Novopay – what happened and what we have learned

October 2014
Agenda

- Overview of the Ministerial Inquiry
- Summary of the Novopay Programme
- Key Themes
  - Good practice and capability
  - Users, customers and subject matter expertise
  - Project execution
  - Governance and assurance
  - Leadership and culture
  - Ministers
- Key overall lessons
- Questions Boards should consider
Overview of the Inquiry

Terms of reference
• Examine the project lifecycle from inception to delivery
• Determine issues with the implementation and assess whether they can be rectified
• Assess support issues for end-users
• Advise on the robustness and suitability of the system and service model

Approach
• A dedicated team of 5 analysts and 4 support staff, led by a director
• Approx. 2,500 documents logged
• 50 stakeholder interviews and 5 separate meetings
• 2 technical panels
• Hypotheses-driven analysis
• Initial facts and findings tested through advisory panel, legal review and natural justice process
• Drafting and editing the final report
Overview of the Novopay Programme

• The schools payroll manages the pay for approximately 110,000 employees across 2,457 New Zealand schools

• The Ministry of Education’s vision was to replace the Datacom schools payroll system with a modern, technology-based solution which would provide greater functionality, a better user interface and more useful information about the national schools workforce

• Post the 2007 Business Case, the Ministry selected Talent2 as the preferred vendor on 22 April 2008

• The Novopay programme has suffered extensive delays and has cost materially more than estimated. Expected benefits have yet to be fully realised
Timeline

**Business Case**
Jan 2003 – July 2005

**Cabinet approves BPO**
Aug 2007

**Ministry signs contract with Talent2**
11 Aug 2008

**Go-live decision follows Confidence Point #2**
27 Sep 2010

**Novopay system Go-live**
31 May 2012

**Original Go-live Date missed**

**New Go-Live date planned for August 2012**
20 Aug 2012

**Design and Implementation Planning**
Jul 2005 – Apr 2006

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Theme 1: Good practice and capability

Key Findings
• Project roles and responsibilities were unclear from the start
• There was no serious attempt to simplify business requirements
• The Ministry did not manage Talent2 appropriately
• Talent2 did not bring the capabilities required to deliver a good outcome, especially given that they knew the Ministry had weaknesses
• The management of risks showed a poor understanding of the implications
• The shift to greater customisation to reflect the existing system is a well-known trap

Lessons Learned
• Large projects are unusual. Agency staff can’t be assumed to have the right skills
• Establish clear roles and responsibilities, right from the business case, and staff accordingly
• Simplify business requirements before starting system design
• To manage risk, you need hands-on experience
• Vendor relationships must be managed at multiple levels
Theme 2: Users, customers and subject matter expertise

Key Findings
• Customers and users were not adequately considered or involved from the beginning
• The change for schools was recognised in the business case, but not carried through into the project
• The Ministry at times acted like the “end-user” and felt they had appropriate knowledge of how schools operate
• The Ministry SMEs were not well managed, so their knowledge was not effectively applied

Lessons Learned
• There is a greater need to identify and engage with customers and users in a meaningful way throughout change projects
• Change management is crucial, especially where the user base is diverse
• All sources of useful knowledge should be considered – both internal and external
Theme 3: Project execution

Key Findings

• There was significant turnover in key project positions
• Until late in the project there was no programme director with accountability across the whole project
• The relationship between the Ministry and Talent2 was not sufficiently constructive to manage the underlying risks
• The planned phased rollout and pilot were abandoned
• Not all planned testing was completed
• The disciplines and methodologies expected in a heavily customised package implementation were not brought to bear

Lessons Learned

• A single programme director accountable for all delivery components is crucial
• Phased rollouts or pilots are crucial for key operational systems
• Testing should be fully completed unless impact analysis suggests risks are manageable
Theme 4: Governance and assurance

**Key Findings**
- The quality of governance was weak
- Financial control was weak
- The independent oversight of the project by internal and external parties was weak
- There was confusion over the roles of key parties
- Commercial management of T2 was weak

**Lessons Learned**
- Clear accountabilities need to be established
- Independent Quality Assurance (IQA) should be a planned process covering the entire project. Reporting should go beyond the sponsor
- Large projects are unusual. Executives in governance roles can’t be assumed to have the right skills
Theme 5: Leadership and culture

Key Findings

- There was little involvement by tier 1 and 2 personnel in the project
- There was an unwillingness to take advice and the Ministry demonstrated undue optimism
- The project suffered from strained and uneasy working relationships that affected morale and the working environment
- Decision making was found to be slow and a tendency towards “risk aversion” was uncovered

Lessons Learned

- Leadership teams need to demonstrate greater collective ownership of major projects and support for their colleagues
- Cultural problems can directly raise project risks
- Agencies need to engage constructively with PIF reviews and address the findings
Theme 6: Ministers

Key Findings

• Ministers were at times not well served – some advice was inconsistent and unduly optimistic
• Ministers were aware of the risks associated with the project, but generally believed they were being managed
• Ministers believed that appropriate IQA and other external support was in place

Lessons Learned

• The honesty and quality of advice to Ministers is crucial to good governance
• The appearance of support and assurance is powerful
Key overall lessons

- Ensure the problem is clearly defined and all options, including those for removing complexity, are evaluated
- Ensure the right skills/competencies are in place
- Have clearly defined contractual stage gates, with off-ramps
- Avoid “agree to agree” contract provisions
- Ensure assurance is independent, covers the entire programme and has a reporting line to the CE
- Meaningful involvement of users in project conception, requirements, design and testing, and change management is fundamental for success
- Always consider the impact of a combination of risks arising and plan accordingly
- Long duration projects will rarely meet the expectations established at their inception
- Have the courage to stop troubled projects
Questions Boards should consider

• Who are we holding accountable for this programme?

• Have we got appropriately qualified, independent, quality assurance over the whole programme, that reports to us directly?

• Are there combinations of risks that if they eventuate would have potentially toxic impacts?

• Are deadlines being repeatedly missed – if so, why is this?

• Are our stakeholders and users engaged and supportive – what is the evidence of this?

• Is the programme culture supportive of success?

• Are we making decisions based on fact?

• Do we have effective contingency plans in place?
Conclusion

• Overall, Novopay has reminded everybody of the importance of standard, good practice processes and behaviour

• Very little is new or unusual in the world of ICT-based business change projects, or public sector management. Problems will always arise

• In most cases, the inevitable departures from good practice are small enough, or managed well enough, that they don’t cause major failures

• Post Novopay the public sector has strengthened its oversight of large programmes: ICT Ministers, role of the GCIO, sharper CE focus, stronger governance