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# **Information Technology**

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## Ultra Pharmacy Plc

Ultra Pharmacy Plc is a large multi-national company with head offices in Glasgow, New York and Hong Kong. The company researches, develops and manufactures medical drugs.

The UK head office runs a distribution centre responsible for the transport of its products to chemists and hospitals across the UK.

The UK operation employs a total of 500 people, of which 140 are located at the head office in Glasgow.

The organisation is currently undergoing an expansion programme in the UK. As part of this programme, Ultra Pharmacy is moving into new premises that can accommodate the projected increase in staff numbers over the forthcoming years.

A project manager has been contracted to manage the business move from the existing office into the new premises. This includes managing the office fit out, installation of the IT equipment and the relocation.

One of the objectives of this project is to provide effective communication links between each head office. Ultra Pharmacy have specified that one of the conference rooms in the new premises must be fitted with video conferencing as senior staff in each location need to communicate on a weekly basis. Both the New York and Hong Kong offices already have video conferencing suites.

It is anticipated that the new video conferencing suite will also be used with clients, suppliers and partners. The provision of a video conferencing suite complies with the organisation's commitment to reducing greenhouse gases (GHG).

The project manager has sourced and contracted three suppliers who will be involved in the installation of the video conferencing suite.

- Wired and Wireless will be responsible for the installation of the fibre optic link into the premises and to the telephony switch.
- Cable Installations Ltd will provide the cable installation service for the structured cabling. This will include connecting the telephony switch to the patch panel in the data comms room, using Cat5e cable.
- AVIT are responsible for the design and installation of the audio-visual solution. This will include the supply and installation of multimedia equipment such as cameras, plasma displays, speakers, microphones and digital control technology. The audio-visual equipment will be hard wired to the control box using appropriate cabling.

The budget for the complete project is £600,000. The IT element has been allocated £250,000 of the budget, and £75,000 has been allocated for the video conference suite.

The complete project will start on the 1st July 2010 and finish on 28th February 2011.

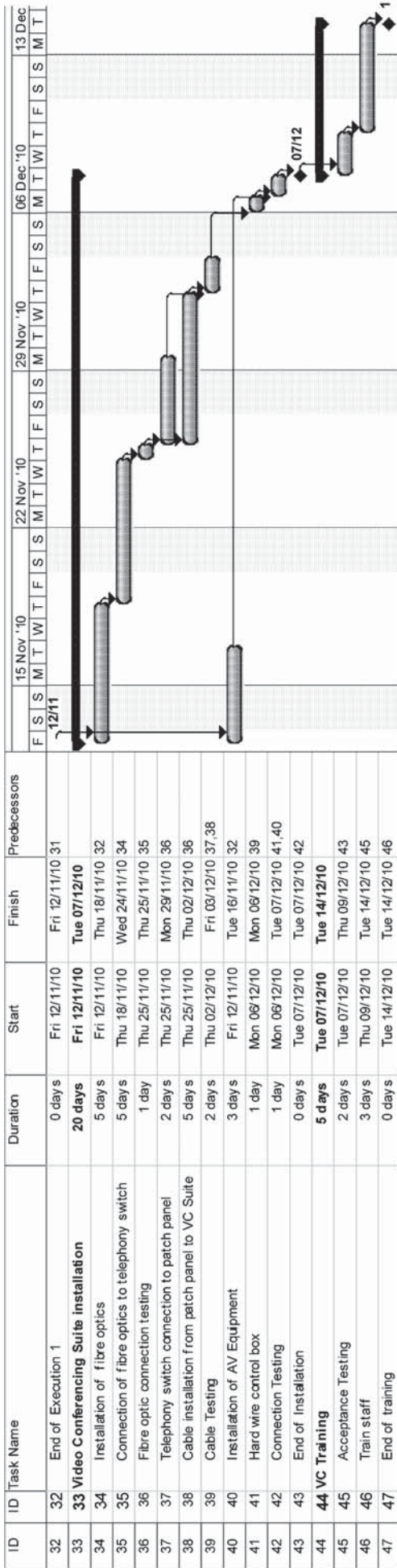


Figure 1 – Extract from the Gantt chart for the Ultra Pharmacy Plc Project Plan

## DEPARTMENT FOR WORK AND PENSIONS

### Payment Modernisation Programme

*The Department for Work and Pensions delivers support and advice through a network of services to people of working age, pensioners, families, carers and the disabled. The Payment Modernisation Programme set out to increase efficiency, reduce costs and improve quality of service to customers by paying benefits and pensions directly into recipients' bank accounts.*

"The Payment Modernisation Programme faced a number of challenges including a conversion exercise on an unprecedented scale requiring a change of behaviour from millions of customers, many of whom had strong reservations. Success was achieved through strong and continuous support from the top, continuous and determined leadership, extensive stakeholder management and consultation, a strong focus on outcomes and success criteria, and aggressive risk management and assurance."

*Department for Work and Pensions*

#### Cost

£824 million (including one-off costs of £369 million).

#### Supplier

EDS – back office system development; Atos Origin – communications infrastructure; Vertex – contact centre operation; PA Consulting Group – client support.

#### Timescale

October 2002 – May 2005.

#### Current status

In 2000, the Department agreed a Public Service Agreement target of directly paying through electronic transfer (rather than order book or cheque payment) 85 per cent of customers by December 2005. By May 2005, 97 per cent of recipients were receiving their benefits and entitlements by Direct Payment.

#### Key components of success

- Top management gave strong commitment to the Programme, with clear governance arrangements, and making risk management a priority.
- A clear and comprehensive approach was taken to the identification of benefits and to engaging with customers and their representative groups to achieve the take up needed to secure the benefits.
- Senior managers of the agencies and units affected by the Programme were made accountable for delivering the benefits.

## Aim

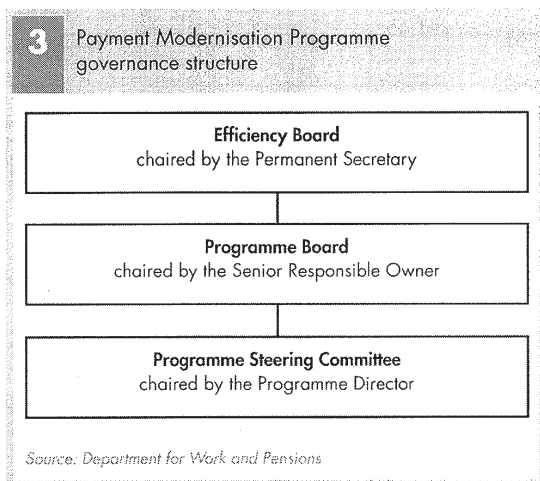
1 In 2002, only 42 per cent of 23 million pensions and benefit recipients were paid by Direct Payment. Most received payment either by giro cheque or by cash on production of an order book. This had major cost implications. Whereas order book payments cost 67 pence per payment and giro cheques £1.49, Direct Payment cost only 1 penny per payment.

2 The Department set out to modernise payment methods by moving away from cash and paper-based systems to a system centred on automatic credit transfer, with entitlements paid directly into customers' bank accounts.

## Ensuring senior level engagement

### Securing board leadership and oversight

3 The Programme's complexity and the number of agencies and business units involved called for a robust governance structure with top management scrutiny and oversight. To achieve this, the Programme Board was situated between the Department's Efficiency Board, chaired by the Permanent Secretary, and the Programme's Steering Committee chaired by the Payment Modernisation Programme Director (Figure 3).



4 The Department's Finance Director, a member of the Efficiency Board, became the Programme's Senior Responsible Owner, chairing the Programme Board of senior representatives from the seven delivery agencies, including the Pension Service, Veterans Agency, Jobcentre Plus, and the Disability and Carers Service, and important external stakeholders, such as the Inland Revenue and the Northern Ireland Social Security Agency. To increase confidence that the Programme was on track and that risks were being managed, Internal Assurance representatives sat on the Programme Board and on the Steering Committee to provide constructive challenge to all aspects of the Programme.

5 Another dimension to managing the Programme, provided by PA, was the ability to generate timely and accurate information for senior management and for the Programme's other key stakeholders such as the Inland Revenue. Three one-page "dashboards" were developed to communicate information on Programme performance, tailored to the needs of different levels of the governance structure:

- an executive dashboard showing the whole programme in a single view; and,
- a cheque payment dashboard showing the position on reducing cheque volumes in each business.

Good information combined with the clear layout of the dashboard assisted in identifying critical issues. In early 2004, for example, senior management were alerted that current plans would not achieve customer conversion targets and led to the decision to develop a further suite of conversion activities.

### Prioritising the programme in line with business objectives

6 The responsiveness of the governance structure was tested in April 2002. A joint Office of Government Commerce (OGC) Gateway 2 and 3 Review identified risks to the Programme from the pressure on front line staff to absorb the various changes involved and competing priorities within other agencies and business units caused by other high profile business transformations such as the introduction of Pension Credit and major changes to Jobcentre Plus. The Gateway Review helped

the Senior Responsible Owner and Programme Director bring the problem sharply to the attention of senior management with the result that accountability for achieving the conversion targets transferred from the Programme Director directly to agency and business units. Jobcentre Plus, for example, launched initiatives to target individuals who only intermittently came into contact with the benefits system such as workers in the building trade.

7 In January 2005, the Programme received a "Green" designation in an OGC "Gate 0" Review. Reviewers commented that the governance processes had worked well, both for problem resolution within the Programme and for escalation of serious issues to the Department's Executive Team.

## Acting as an intelligent customer

### Designing the business change

8 An overriding concern for the Department was that customers should not suffer from disrupted payments. This became a key focus for risk management and as part of governance procedures a schedule of internal gated reviews took place at every stage of the Programme. The reviews consulted with a wide range of stakeholders. For the design of the Cheque Payments project, for example, 36 internal stakeholders had the opportunity to challenge the robustness of the "Red-Amber-Green" assessments made by the project team against each of the project's aims.

9 The Programme Director placed particular emphasis on aligning Programme milestones with risks and putting in place contingency plans. For introducing cheque payments, for example, the delivery team broke the process down into three capability milestones – the capacity to generate a cheque, print a cheque and distribute a cheque – each supported by a contingency plan. To ensure payments could be generated if the payment calculation system failed the system retained the previous six calculations so an average payment could be made. A second printing facility was stood ready in the event of printing failure. In the event of disruption to distribution, computer software was amended to enable entitlements to be sorted by postcode with a contract signed with a second mail distributor to deliver cheques to local post offices for customer collection.

### Testing the viability of the IT solution and phasing roll out

10 Risk was further mitigated by implementing the Programme in a phased roll out, dealing firstly with long-term payments – war pensions and Child Benefit – whose recipients were not moving quickly on and off the system. Other shorter-term benefits, such as Jobseeker's Allowance, were implemented later.

### Building capability

11 The Programme team recognised early on that it did not have all the skills to manage such a large and complex business transformation and brought in PA to assist with preparation of the business case and the bidding documentation for the Customer Conversion Centre. PA also supported the Department in evaluating suppliers and in the contract award process.

12 Three separate consortia submitted bids. The Department, assisted by PA, carried out a careful scrutiny of each bid, including reference visits to previous customers and visits to the facilities of primary contractors and their subcontractors to evaluate their capacity and capabilities. During the site visit by senior management to Atos Origin's subcontractor Vertex, for example, the firm was able to demonstrate capability by reference to its existing ability to handle large volumes of correspondence for utility companies. Senior managers were also able to satisfy themselves of the security of Vertex's Valuable Receipt Room, which was particularly important given that some customers automatically in error sent in their benefits order book when they received correspondence from the Department.

### Winning the support of wider stakeholders

13 To achieve its benefits, the Programme faced the challenge of changing the behaviour of 15 million people without incentive, compulsion or penalty. The challenge was considerable; beyond the Public Service Agreement target to achieve 85 per cent of customers in receipt of Direct Payment by December 2005, to meet the Department's savings target, the business case identified that the Programme needed to convert 92 per cent of those recipients paid through order book or giro cheque. This required a clear strategy to manage the communications necessary to persuade customers, many of whom had no bank accounts and some of whom had poor credit histories, to forgo collecting benefits and pensions via Order Book and giro cheques, in favour of receiving money paid into an account.

**14** To encourage as many customers as possible to take advantage of electronic payments, the Department worked with other organisations on the Universal Banking programme to establish a new type of basic bank account enabling account-holders to withdraw cash from a Post Office using a card and PIN, an option taken up by four million customers. This created the added complexity of ensuring that the roll out of the Payment Modernisation Programme was aligned with the Universal Banking programme. Other complexities included the need to set up a parallel system of cheque payments for "Exceptions" – customers unwilling or unable to open an account for Direct Payment.

**15** The Department commissioned market research to determine the attitudes to Direct Payment of customer groups, such as pensioners, the unemployed, people with disabilities and single parents. This identified significant concerns. A survey of pensioners found, for example, that while 20 per cent saw no difficulty with receiving Direct Payments, the majority had reservations. To address concerns, the delivery team set up an engagement programme with voluntary and community groups representing the Department's customers and stakeholders and invited representatives to meet with ministers.

**16** The input of voluntary and community groups was valuable in both addressing concerns and identifying how the Department's contact centre could best approach and convert potential Direct Payment customers. After an initial round of correspondence, the contact centre approached customers by telephone. Voluntary and community groups advised on the content of the telephone scripts and how best to make the approach. Their knowledge improved customer conversion rates often by relatively simple changes, such as identifying the fact that pensioners, for example, preferred to be contacted by phone in the daytime rather than in the evening.

## Realising the benefits

### Optimising the benefits

**17** In its "Gate 0" Gateway Review, undertaken in January 2005, the Programme's approach to benefits realisation was found to be exemplary. The review team identified a clear linkage between the full business case and the benefits realisation plan including systems for tracking benefits to the end of the life of the Programme in 2009-10. As part of this benefits plan relevant officials from each delivery agency were required to sign certificates indicating benefits secured.

**18** As of May 2005 when the Payment Modernisation Programme closed:

- 97 per cent of all recipients of entitlements and benefits were receiving Direct Payment;
- 95 per cent of recipients who had converted to Direct Payment were happy with the payment system;
- 790,000 customers, who would not provide bank details, had migrated to payment by cheque; and
- net savings of over £1 billion had been identified for the lifetime of the business case, which finishes in 2009-10.

**19** Following the closure of the Programme, a Residual Issues Team has been put in place to track and promote further benefits; for example, by reducing the number of customers still receiving cheque payments.

**20** The Programme has won a number of awards, including, in 2005, the Joint OGC/Cabinet Office Delivery Awards' category "Mission Critical Project of the Year" and "Individual Project Manager of the Year".

(Source: © National Audit Office)