



**merlin**

promoting supply chain excellence

**Assessment Report  
For**

**Serco**

**By Rob Mottram**

**On behalf of emqc Ltd**

**Assessment Date: 30<sup>th</sup> April 2012 – 3<sup>rd</sup> May 2012**

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## About the Organisation

Serco Group is a service and outsourcing company that has been delivering essential public services for more than 40 years. More than 100,000 employees deliver services to government and private clients in over 30 countries. Serco operates in Europe, the Middle East, Asia Pacific and North America. Around 40% of turnover comes from outside the UK, and the range of activities varies from region to region.

Serco Welfare to Work have been delivering the Work Programme in South Yorkshire, Coventry and Warwickshire, Staffordshire and The Marches (CPAs 17 & 15) on behalf of the Department for Work and Pensions since it went live in June 2011. The Work Programme contract is part financed by the European Social Fund. Serco Welfare to Work subcontract all front-line delivery to a network of 33 local and national welfare-to-work providers from the private, public and voluntary sectors and integrate these with smaller, community-based organisations. Serco have developed a model for delivering employment services to long-term unemployed people, with the aim of supporting them back into the type of work that is right for them.

## Assessment Methodology

The assessment covered South Yorkshire, Coventry and Warwickshire, Staffordshire and The Marches (CPAs 17 & 15). During the assessment, assessors reviewed a range of documentary evidence and IT systems provided by Serco, interviewed a wide range of staff, including senior managers and customer facing staff from the Supply Chain network and a range of staff from Serco. A total of 22 Supply Chain Partners were interviewed. All principles of the Merlin standard were fully assessed by a team of 3 assessors: Rob Mottram (Lead Assessor), Stuart Morgan & Tracey Pepper who spent a total of 12 days onsite.

## Assessment Outcome

|                     |              |
|---------------------|--------------|
| Overall %           | 74%          |
| Overall Outcome     | Good         |
| Supply Chain Design | Good         |
| Commitment          | Good         |
| Conduct             | Good         |
| Review              | Satisfactory |

## Strengths

- ▲ Serco have a highly proactive and effective communication strategy which they use with the supply chain network at all times to enhance the experience of the supply chain partners which helps partners to feel engaged and supported. (2a & 3a)
- ▲ Serco have developed a culture of honesty and openness in the supply chain management approach they adopt. Serco apply a supportive and challenging management style with the supply chain which is resulting in supply chain partners feeling able to discuss problems or issues with delivery which is helping develop processes and improve performance. (2a)
- ▲ A robust and systematic approach to performance management by Serco ensures all supply chain partners are clear about the performance expectations of Serco when delivering Work Programme who use Key Performance Indicators to effectively measure performance. (3d)
- ▲ Serco have made substantial investments in infrastructure, particularly in providing supply chain partners access to powerful and useful management information systems, such as IMPACT, Tool Kit & Data Warehouse which is being used to improve performance and identify excellent practice.(3d)

## Areas for Improvement

- ▲ Whilst 'excellent practice' sharing within individual contract package areas is developing, Serco may wish to consider that by developing best practice across other Contract Package Area's it would further benefit them in developing a wider knowledge bank of examples of 'excellent practice' and enhance its ability to provide excellent customer service and increase performance. (2a)
- ▲ For Serco to look at how the development of a strategy will help increase the understanding of supply chain networks contribution and the impact being made on activities that are strategically aligned to the wider objectives of the commissioner, including the agreement of environmental sustainability targets across all supply chain partners. (4a)
- ▲ To fully utilise the effectiveness of IMPACT, Serco need to identify the wide range of, and improved use of all stakeholder feedback, including the development of Diversity and Equality data analysis. This will help Serco to clearly understand the customer experience and the effectiveness of interventions across a wide range of customers. (3e & 4a)
- ▲ Whilst communication with supply chain partners is a very strong feature of Serco's Supply Chain Management approach and has proved effective in supporting Serco to

work effectively with Supply Chain Partners, Serco need to consider more effective ways of ensuring Partners who joined the network post 'go live' benefit from the same high levels of support and communication other Supply Chain Partners enjoy, which will allow them to develop stronger, more effective working relationships more quickly. (2a)

## Areas Requiring Further Development

- ▲ None Identified

## Assessment Findings

### 1 Supply Chain Design

#### 1a) Supply chain design

A thoughtfully designed supply chain has been developed by Serco through extensive consultation and mapping exercises which were carried out prior to contract award. The supply chain is a rich and diverse mix of organisations featuring 48% third sector and voluntary sector organisations and a number of organisations who hadn't previously delivered large scale welfare to work programmes.

Serco have learnt lessons from previous delivery of large scale employment programmes, such as Flexible New Deal and utilised operational expertise gained in the delivery programmes of these to encourage and facilitate suitable solutions to a range of complex problems faced by customers.

Serco have used a balance of local and national services to meet the holistic needs of customers and enhance the customer experience. Working with a strong specialist support network, support services include drug and alcohol organisations, money advisory, emotional wellbeing and local housing associations. Serco customers also benefit from being able to access a 24-hour helpline while Supply Chain Partners can access support with specialist issues through Serco's membership of a number of networks including Employers Forum on Disability and Clear Assured.

### 2 Commitment

#### 2a) Collaboration, cooperation and communication

Serco has a highly developed and effective communication strategy. Supply Chain Partners were fully informed of the proposed opportunities to work with Serco in the delivery of the Work Programme. Supply Chain Partners were given opportunities to make internal judgements in respect of their capacity to deliver elements of the Work Programme. Serco kept Supply Chain Partners fully updated with information delivered in a variety of formats

and methods during the procurement process, including 'roadshow' events, 1:1 meetings, published literature, telephone and email support. As Serco received more detailed information from the commissioner this was communicated in a prompt and timely fashion to prospective providers. One successful provider commented, "This was an organic process". Supply Chain Partners who have entered the network at a later stage may not have received the same level of information and support as those partners and as a result are at a less mature stage of the relationship between Serco and its supply chain network.

Serco has used its prior experience of delivery of Welfare to Work (FND) contracts to advise and inform the development of systems and processes to ensure comprehensive service delivery through Supply Chain Partners working collaboratively. Serco has facilitated a number of cross provider events to enable providers to improve and enhance processes.

Very clear communication channels exist between Serco and its supply chain. Written, electronic and spoken words obviated any ambiguity in communicated messages. Serco staff demonstrates commitment to supporting and challenging Supply Chain Partners. Supply Chain Partners describe Serco staff as challenging, supportive, empathetic, enthusiastic, willing, responsive, respectful and professional. Serco's staff behaviours have fostered a culture of open and honest communication.

## **2b) Developing Supply Chain Partners**

A comprehensive approach to assist Supply Chain Partners to build capacity is supported, encouraged and facilitated to all involved. Smaller Supply Chain Partners who had little or no experience of the delivery of large scale employment programmes were particularly complimentary about the consultative style of support which encouraged and enabled them to build staff and organisational capacity. At least one supply chain partner has successfully gained ISO27001 accreditation as a result of the specialist, practical and consultative input provided by Serco. Staff working for Supply Chain Partners have benefited from a range of learning interventions delivered in a variety of ways, for example staff have received 1:1 training and mentoring, group training sessions and e-learning.

Serco has actively assisted Supply Chain Partners to access additional funding streams to part fund learning for specific groups of customers and build capacity within the supply chain. Serco has created an integrated services directory which is a 'live' directory of local and national organisations that can provide specialist support and training opportunities for customers. This is a dynamic directory which features the most up to date information available.

## **2c) Contracting and funding**

Serco describe transparent, clear and fair processes for selection and communication with Supply Chain Partners. Supply Chain Partners readily confirmed the appropriate invitations to tender with Serco for specific elements of the work programme delivery. Supply Chain Partners were selected on their ability to meet criteria. Serco initially offered funding arrangements which were negotiated with individual Supply Chain Partners to meet

respective needs in relation to flow and anticipated delivery. Serco demonstrate a flexible approach to meet the needs of Supply Chain Partners to prevent undue financial risk.

An effective electronic system (Toolkit) hosts a very comprehensive range of instructions and guidance documents which clearly defines contractual expectations and obligations of both Serco and its Supply Chain Partners.

Serco manage the administration funds in an efficient manner. Payment claims are electronically raised before passing through a series of robust validation and compliance checks before payment is generated. Supply Chain Partners report a stable system which leads to prompt and timely payments. When delays to payments have occurred, Serco provide high levels of communication to Supply Chain Partners which they greatly appreciate.

### **3 Conduct**

#### **3a) Demonstrating commercial and business integrity**

Serco actively promote clear business principles and an ethos of 'support and challenge' exists within the Supply Chain network. The diverse range of Supply Chain Partners are aligned to Serco's core principles whilst retaining their individual values. Supply chain partner staff and Serco enjoy positive, supportive and constructive interactions built on open and honest relationships. Mutual agreement is achieved by unambiguous expectations and obligations resulting in Supply Chain Partners being fully committed to the shared achievement of goals and objectives.

A series of clear strategies have managed the TUPE process very effectively. Serco paid particular attention in ensuring that Supply Chain Partners and affected staff were supported by a four stage model. Written documentation, HR and operational support was available to all Supply Chain Partners. Serco worked collaboratively with other Prime providers in the area to ensure that qualified staff were accommodated according to their respective skills and locations but not necessarily with the provider responsible for that geographic location. The approach ensured that the best people were placed in locations where longevity of service was more likely.

A wide range of policies and procedures are in place which Serco utilise to ensure Supply Chain Partners receive timely updates to using the Toolkit system, through a series of email alerts and direct links to any relevant information. Supply Chain Partner staff understanding is ensured through a comprehensive Delivery Assurance Framework. Serco offer additional training and consultative support in a proactive style to embed learning to all Supply Chain Partners, which is particularly well received by small specialist and third sector providers.

#### **3b) Quality Assurance and Compliance**

Serco use a clearly defined Delivery Assurance Framework to assess and provide assurances that Supply Chain delivery is robust and meets Serco's standards. Key Performance Indicators

measure both quantitative and qualitative elements of delivery which are monitored by an experienced quality assurance team. Quality Assurance Managers spend a high proportion of their time with Supply Chain Partners, working closely with staff to build capacity through a range of supportive activities such as training, 1:1 mentoring and applying a consultative approach to resolving issues and making improvements to processes and customers interactions or activities. A suite of resources are available and are used to measure and improve the quality of service within the supply chain.

Serco employ a dedicated Information Security Manager who assures the probity of assets and data security within the supply chain. A framework of operational controls mitigates a range of risks. Supply Chain Partners find the provision of expert support available from Serco very effective in supporting them meeting both Serco's standards and in meeting external standards.

Healthy and safe work environments are ensured and maintained by Serco through a series of premises assessments and ongoing reviews. All relevant policies and practices are in place to assure the safeguarding of vulnerable groups, all Supply Chain Partners meet Baseline Personnel Security Standard (BPSS) and where appropriate Supply Chain Partners conduct enhanced Criminal Record Bureau checks. Environmental sustainability is monitored by Serco; Supply Chain Partners have to demonstrate a commitment to this area, however specific targets for Supply Chain Partners have not yet been agreed.

Excellent practice is currently identified by Serco quality assurance managers and performance managers who share this within the Supply Chain network, however further work is planned by Serco to facilitate further excellent practice events across contract package areas and in a way which driven and sustained by the Supply Chain network itself.

### **3c) Honouring Commitments**

Supply Chain Partners confirm that contract negotiations were clear and open; they were given opportunities to work closely with Serco's Finance Managers to agree funding arrangements and make informed decisions.

Serco have a clearly documented dispute resolution process contained within the Delivery Assurance Framework. Serco have stated they would fully respect decisions made as a result of the Merlin Mediation Service.

### **3d) Performance**

Serco have very clear mechanisms for performance review. A highly structured approach encourages healthy competition between the Supply Chain Partners as does the opportunity to promote innovation and share good news stories. Comparative performance data of all Supply Chain Partners is shared across the network and less well performing partners are

encouraged to work with higher performing partners to better understand, recognise and develop effective working practices and processes.

Clear performance targets are set by Serco and understood by Supply Chain Partners. Where Supply Chain Partners are not meeting the required levels of performance Serco uses a highly consultative approach to support performance improvements. Where Supply Chain Partners are experiencing issues which are impacting on their ability to meet performance targets they are encouraged to discuss this with Serco who work with Supply Chain Partners to reach agreement on an appropriate resolution.

Serco have a dedicated and independent Management Information team who provide Serco and Supply Chain staff with a wide array of Management Information reports using the IMPACT system. Supply chain partner staff speak in very positive terms about the benefits of IMPACT and Data Warehouse; they feel that it empowers them to better manage their operational activities in addition to assessing their performance and that of other Supply Chain Partners or the network as a whole. One senior manager operating within the Supply Chain network described the IMPACT system as. "The best management information system I have seen in 20 years of working within the Welfare to Work arena, a most useful tool."

Serco have made considerable investments and developments in infrastructure and provide appropriately skilled and experienced staff to Supply Chain Partners to help build capacity and improve performance which Supply Chain Partners report as being very valuable and constructive.

### **3e) Promoting Diversity & Equality**

Serco have agreed Supply Chain Partnerships with a diverse range of providers who align to their own commitment to Diversity and Equality. Serco have a corporate strategy which outlines their approach to Diversity and Equality, they monitor Supply Chain Partners to ensure that Diversity and Equality is promoted through a series of observations, regular reviews and desk based reviews of client records which trigger diversity and equality activities.

Equal opportunities data use is underdeveloped, this has been recognised and an action plan has been developed by Serco to address this area. Mandatory collection of equality opportunities data by the Supply Chain Partners has now begun, which Serco are going to analyse and use to ensure where necessary appropriate improvements are made to service delivery and Supply Chain design.

## **4 Review**

### **4a) Supply chain review**

Use of feedback from all stakeholder groups is underdeveloped, this has been identified by Serco and an action plan has been developed, a dedicated member of staff has been

employed to address this area. Good news stories regarding the customer journey are collected at reviews and are shared across the Supply Chain network through a weekly newsletter; complaints are received and tracked through to resolution. Collection of customer feedback by the Supply Chain Partners is being conducted, but this data is not being analysed and used by Serco to develop services, identify good practice and inform improvements.

Serco have developed a reflective Self Assessment Report and are working to address the areas identified as requiring improvements through associated activities. All Supply Chain Partners contribute to the development of this report on a continuous basis through Serco's regular and robust reporting mechanisms. Serco has a communication package to market the Self Assessment Report which will be issued in June 2012.

There is a need for Serco to clearly identify and communicate the wider aims and objectives of the commissioners; they must then ensure that there is strategic alignment between the three levels. Serco must determine the commissioners extended agenda and build it in to their organisational expectations before demanding alignment from Supply Chain Partners.

Serco needs to more clearly identify, communicate and strategically align activities of the Supply Chain network to the achievement of the commissioner's wider aims and objectives.

A robust review process ensures that the Supply Chain network consists of partners who continue to be the most appropriate in meeting the needs of a range of stakeholders. Customer well-being is actively promoted, with Serco investing in a 24-hour telephone helpline for customers experiencing a range of difficulties and also in encouraging Supply Chain Partners to use a range of specialist local and national organisations whose work is promoted using the Integrated Support Services directory.