

Finance and Procurement Management

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A decorative graphic on the right side of the page consists of several overlapping circles in shades of gray, with thin lines extending from the top left towards the circles.

BBC's Digital Media Initiative

A Consultancy Report

PREPARED FOR

British Broadcasting Company, BBC

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University of Northampton

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Disclosure

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This individual business consulting report was prepared in light of the required assessment tasks by the instructor as a necessity for the partial fulfilment of the Finance and Procurement Management Module. The report is a highly researched piece of academics with citations from reliable and journal published papers by a student of University of Northampton. Any person or firm, other than the addressee, accessing and utilising information disclosed herein will do so at their own risk and level of understanding.

Table of Contents

1. Overview	2
2. Schematic design of the system	2
3. Analysis	2
3.1 Procurement and Purchasing Models for DMI	2
3.1.1 Siemens as Vendor for DMI Tech Project Implementation	2
3.1.2 SWOT Analysis of the DMI	2
3.2 DMI's Governance Model	2
3.3 Scope of Work: What was delivered? What was not?	2
4. Recommendations List	2
4.1 Corporate Governance for the Programme	2
4.2 Procurement Improvement	2
4.3 Programme Planning and Management	2
4.4 Planning the Reporting Process	2
4.5 Managing and Mitigating Risks	2
5. Conclusion	2
References	2

1. Overview

BBC's Digital Media Initiative project was a transformation programme ([Jathol and Rüling, 2019](#)) and a media convergence strategy ([Marton and Mariátegui, 2015](#)) intended to upgrade the firm's ways of creating, handling, storing, and efficacious use of its content. The project was regarded as the crucial value project holding an indispensable need of its application within the firm's framework.

In its complete form, DMI was to provide an integrated database containing records of the firm's entire content (video, audio and written content); allowing the entire staff to process content from the comfort of their desktops ([Marton and Mariátegui, 2015](#)).

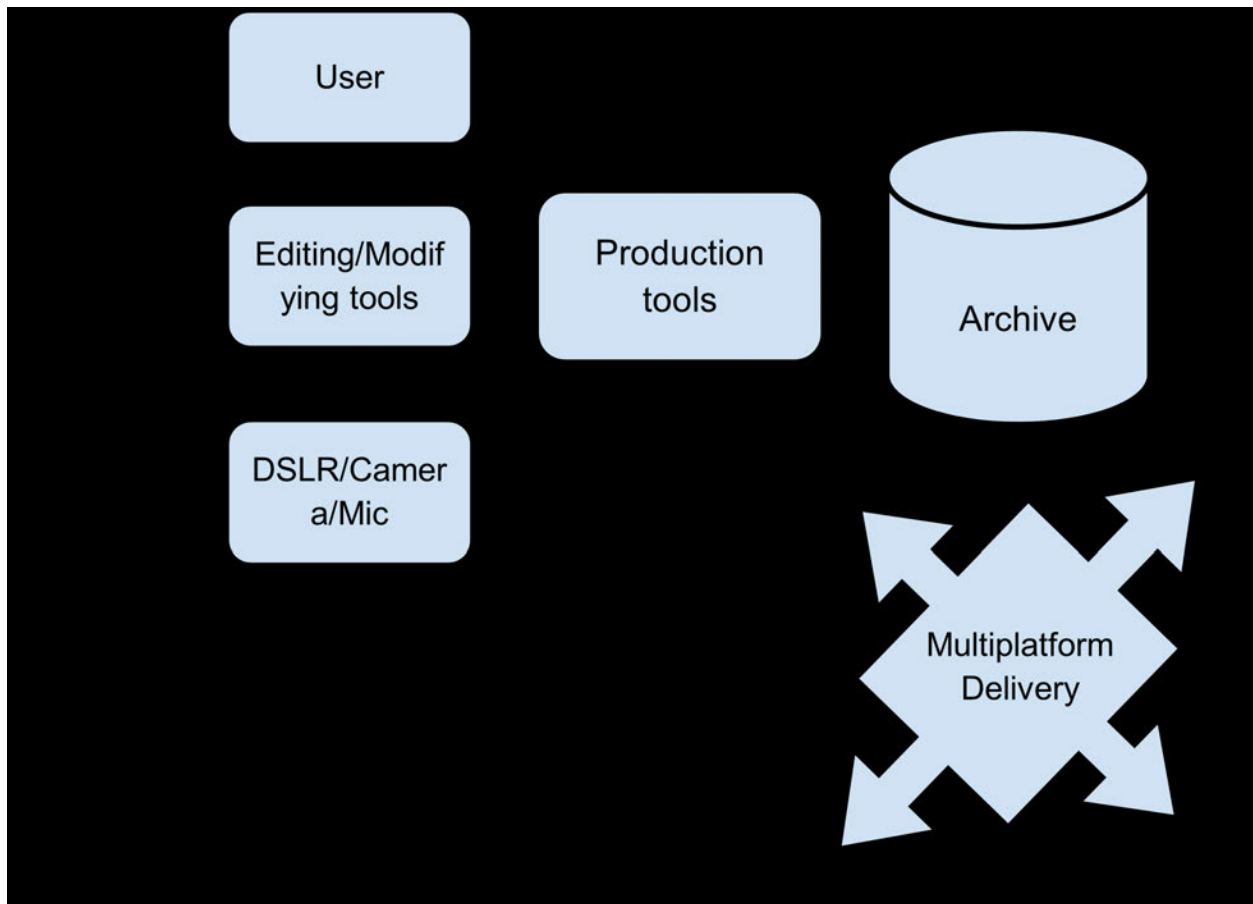
Initially, BBC entrusted the contract of DMI worth £79m to Siemens, a company with which BBC had partnered in September of 2004 for Tech Framework Contract (TFC). The agreement of the DMI project contract between BBC and Siemens was the trigger-off of the TFC contract between the two parties ([NAO, 2011](#)) and the firm's mantra of achieving better value for money from its strategic partner (Siemens).

This was the major procurement mishap by BBC for its IT project, the DMI. Where in the actual case, given the complexity and massive scope of the project, the firm should have put on the ledger the project's contract to open procurement ([Sjödin and Eriksson, 2010](#)). Consequently, BBC failed to achieve what it had actually aspired to achieve from Siemens, that is a better value for money and time-saving in project's delivery and implementation ([NAO, 2011](#)).

Consequently, the contract between BBC and Siemens was terminated as of September 2009 and the project was brought in-house by BBC. At the time the project was brought in house, the BBC was already planning on the relocation of its activities to Salford ([Swinney and Piazza, 2017](#)) which was itself a complex project. Besides, the firm also did not have either an appropriately trained staff to work efficiently on project deliverables nor did it employ the right governance strategies for the project. BBC brought the project in-house without assessing its capability (lack of appropriate staff) and effective availability (move to Salford) to handle the DMI project. The internal cultural issues of BBC ([Schopflin, 2015](#)), yet again, caused project deadlines to be missed, arising issues within the project management.

By the end of 2012, BBC's Director-General Tony Hall ordered the termination of the project with the firm enduring a loss of almost £100m to licence tax fee payers ([Chorley, 2013](#)).

2. Schematic design of the system



3. Analysis

3.1 Procurement and Purchasing Models for DMI

The BBC did not adopt the right procurement and purchasing model during the entire lifecycle of the DMI project (NAO, 2014). For that reason, the vendor that the BBC chose for the development and implementation of the DMI system failed to deliver what was expected of it (Carayannis, 2018).

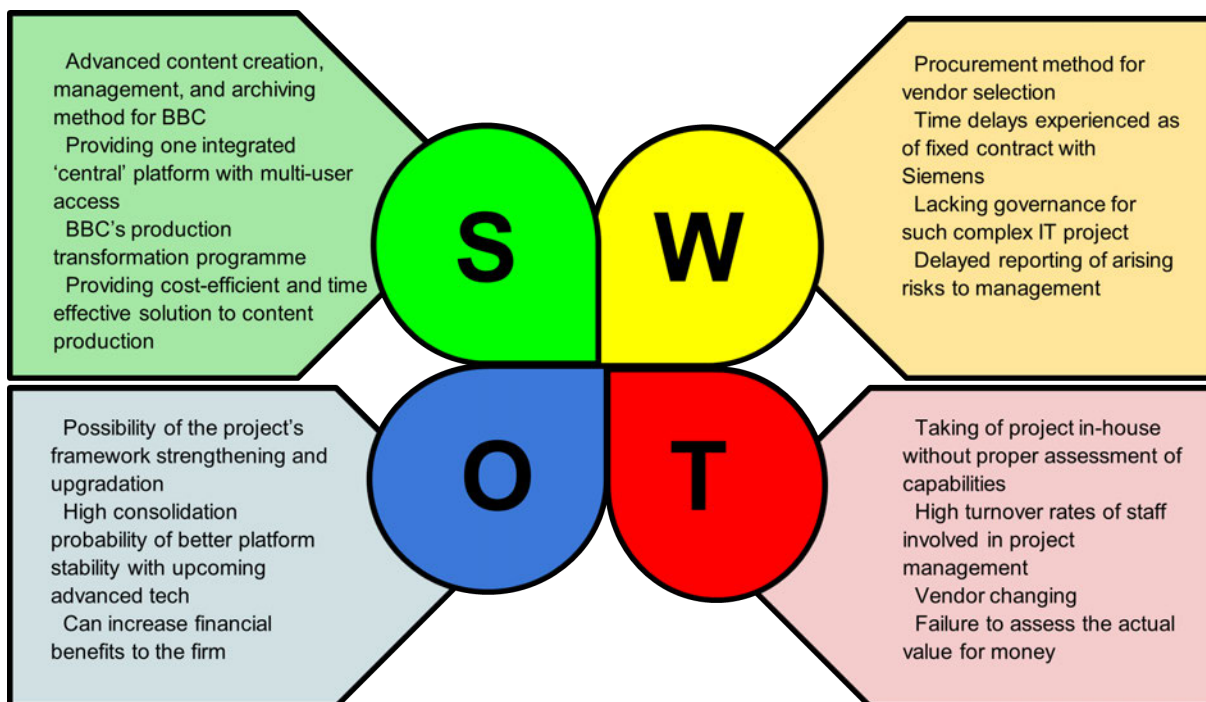
3.1.1 Siemens as Vendor for DMI Tech Project Implementation

The adoption of a non-formal procurement process in handing over the fixed contract to Siemens without having an up-to-date assessment information about the firm's capabilities to work on and deliver an extensive IT project wasn't a carefully planned decision because:

- BBC relied on Siemens in light of the trust it had in Siemens as of their TFC (Tech Framework Contract) (PWC, 2013).
- BBC thought that without putting a project up for open procurement and handing it over as a fixed contract to Siemens would save BBC some time, probably several months.

- Under the TFC contract, Siemens had successfully delivered BBC some tech gear without any significant delays and time lags ([PWC](#), 2013). So, for DMI, BBC thought Siemens could provide BBC with a 'better value for money' ([NAO](#), 2014).
- BBC had conducted a detailed assessment of Siemens capabilities and workforce early in 2004 when the TFC contract was signed between the two firms. At the time of DMI, BBC did not find it necessary to re-assess the capabilities of the vendor ([Conlan and Arthur](#), 2013) which later cost BBC an immense loss of both money and valuable time, the two crucial resources that BBC thought it could save by handing over a fixed contract to Siemens ([PWC](#), 2013).
- Putting the DMI project up for open procurement would have cost BBC an additional £3m ([PAC](#), 2014). The firm chose to save additional expenses on the project ([NAO](#), 2014) and avoid unnecessary time lags associated with open procurement ([PAC](#), 2014).

3.1.2 SWOT Analysis of the DMI



3.2 DMI's Governance Model

The PwC report on DMI stated clearly that the governance model which the BBC employed for its extensive digital project was not sufficient enough to deal effectively with the complexity of the project ([PWC](#), 2013). Following were the main reasons that rendered the governance weak:

- No executive steering board was appointed that could keep track of the progress of DMI, account for missing/delayed deadlines, and question the incurred costs. Instead, the Director-General of the Finance Committee was appointed to some of the roles of the

executive steering board like the enforcement of good financial governance following BBC's investment policies and guidelines ([PWC](#), 2013).

- There was an enormous gap in the reporting of events to the management related to DMI ([NAO](#), 2014) which indicated that the employed governance model lacked a formal reporting process to keep track of the project's progress and timely tending to risk management. This rendered decision-making procedures inert for the further activities related to DMI ([PWC](#), 2013).
- The entire focus of governance was on the tech build of DMI and not specifically on BBC-wide change. As a consequence, the reporting focus was basically on tech-based risk management only and the scope of DMI in delivering a change to business practises across BBC operations wasn't assessed thoroughly ([NAO](#), 2014).
- The governance framework also failed to perform periodic reassessment and review of the business case as a result of which even when the steering board reported £11.4m of benefits forecast at risk, BBC thought that it was too early to decide on the forecast of the risk factor of the benefits until the full functionality of DMI outlined in the Business case was implemented ([Calleam](#), 2013).
- The absence of an integrated assurance plan also served as a big reason for weakening the governance model of the DMI. BBC relied on assurance activities from multiple third-party sources along with the company's internal audit and project management office ([PWC](#), 2013). Other than the assurance activity provided by the project management office, the assurance activity from all other sources were ad-hoc in nature with no integration in between them. Being ad hoc in nature means that the assurance activities were conducted in response to a specific query or an arising concern ([PWC](#), 2013). This type of governance was by no means suitable for a complex IT project like the DMI.

The insufficient governance and procurement models resulted in the project being delayed by more than 21 months. Consequently, the management could not put the project back on track forcing the managing authority to shut it down.

3.3 Scope of Work: What was delivered? What was not?

Even though the DMI project failed on the whole, however, during its dangling lifecycle, the project implementation activities did yield the firm with a few deliverables as a by-product. DMI did succeed in the creation of the archive database, the first component of DMI ([PAC](#), 2014), which was a catalogue ordering system.

The production tools, a second component of the DMI, were cancelled by BBC because, by the time the tools were planned to be delivered, the intended user had realised that they no longer needed them because of the unclear business direction associated with them ([PAC](#), 2014).

The third component of the project, the digital archive, was not successfully delivered because its integration with the archive database was never finalised. Even though the code was

compiled, it was never tested in real life. Later the team suspended any further work on it ([PAC, 2014](#)).

After the failure of delivering the 3rd component successfully, the BBC told PAC that it still had planned on bringing about a digitised system into its infrastructure. Consequently, release 2 labelled as the 'fabric workspace' was deployed successfully across the London factory where staff were provided with its access for production ([IBM, 2009](#)). The users of the module held positive reviews in the favour of it. However, Accenture's technical review report conducted a detailed analysis of the delivered DMI components and concluded that they weren't robust enough for lengthy tv programmes compilation and production ([PAC, 2014](#)) and that detailed remedial work was necessary before the components were implemented BBC-wide.

4. Recommendations List

Here are some recommendations that the BBC can adapt in the strengthening of its system and the project management methodology. These recommendations are typically based on our findings of the reasons leading to project failure.

4.1 Corporate Governance for the Programme

For the initiative to deliver the desired outcome, the governance structure reflects working towards the needs of the programme and should be structured keeping in view the complexity and scale of its implementation ([PWC, 2013](#)). The governance of a corporate for an initiative program can be successful only when it is structured in a way that helps accomplish the following:

- Has relevance with the project being worked on ([Musawir, et al., 2017](#)).
- Should provide coherence around the accountabilities depicting clear success at all levels of corporate governance ([Tunaer and Muge, 2007](#)).
- Should provide clarity around how capital funds, investments and resources are allocated ([Musawir, et al., 2017](#)).
- The sponsor plays a vital role in the governance framework and therefore needs to be chosen such that there should be only one sponsor of a programme who will be held responsible for the successful delivery and outcome of the project ([O'Mahony, 2007](#)).

As the project proceeds with its lifecycles, the governance structure might be subjected to periodic changes to better reflect on the changing focus from the design stage all the way to the implementation stage ([PWC, 2013](#)).

4.2 Procurement Improvement

Here's how procurement can be improved at BBC:

- Choosing open procurement over the fixed-price contract ([NAO, 2011](#))
- Crucially assessing the capability and capacity of the firm to be contracted and not relying merely on previously available records about the firm's capacity in records.

- Incorporating transparent reporting activity about every project phase status, completion and issues encountered ([Spruce](#), 2020)
- Providing grounds to the firm's motto of the best value for money.
- Hiring a project responsible owner to be held accountable for project deliverables, status, and execution ([Alexander](#), 2012).

4.3 Programme Planning and Management

Successful projects are those that have their planning phase designed and planned such that there exists a marked coherency between all that is delivered: component, outcomes and benefits, providing business capabilities. To ensure this within its programme planning phase and its management, BBC should:

- Make sure to have programme planning as a fundamental component of all large-scale complex projects keeping in mind to have these designed complying with the 'BBC Way' ([PWC](#), 2013).
- Constantly review programme plans and for re-baselining of the plan to be effective, the decision needs to be made at the executive steering board (ESB) level while carefully assessing its overall impact on the Business case of the project ([Bloch, Blumberg, and Laartz](#), 2012).
- For an entry into a new-stage gate of the project, the management needs to develop both the mid-level project plans as well as the task force breakdown plans as a measure of preparations for the new phase entry.

4.4 Planning the Reporting Process

Being a central component of the governance model, a successful project reporting should be planned to deliver on the promised deliverables of the project according to the business case. A large-scale project's reporting structure should constitute the following:

- Progressive reporting format has a complete track of milestones and deliverables' timely delivery along with forthcoming activities, past activities, interdependencies of deliverables with one another, and the forecast of time completion against each milestone ([Kathleen](#), 2010). DMI lacked this reporting process due to which there was a huge uncertainty in what was required to proceed with the project's implementation ([NAO](#), 2014).
- Detailed reporting on risk analysis and mitigation including all risks that require measures to be taken for their resolution ([PWC](#), 2013).
- The programme's reporting structure should clearly depict the type of reporting required at each level and sub-stage of the programme ([Kathleen](#), 2010).
- Detailed tracking of key performance indicators (KPIs) along with the track of expected benefits to actually obtained benefits and the deficit thereof ([Ostakhov, Artykulina, and Morozov](#), 2018).

4.5 Managing and Mitigating Risks

The risk analysis profile that the BBC adopted with DMI was also not acceptable. The management and risk mitigation profiles at BBC can be made more transparent and efficient by incorporating a consistent understanding of the risk profile at two levels: programme and portfolio levels ([Raul and Kavadias, 2008](#)). This ensures a more in-depth understanding of the business impacts and available mitigation options, developing progressive risk assessment practises and providing consistent reporting to key stakeholders.

- Making use of the RAID (Risk, Access, Issues, Decisions) log tool as an important component to risk mitigation and analysis can help strengthen BBC's risk management profile ([Landau, 2018](#)).
- Occasionally, authorised review of the identified risks should also be ensured to make evident that the programme management is having an adequate focus on the pinpointed risks and has solid mitigation plans in place for them ([PWC, 2013](#)).

5. Conclusion

Analysing in detail the structure model employed for the DMI by BBC and the circumstances that led to the failure of a complex IT project, we come to conclude that it was the poor governance and procurement models followed by internal cultural issues of BBC that made the project lose track of both time and success.

BBC failed to deliver the project that the firm had itself marked as an 'urgent have to have'. Given the speedy digitisation of the entire business procedures across the globe, if BBC ever gets to implement another tech transformation, complex IT project like the DMI, or maybe an advanced version of it, BBC will first have to consider reshaping its procurement and governance models taking into account the recommendation disclosed here in this report. That way, the probability of future complex projects being successful will rule out.

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