



Skipton Building Society: P30[®] case study

David Seward, Richard Copley and Matthew Boatwright

mutual**matters**



Case Study
February 2012

Contents

Executive summary	3
Background	3
What we did	4
Comments on P3O®	7
Lessons learned and questions so far	8
About the authors	9
Acknowledgements	9
Trademarks and statements	9

Executive summary

Skipton Building Society is the fourth largest building society in the UK, with assets of about £14.6 billion, 840,000 members and 1200 employees. At the beginning of 2010, after incurring losses in the core business following the market crash in 2008, it faced a substantial challenge in returning the business to profitability while meeting the expectations of its board and the Financial Services Authority (FSA).

A review in March 2010 highlighted the need to consider some 80 plus 'necessary' projects, yet the organization did not have the processes and capability in place to prioritize, resource or deliver them.

Between April and September 2010, a portfolio and project investment governance framework and portfolio office were implemented to enable Skipton Building Society to validate, prioritize and deliver the necessary business changes with the resources available, at an acceptable risk. This work used various aspects of the Portfolio, Programme and Project Offices (P3O®) guidance which is part of the Best Management Practice portfolio, adapted to Skipton Building Society's needs.

Defining the governance framework first, followed by setting up the portfolio office while engaging the senior executive team in a top-down approach worked well. Establishing the transformation (portfolio) board early created a demand for set up and operation of the portfolio office services. Nine months after set up, the portfolio office and transformation board were both working well. However some challenges remained, notably resource management, integrating the IT shared services organization into the process and integration with the corporate planning process.

Background

Skipton Building Society

- The company was created on 1 May 1853 as the Skipton and District Permanent Benefit Building Society
- Today, Skipton Building Society is the fourth largest building society in the UK, with assets of about £14.6 billion, 840,000 members and 1200 employees. The building society has a group structure comprising the core business and a number of subsidiaries that are run independently; notable among these are Homeloan Management Ltd (HML) and Connells
- As a building society, there are several factors that make the organization different from a bank:
 - The management must do what is best for its members (customers), who are in effect the shareholders
 - It must lend for mortgages and be largely funded through retail deposits
- Following the market crash in 2008, the core business suffered losses in 2009, only making a profit as a result of the contribution from its subsidiaries

- In February 2010, Skipton Building Society had to lay off staff for the first time to reduce costs and faced significant challenges in restoring the profitability of the core business, while meeting greater demands for reporting, controls and performance from FSA.

Project management at Skipton Building Society

- Before 2008 – Project management resources and capability were based within the IT organization
- 2008 – The business projects team was set up, which includes project managers, business analysts and project support functions
- 2009 – IT-based project managers were transferred to the business projects team. The team expands to five project managers, two project support staff and five business analysts
- 2009 – Project methodology based on PRINCE2® defined and signed-off
 - Scarborough Building Society merger project completed
 - Chesham Building Society merger project completed
- February 2010 – Reorganization leads to disbanding of project office functions within business projects team.

The challenge

In March 2010, senior management recognized that there were significant challenges ahead, which would require a transformational change within Skipton Building Society, alongside the delivery of a significant number of projects to meet the expectations of the board and external regulators (FSA).

A review of the project landscape undertaken by internal staff and external consultants identified the following issues:

- Eighty-plus possible 'necessary' projects outlined by management, including a critical 'profit improvement plan'
- Planning processes were not sufficient to enable comprehensive prioritization, approval and on-going control of the portfolio, nor delivery of the benefits for each programme/project. Projects were initiated by individual managers, with prioritization based on 'who shouts loudest'
- Programmes/projects were not being tracked for costs or realization of benefits
- Project sponsors 'sponsored', but project managers 'owned', projects
- No accountability for outcomes or benefits
- 'Business projects' were viewed as 'IT based' and hence often the 'responsibility' of IT to deliver
- Delivering change was viewed as 'project delivery'; that is, delivery of an IT system or other output.

The challenge was then to enable the organization to validate, prioritize and deliver the necessary business changes with the resources available, at an acceptable risk. Key to meeting this challenge was establishing a governance framework for the business change portfolio and a portfolio office to support it.

What we did

Starting in April 2010, we set out to:

- Define a portfolio governance framework
- Build the infrastructure to support the governance framework
 - Set up the portfolio office
 - Set up tools to support portfolio management and project governance.

This work was completed in stages over a six-month period, building on the existing business projects team.

Of course, the implementation of the governance framework and portfolio office was carried out in parallel with getting to grips with on-going projects and the potential 80 plus projects identified in March.

Governance framework

Working with the senior management team, we agreed the need to drive change from the top of the organization and to incorporate governance of business change within the overall corporate governance framework. In this respect, the P30 ‘run the business, change the business’¹ concept, as illustrated in Figure 1 (with a minor amendment), was helpful in understanding the need.

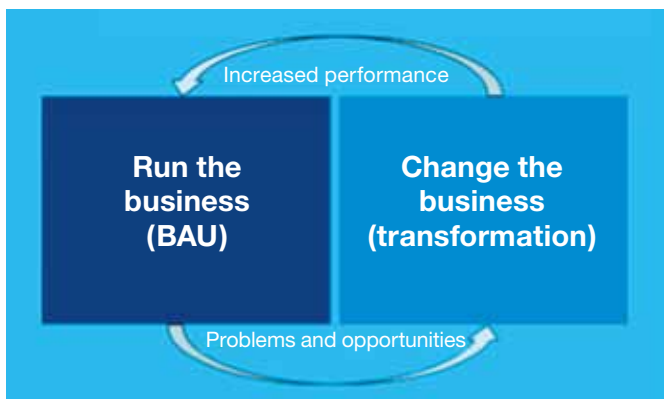


Figure 1 Run the business, change the business

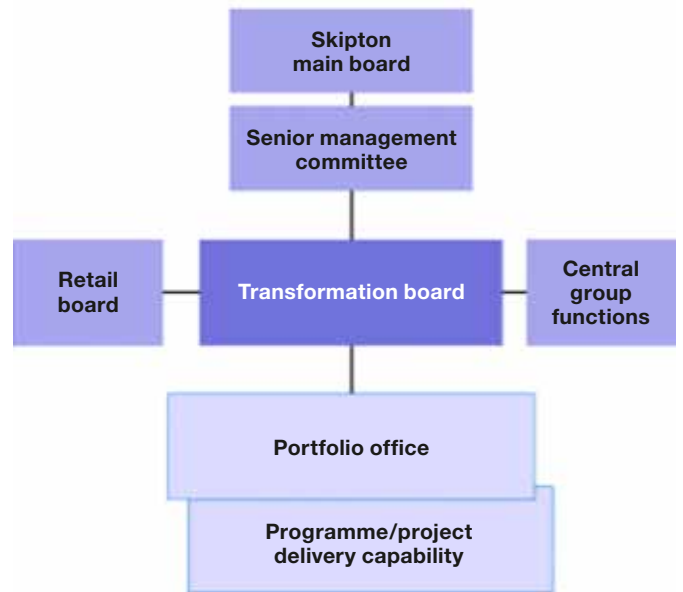


Figure 2 Governance structure

Reproduced with permission of Lexacam Ltd and Skipton Building Society.

It was agreed at the outset in April 2010 that the scope of any governance framework would exclude subsidiaries as these operate independently (except where they require core Skipton Building Society or group resources).

Thus the transformation board² was established to be ‘accountable for the selection, prioritisation and authorisation of all Project Investments within the Skipton Building Society’. As illustrated in Figure 2, the transformation board reports into the senior management committee, which comprises the senior executive management team chaired by the chief executive. The transformation board sits alongside the management boards responsible for operational management of the business. The portfolio office reports to the chair of the transformation board, who is the transformation director.

Alongside the transformation director, the membership of the transformation board consists of the group finance director (an executive director) with the company secretary as second representative for the central functions; the head of the retail board with the head of mortgage operations as a second representative for the retail board; and the chief information officer to represent IT.

1 The P30 guidance version of this diagram (Figure 1.1 in the P30 guide) links run the business and change the business differently. It talks about the business providing *managed benefits* to the change side, while the change side provides *managed programmes and projects* to the business. While this phrasing is reasonable from a change the business perspective, the executive team we were working with approached the subject from a run the business perspective. From their perspective it seemed more reasonable to portray the links as the business providing problems and opportunities to be addressed through change programmes/projects, which in turn enable increased performance within the business.

2 Because structure was implemented as part of the transformation of the business and how it operates, we refer to what might have been called the portfolio board or investment committee as the transformation board. Likewise the role of portfolio director is called the transformation director. The board’s role is however absolutely in line with the responsibilities outlined in the Management of Portfolios guidance.

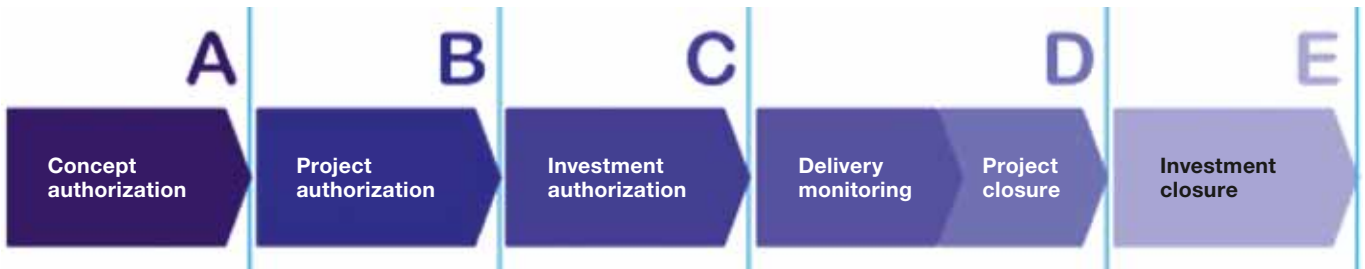


Figure 3 Project investment gates

Reproduced with permission of Lexacam Ltd and Skipton Building Society.

Terms of reference for the transformation board were defined, agreed by the transformation board and approved by the chief executive. These were then published alongside other corporate governance information under the auspices of the company secretary.

In addition, as shown in Figure 3, we defined a five-gate investment management process, whereby project investments³ would be authorized by the transformation board at each gate, with resources (people and funding) allocated to the next gate. The details of this process are a tailored version of PRINCE2. The transformation board has the ability to reassess and authorize continuation of, or stop, a project at each gate. Submissions to the transformation board at each gate are appropriate evolutions of an investment case, increasing in detail to gate C and then focusing on outcomes and benefits at gates D and E.

Within this process, the transformation board is the escalation point for any issues that cannot be resolved by individual business owners⁴ and project boards, and the transformation board, in turn, escalates issues to the senior management committee.

The portfolio office supports and facilitates this governance framework, with the head of the portfolio office filling the role of secretary to the transformation board.

Portfolio office

Building on the existing business projects team, the portfolio office was established to explicitly support the governance framework. Therefore its functions follow directly from those required by the governance framework. The functional structure of the portfolio office is shown in Figure 4.

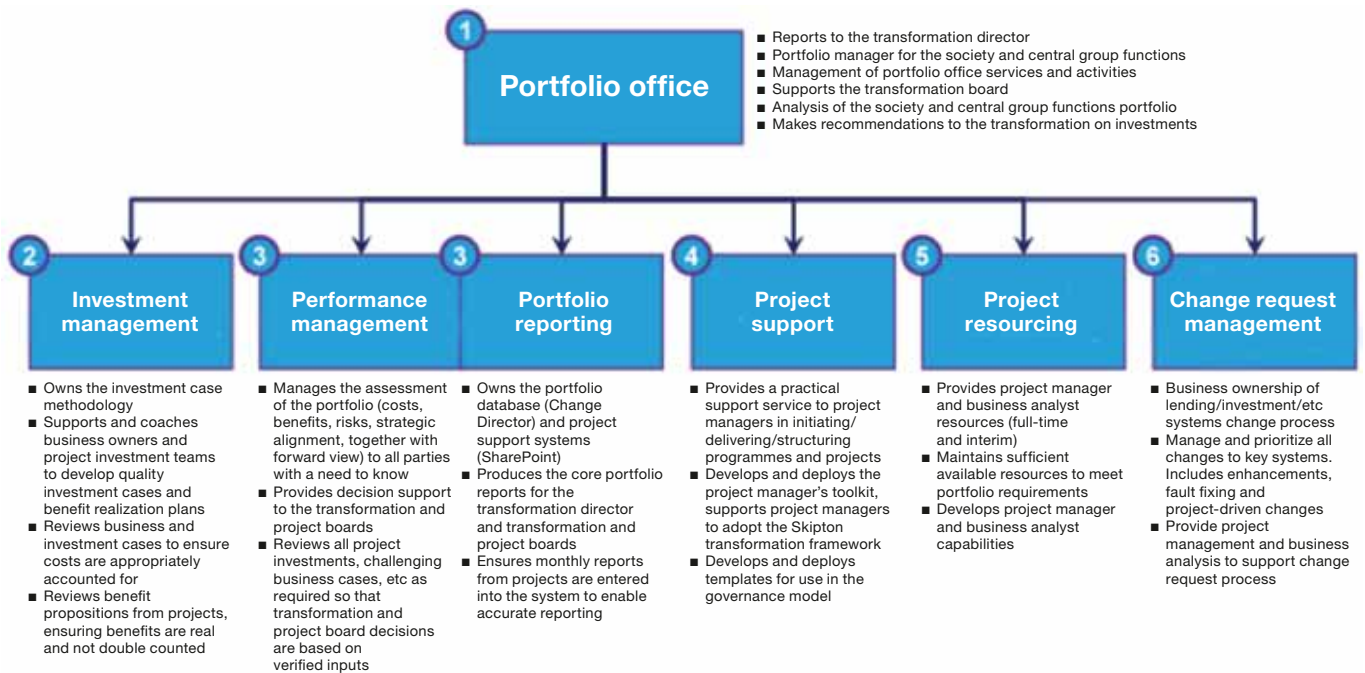


Figure 4 The functional structure of the portfolio office

Reproduced with permission of Lexacam Ltd and Skipton Building Society.

3 The term 'project investments' is used to emphasize the point that these are investments in changing the business and because the gates start before a project is initiated and continue after a project has been completed and closed.

4 Business owner is the title given to a senior responsible owner within Skipton Building Society.

In P30 terms we followed the ‘organization portfolio office’ model with additional elements. As per the governance framework, the portfolio office does not directly cover subsidiary companies, which are run as independent businesses but do sometimes use Skipton Building Society resources.

Due to the size of the organization (circa 1000 staff within the main office) and the relatively low level of maturity with respect to programme and project management, we incorporated project delivery resources (project managers and business analysts) within the structure.

In addition, as Skipton Building Society had a particular issue with large volumes of small-scale changes to core operational systems, a specific change request management function was incorporated into the structure. Effectively this provides a permanent project management/support capability for dealing with on-going change requests within the single portfolio office structure.

Project support and resourcing were essentially existing functions within the previous business projects team. Investment management, performance management and portfolio reporting functions had to be built from scratch, along with the change request management capability.

The implementation of the portfolio office was carried out in a series of tranches or stages in line with P30 guidance, but based on a mix of priorities for the portfolio office and the

ability to recruit and develop the staff. The approach is outlined in Figure 5, showing an evolution in three tranches over a 9–12 month period, with significant progress by Q4 2010. The initial focus was on getting control of in-flight projects and enabling the transformation board to start assessing the most urgent new projects.

One of the key issues in setting up a portfolio office is the resourcing of the portfolio office itself and assessing the necessary mix of roles, capabilities and capacity. Our approach was based on assessing the functions, the volume of work and capabilities available, in line with the approach outlined in the P30 guidance (section 3.7.3). Figure 6 outlines the portfolio office jobs and staff.

Of these, the head of the portfolio office and investment manager roles were the most significant. The scope of the head of portfolio office role dictated the use of external consulting and interim staff to drive forward, although the support and engagement of the incumbent head of business projects was critical in the transition. For the investment manager role we were able to recruit internally for a finance manager who already had experience of building business cases for corporate acquisitions and disposals. This internal recruit was then provided with some coaching support from an external consultant on the full scope of the role.

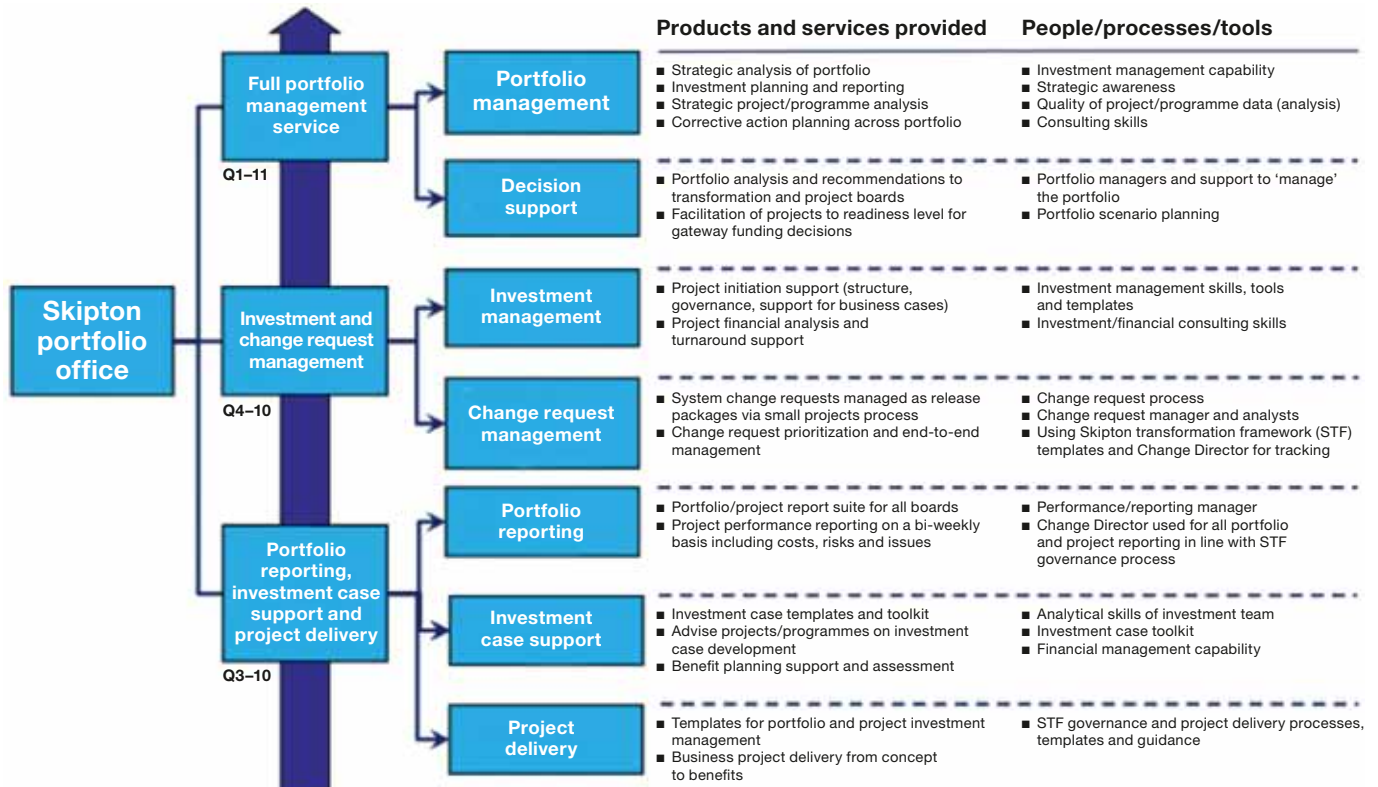


Figure 5 Service evolution of the portfolio office

Reproduced with permission of Lexacam Ltd and Skipton Building Society.

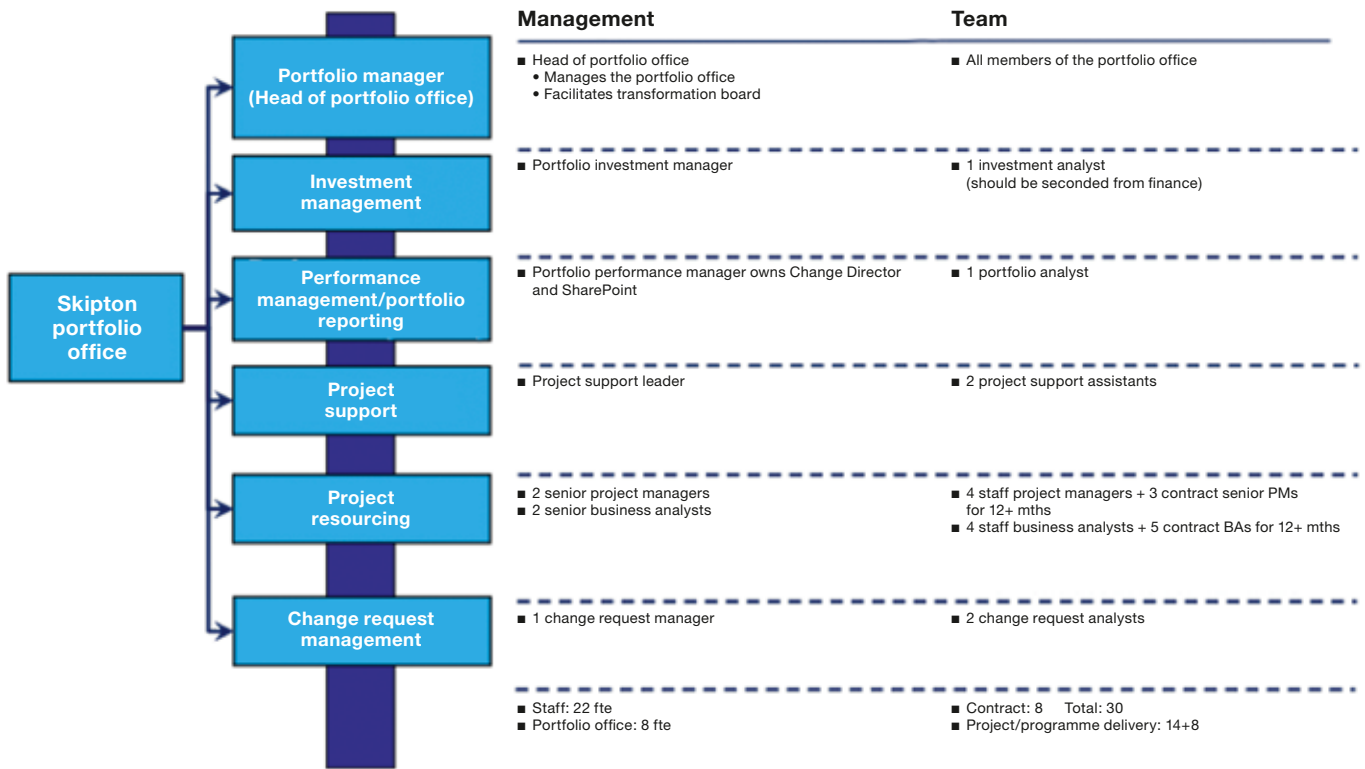


Figure 6 Staffing of the portfolio office

Reproduced with permission of Lexacam Ltd and Skipton Building Society.

In addition, the performance management and portfolio reporting roles were initially led by external consultants, transitioning to internal staff and new recruits through coaching and mentoring over a three to six month period.

At the time of writing (the end of Q4 2010), the portfolio office is largely set up, staffed and fulfilling its core role, although still under the guidance of an experienced interim head.

Comments on P30

The P30 guidance says ‘P30 provides a decision-enabling/delivery-support model for all business change within an organization’. As such it provides a wealth of detail on the possible benefits of setting up a P30, including organizational models, steps to carry out and things to do to set up and establish the necessary infrastructure. Making the most of all this guidance, however, does require you to have a clear idea of what you are trying to achieve.

In our case, the driver was straightforward: in order to make the governance framework function and for senior management to be able to make the required decisions with regard to the business change portfolio, a portfolio office was a basic necessity. The consequences of not having one were obvious from the review in March 2010.

While there was discussion about ‘building the business case for P30’, it is not clear whether one can do this if building the P30 is itself providing the tools to build business cases. Whenever we considered this question it seemed like we would simply end up going in circles in a chicken and egg situation.

P30 defines a number of roles around analysis, benefits, commercial and financial aspects. We combined these within the investment manager role. We created a link to the finance function by transferring someone from finance into the role, but their direct reporting line is to the head of the portfolio office and hence the transformation board.

We fully defined the governance structure, processes and templates (for example, investment case, risk tracking, etc.) before investing in any integrated tools. Once these had been defined, implementing a tool accelerated the acceptance and engagement of staff in the process. Indeed being able to produce up-to-minute reports accelerated the pull for data from the transformation board.

Two other aspects that aren’t mentioned particularly in the guidance but were relevant to us were risk management and assurance. With reference to risk management, we worked with the operational risk function within Skipton Building Society to integrate portfolio/programme/project risk management with their processes and tools. With regard to portfolio/programme/project assurance we engaged with the internal audit function in a similar way to operational risk.

Other Best Management Practice guidance

This case study focuses on the set up of the Skipton Building Society business change governance framework and portfolio office, and hence P30. However, P30 was not used in isolation. The full set of activities undertaken at Skipton Building Society to address the project-related issues faced in March 2010 covered all aspects of project governance and delivery; so PRINCE2, Managing Successful Programmes (MSP®) and the newly released Management of Portfolios (MoP™) guidance were all relevant.

Lessons learned and questions so far

After nine months, there were a number of lessons to be learned as the implementation of the governance framework and portfolio office proceeds.

What worked well

- Starting with an assessment of the project investment landscape within Skipton Building Society enabled us to identify gaps and weaknesses, which were addressed as part of the design and implementation
- The top-down approach: previous efforts to set up P30 structures had been driven by bottom-up and did not succeed, whereas working with the senior executive team in terms of their requirements helped set up success
- Defining the governance framework first drove the requirements for the portfolio office and eased the definition and implementation of services, roles, processes and tools required
- Setting up the transformation (portfolio) board early on and driving decisions created a pull on portfolio office services
- Having the project delivery resources within the portfolio office eased the transition to new methods of working
- Defining governance processes and templates (Word/Excel/ PowerPoint) for key documents eased the selection and implementation of an integrated tool to support governance
- In turn, implementing a tool that directly supported the governance process eased acceptance and transition to the new processes and also ensured a single source of project investment data. With further work, this tool now incorporates all project costs, resources and project information required to represent the portfolio
- Recruiting the investment manager from within finance helped with building links between the portfolio office and finance
- Supplementing internal resources with experienced external consultant/interim resources to provide coaching and support accelerated implementation.

Challenges

- Resource management and tracking. Across the organization there was a mix of no-tracking, with spreadsheets or systems being used to track time for different purposes. A common spreadsheet was developed to capture project effort but this was not successful and different approaches are being used for different resource groups
- Lack of previous exposure to structured approaches concerning business change required more effort and attention throughout the organization to embed the changes. While project managers, or others with at least a working familiarity of PRINCE2/MSP and related standards, easily adapted to the governance process requirements, those without such exposure found it harder to adapt
- Senior managers and executives required more support in understanding and exercising their roles on project boards or as business owners (senior responsible owners) than expected. Coaching helped but more formal workshops/ training would have been better
- Lack of a process and structure around strategic planning and the development of articulated strategic objectives hampered portfolio governance. In retrospect, this should have been addressed in parallel with the governance framework
- Multiple sponsors at executive level. While the engagement of senior executives was very positive, having two formal sponsors with different expectations created challenges in agreeing particular issues.

Remaining challenges/questions

- How to best integrate the IT shared services organization that supports multiple subsidiaries? At the moment they have to work with each subsidiary's portfolio process
- How to handle resource management going forward? The initial approach involves multiple tools (i.e. a single process/ tool has not been mandated)
- How to best integrate the portfolio office with the corporate planning process?

About the authors

David Seward worked with Skipton Building Society on the initial assessment work and the subsequent set up of the governance framework, portfolio office and associated process changes. David is a consultant specializing in portfolio management. Over the past 10 years, he has worked with a range of organizations including Reuters, Christies, British Airways, Deutsche Post DHL, EDF Energy and Nokia on implementing portfolio management disciplines. Currently working as an independent consultant and with NovoAltum, David spent six years with boutique consultancy Catalise and 14 years with Reuters. David holds an MSc in management from the MIT Sloan School of Management and a BEng in mechanical engineering from McGill University. David can be contacted at david@lexacam.com.

Richard Copley is Interim Head of Transformation Delivery at Skipton Building Society and oversees the portfolio office. Formerly Strategic Solutions Director at HML (a subsidiary of Skipton), Richard has 30 years of programme and portfolio management experience. Richard holds an MBA from the University of Alberta and is an associate member of the *ifs* School of Finance. Richard can be contacted at richard.copley@skipton.co.uk.

Matthew Boatwright is Portfolio Investment Manager at Skipton Building Society and oversees the investment management, reporting and support services of the portfolio office. A qualified management accountant and formerly a project manager in the corporate acquisitions function at Skipton Building Society, Matthew provides the link to corporate finance and brings financial rigour to the portfolio office. Matthew can be contacted at matthew.boatwright@skipton.co.uk.

Acknowledgements

Sourced by TSO and published on www.best-management-practice.com

Our Case Study series should not be taken as constituting advice of any sort and no liability is accepted for any loss resulting from use of or reliance on its content. While every effort is made to ensure the accuracy and reliability of the information, TSO cannot accept responsibility for errors, omissions or inaccuracies. Content, diagrams, logos and jackets are correct at time of going to press but may be subject to change without notice.

© Copyright TSO. Reuse of this case study is permitted solely in accordance with the permission terms at <http://www.best-management-practice.com/Knowledge-Centre/Best-Practice-Users-Case-Studies-and-Testimonials/>

A copy of these terms can be provided on application to Best Management Practice Case Study Permissions, TSO, St Crispins, Duke Street, Norwich, Norfolk, NR3 1PD, United Kingdom.

Trademarks and statements

P30® is a Registered Trade Mark of the Cabinet Office.

The Swirl logo™ is a Trade Mark of the Cabinet Office.

PRINCE2® is a Registered Trade Mark of the Cabinet Office.

MSP® is a Registered Trade Mark of the Cabinet Office.

MoP™ is a Trade Mark of the Cabinet Office.