

Major Programmes –
Setting up for Success

2022



Major Programmes – Setting up for Success

'As the [HS2] Project has matured over the past year, so has our organisation. It has been one of my priorities as CEO to ensure our delivery body is fit for purpose, with the right capabilities in place to succeed... This will be a continuing process of adapting the organisation as the programme requirements change through the years ahead.'

Mark Thurston,
HS2 Ltd CEO

HS2 Ltd Corporate Plan 2021-2024

HS2



Contents

| | | |
|--|---|----|
|  | 1. The case for capability | 04 |
|  | 2. Our Offering – Setting up for Success | 06 |
|  | 3. Setting up for Success Case Study – HS2 Ltd. | 07 |
|  | 4. Lessons for other Major Programmes’ Organisational Lifecycle | 12 |
|  | 5. How to get in touch | 13 |

1. The case for capability



Major programmes are increasingly becoming a key delivery vehicle for addressing society’s primary challenges: rebuilding economies, reducing regional inequalities, and meeting climate challenges. And yet, according to Professor Bent Flyvbjerg, there is an iron law for programmes – they will be ‘over budget, over time, over and over again’¹. All types of major programmes, infrastructure or otherwise, need to be set up with right capability from the start to be successful over the course of the lifecycle.

Doing this is easier said than done. Major programmes will be set up and delivered differently according to the size, scope, and ambition of programmes. The UK Government’s Major Projects Portfolio (GMPP) exemplifies the range of major programme types, all

requiring varying levels of financing and external support, dependent on the delivery model selected to execute the organisation’s role.

Whilst on the surface each major programme may appear to be different, they are ultimately driven by three parallel lifecycles in our view: the ‘Financing’ lifecycle, the ‘Organisational’ lifecycle (focusing on capability), and the ‘Programme’ lifecycle. Each lifecycle is connected, but with unique objectives and characteristics that are influenced by a range of dynamic forces – as well as the knock-on effects of associated change between lifecycles. There may also be external factors that contribute to timing and scale of required capabilities.

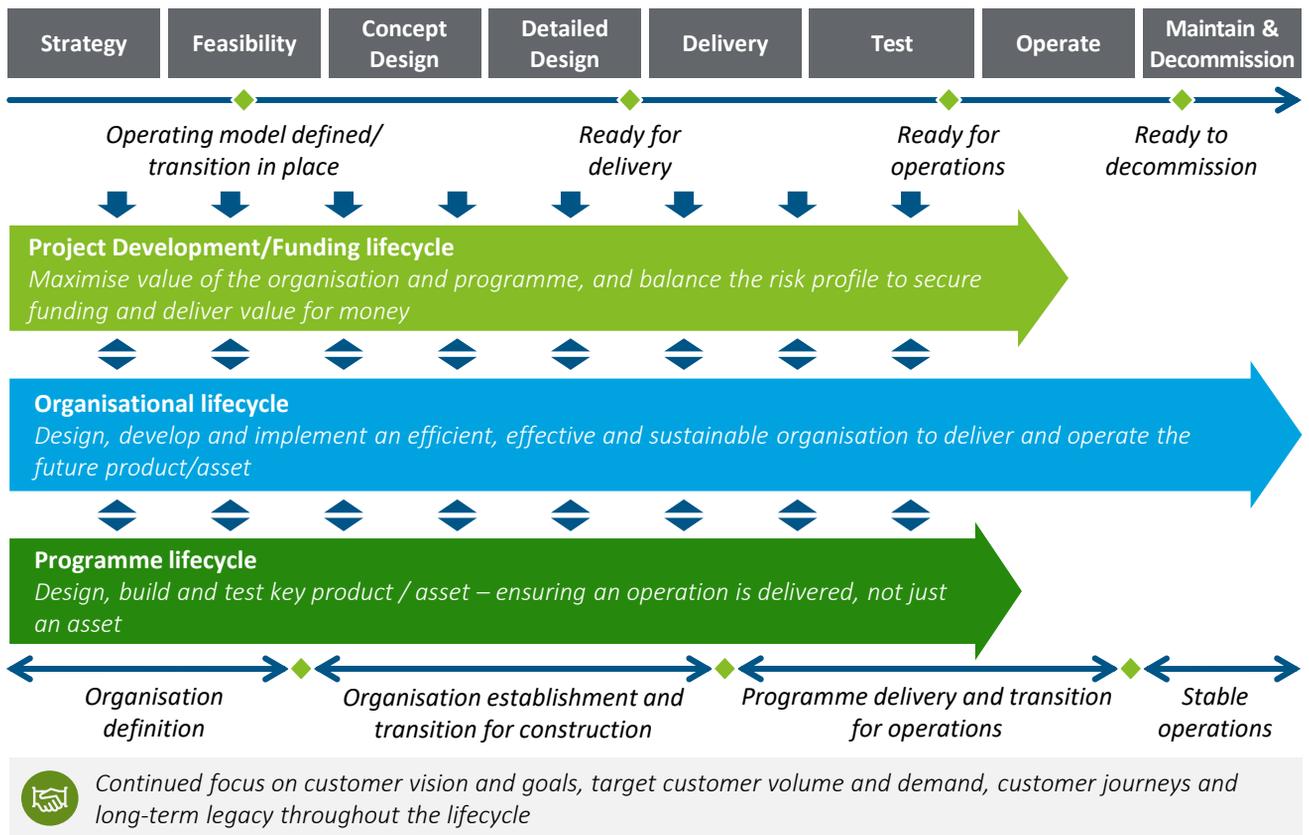


Figure 1 – The Deloitte Major Programme Lifecycle

¹ Bent Flyvbjerg, "Over Budget, Over Time, Over and Over Again: Managing Major Projects," in Peter W. G. Morris, Jeffrey K. Pinto, and Jonas Söderlund, eds., The Oxford Handbook of Project Management (Oxford: Oxford University Press), 2011

1. The case for capability



Deloitte’s view is that the most effective and successful major programmes (in terms of delivering their scope to budget and time) prioritise the Organisational Lifecycle. The dynamism of any Major Programme means that its organisation will need to transition its capability and structures several times to continue to be effective. Organisations which do not flex as the programme changes fail to deliver the programme benefits. And yet, major programmes spend an insufficient amount of time focusing on flexing their organisation – most of the common challenges that lead to budget and time issues stem from inadequate organisational set-up, rather than technical challenges (e.g., lack of appropriate oversight; redundant technology; inadequate organisational capability; or right mix of expertise/resources). Focusing on building organisational capability from the start – across people, processes, and systems – and flexing this to the dynamic needs of the programme over time is a critical component to managing delivery and being able to respond to inevitable future unknowns (as was the case for Brexit and COVID-19).

‘The lowest standards that are set at the start of a project are the highest standards that can be expected for the rest of the project. Investment of time and resource in a rigorous process at the outset is essential for success, and deficiencies cannot be recovered later’.

Lord Browne of Madingley, *Getting a Grip: How to improve Major Project Execution and Control in Government*, 2013².

‘Projects that focus enough attention on the early stages are much more likely to achieve their intended outcomes later on and display world-class delivery standards’.

Infrastructure and Projects Authority (IPA) *Routemap – Organisational Design & Development Module*³.



² Lord Browne of Madingley, *‘Getting a Grip: How to improve Major Project Execution and Control in Government’*, 2013.

³ Infrastructure Projects Authority, *‘Project Routemap, Setting projects for success – Organisational Design and Development’*, 2021.

2. Our Offering – Setting up for Success

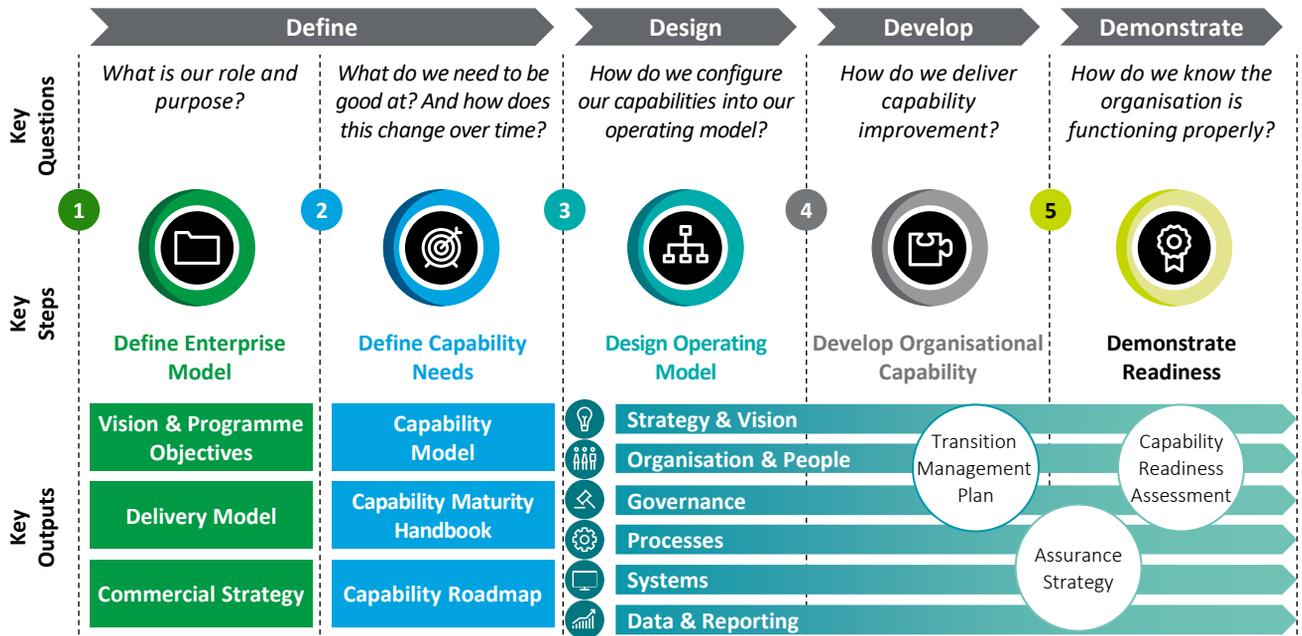


Figure 2 – Setting up for Success Framework

At Deloitte, we have collated our experiences from supporting our clients and industries to provide a single end-to-end framework, ‘Setting up for Success’ for our clients to manage their organisational lifecycle (see ‘figure 2’). Our framework provides best practice tools, methods and approaches through a repeatable and dynamic five step process that organisations apply ahead of each transition in the organisation. Our framework enables organisations to:

- Identify the right capabilities, at the right scale, configured in the right way to build your business and deliver its goals
- Provide confidence that the organisation’s controls environment is match-fit to deliver its strategic objectives
- Set out the transition plan with key transition points to manage growth and adaptation of the organisation through the programme lifecycle.

Critically – our approaches and views are compatible with broader industry approaches, such as Project 13 and the IPA’s ‘Project Routemap’, intended as a tool for major programmes to set up their organisations using learnings from other major programmes.

Within this paper, we have detailed our work with

High Speed 2 (HS2) Ltd. and the application of our Setting up for Success framework, including lessons for broader application by all major programmes, infrastructure or otherwise. Our work with HS2 Ltd. has been recognised as highly relevant and applicable for all major programmes, infrastructure or otherwise in a number of instances:

1. Our framework has been commended by an independent body of leading UK infrastructure industry experts, chaired by the former President of Institute of Civil Engineering (ICE), below.
2. The IPA have included our work with HS2 as an exemplar case study as part of its Routemap.
3. Our programme of work was a finalist for the Association of Project Management (APM)’s 2020 Transformation Project of the Year Awards.

‘In the Panel members’ extensive collective experience, none had seen such a rigorous and comprehensive approach to assessing and improving Enterprise Capability, and it has the potential for stimulating industry improvement in the delivery of major projects.’

David Orr, Chair of HS2 Independent Assurance Panel



3. Setting up for Success Case Study – HS2 Ltd.

Ahead of Construction for the first Phase of the programme, HS2 Ltd. had to demonstrate to the Department for Transport (DfT) that it had sufficient capability to manage multi-billion-pound contracts ahead of Notice to Proceed (NtP) for the construction of the first phase of the Europe’s largest

infrastructure programme. From early 2018, a Deloitte team worked with HS2 Ltd. to define, develop and demonstrate that the organisation has the right capability and operating structures, requiring large scale transformation.



Define

The priority was to define what capability HS2 Ltd. required, and what maturity was required over the course of the programme lifecycle. Using the Deloitte Enterprise Capability Framework, we co-developed a custom-made Enterprise Capability Framework for HS2 Ltd, given that there was no off-the-shelf framework that truly met the needs of the organisation, and its aspirations and commitments to develop capability. The framework consists of two main parts:

1. The HS2 Ltd. Capability Model – this outlines the 24 key Capability Areas that are required in-house over the course of the programme to fulfil its mission to design and build the railway alongside the supply chain. Each capability area is supported by a tailor-made set of ‘sub-

capabilities’ which helps to further define the specifics of the capability required for HS2 Ltd to deliver.

2. The HS2 Ltd. Capability Maturity Handbook – this describes maturity for each of the 24 capabilities on a scale of 1-5, with custom-made descriptors provided across six operating model ‘layers’ (Strategy, Organisation & People, Governance, Processes, Systems, and Data & Information). This is critical for providing a benchmark for measuring the maturity in a consistent, repeatable and objective manner over the course of improvement.

Using both products, we were able to identify and agree capability maturity targets for all 24 capabilities ahead of NtP.

| | | | |
|-----------------------|----------------------|--------------------------|------------------------------|
| Asset Information | Environment | Land & Property | Project Controls |
| Business Change | Financial Management | Leadership | Project Management |
| Commercial Management | Health & Safety | Legal | Risk & Assurance |
| Customer | Innovation | Logistics | Sponsorship |
| Date & Information | Insight & Benefits | Operations & Maintenance | Stakeholder Management |
| Engineering & Design | IT & Systems | People & Organisation | Strategy & Business Planning |

Figure 3 – the HS2 Ltd. Capability Model, containing 24 Capability Areas and sub-capabilities. Eight of the Capability Areas were designated as more critical, being essential across the whole programme lifecycle (highlighted in light blue).



3. Setting up for Success Case Study – HS2 Ltd.

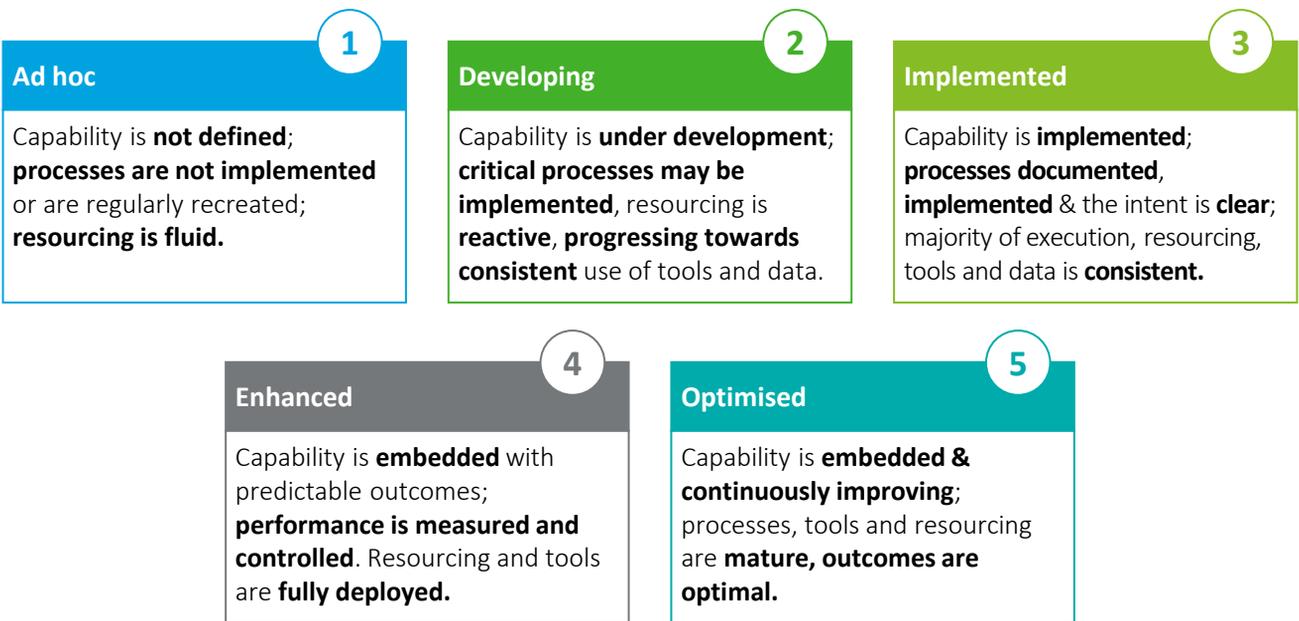


Figure 4 – the 1-5 maturity scale included in the HS2 Maturity Handbook.

Shira Johnson, Human Resources Director:

'This is a significant achievement for the organisation. The Enterprise Capability Framework provided the foundation for our ongoing success in building organisational capability'.



3. Setting up for Success Case Study – HS2 Ltd.

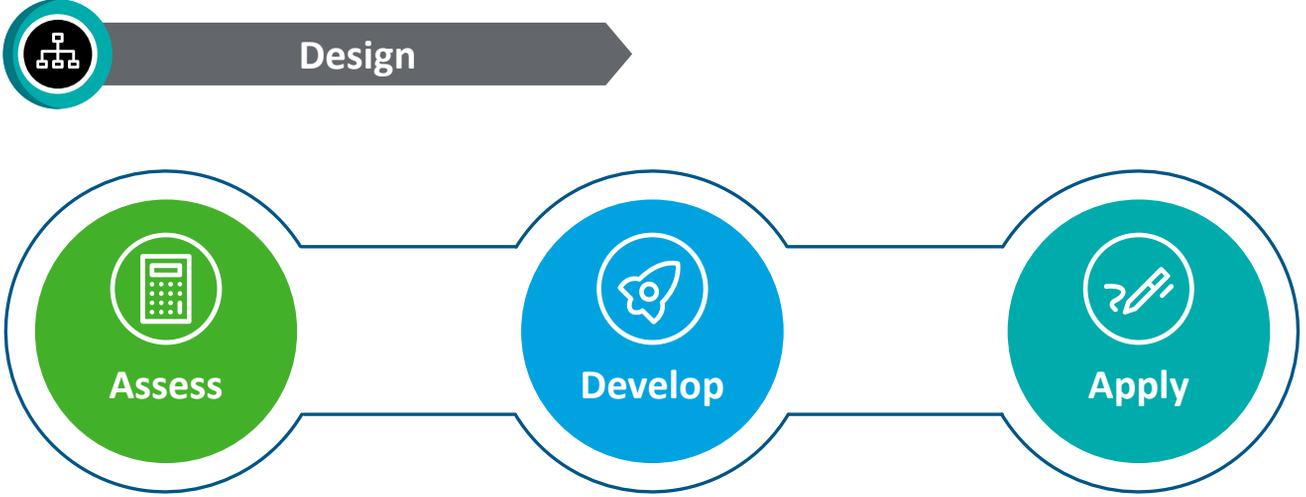


Figure 5 – Deloitte’s Client X OD Methodology.

HS2 Ltd. not only needed to demonstrate its capability, but that it had the right organisational structures in place to manage the construction for Phase One. We supported HS2 to establish a readiness programme (“Project Evolve”) to design and implement a new operating model so that HS2 Ltd. was “match fit” for construction in Phase One. This was implemented through three key steps:

- **Assess:** HS2’s objectives and strategy for the next phase of work, ultimately leading to redefining HS2’s role of the client in the **Commercial Model**.
- **Develop:** the proposed organisation design in a gradual and iterative process:
 - Agreeing a clear, measurable set of **organisation design principles** aligned to benefits, for each of the directorates to design and test options for organisation structures
 - Aligning with the HS2 Enterprise Capability Framework to understand the **organisation’s capability requirements**
 - Defining the overall ‘**organisational model**’ to demonstrate how directorates within the organisation would interface and work with each other

- Prioritising directorates most closely involved in construction to develop high-level and detailed designs of their organisational structures and teams – supported by **dedicated, specialist organisation design teams**, and assessed through a mixture of Exec-led ‘Star Chambers’ and engagement with MWCC Supply Chain.

- **Apply:** the new organisational design in a controlled fashion:
 - Agreeing several “**transition states**” to progressively move between organisation structures to mitigate impact to the business.
 - Defining clear “**conditions**” that had to be demonstrated to be met to pass through each transition state and implement the change to the organisation (and ultimate deliver expected benefits) – supported by a **dedicated PMO**, an **Exec Governance** and a **robust safety validation process**.

Ultimately, the Evolve programme designed and delivered a fit-for-purpose organisation which stayed true to objectives and principles, and enhanced alignment across the organisation’s directorates.



3. Setting up for Success Case Study – HS2 Ltd.



Develop

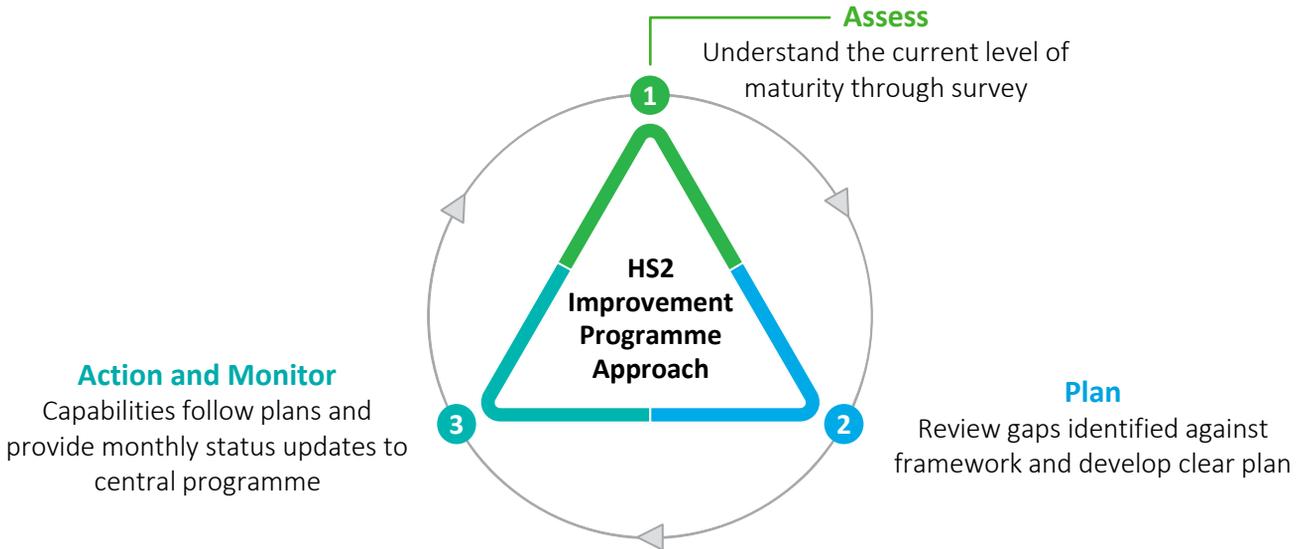


Figure 6 – The HS2 Improvement Programme Approach – this summarises the three phases of the capability programme.

Having identified both the capability required and commenced the design of the organisation’s operating model for the next phase of the programme, when construction would begin in earnest, it was imperative that HS2 Ltd. further developed its organisational capability ahead of NtP.

This was achieved through another three-step approach (see figure 6). Deloitte supported HS2 Ltd. to mobilise a CEO-sponsored capability development programme, known as the ‘HS2 Improvement Programme’ (HIP) to deliver a simple but effective approach to assess, plan, and action capability improvements across the organisation to reach a target level of maturity (Level 3 ‘implemented’).

There were several components to applying this approach effectively:

1. **‘Capability Leads’** were agreed for each of the 24 capability areas. These leads were accountable for reaching target maturity. This was often a senior member in the organisation who had authority to take decisions as necessary in order to action capability improvements.
2. **Dedicated support** was provided to capability

areas that required focused effort and resource to accelerate capability improvements – identified through the baseline assessment.

3. **A central Portfolio Management Office (PMO)** supported all capabilities to plan and track capability improvements in a consistent fashion and facilitated the sharing of best practice/ learning to accelerate capability improvement.
4. **Robust governance** was implemented for the programme, designed around the three ‘Lines of Defence’ assurance model including: a CEO-chaired steering group (LOD1); HS2 Internal Audit (LOD2) and an independent body of leading UK infrastructure industry experts (LOD3).

Neil Hayward, former HR Director: *‘HS2’s capability journey has been the most thorough piece of organisation transformation that I’ve been involved in across my 35-year career’.*

This approach ultimately resulted in a 12-month period of focussed capability improvement across the organisation, with strong buy-in and sponsorship from key internal and external stakeholders.



3. Setting up for Success Case Study – HS2 Ltd.



Demonstrate

Despite significant delivery pressure and external scrutiny on the HS2 programme from an independent Government Review and a General Election, together with HS2 Ltd. we delivered a step change in organisational capability. In February 2020, the HS2 Improvement Programme achieved its target of reaching level 3 ‘implemented’ capability across the organisation, ahead of NtP.

This was achieved through conducting an organisation-wide assessment of all 24 capabilities:

1. The PMO developed an assessment survey based on the Enterprise Capability Framework; this was supported by ‘how to’ guides and briefings to participants.
2. 150+ assessors from across HS2 Ltd were invited to provide scores and comments against whether capabilities had demonstrated they met the Level 3 criteria.
3. The HS2 Improvement Programme conducted moderation on the results to ensure that the assessment had been completed in a consistent way.
4. The assessment surveys were supplemented by ‘organisational readiness testing’, to determine whether HS2 Ltd was able to deploy its capability effectively to meet several risk-based scenarios, including working with the supply chain.
5. LOD1, LOD2 and LOD3 panels reviewed the assessment approaches and results to provide an assurance rating and a series of conditions.

Following completion of a series of recommendations and conditions set by the LOD123 panels, the HS2 Ltd. Board endorsed the achievement of Level 3 ‘implemented’ capability.

This outcome was endorsed by external stakeholders: Department for Transport (DfT), Treasury (HMT), Project Assessment Review (PAR), and Major Projects Review Group (MPRG), providing confidence that HS2 Ltd. had increased its capability and was ready to move to Construction for Phase One.

LOD2 (HS2 Internal Audit): *‘The HS2 Improvement Programme (‘HIP’) has delivered a cross organisational improvement in capability and has been supported by a sustained level of senior management involvement and delivery which is not commonly seen elsewhere in Government or commercial organisations of a similar size. The HIP has resulted in a clear and demonstrable improvement in the maturity levels of the capabilities’.*



4. Lessons for other Major Programmes' Organisational Lifecycle

Applying Deloitte's Setting up for Success framework and methodology at HS2 Ltd. has both delivered great success for the organisation, as well as provide a number of learnings for the wider industry. Leaders involved in the delivery of the HS2 Improvement Programme have contributed to the development of several critical success factors that underpinned the programme (see figure 7), as well as identification of some practical lessons that can be applied in other major programmes:

- 1. Capability maturity is not a short-term objective.** Developing capability is a long-term aspiration, which needs to be deliberate and focused for each of the transitions in a major programme over time. It cannot be completed as a side of desk activity and requires an investment of time and resource to be realised. It is also imperative that the organisation's supply chain also matures its capability at the right scale at the right time to compliment the client organisation.
- 2. Capability maturity is not linear.** In our experience, it takes ~12 months with dedicated time and resource to move one level on our maturity scale. However, capability areas which have a higher maturity find it more difficult to increase their capability with the same level of effort as capabilities with a lower maturity.
- 3. Capability can regress, as well as progress.** While HS2's organisational capability maturity has significantly increased, we have recognised that

there are several factors which can negatively impact capability, such as a change to the organisation structure or operating model. It is important to consider the impact on capability when undertaking any initiatives and plan mitigations accordingly.

- 4. Capture the hearts and minds of the organisation from the outset.** Whilst the HS2 Improvement Programme was widely understood and supported by the senior leader population across the organisation, broader and more regular communication of the programme's initiatives help to demonstrate to the organisation that capability is a continuous journey and is crucial to the organisation's ability to deliver throughout its lifecycle.
- 5. You do not have to manage your Organisational Lifecycle alone.** Whilst internal senior sponsorship is critical for driving results, having external stakeholders in the form of independent advisors to provide advice, guidance and challenge is invaluable for keeping organisations on track and motivated towards your targets.

Ultimately developing a clear understanding of the capability required throughout the lifecycle of a major programme can both optimise efficiency and value in delivery, as well as support organisations manage their programme's dynamism and achieve broader organisational objectives over the longer term.

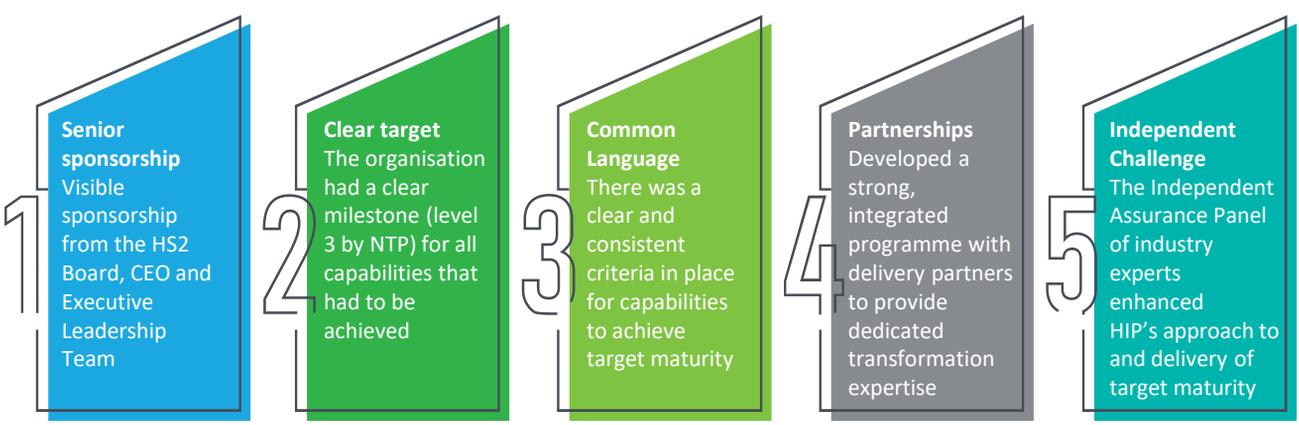


Figure 7 – the 5 key success factors from setting up HS2 for success.

5. How to get in touch



We would be delighted to discuss what our Setting up for Success framework could mean for your major programme.

Our key contacts are below, who you can reach out to via email or LinkedIn. We can also offer an you immersive 'Deloitte Greenhouse lab' to discuss your key organisational challenges in more detail and provide you with a tangible action plan.



Rob Scopes
Partner, Major Programmes
rsscopes@deloitte.co.uk



Tom Redway
Partner, Major Programmes
tredway@deloitte.co.uk



Jamie Herriott
Director, Human Capital Transformation
jaherriott@deloitte.co.uk



Anthony Wilkinson
Senior Manager, Major Programmes
anthonywilkinson@deloitte.co.uk



Tina Ghoshal
Senior Manager, Major Programmes
tghoshal@deloitte.co.uk



Stephen Hoyle
Senior Consultant, Major Programmes
shoyle@deloitte.co.uk



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