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To: Members of the Executive Board

From: The Secretary

Subject: **External Evaluation of Work Practice Reviews in the Fund**

Attached for the information of the Executive Directors is a paper on the external assessment of work practice reviews in the Fund undertaken by consultants from Robert H. Schaffer and Associates.

Questions may be referred to Mr. Muñoz (ext. 34980) and Mr. Stuart (ext. 34579).

Att: (1)

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INTERNATIONAL MONETARY FUND

External Evaluation of Work Practice Reviews in the Fund

Prepared by the Technology and General Services Department and
Office of Internal Audit and Inspection

Approved by Brian C. Stuart and Rafael Muñoz

December 13, 2000

I. EXECUTIVE SUMMARY AND INTRODUCTION

1. The purpose of this paper is to report on the external evaluation of work practice reviews (WPRs) in the Fund, undertaken by consultants from Robert H. Schaffer and Associates (RHS&A) in the period November 1999 to May 2000- and on actions management has undertaken as a result of this review.

2. In 1997, as part of a comprehensive and strategic approach to the development and implementation of information technology (IT) projects in the Fund, it was agreed to introduce formal work practice reviews to help ensure full value from investments in large-scale information technology projects. Since then, under the auspices of the Work Practices Section of the Office of Internal Audit and Inspection (OIA/WP) six IT-related WPRs have been completed. These reviews have utilized a framework that includes a review of the strengths and weaknesses of current work processes and the design of new processes that reduce work, including those that may be supported by technology.

3. In November 1999, Fund management, OIA and the Technology and General Services Department (TGS) agreed that it would be useful to obtain an independent evaluation of the experience that had been gained with WPRs in order to identify the extent to which they were helping to enhance productivity. Robert H. Schaffer & Associates was selected to conduct the evaluation under the direction of a Steering Committee on Evaluation of Work Practice Reviews comprising representatives of the Information Technology Policy Committee (ITPC).[1]

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[1]The Steering Committee comprised Messrs. Stuart, (TGS, Chairman), Minami (TGS), Heller (FAD), Keuppens (TRE), and McDonald (INS).

4. The consultants were also asked to comment on how work practice reviews in the Fund compared with those in other organizations, whether the criteria for conducting work practice reviews were appropriate and, more broadly, whether WPRs in the Fund had made the adoption of IT easier and more effective. They looked at a mix of IT-related WPRs completed since 1997, including those associated with the Electronic Documents Management System (EDMS); the Economic Information System (EIS) replacement; the integration and enhancement of the financial operations and accounting systems in the Treasurer's Department; and the upgrade of the Annual Meetings and Locator systems.

5. In broad terms, the consultants found the IMF's rationale for performing technology-related WPRs to be sound and discovered a number of positive elements in each of the reviews assessed. At the same time, they noted that the potential benefits of the reviews could be further enhanced by introducing changes in the organizational environment and incentive structure in which the WPRs are conducted.

6. The recommendations of the consultants focus on strengthening the accountability of departmental sponsors for WPRs; on streamlining the reviews themselves, by reducing the emphasis on the description of current processes; and on establishing measurable short-term milestones, the achievement of which would help maintain the necessary momentum for ensuring change over time. They also comment on those factors that should trigger a WPR and help to define its scope. These recommendations have been distilled into specific proposals for next steps.

7. Following a brief description of the reasons for the evaluation and the selection of the consultants (Section II), the paper details the purpose of work practice reviews (Section III) and indicates how they have been implemented in the Fund (Section IV). Section V discusses the process employed by the consultants to evaluate the WPRs and Section VI describes the key findings and recommendations. In the concluding Section VII, the paper sets out the changes management intends to implement to give effect to the recommendations.

II. Background

8. In June 1997, as part of a more comprehensive and strategic approach to the development and implementation of IT projects in the Fund, it was agreed that work practice reviews would be introduced to help ensure full value from investments in information technology by improving the systematic review of work flows and their underlying procedures, and encouraging an institutional perspective in shaping the organization of work and the development of technology tools. WPRs were meant to increase productivity to accommodate the increasing workload by eliminating duplicate work processes and other inefficient work methods associated with information management, and to reduce the human resources requirements associated with maintenance and support of this information.

9. By November 1999, six IT-related WPRs had been conducted in the Fund, and Fund management, the Office of Internal Audit and Inspection (OIA), and the Technology and General Services Department (TGS) agreed that it would be useful to obtain an independent evaluation of the experience that had been gained with WPRs. The primary objectives of this evaluation were to identify the strengths of past WPRs and opportunities for improvement in the approaches used in conducting IT-related WPRs. The Steering Committee and the Work Practices Section of OIA developed the terms of reference for the external evaluation. The consultants were asked to assess the extent to which WPRs were helping to enhance productivity through improvements in policies and procedures, in the design of systems, and in the use of staff resources. In addition, the consultants were to comment on how the Fund's WPRs compared with those of other organizations; whether the rules governing when WPRs were called for were appropriate; and whether WPRs in the Fund made the adoption of IT easier and more effective.

10. Robert H. Schaffer and Associates (RHS&A), a management consulting firm that specializes in helping organizations implement change, was selected as the external evaluator through a competitive bidding process.[2] Of the three firms that responded to the Fund's Request for Proposal (RFP), RHS&A most closely met the selection criteria, which included the quality and depth of response to the RFP, corporate experience, quality and experience of key personnel, proven ability to perform evaluations of similar size and scope, and the bid cost of the study.

III. The Purpose of Work Practice Reviews

11. The goal of a WPR is to improve an organization's effectiveness and efficiency, and its ability to satisfy the users of its products and services. The conduct of a WPR in connection with major technology initiatives recognizes that technology is an enabler of—not a substitute for—process improvement. Streamlining the fundamental flow of work before technology is applied is a prerequisite for both organizational effectiveness and realization of the full returns on technology investments.

12. WPRs result in improved organizational performance. For the Fund, performance areas include the quality and timeliness of services to members, the speed and flexibility of responses to external events, and the effective utilization of human and budgetary resources. In addition, WPR projects help to reduce overtime and excess leave balances by enabling better alignment between resource levels and work demands. They also facilitate the identification of staff training needs, and thereby help to ensure that the allocation of work is

[2] The selection team included Messrs. Stuart (Chairman), Minami (TGS), Heller (FAD), Keuppens (TRE), McDonald (INS), St. Hilaire (TGS), and Ms. Wertman (OIA).

appropriate to the skills and levels of staff who perform it. For the staff, WPRs can help to eliminate the most mundane tasks, and make work more enjoyable and productive.

13. A WPR involves assessing the activities undertaken to meet the basic goals of an organization, and examining and redesigning the flow of work involved in the production of the organization's outputs. In this way, outputs and activities that do not have value are eliminated, and the remaining work flows are streamlined to ensure the effective utilization of resources. The factor that distinguishes WPRs from other kinds of reviews is that the assessment is made by the staff who perform the work, because they are the people who have the best knowledge of the strengths, weaknesses and opportunities for improvement. Because any work process can be decomposed into a structured ordering of work steps across time and place, WPRs are as relevant for intellectual processes (e.g., conducting a mission or writing a Staff Report) as they are for administrative functions (e.g., processing a travel claim or hiring a new staff member).

14. Like other kinds of evaluations, WPRs employ a structured analytical approach. Typically, experts in business process reengineering are engaged to lead staff through the approach, which entails asking several fundamental questions:

What is being done? — i.e., what outputs are being produced and what steps and tasks are involved in producing the outputs?

Why is it being done? — i.e., is the process necessary for the Fund to achieve its objectives, and does the output being produced have value to its users?

Can it be done more efficiently? — e.g., are the sequencing of steps and the flow of work throughout the organization logical, do bottlenecks exist, and can technology be applied to reduce manual effort?

Can it be done more effectively? — e.g., is the necessary information available at the appropriate time and in the appropriate format, do guiding policies facilitate or hinder effectiveness, and are staff skills aligned with work requirements?

15. In answering these questions, it is essential to look at work flows from beginning to end across organizational units because inefficiencies often arise as work is passed from one area to the next. This is particularly important in the Fund because the production of most outputs requires coordination and cooperation across departments.

IV. THE IMPLEMENTATION OF WPRS IN THE FUND

16. Because WPR projects were new to the Fund, the first step in implementation was to put in place the broad framework for their conduct. This was done by the Work Practices Section of the Office of Internal Audit and Inspection (OIA/WP), which consolidated the best elements of a number of commercial methodologies for business process improvement and reengineering into a 7-step framework that was tailored to the needs of the Fund. The establishment and use of a structured approach to WPR projects was seen as important not only in guiding Fund units undertaking this new kind of review, but also in ensuring even-handedness and comparability across projects. The resulting framework was articulated in an operational guidance note that was distributed to all Fund departments, (former) bureaus and offices.

17. To ensure its applicability to different sizes and types of WPR initiatives, the framework took a common sense approach, focusing on what should be done at each stage of a WPR project, rather than how it should be done. For WPRs associated with the deployment of new technology, testing and full implementation of the redesigned processes must be synchronized with the development of the enabling technologies. The seven steps of the WPR framework comprise:

- defining objectives and preparing a project plan;
- identifying experts to guide staff through the process analysis and redesign;
- evaluating the strengths and weaknesses of the present processes;
- redesigning processes to eliminate activities that do not have value or use resources ineffectively, and to take advantage of work saving opportunities offered by new technology;
- obtaining the agreements needed to implement the redesigned processes;
- pilot testing the new processes and preparing a plan for full deployment; and
- fully implementing the new processes.

18. To help business units undertake WPR initiatives, the framework also described the main roles in such projects. Responsibility for the conduct and success of WPR projects rests with the organizational unit whose work is being examined. A B-level staff is expected to sponsor the review and establish measurable improvement objectives. The staff who perform the work that is to be reviewed make up the process team, which is responsible for evaluating present operations and designing new ways of working that satisfy the objectives. The last role in WPR projects is that of experts who lead the sponsor and staff through the WPR process. This role can be played by OIA/WP, but due to staffing limitations, is typically

fulfilled by external consultants. Expert service providers from other areas in the Fund—technology, training and other human resource disciplines—also are critical participants in WPR projects to help business units address issues in these areas of specialization.

19. In addition to assisting the sponsors of individual projects, OIA/WP provides WPR support at the institutional level by (i) maintaining the WPR framework, (ii) offering independent advice to the Office of Budget and Planning and the Information Technology Policy Committee on the plans for and outcomes of WPR projects, and (iii) building a repository for the collection of business process and work practice information produced by each WPR project. With this repository, the cost of and time to complete WPR projects were expected to diminish over time.

20. Since 1997, six WPR projects have been undertaken in connection with major IT investments. The goals and outcomes of these projects are described in Table 1. All of these projects involved the use of external consultants in the expert role. The OIA/WP role in these six projects varied widely—from no involvement in the case of the Treasurer's project, to sharing the expert role with the external consultants in the Electronic Documents Management System (EDMS) project. In the other four WPRs, OIA/WP staff served solely in a support role, providing advice and assistance at the request of project sponsors.

21. As Table 1 shows, most of the six WPR projects that have been undertaken to date are expected to result in significant staff savings from productivity gains, as well as in reductions in other direct costs (e.g., paper, filing space) and measurable improvements in the quality and timeliness of services to staff and members. Realization of these benefits will begin when the enabling technologies are fully implemented.

V. EVALUATION

22. The external evaluation was based on a sample of four IT-related WPRs completed since 1997 comprising the Electronic Documents Management System; the Economic Information System (EIS) replacement; the integration and enhancement of the financial operations and accounting systems in the Treasurer's Department; and the upgrade of the Annual Meetings and Locator systems.

23. The consultants examined the major documentation related to each of the WPRs reviewed and conducted interviews with a large number of involved staff, including the staff of the OIA/WP, members of BTS, TGS, and other Fund departments, to analyze the purpose and expected contribution of the WPR; how the services of the WPR had been delivered; the related costs of the WPR (in terms of time and dollars spent); and evaluations of the WPR by affected staff members.

VI. Evaluation Findings

24. While the consultants indicated that the Fund's rationale for performing technology-related WPRs was sound, they also noted that the potential benefits of the reviews could be significantly enhanced by introducing changes in the processes used to perform the WPRs.

WPR Process Issues

25. Process problems associated with WPRs and identified by the consultants included:

- The focus on capturing existing, or "as is," work practices often went into greater detail than necessary for understanding and improving processes and/or for specifying functional requirements for the technology. The consultants' report indicated that a lesser level of detail was adequate for WPRs to function effectively.

- **In addition, the consultants noted that too much time had been devoted to editing and clearing documentation** and discouraged attempts at 100 percent accuracy and risk minimization.

- **The time of the staff participating in WPRs had not been used to best advantage.** Although OIA/WP and BTS staff were specifically dedicated to these projects, staff in other departments were expected to perform their regular duties in addition to the work associated with the WPR. Consequently, meetings on work practice issues were spread out over long periods with adverse effects on the momentum of the project.

- **The WPR and technology processes were not well integrated.** Communication across the two processes was lacking, and there were long time lags between the conclusion of WPRs and implementation of the technology phase of projects. In some instances, the technology staff perceived that outputs from the WPRs were not well suited to identifying technology requirements.

Organizational Issues in the Fund

26. Further rationalization of the way the Fund organizes its work *vis-à-vis* WPRs can enhance the value and impact of the WPRs.

- **There needs to be greater focus on viewing WPRs as an activity that could produce benefits through improvements in the way work is done rather than a bureaucratic first step before the IT project could begin.**

- **There was often no clear accountability for results.** Because WPRs were begun with an unclear understanding of the underlying business purpose and specific goals to be attained, participants could not be sure of the expected outcome of the WPR.

Without a robust business rationale for performing the WPR, there would seem to be no justification for proceeding with an in-depth examination of the work practices.

VII. NEXT STEPS

27. Management has reviewed the findings of the external evaluation of WPRs and has decided to implement the following changes with the aim of enhancing the effectiveness of WPRs.

- **Raise the threshold for undertaking WPRs and ensure that the departments that are proposing and sponsoring the projects are accountable for WPRs.** Management is of the view that WPRs are an integral part of the arsenal of measures to increase the Fund's effectiveness and efficiency, especially in an environment of rapidly changing technologies.. Since WPRs were first introduced in 1997, they have become more widely understood within the institution. Also, staff in various departments which are sponsoring the projects are now more conversant with these procedures. Thus, management has decided that the threshold over which all IT projects are required to undergo a WPR be raised from $200,000 to $500,000 and that the project sponsor have the responsibiilty of determining the nature and scope of the WPR. In such a setting, the OBP—prior to approving budgetary allocation for these projects—will have the responsibility for ensuring that an appropriate WPR has been undertaken.

- **The role of WPS/OIA**. In the last few years, the WPS/OIA has been playing an active role in determining the nature and scope of the WPR as well as signing off on whether the regulatory requirement has been met. In an environment when WPRs were new to the institution, this role was justified. In the present circumstances, WPS/OIA will help sponsoring departments in the design and scope of WPRs. Future ex-post reviews of the effectiveness of WPRs will be performed by external evaluators from time to time, with the next review in three to four years.

- **Enhance the effectiveness of early collaboration between IT and WPS staff and project sponsors.** Modify the approach to gathering input related to IT requirements and work practice changes into concentrated two or three day sessions with the involvement of users and service providers. Reduce the emphasis on studying current work practices and streamline the processes related to drafting and clearing descriptions of existing and prospective work practices.

Table 1. Technology-related WPR Projects: Modalities and Key Results

Project Sponsor, Name and Dates	Purpose	Key Results and Status
Sponsor: Treasurer's Department *Name:* Review of Business Processes, Work Practices and Systems Alternatives *Dates:* April '97–April '98	Design streamlined work practices associated with the execution and management of financial operations and transactions with members Articulate requirements for enabling technology Evaluate selected software packages that address TRE operational needs *Note:* After the WPR project began, the purpose was narrowed by the sponsor to exclude the distribution of work among staff and divisions.	Detailed descriptions of present processes High level recommendations regarding process redesign and potential relevant technologies, but no vision for a new operational environment *Status:* No action was taken following completion of the WPR project. With new leadership in TRE, a comprehensive renewal program involving all aspects of the management and execution of operational transactions has been launched.
Sponsor: Statistics Department and ITPC Economic Data Subcommittee *Name:* Options for Enhancing Data Management in the IMF: Phase IIa *Dates:* March '98–December '98	Design streamlined work practices associated with the management of economic time series data Articulate requirements for enabling technology to support the management of economic time series data, replacing and expanding the functionality of the present Economic Information System (EIS)	Productivity gains valued at $1.7 million annually Non-quantifiable benefits in the form of: improved data accuracy, accessibility and use; enhanced institutional memory; more effective use of staff skills; improved morale. *Status:* Technology being developed and prototyped
Sponsor: Statistics Department *Name:* Internet Correspondence System WPR *Dates:* March '98–September '98	Evaluate paper-based processes for requesting data from member countries and processing the data provided Make recommendations to streamline and automate mechanisms for requesting and processing data from member	Identification of process strengths and opportunities for improvement Recommendations for the development of an electronic data request and reporting system Recommendations to address identified process inefficiencies *Status:* Technology has been developed and is being pilot tested with selected countries.

Sponsor: Secretary's Department *Name:* Annual Meetings/Locator Business Systems Review *Dates:* April '98–February '99 Updated June 2000	Design streamlined work practices supporting the Annual and Interim Meetings with the goals of: reducing manual processes; making more effective use of staff supporting the Meetings; enhancing the accuracy of data and decision support capabilities; and improving service to meeting attendees and delegates Articulate requirements for enabling technology	Productivity gains estimated at $2 million over each 3-year Meeting cycle, inter alia, from: consolidation of 6 areas where registration activities are performed to a single function; streamlined procedures for on-site payments, procurement, budget monitoring and seminar fee processing; and migration from paper communications to electronic Non-quantifiable benefits in the form of: improved data integrity; increased accessibility of data; reduced dependence on long-serving and seconded staff; improved staff morale, improved service to meeting participants *Status:* Preparations under way to implement first module of recommended functionality.
Sponsor: ITPC Documents Subcommittee *Name:* Electronic Document Management System Implementation *Dates:* September '98–December '99	Redesign work processes associated with the creation, review and storage of documents to take maximum advantage of selected software for document management Support pilot testing of new technologies and work practices	Implementation of the Documents Strategy as a whole was estimated to enable 20 and 30 percent reductions, respectively, in the time of A9 and above and A1-A8 staff in the production and management of documents. These productivity improvements were valued at an estimated $11.5 million annually. Further quantitative benefits valued at $0.6 million annually were identified in postage, printing and filing space costs. *Status:* EDMS being implemented Fund-wide.
Sponsor: Technology and General Services Department, Graphics Section *Name:* Digital Image Repository WPR *Dates:* March '99-August '99.	Design new work practices to streamline manual management of the Fund's photographic image collection estimated at approximately one-half million items Improve the accessibility, security and preservation of the collection by articulating specifications for an electronic repository for digital photographic images	Quantified productivity improvements estimated at an average of $93,000 annually Non-quantifiable benefits in the form of: improved accessibility to the photographic image collection; improved service to image requestors—including the ability to meet latent demand for photographic images; enhanced security for images; establishment of standards for image format and size, leading to enhanced integrity and consistency of images. *Status:* Technical requirements identified; software alternatives evaluated; and repository software selected.