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# Novopay

*The national schools payroll that was run as a system project, not a value-delivery process*

NEW ZEALAND
GO-LIVE **AUGUST 2012**
~110,000 education staff

*Cost accounting asked what the new payroll would cost to run. EPM would have asked what it was worth to get pay right, and shown that correct pay, trusted information and user knowledge were the assets actually at stake.*

## 01 What Happened, and the Deeper Failure Beneath It

### WHAT THE INQUIRY FOUND

The replacement payroll for New Zealand's state and state-integrated schools went live in August 2012 and immediately caused serious, widespread problems. The Ministerial Inquiry concluded the disruption was **avoidable**, and that it affected schools, staff, boards and public confidence.

CAUSES IT IDENTIFIED

Weaknesses in project governance and leadership; acceptance of significant go-live risks with overconfidence they could be managed; an overly complex, heavily customised payroll environment; failure to involve school users adequately; no overall accountability for independent quality assurance; inconsistent, unduly optimistic and sometimes misleading reporting to Ministers; and insufficient preparation for the scale of service problems.

### THE DEEPER ECONOMIC-PROCESS FAILURE

Novopay was governed principally as a **replacement system project**. Through the EPM lens, the real process was: *accurately turn employment, entitlement and time information into correct, explainable pay for every school employee.*

The economic value at stake was never just the cost of running payroll. It included correct and timely pay, confidence in the service, school administrative capacity, accurate employment records, avoidance of correction and recovery work, and public trust in education-sector administration.

**That full economic structure was never made sufficiently visible in the decisions to customise, test, assure and launch the service.**

## 02 Decompose — What the Payroll Process Was Really Made Of

### Information

- employment agreements
- appointments & terminations
- work patterns, leave, allowances
- collective-agreement rules
- pay instructions
- exception & correction data
- assurance findings
- school-originated queries

### Actions

- create & change records
- interpret entitlement
- validate inputs
- calculate pay
- review exceptions
- authorise payment
- investigate & correct errors
- recover overpayments
- escalate systemic issues

### Systems

- payroll calculation engine
- employee & school records
- data interfaces
- exception reporting
- service management
- assurance & test environments

### People

- school administrators
- principals & authorised users
- payroll specialists
- Ministry personnel
- vendor personnel
- assurance providers
- governance & decision roles
- employees receiving pay

**What this exposes:** the success of payroll depended on far more than the calculation engine. It depended on the quality and interpretation of information, school-level actions, specialist judgement, exception management and assurance escalation, none of which a "system replacement" framing put at the centre.

## 03 Attribute — Where the Economic Value Actually Sat

| PROCESS COMPONENT | ECONOMIC VALUE EPM WOULD ATTRIBUTE |
|---|---|
| Correct employee & entitlement information | **High information value** and **high risk-mitigation value**: the foundation everything downstream depends on. |
| School-user knowledge | **High judgement value**: users understood the real employment scenarios the system had to handle. |
| Independent assurance | **Potentially high risk-reduction value**: the mechanism most able to challenge an unsafe launch. |
| Customisation | Necessary service value, **but also cost, complexity, lock-in and reduced option value**. |
| Manual corrections | Necessary corrective value, but **severe cost and friction** if relied on at scale. |
| Go-live reporting | **High decision value only if complete, timely and unbiased**, otherwise actively misleading. |

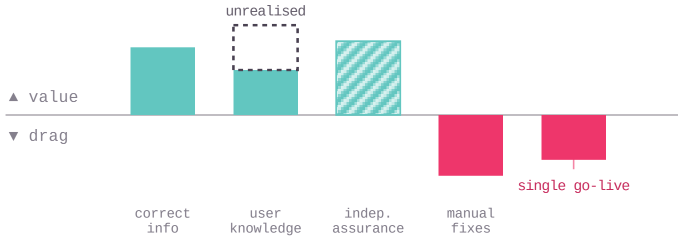
**Why this matters:** once scored this way, user involvement and independent assurance stop looking like overhead to be compressed under deadline pressure. Their contribution to risk avoidance and service continuity becomes part of the economic case for the launch decision itself.

# From value profile to *the decisions it would have changed*

## 04 Diagnose — The Patterns EPM Would Have Surfaced

THE ECONOMIC VALUE PROFILE OF THE PAYROLL PROCESS

ILLUSTRATIVE · RELATIVE VALUE, NOT DOLLAR FIGURES




Scored across the value lenses, the process shows where value concentrated and where it leaked. The profile is a **ledger, not a flowchart**: it makes the economic weight of each component visible *before* the launch decision, so the patterns below can no longer hide inside a green project status report.

**MISALIGNED COMPONENT**

**School staff** expected to absorb defects and complexity that the designed service should have resolved.

**VALUE DRAG**

Large potential volumes of **manual exception handling and correction**.

**RISK CONCENTRATION**

A **single go-live decision** exposing the entire national payroll operation at once.

**INFORMATION FAILURE**

Warning and assurance information **not producing an appropriately cautious decision**.

**OPTION FORECLOSURE**

Extensive customisation and national rollout **reducing the ability to change course** incrementally.

**UNREALISED VALUE**

**School-user knowledge** not captured adequately in requirements, scenario design and acceptance.

## 05 Redesign — The Decisions That Visibility Would Have Enabled

### RESEQUENCE

Move school-user validation, exception analysis and independent assurance **before** final configuration and the national go-live decision.

### AMPLIFY

Give payroll specialists, school administrators, adverse test findings and defect trends real weight in the go / no-go decision.

### SUBSTITUTE

Replace optimistic narrative reporting with evidence-based readiness reporting, and broad sign-off with scenario-based acceptance.

### ELIMINATE

Remove the ability to approve go-live without accountable assurance, acceptable exception volumes and proven support capacity.

## 06 What's In It For the Executive

**IF YOU'RE THE CEO**

*"Every go-live was justified by hitting the date. EPM asks the harder question: launched to produce what, exactly, and is that worth the exposure we're accepting to hit the date?"*

**IF YOU'RE THE CFO**

*"Costing told us what the payroll would cost to run. It could not tell us that correct pay, user knowledge and assurance were the assets at risk. EPM puts that on the balance sheet before we commit."*

**THE CREDIBLE ALTERNATIVE OUTCOME**

Not a guarantee that Novopay launches successfully on the same date. Rather, that the **scope, timing or rollout method would probably have changed**, because the exposure of incorrect pay, exception volume, school effort and lost public confidence would visibly have outweighed the value of hitting the launch date. Delayed go-live, phased or parallel operation, reduced customisation, stronger user acceptance, explicit go/no-go thresholds and retained rollback options all become defensible decisions.

*EPM retrospective interpretation. The Ministerial Inquiry findings are drawn from official sources; the EPM value profile, attribution, diagnoses and alternative decisions above are an analytical interpretation applied after the fact, not findings of the Inquiry. EPM does not guarantee success. It changes the decisions made about a process before technology, people, data, contracts and deadlines are committed. Primary sources: NZ Ministerial Inquiry into Novopay (2013).*