



Infrastructure, Government & Healthcare

# Wiltshire Council

SAP Post Implementation Review

November 2010

ADVISORY

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## About this report

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# Executive Summary

# Executive Summary

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KPMG LLP were asked to conduct an independent Post Implementation Review of Wiltshire Council's recent SAP project. Whilst this was a 'post' implementation review, the focus throughout the review was to look forwards and understand how the lessons learnt during the SAP project may be taken forwards to benefit future Council projects.

As the Wiltshire Council SAP project evolved, it was presented with a significant number of issues that would have been a challenge for any organisation, public or private. Along with a major Enterprise Resource Planning ("ERP") system implementation, the Council was also working to implement a shared service model for end-to-end Council processes and create a Unitary Authority combining the County Council and four District Councils as part of Local Government Reorganisation ("LGR"). These additional factors were largely outside the project's control and we feel it is important to recognise this context when considering the issues that arose.

Wiltshire Council successfully went live with SAP on the 1<sup>st</sup> April 2009, the original go-live date. The new SAP system included entity-wide finance, procurement, HR (covering 5,500 staff) and payroll functionality (covering, in the first instance, 14,000 non-schools staff) along with employee and management self-service modules. Council figures indicate that, to date, savings of around £3.5m have been made in addition to non-cash benefits such as: improved system up-time and resilience from having a single, externally hosted system and database; and, consistent and simplified processes for procurement and HR.

At the same time as delivering SAP, Wiltshire Council also introduced a Shared Service Team with a view to providing a single source of transactional, finance and HR services across the Council and thereby eliminating duplication across different service areas.

In the main, the issues faced by the project result from the compressed time available to deliver the SAP system and the competing initiatives and calls on Council staff's time. This compression manifested itself in the following ways:-

- The LGR meant that SAP operational structures were not known until two weeks before go-live, leaving limited time to configure optimally the system's processes and controls. The LGR also faced resistance in some areas, meaning that knowledge of processes and data was still not clear for some staff until after the system go-live. Conducting future projects in such an environment is unlikely to occur, but should be avoided if at all possible. Nevertheless the experience does highlight the potential for internal or external factors to put additional pressures on agreed timetables and reinforces the importance of planning ahead to ensure sufficient time is available to deliver critical implementation tasks.
- There was insufficient time or capacity to perform robust user acceptance testing, resulting in a number of glitches being identified post rather than pre go-live, notably around certain key reports. The project considered the risk associated with this approach to be low as SAP standard configuration was adopted, whilst recognising that this could lead to continued and/or extended use of end-user developed applications such as spreadsheets, which are inherently more risky than using data directly reported from SAP.

# Executive Summary

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- Competing initiatives and job security concerns meant that the most appropriate staff were not always available to fill key project roles, particularly those in the Council's operational departments. External contractors were used where roles could not be filled and in a number of cases, knowledge was lost from the Council when these contractors subsequently left, at the end of the project. Project staff should be selected on the basis of the best individuals available.
- The original BMP project plan allowed for 15 months to procure SAP and a further 15 months to implement it, although the latter was modified to 12 months following advice from the bidders. The LGR caused a number of internal delays, meaning the tendering process took 18 months, leaving only 12 months to deliver SAP by the 1<sup>st</sup> April 2009 deadline. In future similar projects, management should seek to ensure an appropriate balance between selecting the right partner and solution, and delivering the project's objectives including reasonable contingency time where possible. For the SAP project, this would have allowed additional time to define staff structures and complete system testing to a greater depth.

A number of other themes were identified in our review:-

- Benefits realisation: a range of project benefits were identified during the tendering and project initiation stages, including management's core aim of reducing operational cost by using the system to generate financial cost savings. Whilst such savings are now accruing and remain a key deliverable of the SAP project, there was less focus on the non-financial benefits of implementing SAP.

***In future projects a full benefits definition, realisation and monitoring process should be employed. This could well be similar to the approach adopted during the early stages of the SAP project, the granularity of which was largely lost when the process was subsumed within the greater LGR programme.***

- Shared Service Team: at the same time as the SAP implementation, the Council developed a Shared Service Team to reduce the administrative burden of performing common end-to-end transactional and professional tasks and processes across the Council. At present this team is not operating effectively in procurement and finance (where some members of the team were temporarily redeployed to meet the current needs of the business).

***Management should seek to reinvigorate the SST by re-communicating its benefits and role. We understand that a restructure of the SST is now underway.***

- Programme and project governance: the approach adopted by the Council appeared good from the outset although, as noted, time could have been saved from the tendering process and given to the delivery phase. Documentation was prepared to a high standard, although as time ran out towards the end of the project, some documents were not updated as fully as might have been desired. System training, whilst challenging, appears to have been a success, largely as a result of the efforts of Council staff.

***Management should use a similar approach to controlling projects in the future, but seek to maintain the disciplines through to project closure.***

# Executive Summary

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- SAP strategy: there is currently no documented long-term strategy for the use of SAP within the Council. The project team has now become the SAP Support Team, with a focus on making minor changes, fixing issues and keeping the system operating. The SAP Executive Board has agreed to a longer term strategy that seeks to optimise SAP, using the corporate IT budget to fund solid business cases for further developments.

***Management should consider formalising an agreed strategy for SAP developments that could improve the delivery of front-line services or make significant additional savings. Such developments should, of course, be thoroughly vetted before a decision to commit financial resources is made.***

Ultimately, Wiltshire Council achieved a great deal in successfully implementing a major SAP system, in a short period of time, with significant other organisational change occurring. In this context, going live on time on the 1<sup>st</sup> April 2009 appears to have been a bold decision, but one which had to be made to allow the Council to continue delivering core services and to avoid the additional costs associated with deferring a project of this size and nature.

# Background and context

# Background and Context

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The Wiltshire Council SAP project, also known as the Business Management Programme (“BMP”) originated in a December 2005 Cabinet Paper recommending the replacement of IT systems for Finance, Procurement and HR/Payroll. Following this paper, a Project Board was created, a project manager appointed and the procurement process started.

Initial considerations were split between replacing individual IT systems with “Best of Breed” systems or by implementing a Council wide Enterprise Resource Planning (“ERP”) system to combine the functionality of existing systems. Eighty-two bidders responded to the Council’s Official Journal of the EU (“OJEU”) notice, with eighteen selected at Pre-Qualification Questionnaire (“PQQ”) stage. A further selection stage identified six bidders who demonstrated the ability to manage a project of this size. All six shortlisted bidders proposed an ERP solution using either SAP or Oracle Financials. Estimated costs for the implementation project were £12.3m over the system’s seven year lifecycle (of which £7m related to the implementation project and the remainder to annual maintenance costs).

The procurement process varied from the more usual competitive tender approach to a ‘competitive dialogue’ approach allowing the Council’s requirements to be developed in consultation with the bidders. This process also allowed for the development of the Council’s knowledge throughout the procurement process which was important in view of the evolving needs of the proposed unitary authority.

In May 2007, following a review of system lifecycle costs and other assessment criteria, CapGemini and LogicaCMG (“Logica”) were shortlisted as preferred bidders; both proposed the SAP system. At around this time a submission was made to Government for unification of Wiltshire County Council and its four associated District Councils under the ‘One Council’ banner. This added approximately £1.5m in IT infrastructure costs and also significantly increased the complexity of the undertaking.

Advice from bidders included the suggestion of creating a Shared Service Team (“SST”) as part of the project so as to generate enhanced financial benefits by improving the efficiency of undertaking common administrative tasks across the new Unitary Authority.

The potential financial savings in connection with implementing SAP were identified as being around £20m over the first four years of the project on the basis of reduced headcount and an improved, centrally coordinated procurement function.

In February 2008, LogicaCMG were notified of their status as ‘preferred supplier’ and a contract was signed in that same month.

The go-live date for the SAP implementation and the introduction of the Shared Service Team was set at 1<sup>st</sup> April 2009, the same as the vesting date for the new Unitary authority.

The implementation element of the project kicked off in late March 2008, allowing the project one year to deliver; an aggressive target for the SAP element of the project alone.

*Note: The SAP project was initiated and run by Wiltshire County Council, for an organisation which did not technically exist until the go-live date of 1<sup>st</sup> April 2009 - when the new Unitary Authority (Wiltshire Council) came into being.*

# Background and Context

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From the commencement of the project and throughout its duration, Wiltshire Council found itself in an unenviable position – a combined exercise of implementing SAP, developing a shared service model and unifying four District Councils with the County Council. This created a great degree of uncertainty, both with regards to Council staff's future employment and to the ultimate structure of the Unitary Authority. In a number of cases, this manifested itself as outright resistance to the project(s). This is a position that few project teams, in either the public or private sectors, would wish to be in during such a significant project, and one over which there was little scope for control.

This context is important when considering the issues and challenges faced by the project team and, indeed, its ultimate achievements.

This report seeks to document these key challenges and achievements in the context of the position the project found itself in. It also seeks to make recommendations, where appropriate, as to how these challenges might be avoided/overcome and achievements replicated in future similar projects by the authority.

# Current status of the project

# SAP Implementation project

## Current status of project

The project went live, as planned, on the 1<sup>st</sup> April 2009. At this point, the SAP system was able to pay suppliers, pay its staff, collect revenue and cash and had operational Employee and Management Self Service modules; on this basis the project may be considered a success.

From Logica's perspective, on the 1<sup>st</sup> April 2009 a period of one month's post go-live support started after which the project effectively ended with support moving off-site (the exception to this was payroll where a phased implementation approach was applied).

From the Council's perspective, we have not been able to identify any documentation that supports the formal closure of the project (other than the sign-off with Logica). Instead of formal closure, the project appears to have moved almost naturally from a project model to a support model. Indeed, many of the SAP project team now make up the SAP support team.

Although Council projects are normally formally closed to allow for a clear and visible transition from 'the project' to business-as-usual, we understand that a decision was taken that the BMP project board should transfer responsibility to the SAP steering group for overseeing the outstanding BMP deliverables and providing on-going governance of SAP and its associated business processes to ensure a smooth transition into support.

It is normal in large ERP implementations such as this for the go-live to effectively end only the first phase of the project, with future phases focussing on making further developments to the system and improvements to processes as an organisation's long-term strategy dictates.

It is fair to say that whilst core processes were able to operate after go-live, there were, and are, a number of elements which do not operate as desired and/or designed.

These have been summarised, in this section, under the following headings:-

- Finance
- Procurement
- HR/Payroll
- Shared service team
- Staff structure
- Future plans for SAP
- Manual processing outside of SAP

### **Finance**

There are a number of small yet, in many cases, fundamental issues to be resolved in this area. These include the presentation and integrity of some reports, notably financial and budget monitoring reports, the operation of some interfaces and the use of Business Warehouse (BW) and Business Intelligence (BI) which could be extended and enhanced. In many cases, these issues have led to workarounds being developed using end-user applications such as Microsoft Excel, thus potentially removing many of the potential efficiency and control benefits of SAP.

Budget monitoring has also proved a significant problem in this area. Budget holders, many of whom had delegated this responsibility in the past, and therefore did not attend the training sessions, are still struggling to use the system to manage and monitor their budgets. Budget reports generated by the system are not yet considered by end users to be optimally designed.

However, the SAP system does allow managers to trace back to source (e.g. invoice) any payment that is made against their budgets, functionality that was not available on legacy systems.

We understand that action to address these issues is well advanced, with staff from various areas of the business working with Logica to identify knowledge gaps, agree necessary configuration changes and re-launch budget management functionality.

# SAP Implementation project

## Current status of project

### **Procurement**

SAP procurement can be used to drive significant efficiencies and cost savings through improved process discipline and a better management understanding of the buying process. Whilst procurement approval flows have improved on those of legacy systems, regular organisation structure changes have meant that the approval flow for purchase requisitions has not yet been optimised. Whilst there are professional buyers in place in a small number of departments, the Council is still in the process of establishing centralised professional buyers with responsibility for obtaining the best prices and terms for several significant categories of purchase. We understand that this should be in place by early 2011.

The procurement module in SAP also has functionality that allows for the approval of consolidated invoices using the 3-way match process. Whilst Wiltshire Council is using this functionality, issues around requisitioners failing to confirm delivery of items and price/quantity discrepancies mean that some manual intervention is required, to support the invoice payment process.

#### **Action 1**

*Management should focus on further improving the procurement function so as to maximise the benefits derived from both SAP and the SST.*

*Such improvement should focus on making the buying process a truly shared service, with departments only responsible for requesting, approving and receipting goods on SAP, with all other administrative tasks performed by the Shared Service Team. Using professional buyers that understand the marketplace and the options available should create further efficiencies and lower the average cost per transaction.*

*In future implementation projects, it is key to ensure that enhanced functionality available in the new system(s) is used not as a basis for replicating old process(es) on a newer platform, but to improve significantly the efficiency of the organisation through leaner process(es).*

### **HR & Payroll**

A phased approach to implementing the payroll elements of SAP was adopted. The first phase covered all Council staff, and went live on 1 April with the first pay run successfully delivered on the planned date of the 25<sup>th</sup> April 2009.

The second phase included Wiltshire Police and Wiltshire Fire and Rescue staff and went live in time for the September 2009 payroll. The third and final phase, covering the schools, went live in April 2010. The function was in place and worked and although initially there was some aspects managed manually, notably around the preparation of a limited number of reports for third party payroll customers (i.e. the schools, police and fire service), these changes were mainly in response to changes in customer expectation and understanding given the new format of SAP reports as opposed to the legacy payroll system. These issues were soon resolved and reports moved to automated processes.

# SAP Implementation project

## Current status of project

### **Shared service team**

As noted previously, at the same time as the SAP implementation, the Council was also implementing a Shared Service Team (“SST”) designed to generate efficiencies by consolidating common administrative and transactional tasks across the Council in a single team and also to allow individual departments to focus on improving the delivery of their core services to the public. At present the SST is not operating as a fully shared team in all areas, most notably in Finance and Procurement: we understand that a number of the HR Advisory, Budget and Management accountants temporarily left the SST to meet a business need.

Another reason for the lack of progress in putting in place a fully shared service is rooted in the historical structure of the Council which has created barriers or ‘silos’ in some areas. For example, many departments are keen to retain full control over their own procurement, financial analysis and budgetary management, rather than allow common tasks in these processes to be performed centrally.

### **Action 2**

*Sharing common administrative and transactional procedures across an organisation is a good way of making efficiency savings, both from reduced headcount and from more effective processing as economies of scale are achieved. This is particularly true when an ERP application such as SAP has been implemented.*

*Management should seek to reinvigorate this drive by considering those elements of processes which could be centralised in the SST, breaking down internal silos where possible. The current end-to-end process review may help inform this. Possible other actions for enhancing the value of the SST include:-*

- *re-communicate the benefits of the SST to process owners and users*
- *re-iterate the ‘why’ and ‘how’ of the SST, notably its criticality in helping deliver inevitable budget cuts*
- *developing and building internal skills where missing*
- *manage out people who refuse to adapt and develop in a shared service environment.*
- *clarify process to create efficiencies for front-line users and those processing in the back office.*

# SAP Implementation project

## Current status of project

### **Staff structure**

Having a stable staff structure in place by November 2008 was a key requirement of the project plan. However, as a result of the LGR, there was no clarity as to the post-unification structure throughout project planning and delivery. This, as previously noted, created a significant degree of uncertainty amongst Council and District staff.

In addition, it created significant difficulties around the creation of SAP job roles and authorisation paths. A go-live staff structure was not available until 2-3 weeks before the project go-live date, creating a bottleneck in applying system security controls to SAP. Post go-live, the staff structure of the Council continues to change.

#### **Action 3**

*The staff structure changed constantly throughout the project and after it went live. There remains uncertainty regarding the final structure over the medium term.*

*SAP security involves users being allocated access to certain system transactions based on their job role. Where job roles are frequently changing, it is likely that users will accrue access rights in excess of their requirement. This can result in users having excessive system access, and in poor system enforced segregation of duties, which in turn increases the risk of fraud or accidental error caused by inaccurate approval flows. Management should consider performing an in-depth, automated, technical review of SAP security and segregation of duties. Such a review should provide the Council with a baseline security position from which future changes can be monitored. We understand that a manual review has been completed.*

### **Future plans for SAP**

At present, the focus for the SAP Support Team is on supporting the application and making small scale improvements to processes. We understand that end-to-end process reviews are now underway with a view to identifying minor gaps that can be resolved by the in-house SAP team.

We also understand that a number of other developments are currently being implemented, for example commitment reporting for the Department of Community Services ("DCS") and the SAP SSM module (performance management). Other developments are being considered to provide improved finance functionality. The business case for these developments will be subject to review by the SAP Steering Group, with those that offer an acceptable return on investment being funded from the corporate IT budget.

#### **Action 4**

*Whilst it is clear that the Council is subject to increasing budgetary constraints, it should be recognised that an ERP system such as SAP is entity-wide and can be used to drive efficiencies and improve processes and control in virtually all areas of the organisation.*

*Where there is a strong case for further investment (including financial return and other benefits) management should seek to develop the system further with a view to improved service delivery at a lower cost.*

*At present much of the effort and cost has gone into getting the new system up and running. Where a strong business case exists, the additional investment should help to realise significant extra benefits.*

*To help ensure the success of any SAP strategy and future developments, it is important to continue to allocate system and process ownership to key individuals in the business, provide appropriate support and monitor their progress in delivering the strategy and its associated benefits as part of the Council's performance management process.*

# SAP Implementation project

## Current status of project

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### ***Manual processing outside SAP***

The implementation of SAP has forced significant organisational change across the Council. However, the degree to which this has been embraced, at a department level, differs across the organisation.

A number of instances were identified of processes that existed before the introduction of SAP being continued and of reports and analysis being prepared outside the SAP system using end-user solutions in applications such as Microsoft's Excel and Access.

Such workarounds and secondary processing of system data pose a number of threats. They increase the risk of inaccuracies, often constitute an unnecessary additional administrative overhead and cost, and may inhibit the ability and inclination of staff to embrace the new system .

#### ***Action 5***

***The controls over SAP processes are inherently more robust than those over end-user developed applications such as spreadsheets or databases. Management should aim to use SAP functionality to the fullest extent possible.***

***We understand that management are currently undertaking an end-to-end review of processes. Part of this review should consider the extent to which manual processes and end-user applications, outside the SAP system, are used.***

***Management should also consider performing a trawl of network storage devices to ascertain the extent to which large end-user developed spreadsheets and databases are used. The appropriateness of replacing any such spreadsheets or databases with SAP functionality should be considered.***

# **Strengths & weaknesses; what can be improved in the future?**

# SAP Implementation project

## Strengths and weaknesses; what can be improved in the future?

This section of the report considers various elements of the BMP in the context of understanding the strengths and weaknesses of the SAP project that can be taken forwards to other similar projects in the future.

### **Project initiation and planning**

The initiation and planning stage of the project, based on our review of documentation and meeting minutes, appears to have been well organised and coordinated. The decision to engage bidders in a process of competitive dialogue rather than competitive tender was an appropriate and cost effective way of developing the Council's understanding of ERP systems and implementations.

The original BMP project plan allowed for 15 months to procure SAP and a further 15 months to implement it, although the latter was modified during the procurement to 12 months following advice from the bidders. The LGR caused a number of internal delays, meaning the tendering process took 18 months, effectively removing the 3 month contingency, whilst still leaving the 12 months to deliver SAP by the 1st April 2009 deadline – an aggressive and challenging target.

#### **Action 6**

*In future projects, where deadlines are known, Wiltshire Council should seek to achieve a more balanced split of time across the key stages of the project including planning, tendering, delivery and closure of the project and therefore avoid erosion of any contingencies built into the project plan. In the case of SAP, this would have allowed more preparation time, particularly helpful when building a large project team. It should also be recognised that typically, the amount of time spent implementing should exceed the time spend on the tendering process.*

Throughout the planning process, as staff were being allocated to key project roles, it became apparent that, in certain cases, some were unwilling to involve themselves in the project. There appear to be three reasons for this. (1) The SAP project, the creation of a shared service function and the LGR created a high degree of uncertainty regarding individuals' future employment with the Council. Staff appeared reluctant in some cases to give up the security of their substantive posts for short term project posts. (2) The LGR was actively resisted by some staff. We understand from discussions with staff that some individuals were actively discouraged from being involved with the project. It was, however, embraced by many other staff. (3) Other conflicting priorities within the Council also resulted in staff's focus being drawn away from the project.

These three reasons are a function of the position the project found itself in, however, in future greater focus should be given to managing the expectations of key stakeholders very early on in the project process.

Where project roles were not filled by existing Council or District staff they were filled by external contractors.

A good level of external research went into the project planning process; in addition to the competitive dialogue approach, a number of site visits were performed, including at other authorities that had implemented similar systems. Internal planning sessions were held both to inform the Council and Districts of the coming changes and help inform the project plan. A detailed project plan was developed with support from Logica based on these visits and sessions.

# SAP Implementation project

Strengths and weaknesses; what can be improved in the future?

## **Action 7**

*Getting the right people involved in the right parts of a project is often key to its success.*

*As noted, in this case, a number of factors conspired to limit the resource available to the project; management were forced to do the best with the resource available, using external contractors where necessary. The decision was taken by the BMP board to place contractors directly into project posts rather than to back-fill because key staff were also needed for the LGR and business as usual*

*It should be recognised across the Council that projects such as the SAP implementation are key to the organisation achieving its goals. This direction must come from the top.*

*As such, the most appropriate staff possible should be selected for involvement in key projects, not just those available.*

*Where external contractors are used by necessity, a formal plan should be in place from the outset to ensure that knowledge retention within the Council is maximised.*

*It is important to note, however, that a balance must be struck between the detailed end requirement knowledge that Council staff have with specialist system capability knowledge which may only be available externally.*

## **Project governance, management and support**

The project broadly followed a PRINCE2 project management methodology, amended in places to reflect the Authority's unique needs and Logica's experience.

Appropriate project management documentation appears to have been in place from the outset. Logica, on a number of occasions, provided template documentation where relevant examples didn't already exist in the Council. The project documents we have reviewed have typically been of a good standard, although in some cases, towards the end of the project when the pressure to deliver was high, these were not updated to reflect the current position.

As noted previously, some issues were experienced with respect to getting the right people into the various elements of the project. The central project management team was designed to be deliberately lean and appeared dedicated in working towards the project's goals.

A Programme Management Office ("PMO") is in place in the Council, however during the period of the SAP project, this appears to have been more focussed on the LGR than the SAP project. SAP project issues were communicated to the LGR, but LGR issues were not necessarily communicated back to the SAP project team for consideration of impact and interdependencies.

## **Action 8**

*PMOs fulfil a fundamental 'Portfolio Management' role in the co-ordination and prioritisation of multiple projects and initiatives (as was the case at Wiltshire Council) and, most importantly, in identifying, communicating and managing the interdependencies between them.*

*In the future, the Council should aim to use the PMO more as an independent body to monitor and support the progress of individual projects, whilst also ensuring their needs and interdependencies are clearly identified and managed appropriately.*

# SAP Implementation project

## Strengths and weaknesses; what can be improved in the future?

Immediately following the SAP go-live on the 1st of April 2009, the project team moved to a SAP support role. Logica's onsite project team also moved to post go-live support for a period of one month (although some on-site support remained far longer than this for the additional payroll implementation phases).

Normally for large SAP implementations, a period of enhanced support or 'hypercare' is applied immediately after go-live with a focus on the rapid resolution of the smaller scale inevitable go-live issues and glitches. After the period of hypercare, this would allow those charged with supporting SAP to focus only on the more significant issues and gaps with minimal distraction.

Whilst we acknowledge that a post go-live support model was in place, subject to available financial and human resource, additional support in the most critical period could have resulted in many open items being cleared far sooner.

### **Action 9**

**Limited financial and human resources to support the SAP project meant that the post go-live product could not be supported to the extent which might normally be desired.**

**A period of high intensity post go-live 'hypercare' is a good way of rapidly resolving many of the small inevitable glitches that occur post go-live. In the longer term this allows the support team to focus on more current significant issues or gaps. Management should consider such an approach in future projects.**

### **Go-live criteria**

Project success factors and deliverables were identified during the early stages of planning, and documented in the Project Charter document.

These were developed into more formal go-live criteria during early March 2009. These criteria were actively monitored during the weeks before go-live, forming the basis of a rolling report, and were categorised as follows:-

Green - Work is completed and ready for go-live

Amber - Work is not completed and either the item is not business critical for 1st of April and/or robust plans or contingencies are in place to allow business to be transacted at go-live

Red - Work is NOT completed, is business critical for go live and robust plans or contingencies are not in place and item threatens the ability of business to be transacted at go-live.

On the 30th March, when the go-live decision was made, there were no red issues. The Project Board deemed that none of the amber issues had a significant impact on the project's ability to go-live and the decision was made unanimously.

The decision, whilst bold in the context of the tight timescales and other ongoing initiatives, appears to have been made with a good understanding of the risks involved and it appears to have been the correct one; it is likely that any delay would have resulted in a significant additional financial cost, in terms of additional charges from Logica and the need to support the legacy IT systems of 5 organisations.

# SAP Implementation project

## Strengths and weaknesses; what can be improved in the future?

Contingency planning was in place for the payroll system, with a significant amount of parallel testing taking place in the preceding months. The five Councils' finance systems were all still available in the event that SAP did not go-live, with skills available to make the necessary configuration changes for unitary use. As for HR and procurement, the legacy manual processes would have been adopted in the absence of SAP.

The decision was also taken to defer some elements of SAP functionality, such as on-line leave applications, until such time as the necessary capacity was available in the business to carry out the associated preparatory work

The payroll implementation involved a phased approach with the 2nd phase going live in October 2009 and the 3rd phase going live in April 2010.

### **Action 10**

*We acknowledge the extremely challenging position that Wiltshire Council found itself in. The Council was delivering "service as usual" to the public, balancing the needs of the SAP implementation, the Local Government Reorganisation and the development of a Shared Service Team amongst other things. This presented a series of challenges that no public or private sector organisation would wish for.*

*It is unlikely that such a series of issues and activities will conspire to impact similar projects in the future. However, when initiating and planning future projects, the Council should be mindful of the competing demands on financial and human resources and schedule project activity around these.*

*We recommend in future projects:-*

- *A robust fallback/contingency/back-out plan be developed for any systems implementation.*
- *Some contingency should be built into project/programme plans and timelines.*

A number of phases of testing occurred throughout the SAP project. The majority of these appeared sufficient and appropriate to the project's need.

Final user acceptance testing ("UAT"), that is, thorough testing of the new system by those who will use it, however, had limited depth and scope (prior to this, integration testing does appear to have been performed thoroughly).

A fixed go-live date and a limited pool of available resources meant that there was insufficient capacity to perform UAT to the extent desired.

The Project Board was aware of this and made the decision to proceed with the project on the basis that there were very few process modifications from the SAP standard.

### **Action 11**

*Given the very limited timescales available for this project, the time allocated for UAT was compressed. Project management was aware of this limitation, but as limited functional modifications to SAP had been made, it was considered low risk to proceed with go-live after it had been proved that the processes did not fail for normal tasks.*

*In future projects, due care and consideration should be given to ensuring that there is sufficient time for all elements of testing to be performed in a thorough and robust manner. Ideally, projects should not move to their next phase until testing is complete.*

# SAP Implementation project

## Strengths and weaknesses; what can be improved in the future?

### **Data Cleansing and Migration**

The cleansing and migration of legacy system data was a significant challenge for the project team and a number of difficulties were encountered. Many of the reasons for these difficulties, however, were outside the project team's direct control. The data migration exercise involved taking complex data from multiple legacy systems in the Districts and County Council and seeking to remove redundant items, improve data quality and harmonise the data formats before migration to SAP. However, as noted elsewhere in this report, the time available for completing many project tasks was severely limited, and data migration was no exception.

Whilst the majority of data appears to have been migrated successfully, there has been an on-going effort to fix data issues as they are identified in the live environment.

### **User training**

Wiltshire adopted, on Logica's advice, a 'train the trainer' approach to training the Council's SAP users (a fairly standard approach for such large cross-cutting projects). To initiate this, Logica provided advice and guidance on the train the trainer approach and a series of Transaction User Guides ("TUGs") outlining the functionality of core SAP transactions to allow trainers to plan training courses.

Those that received this training tended to feel it was too general and the TUGs too generic, having not been tailored to the unique requirements of the Council.

Despite these perceived shortcomings, the Council's SAP trainers showed a great deal of dedication in developing the generic documentation into meaningful training material for users.

A post training survey was completed to assess end users' satisfaction, and the results of this survey suggested that the vast majority of the users were happy with the manner in which training was delivered.

### **Change control procedures**

Change management was split into two areas by the project team:-

- project change; covering changes to scope, functionality and timing etc.
- organisational change; managing the process of unifying five distinct organisations.

For project changes, a formal change control process was used throughout the project. This process followed Logica's methodology and was relied upon by them to ensure changes were treated correctly from a contractual perspective. This included the use of change request forms which documented:-

- any milestone date
- a description of the required change
- a reason for the change
- the impact of the change
- the cost of any Logica charges
- signatories

The change control process appears to have been appropriate for the project's need.

The organisational change stream focussed on the 'hearts and minds' side of change, educating staff about the forthcoming changes that would arrive with SAP. This predominately involved workshops, road shows and communication through online staff journals and printed media in Council offices.

In addition, a chain of change managers and change champions were appointed to manage the change communication process at a local level. As noted elsewhere, some of the staff selected for these roles did not demonstrate the necessary 'buy-in' to the SAP project to allow them to function adequately in a change role.

# SAP Implementation project

## Strengths and weaknesses; what can be improved in the future?

### **Issue and risk management**

There were a number of tiers of issue and risk management used in the SAP project: at the project level, at the work stream level and at a department level. Issues and risks were communicated up the project chain as necessary.

Open issues and risks were discussed and actions assigned at weekly project meetings. Significant issues and risks were discussed at the Project Board.

A number of the people interviewed as part of this review commented that they felt some of the lower level issues and risks were not discussed to a sufficient degree in their project meetings and therefore were not adequately communicated to the next level up the project or to other project teams that might be experiencing similar problems. We did not, however, identify any evidence to suggest that the project-level issues list was incomplete.

### **Project communication**

Communication was identified as one of the project's key success factors in the project charter. A communication and stakeholder management plan was developed, based on a Logica template, to reflect this criticality. The plan sought to identify the various stakeholders, categorise them into groups and then assess the communication needs of each group.

In practice, at the start of the project, this constituted regular workshops, project team meetings and downwards communication from the project team with each participant being encouraged to share ideas. This approach continued through to the end of the blueprinting stage of the project.

It must be noted, as in other areas of the project, that the lack of buy-in resulting from job uncertainty and the resistance of some of the Districts made it difficult to ensure good communication between all areas involved in the project. Indeed, access to install the SAP software was forbidden by least one of the Districts until midnight on the 31<sup>st</sup> March 2009.

Towards the end of the project, as the pressure to deliver increased, the emphasis of project communication changed from the initial holistic and two-way approach to focus more on organisational readiness. Although the regular meetings with departmental representatives continued in order to identify their specific issues much of the communication revolved around ensuring successful adoption of SAP and the associated business processes, the design of which had already been discussed and agreed.

#### **Action 12**

*Management's reasoning behind refocusing upwards and sideways communication during the latter stages of the project seems sound in the context of the need to deliver within a tight timescale.*

*It must be noted, however, that effective and efficient two-way communication between project stakeholders is usually the key to its success.*

*It appears that some staff perceived a lack of two-way communication, so in future projects, management should endeavour to emphasise the need for, and ensure, appropriate two-way communication remains in place from a project's initiation to post go-live support.*

# Benefits realisation

# SAP Implementation project

## Benefits realisation

This section of the report considers the processes used to identify, manage and track benefits and the extent to which benefits have been achieved.

### **Benefits identification**

An approach to benefits and savings was identified in the project charter. The key benefit identified by the Council was a straightforward reduction in costs. The approach to benefits also included consideration of communication, blueprinting, the need to benchmark the right metrics, realisation and post go-live review.

We understand, however, that towards the end of the project, the decision was taken to move the focus away from conducting detailed project benefits analysis, towards a budget reduction approach, thus focussing only on the project's key benefit driver. Whilst this provided the Council with a clear view on "across the board" cost savings, it did not allow for the benefits relating purely to the BMP project to be specifically measured and tracked.

The majority of people interviewed as part of this review referred to benefits only in the context of reduced cost (usually by reduced headcount) and not in relation to process efficiencies and controls, the improved quality of information for management decisions, the reduced risk of fraud or improved economies of scale.

From the outset, the key benefit drivers from Management's perspective were the opportunities to derive significant costs savings through a combination of headcount reduction whilst delivering a more effective procurement function and enhanced quality of system output.

This said, a number of other potential benefits were identified during the planning process which were documented in the Project Charter and communicated to staff. These were split along functional lines and included:-

### *Financial*

- A single source of financial information
- Fast periodic reporting
- Greater central visibility of budgets
- Consistency of controls, including the removal of spreadsheet reliance

### *Payroll*

- Single set of standardised processes
- Clear view of organisation and transparency of costs
- Transactional cost savings

### *Procurement*

- Common procurement processes
- Elimination of contract leakage
- Consolidation of orders
- Reduced administrative time
- Better controls

We understand that the benefits accruing from the decommissioning of legacy systems were not broken into their component parts, but were considered as a saving. This work was not undertaken by the SAP project team. Such savings could be made in the following areas:-

- Software license savings
- Removal of old and expensive to maintain hardware
- The reduced need to support such hardware with internal staff or potentially expensive external contractors.
- Reduced costs of performing backups and maintaining backup media on multiple systems.

# SAP Implementation project

## Benefits realisation

Logica also provided the Council with a suggested approach to benefit improvement and some template documentation.

Initially, some attempts were made to follow this process, however, as a result of the complexities involved in the Council implementing SAP, becoming a Unitary Authority and undertaking various other efficiency measures it was decided that the approach should move from a project based benefits realisation model to focus only on achieving the overall top level savings across the board.

At this point, the benefits management and realisation elements of the project effectively ceased.

It was also anticipated that the financial benefits would begin to accrue from the 1<sup>st</sup> April 2009. We understand that in reality, this didn't really occur until some six months to a year later.

***Appendix B to this report highlights some of the key messages in respect of benefits management that have been identified by other KPMG reviews globally and which we feel may be specifically relevant to Wiltshire Council in future similar projects.***

### **Action 13**

*We appreciate that management's key drivers for this project were a top-line reduction in costs and improved quality of information. We understand that in this respect benefits have been delivered; Wiltshire Council estimates that total savings from the SAP implementation and the other initiatives and projects that were delivering at the same time are around £3.5m (see note below) to date, which is in excess of the cost reduction profile outlined in the project plan.*

*However, we feel that with a more robust approach to the identification, ownership and management of benefits, further improvements can be made not only in terms of cost reduction, but also process improvement, better control and improved quality of information. Lessons learnt from managing benefits can be applied to other areas of the Council.*

*Such an approach, as used at the outset of the SAP project, should be applied to future significant projects so as to maximise the value delivered.*

*Note – The £3.5m savings identified above comes directly from management's internal information, we have not sought to audit this figure as part of this review.*

# Appendices

# Appendix A

## Action plan – future projects

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# Appendix A

## Action plan – future projects

This appendix consolidates the action points from the main body of the report.

Ref	Observation	Future action	Management response
1	<p><u>Procurement efficiencies</u></p> <p>SAP procurement can be used to drive significant efficiencies and cost savings through improved process discipline and a better management understanding of the buying process. Whilst procurement approval flows have improved on those of legacy systems, regular organisation structure changes have meant that the approval flow for purchase requisitions has not yet been optimised. Whilst there are professional buyers in place in a small number of departments, the Council is still in the process of establishing centralised professional buyers with responsibility for obtaining the best prices and terms for several significant categories of purchase. We understand that this should be in place by early 2011. Until recently, the Council still had no accurate view on the level and scope of its existing suppliers. This information has now been generated and is being analysed.</p>	<p>Management should focus on further improving the procurement function so as to maximise the benefits derived from both SAP and the SST. Such improvement should focus on making the buying process a truly shared service, with departments only responsible for requesting, approving and receipting goods on SAP, with all other administrative tasks performed by the Shared Service Team. Using professional buyers that understand the marketplace and the options available should create further efficiencies and lower the average cost per transaction. In future implementation projects, it is key to ensure that enhanced functionality available in the new system(s) is used not as a basis for replicating old process(es) on a newer platform, but to improve significantly the efficiency of the organisation through leaner process(es).</p>	<p>Enhanced functionality has been utilised in the implementation of SAP and leaner processes have resulted.</p> <p>Where there are opportunities to further improve, the Procurement and Commissioning Programme commenced in July 2010 is already starting to address these.</p> <p>Professional Buyers already in post understand the marketplace and their responsibilities include driving out further efficiencies. It is acknowledged that this could be expanded further and new structures reflect several new Professional Buyers to be appointed by the end of the year.</p>

# Appendix A

## Action plan – future projects

Ref	Observation	Future action	Management response
1	<p><u>Procurement efficiencies continued</u></p> <p>The procurement module in SAP also has functionality that allows for the approval of consolidated invoices using the 3-way match process. The procurement module in SAP also has functionality that allows for the approval of consolidated invoices using the 3-way match process. Whilst Wiltshire Council is using this functionality, issues around requisitioners failing to confirm delivery of items and price/quantity discrepancies mean that some manual intervention is required, to support the invoice payment process.</p>		<p>Workstream 3 of the programme also covers process efficiencies. Data on vendors and current transactions has been utilised to baseline areas of spend and set new targets. System usage and functionality are also specifically addressed in the procurement reviews. This will ensure leaner processes across the majority of spend areas and reduced intervention levels.</p>

# Appendix A

## Action plan – future projects

Ref	Observation	Future action	Management response
2	<p><u>Shared Service Team</u> Part of the SAP project included the creation of a shared service team ("SST"). The rationale for this was to allow the team to undertake high-volume administrative and transactional tasks that are common across the Council, so as to allow departments to focus purely on core service delivery and drive out efficient savings.</p> <p>At present, the SST is not operating as a shared team in all areas, notably finance and procurement.</p> <p>It would appear that the reason for this lack of progress is rooted in the historical structures of the Council and Districts creating a 'silo' mentality which is difficult to remove.</p>	<p>Sharing common administrative and transactional procedures across an organisation is a good way of making efficiency savings, both from reduced headcount and from more effective processing as economies of scale are achieved. This is particularly true when an ERP application such as SAP has been implemented.</p> <p>Management should seek to reinvigorate this drive by considering those elements of processes which could be centralised in the SST, breaking down internal silos where possible. The current end-to-end process review may help inform this. Possible other actions for enhancing the value of the SST include:-</p> <ul style="list-style-type: none"> <li>• re-communicate the benefits of the SST to process owners and users</li> <li>• re-iterate the 'why' and 'how' of the SST, notably its criticality in helping deliver inevitable budget cuts</li> <li>• developing and building internal skills where missing</li> <li>• manage out people who refuse to adapt and develop in a shared service environment.</li> <li>• clarify process to create efficiencies for front-line users and those processing in the back office.</li> </ul>	<p>The council is currently undergoing a management review. As part of that review the activities and responsibilities are being reviewed between the Corporate Finance and Shared Services Finance Teams. A plan is being drawn up with a timeline for migrating significantly more financial processes and the associated staff into the Shared Services Team. This also includes a development plan for procurement. Close working is taking place between the HR/OD function and the SST HR/Payroll team in delivering the necessary information for the management review and this is naturally leading to further joint working areas or transfer of services. Both of these are underpinned by a communications and L&amp;D plan for the staff affected and the wider organisation.</p>

# Appendix A

## Action plan – future projects

Ref	Observation	Future action	Management response
3	<p><u>Staff structure</u> Having a stable staff structure, in place by November 2008, was a key requirement of the project plan.</p> <p>However, as a result of the LGR, there was no clarity as to the post unification structure throughout project planning and delivery. As well as creating a degree of uncertainty amongst Council and District staff, it caused significant difficulties around the creation of SAP job roles and authorisation paths. A go-live staff structure was not available until 2-3 weeks before the project go-live date, creating a bottleneck in applying system security controls to SAP. Post go-live, the staff structure of the Council continues to change creating ongoing confusion in the above areas and increasing the risk of users obtaining SAP system access rights in excess of their requirements.</p>	<p>The staff structure changed constantly throughout the project and after it went live. There remains uncertainty regarding the final structure over the medium term.</p> <p>SAP security involves users being allocated access to certain system transactions based on their job role. Where job roles are frequently changing, it is likely that users will accrue access rights in excess of their requirement. This can result in users having excessive system access, and in poor system enforced segregation of duties, which in turn increases the risk of fraud or accidental error caused by inaccurate approval flows. Management should consider performing an in-depth, automated, technical review of SAP security and segregation of duties. Such a review should provide the Council with a baseline security position from which future changes can be monitored. We understand that a manual review has been completed.</p>	<p>The entire SAP user base was rationalised as part of a SAP licence review completed in February 2010. A further review of finance users is well progressed with role definition and allocation controlled by the Deputy 151 Officer. This work will be completed by the end of November 2010. A similar review has been completed in payroll, with user access controlled by the head of service.</p> <p>For procurement a comprehensive review of users is being conducted, with a view to reducing the number of requisitioners and buyers. Access to procurement is controlled by the CPU.</p> <p>Although staff structures are likely to be in a state of flux for some time to come, robust processes are in place to manage user access to all areas of SAP.</p>

# Appendix A

## Action plan – future projects

Ref	Observation	Future action	Management response
4	<p><u>Ongoing SAP Strategy</u> SAP went live on the 1<sup>st</sup> April 2009. Following around a month's onsite Logica support, the project was closed (although the project team continued to work on open issues).</p> <p>Other than making straightforward changes and resolving issues, there has been limited further development to SAP since the 1<sup>st</sup> April 2009.</p> <p>Whilst progress has been made in achieving the core financial cost saving benefits of SAP, there are currently no plans to further invest in SAP so as to drive out further efficiencies in other areas of the business.</p> <p>We acknowledge that further low-level process improvement is taking place (for example in streamlining the payroll process and rationalising the number of external suppliers).</p> <p>The rationale behind this lack of development is that in the short to medium term, financial resources should be focused on delivering front-line services.</p>	<p>Whilst it is clear that the Council is subject to increasing budgetary constraints, it should be recognised that an ERP system such as SAP is entity-wide and can be used to drive efficiencies and improve processes and control in virtually all areas of the organisation.</p> <p>Where there is a strong case for further investment (including financial return and other benefits) management should seek to develop the system further with a view to improved service delivery at a lower cost.</p> <p>At present much of the effort and cost has gone into getting the new system up and running. Where a strong business case exists, the additional investment should help to realise significant extra benefits.</p> <p>To help ensure the success of any SAP strategy and future developments, it is important to continue to allocate system and process ownership to key individuals in the business, provide appropriate support and monitor their progress in delivering the strategy and its associated benefits as part of the Council's performance management process.</p>	<p>SAP process ownership was established during the project and along with the governance arrangements, continued post-go-live.</p> <p>The SAP Support Centre works closely with the Process Owners to ensure compliance with agreed business processes and to identify opportunities to optimise system usage, particularly if benefits will be achieved. Where costs are involved, a full business analysis is carried out to ensure full justification and/or return on investment.</p> <p>The SAP strategy will form an integral part of the overall ICT strategy which is currently being developed to align with the Council Business Plan. Completion is scheduled for March 2011.</p>

# Appendix A

## Action plan – future projects

Ref	Observation	Future action	Management response
5	<p><u>End-User processing</u></p> <p>The implementation of SAP has enforced significant organisational change across the Council. The degree to which this has been embraced at a department level differs across the organisation.</p> <p>A number of instances were identified of processes that existed before the introduction of SAP being continued and of reports and analysis being prepared outside of the SAP system in End-User developed applications such as Microsoft's Excel and Access.</p> <p>Such secondary processing of system data increases the risk of inaccuracies, inconsistent data/reports, increased risk of accidental or deliberate changes/errors in data and often constitutes an unnecessary additional administrative overhead.</p>	<p>The controls over SAP processes are inherently more robust than those over end-user developed applications such as spreadsheets or databases. Management should aim to use SAP functionality to the fullest extent possible.</p> <p>We understand that management are currently undertaking an end-to-end review of processes. Part of this review should consider the extent to which manual processes and end-user applications, outside the SAP system, are used.</p> <p>Management should also consider performing a trawl of network storage devices to ascertain the extent to which large end-user developed spreadsheets and databases are used. The appropriateness of replacing any such spreadsheets or databases with SAP functionality should be considered.</p>	<p>The process owners are fully aware of the problems and inefficiencies associated with the proliferation of end-user applications.</p> <p>End-to-end process reviews have been initiated for HR lifecycle and social care procurement, both of which have identified ad-hoc use of end-user applications.</p> <p>Once reviewed, these business processes will be re-engineering using the lean systems approach and where appropriate end-user applications will be removed.</p>

# Appendix A

## Action plan – future projects

Ref	Observation	Future action	Management response
6	<p><u>Project timelines</u> The tendering process took around 18 months from start to finish. When the tender was awarded, the Council had just 12 months to perform the implementation – an ambitious target.</p>	<p>In future projects, where deadlines are known, Wiltshire Council should seek to achieve a more balanced split of time across the key stages of the project including planning, tendering, delivery and closure of the project and therefore avoid erosion of any contingencies built into the project plan. In the case of SAP, this would have allowed more preparation time, particularly helpful when building a large project team. It should also be recognised that typically, the amount of time spent implementing should exceed the time spend on the tendering process.</p>	<p>Due to factors outside of the projects control, the tendering process took three months longer than anticipated, thus eroding the contingency built into the original plan. However, both bidders had quoted for 12 months effort to implement SAP, a timescale that was backed up by other councils that had recently installed SAP. Although more contingency time may have been helpful when building the project teams and preparing for the implementation, the project was fully aware of the time needed to deliver SAP, having established the facts during the tendering phase. Future projects will assess the balance needed between the time to procure the solution and the time needed to implement it.</p>

# Appendix A

## Action plan – future projects

Ref	Observation	Future action	Management response
7	<p><u>Selection of project staff</u>            From the outset, the project appears to have struggled to get the right staff in the right project posts. This appears to have been a result of a number of factors:-</p> <p>1 – The BMP and LGR created a great deal of uncertainty regarding the long-term security of individuals’ jobs. Indeed, many staff were in redeployment pools throughout the latter stages of the project. This resulted in a reluctance, in some cases, to ‘take a risk’ on a short term project role.</p> <p>2 – The unification of the four District authorities with the County Council under the Local Government Reorganisation resulted in a great deal of resistance in some of the Districts and a lack of buy-in to the project by some from those staff involved. We have been informed of instances of staff being actively discouraged from becoming involved in the project. In addition, as a result of the LGR, the pool of potential staff for selection became smaller.</p>	<p>Getting the right people involved in the right parts of a project is often key to its success. As noted, in this case, a number of factors conspired to limit the resource available to the project; management were forced to do the best with the resource available, using external contractors where necessary. The decision was taken by the BMP board to place contractors directly into project posts rather than to back-fill because key staff were also needed for the LGR and business as usual</p> <p>It should be recognised across the Council that projects such as the SAP implementation are key to the organisation achieving its goals. This direction must come from the top.</p> <p>As such, the most appropriate staff possible should be selected for involvement in key projects, not just those available.</p> <p>Where external contractors are used by necessity, a formal plan should be in place from the outset to ensure that knowledge retention within the Council is maximised.</p> <p>It is important to note, however, that a balance must be struck between the detailed end requirement knowledge that Council staff have with specialist system capability knowledge which may only be available externally.</p>	<p>The project was aware during the tendering stage that good people would be required from the business to ensure successful implementation of SAP. However, as identified in this report, they faced a number of challenges that significantly restricted the number of staff available. The BMP was but one of many competing priorities. There is no doubt that using contractors to fulfil key project roles meant that knowledge was lost following SAP go-live, but this was a known risk when the decision was taken to use them. Appropriate contingency actions were subsequently taken to ensure adequate knowledge has been transferred to staff in the SAP Support Centre.</p>

# Appendix A

## Action plan – future projects

Ref	Observation	Future action	Management response
7	<p><u>Selection of project staff continued</u> 3 – A Joint Area Review of Children’s services at the same time as the project meant that the focus of that department moved away from SAP.</p> <p>Where gaps in project resources were identified, they were – where there were no internal options – resourced through the use of external contractors. Whilst this did allow the project to operate with an appropriate level of resource, it did result (at the end of the project) with much valuable SAP project knowledge being lost. In a number of cases contractors were re-hired so as to enable a degree of knowledge transfer.</p>		<p>With the planned head-count reductions, the Council will be under increasing pressure to meet both the business-as-usual and the development needs of the business. As a result, it is likely that future projects will have to consider the use of contractors where internal capacity and/or skills are limited.</p>

# Appendix A

## Action plan – future projects

Ref	Observation	Future action	Management response
8	<p><u>Programme Management Office</u></p> <p>A Programme Management Office (“PMO”) is in place in the Council, however during the period of the SAP project, this appears to have been more focussed on the LGR than the SAP project. As a result, SAP project issues were communicated to the LGR, but not necessarily the other way around.</p>	<p>PMOs fulfil a fundamental ‘Portfolio Management’ role in the co-ordination and prioritisation of multiple projects and initiatives (as was the case at Wiltshire Council) and, most importantly, in identifying, communicating and managing the interdependencies between them.</p> <p>In the future, the Council should aim to use the PMO more as an independent body to monitor and support the progress of individual projects, whilst also ensuring their needs and interdependencies are clearly identified and managed appropriately.</p>	<p>The Corporate Programme Office is being reviewed as part of the Council’s business planning process. The cross cutting nature of the major change programmes being planned for the next 4 year means that the delivery of cashable and non cashable benefits, including the management of interdependencies and the avoidance of duplication is vital and this function will be taken into consideration as part of that review. In the meantime the PMO continues to develop the quality and consistency of project and programme management across the organisation, and in particular is developing a benefits realisation plan to underpin the successful delivery of the business plan.</p>

# Appendix A

## Action plan – future projects

Ref	Observation	Future action	Management response
9	<p><u>Post go-live support</u> Immediately following the SAP go-live on the 1<sup>st</sup> of April 2009, the project team moved to a SAP support role. Logica's onsite project team also moved to post go-live support for a period of one month (although some on-site support remained far longer than this for the additional payroll implementation phases).</p> <p>Normally for large SAP implementations, a period of enhanced support or 'hypercare' is applied immediately after go-live with a focus on the rapid resolution of the inevitable smaller scale go-live issues and glitches. After the period of hypercare, this would allow those charged with supporting SAP to focus only on the more significant issues and gaps with minimal distraction.</p> <p>Whilst we acknowledge that a post go-live support model was in place, subject to available financial and human resources, additional support in the most critical period would have resulted in many open items being cleared far sooner, achieving enhanced buy-in from users and quicker realisation of benefits.</p>	<p>Limited financial and human resources to support the SAP project meant that the post go-live product could not be supported to the extent which might normally be desired.</p> <p>A period of high intensity post go-live 'hypercare' is a good way of rapidly resolving many of the small inevitable glitches that occur post go-live. In the longer term this allows the support team to focus on more current significant issues or gaps. Management should consider such an approach in future projects.</p>	<p>Although not part of the original plan, the project recognised the need to provide end users with extra support immediately following SAP go-live. As a result the decision was taken to keep the project team intact for an additional three months. Moving the transformation team and a number of the SAP trainers into SAP support roles allowed other technical staff to continue work with Logica on resolving residual implementation issues. Logica were contracted to provide on-site support for a month following go-live. However, where the need was identified, this arrangement was extended to provide targeted support, particularly for knowledge transfer to staff destined for roles in the SAP Support Centre. This approach will be considered for future projects.</p>

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## Action plan – future projects

Ref	Observation	Future action	Management response
10	<p><u>Go-live decision / contingency</u></p> <p>The final decision to go-live with SAP was made on the 30<sup>th</sup> March. The status of a number of elements of the project at this point was “Amber”, but no issue was considered serious enough to impact go-live. The programme board approved the go-live decision unanimously.</p> <p>The decision, whilst brave, was made with a good understanding of the risks involved and it appears to have been the correct one; it is likely that any delay would have resulted in a significant additional financial cost, in terms of additional charges from Logica and the need to support the IT systems of 5 organisations.</p> <p>However, there appears to have been no contingency planning performed, or consideration of de-scoping non-critical items which might have allowed certain parts of the implementation to be deferred without impacting the core go-live date. We appreciate that this was a deliberate decision by the Project Board.</p>	<p>We acknowledge the extremely challenging position that Wiltshire Council found itself in. The Council was delivering “service as usual” to the public, balancing the needs of the SAP implementation, the Local Government Reorganisation and the development of a Shared Service Team amongst other things. This presented a series of challenges that no public or private sector organisation would wish for.</p> <p>It is unlikely that such a series of issues and activities will conspire to impact similar projects in the future. However, when initiating and planning future projects, the Council should be mindful of the competing demands on financial and human resources and schedule project activity around these.</p> <p>We recommend in future projects:-</p> <ul style="list-style-type: none"> <li>●A robust fallback/contingency/back-out plan be developed for any systems implementation.</li> <li>●Some contingency should be built into project/programme plans and timelines.</li> </ul>	<p>Introduction of SAP necessitated a significant amount of parallel running and testing, particularly for the payroll function. As a result, the legacy system (Cyborg) was fully patched, with accurate data maintained in both SAP and Cyborg. This provided a robust contingency that would allow us to pay staff in the event that SAP did not go-live on the given date.</p> <p>Although this dual running approach was not adopted for other elements of the system (due to lack of capacity), the contingency for finance was to configure one of the five legacy finance systems for use by the new unitary authority. The contingency for procurement and performance management, was to continue using the existing paper based systems until such times as SAP was available.</p> <p>Future projects will consider more robust documentation of contingency plans.</p>

# Appendix A

## Action plan – future projects

Ref	Observation	Future action	Management response
11	<p><u>Testing</u></p> <p>A number of phases of testing occurred throughout the SAP project. The majority of these appeared sufficient and appropriate to the project’s need.</p> <p>Final user acceptance testing (“UAT”), that is, thorough testing of the new system by those who will use it, however, had limited depth and scope (prior to this, integration testing does appear to have been performed thoroughly).</p> <p>A fixed go-live date and a limited pool of available resources meant that there was insufficient capacity to perform UAT to the extent desired. The result of this appears to have been an increased number of small bugs that were subsequently identified when the system went live.</p>	<p>Given the very limited timescales available for this project, the time allocated for UAT was compressed. Project management was aware of this limitation, but as limited functional modifications to SAP had been made, it was considered low risk to proceed with go-live after it had been proved that the processes did not fail for normal tasks.</p> <p>In future projects, due care and consideration should be given to ensuring that there is sufficient time for all elements of testing to be performed in a thorough and robust manner.</p> <p>Ideally, projects should not move to their next phase until testing is complete.</p>	<p>It is acknowledged that there was limited time scheduled for user acceptance testing, a situation that was exacerbated by the lack of capacity in the business to provide testing staff.</p> <p>The risk was mitigated by the fact that most of the SAP configuration was standard, thus minimising likely errors.</p> <p>The project made the decision to move into the final phase once the results from user acceptance testing indicated that there were no significant errors.</p> <p>Future projects will schedule more time for user acceptance testing and engage early with the business to ensure sufficient testing staff are available.</p>

# Appendix A

## Action plan – future projects

Ref	Observation	Future action	Management response
12	<p><u>Communication and stakeholder management</u></p> <p>A detailed communications plan was developed as part of the project initiation and planning process. This plan sought to identify key project stakeholders (and stakeholder groups) and accordingly document their needs with respect to project communication. Our discussions with those involved in the project indicated that many felt that communication was, in the majority, one-way from the project and that there was little opportunity to get their messages back up the project chain of command and to other work-streams. We understand that, towards the end of the project, this became a strategic decision to allow the various project work-streams to focus on delivery.</p>	<p>Management’s reasoning behind refocusing upwards and sideways communication during the latter stages of the project seems sound in the context of the need to deliver within a tight timescale.</p> <p>It must be noted, however, that effective and efficient two-way communication between project stakeholders is usually the key to its success.</p> <p>It appears that some staff perceived a lack of two-way communication, so in future projects, management should endeavour to emphasise the need for, and ensure, appropriate two-way communication remains in place from a project’s initiation to post go-live support.</p>	<p>Some service areas felt uncomfortable with the pace of the project and struggled to provide sufficient resource to manage the necessary business change activities that were delegated to them. This no doubt contributed to their perception that communication became one-way in the final stages of the project.</p> <p>In reality, the project maintained a high level of communication with the business throughout, paying particular attention to the process owners and the change network. Regular meetings were held with the department representatives where their issues were recorded and addressed. These meetings continued after SAP go-live and 18 months later are still held monthly.</p> <p>Future projects will continue to ensure that effective two-way communication is maintained.</p>

# Appendix A

## Action plan – future projects

Ref	Observation	Future action	Management response
13	<p><u>Benefits realisation</u> An approach to benefits and savings was identified in the project charter. The key benefit identified by the Council was a straightforward reduction in costs. The approach to benefits also included consideration of communication, blueprinting, the need to benchmark the right metrics, realisation and post go-live review.</p> <p>We understand, however, that part way through the project, the decision was taken to move the focus away from project benefits, towards a 'top-slice' budget reduction approach, thus focussing only on the project's key benefit driver. Whilst this provided the Council with a clear view on across the board cost savings, it did not allow for the benefits relating purely to the BMP project to be measured.</p>	<p>We appreciate that management's key drivers for this project were a top-line reduction in costs and improved quality of information. We understand that in this respect benefits have been delivered; Wiltshire Council estimates that total savings from the SAP implementation and the other initiatives and projects that were delivering at the same time are around £3.5m (see note below) to date, which is in excess of the cost reduction profile outlined in the project plan.</p> <p>However, we feel that with a more robust approach to the identification, ownership and management of benefits, further improvements can be made not only in terms of cost reduction, but also process improvement, better control and improved quality of information. Lessons learnt from managing benefits can be applied to other areas of the Council.</p>	<p>The fact that interviews were conducted 18 months after SAP go-live, during a period of unprecedented focus on savings, means that it is not surprising that interviewees concentrated on the cashable benefits related to the BMP. In reality, from the start of the tendering process the project set out to identify and deliver both cashable and non-cashable benefits. Evidence shows that the majority of project communication related to the non-cashable benefits, as these were the one's that most of the staff would be involved in delivering, through using SAP and adopting the new standardised business processes.</p> <p>The SAP Process Owners continue to work with the SSC to identify areas of the business that are not taking full advantage of SAP, whilst also exploring the benefits of adding additional system functionality, an approach that will be applied to future.</p>

# Appendix A

## Action plan – future projects

Ref	Observation	Future action	Management response
13	<p><u>Benefits realisation continued</u> The majority of people interviewed as part of this review referred to benefits only in the context of reduced cost (usually by reduced headcount) and not in relation to process efficiencies and controls or the improved quality of information for management decisions.</p>	<p>Such an approach, as used at the outset of the SAP project, should be applied to future significant projects so as to maximise the value delivered.</p> <p><i>Note – The £3.5m savings identified above comes directly from management's internal information, we have not sought to audit this figure as part of this review.</i></p>	

# Appendix B

## Achieving value from your project investments – a KPMG view

**We summarise below our collective thoughts regarding key practices for extracting value from your IT investments based on our global project management experience. These key practices should be considered at an organisational rather than a project or programme level as most involve changes to the way that organisations view, oversee and manage project-related challenges. We consider the six areas below are all relevant to Wiltshire Council.**

Governance to achieve	Prioritise to realise	Align and adjust
<p>Establish an integrated governance framework – end-to-end – driven by the executive (top management culture), starting from business cases and ending with measuring the actual value.</p> <p>The framework should enable informed decisions to be made using a consistent approach. The governance framework influences each project and includes consolidated project performance reporting which is delivered to the executive.</p>	<p>Establish enterprise-wide prioritisation processes that objectively and continuously evaluates projects to help maximize and realise the value from investment.</p> <p>Consider ‘stage gate’ funding as part of this process, whereby project funds are released subject to the successful achievement of certain performance hurdles for each milestone. The control of funding is an important governance element especially for large complex projects. It also enables more effective evaluation of project performance and the ability to stop projects promptly if required.</p>	<p>Aim to ensure all initiatives are clearly aligned with business strategy, and where appropriate, adjust to maintain alignment (or reinvest funds elsewhere).</p> <p>Forcing projects to justify how they will contribute to the achievement of business goals enhances business alignment, directs funds towards essential projects and enables more effective prioritisation between projects. Project demand often outstrips project supply, so this mechanism enables objective investment assessments.</p>
Safeguard value	Hold to account	Invest in people and process
<p>Control benefits leakage by clearly defining what value you expect to receive, how you will get it and when; then reassess regularly throughout the project.</p> <p>Implement robust benefits capture and measurement processes together with clearly defined accountabilities.</p> <p>These processes should enforce the regular reporting to the executive on the status of benefits capture and measurement. Impose, as part of required project discipline, the requirement to develop a benefits management plan for projects. This plan will define the what, when, who and how of project benefits.</p>	<p>Clearly define individual accountability for realising benefits including integrating proposed benefits with operational plans and budgets.</p> <p>Communicate clearly, as part of the business case/funding phase, who is accountable for delivering value from project investments. Define how this will be measured, carefully scrutinize the planned benefits and have operational management impacted by the project also sign off on the proposed benefits.</p>	<p>Recognise project disciplines, acknowledging the link between strategy and project execution. Develop capability, capacity and risk models to suit your organisational maturity and culture.</p> <p>Compare the volume and complexity of project activity within your organisation with the capability and skill set required to deliver. Recognise project management as a core competency and develop competency frameworks, together with supporting project management support and infrastructure, to raise your organisation’s ability to deliver value from project investments.</p>

# Appendix C

## Wiltshire Council staff consulted

The following staff were interviewed as part of this review:-

- Chris Ashton – Principal Accountant
- Caroline Bee – Interim Head of Procurement
- Dr Carlton Brand – Director of Resources
- Andy Brown – Interim Head of Financial Planning
- Suzanne Cambourne - Accounts
- Tim Cooper – Programme Office
- Laurence Edwards – HR/Payroll end-user
- Ian Frost - CIPFA
- Sarah Fullen – Corporate Procurement end-user
- Chris Grist – HR Trainer
- Sally Hobbs – HR Payroll
- Stuart Honeyball – SAP Security
- Sara Honor – HR/Payroll
- Simon Jeffrey – Contracts Manager, Social Care
- Darren Law – SAP Finance team
- Peter McSweeney – Change Management
- Sally Rose - Project Manager
- Karina Simons – Principal Accountant & Finance trainer
- Fay Sissins – Accounts end-user
- Les Snelgrove – Programme Manager
- Keith Stephens - Treasury
- Matthew Tiller – Interim Chief Accountant
- Dermot Tully – Logica Project Manager
- Jacqui White – Shared Service Team Lead
- Iain Winterbottom – Finance Team Lead

# Appendix D

## KPMG contact details

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The contacts in connection with this report are:

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