	Key Issue	Workstream 001: Commercial
01	The procurement processes used for software development in IM projects need to ensure close fit between system requirements and what is available in the marketplace. There are two options; paid “solution definition” stage or partnership approach	
	Recommended Action	Responsible Network Rail (C&P)
	The commercial approach taken should involve the supplier at an early stage i.e. feasibility stage, to achieve the best outcome but also to take on some of the risks where appropriate. The IR recommends that appropriate Procurement and Contract Strategies be published for IM.	

Ref.	Key Issue	Workstream 001: Commercial
02	“Business Analysts’ Handbook” is viewed by this Independent Reporter as thorough and competent document but was not mandated at the time of ITPS development. Approach to systems development is a “waterfall” approach to systems development i.e. “BRUF” (Big Requirements Up Front) and “BDUF” (Big Design Up Front)	
	Recommended Action	Responsible Network Rail
	Software development should follow an “iterative or agile process”, producing results and testing at each delivery stage, with the aim of reducing the time period between setting user requirements and what is actually delivered by IM. This practice should be part of the mandatory “GRIP for Change” process for IM projects which references to the updated “Business Analysts Handbook”.	

Ref.	Key Issue	Workstream 003: Stakeholder Management
03	From the review of the Arup report, it was clear to the Independent Reporter that the “World Class” Stakeholder Management process applied to other enhancement engineering projects (such as Kings Cross Station) has not been embedded in the IM community; in particular it was not applied to the ITPS project. The Business Analysts’ Handbook does contain guidance on Stakeholder Management but it appears to view stakeholders as “remote” and “external”	
	Recommended Action	Responsible Network Rail
	The IM section should draw “lessons learnt” from projects such as King Cross or other major enhancement projects where external Stakeholder Management is a key success factor. A key factor, in the opinion of this Independent Reporter, is the ability to clearly identify Stakeholders, understand their needs and document their requirements. In the case of ITPS, this required a detailed knowledge of the railway industry and “users” i.e. TOCs. The IR recommends that Stakeholder Management is a key focus of the “GRIP for Change” process.	

Ref.	Key Issue	Workstream 004: Competency
04	Change projects requiring systems or software components end with IM and the project management community with IM has an ongoing regime of competency management/improvement.	
	Recommended Action	Responsible Network Rail Training
	There needs to be is a concerted effort to measure and develop competencies, even amongst contract staff and to formalise the retention of “tacit” knowledge and lessons learnt from rail industry. The IR recommends that competency frameworks are issued for both IM and Change Management positions.	

Ref.	Key Issue	Workstream 006: Risk Management
05	The result of the NR’s audit of risk management across IM projects indicated that many IM projects, at the time of ITPS, did not have adequate risk management in place but this situation was greatly improved by June 2011. The IR understands that a new “Integrated Risk Management” (IRM) standard will be mandatory from June 2012.	
	Recommended Action	Responsible Network Rail Risk Management
	The use of multi “stakeholder” workshops i.e. representing all parties affected, especially external parties are affected (as in the case of ITPS). The important dimension will be to involve more people from outside IM community. The Independent Reporter would also recommend that the risk processes follow ISO 31000: 2009 - Management of Risk: Guidance for Practitioners (3rd Edition) 2010. The IR recommends that all IM and Business Change projects are audited against the new IRM as soon as possible.	

Ref.	Key Issue	E&E Project
06	The target completion date of Phase 1 end of Q1 2012 but there is no defined target date for future phases of the E&E project.	
	Recommended Action	Responsible IM
	An implementation schedule be developed for both E&E and BCP programmes.	

Ref.	Key Issue	Business Change
07	From the original portfolio of 461 projects, a programme of rationalisation has identified 146 projects as being “in flight” but this level of change still presents a significant level of change across of the entire business that, in the opinion of the Independent Reporter, represents a serious risk to the business and their stakeholders	
	Recommended Action	Responsible BCP

	That the current range of 146 change programmes be “grouped” into major programmes which have common outcomes, to enable the BCP and senior management to monitor progress and assess overall benefits.
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Ref.	Key Issue	Business Change
08	39 out of a total of 146 change projects in progress have been assessed, with 52 in Tranche 1, 35 in Tranche 2 and a further 59 in Tranche 3.	
	Recommended Action	Responsible BCP
	That all change programmes that are in progress should be assessed under the new BCP process and need to have measurable and authorised benefits as soon as possible.	

Ref.	Key Issue	E&E Programme
09	One of the key success metrics being proposed for the E&E programme is the Hackett Value Grid which provides a peer comparison.	
	Recommended Action	Responsible IM
	A clear set of measurable success criteria are developed.	

Next Steps

It is anticipated that Phase 1 of the E&E programme will be complete by June 2012, including the move to Milton Keynes (scheduled August 2012), along with progress of mapping the business change programmes, it is recommended that a further review of these programmes be carried out in 6 months time (September 2012).

Both programmes extend into 2013, with later Phases of E&E perhaps longer, so it also recommended that further reviews are conducted in 12 months time.

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June 2012.

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