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shaping tomorrow with you

Post Office Account

Governance Review

2nd August 2013

Background

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- As part of the CSIP process, the account management team has identified the need to:
  - Improve business engagement/governance at the Executive and Management levels;
  - Understand the tensions on either side as the relationship between Fujitsu and the Post Office changes with the implementation of the Towers model;
  - Where necessary, reconfirm scope, purpose and the inputs/outputs of relevant meetings;
  - Ensure discipline and focus is maintained in BAU during the transition phase covering:
    - Performance (Run);
    - Change;
    - Improvement;
    - Innovation.
- Target date for closure is August 2013 and should include Structure, Plan and Membership etc.
- In parallel, discussions across the Senior Management team between Fujitsu and the Post Office (LS, NW, RB) had identified the need to look at this topic in more depth to ensure it was operating correctly.

Approach

- To move this forward, a **baseline** of the existing approach to governing the account via existing contractual and non-contractual frameworks is proposed, assessing performance based on objective input from key stakeholders covering:
  - Effectiveness
    - Are the right decisions being made using the right content at the right time?
  - Efficiency
    - Input versus output.
  - Potential
    - The possibility to make a major difference in the future.
- A working group is planned consisting of:
  - Richard Bryant, Haydn Jones, Neil Wilkinson, Gavin Bell, Mark Arnold.
- All parties recognise the importance of this work given:
  - Volume and importance of change across the account;
  - The critical nature of services delivered by Fujitsu;
  - The evolution of the supply chain in the context of the Towers model, and the importance of ensuring performance of Run and Change does not slip.
- Where sensible, recommendations will be made based on reference to best practice seen within other accounts.
- Initial recommendations for broader, subsequent phases of work to be provided by end August.

Baseline Assessment
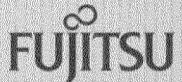
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- We have a Governance Framework (Schedule A2) to enable effective an efficient working relationship between Post Office and Fujitsu.

  - Established on 31/08/06: Agreed version as at date of signature of CCN 1200

  - Latest update on 21/02/12: Moving all schedules to V8.0 in accordance with CCN1294d

- The existing Governance Framework describes our management system and supports joint decision making in the context of our:

  - **Systems Integration Partnership and Executive Relationships**

  - **Service Management Relationships**

  - **Commercial Relationships**

  - **Demand Planning and Programme and Release Relationships**

- Section 2.1 states that decisions shall be taken by the Post Office Subject Lead and the Fujitsu Services Subject Lead for each relevant Relationships via the following mechanisms:

  - Systems Integration Partnership and Executive Relationship;

  - Service Management Relationship;

  - Commercial Relationship;

  - Demand Planning Board;

  - Programme/Release Relationship.

- Each relationship has a series of Boards to support the components of that relationship

Baseline Analysis

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Relationship	Meeting (Title)	Terms of Reference (Schedule A2 v8)	Status	Effectiveness (H/M/L)	Efficiency (H/M/L)	Potential (H/M/L)
1) Systems Integration Partnership and Executive Relationship	Exec Steering Board Quarterly	•Monitoring the overall success of the relationship, including resolution of any Disputes escalated for Executive Review under the Dispute Resolution Procedure.	Active	H	M	H
		•Approval of new initiatives (HNG-X and non-HNG-X).	Active	H	M	H
		•Overseeing management by the Commercial Relationship of matters arising in respect of Market Testing under Schedule D6.	TBA			
		•Monitoring the performance of Fujitsu Services' obligations in connection with this Agreement for the purposes of determining matters relevant to Fujitsu Services' appointment as Preferred Systems Integrator and disclosing the results of such monitoring to Fujitsu Services in accordance with Schedule A1.	As reqd.			
The weekly FJ / PoL Meetings have provided a forum to cover these issues		•Gain Share and Strive monitoring, including agreement of baselines.	As reqd.			

Baseline Analysis

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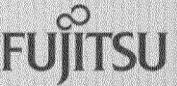| Relationship	Meeting	Terms of Reference	Status	Effectiveness (H/M/L)	Efficiency (H/M/L)	Potential (H/M/L)
1) Systems Integration Partnership and Executive Relationship (Cont.d)	Exec Steering Board Quarterly	•Strategic direction and use of SIP resource – (a) agreeing the quantity and type of SIP resource to be provided by Fujitsu Services and (b) approving the programmes and initiatives to which the SIP resource or any Fujitsu Services SIP Team Members shall be applied in order to best achieve the Joint Objectives set out in Recitals E(d) to (g) (inclusive). •Agreeing the sharing of any benefits accruing from a cost saving initiative or future development work in accordance with the principles of Schedule D3 relating to the SIP and overseeing the management, operation and delivery of the SIP under Schedule B1.2. • Reviewing and managing opportunities for the Preferred Systems Integrator and the SIP; maintaining a list of such opportunities in a Working Document.	As reqd. As reqd. TBD			

The weekly FJ / PoL Meetings have provided a forum to cover these issues

Baseline Analysis

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Relationship	Meeting	Terms of Reference	Status	Effectiveness (H/M/L)	Efficiency (H/M/L)	Potential (H/M/L)
1) Systems Integration Partnership and Executive Relationship (Cont.d) The weekly FJ / PoL Meetings have provided a forum to cover these issues	Exec Steering Board Quarterly	•Post Office benefits realisation monitoring. •Assisting with the aim of achieving the Joint Objective set out in recital E(g), including co-ordinating visits from time to time by agreed members of Post Office staff to any Fujitsu Services laboratories so as to have access to Fujitsu Services research and technical expertise.	TBD TBD			
Board to Board (non contracted)	**Exec to Exec to: POL & FUJ Strategy Synergies, Opportunities for collaboration**		**Quarterly**	**Not Active although agreed and held twice**		
Weekly Exec Meeting (non contracted)	ToR: Focus/escalation point for TSS/R&R & Towers – Programme Board		Weekly	Being Held		

Baseline Analysis

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Relationship	Meeting	Terms of Reference	Status	Effectiveness (H/M/L)	Efficiency (H/M/L)	Potential (H/M/L)
2) Service Management Relationship	**Service & Commercial Review (S&CR)**	1.) Ensuring continuous improvement in the service management environment through pro-active management.	G	M	M	H
This forum is supported by a total of 8 monthly ORF's (Operational Reviews) which are held with POL relating to each of the specific services. The relevant SDM attends along with their counterpart from POL.		2.) Reviewing Operational Services performance, including against agreed Service Levels and agreeing remedies payable (if any) in accordance with the relevant terms of this Agreement.	G	M	H	M
		3.) Reviewing network performance.	G	H	H	H
The output from each ORF in to the S&CR is a one page summary that is fed into the C&SR with risks/issues flagged as well as key achievements from the month.		4.)Reviewing operational reliability of Infrastructure, tracking MTBF rates and considering/recommending remedial courses of action (e.g. full or partial technological refresh or Service Level relief).	A	M	M	M
		5.)Resolving operational issues including, but not limited to, those arising from non-conformance to agreed Service Levels.	G	H	M	H
Most operational issues and process reviews take place at the working level with just escalation and anomalies reported into the C&SR to be discussed as 'Hot Topics' within the agenda of the review.		6.)Reviewing future change plans to ensure the live environment is prepared for Operational Services.	A	M	M	M
		7.)Capacity management in relation to Service Management Services.	A	M	M	M
		8.)Monitoring Operational Business Change processes.	A	M	H	M

Baseline Analysis

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Relationship	Meeting	Terms of Reference	Status	Effectiveness (H/M/L)	Efficiency (H/M/L)	Potential (H/M/L)
3) Commercial Relationship	TBD	•Management and administration of the Agreement.	TBD	M	M	
		•Agreeing amendments to the Agreement subject to the Change Control Procedure.	TBD	H	M	
		•Overseeing the ordering, invoicing and payment process in Schedule D2.				
		•Overseeing the carrying out of Work Orders.	TBD	M	M	
		•Reviewing changes to the CCD entitled "Standard Terms and Conditions for Work Orders" (BP/STD/003).	TBD	M	Not really that relevant	
		•Agreeing Commercial Terms in relation to Work Orders.	TBD	H	M	
		•Reviewing performance of and, where necessary, improvements to the Change Control Procedure.	TBD	H	H	
		•Management reviews of Open Book, Gain Share and Market Testing.	TBD	M	Not really that relevant	
		•First level escalation for Disputes about the interpretation of this Agreement, about invoice amounts or terms, and about other matters referred to the Commercial Relationship.	TBD	M	M	
		•Monitoring, reviewing and reporting of events and progress and issue resolution in respect of Market Testing under Schedule D6.	TBD	H	Not really that relevant	

The Commercial relationship has been strong for many years.

Commercial did attend the Service and Commercial Review (SCR) each month until April 2012 but this meeting was felt to be too operational for Commercial involvement.

Currently there is a weekly Commercial call which reviews and tracks progress and actions on all Commercial matters and there are separate forums for many of these matters. There should also be a monthly Commercial review meeting which should be an escalation forum but this rarely takes place due to issues being resolved as part of BAU.

Baseline Analysis

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Relationship	Meeting	Terms of Reference	Status	Effectiveness (H/M/L)	Efficiency (H/M/L)	Potential (H/M/L)
4) Programme/Release Relationship Monthly Joint Programme Board + PO Programme/ Project Boards	Programme Release Board(s)	•Delivery of programmes and Releases to time and budget. •Managing and resourcing Work Packages which relate to major development programmes. •Managing contingency budgets approved in Work Orders including, where appropriate, delegating authority to appropriate managers. •Directing the holding of meetings of the 'Joint Release Authorisation Board'. •Review and resolution of operational issues arising in design, development and testing; and •Review progress and performance against plan.		• Medium (main focus on IT delivery) • Medium • Medium (not generally visible) • Medium (part of plans/ milestones) • Medium (generally resolved at working level) • Medium	• Medium • Medium • Medium • Medium • Medium • Medium	• High • High • High • High • High • High

Baseline Analysis

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Relationship	Meeting	Terms of Reference	Status	Effectiveness (H/M/L)	Efficiency (H/M/L)	Potential (H/M/L)
4) Programme/Release Relationship Project Release Acceptance Boards /Gates (As Required)	Acceptance Boards (for each Release)	•To agree the Acceptance status of the relevant Release and provide a recommendation to the 'Joint Release Authorisation Board'.		• High (joint Services / Project aligned with planning)	• High (mature processes & team)	• High
Not aware of board having been required	Acceptance Dispute Board	•Consider and resolve Acceptance disputes arising under Schedule B6.3. •Consider and resolve Acceptance disputes arising under Schedule B1.1.		Not aware of any specific meetings – issues resolved at working level between joint services & project teams		
Project Release Acceptance Boards /Gates (As Required)	Joint Release Authorisation Board	Agree the criteria and processes by which Releases will be authorised for release into field trial or live operation and carry out readiness reviews of stakeholders accordingly.		• High (joint Services / Project aligned with planning)	• High (mature processes & team)	• High

Baseline Analysis

FUJITSU

Relationship	Meeting	Terms of Reference	Status	Effectiveness (H/M/L)	Efficiency (H/M/L)	Potential (H/M/L)
4) Programme/Release Relationship (Cont.d) Monthly Demand Planning Forum	Demand Planning Board	•Communication of service development plans – Post Office and Fujitsu Services •Agree high level planning assumptions for future developments of services •Joint planning to manage the allocation of pre-paid or pre-committed resources and any progressive commitment to incremental resource above that level including: •Agreement of the Inner and Outer Core Team, (including any subsequent replacements required)		• Medium (mixed quality of view of PO plans) • Medium (good level of understanding but limited control) • Medium • High (good handle & joint understanding of key people/ roles)	• Medium • Medium • Medium •. High	• High (needs clear view of PO strategy) • High • High • High

Baseline Analysis

FUJITSU

Relationship	Meeting	Terms of Reference	Status	Effectiveness (H/M/L)	Efficiency (H/M/L)	Potential (H/M/L)
4) Programme/Release Relationship (Cont.d) Monthly Demand Planning Forum	Demand Planning Board	•Agreement of the Standing Team, (including any subsequent replacements required) •In accordance with Annex 3 to Schedule A2 initiate, monitor and ensure progress on development of service definitions and terms and conditions for additions to the contracted services •Recommend additions to contracted services, including introduction of the Inner Core, Outer Core and Standing Team, (that will then be formally introduced by CCN) •Oversight of agreeing Work Packages	RED RED GREEN	• High (good handle & joint understanding of key people/ roles) • Low (not currently addressed in this forum – I believe this is part of the Commercial / Service Board) • Low (as above seems to relate to Commercial Board) • Medium (as above planning)	• High • Low • Low • Medium	• High • Low • Low • Medium

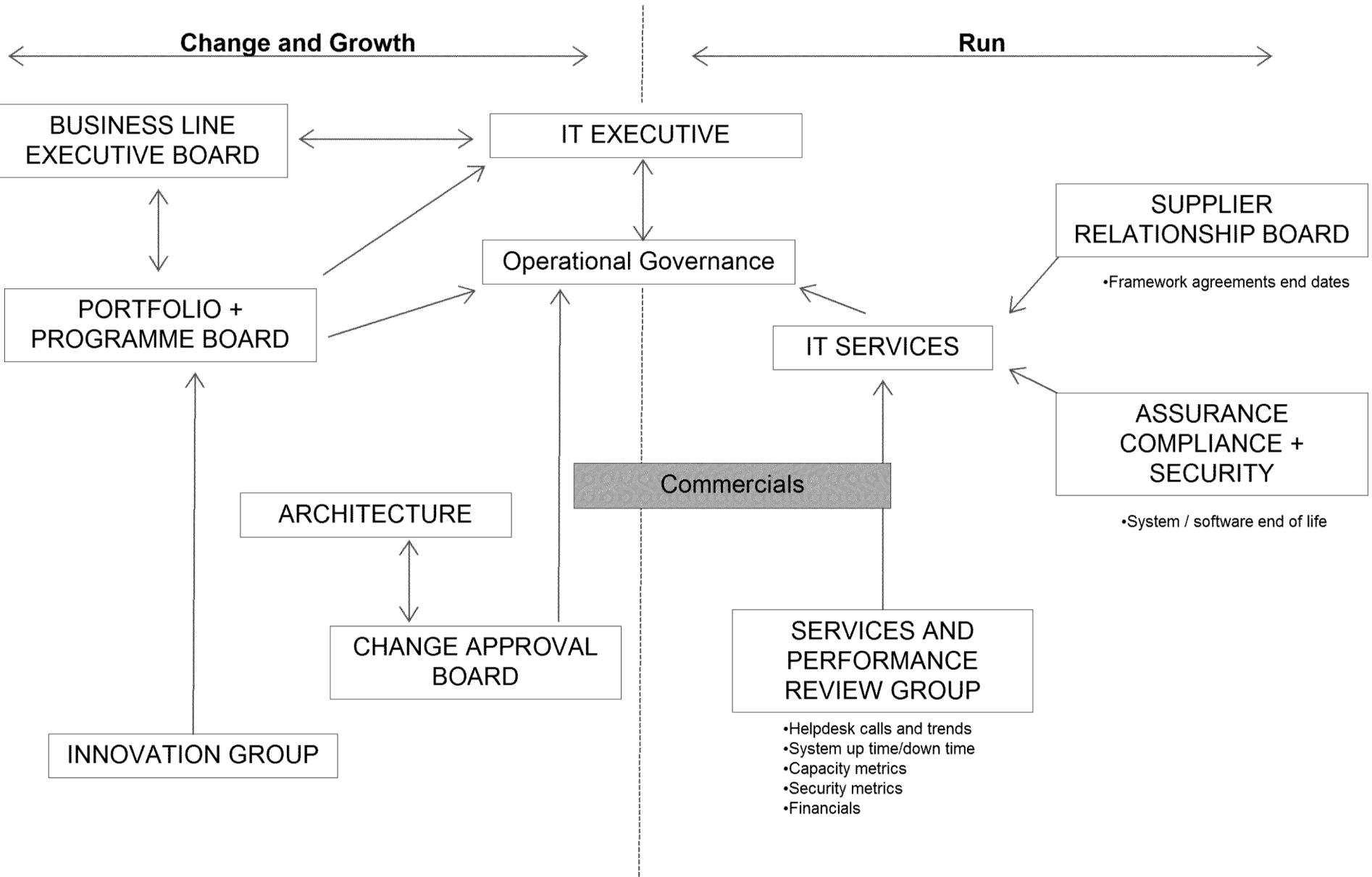# Additional Obligations

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- At least once in every calendar year, the members of each Relationship shall discuss and review whether the frequency with which their Relationship meetings are held should be altered.

Summary Findings

- Broadly speaking, with the exception of the Executive level, the Governance framework has been operating as expected.

- At the Executive level, the higher level, Board to Board meetings have not been taking place. These sessions have morphed into weekly Bid Review sessions for D level attendees on both sides. The demands of the bid commercials have necessitated this, however, as the Towers model begins come together, we should shift towards, more regularised, higher level, strategic sessions. These could cover:

  - Good News

  - Bid – Update (inc. MVNO)

  - Run

  - Change (inc. HPBB)

  - AOB

  These sessions would include data from the relevant forum.

A typical Run vs. Change Governance Model

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Change and Growth ← → | ← Run →

BUSINESS LINE EXECUTIVE BOARD

IT EXECUTIVE

SUPPLIER RELATIONSHIP BOARD

•Framework agreements end dates

Operational Governance

PORTFOLIO + PROGRAMME BOARD

IT SERVICES

ASSURANCE COMPLIANCE + SECURITY

Commercials

ARCHITECTURE

•System / software end of life

CHANGE APPROVAL BOARD

SERVICES AND PERFORMANCE REVIEW GROUP

INNOVATION GROUP

•Helpdesk calls and trends
•System up time/down time
•Capacity metrics
•Security metrics
•Financials
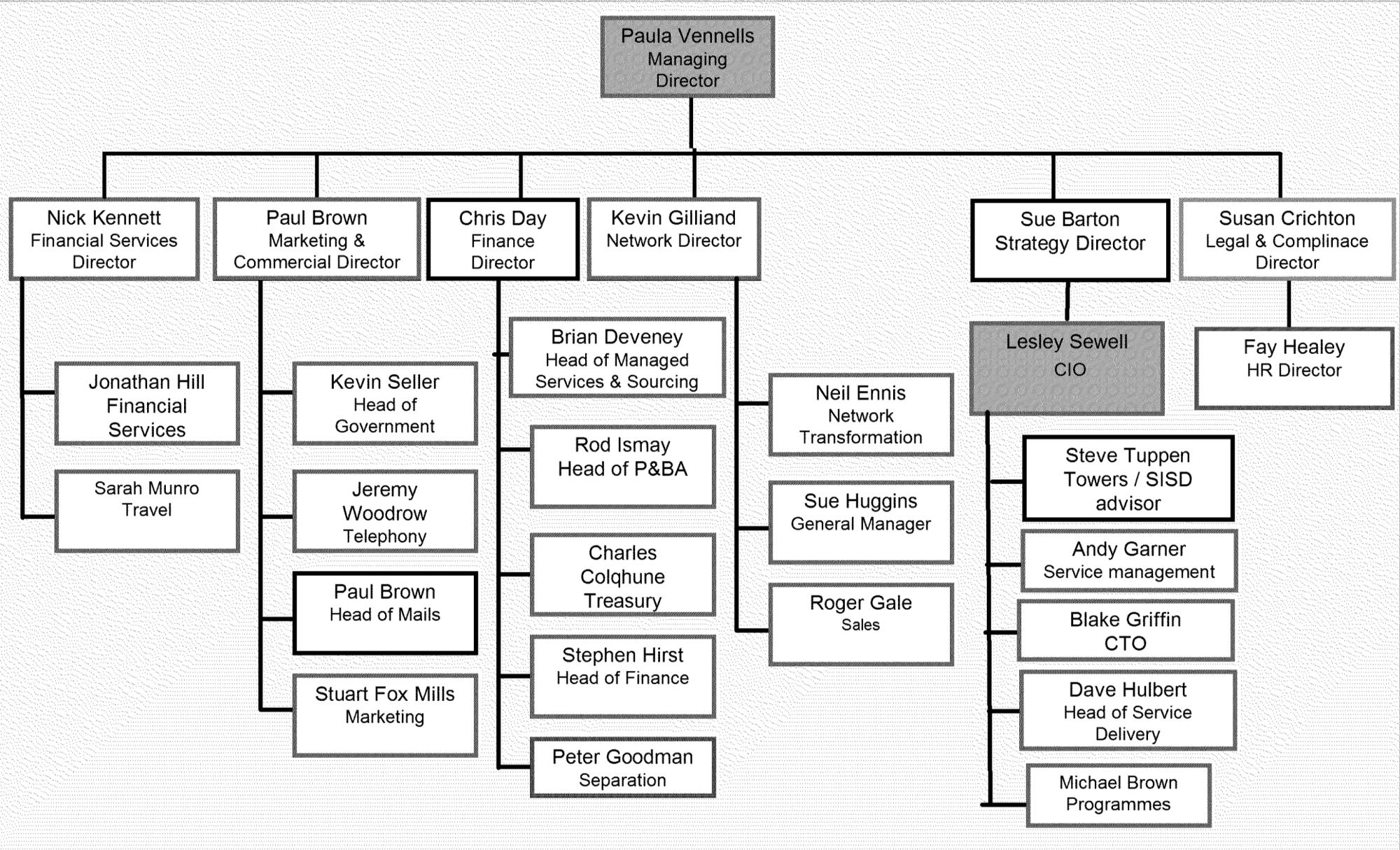
Next Steps

- Move the Weekly FJ/PoL meeting, to fortnightly, with the ambition of shifting towards monthly timing - whilst not a contracted governance forum, given the evolution of the Towers framework, stakeholders on all sides need to understand and balance status across three areas:

  - Run

  - Change / Grow

  - Bid

    Materials will be presented on each of these topics, as well as other agenda items as appropriate.

- Reinstate the Quarterly Executive level meetings, as per the contract.

- We also need to understand how we engage the broader stakeholder community.

- Draft terms of reference and diarise meetings for the next 12 months.

Key Stakeholders – who faces off to who?

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Paula Vennells
Managing Director

Nick Kennett
Financial Services Director

Paul Brown
Marketing & Commercial Director

Chris Day
Finance Director

Kevin Gilliand
Network Director

Sue Barton
Strategy Director

Susan Crichton
Legal & Complinace Director

Jonathan Hill
Financial Services

Kevin Seller
Head of Government

Brian Deveney
Head of Managed Services & Sourcing

Neil Ennis
Network Transformation

Lesley Sewell
CIO

Fay Healey
HR Director

Sarah Munro
Travel

Jeremy Woodrow
Telephony

Rod Ismay
Head of P&BA

Sue Huggins
General Manager

Steve Tuppen
Towers / SISD advisor

Paul Brown
Head of Mails

Charles Colqhune
Treasury

Roger Gale
Sales

Andy Garner
Service management

Stuart Fox Mills
Marketing

Stephen Hirst
Head of Finance

Blake Griffin
CTO

Dave Hulbert
Head of Service Delivery

Peter Goodman
Separation

Michael Brown
Programmes

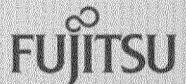# Appendix – Materials Provided To Date

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- Section A

  - IT Governance and Best Practice

- Section B

  - Fujitsu Operating Model

What is Governance?

- ## Some common definitions of governance across all industries

  - 'IT governance primarily deals with connections between business focus and IT management. The goal of clear governance is to assure the investment in IT generates business value and mitigates the risks that are associated with IT projects'.

  - 'The use of institutions, structures of authority and even collaboration to allocate resources and coordinate or control activities'.

  - 'Provide a decision making framework that is logical, robust and repeatable to govern an organization's capital investments. In this way, an organization will have a structured approach to conducting both its business as usual activities and its business change, or project, activities'.

  - 'As a process, governance may operate in an organization of any size: from a single human being to all of humanity; and it may function for any purpose, good or evil, for profit or not. A reasonable or rational purpose of governance might aim to assure, (sometimes on behalf of others) that an organization produces a worthwhile pattern of good results while avoiding an undesirable pattern of bad circumstances'.

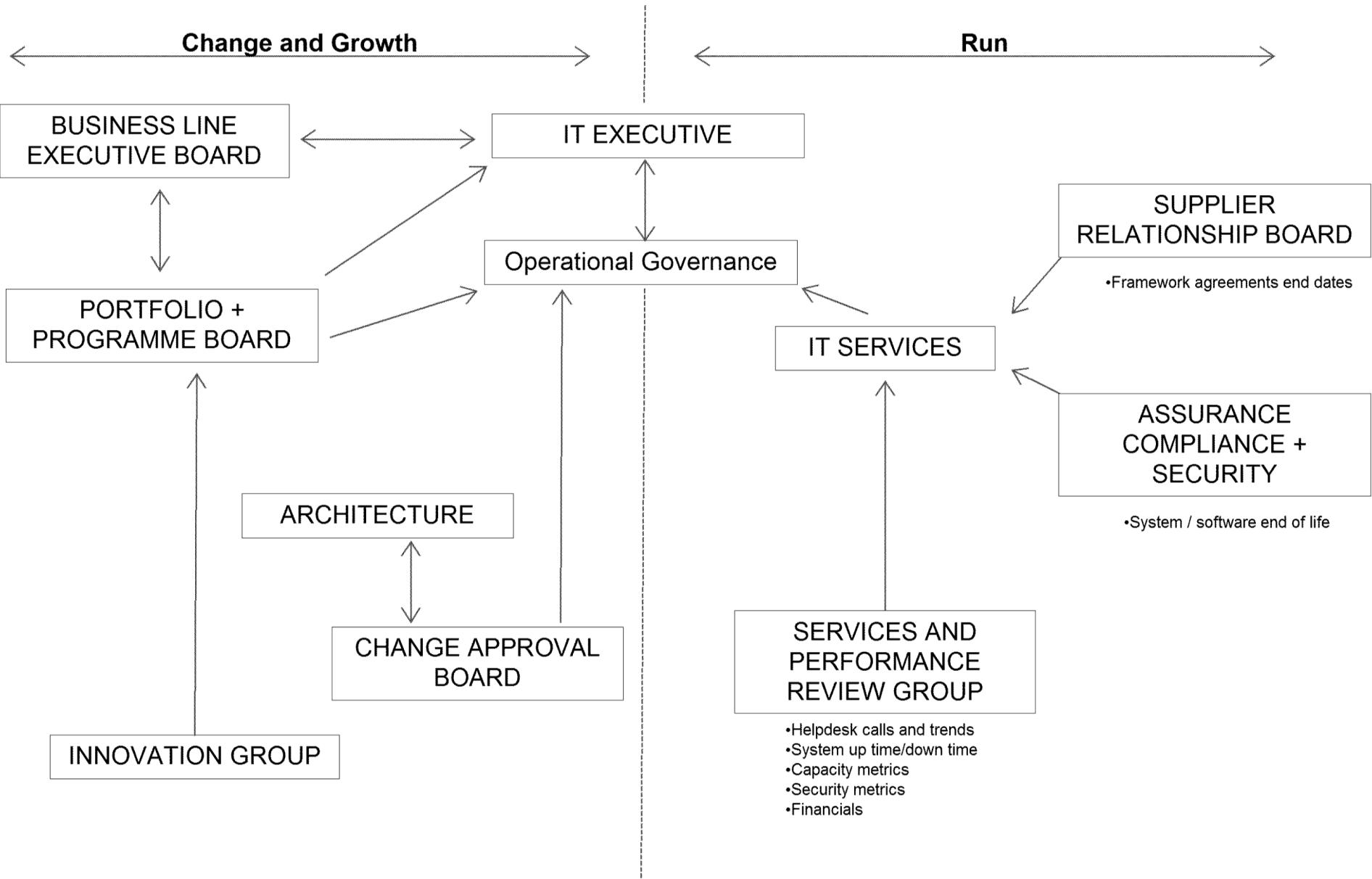- ## Fujitsu UK & Ireland definition of governance

  - Governance for Fujitsu is the management of the Company in line with the BMS. Compliance is effectively the management of the BMS and Assurance is how we evidence that the Company is being managed in accordance with the BMS. These definitions (or some worded very similarly) will go onto Wikipedia.

  - Good Governance is effective and cost efficient, whereby the desired outcomes were achieved as proved by Assurance.
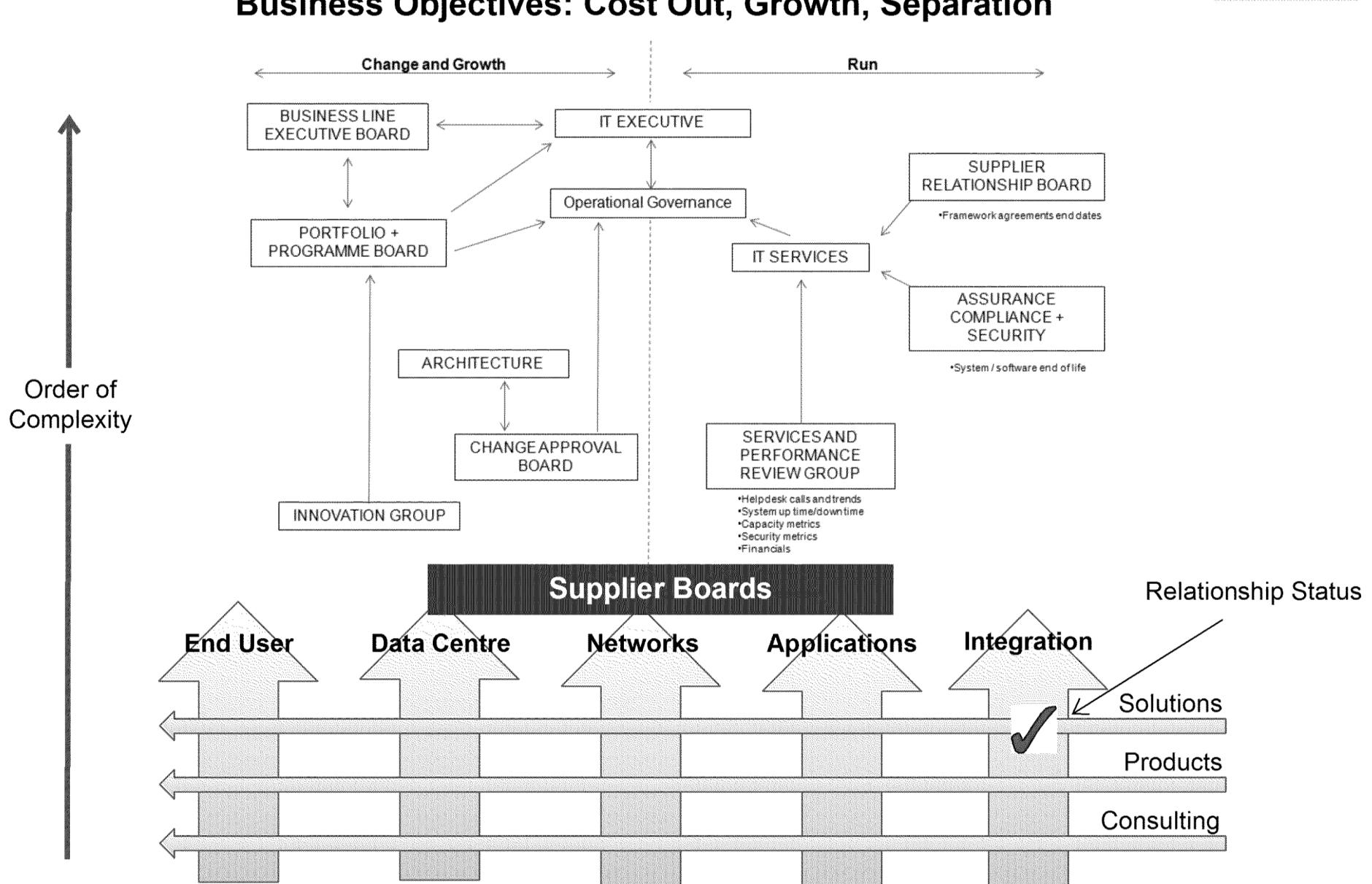
IT Governance and Change

FUJITSU
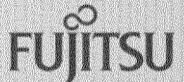
- Some general principles
  - Allows the organisation to balance Run with a Change or Growth agenda
    - A structured way of taking defined risks to drive the business
    - Objective is right time, right cost, right technology
  - Assuming Run is in good shape, change or growth can be accelerated
  - Apply the test
    - Can the organisation respond to critical changes in the business model?
  - Changing any kind of governance is not easy
    - Small demonstrable steps are required, focused on changing the governance model to support the business
  - Change or growth investment can be used to track impact on Run cost, all of which needs to be underpinned by a cost model set against revenues
- It will take 18 months to two years for an effective governance model to emerge
  - Establishing the framework needs persistence and sponsorship and must be supported by a team of analysts to drive the narrative and set pieces to gain traction

A typical Run vs. Change Governance Model

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Change and Growth

Run

BUSINESS LINE EXECUTIVE BOARD

IT EXECUTIVE

SUPPLIER RELATIONSHIP BOARD

•Framework agreements end dates

Operational Governance

PORTFOLIO + PROGRAMME BOARD

IT SERVICES

ASSURANCE COMPLIANCE + SECURITY

•System / software end of life

ARCHITECTURE

CHANGE APPROVAL BOARD

SERVICES AND PERFORMANCE REVIEW GROUP

•Helpdesk calls and trends
•System up time/down time
•Capacity metrics
•Security metrics
•Financials

INNOVATION GROUP

Linking the Towers Model to Internal Governance

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Indicative

Business Objectives: Cost Out, Growth, Separation

Change and Growth ← → Run

Order of Complexity

BUSINESS LINE EXECUTIVE BOARD ← → IT EXECUTIVE

SUPPLIER RELATIONSHIP BOARD
•Framework agreements end dates

Operational Governance

PORTFOLIO + PROGRAMME BOARD

IT SERVICES

ASSURANCE COMPLIANCE + SECURITY
•System / software end of life

ARCHITECTURE

CHANGE APPROVAL BOARD

SERVICES AND PERFORMANCE REVIEW GROUP
•Helpdesk calls and trends
•System up time/down time
•Capacity metrics
•Security metrics
•Financials

INNOVATION GROUP

Supplier Boards

End User   Data Centre   Networks   Applications   Integration

Relationship Status

Solutions

Products

Consulting

IT Governance and Change

- In a multi-supplier scenario, planning, sequencing, communications and complexity reduction are vital to controlling the programme of work

- Areas to look at
    - A Governance Review
        - Decision making boards
        - Decision making cascade up and down the organisation, as well as externally
    - What works what doesn't
        - Driving change
        - Fostering growth
        - Managing risk
    - Strategic supplier board
    - Cross supplier innovation forum

- The scale of opportunity
    - Leveraging an integrated supply base to drive growth and innovation

Terms of Reference (1/2)

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- The role of the group is to bring together the business leadership and supplier community directly to support the Post Office's growth agenda.

- Given the complexity of the transformation agenda; having a direct connection with the technology and business stakeholders is a key part of driving change.

- The group will then:

  - Act as a point of escalation and provide guidance

  - Shape strategy (take strategy)

  - Resolve contention, in particular managing the tension between 'Run' and 'Growth' initiatives.

  - Understand the business context.

  - Support and drive change.

- It is the most senior open forum, which will evolve into the primary technology leadership group in the context of the towers procurement.

Terms of Reference (2/2)

- Success will be measured by:
  - Visible reduction in opex directly attributable to initiatives or changes within the supply footprint.
  - Tangible growth initiatives directly linked to work of a technology partner.
- On a monthly basis the group will meet to discuss the following topics:
  - ...
  - ...
- Attendees:
  - ...
  - ...
- Membership
  - ...
  - ...
- The group will be chaired by:

Appendix – Materials Provided To Date

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- Section A

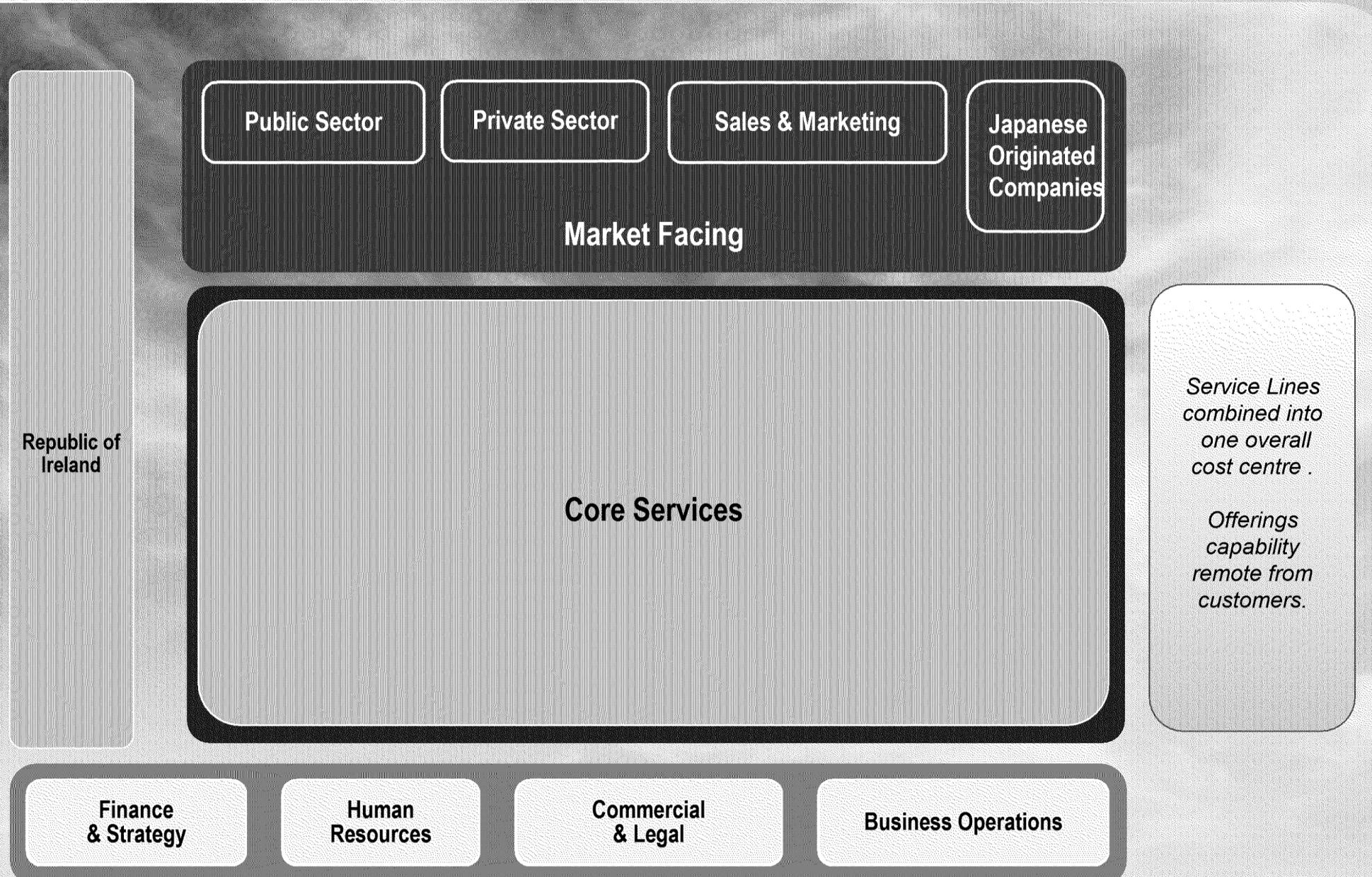 - IT Governance and Best Practice

- Section B

  - Fujitsu Operating Model

New Fujitsu operating model

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- Our operating model within UK & Ireland is realigning to address the growing trend towards more selective sourcing of IT

    - clear 'service lines' based on what our customers increasingly want to buy

- This provides more direct access to the full Fujitsu portfolio and capability

    - from products, networks and end user services though to business consulting and applications

    - delivered as specific solutions or combined into complete managed services

- We are also strengthening our customer-facing teams to focus on:

    - understanding and supporting your strategic objectives

    - delivering great service

- In the process we are aligning more closely with other Fujitsu regional operations, helping us deliver service on a truly global basis

    - Exploiting Fujitsu's global capability, including global cloud solutions and delivery centres

Previous model – Fujitsu in UK & Ireland

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Republic of Ireland

Market Facing

- Public Sector
- Private Sector
- Sales & Marketing
- Japanese Originated Companies

Core Services

Service Lines combined into one overall cost centre.

Offerings capability remote from customers.

- Finance & Strategy
- Human Resources
- Commercial & Legal
- Business Operations

New Model – Fujitsu in UK & Ireland

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Duncan Tait
CEO
GRO

Nigel Kirby-Green
Public Sector
GRO

Paul Patterson
Private Sector
GRO

Japanese Originated Companies

Lead on sales and demand generation

Regina Moran
Republic of Ireland
GRO

HMRC
(Account reports into Public Sector)

Defence & National Security
(Account reports into Public Sector)

Helen Lamb
Business & Application Services
GRO

Richard Bull
End User Services
GRO

Andy Stevenson
Hosting, Networks & Security
GRO

Michael Keegan
Technology Product Group
GRO

Service Lines

Service Lines – aligned to how our customers buy IT

Steve Clayton
Finance & Strategy
GRO

Ella Bennett
Human Resources
GRO

David Roberts
Commercial, Legal & Assurance
GRO

Gavin Bounds
Business Operations
GRO

Functi... shared services teams

Understanding the Service Lines

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| Business & Application Services	Wide range of business consulting and cloud, managed and information-based application services
End User Services	Service desk and engineering services capability
Hosting & Network Services	Extensive range of data centre and network services
Technology Products Group	Market-leading range of servers, storage systems and devices

Fujitsu key roles - Post Office Account
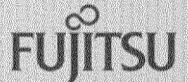
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■ **Fujitsu Client Managing Director / Executive**

■ Understanding and supporting your objectives - tactical and strategic, business and IT

■ Constructing new propositions to help address your needs and reduce your risks

■ Defining and managing our respective expectations

■**Fujitsu Delivery Executive**

■ Aligned primarily to Business and Applications Service Line

■ Also working across the Fujitsu Service Lines as required on your behalf

■ Delivering consistent, predictable, excellent service

■ A team dedicated to supporting you at a strategic and operational level.

Key points

- Supporting the general trend towards selective sourcing of IT

- Providing easy access to full range of Fujitsu capability

- Enabling us to deliver service on a global basis

- Creating stronger teams dedicated to supporting your strategy and delivering great service