Define the business need

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What you need to do	Points to consider	People involved:
Determine what the organisation wants to be able to do. e.g. improve efficiency, provide a better quality service. Identify who could provide the requirement; consider potential options for meeting the need.	Important to explore a wide range of possibilities. May need to consider: • customer focus • new ways of working • changes to existing processes Seek expert independent advice if the requirement is not well understood / uncertain	-- **Documents required:** Pocketbook – model of causality etc Managing change Customer focus Business requirements Estimating (when available) AE Guides (esp. AE9 Design) **Useful techniques:** -- **Guidance/briefings:** --

Previous section | Next section

Other sections: Business need | Establish | Produce | Finalise | Implement | Changes

Back to top

Establish the requirement in business terms

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What you need to do	Points to consider	People involved:
Determine what would meet the need, in business terms [EG]. Investigate likely options in detail, following the advice in HM Treasury Green Book. Challenge assumptions - e.g. if providing office workspace for x staff, do they all have to be accommodated all the time? Would other options meet the need? Produce estimates; outline the benefits; make choices relating to risk - e.g. if the benefits are significant, is it worthwhile taking on more risk in a structured way?	Things to think about - what trade-offs? Broad cost / benefit / risk; need for expert advice	-- **Key documents:** HM Treasury Green Book Briefings on: Estimating (when available) Architectures Information Management Security and Privacy Quality Management Application Management (if available) Big Bang annex to COE pack AE Guides **Useful techniques:** -- **Guidance/briefings:** --

Previous section | **Next section**

Other sections: **Business need** | Establish | **Produce** | **Finalise** | **Implement** | **Changes**

Back to top

Produce requirements specification

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What you need to do	Points to consider	People involved:
In consultation with stakeholders, develop requirements specification. Provide sufficient detail to allow the market to respond, while allowing scope for innovation where appropriate. You should normally use an output based specification that focuses on what you want, not how to provide it. But note that in certain circumstances it may be essential for you to specify exactly what is required in detail e.g. for specialised laboratory equipment or to meet a specific environmental condition. Revisit budgetary estimates: costs will need to be reasonably well defined – enough to be able to make an informed assessment of the proposed budgets from suppliers ('should cost' model of whole life costs, which may vary depending on suppliers' pricing models) Include performance measures as part of the requirement - how to confirm quality etc Determine the ways in which the requirement might be implemented - one package of work, several phases etc	**Things to think about:** Which experts to help? e.g. for construction projects it is good practice to involve independent client advisers in developing the requirement as a design brief. It may be appropriate to involve suppliers, especially in long term partnering arrangements where they have incentives to improve over time.	-- **Key documents:** Output based spec template Requirements definition (for IT) Performance Achieving Excellence in Construction Guides **Useful techniques:** -- **Guidance/briefings:** --

Previous section | **Next section**

Other sections: Business need | **Establish** | Produce | **Finalise** | **Implement** | **Changes**

Back to top

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Finalise the requirement

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What you need to do	Points to consider	People involved:
Check that the requirement specification will, if delivered correctly, meet business need. For IT-related projects, there may be a period of negotiations where the requirement is finalised together between customer and supplier (or equivalent detailed discussions with incumbent provider). For construction – design brief. Important to understand the impact of the requirement when delivered – what changes will the organisation have to make?	**Think about:** confirming that all aspects of the requirement are thoroughly thought through. Futureproofing - looking to the long term, not just the immediate need. Contingency plans in case anything is delayed/goes wrong	-- **Documents required:** -- **Useful techniques:** -- **Guidance/briefings:** --

Previous section | Next section

Other sections: Business need | Establish | Produce | Finalise | Implement | Changes

Back to top

Finalise the requirement

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Version 1.00

What you need to do	Points to consider	People involved:
Check that the requirement specification will, if delivered correctly, meet business need. For IT-related projects, there may be a period of negotiations where the requirement is finalised together between customer and supplier (or equivalent detailed discussions with incumbent provider). For construction – design brief. Important to understand the impact of the requirement when delivered – what changes will the organisation have to make?	**Think about:** confirming that all aspects of the requirement are thoroughly thought through. Futureproofing - looking to the long term, not just the immediate need. Contingency plans in case anything is delayed/goes wrong	-- **Documents required:** -- **Useful techniques:** -- **Guidance/briefings:** --

Previous section | **Next section**

Other sections: **Business need** | **Establish** | **Produce** | Finalise | **Implement** | **Changes**

Back to top

Implement the requirement

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What you need to do	Points to consider	People involved: -- Documents required: -- Useful techniques: -- Guidance/briefings: --
Following contract award, implement the requirement as a system, a service or a construction project. Make choices about delivery approach (eg for IT – rapid prototyping, pilots) **For construction:** decision point - scheme design; decision point - detailed design For IT systems, similar decision points For new business processes		
Acceptance/commissioning Sign off Testing and more testing Readiness for new ways of working (set of Qs)		

Previous section | **Next section**

Other sections: **Business need** | **Establish** | **Produce** | **Finalise** | Implement | **Changes**

Back to top

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Managing changes to requirements

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This briefing looks at an issue that is fundamental to the success of any commercial relationship that is to succeed over time: the ability to accommodate change successfully. Managing the change at the end of the contract is perhaps the biggest challenge of all; this is addressed in **Recompetition**.

What are changes to requirements?

Changes to requirements can be small adjustments to existing service specifications, planned modular/incremental developments, major business change leading to completely new services - or anything in between. In the context of this briefing, changes are significant enough to require management involvement.

Why is it important to manage changing requirements?

The need to negotiate change is a continuing and ongoing component of service contracts. The ability to accommodate change successfully is fundamental to the success of any commercial arrangement that is to succeed over time; partnerships are increasingly seen as a way of coping with uncertainty, as their purpose is to accommodate change effectively and efficiently. The need to negotiate change is a continuing and on-going component of partnerships; it may be an important issue too in more conventional contractual arrangements. This briefing assumes a partnership arrangement, but the principles apply generally.

Maintenance of existing systems involves ongoing changes to requirements. It is a major cost that requires careful attention.

Who is involved

Business managers and service providers are responsible for identifying the need for change in response to user demand or changes in the business. Service providers manage the implementation and provision of new or updated services. There may be an 'informed customer' role providing the interface between the customer and provider. In addition, there may be programme/project teams who are involved in modular or incremental change.

Principles

Requirements for change

The requirements/drivers for change during the term of the contract can derive from a range of internal or external sources. Internal change could include:

- evolving business requirements of the public sector partner – because of:
  - changes in the customer's roles/responsibilities resulting from constitutional change (for example, creation of assemblies under devolution proposals); statutory developments (for example, introduction of new state benefit or tax); boundary of responsibility changes
  - new business requirements (for example, introduction of resource accounting systems and associated working practices)
- the organisational re-structuring of either party – because of:
  - rationalisation of departmental roles/machinery of government developments (such as the creation of DWP)
  - provider restructuring/merger or acquisition resulting in revised management, reporting and/or approvals chains.
- significant revisions to the corporate strategy/business objectives of either party.

External sources of change could include:

- developments in technology (things which were not possible become possible, and therefore desired, or necessary to maintain the 'market' efficiency of service provision)
- economic trends which affect the profitability/value for money of the relationship – from the perspective either of the private or public sector partner
- the need to provide electronic forms of service delivery to meet customer expectation.

You must ensure that changing requirements do not take the resulting contract:

- outside the scope of the original OJEU advertisement
- outside the permitted extensions to existing contracts allowed under the relevant regulations.

Processes

A single change control procedure should apply to all changes, although there may be certain delegated or shortened procedures available in defined circumstances – such as delegated budget tolerance levels within which a contract manager would not have to seek senior management approval. However, flexibility needs to be built into this procedure to deal with issues such as emergencies. A change control procedure should provide a clear set of steps and clearly allocated responsibilities covering:

• requesting changes

• assessment of impact

• prioritisation and authorisation

• agreement with provider

• control of implementation

• documentation of change assessments and orders.

Responsibility for authorising different types of change will often rest with different people, and documented internal procedures will need to reflect this. In particular, changes to the overall contract, such as changes to prices outside the scope of agreed price variation mechanisms must have senior management approval. In many cases it will be possible to delegate limited powers to authorise minor changes which affect particular services or Service Level Agreements using agreed processes.

Change during the term of a contract can be categorised as follows:

- planned/routine change
- proactive change programmes
- unplanned change.

Planned change

This could include modular and incremental developments, such as planning for changes to user requirements, refurbishment of workspace, maintenance/enhancements to existing systems or planned technology refreshment. This type of change is most easily accommodated under, and is best suited to, formal change management processes. Well constructed contractual agreements should contain express provisions detailing:

- the procedures to be adopted in initiating, discussing and delivering change through:
    - user groups
    - change control boards
    - formal approvals processes etc
- benefits management regimes
- the procedures to be adopted for the escalation and resolution of disputes that may arise, such as:
    - defined escalation routes and timescales
    - alternative dispute resolution procedures (neutral advisors, expert determination, arbitration etc.)
- the procedure for making amendments to the contract documentation:
    - QA procedures (including legal QA)
    - authorisations (individual authorised signing powers)
    - audit trail.

Proactive change programmes

Change need not necessarily always be reactive in nature; it can be initiated deliberately as a proactive approach. There could, for example, be an element of business transformation to drive forward a change programme. In this way the contract is used as a vehicle to deliver efficiency improvements and associated cost savings from the re-engineering of the customer's internal business processes – facilitated by the use of technology.

The details of approaches taken in each project to date have been different, but a typical partnership arrangement might be (in summary):

- Step 1: provider proposes business change project to customer

- Step 2: customer approves project on basis of agreed cost/benefit model
- Step 3: provider develops and implements new service to support new business process (at provider's risk)
- Step 4: implement and adopt new business processes
- Step 5: both parties measure resultant cost savings to customer using agreed cost/benefit model
- Step 6: provider's service charges calculated as a percentage of realised cost savings to customer.

Recent contracts show an emerging trend. Over the life of the partnership as a whole, the expectation of the parties, sometimes underwritten by contractual guarantees from the provider, is that the aggregate cost savings to the customer over the term of the partnership may in fact exceed the aggregate 'core' service charges payable by the customer. The viability/appropriateness of the approach outlined above of course depends on the nature of the partnership, the customer organisation (in terms of its receptiveness to change, potential for improvement in existing business processes etc), and the services to be delivered.

Unplanned change

Unplanned change is imposed on the partnership from outside (for example, resulting from a change in some aspect of the external environment). This is the most difficult type of change to manage and accommodate – it is also potentially the most damaging to the partnership. It can hit the partnership unannounced and require immediate action by both parties. At worst it can serve to invalidate the deal for one or both parties, resulting in an unplanned conclusion of the programme or even the partnership.

Unplanned change will test the strength of the partnership relationship, and the capabilities of its management. The response to un-planned change is crucial and must be structured. In response to unplanned change, the partnership (that is both parties in co-operation), must undertake the following analysis:

- Step 1: understand and assess the impact of the change on the partnership – can this be dealt with under the existing change management procedures or does this require specialised management?
- Step 2: escalate within both partner organisations as appropriate
- Step 3: review the basis of the deal – does the original deal remain viable for both parties?
- Step 4: assess the extent of change required to the deal
- Step 5: negotiate the required amendments.

From the customer's perspective as the public sector partner a key decision point is often reached at Step 4 above. It may be necessary for both partners to make real, and sometimes significant, concessions in the resulting negotiations in order to make the deal work for the future. A complete audit trail of developments is essential to ensure public accountability, but you must be prepared to make bold judgments where necessary to ensure the survival of the partnership (subject to the overall deal remaining viable to the public sector partner). Your decision-making must be driven by clear business objectives of the organisation.

For further related material see the step by step presentation of the **Contract Management Workbook** and the **Requirements Workbook**.

Further information

See the related briefings on **Managing Change** and **recompetition**; see also the **contract management guidelines** and document description for **changes to the contract**. For more detailed advice, see OGC's commercially published guidance:

Managing Partnerships

How to Manage Service Provision

ITIL Service Management

See the checklist for **Managing changes to requirements**

Back to top