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The Story of Horizon and Horizon on line

Dave Smith September 2010

Preface

This history has been written without access to notes and records and is therefore very much dependant on the memory of a single individual. That single individual worked for POL so it is inevitable that it is written from that perspective. It does not attempt to go into great detail – a full account of the HNG X Project probably deserves something on the scale of War and Peace.

The document takes the reader up to the point in May 2009 when new management and resources were injected into HNG X and just as Alan D'Alvarez was taking over as Programme Director

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Horizon

In May 1996 the Benefits Agency of the Department of Social Security and Post Office Counters Limited jointly awarded a contract to Pathway a subsidiary of the ICL computer services group

- The Benefits Payment Card project was to
 - By 1999 replace the existing paper based method of paying benefits with a magnetic card based system
 - To automate the nationwide network of Post Offices through which most benefits were paid

How did the parties get to this point ?

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Horizon

The DSS had for many years wanted to pay benefits direct into bank Accounts – ACT(automated credit transfer)

- To reduce the end to end cost of benefits distribution
- and to reduce benefit fraud which was at an estimated annual cost of £150m
 - This was both
 - Encashment fraud (that is fraud perpetrated around the process whereby vouchers are exchanged for cash in Post Offices and the accounting for this exchange) and
 - Entitlement fraud (that is fraud perpetrated by claiming benefits to which there is no legal entitlement)

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Horizon

The Post Office had long resisted the DSS ambition to introduce ACT

- It argued that even if the DSS could demonstrate a business case if you looked at the wider public purse it did not pay in
 - and assumed that beneficiaries and banks would be prepared to pick up the costs
- Its opposition was driven by the fact that if beneficiaries received their benefits into their bank accounts they would access funds through other means than the Post Office
 - Resulting in a catastrophic loss of business in the network
- Together with the National Federation of Subpostmasters POCL was very effective in lobbying government

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Horizon

Thwarted in its attempts to introduce ACT and under pressure from the treasury to reduce fraud the Benefits Agency conceived the Benefits Payment Card

- A number of functional areas linking to benefits agency systems
- and to devices at the Post Office Counter
 - A payment authorisation system
 - A transaction management system
 - A card management system
 - And a card production and distribution capability

After having sunk quite a lot of effort the DSS approached Post Office Counters

- and asked whether it wanted to join in

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Horizon

The Post Office had long harboured an ambition to automate its Network

- During the 80s there were at least 4 trials
- Then in the early 90s in the Thames Valley there was an extensive pilot
- All these pilots came to the same conclusion
 - Whilst it was technically feasible to automate Post Offices
 - The cost of doing so was prohibitive at over £1bn
- Thames Valley did demonstrate that products would have to be re-engineered to keep costs down
- A subsequent study, however, concluded that even if products were re-engineered around half a dozen generic types
 - Costs remained prohibitive and were still in excess of £1bn

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Horizon

The network was not however totally without the use of technology

- There were nearly 10,000 Automated Payments terminals which carried out bill payment transactions
- Crown Offices had the ECCO system which was an office accounting system with Automated Payment capability and in within the M25 a benefits stop notice service
- And a number of sub offices bought a system to aid office accounting produced by Post Offices in house IT department and a similar and some would argue superior system developed by a subpostmaster, Richard Jackson
- Beyond this feasibility work continued to show automation of the entire network and products to be prohibitively expensive

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Horizon

And so the Post Office agreed

- Whilst automating the network was a driver
- The Post Office saw the Project as a way of tying benefits payments to the network
- And whilst a conventional business case could not be built
- A business case was built around the Benefits Payment Card being a significant improvement on the introduction of ACT
- However the P & L impact was to increase Post Office costs by nearly £100m per annum
- In other words this was the least worse option

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Horizon

The DSS invitation caught the Post Office cold in terms of its development of requirements

- Because automation was seen as prohibitively expensive no work had been done on requirements
- In truth POL had little capability to pull these together in the time required
- and so its requirements were based around ECCO, AP and existing manual processes
- It thus missed a golden opportunity to generate significant benefits through process and product re-engineering

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Horizon

Contract award

- Planning started in 1994 and during 1995 the competition was reduced to 3 players Cardlink, IBM and Pathway
- These three players agreed with the DSS/POCL proposal that detailed requirements would not be completed until after contract was awarded
- Contract awarded to Pathway in May 1996
 - Pathway ranked third on eight of eleven technical and management criteria
 - A decisive factor in the selection of Pathway was their acceptance of greater risk, making their bid compliant with the Private Finance Initiative
 - Pathway was narrowly the best bid on price

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Horizon

Progress?

- In October 1996 a limited system paying child benefits implemented in Gloucestershire (little more than a spoof to satisfy the politicians)
- But the main development took longer and was more complex than envisaged
- The live trial of the full system was due to start 10 months after contract signing but had not commenced 3 years after signing
 - Although in the opinion of the author the Benefits Agency engineered some delay
- no fault re plan agreed by all parties in February 1997
- Late November 1997 Pathway had failed to deliver the live trial in 300 offices

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Horizon

Progress?

- POCL/DSS serve formal notice of breach of contract
- Pathway deny counter asserting breach of obligations by POCL/DSS
- December Pathway write suggesting that if project to continue they need either a 30% price increase or an extension of term of 5 years and a 5% increase
- There followed a year of discussion largely within Government but including POCL and Pathway too
- During this time independent experts conclude project is deliverable but not without risk and not until late 2001, 3 years late
- Government and Pathway fail to agree on terms for continuation

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Horizon

Progress?

- In January 1999 discussions start on what terms the project would continue with the automation of post offices only
- And in May 1999 government decided that it would be better value for money to continue with the automation of post offices
- So Government devised a new strategy

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Horizon

The new strategy

- the Benefits Payment Card element of the project would be dropped, simplifying and assuring post office automation;
- automation of the Post Office would proceed, for completion by 2001;
- benefits payments would be made by automated transfers to claimants' bank accounts; starting in 2003 and completing by 2005. Until 2003 existing arrangements would continue;
- people who wished to continue to collect their cash at post offices would continue to be able to do so. The Post Office would introduce suitable banking technology and commercial arrangements with banks to allow this to happen; and for the relatively few people for whom a bank account may remain an unsuitable option, special arrangements would be made.

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Horizon

Why did it all go wrong?

- The National Audit Office carried out an investigation and the following were its conclusions
 - The project was high risk. It was feasible, but probably not fully deliverable within the very tight timetable originally specified
 - The PFI nature of the project was ground breaking and POCL/DSS felt because of risk transference there was less need for diligence around Pathways process and solution
 - Conflict between the objectives of POCL and the DSS led to tensions
 - The DSS's business case did not adequately assess the risk of delay
 - POCL/DSS identified most of the risks of the project, but were less successful in assessing their probability and impact
 - When the contract was signed key parts of the detailed specification had not been finalised

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Horizon

Why did it all go wrong?

- More rigorous demonstrations by bidders might have better highlighted the risks to deliverability and the extent to which new software had to be developed (demonstration systems had been part of the procurement competition)
- Pathway submitted narrowly the cheapest of the three bids, but the purchasers ranked their proposal third on eight of eleven technical and management criteria
- A decisive factor in the selection of Pathway was their acceptance of greater risk, making their bid compliant with the Private Finance Initiative
- The purchasers found monitoring and controlling risks very difficult

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Horizon

And the NAO concluded that important reasons for failure were

- Divided control
- Inadequate time for specifying requirements and piloting
- A shared open approach to risk management was not achieved

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Horizon

Impact on the parties

- The DSS
 - Business case worsened by c £500m
 - But they got what they always wanted – ACT
- Pathway
 - Wrote off £180m
 - Which Japan targeted them to recover
- Post Office
 - Wrote off £571m
 - Bottom line costs up by nearly £100m
 - And lost its business case which was retaining benefits payments in Post Offices

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Horizon

The leaders at the POCL felt they had been shafted by a Government/Pathway stitch up

- Whilst the Group Board signed up to the deal (Sunday afternoon in the CEO's kitchen!)
- They did so with a gun pointed at their head – “sign this or all the other things you want you can forget”
- POCL felt stuffed by Pathway with terms that were imposed
- Dave Miller, the MD of Post Office Network said at the time “I have the same feelings about Pathway as I would have for the man who had just shoved 15 inches of bayonet up my posterior”
- No statement could more adequately express the attitude of Post Office towards Pathway

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Horizon

And yet the foundations for future success had been laid

- In April 1998 on the recommendation of PA consulting POCL became the sole project manager with DSS becoming its customer
- And ICL had moved in Mike Coombs probably its most accomplished Programme Director
 - He injected over 100 additional heads
 - And made significant changes to the management structure and personnel
- Mike Coombs and the POCL Programme Director enjoyed a good working relationship and built a strong mutual respect that survives to this day
- And the delays undoubtedly created the time to enable POL and Pathway to better prepare for the roll out

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Horizon

Acceptance

- One term from the original PFI that was retained was that Pathway received no payment until contractual acceptance
- Which was due to occur at the end of the live trial in some 200 plus offices
- POL declared a number of high severity incidents
 - Contract terms stated a single high sufficient to prevent contractual acceptance
- Rather predictably whilst accepting the incidents Pathway disputed that they were high severity
 - On one of the issues Pathway were probably right and POCL thought they were right but persisted with it as a high

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Horizon

Acceptance

- Parties agreed that rather than let the contract run its course and some time down the road get to arbitration to inject an independent party to moderate negotiations
- Peter Copping head of PA consulting's IT practice assumed this role
- and one Richard Christou, ICL Commercial Director at the time, assumed the lead for Fujitsu
- The incidents included
 - Inadequate training
 - Poor quality call centre scripts
 - High incidence of blue screens
 - And deficient reconciliation processes
- Copping played a key role in getting to an agreed position

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Horizon

Acceptance

- The process for rolling out to the live trial branches had not been well received
 - Whilst some adjustments were being made to the approach
 - POCL needed more time to make changes
- So one of the agreed terms was that the Christmas moratorium on roll out would be extended to 11 weeks
- This gave POL the ability to observe the success of the changes it had made
- And determine if further changes were required whilst working up a further series of planned changes

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Horizon

Everyone was convinced the roll out would fail

- That included POCL
- government set up a cabinet sub committee under Ian McCartney MP to oversee the fall out
- Dave Smith was appointed as Automation Director
 - He appointed a “hairy assed operator” to run the roll out
 - Displacing an external consultant who was technically excellent but had no experience or knowledge of the network
 - He also separated control of the first release of additional software called CSR+ from the roll out
 - And created a set of KPIs to manage roll out on a day by day basis

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Horizon

The roll out went like clockwork!

- much earlier it had been decided to separate the physical preparation of the branches from system implementation in branch
- A luxury afforded by the delays to the project
- Undoubtedly a major factor in the roll outs success
- So on acceptance roll out to just around a thousand branches commenced
- Went better than the roll out to live trial branches and branch perception improved
- But underpinned the need to further changes being worked on
- And resulted in some further adjustments

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Horizon

The roll out went like clockwork!

- The changes included
 - Introduction of a video to familiarise branch staff with the kit prior to attending training
 - a pre training course for those branches assessed at needing additional support
 - A guide to balancing
 - And additional support at balancing for branches struggling to cope
- The changes made were very successful
 - Measures to address to number of branches falling out the implementation process were so successful that the numbers entering the process which lasted 11 weeks for each night had to be reduced
- The government sub committee only met once and that was to agree its terms of reference !

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Horizon

About the solution

- It was over engineered for security due to DSS using GCHQ to generate the requirements
- The relationship between code and reference data was over complex and not fully understood.
- Solution lacked modularity and a change in one part of the solution would unexpectedly give rise to a problem in another. Result was the need for very extensive regression testing
- Quite contrary to expectations rather than producing on line banking solution Pathway decided to distribute and hold authorisations in branch.

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Horizon

About the solution

- The driver was service requirements from DSS and the fact that a public telephone network could not support the stretching service levels set in the contract
- Delivered Horizon was polled but not on line
- The product which was seen as a big risk by POCL/DSS as to its scalability scaled well

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CSR+

But the next challenge was around the corner !

- A decision had been taken to split the delivery of the solution
- And so Core System Release plus – CSR+ was born
- Major infrastructure release but largely invisible at the counter apart from introducing British Gas Quantum card capability
- The plan was to intercept the roll out
- Branches already with Horizon would be upgraded over 10,000 in all
- And those branches yet to receive Horizon would get the CSR+ version
- Went extremely well
- Although again not without problems

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CSR+

But the next challenge was around the corner !

- Firstly Pathway's customer service refused release authorisation
 - Everyone else including Pathway development thought this was being ultra cautious
 - Was only a short delay
- Then problems were encountered during pilot
 - An intermittent problem that refused to be replicated
 - For a while the evidence pointed to Team Crypto
 - Before eventually Windows NT was found to be the root cause
 - Overall Fujitsu were a matter of days late in delivering the software
 - And contingency in the POL plan meant roll out was achieved on time
- This was testament to the changes made by Mike Coombs

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CSR+

In parallel Dave Miller, PON MD and Mike Stares who headed up Pathway at this time resolved to improve the relationship

- Series of workshops with a facilitator to build better relationships between the parties
- The success of the roll out and the development of CSR+ helped to create more trust between the parties
- However the relationship was still crusty
- Post Office wanted its pound of flesh so made Pathway hit SLAs for which there was no business impact if they were missed
- But which gave POL the right to terminate if they were not met within a given timeframe

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Banking

The Strategy decided by Government in 1999 laid the foundation for the next major development of Horizon

- In June 2000 the Secretary of State for Trade and Industry announced a package of measures designed to modernise the Post Office network by;
 - ensuring that benefits and pensions can still be paid in full, in cash at the local post office;
 - setting up a special fund to improve local offices in deprived urban areas;
 - providing help for those on low incomes;
 - providing people with new opportunities to use the internet;
 - encouraging post offices to act as Government one-stop shops;

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Banking

The Strategy decided by Government in 1999 laid the foundation for the next major development of Horizon

- maintaining the rural network by placing a formal requirement on the Post Office to prevent any avoidable closures of rural post offices; and
- supporting the development of the proposed 'Universal Bank,' giving banking facilities for up to 3-5 million extra people, and allowing customers, including pensioners, to get cash out of the post office and set up direct debit arrangements.

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Banking

In 1999 Royal Mail Group had restructured. POCL was broken up into a number of units.

- A number of market facing business units were established responsible for securing business
- A number of service delivery units were set up to deliver service to customers
- The branch network was run by Post Office Network
- The Network Bank business unit was responsible for winning financial services and other business
- PON owned Horizon
- and Network Bank were responsible for securing the universal bank and banking services

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Banking

The development of banking became very messy

- It heralded open warfare within the Post Office
- This became extremely personal, between Dave Miller and Dave Smith of PON and Basil Larkins and Basil Shall of Network Bank
- Basil Larkins had joined from Abbey National as part of Shaping for Competitive Success
- Basil Shall, previously POCL's IS Strategist, believed you could build the banking capability using a thin layer approach and that you could buy all the software you needed "in a box"
- He also wanted to build a financial services hub not just to link to the counter but to other devices e.g. mobile phone, TV, other EPOS
- A great vision but one which in the view of Dave Smith, backed up by industry experts, could not be delivered with existing technology

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Banking

Fujitsu becomes embroiled and one of its sub contractors Escher adds fuel to the fire

- Escher was a small software company based in Cambridge Massachusetts
- Their Riposte software was a key component in the Horizon solution
- They specialised in Postal Services software which started as a Doctorate study at MIT with which they retained a close working relationship
- They were led by Mike Murphy – an interesting and somewhat volatile character
- Murphy believed that Fujitsu were not exploiting his companies capability

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Banking

Fujitsu becomes embroiled and one of its sub contractors Escher adds fuel to the fire

- and therefore saw banking and Basil Shall's off the wall ideas as a real opportunity
- Whilst Fujitsu were aligned with the Dave's most of the time, they believed Basil's views on timescale were naïve, they could not ignore the Basils and had to be seen to be even handed
- Escher also believed that Shall's initial idea was naïve and Mike Murphy told him so in very graphic terms at a meeting in Cambridge
- Nonetheless Murphy exploited Shall's naïve views of the world
- And played brinkmanship on a number of occasions threatening to down tools if his commercial demands were not met

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Banking

Fujitsu becomes embroiled and one of its sub contractors Escher adds fuel to the fire

- IBM also gave Basil Shall every encouragement that their Websphere product could meet his vision
- Whilst the Dave's fielded industry experts who raised severe doubts that Basil's idea could deliver a robust solution senior managers in Royal Mail were reluctant to intervene as characters like Basil Larkins had been recruited to shake things up
- However after a long protracted battle Basil's had to concede defeat
- Escher couldn't execute
- And IBM admitted that their Websphere product could get nowhere near the performance requirements

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Banking

The project proceeded

- one idea of Basil's did survive however and that was the setting up of a hub with the ultimate intention of this being multichannel
- this was to be provided by IBM as they had previously "won" a competition to do so
- A further hiatus was created when POL and Fujitsu had a serious disagreement on price to ready Horizon for on line banking
- Pathways price was £180m over the life of the contract
- Which was £60m more than PON believed it should be
- After several months of circling each other PON introduced IBM into the equation

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Banking

The project proceeded

- IBM came up with an attractive proposal
 - a competitive price
 - and they offered an exit strategy from Pathway and the basis of ongoing competition
- However PON chose Pathway
 - Sunk costs tipped the financial balance
 - And the impracticality of two sets of kit on the counter was the clincher
- Not before , however, Pathway were persuaded that they were coming second in a one horse race!
 - Pathway lowered their price considerably
 - And after long and protracted negotiations deal done pretty much bang on PON's business case number

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Banking

A specific issue was inadvertently resolved by IBM,

- Fujitsu despite a number of attempts could not land a plan to deliver the roll out of the estate of pin pads by April 2003
- During the preparation of their bid IBM came to PON and said they believed PON were the organisation most able to deliver the physical roll out
- Prompted by this PON looked at delivering the Pin Pad roll out working with RoMEC
- and decided to deliver it themselves
- which they did with months to spare, at significantly reduced costs over Pathways price, and with something left in the tank !

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Banking

These commercial matters were soon put to one side however

- The upgrade of the infrastructure to allow real time working went extremely well
- Although there were some issues with call management at the counter
- Pathways development of new functionality went extremely well with very high quality code
- The whole project which also involved IBM (Basil's hub survived!) EDS/Citibank, Alliance & Leicester, LiNK and Royal Mails in house service provider went extremely well
- Following on from CSR+ confidence was growing in the Pathway capability to deliver
- However there were some ticking time bomb issues which were to manifest themselves later as volumes grew

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Building Reputation

But what really started to cement a new reputation was Pathway's response to challenges that PON put in front of it

- One of the elements of Government's strategy was the network as a one stop shop for government services
- Government funded a £20m pilot challenging POL to get it up and running to very aggressive timescales
- This became known as Your Guide
- Fujitsu was asked to supply technology for the pilot
- and via John Burton demonstrated a hitherto unseen responsiveness and flexibility

Whilst Your Guide was perceived to be successful particularly by Subpostmasters it did not drive back end benefits and died!

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Building Reputation

But what really started to cement a new reputation was Pathway's response to challenges that PON put in front of it

- Incorrect pricing of mails items was costing Royal Mail letters huge amounts of revenue
- The problem in the network was estimated to be £25m
- Quite apart from poor customer service where products were sold that didn't exist the prime example being registered post to the USA
- The mails tariff was extremely complicated sitting in several weighty tomes
- The solution was seen as automation
- First thoughts was that this could not be started until banking was delivered

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Building Reputation

But what really started to cement a new reputation was Pathway's response to challenges that PON put in front of it

- It was decided to go with a pre existing software package from Escher for Mails
- Analysis showed that this met a high percentage of the requirements
- And was immediately available as opposed to the development time for a bespoke package
- Reference data became a challenge as the existing Horizon reference data did not have the capacity
- A solution had to be found to Help
- Ways forward were found and the pilot was mounted in 2002

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Building Reputation

But what really started to cement a new reputation was Pathway's response to challenges that PON put in front of it

- Pilot in this case was not so much to prove the technology
- But to demonstrate the benefits
- The pilot established the business case and the solution was extremely popular with the participating branches
- It was very intuitive
- Drove in the conformance required
- and was supportive of up selling
- but required the S40 release to put a reference data solution in place

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Building Reputation

But what really started to cement a new reputation was Pathway's response to challenges that PON put in front of it

- There were some teething troubles with the time the solution took time to fire up
- And label printing became an issue subsequently shown to be down to an unannounced and not agreed change in stationary by Royal Mail Letters
- The solution was intuitive
- Allowed the selling of mails without resort to paper manuals
- And delivered significant benefit to Royal Mail and was called Smartpost

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Building Reputation

But what really started to cement a new reputation was Pathway's response to challenges that PON put in front of it

- There was real clamour in the network for debit card acceptance
- Branches took every opportunity to raise the issue and it featured prominently at the NFSP conference
- By now POL had been reformed and the IT Director, Alan Barrie, came under immense pressure to deliver debit cards ahead of banking
- Challenge thrown at Fujitsu to deliver Debit Cards by his birthday in 2003 i.e. hot on the heels of banking
- Debit Cards was a different type of challenge in that it needed all the resources being used by banking i.e. people, designs, rigs
- and couldn't get at these before banking had finished with them

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Building Reputation

But what really started to cement a new reputation was Pathway's response to challenges that PON put in front of it

- Nonetheless Peter Jeram who had replaced Mike Coombs as the SI Director put together an aggressive plan to deliver
- And then Fujitsu realised that they had incorporated the wrong version of Retail Logic
- This ought to have cost a delay of 6 months
- But Fujitsu built a standard agent and managed to intercept the plan
- And with some adjustment to the implementation plan hold the timeline
- Some problems in pilot down to inadequate testing of banking change requests released with the debit card software
- It was on time and extremely well received in the Network

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Contract extension

The delivery of these significant developments in relatively short order significantly improved the perception of Fujitsu

- The cost of the service was however crippling
- and the financial position of the reformed POL was grim
- So no sooner had the commercials for banking been put to bed
- than Alan Barrie opened up a commercial discussion which looked to trade a contract extension with reductions in costs
- These negotiations took many months but did eventually yield a deal though to March 2010
- The deal involved the introduction of broadband which drove major benefits
- Infrastructure simplification and standardisation introduced by S60

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Contract extension

The delivery of these significant developments in relatively short order significantly improved the perception of Fujitsu

- Accounting process simplification
- An intent by both parties to improve working together and governance
- POL got a reduction in annual charges
- including some very significant reductions in years 1 and 2 of the new deal
- which were incredibly important to POL

However in order to get the movement it required from Fujitsu POL had to introduce competition in the shape of EDS and IBM

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S50

At the same time it became clear that there was a significant demand to automate product

- A joint piece of work was carried out which enabled planning 3 releases ahead
- The first of these releases started whilst banking was still in flight
- The S50 release was to establish Fujitsu as a trusted partner
- This period started to see the development of strong personal relationships between the lead teams
- Started to sought out jointly process for development
- Things weren't perfect but were on a decided upward curve
- And together POL and Fujitsu were building an external reputation

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S50

The S50 release was ground breaking

- The content was
 - Bureau de change functionality on Horizon (previously a standalone solution)
 - Automation of Road Tax for the DVLA
 - NS&I automated banking including cash deposits via LINK an extension of existing banking functionality
 - E top ups
 - Numerous change requests
- The inclusion of DVLA was a victory in itself for Fujitsu
 - The commercial deal with the DVLA was done too late to include this in the release
 - Dave Smith issued a challenge to Pete Jeram who with the team found a way of delivering 80% of the functionality which DVLA was in the circumstances content with

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S50

Each element of the release had a quite different implementation profile

- DVLA and E Top ups had short but different pilots followed by big bang go lives in November
- Bureau piloted extensively and was rolled out ready for the season the following March
- And NS&I waited until Siemens had delivered their part of the end to end solution the following Spring

The on time, within budget, high quality delivery was seen as an outstanding success across POL

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S50

It delivered a fantastic level of benefits

- Within days of going live across the Network the Post Office became the No 2 retailer of e top ups in the UK second only to Tesco
- The Bureau development enabled POL to extend the Network and propelled it to become number 1 in the UK for Bureau de Change
- Off the back of this travel insurance sale also expanded
- The DVLA's end to end process was transformed. The timescale for the updating of their database was reduced from 4-6 weeks to hours and enabled it to mount a national advertising campaign warning motorists who had not taxed their vehicles
- and the development for NS&I launched automated banking to this previously paper bound organisation

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S60

The S60 release that followed continued to build the reputation

- It extended the DVLA solution to include on line MOT validation with VOSA
- It introduced PAF
- These two developments were executed in such a way as to deliver AP ADC capability
 - This enabled the automation of a stream of products at negligible cost over the succeeding years
- It also delivered the first phase of a major process re-engineering programme called Impact
- It also delivered some infrastructure changes that underpinned the cost reductions in the contract renegotiation

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S60

A number of things were happening in the background

- The new broadband network was a major source of cost reduction but rolled out with less than satisfactory results
- The service was acquired from Energis
- The limited number of Broadband Access Servers Energis possessed meant that large numbers of branches hung off each server
 - This meant when a server went down a large part of the network could not carry out on line transactions
 - And these servers went down with alarming regularity
- The situation was exacerbated by an average of 250 branches a day losing on line connectivity
- Some of these branches could be down for days and in extremis for a couple of weeks

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S60

A number of things were happening in the background

- and by a poor response from POL's team in Dearne and Fujitsu's customer services tea, Energis and BT
- This created a very poor perception of Fujitsu in the network despite the fact that service levels were being met
- So poor was Fujitsu's response that Dave Smith, who had become acting IT Director, asked Fujitsu whether the mindset within Customer Service was right which resulted in the replacement of the Director
- With the support of the Group CIO, David Burden, Smith also challenged John Pluthero the MD of Energis
- James Stinchcombe of Fujitsu and Clive Read of POL worked together on what eventually became known as the Branch Network Resilience Programme

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S60

A number of things were happening in the background

- Involved a campaign to get subpostmasters to novate their lines to POL so that POL could procure an improved service from BT
- and all the parties involved in managing the service end to end working together to better manage faults
- and some 2000 branches getting a secondary line to kick in if the primary circuit failed
- and a mobile solution for deployment to limit downtime for those branches without a secondary circuit
- However the move to broad band delivered major benefits of the order of £12m per annum instrumental in providing a balanced response to the issues at the most senior Levels i.e. no gain without pain

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S70

The S70 release was given over to enabling the Network to accept Chip and Pin

- POL's contract with the Government for POCA contained punitive damages if the network wasn't enabled on 1st January 2005
- POL's architecture team had concluded that the IBM banking engine was superfluous to requirements
- Fujitsu were asked to quote to replace the Network Banking Engine as it was called
- And what would have been a significantly negative NPV was brought back to break even
- Poor procurement discipline by POL and an over keen Fujitsu combined to create the makings of a disaster

capability smith

S70

The S70 release was given over to enabling the Network to accept Chip and Pin

- Peter Jeram had to go to POL cap I hand to admit that he had not been able to produce a plan to the required timeline
- Which would make POL liable to fines of tens of millions of pounds
- After some joint working Fujitsu came up with a plan that nearly got there (production of three interfaces remained a problem)
- Achieved by splitting the release into two, S70 which delivered the data centre change and S75 which delivered the change at the counter
- There was no contingency

capability smith

S70

The S70 release was given over to enabling the Network to accept Chip and Pin

- The threat of severe penalties meant that POL had to evaluate alternatives
- None of the alternatives could improve on the Fujitsu plan
- All parties faced a challenge that was critical path on all plans i.e. converting the XML created at the counter
- Decision to continue with Fujitsu
- If a plan that didn't quite get there was bad enough there was worse to come!

capability smith

S70

The S70 release was given over to enabling the Network to accept Chip and Pin

- There was a design fault originating from original banking programme that was to manifest itself as banking volumes grew
- Hypercom produced a poor quality upgrade to the Pin Pad putting the schedule under further pressure
- There was to be a mechanical failure in a disk array that was to take the entire network down

capability smith

S70

The S70 release was given over to enabling the Network to accept Chip and Pin

- There was a design problem introduced with the implementation of Banking
- An assumption was made around the latency in the networks connecting the two data centres
- Based around the network distances being similar
- In fact they were quite different one being 20 km the other about 60
- Because banking transactions have to be written to both data centres this difference in timings caused a transaction queue and eventually caused each data centre to try to fail over to the other - "flip flop"

capability smith

S70

The S70 release was given over to enabling the Network to accept Chip and Pin

- This first manifested itself late autumn as banking volumes steadily built
- On a Monday morning around 9.05 branches would start to see a high incidence of banking transactions timing out
- This would only last for about 5 minutes
- But was nonetheless so widespread that it attracted the attention of news desks up and down the country
- And caused widespread concern amongst branches

capability smith

S70

The S70 release was given over to enabling the Network to accept Chip and Pin

- The pin pad code delivered by Hypercom had quality problems
- Despite giving assurances at the outset about the way they would closely manage Hypercom Fujitsu failed to do just that
- Extensive work required on the code but because Hypercom had limited resource so a solution was long time coming
- Meant that Fujitsu were unable to carry out large parts of the planned testing in the first three cycles of SV&I

capability smith

S70

The S70 release was given over to enabling the Network to accept Chip and Pin

- 20TH December just after lunch an EMC disk suffers mechanical failure and fails to spin out bringing the whole network down
- EDS had a better idea of what was happening than Fujitsu customer service
- attracted widespread media attention and Number 10 Downing St phoned POL's MD
- Dave Smith demands and gets an independent review of Customer Services which emerges with some very significant gaps
- And gives only conditional acceptance pending fixing the flip flop problem

capability smith

S70

The S70 release was given over to enabling the Network to accept Chip and Pin

- The Fujitsu and POL teams worked closely together and were creative in pulling back time
- Other suppliers were very co-operative and played a part in being creative with the plan
- So that despite all of these problems Chip and Pin and the replacement of the Network Banking Engine were delivered to time
- The programme was awarded the BCS prize for Excellence in IT Management both for the Financial Services sector and for all sectors
- and the POL Project Manager named Project Manager of the year

capability smith

HNG X

Whilst the drama of banking was unfolding the Fujitsu Account Director Ian Lamb approached Alan Barrie

- He proposed a project to replace large elements of Horizon
- That would deliver major cost reductions to the Post Office
- This immediately caught Alan's imagination and quite quickly after that the POLET
- Funding was granted for a study
- There were several visits to the table for money
- a significant amount of analysis was undertaken on future business requirements including a very detailed study of transactions
- Some important Architectural decisions were made
- But the study work was not particularly disciplined

capability smith

HNG X

In June 2004 Alan Barrie moved back to Royal Mail and Dave Smith took over in an interim role

- Became clear to Dave that whilst the benefits had been sold into the POL ET
- What was entailed in getting there had not
- ET imagined that this would be similar to the first renegotiation and had no idea that a major technology project was implied
- Equally it became clear that the joint feasibility study was getting into paralysis through analysis
- The end date always seemed to be 3 months away
- Working with Ian O'Driscoll , Dave sought to get business buy in with all the implications on the table and to accelerate the process of getting to a proposition

capability smith

HNG X

The major issues to get the POL business behind were

- A very large project was concerned that would consume significant levels of resource and dominate available bandwidth for change
- The project involved making all transactions on line at a time when on line performance was a major issue within the business
- The project would “blot out the sun”. At best new developments would have to be paid for twice i.e. on old and new Horizon and there would be a period where major new infrastructure development could not happen
- Demonstrating that a negotiated approach would deliver as much as benefit as a competition and probably earlier

capability smith

HNG X

These were managed as follows

- Great emphasis placed on the success that Fujitsu and POL had achieved in delivering major projects. Nothing here we hadn't done before
- The proposal was to give most branches (c 95%) a secondary network connection based on the proposed Orange network. This Orange network had the fewest common elements with existing landlines of any mobile network
- The proposed delivery of AP/ADC and APOP together with existing AP capability would enable Marketing to continue to develop products and there were no major infrastructure requirements from Marketing beyond those that would be in the baseline for the new system

capability smith

HNG X

These were managed as follows

- A benchmarking exercise was proposed to be carried out by Gartner to establish a market price for the proposal and any deal with Fujitsu would need to be open book
- In parallel Gartner reviewed the architecture and were very supportive
- The pitch made over the summer and early autumn got the business into the right place i.e. wanting the benefits but with eyes open as to the implications

capability smith

HNG X

Discussion with the then MD, David Mills, and the then Group CIO, David Burden, were to shape the project

- Both David's had the scars to show for major system upgrade projects at HSBC and Air Canada respectively
- In both instances the scope had been added to in order to include major process changes
- The business impact of an infrastructure change had been completely misunderstood
- Resulting in disaster in both cases
- Both insisted that their support was conditional on keeping a tight scope and not entertaining major process change
- Given reassurance on scope both were totally supportive — “the right thing to do”

capability smith

HNG X

Getting to an acceptable proposal from Fujitsu was a long and arduous process

- The Gartner benchmarking study was key to the Post Office in establishing where the goalposts should sit
- But Gartner also did due diligence on the proposed technical solution
- Gartner benchmarking underpinned numbers built into the POL business plan
- Established a floor below which we should expect to get the service i.e. a floor price that no supplier would be able to deliver within and make a reasonable return
- Clear that if Fujitsu were in the “zone” then the additional cost of running a competition and the risk of working with a new partner could not be justified by the marginal improvement to benefits that might be achieved

capability smith

HNG X

Getting to an acceptable proposal from Fujitsu was a long and arduous process

- The Fujitsu proposal when it came was in the right area as far as the ongoing costs of the service was concerned
- However, POL were clear that the cost of the service would need to reduce year on year and not increase as per the Fujitsu proposal
- and the cost of the transformation was well above the expected cost from the Gartner modelling
- There were many meetings to ensure POL fully understood the plan
- And a number of negotiating meetings resulting in amended proposals from Fujitsu
- These amended proposals were on the whole nothing more than “smoke and mirrors” regurgitating the original proposal

capability smith

HNG X

Getting to an acceptable proposal from Fujitsu was a long and arduous process

- Ric Francis had joined POL as Operations Director in February 2005
- His initial reaction to the proposed deal was “Why would you want to do that for”
- but by March 2005 Ric was persuaded that this was the right thing to do
- The relationship he established with David Courtley and Steve Andre was to prove important in getting high level messages across
- Early on in the relationship i.e. within weeks of joining Ric established three key principles which were agreed by Courtley and Andre

capability smith

HNG X

Getting to an acceptable proposal from Fujitsu was a long and arduous Process

- These were
 - Fujitsu aligned themselves with POL's journey
 - Fujitsu delivered what it said it would
 - No matter how good it was it could be better
- These principles were to be used by Ric and others time and again to create a reference within which issues could be resolved

capability smith

HNG X

Sustained cost reduction and cost base variability emerged as major requirements during this phase of discussions

- Business plan had been constructed on constant prices
- Financial modelling showed that cost would grow significantly year on year because of inflation factors in Fujitsu's pricing proposal
- Evolving business strategy foresaw a major reduction in network size
- Financial modelling demonstrated that network reduction did not generate anything like the expected reduction in cost base
- Because the cost base was fixed in nature
- POL Finance therefore exerted considerable pressure to maximise the variability of any Fujitsu proposal on Network size

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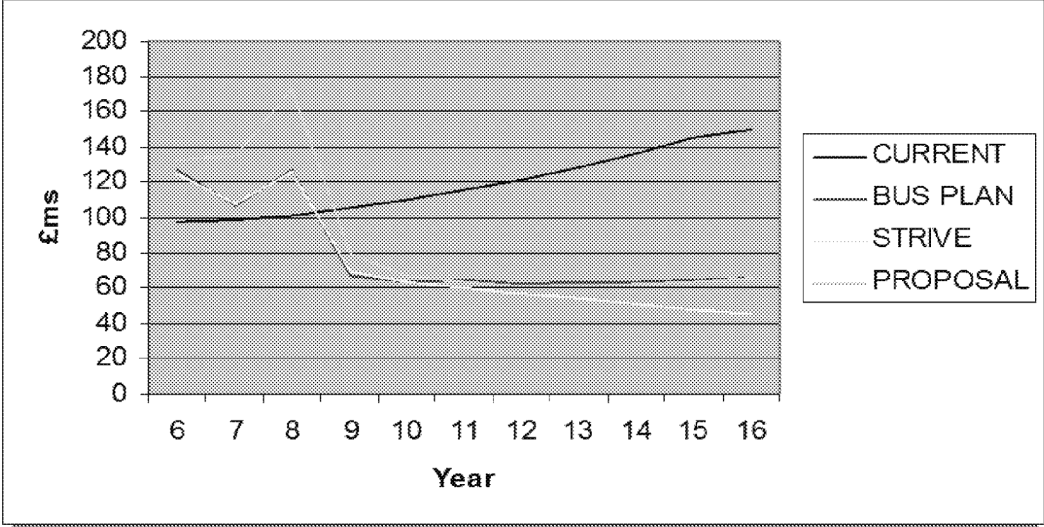
HNG X

The position as POL saw it is exemplified in the chart on the next slide

- It illustrates a number of points
- The strive (yellow) curve illustrates POL's revised expectation over and above its business plan of year on year cost reduction
- That whilst Fujitsu's ongoing costs match the business plan they do not reflect the strive
- That Fujitsu's cost of development was significantly more than POL's business plan (based on Gartner)
- Notwithstanding these points the Fujitsu proposal did deliver substantial benefits
- crucially Francis, O'Driscoll and Smith believed they could do better

capability smith

HNG X



HNG X

The starting point was disaggregating the cost base

- Possible because of POL's insistence that the negotiations be open book
- Network, field engineering and branch equipment costs were c 50% of the cost base
- Arguably the Fujitsu account team added little value in these areas and yet Fujitsu were adding a significant margin to each
- Significant confidence that by breaking the service down into a number of components that POL could justify the cost of terminating for convenience calculated to be £78m in April 2007
- McKinseys validated the numbers constructed by O'Driscoll and Smith
- And what had started as Plan B became Plan A as it became the business planning baseline

capability smith

HNG X

However, POL clear that if they could get Fujitsu to produce a proposal in line with business plan plus strive

- A negotiated deal with Fujitsu represented the preferred option
- The alternative was high risk
- And would involve a lengthy, expensive and high maintenance procurement
- POL would also seek to establish ways of working consistent with those it would adopt if it terminated. POL's demand position is included as Appendix A.
- POL also questioned whether the new solution was over engineered pointing out that it appeared geared to a continuing level of change that the joint strategy work did not foresee occurring

capability smith

HNG X

In July 2005 Smith, supported by O'Driscoll, told Clive Morgan, supported by Liam Foley, of POL's intention to terminate for Convenience

- This was followed up by a conversation between Ric Francis and Steve Andre
 - Francis reiterated the key points made by Smith and O'Driscoll
 - Agreed to let Fujitsu know where the goalposts were
 - Also let it be known that he thought Clive Morgan was part of the problem

capability smith

HNG X

Within a few weeks Fujitsu came back to say in principle they would meet POL's demands

- Resulted in some major changes within the Fujitsu bid team
 - Tony Drahota Fujitsu's lead architect was replaced by Giacomo Picanelli
 - Dave Baldwin the Customer Service Director hitherto a marginal figure in the negotiations took on a prominent role
 - Which was probably the start of the marginalisation of Morgan

capability smith

HNG X

By October 2005 sufficient progress had been made for Smith to take a proposal to the POL Board prepared by himself and O'Driscoll. They Reported

- So are we there yet?
 - With the strive we have an acceptable cost profile – and we believe this profile is achievable
 - We have agreement in principle on the new ways of working – detailed methods to be agreed
 - We understand the cost drivers and how the price will change as our needs change – precise details to be worked out
 - We have an outline plan that meets our needs –detailed planning now needs to be done
 - What's the Alternative?

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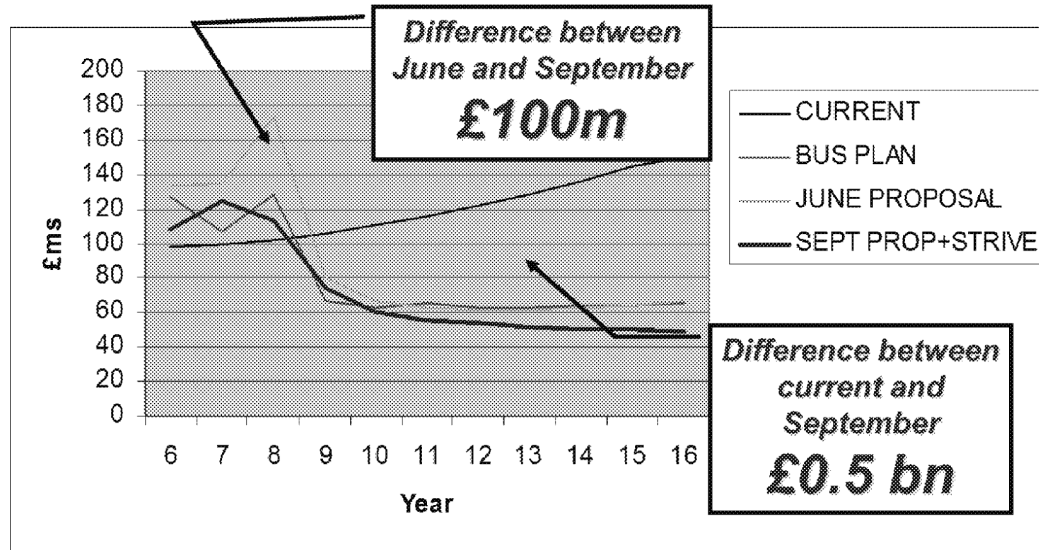
HNG X

They set out the alternative

- Which was
 - Buy out the existing contract – circa £80m
 - Disaggregate the services and procure from best of breed
 - Select SI Partner to manage the development and integration
 - May deliver lower cost but at a significantly higher risk and longer time to deliver
- and the financials for the new proposal from Fujitsu were demonstrated as follows in the next slide

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HNG X



HNG X

The key features of the new proposal were

- Cost reduction drives simpler design
 - Key to this was an agreed assumption that there were no foreseeable major infrastructure changes
- Minimal Hardware refresh — a “retail” model
 - Key part of the proposal were guarantees from Fujitsu to POL around MTBF deterioration where Fujitsu took the first slice of risk
- Improved availability
 - It was expected that the proposal for a back up network would improve on line availability as it then stood
- More cost effective service management
 - Significant simplification of SLAs with a focus on what really matters
- Significant Network savings passed on

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HNG X

The key features of the new proposal were

- The creation of an SI Partnership focused on realising the “strive”
- The disaggregation of the service so that service elements could be subject to market testing with Fujitsu having the option to match the lowest price or integrate the new provider into the service
- Post Office controls architectural direction and high level design but detail design a matter for Fujitsu
- Fujitsu will embed skills at cost in Post Office IT team but against this “investment” share part of the cost reduction as part of on of a number of Gainshare mechanisms
- Fujitsu individuals bonuses to be aligned to POL objectives

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HNG X

On the back of this the Board gave its approval

- To move to Heads subject to resolving outstanding principle issues
- To take a business case to the Holdings Board in Jan/Feb 2006
- To target contract signing end March 2006
- To commission a update of the Gartner architectural review
- To commence Requirements Analysis

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HNG X

A significant issue came to the fore concerning Holding Board approval

- POL was technically bankrupt
- Were POL and Holdings Board Directors to authorise significant further financial obligations they would be held personally and criminally liable
- Negotiations were ongoing with Government re funding
- Preference was to conclude these rather than get Government to underwrite the deal
- But Board were clear that the project was to proceed whilst ways round these issues were found

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HNG X

A way forward was found

- Holdings Board clear that they were behind the business case
- So contractual way forward was agreed between POL and Fujitsu
- The contract negotiations were however long and protracted to get to a contract for signature
- The detailed contract negotiations were a significant diversion for some of the key Fujitsu technical staff
- Assumptions made about the availability of these individuals for the purposes of the plan
- Were probably invalidated by the protracted nature of contract negotiations

capability smith

HNG X

POL however managed to deliver its Statement of Requirements to time

- POL through Dave Smith created the A team including crucially a number of the Fujitsu team paid for by POL
- Early decision to put in tough Project Manager to lead the strand and ensure that delivered to time
- Mark Burley took on this role and ensured that delivery was on time
- The document was a quality document
- Unlike previous such document Fujitsu did not push back on the completeness of the document — timescale was not met by sacrificing quality

capability smith

HNG X

The requirements were based around Business Equivalence

- The same outcomes but not necessarily identical functional detail
- There were some exceptions
- Elimination of AP office copy receipt saves transaction time, reduces use of consumables and avoids filing time
- Replacement of Smartpost which was by far and away the major complaint from subpostmasters with a new Postal Services solution. A major gain that subpostmasters love
- A new user interface which is both intuitive and follows retail standards and reduces the number of screens that the user has to pass through when navigating the system
- On line Help – context sensitive which will do away with paper manuals and ensure branches always have the most up to date information

capability smith

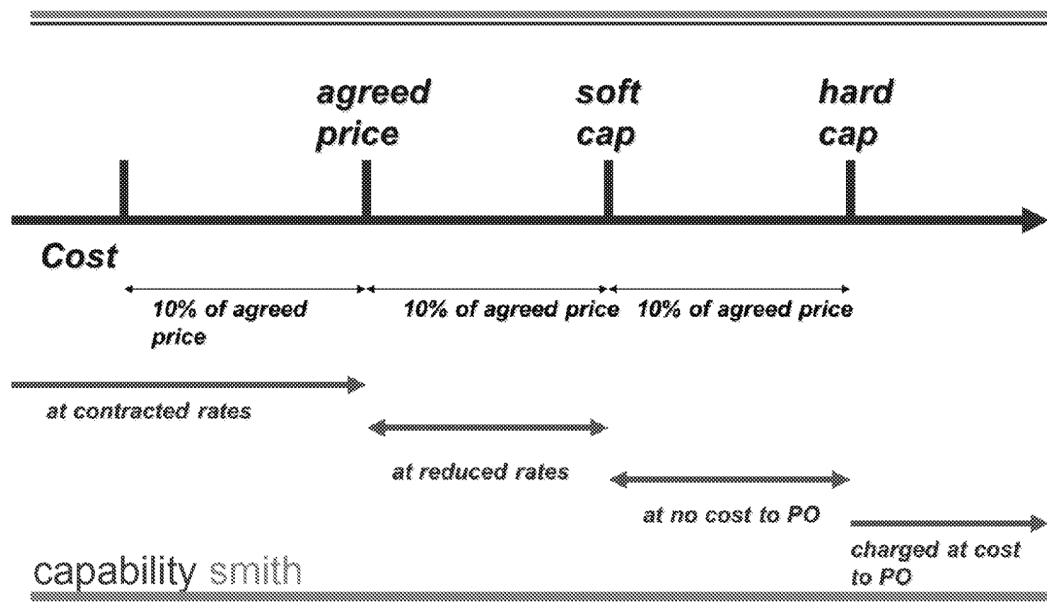
HNG X

Time & Materials

- Post Office had made it clear that the estimating risk involved had to be shared and a series of caps and collars around an agreed price were agreed to achieve this
- If the project came in up to 10% below the agreed price the savings would be shared between Fujitsu and POL
- savings above 10% would be wholly attributable to POL
- Cost over run up to a limit of 10% of the agreed price would be chargeable at reduced rates
- Cost over run above 110% of agreed price up to a limit of 120% of agreed price would be at no cost to POL
- Cost over run above 120% would be chargeable at cost
- The next slide presents this in a diagram

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HNG X



S80,S90 and the T releases

Whilst all of this was going on the delivery of major software upgrades continued apace

- The S80 release delivered the major elements of the Impact Programme
- This release changed centuries old accounting practices in branch and replaced them with standard accounting practice
- It was the most complex set of changes POL had put in front of Fujitsu
- It involved the creation of a new back end system based on SAP developed by Xansa but hosted by Fujitsu
- A boundary testing interface (huge volumes) with complex mapping between Horizon and the SAP system known as POL FS
- POL did not do a good job on requirements

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S80,S90 and the T releases

Whilst all of this was going on the delivery of major software upgrades continued apace

- Xansa did not make a good job of delivering to time Fujitsu were, however, on the money !
- The Impact programme delivered £17m bottom line recurring benefits
- Brought POL accounting practices into the 21st century
- a very rocky implementation because firstly Xansa created significant time pressures and secondly the Chesterfield back office business until did not follow through with the changes required of it
- Nonetheless the BCS awarded the POL Programme Manager its Project Manager of the Year award
- And the project was a medallist in the IT Excellence awards

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S80,S90 and the T releases

The last major release on Horizon was the S90 release

- The core of this release was the re-engineering of the Postal Order product
- But this was executed so that the project left behind reusable architecture for other out payment projects
- It was the out payment equivalent of AP ADC but more complex because of the need for an authorisation database
- The new postal order was printed onto stationary in branch
- and when encashed was authorised by the database
- It could be accepted by banks and cleared through the clearing house system
- A very secure product when compared to the old paper based system

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S80,S90 and the T releases

S90 was a significant success

- Release contained a number of other changes including mails
- The re-engineered Postal Order was a success in its own right
- And the architecture it created has been leveraged by POL to deliver other products quicker and cheaper than it would have done through bespoke developments
- and together with AP ADC made Marketing buy in to Horizon Online possible
- The BCS made the POL Release Manager its Project Manager of the Year
- Making a remarkable hat trick for POL (but also for its suppliers and first and foremost Fujitsu without whom it would not have been possible)
- And the project was a medallist in the IT achievement awards

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S80,S90 and the T releases

Whilst T releases were considerably smaller in scale they nonetheless delivered a succession of significant product changes

- The development of AP/ADC and APOP meant that there was no longer a need for major infrastructure change
- AP/ADC is a pipeline that allows somewhere between 15-20 product introductions a year with minimal cost
- By and large did not require T release as business as usual change
- Financial services in particular has relied on this route to market
- APOP was to prove equally as influential
- Moneygram was the first development
- Prior to APOP would have been a development costing in the order of £2-3m but cost only £750k and timescale reduced too

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S80,S90 and the T releases

Whilst T releases were considerably smaller in scale they nonetheless delivered a succession of significant product changes

- The very successful pay-out product developed using APOP
- Less obviously an APOP development is the in branch application process for telephony products
- POL architects whose ideas AP ADC and APOP were came up with a “tweak” to the back end database
- As an authorisation agent it only allowed access to a single user at a time
- Different instances of the database could be made to allow multiple simultaneous access for the purposes of returning values rather than authorisation

capability smith

S80,S90 and the T releases

Whilst T releases were considerably smaller in scale they nonetheless delivered a succession of significant product changes

- In short order this enabled
 - embedding the travel insurance tariff into the system resolving a major problem POL had with miss pricing the product in branch
 - Ordering of currency in pre-order branches on line
 - Simulated retail transactions on Horizon dramatically reducing the number of keystrokes required
- But T releases were not just AP ADC and APOP developments
 - For example developed counter to support Parcelforce 's membership of Kahala Group of Pacific Rim providers. Mentioned by their MD at Group level
- Far from the sun being blotted out it shone brightly during the development of Horizon online

capability smith

The Baldwin era

The Baldwin era

- Dave Baldwin was recruited back into Fujitsu as a direct result of Dave Smith's challenge to Fujitsu about the prevailing mindset in Customer Services
- He was barely through the door when the issues surrounding Chip & Pin arose
- The independent review demanded by Dave Smith scored Customer Services against the ITIL model
- Scores were poor with some dimensions scoring 1 or 2 on a scale of 1 to 9 where 9 equalled best practice
- Added pressure as Dave Miller the POL COO summoned David Courtley to see him. It was not a comfortable meeting for Courtley

capability smith

The Baldwin era

The Baldwin era

- Baldwin put together a wide ranging plan involving people, process, behaviours and tools
- This was to take over 12 months to complete in full
- Baldwin's influence grew and he played a major role in the revised Horizon online proposal
- During 2005 he replaced Clive Morgan as Account Director
- Ric Francis almost certainly had a hand in this. He saw Baldwin exemplifying the values and behaviours that he had an understanding with Andre/Courtley
- Working with Dave Smith he sought to improve the relationship

capability smith

The Baldwin era

The Baldwin era

- Joint lead team meeting held examining how behaviours contribute to/destroyed trust
- Led to a series of workshops bringing people together with improved joint working the objective
- Baldwin replaced himself with Naomi Elliot who seamlessly stepped into the role of Customer Services Director
- During this period there were other key changes in personnel
- Peter Jeram who was SI Director was promoted to the role of Head of Projects and Programmes
- He was subsequently replaced by Mark Wiltshire

capability smith

The Baldwin era

The Baldwin era

- Alan D'Alvarez a key direct report to Jeram also had moved off the account to a role in Kansas City USA.
- Subsequently when Baldwin became Retail Director the Business Development Team was to disappear and with it Liam Foley to the Marks and Spencer account
- The moving on of Jeram and Foley represented a major break with the past both having been involved from the 90s
- But they were also key players in building the HNG X solution proposal
- There was also another key development during this period
- One of the elements of Fujitsu's justification for the 2015 contract was the capture of a greater share of Royal Mail purse

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The Baldwin era

The Baldwin era

- Following on from the success of face to face activity in Mails Centres, Allan Leighton and Adam Crozier decided they would like the ability to be able to address the entire workforce as and when they wanted to.
- The to become infamous screens project was spawned i.e. a project to put plasma screens into all work locations that could be used to address the troops
- A key consideration was Leighton's plans to issue employees with shares
- Both parties i.e. Royal Mail Group and Fujitsu pretty much threw good practice a way engaging in the project without requirements or a contract

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The Baldwin era

The Baldwin era

- And in the case of Fujitsu everything they had learned from working with Post Office
- They dug themselves a big hole
- Into which Mark Wiltshire was sucked in an attempt to dig Fujitsu out!
- Taking his eye of the HNG X ball !
- Baldwin was to stand true to the values that Francis had agreed with Courtley/Andre right through until he left

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HNG X Progress

Progress with HNG X

- Meanwhile work had started on Horizon online
- Consistent with the way the relationship had evolved there was a sharing of plans and Earned Value information
- As the autumn of 2006 progressed the POL project team became increasingly concerned as booked time seemed to be generating less output than the plan
- The Fujitsu team begged to differ suggesting that any gap could be explained by the way in which completed activities were recognised
- And that any real gap would be made up in time
- POL were also concerned about progress in producing a baselined plan and lower level designs.

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HNG X Progress

Progress with HNG X

- In POL's view the evidence began to mount that activities were consuming more effort than in the plan and that the plan and design were slow coming together
- Eventually Dave Smith escalated this a demanded an independent review by Fujitsu suggesting Pete Jeram might lead it
- This was agreed and a small team put together which included Alan D'Alvarez
- Team reported just before Xmas 2006 with a comprehensive set of recommendations and findings
- The project was behind where it needed to be but it was considered a recoverable situation

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HNG X Progress

Progress with HNG X

- The Programme Manager was removed
- Substantial strengthening of the management of the project recommended
- And a shortfall in resources needed to be plugged
- Forecasting an overspend in days
- An expectation was set around timescales for this all to happen
- There were to be a number of other internal reviews within Fujitsu carried out by teams independent of the delivery team
- One of these was carried out by a contractor well known to the Post Office
- Critical finding that Giacomo Picanelli had lost control of the architecture

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HNG X Progress

Progress with HNG X

- The development shop was busy rebuilding Horizon
- Led to Giacomo leaving the project
- One of a number examples of where management was not in control leading to wasted effort
- There was a succession of replacements/senior appointees all carded by Fujitsu as their best
- None of these survived very long and little progress appeared to be being made with implementing the review recommendations
- Certainly a baselined plan appeared as far away as it had when the review reported
- By March 2007 escalated to Dave Smith again who confronts Dave Baldwin

capability smith

HNG X Progress

Progress with HNG X

- Baldwin admits that there had indeed been little progress.
- Suggests that Wiltshire has taken his eye off the ball as he attempted to sort out the screens issues
- Smith insists that Baldwin and he personally take control of construction of a plan to get to a plan
- Initially good progress is made
- Wiltshire believes he can reduce significantly the overspend by c 9k days
- Pilot dates now starting to slip
- But getting the resource required takes longer than the plan requires
- Sense of Wiltshire doing it himself and not taking the team with him

capability smith

HNG X Progress

Progress with HNG X

- Baldwin made Retail sector Director and Ian Terblanche moved in as Account Director taking Liam Foley to M&S account
- Wiltshire moved on and senior resources moved in from M&S account
- In July Baldwin and Terblanche visit Smith to tell him that project will possibly exceed the hard cap and that timescales are slipping
- But this is subject to a detailed re-plan
- Baldwin tables a proposed commercial settlement
- Meanwhile the merry go round of Programme leads continues as the second individual to leave through ill health moves on
- And Mike Stratford arrives as Programme Director

capability smith

HNG X Progress

Progress with HNG X

- As the year progresses to an end the Post Office team become convinced that the days required are above 100,000 days and that timescales will continue to click
- Smith meets with Terblanche and Stratford in January 2008 ostensibly to hear an explanation of why the programme has slipped
- Smith dismisses the explanation as a fabrication
- And challenges on 100,000 days
- Stratford categorically denies 100,000 days
- In March Terblanche admits that the days required has moved to over 100,000 days

capability smith

HNG X Progress

Progress with HNG X

- He and Smith commence commercial negotiations around the twin principles
 - The Post Office business case must remain intact
 - That Fujitsu had “wasted” 35,000 man days for which they are not prepared to pay
- Additionally Mark Burley and Mike Stratford charged with agreeing a budgeted number of days with tolerance within which they believe the programme can be delivered
- Deal in principle reached as Terblanche’s parting shot
 - Benefits to be paid as if project delivered to original project dates
 - An agreed number of days POL would pay for
 - Together with POL savings maintains the business case

capability smith

HNG X Progress

Progress with HNG X

- In the early summer of 2008 Baldwin resigns to join Getronics as its UK MD
- The negotiation with Smith proved to be the last thing Terblanche did as he resigned to join Baldwin at Getronics
- Andy Hall joins as Account Director in the late autumn
- By this stage and for the first time there is growing confidence in Fujitsu
- From the early summer of 2008 Fujitsu start to execute against the plan
- They do hit problems but Stratford starts to demonstrate the ability to absorb these and hold the plan
- At long last there is evidence of proactive management
- Although there is a real concern about networks

capability smith

HNG X Progress

Progress with HNG X

- And then in December out of the blue Stratford resigns to join CSC
- To Post Office Stratford cited continuous and unsupportive internal reviews as his reasons for leaving
- He did go for a very substantial increase in pay
- From the day Stratford decides to go there is an immediate drop off in performance with milestones missed and little progress with testing over the holiday period even though substantial resources in place
- Graeme Murray appointed to replace
- Almost immediately starts to disappoint
- Proactive replaced by inactive

capability smith

HNG X Progress

Progress with HNG X

- Becomes clear that network issues are very deeply routed and timescales continue to drift
- In March 2009 Smith asks Hall why he shouldn't demand a further independent review
- This review was carried out just after a radical change in Fujitsu organisation outside Japan
- The management of Fujitsu UK demonstrated at this stage a changed approach
- Rather than use the assurance report as something to beat the account team up with
- They swung behind the account team and pledged them the resources to deliver the job

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HNG X Progress

Progress with HNG X

- Alan D'Alvarez appointed to lead the project team
- And almost immediately a return to proactive management is seen
- Led to rapidly growing confidence within POL as they saw Alan rapidly gain control

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Fujitsu and the growth in POL architecture

Fujitsu and the growth in POL architecture

- POL has become a multi channel business
- Fujitsu has had a mixed record of bidding to extend its reach beyond the counter service
- When POL went to tender for paystation Fujitsu bid nearly five times the price of the winning bidder
- It similarly lost out on Post & Go and for ID services
- It did however make progress with backend systems and is currently building POL SAP
- a common denominator with all this Bid activity reflected by a wide variety of those involved in assessing bids has been as follows

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Fujitsu and the growth in POL architecture

Fujitsu and the growth in POL architecture

- An approach described as arrogant- we are Fujitsu our name alone means you'll give us the work
- Indifferent quality written bids which do not reflect Fujitsu's true strength because they are silent on much of the detail
- A failure to listen to what POL's requirement is. Classic example with Paystation
- incredibly risk averse which alone can price Fujitsu out of the competition or mean they will not countenance ts & cs that competitors will engage with

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Appendix A

Appendix A is contained in a separate document

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