BIRMINGHAM CITY COUNCIL

TRANSFORMING THE BUSINESS TO SERVE CITIZENS BETTER

Birmingham is the United Kingdom's second-largest city, with a young and culturally diverse population of 1 million. Birmingham City Council's vision for its city requires service delivery at extraordinary levels of excellence. To achieve this, the council launched a far-reaching business transformation program, starting with a full overhaul of corporate services. SAP® software provided the information infrastructure for the council's ambitious project. Three years and a £671 million (€816 million) investment later, the project is on its way to realizing more than £1.5 billion (€1.8 billion) in savings.

Birmingham City Council

SAP Business Transformation Study
Public Sector

SAP®

CONTENT

3 At a Glance

4 Key Challenges

5 Why SAP Was Selected

6 Implementation Process and Best Practices

9 Strong Governance and Project Management

10 Total Cost of Ownership

11 Business Process Transformation and Value Realized

12 Future Road Map

13 Lessons Learned

BIRMINGHAM CITY COUNCIL
AT A GLANCE

QUICK FACTS

Industry
Public sector

Revenue
£3.4 billion (€4.06 billion)

Employees
52,000

Location
Birmingham, England

Web Site
www.birmingham.gov.uk

SAP® Solutions and Services
SAP® ERP and SAP Customer Relationship Management applications, SAP BusinessObjects™ XI solutions, SAP BusinessObjects enterprise information management solutions, and the SAP NetWeaver® technology platform

Implementation Partners
Capita, HCL AXON, Service Birmingham

Birmingham, once a cradle of the industrial revolution, has suffered from economic changes in manufacturing, resulting in a massive loss of manufacturing business and jobs. Faced with this economic disruption, the city set out to reinvent itself around its knowledge and service economies – supported by the council and its major transformation program. SAP® Business Suite applications provided the infrastructure for the city's transformation.

Key Challenges
- Increase customer satisfaction
- Offer superior service to citizens
- Clearly assess and measure service performance and customer satisfaction
- Create a culture of empowered employees
- Standardize uniform back office
- Manage change effectively

Implementation Best Practices
- Used a holistic approach to transformation
- Applied a proven methodology
- Established a shared services center
- Focused on defining measurable outcomes
- Got absolute commitment from management
- Skillfully managed progressive partnerships
- Utilized expert guidance from professionals
- Built on a future-proof platform

Financial and Strategic Benefits
- Able to measure performance more accurately
- Forecast savings of £2 billion (€2.4 billion) over 10 years
- Achieved savings of £156 million (€189.7 million) to date
- Customer satisfaction in top 25% of councils
- Realized lower local tax increases than those in other major cities

Why SAP Was Selected
- Previous and proven experience with SAP® software
- Fully integrated information and communication technologies (ICT) solution
- An established relationship with SAP
- Ability to grow with the organization according to evolving business needs

Low Total Cost of Ownership
- Single version of the truth that eliminated conflicting data
- Reduction in number of systems to support due to improved system integration
- Leverage of an existing system platform

Operational Benefits

Key Performance Indicator	Impact
Productivity gains	+15% over 10 years
Savings per year from productivity gains	£100 million (€121.6 million)
On-time invoice payment	95%
Improved procurement and payment practices	60% of total savings

KEY CHALLENGES

TRANSFORMING PUBLIC SERVICE WITH A FOCUS ON THE PEOPLE

Birmingham City Council's business transformation project is the largest ever undertaken by any local government in the United Kingdom. In times of economic crisis, public sector agencies and organizations tend to batten down the hatches, reigning in budgets and focusing on the task of cost reduction. Birmingham City Council, however, took a unique, more radical approach and has achieved extraordinary success by transforming its business on a broad scale while focusing on service value – and cutting costs at the same time.

Birmingham City Council is the largest local authority in the United Kingdom and one of the largest in Europe, serving 1,000,000 constituents. The council provides services ranging from education, housing, and employment to transportation and the environment. The council has a vision for Birmingham as a city with a national and international reputation as a leading innovative city: as a place to invest and visit, live, and work. **A global city with a local heart.**

Engage and Satisfy Customers with Superior Services

To achieve its vision for the city, the council knew that dramatic change would be necessary and that its vision could only be realized in a world in which public services met the needs of its citizens. Service delivery was required at an extraordinary level of excellence, requiring a transformation that was only possible by taking a leap forward in operations, making the best use of modern technology. Processes needed to be faster, more accurate, more responsive to customers' needs, and cheaper to deliver. And the council needed to do all of this while at the same time reducing internal operational costs in order to free up working capital for investments and to prepare for future budget reductions. Birmingham City Council embraced the vision and committed itself to achieving a standard of public service that would be in the top 10% in the United Kingdom.

Assess Service Performance Clearly and Comprehensively

Birmingham's overall performance ratings were low, scoring one of four stars, and were seen as having uncertain prospects for improvement. Birmingham citizens could not easily contact public services to get information and advice or to obtain services. Both citizens and council members had little access to information about service standards and performance. Service performance levels were not transparent to either citizens or council employees.

Shift Focus from Cost to Profit Centers – and Empower Staff

Fundamental change within the organizational culture was also needed. The council's organizational structure was outdated and top-down, and staff members were not adequately empowered to make informed decisions. To change this, Birmingham City Council needed executive management support, progressive partnerships with those in power, and most importantly a long-term vision of transformational change.

Simplify and Integrate a Complex Technological Landscape

Transformational change required a technical infrastructure that would support a complex organization with more than 140 lines of business. The council knew that this complexity needed to be integrated and managed in-house. Multiple contractual arrangements covering hardware, software, and services hampered the council's ability to leverage its ICT investments. Primary contracts were due to expire, and the council was legally obliged to retender them. In addition to finding a solution to meet its contractual commitments, the council also needed to consider potential ICT constraints and challenges and the best and most cost-effective use of ICT.

Manage Risk Effectively and Straightaway

There were a number of risks, and from a technological perspective, partnership negotiations over ICT services were crucial. Negotiations were successful, however, and the risk then shifted to the complexity associated with the chain reaction of multiple major changes occurring simultaneously. Organizational changes, new processes, and a new operating and delivery model would be introduced. Although realizing a higher level of simplicity in the longer term, the changes presented a high degree of risk in an environment that was dependent on the continual operation of its back-office systems.

WHY SAP WAS SELECTED

ENABLING BROAD TRANSFORMATIONAL CHANGE

Birmingham City Council was planning to launch the most ambitious and far-reaching business transformation program of its kind – with no good examples to learn from. The program was designed to transform the way the council delivered services to its citizens and covered all aspects of the council's interaction with constituents. Successful transformation would require redesigned business processes supported by a robust integrated ICT infrastructure. Birmingham City Council planned to move toward a standardized approach across the entire organization and was driven by dual needs: the need for integration externally (services) and the need for standardization internally (processes).

SAP® software could support the kind of integration the transformation program needed, with a comprehensive business processes platform and real-time integration with the back office. "The way that SAP software is developed, there is a significant array of tool sets available for us. . . . We're a very large organization, serving a number of very complex sectors in Birmingham, and running dozens and dozens of business processes," says Glyn Evans, corporate director of business change at Birmingham City Council. "SAP software allows us to consider running all of those processes on a single platform. We can do this in a way that we can meet our customers' needs and have a flexible approach . . . that is efficient for the staff and employees." The flexibility of SAP software would also support adaptation and growth of the solution as business needs changed, which was a critical factor for a transformation project as extensive as the one planned by Birmingham City Council.

Through its IT partner Service Birmingham, the council entered into an enterprise license agreement, which gave the council access to SAP Business Suite applications, the SAP NetWeaver® technology platform, SAP BusinessObjects™ XI solutions, and a host of independent software applications from SAP partners. Together, these supported standardized management and business processes, such as service-to-cash (using the sales order management application in the SAP ERP application) and procure-to-pay, along with a wide range of standardized reporting and integration processes. The council uses SAP BusinessObjects XI for data profiling and is also using the SAP NetWeaver Master Data Management component for governance, consolidation, and harmonization of data. In addition to supporting integration, the use of SAP applications was expected to contribute significantly to a savings of £100 million (€121.6 million) per year through a 15% increase in productivity over a 10-year period.

SAP was well known within Birmingham, as the company's software was widely used by local authorities and leading organizations. Extensive and skilled SAP resources were readily available to support the council in the implementation of its transformation program.

IMPLEMENTATION PROCESS AND BEST PRACTICES

PASSION FOR AND COMMITMENT TO CHANGE

Key Implementation Facts

SAP® solution or application	SAP Business Suite applications, SAP NetWeaver® technology platform
Number of users	40,000
Number of locations	1,000
Number of SAP software instances	120
Database	Oracle
Operating system	IBM AIX 5.3/6.1
Hardware	IBM P595/P6

Once the council had chosen its technology, it worked together with SAP partners to plan the implementation — including user training, business engagement, and program communications. In parallel with the design, build, and test stages, the team designed and piloted the business planning process. The technology infrastructure of the transformation project was complex, with a rollout to more than 20,000 nonstandard desktop systems. The SAP Customer Relationship Management (SAP CRM) application needed to be integrated into the back office, and the business required a nonstatic landscape for upgrades and rollouts. Go-live criteria were jointly developed with the council and its audit group and then presented for approval to a group of steering committees. Next, management finalized the organization design and began consultation processes with unions and key stakeholders.

A key part of the implementation was the rigorous use of benefit cards to define the detailed KPIs that would effectively measure the benefits and establish the value added – and identify who within the organization was owner of the KPI. These benefit cards are reviewed on a monthly basis to help ensure the program is on track to deliver the business case.

Nine work streams were identified across the council. Some of the work streams focused on improving services, while others focused on how the services are delivered. Of the nine work streams, all have started, of which one has been completed. These work streams are:

- Corporate services transformation
- Customer first
- Excellence in people management
- Excellence in information management
- Working for the future
- Adults and communities
- Brighter futures (children, young people, and families)
- Housing services
- Environment

Maximizing Partnerships

Key to the successful implementation of the business transformation plan was the formation of the public-private partnership, Service Birmingham, to replace existing ICT service delivery mechanisms and provide business transformation experience and delivery services. Service Birmingham is a joint venture company, owned partly by Birmingham City Council and partly by Capita, a leading outsourcer of complex and large-scale services to both local and central government in the United Kingdom. Service Birmingham implemented major enhancements to the council's ICT infrastructure, including a £2 million (€2.4 million) investment in a new server estate. Transformation of the core IT service delivered to council employees included implementation of a more resilient network infrastructure, upgraded computer servers, consolidation of core applications, and a desktop refresh program.

Using a Proven Implementation Methodology

Together with Service Birmingham, Birmingham City Council developed a business transformation methodology called Change Management in the Public Sector (CHAMPS2). The methodology, designed specifically for the public sector, was used to manage the transformation progresses (see Figure 1). The CHAMPS2 framework encompasses the entire business transformation journey, from identifying the business need to achieving the desired outcomes. The methodology is designed to support the "modernizing government" agenda, which focuses strongly on citizen services, cultural change, and gains in efficiency.

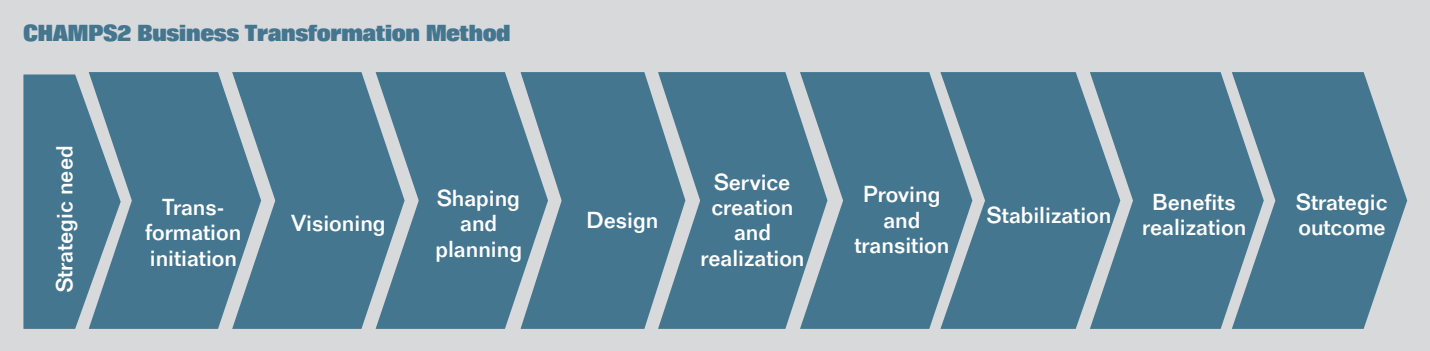

Figure 1: The CHAMPS2 Methodology (Source: www.champs2.info)

Evans found that the implementation benefited tremendously from the use of CHAMPS2 because the methodology offers a commonsense approach to managing risks and governance and addresses important questions in a project. The merging of CHAMPS2 with the experience of SAP implementation partner HCL AXON created a winning combination for the transformation.

Focusing on Value – And Measurable Outcomes

The CHAMPS2 model focuses on the definition and delivery of outcomes, with an emphasis on service redesign rather than service improvement. A golden thread is woven from business case to benefits realization. Says Evans: "We came at it from the other angle. We said, 'Where do we want to be? And then let's move toward that.'" The top-down benefits identification and the bottom-up functional design exercises were converged into a business benefits case, and a business benefits card was designed for each business benefit area. Each benefit card (see Figure 2) contains:

- Individually named business process owners
- Benefit type, description, and dependencies
- Calculations, metrics, and assumptions
- Benefit target values, such as base and stretch, and actual sign-offs and dates

The benefit cards also contain additional information to keep things on track, such as benefit drivers, barriers to business benefits, and actions to clear these barriers. All cards are reviewed and approved by financial executives and are used to measure service performance.

Getting Executive Endorsement and Commitment

A variety of tools and methods were adopted to help people embrace the change and to recognize it as a business change program, not just a technology change program. During implementation of the first work stream, the council recognized areas for improvement. Learning from the experience, it has begun to realize these improvements for each new work stream that is implemented, using a wide range of change and communication methods to do so. Endorsement by senior management has been key to overcoming resistance. Program managers made presentations to numerous management teams; CDs, newsletters, road shows, model offices, and events endorsing the tools, techniques, and methodology have been developed, and distributed regularly. Wherever possible, these communications have included messages and quotations from the CEO, the deputy leader of council, and strategic directors and senior council members.

Managing Relationships

There was and is a continual need for stakeholder management – and managing relationships with stakeholders. Overall stakeholder management was effective on the whole in ensuring delivery of the benefits case and on-time, on-budget delivery of the solution.

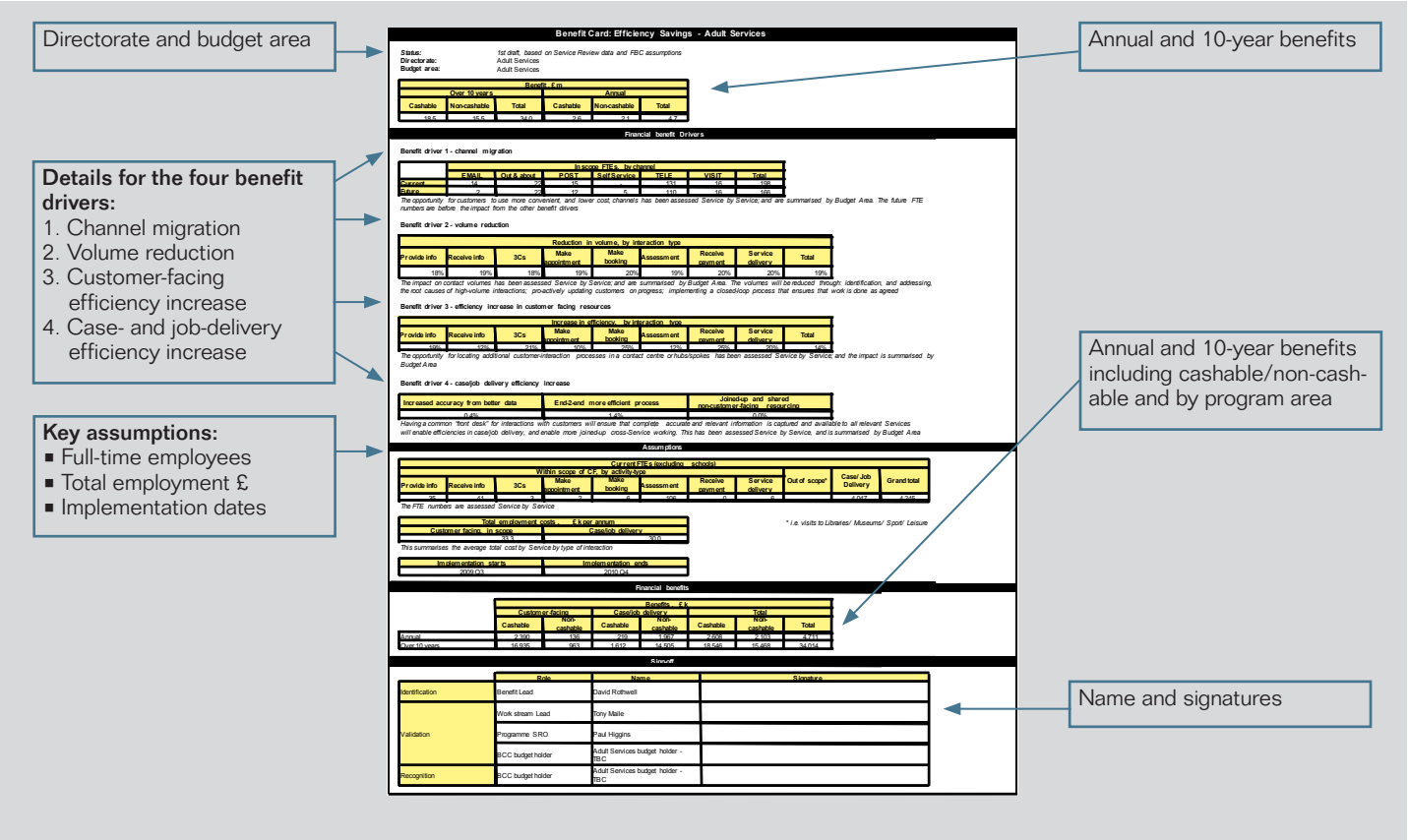

Figure 2: Benefit Card Example

Building on a Future-Proof Integration Platform

The implementation of the SAP CRM application as an integration tool for customer interfaces, with real-time data exchange between SAP CRM and the back office, has had a significant impact on the delivery of the council's mission. It is allowing the council to roll out services more cost-effectively and efficiently and has brought transparency to the service process, which is uncharacteristic of most public services. "SAP CRM is not just a customer access solution. It's a customer fulfillment solution in the sense that you get visibility of your performance as well," says Evans.

The transformation of Birmingham City Council's business is – and continues to be – successful. The corporate services transformation project went live on time and to budget and is on target to deliver the promised benefits. Relationships between program team members and senior managers and staff across the council remain strong today despite the strains that can come with a major change effort. Birmingham City Council is well on its way to realizing its £1.5 billion (€1.8 billion) target in savings, increasing employee productivity by 15%, and dramatically improving customer satisfaction.

STRONG GOVERNANCE AND PROJECT MANAGEMENT

MANAGING CHANGE AND PRIORITIES USING A SOUND METHODOLOGY

Birmingham City Council took a thorough, detailed approach to benefits realization. Rigorously building business cases meant the program was resourced from the bottom up, building on evidence and experience on the ground. As a result, work packages that made up the larger program were richly specified and planned. According to Evans, that was one of the "hidden benefits of having a sound methodology." A rigorous governance process was put in place for the transformation program and implementation. Governance practices included formal review and approval of business cases (including anticipated benefits), sign-off on each benefit by a senior city council officer, review of the benefits to help ensure achievability, and assignment of responsibility for achieving the benefits. Each year, the council reviews achievement of in-year savings as part of its corporate budget monitoring process.

To deliver business transformation consistently, the council established a program management structure, underpinned by corporate leadership and a robust planning, tracking, and delivery methodology. This structure included:

> "One of the biggest business transformations is happening in Birmingham. SAP software is helping cut £1 billion in costs over the next 10 years. Birmingham is using SAP software to serve its customers better."
>
> **Brendan Arnold,** Former Director of Corporate Finance, Birmingham City Council

- **An integrated governance structure,** which helped ensure that functions and work streams across the program communicated regularly on issues, risks, and dependencies
- **A center of excellence for business transformation,** which was established to provide quality support, methodology development, training, and project management

TOTAL COST OF OWNERSHIP

REALIZING VALUE QUICKLY AND MEASURABLY

In terms of business value, Birmingham City Council's transformation program has been a successful one. It has gone live largely on time and to budget and is on target to deliver the promised benefits. In addition, perceptions of the transformation project – both internally and externally – are positive. Return on investment from the project can be easily mapped to the council's business objectives and cost-effectiveness, value to the enterprise, and value to the council's mission. Cashable benefits are already being realized. And it's clear that Birmingham City Council has achieved the benefits predicted for the implementation of its transformation program.

"It's all about being able to, at the end of the day, justify the investments we've persuaded the politicians to make, on the basis of the benefits we've realized. Unless we are able to track those benefits, it's very difficult to be audited."

Glyn Evans, Corporate Director of Business Change, Birmingham City Council

BUSINESS PROCESS TRANSFORMATION AND VALUE REALIZED

DELIVERING CASHABLE BENEFITS AHEAD OF PLAN

Implementing the transformation project required that the council change to a shared-services delivery model and implement a new integrated application suite based on SAP software, which supported the integration of the council's financial, procurement, and operational performance management processes. The features of the SAP applications have helped Birmingham City Council standardize management and business processes such as reporting and have brought clarity to overall business performance.

Measuring Performance

SAP ERP has helped bring transparency to the organization's financial situation and supports key decision makers in clearly identifying which outcomes help them achieve their strategic goals. What was once done manually can now be gathered automatically. Managers have a clearer view on performance, and the staff has a more enriched workplace experience. "With SAP software, we will be able to acquire sets of information to allow us to make better and more informed decisions," says Evans. Just this year, Birmingham was awarded two green flags for outstanding achievements in performance, putting them in a group of only 10 areas in England to receive two green flags.

Saving Money

Upon completion, the business transformation project is expected to deliver £1.6 billion of cashable savings based on an investment of £671 million (€817.2 million). More than 60% of the cashable savings will be from improved procurement and payment practices and procedures. By effectively using SAP applications, the council expects to save £100 million (€121.6 million) a year through a 15% increase in productivity over 10 years.

Increasing Customer Satisfaction

Business processes have been streamlined, compliance has improved, service to the citizens has been enhanced, and costs have been reduced. All in all, procurement, finance, and performance management have achieved many of the transformational targets established at the outset of the project. Customer satisfaction in Birmingham is ranked within the best of 25% of metropolitan councils.

Value Realized from Business Process Transformation

Process Area	Challenges	Results After SAP® Software	KPI Impact
Finance	▪ Cumbersome, numerous manual control processes due to system inadequacies and lack of system integration ▪ Rekeying and double entry of data and time-consuming information gathering ▪ Process and data inconsistencies across departments and business units	Improved on-time invoice payment	95% of invoices
Procurement	▪ Limited use of purchase orders despite council policy to the contrary ▪ High levels of noncompliance with existing procurement contracts and corporate-negotiated contracts	Cashable savings from improved procurement processes	60% total savings
General	▪ Inability to share information across departments because of multiple legacy systems ▪ Need to duplicate data and data entry across multiple systems to keep systems and information consistent ▪ Limited transparency of information across the enterprise ▪ Frustrated staff due to inefficient systems and processes	Improved employee productivity	15% increase

FUTURE ROAD MAP
MODERNIZING AND MOVING FORWARD

"Standardization internally, integration externally, has become our mantra and has given us a single view of our customer base. More importantly, our customers have a single view of the services we offer."

Karen Bridges, Head of Transformation Development, Birmingham City Council

Building on it past successes, Birmingham City Council is moving forward briskly and assuredly with its transformation program. Future plans include:

- Focusing on customer relationship management, with more reports and service-level comparisons – and more and better services
- Improving service while containing costs
- Using the shared services model as a foundation for delivery
- Keeping in mind the human aspects of the council's relationship with its citizens
- Further managing the business transformation model

"Business transformation is at the heart of the council's development plans, supporting its drive for excellence, and is probably the most comprehensive change program of any local authority."

Stephen Hughes, Chief Executive, Birmingham City Council

As the potential increases for using technology to overcome the challenges of fragmented processes, multiple service agencies, and geographically dispersed facilities, government ecosystems will continue to undergo changes in shape, size, and interdependencies. Birmingham City Council has blazed a trail through this new territory, realizing tactical and radical changes across the business as part of its transformation project. With SAP software providing the basis of its technological infrastructure, the council and its constituents are well prepared to capitalize on this changing environment.

LESSONS LEARNED
PLAN AND DELIVER HOLISTICALLY

Through the course of Birmingham City Council's business transformation program, many lessons were learned on how best to deliver a major change program – one that involves a new IT solution, associated changes to processes and procedures, and new staff organization. The following table summarizes some of these key takeaways for a major transformation program:

Key Takeaway	Execution Details
Plan the benefits realization program at the outset	▪ Define a formal plan to identify – and then harvest – initial benefits ▪ Gather background data – benchmarks, feasibility studies, and current KPIs – on which to base business benefits ▪ Develop a comprehensive mechanism for identifying benefits and outcomes ▪ Ensure the design and delivery process is focused on delivering benefits and outcomes – and can measure those benefits
Establish an overarching architecture (governance board) for reviewing progress	▪ Ensure achievement of benefits progresses according to plan and that timely decisions and actions are taken to enable benefit delivery ▪ Respond to the needs of the political agenda for moving forward ▪ Speak to the operational requirements driven by a visionary strategy
Use a transformational methodology to guide and inform your process	▪ Start by determining the need for transformation ▪ Formulate strategic outcomes and benefits as part of the methodology ▪ Critically analyze what the business might look like in the future
Progressively engage stakeholders	▪ Ensure buy-in from management at all levels of the organization ▪ Establish appropriate mechanisms to enable all stakeholder groups to raise concerns and issues ▪ Bring visibility to the process ▪ Focus on communication and engagement, and recognize both as two-way processes ▪ Make stakeholder management the primary role of the program sponsor ▪ Engage with influential stakeholders (cabinet members, trade unions, and the press) early and proactively
Manage expectations	▪ Make it clear that issues will arise ▪ Be explicit about how problems will be resolved ▪ Establish and publicize communication channels with sufficient capacity to deal with situations as they develop ▪ Give the resolution team the authority and capacity to manage internal and external (including press) communications
Carefully consider the need for a partner	▪ Evaluate the need for support to implement the strategic and cultural change ▪ Be self-aware about the strengths and weaknesses of resources and capabilities ▪ Choose the partner strategy that fits to your organization

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Implementation Partners
Capita, outsourcer of services to local and central government in the United Kingdom, is part owner in the Service Birmingham joint venture. HCL AXON, a global SAP system integrator partner, is the strategic partner that led the business transformation project and the SAP software implementation.

CAPITA HCL AXON

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