

# Release of the case study as of Operational Workflow and Cost Analysis

Public Service Reform (Market Testing) Division  
Ministry of Internal Affairs and Communications  
Japan

Only the original Japanese document is officially effective. Therefore, this English document is unofficial translations. This translations are to be used solely as reference material to aid in the understanding of Japanese regulation and practice.

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## Table of contents

1. Introduction	1
A) Purpose of releasing the case study	1
B) Features and the procedures for the analysis	1
C) Breakdown factors of operational payroll costs	3
D) Approaches to conduct the analysis in promoting outsourcing	5
2. Prospects of utilizing analysis	6
A) Analysis to be utilized for obtaining forecasts	6
B) Further development of the analysis	7
C) Further consider public service quality	8
3. Release of the case study	9
A) Submission for the case study	9
B) Classification for effects of the analysis	10
C) Overview of the analysis	10
■ Case study of Outsourcing	11
■ Case study of Proper human resources	13
■ Case study of Centralization	14
■ Case study of Standardization	15
■ Case study of Discontinuing / Reduction	16
■ Case study of Simplification	17

## 1. Introduction

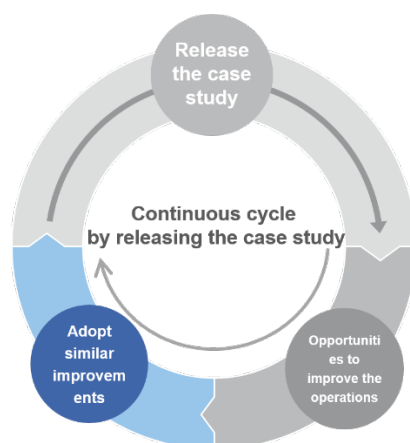
### A) Purpose of releasing the case study

Public Service Reform (Market Testing) Division<sup>1</sup> of Ministry of Internal Affairs and Communications created 「Standard for Operational Workflow and Cost Analysis」 (“the Standard”) in April 2012 and let Japanese Ministries improve or outsource their operations voluntarily by using the Standard.

There should be best practice to conduct the analysis for these Japanese Ministries while referring to these case studies because these case studies must elicit their motivations to improve or outsource their operations (Please refer to 「3. Release of the case study」 at this document) .

Therefore, its Division understands that it can give these Japanese Ministries some opportunities and chances to improve or outsource their operations voluntarily by releasing these case studies, and these Japanese Ministries will adopt these similar operational improvements to their own operations voluntarily.

In addition, this document includes some tips and knowledge for how to further utilize the analysis.



### B) Features and the procedures for the analysis

Features and advantages on the Standard are as follows:

- Japanese Ministries can visualize their whole operations comprehensively while considering the relationships among each process by identifying each process.
- Japanese Ministries can identify the bottleneck (main cause to sacrifice public service quality) of their operations while calculating their operational costs based on operating hours (volume of work) for both the whole operation and each process.

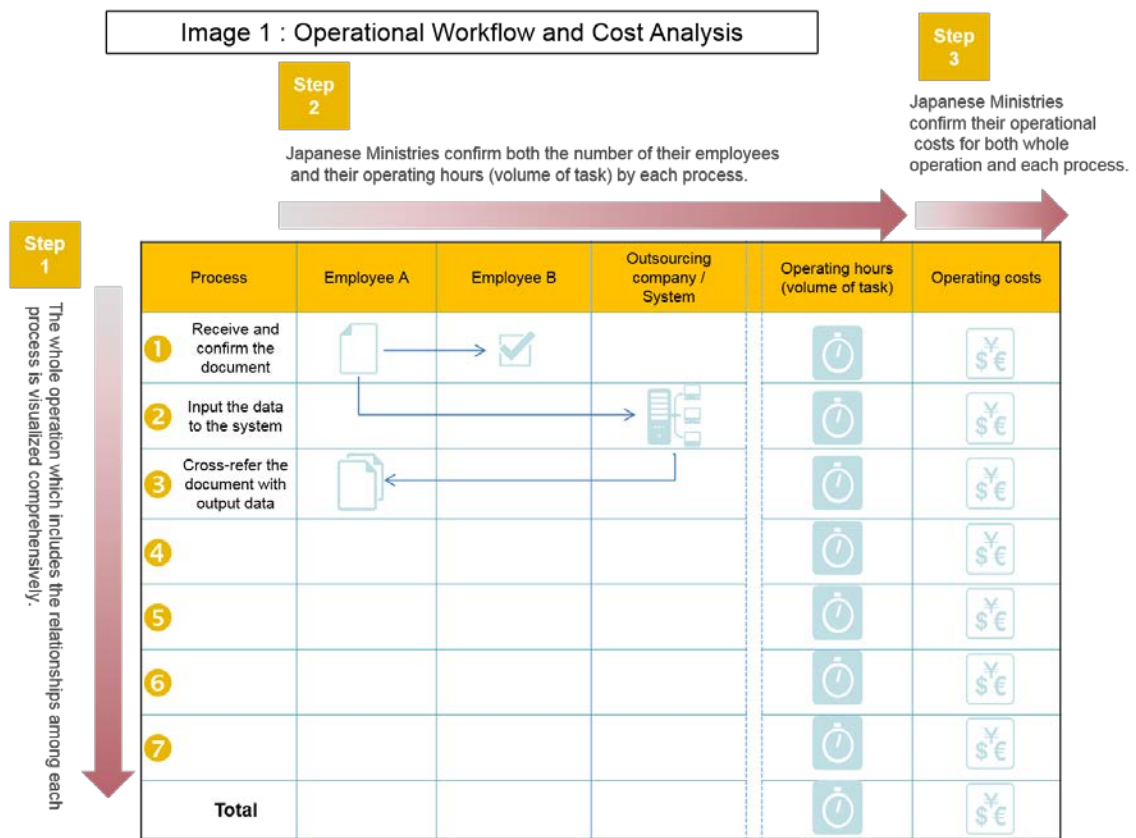
In general, the analysis will be conducted in accordance with the following steps (Please refer to 「Image 1 : Operational Workflow and Cost Analysis」 below) .

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<sup>1</sup> Public Service Reform Division had been organized in Cabinet Office until the 31th of March in 2016.

## Procedures for the analysis

<b>Step 1</b>	The whole operation which <u>includes the relationships among each process</u> is <u>visualized comprehensively</u> .
<b>Step 2</b>	Japanese Ministries <u>confirm both the number of their employees and their operating hours (volume of task)</u> by each process.
<b>Step 3</b>	Japanese Ministries <u>confirm their operational costs</u> for both whole operation and each process.

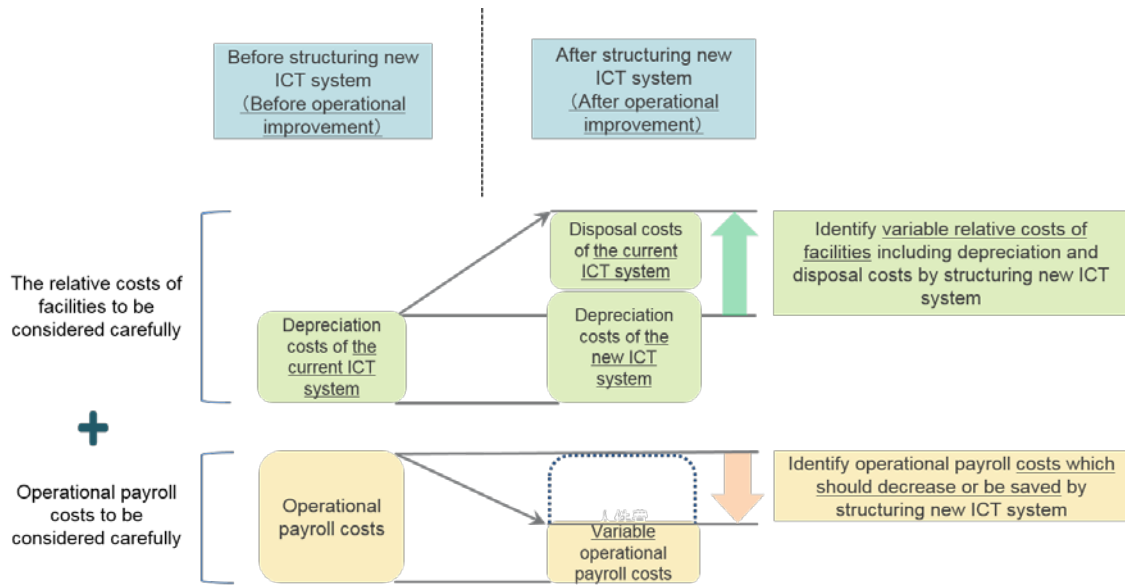


An operation will be divided into several processes at the start of the analysis. Then, the process where improvements are likely to be necessary will be identified. When improvements are conducted to the process while identifying the main cause of the bottleneck, the impact (variable volume of work) of the improved process will be observed by Japanese Ministries.

In addition, operating costs include depreciation cost and rental fee as the relative costs of facilities. Japanese Ministries need to identify variable costs based on their operational improvements accurately while especially focusing on new-caused facility's costs and present facility's costs.

For instance, cost efficiency based on structuring new ICT system should be judged while considering two factors below.

- Operational payroll costs which should decrease or be saved by structuring new ICT system
- Variable relative costs of facilities including depreciation and disposal costs by structuring new ICT system

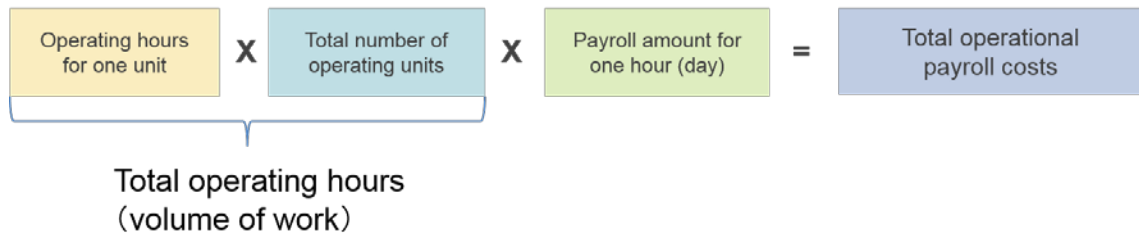


### C) Breakdown factors of operational payroll costs

The total operational payroll costs must be clarified as following factors based on the analysis. Please refer to 「Image 2 : Breakdown factors of operational payroll costs (whole operational or each process cost)」 below.

- Operating hours for one unit
- Total number of operating units
- Payroll amount for one hour (day)

Image 2 : Breakdown factors of operational payroll costs  
(whole operational or each process cost)



Japanese Ministries are likely to reduce their operating hours for one unit (for whole operation or a particular process) based on the needed operational improvements which include the outsourcing.

Japanese Ministries can accurately estimate the total number of needed operating units in the future based on their actual total number of operating units in the past (e.g. operational unit as general affairs, the number of participants and training unit in public service). Then, these Japanese Ministries can take the necessary measures to decentralize operating units for specific periods. Total number of operating units must be allotted equally to address the demands and needs of public service users in every period without sacrificing the public services quality.

Japanese Ministries can utilize some non-regular employees while considering the difficulty level of the operation. Then, these Japanese Ministries can reduce their payroll amount for one hour (day) at whole operation or a particular process by their better job assignments with proper human resources.

Japanese Ministries, therefore, can identify some issues and consider some resolutions at each breakdown factor of their operational payroll costs based on the analysis.

#### D) Approaches to conduct the analysis in promoting outsourcing

There are following approaches to use the Standard in promoting outsourcing for their own operations and processes which are operated by Japanese Ministries.

Approaches to conduct the analysis in promoting outsourcing	Japanese Ministries • <u>Specify</u> their operations or processes which will be outsourced to private company. • <u>Streamline</u> their operations or processes before outsourcing. • <u>Obtain the evidence and baseline to estimate their outsourcing costs.</u>
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「The Standard as of Disclosure for Operational Situation for the previous years in bidding documents」<sup>2</sup> (approved by the Committee for Market Testing) will be used in documenting below following parts.

- Japanese Ministries calculate total operational payroll costs which should be documented at 「Operational costs to be spent for the previous years」.
- Japanese Ministries document information on employee numbers and payroll costs at each process of the flowchart.
- Japanese Ministries document job assignments between private company and them at each process.

When Japanese Ministries outsource their operations to private companies, they can keep the accurate budget for the outsourcing. This is because these Japanese Ministries can confirm total operating hours (the volume of work) and total operational payroll costs for their own operations and processes which are operated by these Japanese Ministries. Total operating hours and total operational payroll costs must be the evidence and baseline to estimate outsourcing costs.

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<sup>2</sup> This standard can be found in below website.

「The Standard for bidding」 Public Service Reform Division of Ministry of Internal Affairs and Communications.

## 2. Prospects of utilizing analysis

### A) Analysis to be utilized for obtaining forecasts

The main purpose of Operational Workflow and Cost Analysis is to analyze total operating hours (the volume of work) and total operational payroll costs from past to current situations.

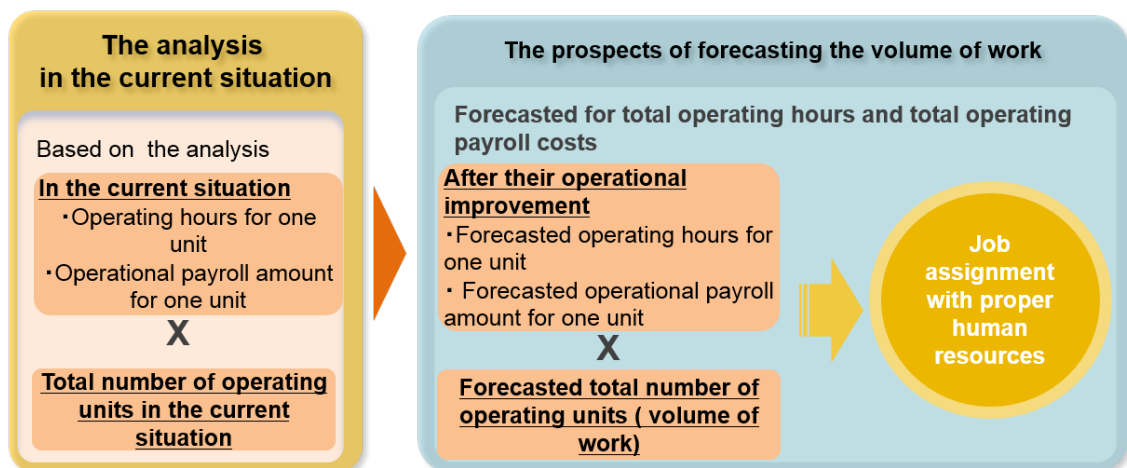
The Operational Workflow and Cost Analysis has the prospects to forecast the volume of work in Japanese Ministries. Therefore, the analysis can be utilized as a management tool.

For instance, Japanese Ministries can confirm operating hours for one unit and operational payroll costs for one unit in the current situation by conducting the analysis. These Japanese Ministries can forecast both operating hours and operational payroll costs for one unit after their operational improvement. This is the basis for an accurate forecasting operating units (the volume of work) necessary to deal with within the budget.

The Operational Workflow and Cost Analysis has the prospects for Japanese Ministries to accomplish the better job assignment with proper human resources while obtaining additional human resources and transferring some employees.

(Please refer to 「Image 3: Prospects of utilizing Operating Workflow and Cost Analysis as a management tool」 below).

Image 3 : Prospects of utilizing Operating Workflow and Cost Analysis as a management tool



Below case studies at this document are sample cases to indicate the forecasts of total operating costs or total operating hours.

- Case studies of 【Continue the outsourcing】 and 【Determine the outsourcing】 at the page 11
- Case study of 【Response to concerns】 at the page 13
- Case study of 【Utilize ICT system of outsourcee】 at the page 15



In addition, Public Service Reform Division hopes that Japanese Ministries will utilize and refer to the Standard when they have new operations and operate some transferred operations. This is because Japanese Ministries can forecast their volume of work (necessary human resources) and construct their individualized operating workflow by utilizing the Standard.

B) Further development of the analysis

Japanese Ministries can visualize their whole operations comprehensively while considering the relationships among each process.

Some case studies among 「3. Release of the case study」 at this document indicate as follows:

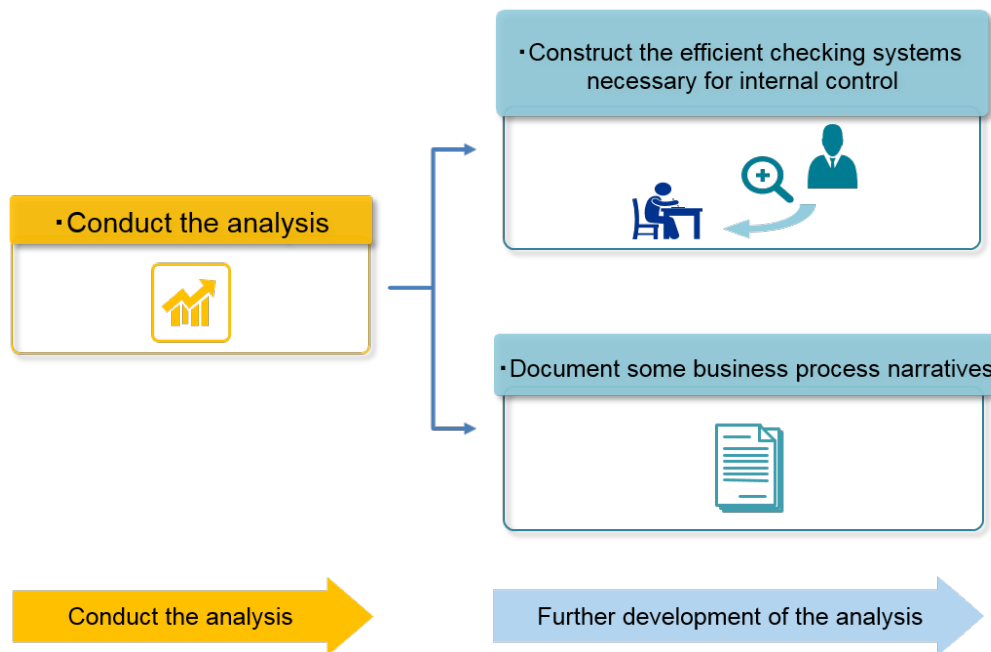
■ Japanese Ministries can construct the efficient checking systems necessary for internal control.

■ Japanese Ministries can document some business process narratives which will be available when an employee transfers to another division.

Case study below is a sample case for utilizing the Standard to construct necessary internal control.

• Case study of Amami Guntou Shinkou Kaihatsu Kikin

Public Service Reform Division also hopes that Japanese Ministries will utilize the Standard while considering these approaches.



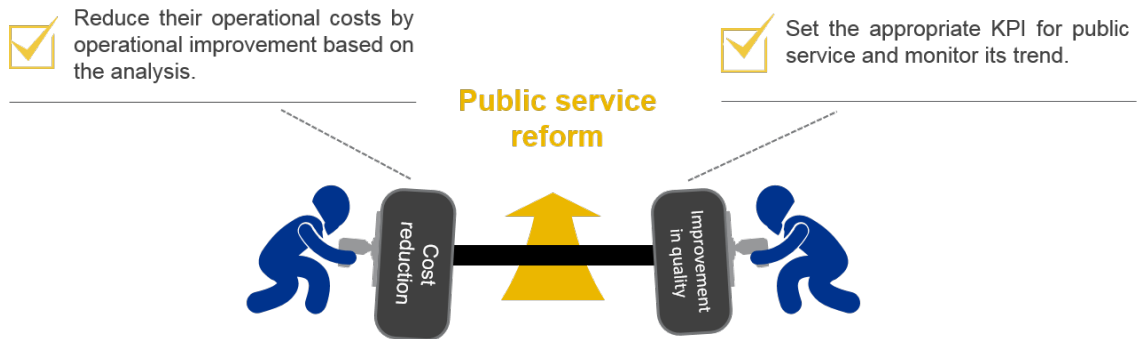
C) Further consider public service quality

Japanese Ministries need to improve the public service quality while reducing their operational costs.

Japanese Ministries with this perspective can increase further valuable operations for their public service users while reducing some ineffective or inefficient work by their operational improvements based on the analysis. As a result, these Japanese Ministries can improve the public service quality.

In addition, some Japanese Ministries, for instance, are likely to set their political target while considering operating hours for one unit or operating payroll amount for one unit based on the analysis.

Japanese Ministries, therefore, also need to consider and conduct both setting the appropriate KPI (Key Performance Indicator) for public service quality and monitoring its trend.



### 3. Release of the case study

#### A) Submission for the case study

Public Service Reform Division requested all Independent Administrative Agencies (“IAA”) to submit each report of their case studies as “The result of their voluntary operational improvements”.

This is because its Division obtained an approval of Committee for Market Testing (“the Committee”) on the 24th of September in 2015 to let IAA submit each report and its Division created the Standard.

As a result, 40 IAAs submitted each report of each case study ( Please refer to 「Table 1 : The numbers of the submissions from Independent Administrative Agencies」 below ).

Each IAA needs to conduct their operational improvements voluntarily by using the Standard or similar methodology based on “Basic policy of Independent Administrative Agencies reform” (the decision of the Cabinet Council<sup>3</sup> on the 24th of December in 2013).

【 Table 1 : The numbers of the submissions from Independent Administrative Agencies】

Controlled by	The numbers of IAAs which submitted	The numbers of IAAs which are not necessary to submit (※1)	The numbers of other IAAs(※2)	Total numbers of IAAs
Cabinet Office	2 agencies	0	0	2 agencies
Consumer Affairs Agency	1 agency	0	0	1 agency
Ministry of Internal Affairs and Communications	2 agencies	1 agency	0	3 agencies
Ministry of Foreign Affairs of Japan	0	1 agency	1 agency	2 agencies
Ministry of Finance Japan	1 agency	1 agency	1 agency	3 agencies
Ministry of Education, Culture, Sports, Science and Technology	0	4 agencies	19 agencies	23 agencies
Ministry of Health, Labour and Welfare	8 agencies	5 agencies	6 agencies	19 agencies
Ministry of Agriculture, Forestry and Fisheries	13 agencies	0	0	13 agencies
Ministry of Economy, Trade and Industry	1 agency	3 agencies	6 agencies	10 agencies
Ministry of Land, Infrastructure, Transport and Tourism	10 agencies	5 agencies	4 agencies	19 agencies
Ministry of the Environment	2 agencies	0	0	2 agencies
Ministry of Defense	0	1 agency	0	1 agency
<b>Total</b>	<b>40 agencies</b>	<b>21 agencies</b>	<b>37 agencies</b>	<b>98 agencies</b>

※1 Two types of IAA are included as follows:

- These IAAs conducted the analysis by obtaining the approval of the Committee.
- These IAAs negotiated with Public Service Reform Division in terms of whether it was necessary or not for these IAAs to conduct the analysis.

※2 These IAAs were not applicable for conducting the analysis. Two types of IAA may be included as follows:

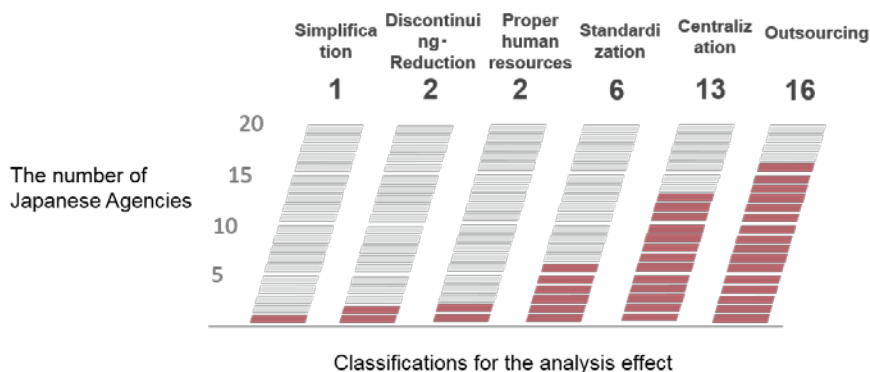
- These IAAs conducted their operational improvements by using other similar methodology.
- Operational improvements are in progress at these IAAs.

<sup>3</sup> It was the decision of Cabinet Council that “Each IAA needs to conduct the analysis of their operational workflow and costs by using the Standard (which was revised by the Committee for Market Testing on the 1th of August in 2013) and similar methodology to review their operations and their processes. As a result of the analysis, each IAA also needs to conduct their operational improvements which include the outsourcing voluntarily.”

## B) Classification for effects of the analysis

Public Service Reform Division categorized the submitted case studies in accordance with the “Effects of the analysis” at the Standard as follows:

### 【Classification for the effects of the analysis among submitted sample cases】



(Note: Below descriptions are included at the Standard.)

- Perspective of Simplification is whether the simplified process affects the quality of public service or not.
- Perspective of Discontinuing-Reduction is whether the discontinued or reduced processes affect the quality of public service or not.
- Perspective of Proper human resources is whether the proper human resources in the public service is assigned or not.
- Perspective of Standardization is whether the operation becomes efficient or not by structuring new ICT system or other standardized process.
- Perspective of Centralization is whether the operation becomes efficient or not by centralized process.
- Perspective of Outsourcing is whether the operation becomes efficient or not by outsourced process.

Its Division classified one case study to one main effect category while considering the main effect even if there were above two categorized effects for one case study. These analyses may include the effects of Market Testing which its Division deals with.

## C) Overview of the analysis

Public Service Reform Division shows some case studies below in accordance with the above B) classification.

All submitted case studies can be found in the website<sup>4</sup> of its Division.

<sup>4</sup> All case studies can be found in the below website.

「The public documents, The results of Operational Workflow and Cost Analysis」 Public Service Reform Division of Ministry of Internal Affairs and Communications.

■ Case study of Outsourcing



**【Continue the outsourcing】**

- FAMIC had already outsourced the operation to create standardized agricultural chemicals. A simulation was done by FAMIC to measure the operational costs if FAMIC conducts the operation. FAMIC then reached the conclusion that outsourcing was further cost efficient after the simulation and decided to keep the current agreement of the outsourcing with the private company. (FAMIC: Food and Agricultural Materials Inspection Center)

**【Determine the outsourcing】**

- NRIB needed to decide either it should operate a part of new research or outsource the research. A simulation was done by NRIB to confirm which operators were further efficient. As a result, NRIB could confirm it would spend much time to obtain some technologies and some expensive machineries would be necessary if NRIB would conduct the research. NRIB decided to outsource the research while obtaining the quote of outsourcing expense and considering effect of the operation. (Please refer to 「Image 4: The case study of cost simulation」 below). (NRIB: National Research Institute of Brewing)

Image 4 : The case study of cost simulation

A simulation for the operation by NRIB					A simulation for the outsourcing				
Process	Employee	Outsourcing company	Relative costs of facilities	Simulation for the operation by NRIB	Process	Employee	Outsourcing company	Relative costs of facilities	Simulation for the outsourcing
New research operation	Payroll costs (※1)	-	Depreciation costs of expensive machineries		New research operation	-	Estimated outsourcing expenses	-	(If the operation is small) 

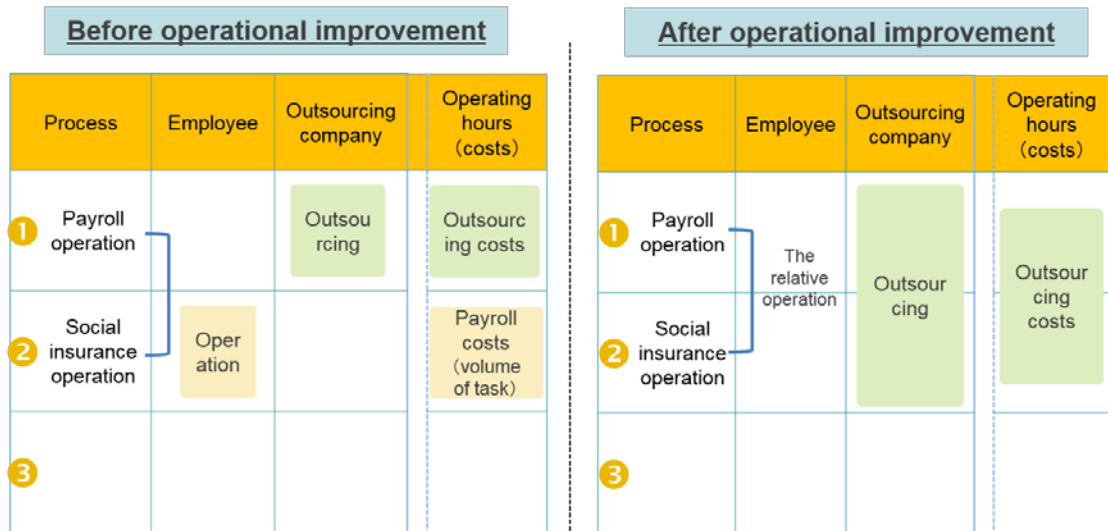
※1 Concerns on increasing volume of work to obtain technologies

NRIB judged cost efficiency while comparing a simulation for the operation by NRIB with a simulation for the outsourcing.

**【Re-consider the outsourcing range】**

- GPIF had already outsourced part of the payroll operation. GPIF decided on outsourcing the relative operation of social insurance to expand the range of outsource which made the work schedule further efficient for the regular personnel rotation. (Please refer to 「Image 5: The case study of re-considering the outsourcing range」 below). (GPIF: Government Pension Investment Fund)

Image 5: The case study of re-considering the outsourcing range



- GPIF conducted the analysis to re-consider its outsourcing range.
- GPIF outsourced the additional operation while considering the relative process.

■ Case study of Proper human resources

**【Proper assignment considering the importance】**

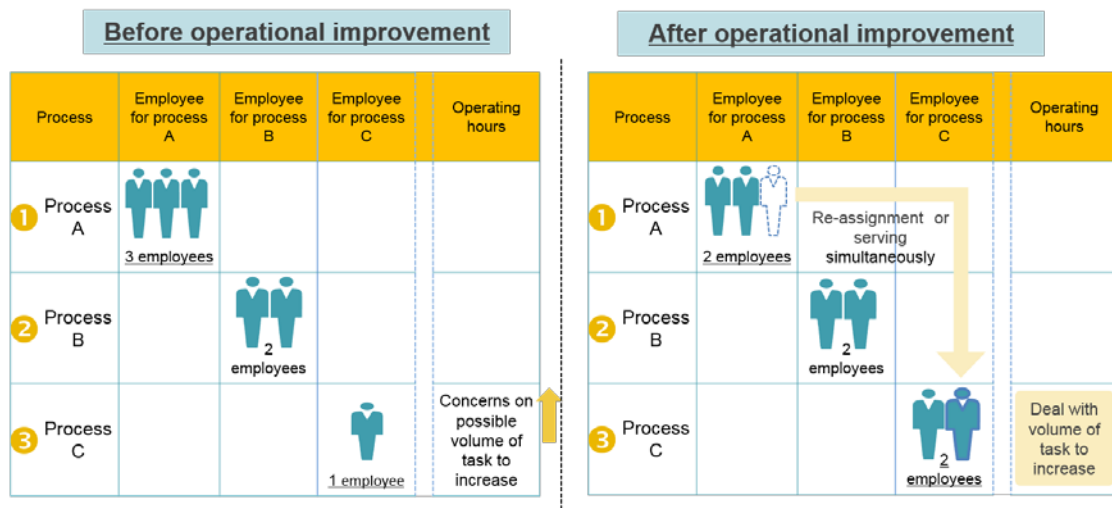
- AGSKK could confirm the following points by conducting the analysis.
  - AGSKK could confirm that it lacked its manpower at some operations.
  - AGSKK could confirm some possible operations to be dealt with by some non-regular employees.

Based on the analysis, AGSKK could assign its proper human resources while considering the importance of the operations. In addition, AGSKK could assign some necessary non-regular employees instead of assigning some regular employees. (AGSKK: Amami Guntou Shinkou Kaihatsu Kikin)

**【Response to concerns】**

- OEIIA had its concerns on lacking some technical staffs who could deal with possible increasing task of constructions by conducting the analysis. OEIIA could respond to the situations by the following measures:
  - OEIIA could re-assign some necessary technical staffs to the necessary operation without additional human resources.
  - OEIIA could let some employees serve several operations simultaneously. (Please refer to 「Image 6: The case study of re-assignment」 below). (OEIIA: Organization for Environment Improvement around International Airport)

Image 6: The case study of re-assignment



- OEIIA specified a particular operation where it will lack its human resources in the future by the analysis.
- OEIIA dealt with volume of task to increase by re-assigning or serving simultaneously without additional human resources.

■Case study of Centralization

**【Centralize information】**

- Each research division of NCGG ordered necessary goods by each location separately. NCGG structured a new ICT system for ordering the goods in small amount for further efficiency in the operation. Then, its general affairs division exclusively centralized and approved these order information. (NCGG: National Center for Geriatrics and Gerontology)

As a result, NCGG could accomplish the following:

- take some necessary measures to avoid fraudulent activities
- less labor in each research division during order operations
- avoid particular vendors from monopolizing its operations
- analyze the order trend

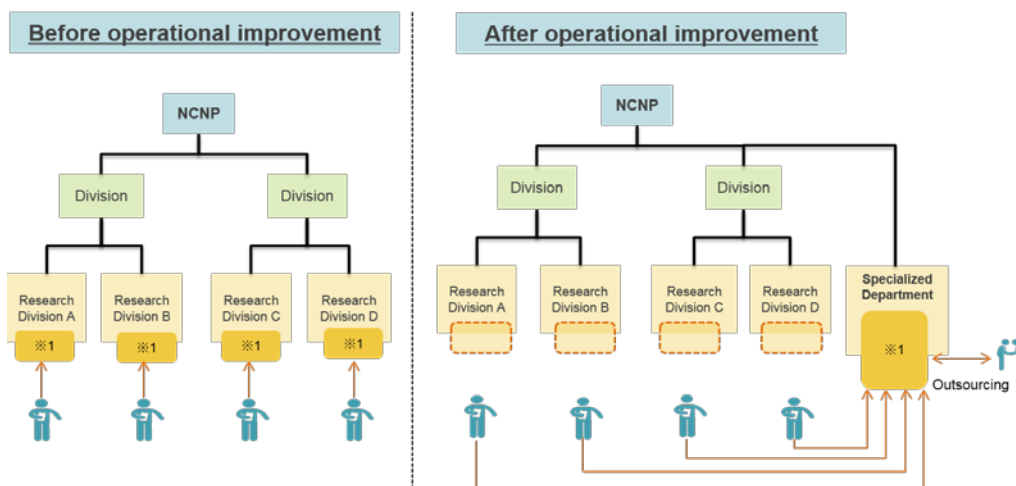
**【Structure a specialized department】**

- Each employee of NCNP had to apply for business trip and settle their business travel expenses in their own division. NCNP centralized the operation in a specialized department and outsourced a part of the operation to make it further efficient.

As a result, NCNP could reduce its relative expenses which included its business travel expenses.

(Please refer to 「Image 7: The case study of centralizing responsible division」 below).  
(NCNP: National Center of Neurology and Psychiatry) <sup>5</sup>

Image 7 : The case study of centralizing operation.



※1 The applications for business trip and the settlements of business travel expenses

- Each employee of NCNP had to apply for business trip and settle their business travel expenses in their own division. NCNP centralized the operation in a specialized department.
- In addition, NCNP outsourced a part of the operation.

<sup>5</sup> Please refer to an official report ( 「The efficiency and centralization of administrative affairs for the business travel in National University」) which was created by KPMG AZSA LLC in Public Service Reform Division.



■Case study of Standardization

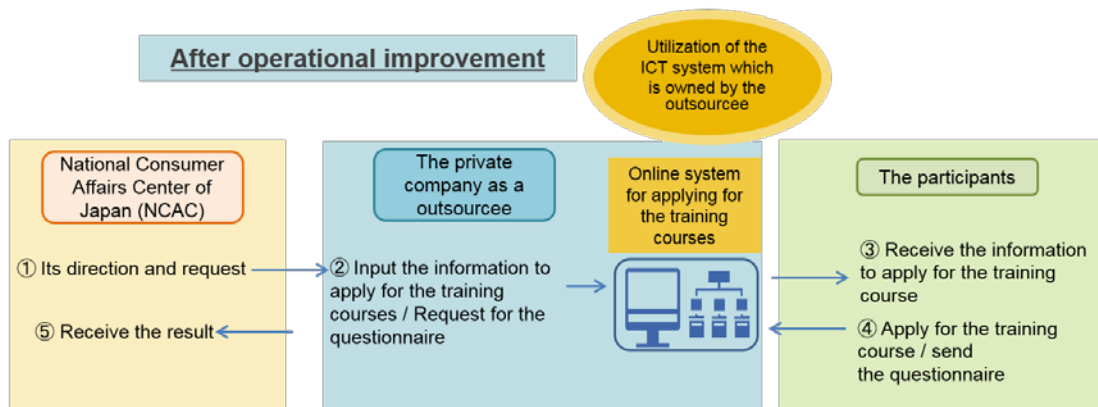
**【Structure ICT system】**

- NASVA structured a new ICT system of the loan business while considering the convenience of borrowers. Then, the borrowers could repay a part of their borrowings in convenience stores further smoothly. Some relative employees of NASVA could be re-assigned to the other proper operations. (NASVA: National Agency for Automotive Safety & Victim’s Aid)

**【Utilize ICT system of outsourcee】**

- The participants of training course had applied for all training courses by either mail or facsimile. However, NCAC outsourced a part of its training operation to improve the convenience of the participants. Then, the participants could apply for the training courses on the Internet system of the private company (outsourcee) further smoothly. NCAC could reduce its operational costs and could improve the convenience of the participants.  
(Please refer to 「Image 8: The case study of Standardization of the training business」 below). (NCAC: National Consumer Affairs Center of Japan)

Image 8: The case study of utilizing ICT system of outsourcee



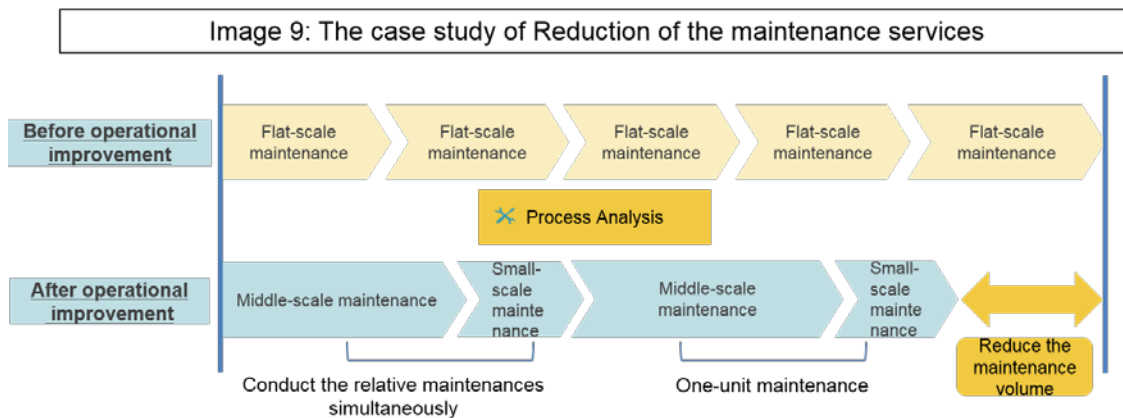
- NCAC could identify that a operation to receive the application for training course had been a bottleneck of their operations on the analysis.
- NCAC had a concern on the possible volume of work and costs to increase by 1.5 times because it would like to increase its training courses.
- NCAC could let the participants apply for its training course on the Internet. This was because it could utilize ICT system of the outsourcee.

■ Case study of Discontinuing / Reduction

**【Reduction of maintenance services】**

- CAC analyzed the maintenance type of fixed assets. The middle-scale and the small-scale maintenance services could be done simultaneously as these simultaneous maintenance could be consider as one unit.

As a result, CAC could reduce its whole volume of maintenance services. (Please refer to 「Image 9: The case study of Reduction of the maintenance services」 below). (CAC: Civil Aviation College)



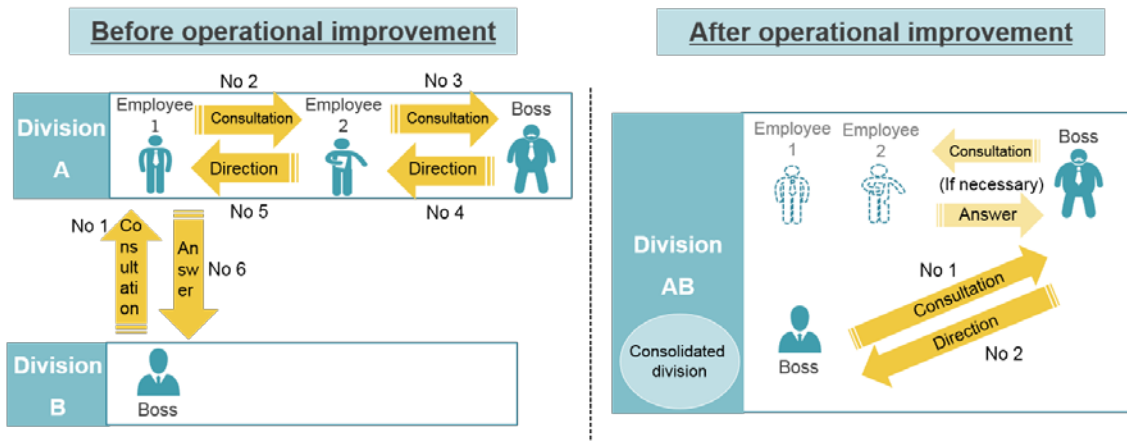
- CAC analyzed the maintenance volume while comparing with same type fixed assets.
- It accomplished further efficient maintenance by conducting the relative maintenances simultaneously compared with the repeated same type maintenance.
- This was because these simultaneous maintenance could be consider as one unit.
- CAC trial-calculated the cost impact of reduction while using both the reduced maintenance volume and the amount for one-unit maintenance.

■ Case study of Simplification

**【Simplify the consultation process for liaisons】**

- FFPRI consolidated the divisions to simplify the consultation process for liaisons. As a result, FFPRI could make prompt decisions to start its research. (Please refer to 「Image 10: The case study of simplifying the consultation process for liaisons」 below). (FFPRI: Forestry and Forest Products Research Institute)

Image 10: The case study of simplifying the consultation process for liaisons



- FFPRI had had the complicated consultation process for liaisons between the different divisions to make decisions.
- FFPRI simplified the process for liaisons simultaneously when it consolidated the divisions.