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UK/ONS EXPERIENCES IN GAINING VALUE FROM AN EXTERNAL PARTNERSHIP

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I. INTRODUCTION

1. In 2003-4, the UK Office for National Statistics (ONS) embarked on a major modernisation programme to improve business processes and support systems by refreshing the technology underpinning the statistical value chain. Since the merger of 3 government departments to form the Office for National Statistics in 1995, the IM Group of ONS have been supporting a myriad of disparate legacy systems running on different technical platforms under different database management systems. Early investment following the merger was focused on aligning the desktop and office systems, but no attempts have been made to bring the statistical business systems into line and reduce the considerable overheads of maintaining such a wide range legacy systems.

2. This also meant that the business systems themselves are ageing and need new development to make them fit for current business needs and to reduce existing processing risks. It is essential that the current “business as usual” production of statistics continues and the ONS publish quality data and analyses, whilst process and technology modernisation takes place. Detailed work planning to identify the resource demands associated with maintenance of the existing statistical business estate has shown that the ongoing work demand significantly exceeded the current capacity of IMG. When this is mapped alongside the additional resources needed to undertake modernisation, it was clear that external support is needed to enhance the internal capacity and capability of IMG.

3. The ONS decided that the external resources should be acquired through negotiation of a “partnership” with an external supplier, rather than purchasing resources as a commodity. This paper aims to share the experiences in determining the drivers for partnership with an external supplier organisation, the creation of effective governance arrangements, and mechanisms for evaluating the benefits of the relationship. The paper will explore some of the cultural and commercial lessons learned in building an effective partnership within the context of a public service organisation

II. DRIVERS FOR PARTNERSHIP

4. ONS Information Management Group (IMG) has a number of major issues to address to enable it to succeed in supporting the business to deliver the ONS modernisation agenda. Recognising that significant internal capacity is absorbed supporting legacy systems, IMG identified a need to work with a partner organisation.

5. There were a number of drivers which led to the decision to agree a partnership, including:

- The volume of work required over a period of 4-5 years significantly exceeded our capability;
- The organisation faced a significant new technology skills deficit;
- Minimal experience in successfully delivering a wide range of large scale projects and programmes;
- The need to refresh the skills of internal IT personnel;
- Build an IT development and delivery capability (definition of new methods and standards);
- Access to cost-effective new technology and business change capabilities;
- Operational constraints on headcount (UK government review of the public sector efficiency – see ‘Operational Constraints on headcount’).

A. Volume of work

6. During 2005/06 IMG recognised that demand for IT work exceeded capacity so a detailed planning exercise was initiated to identify the IT requirements to support all the planned projects and ongoing work. The IT resource demand was captured in a Forward Work Plan. The forward work planning exercise identified that internal resources were already stretched meeting demand for work in maintaining and enhancing existing business systems, without the additional demands of modernisation. ONS wanted flexible resourcing which could be shaped to support the transition from legacy support to modernisation and maintenance of new systems.

B. Technology skills deficit

7. As we have been supporting a wide range of legacy systems mainly originating in the 1990s, the internal personnel had little experience in the technologies (Oracle, J2EE) to be used during modernisation.

C. Minimal experience in large scale programmes

8. The objectives of the modernisation programme are to join up business systems under the Statistical Value Chain and to create a shareable, repository for ONS data. This is an Office-wide initiative requiring large programme management experience. As the development of business systems had hitherto been “silo” developments for a particular business area at a time, it was recognised that ONS had minimal experience of this scale of programme.

D. Refresh skills of internal personnel

9. Having brought together the IT divisions of 3 disparate organisations, there had been no investment in fusing the methods and amalgamating development procedures to ensure future capability. Little had been done to ensure continuing development and upskilling of internal resources, so that for the most part their skills were out of date and needed capability in current development methodologies to be refreshed to meet the demands of the modernisation environment.

E. Build IT development and delivery capability

10. With few opportunities for major new developments within ONS over the last few years, it was apparent that the methods and processes to enable effective development delivery were not in place across IMG. The introduction of industry standard methods was a key driver in selecting a partner.

F. Access to new technology and business change capabilities

11. ONS identified the need for access to a partner organisation with current experience of the new technologies being adopted, but also importantly, with practical experience of driving major business change through the use of these new technologies.

G. Operational constraints on headcount

12. The ONS is operating in an environment where there is considerable sustained pressure on the management of business to deliver within tightly constrained efficiency targets. The pressures upon government to do more with less money are passed down to all government departments, and the UK Gershon Review on Public Sector Efficiency set each department stringent targets for reducing headcount through business efficiencies. This means that although the modernisation programme places increased demand upon IMG, this demand cannot simply be met by recruitment of personnel and the partnership driver is to supplement internal resources over the short term whilst enhancing own capability within those efficiency targets.

13. These drivers led ONS to decide upon a partnership arrangement and following a formal selection exercise, Xansa UK was chosen as the ONS IT Development “Partner in March 2004. As at the end of March 2006, as our IT Partner, Xansa are providing around 75 IT consultants supporting ONS modernisation.

III. CREATION OF EFFECTIVE GOVERNANCE ARRANGEMENTS

14. In establishing the Contractual relationship with the Partner, ONS recognised that the effective operation of a partnership does not happen without commitment and effort from both parties. From the outset, Xansa and ONS agreed that the management of the relationship is an entity in its own right. The main contract between Xansa and ONS specifies a number of schedules, and the schedule for relationship management is of equal importance to the schedules which specify the detailed services provided under the contract.

ONS - Xansa Services
Agreement Structure

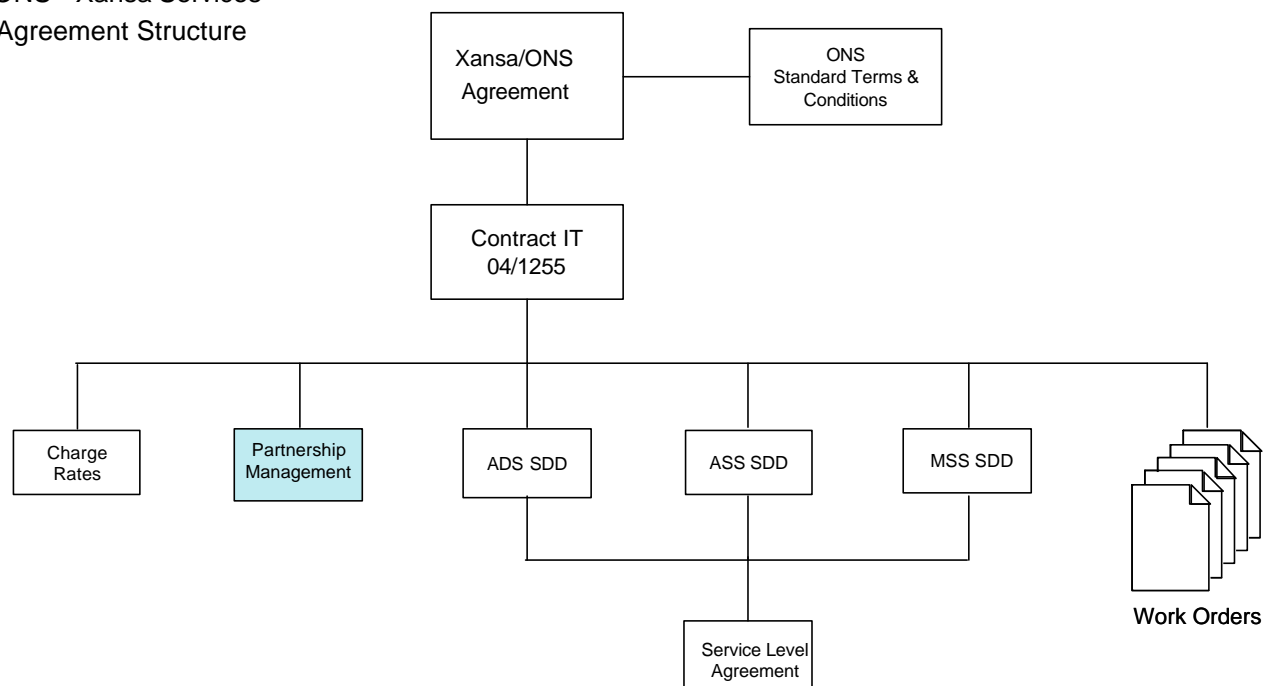


Figure 1: Xansa Services Agreement Structure

A. Relationship Management Principles

15. This schedule in the contract established a number of “Relationship Management Principles” to underpin the relationship;

- Acknowledge that the prime objective of the relationship is to deliver the ONS IM Strategy.
- Establish the partnership goal to improve and develop the IS capability within ONS. (Xansa undertook to support this principle by treating effective skill transfer as a key part of the assignment. Capability development included culture and effective delivery/development methods ie creation of ONS’s ONSide development methodology).
- ONS and Xansa developed service performance measurements “Balanced Scorecard” to evaluate the added value that gained from services delivered.
- Create an ethos based on openness and trust between the parties. Working relationships to be supportive and appreciative of the goals of each organisation and the objectives of

the relationship. The parties commit to work together to continuously improve the effectiveness of this relationship.

B. Relationship Management Team

16. To provide the active management of the relationship, ONS and Xansa created a “Relationship Management Team” formed of key personnel from each organisation. This includes as a minimum the following roles:

ONS Role	Xansa Role
CIO	Government Sector Director
Director of Applications	Client Director
Partnership Manager	Client Delivery Director
Contract Manager	Commercial Manager

17. The objectives of the Relationship Management Team are:

- to satisfy the IM Management team, the ONS Executive Management Group (EMG) and senior management in Xansa that the Contract is delivering the required services to enable ONS to achieve its business objectives
- to manage the working relationship between the parties where the parties have a joint commitment to meeting the ONS business objectives
- to achieve, identify improvements to, monitor and communicate service performance, status and achievements.
- to manage the Services workload through the maintenance of the Rolling Demand Forecast so as to meet the Agreed Profile.

C. Governance

18. Governance of the agreement is executed through a number of regular, formal reviews as well as informal day-to-day dialogue.

- Executive Reviews – a six monthly meeting focusing on delivery performance in year, value added to ONS by using partners contract services.
- Relationship Governance Review – a quarterly meeting reviewing a “Balanced Scorecard” set of performance measures. The output of this meeting presented during the Executive Review
- Operations Review – a monthly meeting focusing on delivery, achievements, highlights, the rolling demand forecast and risks and issues for the relationship. Deals with individual and project assessments.
- External Resources Co-ordinating Board (EXCB) – a weekly meeting focusing on the resourcing of technical assignments and the preparation of work requests.

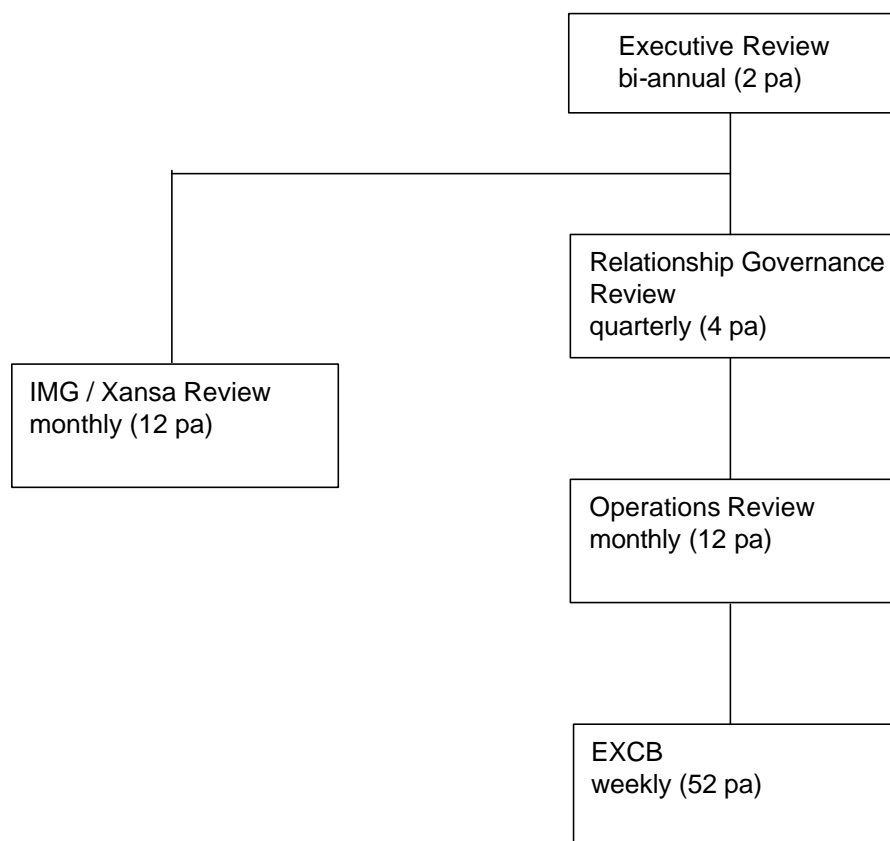


Figure 2: Relationship Governance

IV. MECHANISMS FOR EVALUATING THE BENEFITS OF THE RELATIONSHIP

19. As a key element of the regular reviews, the benefits of the relationship are monitored through the partnership “Balanced Scorecard”. The scorecard monitors the effectiveness of six key dimensions (or goals) of the relationship;

- Goal 1 – Influence Strategic Direction
- Goal 2 – Improve IMG Processes
- Goal 3 – Improve IMG Capabilities
- Goal 4 – Joint delivery to cost, time, quality
- Goal 5 – Improve IMG Customer Satisfaction
- Goal 6 – To provide quality resources

20. These goals are described and the measures set out here:

Measures (Goals)	Description	Target
Influence Strategic Direction	Xansa to provide technical expertise on current and new technology and best practices that are relevant to the Public Sector and Statistical field to support ONS in the achievement of the	2 ideas every 6 months

	Strategic Business Goals.	
Improve IMG Processes	Demonstrate improvement in maturity of processes (e.g. applications development & service delivery, estimating, quality, project management and service management).	2 ideas every 3 months
Improve IMG Capabilities	Xansa to assist ONS to drive in new technology skill sets.	Agreed self-sufficiency, evaluation & skills transfer targets met
Joint Delivery of key projects	Joint delivery of key projects to cost, time, quality.	75% of agreed projects meet cost, time & quality plans
Improve IMG Satisfaction	IMG satisfaction with Xansa is assessed and improved.	To be agreed after base lining
Provide quality resources	Xansa individual resource performance to be acceptable	Meet individual assessment target and maintain 60% salaried/contractor mix

Figure 3: Balanced ScoreCard Goals

21. A report of achievement against each of the Goals is then developed and reviewed at the regular governance meetings. This report provides both summary achievements against the set of goals, and details of how a specific goal was met or the progress towards meeting it. Some examples of benefit evaluation are shown below.

Overall Target Performance Quarter 3 2005/2006

GOAL	Delivery Target	ONS Implementation Status
Influence Strategic Direction	Met Another 2 ideas put forward this Qtr	Implementation of both underway
Improve IMG Processes	Met Another 4 Ideas put forward this Qtr	Implementation complete or in progress
Improve IMG Capabilities	Met ONSide & Estimation Self-sufficiency issues due to ONS resource constraints	ONSide and Estimation Self-sufficiency outstanding
Joint ONS/Xansa Delivery of key projects	85% Met (Measured numerically, Target 75% Statistical Modernisation Projects, Registration Projects, Architecture)	Amber as position on one project is putting the SMP development programme in jeopardy. (Scope of Business requirements not well defined and exceeded time available to deliver.)
Improve IMG	Target tba after Qtr 4 Baseline	Not Applicable

Satisfaction		
Provide quality resources	Met (Individual assessments, salaried / contractor ratio)	Not applicable

Figure 4: Summary of achievement against Balanced ScoreCard Goals

Goal 1 Influence Strategic Direction

Goal 1	Target
<u>Influence Strategic Direction</u> Xansa to provide technical expertise on current and new technology and best practices that are relevant to the Public Sector and Statistical field to support ONS in the achievement of the Strategic Business Goals	6-monthly = 2 ideas

Idea No.	Description	Weight (H,M)	Target Status	ONS Implementation Status
1	Fixed Price Model established and used in place of the previous model of Time and Materials. This model may form the basis of further fixed-price deliveries in the future on other projects).	M	Met	Fixed price proposal agreed for High Level Design Phase and implemented. Detailed Solution Analysis and Design proposal presented and issues relating to this still being discussed, hence Amber status.
2	Handover of IMTS to ONS – Consultancy, training and handover of the Testing Service management to ONS management, allowing IMG self-sufficiency in future testing strategies and day-to-day testing services.	M	Met	Implementation well underway with Lead Test Consultant providing consultancy and skills transfer to Testing Branch Manager. Target completion – end January 2006.

Figure 5: Example detailed report against goal achievement

V. LEARNING POINTS

22. As expected, it has taken a period of time for the partnership to become established and fully effective. In doing so there has inevitably been some uncertainty and scepticism. However, it can now be demonstrated that the relationship is yielding benefits but further improvement can still be made. Some key observations and lessons include:

- Do not underestimate the cultural issues in bringing significant numbers of external individuals into the organisation. As individuals they generally successfully earn the respect of public servants, but financial reward and value for money issues are regularly challenged.
- Financial funding issues will drive the need for significant “flexibility” at critical times. A partner can provide a variety of resourcing solutions e.g. time and materials

resourcing, turnkey development, offshore development, backfilling posts to release internal staff, etc. However, each of these has its own benefits and disadvantages and the project timetables need to allow sufficient time to explore the business requirements, assess the costs utilising different methods of resourcing, agree the plan and sign up the contractual details. In a government organisation this can occupy a significant period.

- Clear lines of responsibility are required to ensure that individuals in both organisations understand their duties and liabilities, and act to fulfil them. This also extends to the members of the Relationship Management Team ensuring that those people who work with members of the partner organisation on a day-to-day basis understand the relationship management processes and know when to escalate matters of concern or report back significant achievements.
- With a key Goal of the partnership being to refresh and develop the internal capability of IMG, it is essential to focus effort on activities to develop self-sufficiency and to ensure that resources are assigned to enable succession planning to reduce long-term dependency upon contractors.
- Overall, significant cultural and capability change can be achieved, but parties have to work at the relationship (as an entity in its own right).

VI. CONCLUSION

23. ONS/IMG has experienced pressures to provide greater flexibility and value for money. It chose to exploit the capabilities of external IT service providers as catalysts to enable technological/organizational change and chose “partnership” rather than “commodity” based external supplier. ONS has put significant effort into integrating its external partner into the business areas, and while the relationship has experienced real challenges at times, it has started to deliver real benefits that are enabling the delivery of the modernisation agenda.
