

# Case Study: HM Revenue and Customs

## 1. Summary of the Project

In 2006, Jim Scopes and Nick Andrews undertook a high level review of Strategic Transformation using alternative service delivery models at HM Revenue and Customs. Working at Executive Director level, this took an organisationally agnostic view of possible service delivery options across a range of directorates.

The resulting report and recommendation were made to the Executive Committee.

## 2. The Business Challenge/s

HMRC was formed in April 2005 by the merger of Inland Revenue and HM Customs and Excise, creating an organisation of nearly 100,000 staff responsible for most direct / indirect taxation and significant elements of the welfare system across the UK.

The new department faced significant challenges, including:

- Merging two organisations with proud, yet distinctive organisational histories and cultures
- Transforming the organisation into one that was more customer-focused, in line with the recently approved corporate strategy
- Delivering service improvements alongside significant reductions in cash budgets during the CSR07 period (April 2008 to 2011 – 5% reductions year on year).

## 3. How we were able to help

Jim and Nick interviewed many of the Directors across HMRC and most Executive team members to draw up a long list of candidate functions and services that needed to be transformed.

This long-list was then tested in a workshop with directors, to establish a series of options for service delivery improvements. Options included:

- In-house transformation and business process improvement
- Shared services - internal (either offered or provided from elsewhere)
- Shared Services – external (offered from or two another government department)
- Private sector sourcing – of which a number of different types were considered.

As well as providing an analysis of options, the workshop helped to establish significant stakeholder buy-in to possible alternative service delivery approaches amongst the HMRC directors.

## 4. The Outcome

The findings of the review were captured in a report and paper provided to the Executive Committee. The recommendations suggested extending the analysis through a pathfinder approach – taking forward two or three functions/services across the range of delivery options considered. The aim was two-fold – to test the market appetite for alternative sourcing of services (either shared or outsourced services) and to build internal capability and management experience in understanding this approach.

This work has formed the foundation for how this department approaches its strategic approach to shared services and outsourcing.

## 5. Insights gained from this Project

The following insights can be gained from this project:

- a) The process of developing sourcing options can provide a strong platform of stakeholder buy-in.
- b) Identification of candidates for transformation, including quick wins, can be achieved with a structured and collaborative approach even where political and logistical (Scale and complexity) issues are considerable.
- c) Disaggregation of services and functions can offer opportunities for innovative service delivery approaches.
- d) Stakeholder management, including buy-in, power-mapping and careful communications planning – in particular of the senior decision-makers and potentially negative influencers – is critical.
- e) In circumstances where organisations, are unable to follow through with sourcing initiatives, for operational or political reasons, there is huge value to be gained from identifying scope and project requirements so that they are ready to do so at the first available opportunity.