

BERR ICT BPCE Feasibility Study Final Report Executive Summary 04.04.08

Productivity across the public and private sector is a key contributor to UK competitiveness. Retaining and growing current levels of productivity is a major challenge to our ability to compete in the global economy. A recent study by the Information Age Partnership (IAP) explored the role of ICT enabled change in raising UK productivity; and specifically looked at why we have not exploited this as well as the US. The research produced a number of key findings but a central conclusion was that investment in ICT by itself does not lead to productivity growth. The value-added from investment in ICT comes from what it allows firms to do and how they exploit it.

The IAP report singled out the concept of a “Business Process Centre of Excellence” to foster skills development and best practice that would enable UK business, in all sectors, to use ICT and business process change to benefit business activity and raise productivity.

Extensive research and strong stakeholder consensus supports the case for a Business Process Centre of Excellence for ICT Enabled Change. However, there are multiple options available to support this vision due to future uncertainties and market complexities. Our assessment confirmed four feasible options and PA Consulting recommends the “Market Maker” as the preferred option developing a “Global Platform for Future Business”.

Our scoping study confirms the appetite and feasibility for a BPCE with “Market Maker” recommended as the preferred option – the way forward needs endorsement and further validation.

The Case for an ICT BPCE

Strong stakeholder consensus informed by a growing evidence base supports the need and demand for greater excellence in ICT enabled business change with an opportunity to accelerate productivity growth by addressing key market failures. However, multiple options are available to support this vision due not least to the complexities in the market place for goods and services and the wide range of stakeholder views on how best to address the challenges:

- The link between ICT and productivity has been widely evidenced, with wider business process and organisational change proven to maximise the benefits, but the current market is failing to deliver the multi-billion pound potential in GVA uplift. There is a strong case and appetite for greater assistance in ensuring the returns are achieved.
- The IAP study highlighted the productivity growth challenge faced by the UK falling behind international comparators and singled out the concept of a national “BPCE” as a potential solution
- Subsequent research and extensive stakeholder discussions confirm that UK has a three-fold GAP in intelligent DEMAND, collaborative SUPPLY, and trusted BROKER i.e. moderator of market dialogue and “Gold standards”. The resulting failures are marked by information asymmetries, transaction costs, non-rigorous project specifications and a lack of competitive advantage

- Stakeholders feel the timing is right to address these issues and many welcome the initiative for more assertive, nationwide support

At an estimated £35 billion GVA uplift over 5-7 years², the prize for catalysing ICT enabled change is substantial and there is an opportunity for a Centre of Excellence to accelerate these returns. This ambition addresses the current Government focus on raising UK's economic prosperity.

There are a range of possible options to deliver these offerings

However, multiple options for a Centre emerge due to the complexities described above:

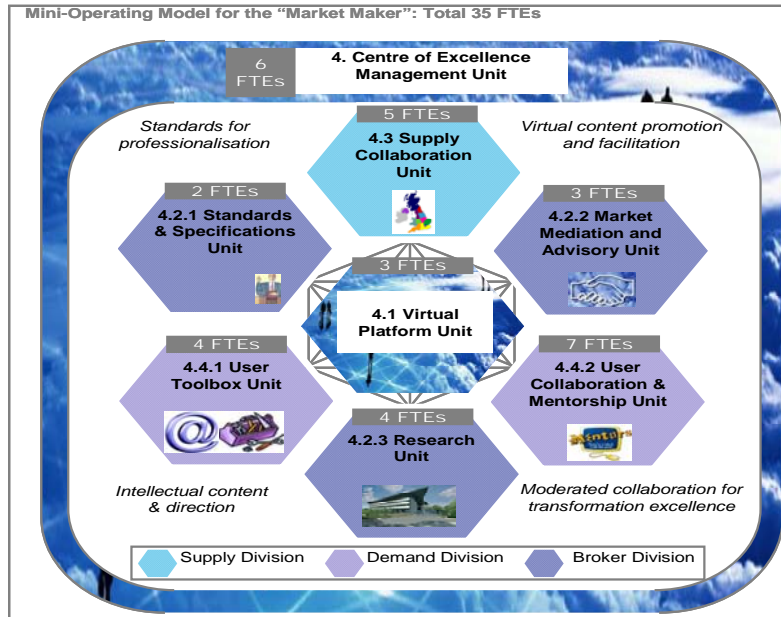
- The market complexities and diverse stakeholder views make options development challenging with several variables to consider – sectors, scenarios and service propositions – as well as potential risks of delivery
- To be credible, the Centre must be open to everyone across the economy while also targeting efforts effectively. A key opportunity includes expanding the UK mid-market by enabling businesses, including small entrepreneurs, to overcome growth barriers
- In terms of “future ways of working”, several market scenarios emerge in which a Centre might operate in while the evidence of market gaps gives rise to a long list of 27 potential offerings with different stakeholders having specific preferences
- In addition to the “do nothing” option, we shaped a short list of four further options – Supply, Demand, Broker and Market Maker, each offering a feasible and unique value proposition
- To mitigate risks, the options must address initial scepticisms associated with Government intervention and failures of past projects by promoting public-private collaboration and a novel, differentiated approach to ensure buy-in and sustainable benefits delivery

To consolidate on this analysis a range of possible options were developed and evaluated with a view to identifying whether there was a preferred option capable of demonstrating the feasibility test.

The “Market Maker” is the preferred option

Based on a rigorous evaluation process and stakeholder engagement PA Consulting recommends the “Market Maker – A Global Platform for Future Business” as the preferred option to address these issues. The vision for the Centre of Excellence is to accelerate productivity growth by unlocking the potential of ICT. The aspiration is to catalyse nationwide economic prosperity and competitiveness by fostering entrepreneurialism, collaboration and cultural change, characterised by more professional change champions, regional inter-connectedness and forward looking markets.

This hybrid model with a small central team and resources to provide ‘priming energy’ will promote a wide reaching virtual presence and joined up network of co-funders and delivery partners as illustrated below:



This option maximises the strategic and business case benefits and promises highest returns:

- growth by unlocking the potential of ICT. To catalyse nationwide economic prosperity and competitiveness by fostering collaboration, entrepreneurialism and cultural change characterised by more professional change champions, regional inter-connectedness and forward looking markets.
- Concept in brief: A globally renowned platform for trusted, research-led excellence. Portfolio of services joining up and tooling up the market (standards, advisory and moderated collaboration)
- Business model: Hybrid, with a small central team and resources to provide 'priming energy' promoting a wide reaching virtual presence and joined up network of delivery partners
- Case of market gaps: fragmented supply, insufficient capacity, low service uptake, change aversion and lack of: awareness, trusted advice, common standards and rigorous specifications
- Key customers: all organisations with services tailored by size
- Key partners: Public and private service providers, academia, NGOs, business schools, and skills/accreditation/certification bodies. E.g. All interested RDAs, Business Links, NSAs, MAS, EPSRC, Warwick Digital Lab, NB2BC, Profit (e.g. e-skills UK), CIMA, BCS, APQC, MirandaNet, Logica, BT, Cisco etc

Extensive analysis has been completed that evidences all of this and points to clear appetite and ability to take this forward through a number of potential routes.

Looking at the Market Maker through the OGC Business Case lens

Our draft strategic outline business case concludes that the Market Maker option maximises benefits against costs and risks. This holistic “Global Platform for Future Business” delivers multiplier effects by removing barriers across most market failures and maximising the best strategic and economic benefits by enabling productivity growth, enterprise growth, service innovation and public-private collaboration

1

Business Case factors		SCORE	EVALUATION OF THE MARKET MAKER OPTION
Strategic Case			<ul style="list-style-type: none"> Supports more of the Government’s productivity PSAs and drivers (skills, investment, competition, innovation and enterprise) than other options given the inclusion of both users and suppliers Addresses most market gaps/failures across supply, demand and broker areas Likely to have a greater degree of impact on key government and Steering Group strategic drivers, including the imperatives identified in the IAP report and the Cabinet Office 2008 report “Realising Britain’s Potential”
Economic Case	COST		<ul style="list-style-type: none"> High relative cost (initial indicative estimates suggest around £35m-£54m financial cost over 5 years)
	BENEFIT		<ul style="list-style-type: none"> High benefit impact - likely to have the most positive NPV due to the benefits enablers it delivers to both users and suppliers. Expected to enable the acceleration of UK GVA uplift potential (estimated at £35 bn over 5-7 years), and directly linked to several key drivers of productivity including skills, enterprise and competition.
Finance Case			<ul style="list-style-type: none"> Wide range of potential co-funding and co-production partner Has the greatest acceptance in market testing exercises and appraisals, the highest expected willingness of prospective users to pay and the highest attractiveness to users and partners with strong prospects for co-funding
Commercial Case			<ul style="list-style-type: none"> Potential for complex public-private content and delivery contracts with a variety of R&D partners, companies and trainers. There is significant potential for novel and innovative partnerships, but strong commercial capability will be important and contractual risks must be managed.
Project Management Case			<ul style="list-style-type: none"> Some complexity with deliverability in terms of roll-out and membership solicitation Risk profile more complex than other options, but more diversified Stakeholder management and governance arrangements contain some complexity

Conclusion

The case for change is clear and the Market Maker has been confirmed as the preferred option both in response to the technical assessment of the costs and benefits but also the stakeholder consensus on what will work. More work is needed to develop the detail underneath this option and the funding case needed to make it happen but a clear way forward has been established to do this and provide a valuable facility to enhance the skills and productivity of the UK.