

Business Case Forum

May 2010

Agency IT Budget Development & the Business Case

Enterprise Information Strategy & Policy Division

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IT Projects: Idea to Funded Project

- ❑ **Budget & Management (BAM)**

Overview – ARB, GRB, LAB, etc.

- ❑ **Enterprise Information Strategy and Policy Division (EISPD)**

Overview – ARB, GRB, LAB, etc.

- ❑ **Legislative Fiscal Office (LFO)**

Overview – ARB, GRB, LAB, etc.

BAM - IT Projects: Idea to Completed System

Budget & Management (BAM)

Overview – ARB, GRB, LAB, etc.

Agency Request Budget

Agencies preparing now for Aug 1/Sept 1

BAM reads every word

Questions

Analysis – leading to Analyst Recommended Budget

Analyst Recommended Budget

October, November

Agency Appeal – more questions

BAM - IT Projects: Idea to Completed System

BAM (Continued)

Governor's Recommended Budget

Transition year – Feb 2011 technical due date

Governor's budget completed and ready for printer Dec 24

**Publish/Deliver to Legislature – early
January 2011**

IT Projects: Idea to Funded Project (EISPD)

When is Business Case Required?

- During the budget cycle all major IT projects where the project budget is \$1 million or greater.

What does my agency need to submit?

- A Policy Option Package
- A business case
- A 107BF14 (all IT expenditures, regardless of fund type of \$150k and greater)

What does my agency need to do once we have funding at the end of session to start the project?

- Update and submit the business case and an Information Resource Request form to DAS/EISPD
- Note that there may be additional requirements for independent quality assurance and quality reviews

IT Projects: Idea to Funded Project

❑ Requirements (SDC Customer Agencies)

State Data Center (SDC) customer agencies must request SDC involvement in the planning and budget development for Information Technology projects.

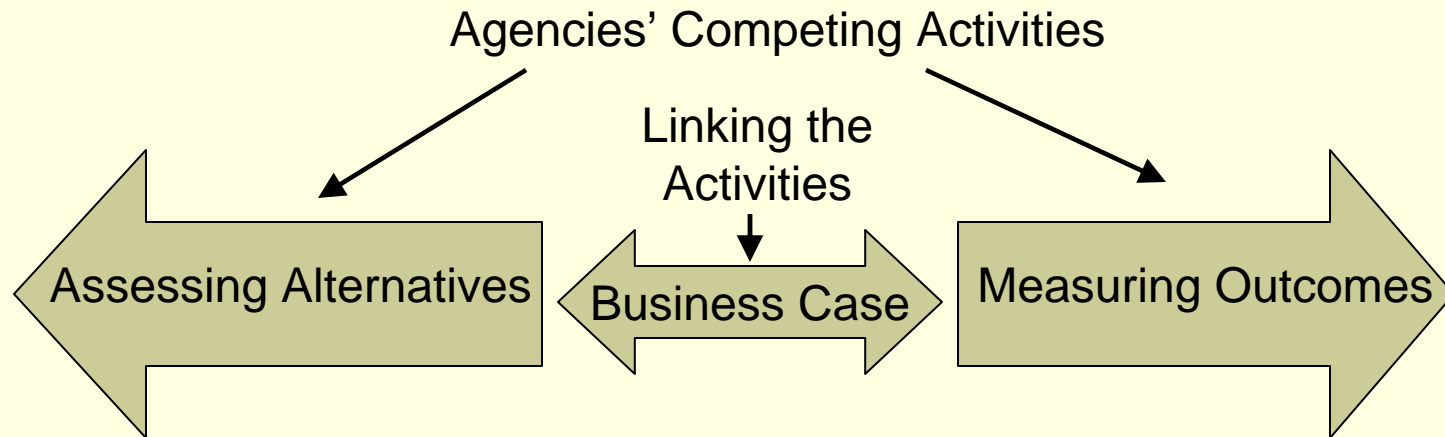
- 4/30/10: Consumer and Business Services, Employment, Housing and Community Services, and Veterans Affairs .
- 4/30/10: Transportation and Human Services.
- 5/31/10: Administrative Services, Corrections, Forestry, Revenue, and State Police. SDC response back to agency by 7/15/08.

Process designed to:

- Improve quality of SDC customer agency IT project planning
- Increase accuracy of SDC-related cost estimates
- Ensure SDC infrastructure capacity, budget and resources will be sufficient to meet agency needs in 09-11 and beyond

- ❑ For more information, contact SDC.Quotes@das.state.or.us at 503-378-6758

EISPD: The Business Case Bridges Gap Between Idea & Completed System



Assessing Alternatives means:
*Translating program goals, &/or
strategic direction into budgeting
needs & balancing supply & demand
for funds.*

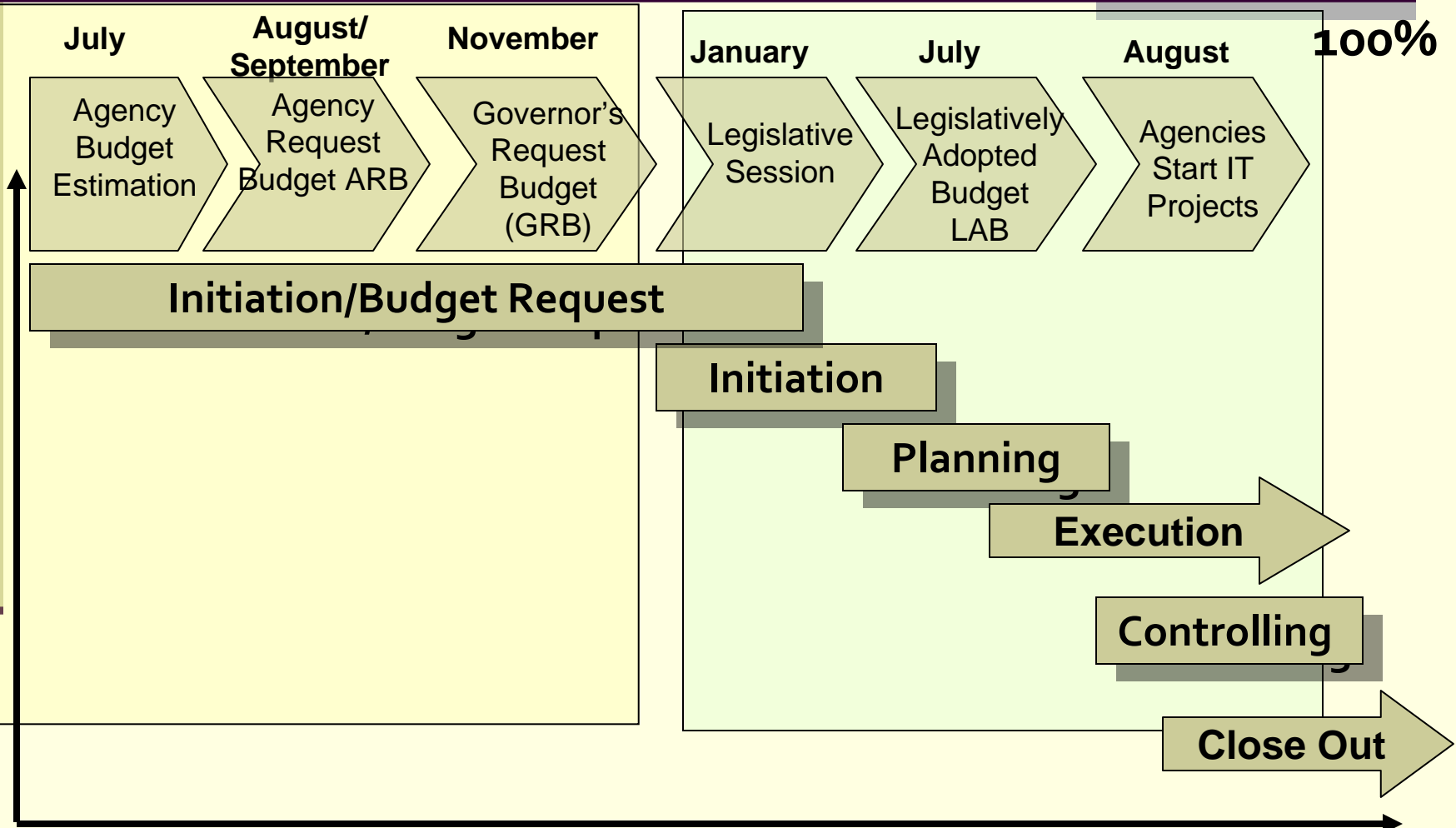
Measuring outcomes means:
*Accountability for citizen centric
services*

IT Projects: Idea to Funded Project

Knowledge and Certainty

Even Numbered Year

Odd Numbered Year



Time

IT Projects: Idea to Funded Project (LFO)

❑ **Legislative Fiscal Office (LFO)**

Overview – ARB, GRB, LAB, Sessions, Judicial/Legislative & Federally Funded Projects (IT and non-IT)

- ARB – Agency Gate 1, 2, & 3 Process – a few business cases.
- GRB – some, but primarily only on large IT projects.
- LAB – primarily on major IT, redirected, & problem projects.
- Legislative Bills – bills with projects with no foundational work.
- Multiple Across Agency Projects – CNIC, OWIN, etc.
- Judicial & Legislative Projects – during GRB and LAB.
- Federally Funding Projects – not until there's a problem.

* Rules and processes are not always the same for executive, judicial, and legislative projects – nor for non-GF projects.

** Business cases and the actual projects are not the same.

Business Case Basics: Agency Processes

□ DHS, OED & ODOT

- – How DHS, OED and ODOT vet major IT projects internally prior to budget submission.

Business Case Basics: DHS Process

- Policy established in 2006
- DHS Finance and IT collaborate on establishing business case forms and processes
- Defined roles and responsibilities for development, review and approval

Business Case Basics: DHS Process

■ Process

- Business case developed by business owner in collaboration with IT and Budget/Finance
- Reviewed by the divisional and enterprise governance groups and the DHS Cabinet
- Approval authority for funding is based on the funding source and impact on other divisions

Business Case Basics: DHS Process

- Planning templates/documents
 - DAS business case template
 - DHS business case templates
 - Opportunity/need evaluation
 - Advanced Planning Document (APD) required by federal government
 - Grant proposals

OED: Writing a Business Case

When writing a business case, the first thing I want to understand is:

- My environment
- What's wrong with my environment
- What fixing it is going to do to make the environment better

OED: Example

- It takes us four days to process a claim.
- We can bring that down to 30 minutes.
- To do this I need X amount of money and it's going to take X amount of time.

OED: Tech Talk

- Tech talk will not appeal to the business people who read the business case and will have a say in whether the project moves forward.
- Do not make a business case that lists thousands of technical acronyms.
- There is a place for architecture. After making the business case, provide the reader with a detail architecture document that will show what will be implemented.

OED: Questions to help in preparing the Business Case

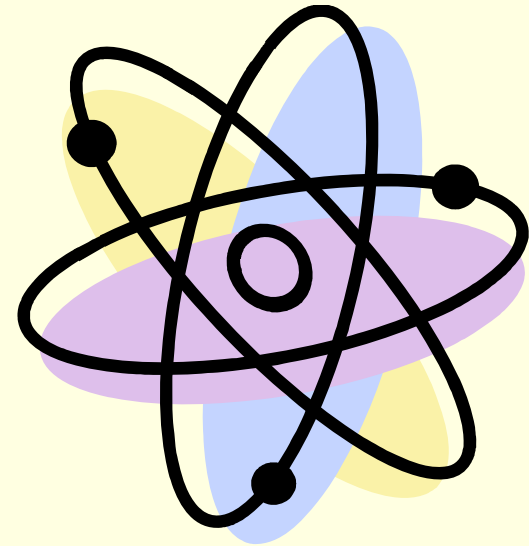
- What output (product, process, or service) is needed?
- Is there a specific time frame for the output?
- How will we know that the project is complete?
- How will we know if the project is successful?
- Why must this project be done? Why now?
- What approaches have been tried before? What were the results?
- What alternative approaches were evaluated? Why was this approach chosen?
- What are the risks?
- What assumptions are made? For example, do we depend on a certain technology?
- Are there any imposed time or resource constraints? What are they? Why?

OED: Business Case Components

- Clear description of one or more specific business problems (why we are doing it)
- Proposed solution to those problems (what are we doing)
- Completion criteria (project end, acceptance criteria)
- Target customer(s)
- Scope Includes/Does Not Include List
- Dependencies (both internal and external)
- Staffing (in terms of skills and balance of experience)
- Risk of doing project vs. not doing
- Projected/Budgeted cost
- Technology required
- Hardware and software required

ODOT's Information Technology Governance

For The Central Services and
Transportation Communities of
Interest

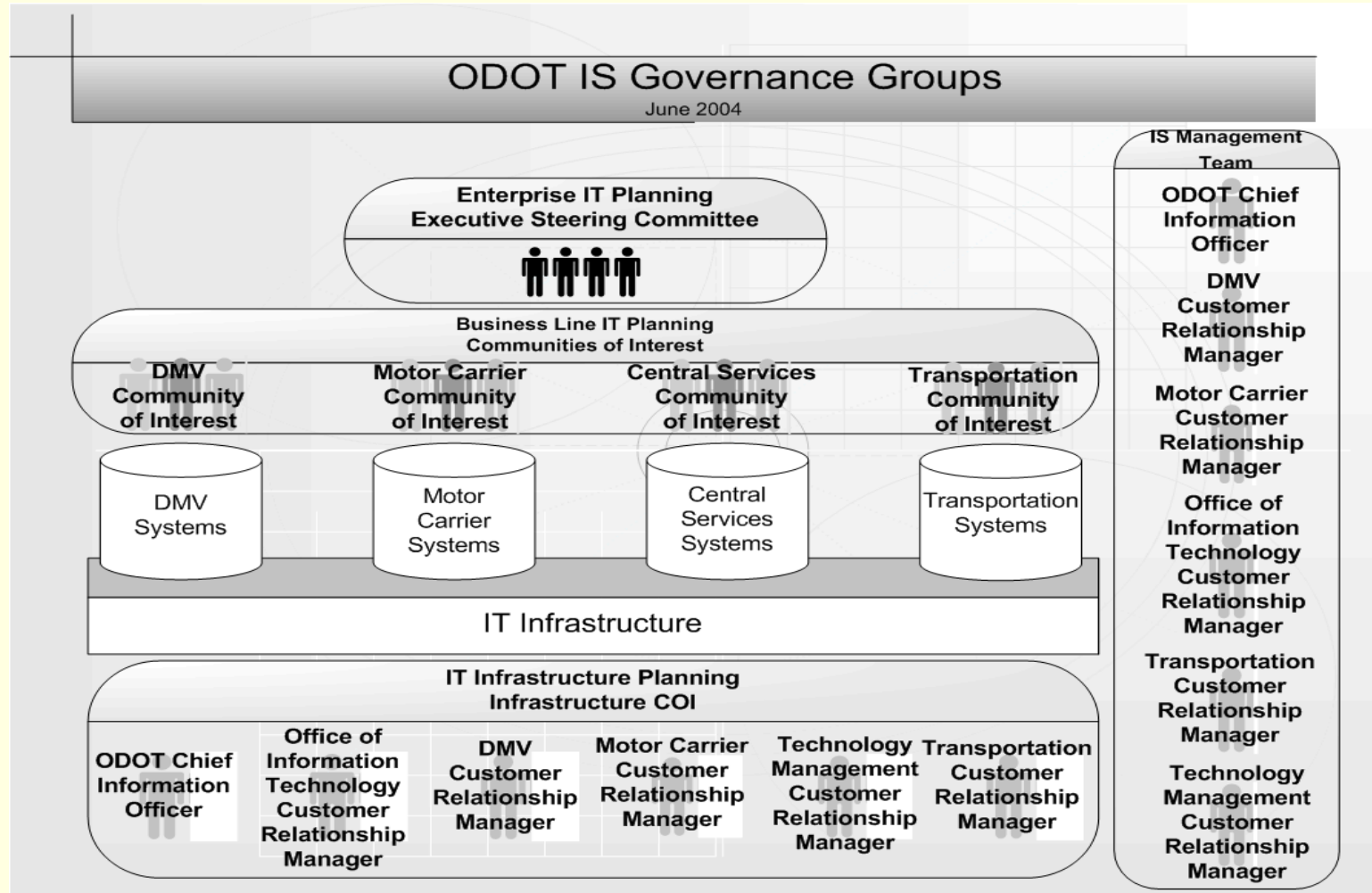


ODOT: What is IT Governance?

“IT Governance is the decision rights and accountability framework for encouraging desirable behavior in the use of IT.”

In plain English, IT Governance is the rules and regulations under which an IT department functions. It is a mechanism, put in place to ensure compliance with those rules and regulations.

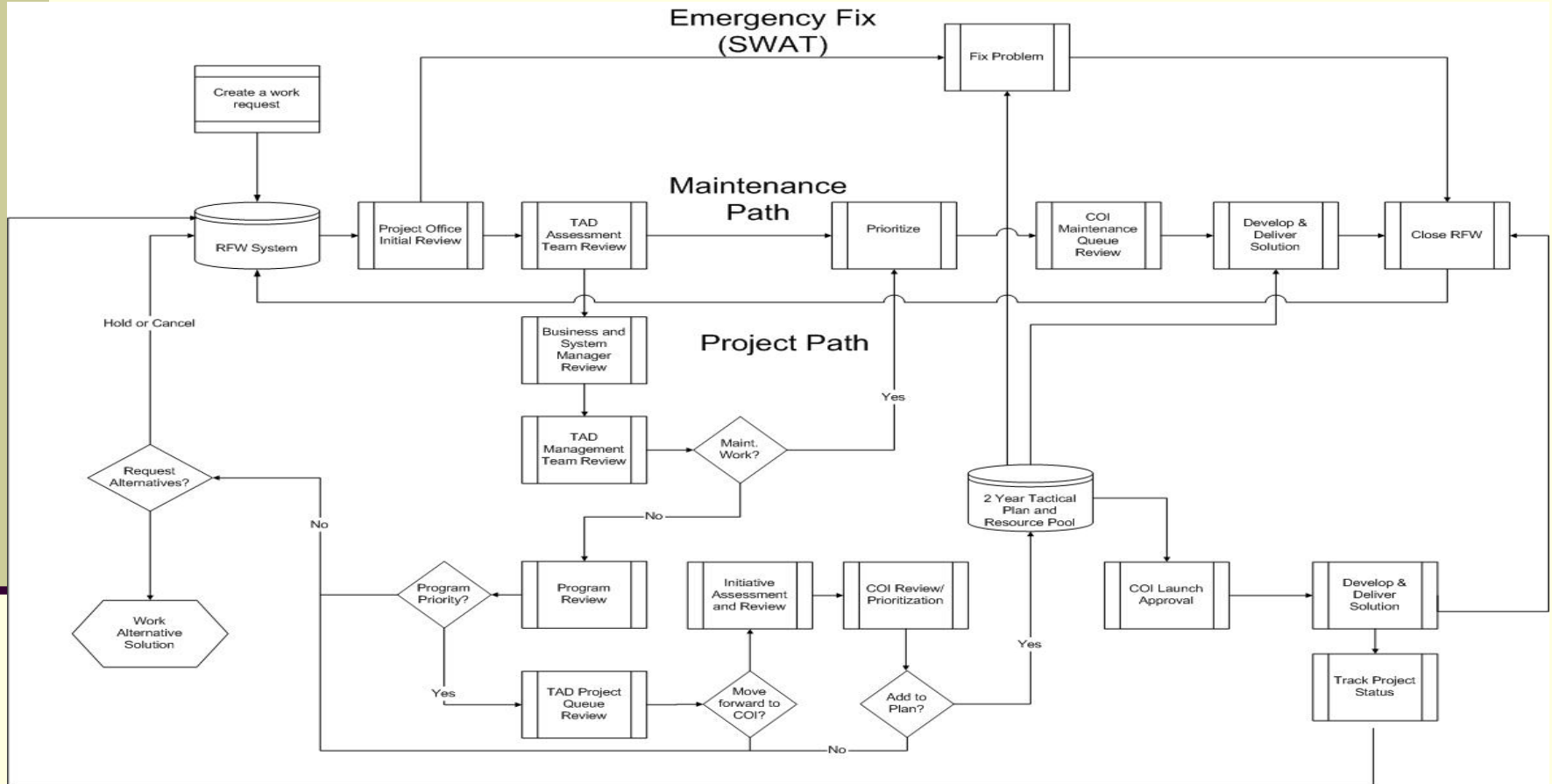
What is ODOT's Framework?



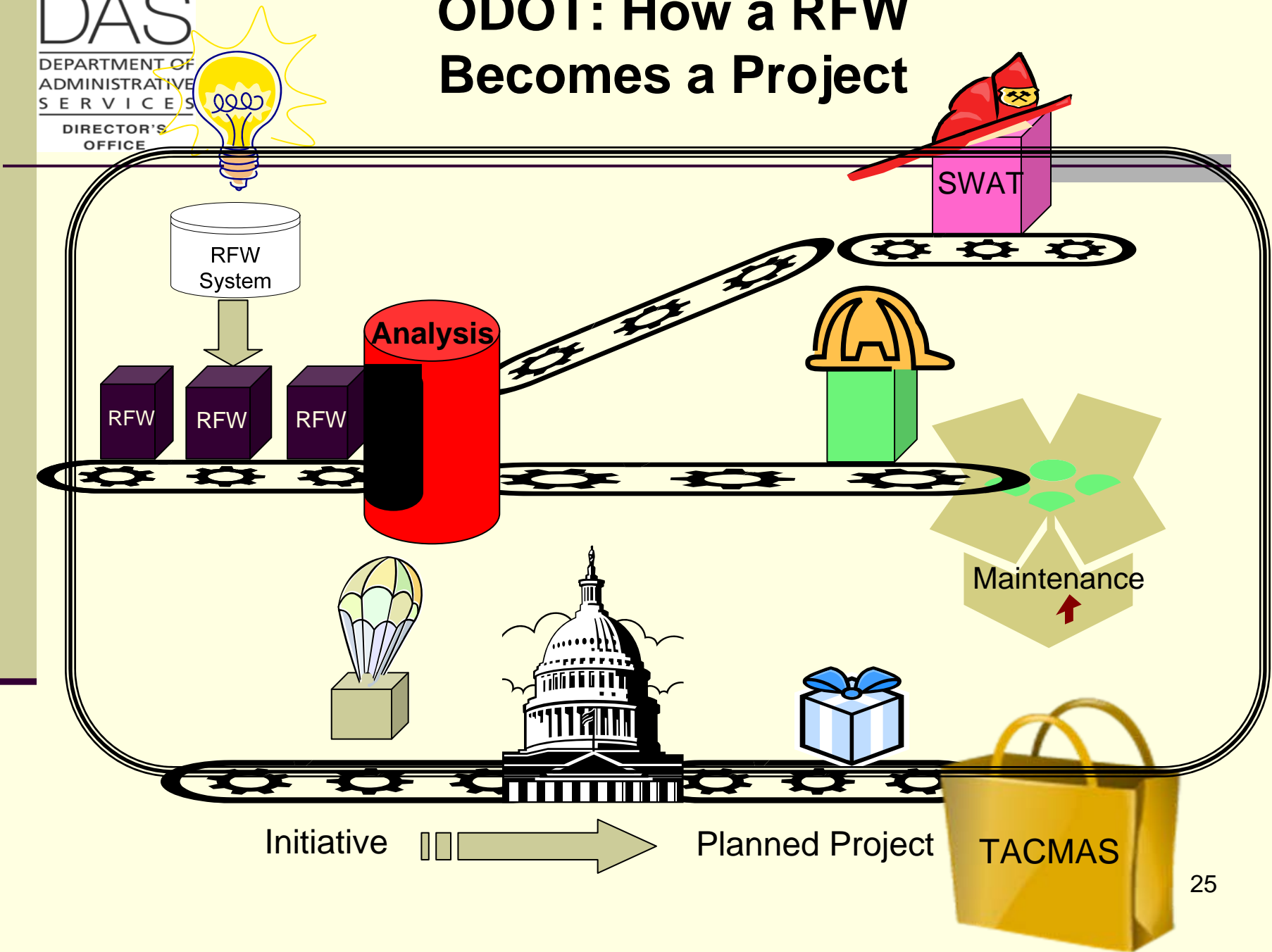
ODOT: Governance Focus

- **IT Principles-** Defines the role IT will play in the organization.
- **IT Infrastructure-** Focuses on providing the technology capabilities and data requirements to fulfill the defined principles.
- **Application Management-** Formulates requirements for individual applications, Enterprise level vs. business unit level.
- **Project Selection-** Centers on the IT investments. Prioritizes and makes funding decisions for organizational IT projects.
- **Benefits Realization-** Measures the results of IT Investments. Did we get what we planned?

TAD Request For Work Process Summary



ODOT: How a RFW Becomes a Project



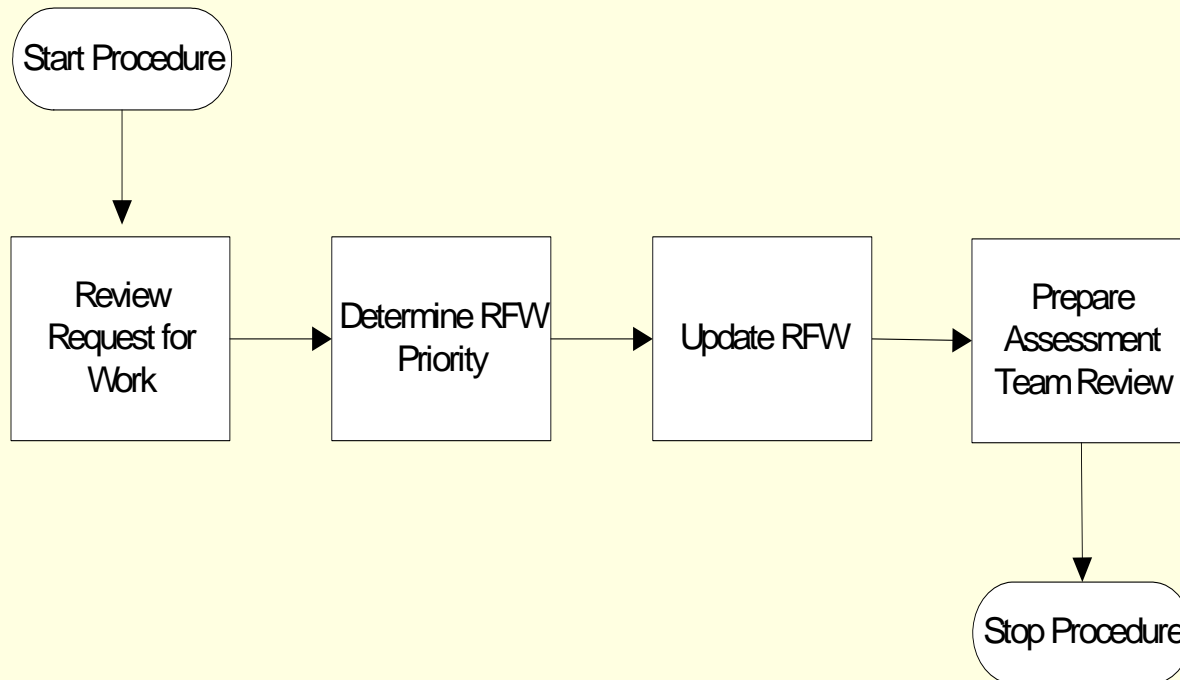
ODOT: Project Selection in IT Governance

Definition: *from the MIT Center for Information Research*

A process where individuals submit proposals to business unit managers; managers pick the projects most relevant to them; managers then justify their decision by developing a clear business case for their choice, possibly explaining how their decision might support the strategic objectives of the larger organization; the list of projects goes to a committee; the committee prioritizes the list of projects and then sends that prioritization list to senior level management for approval.

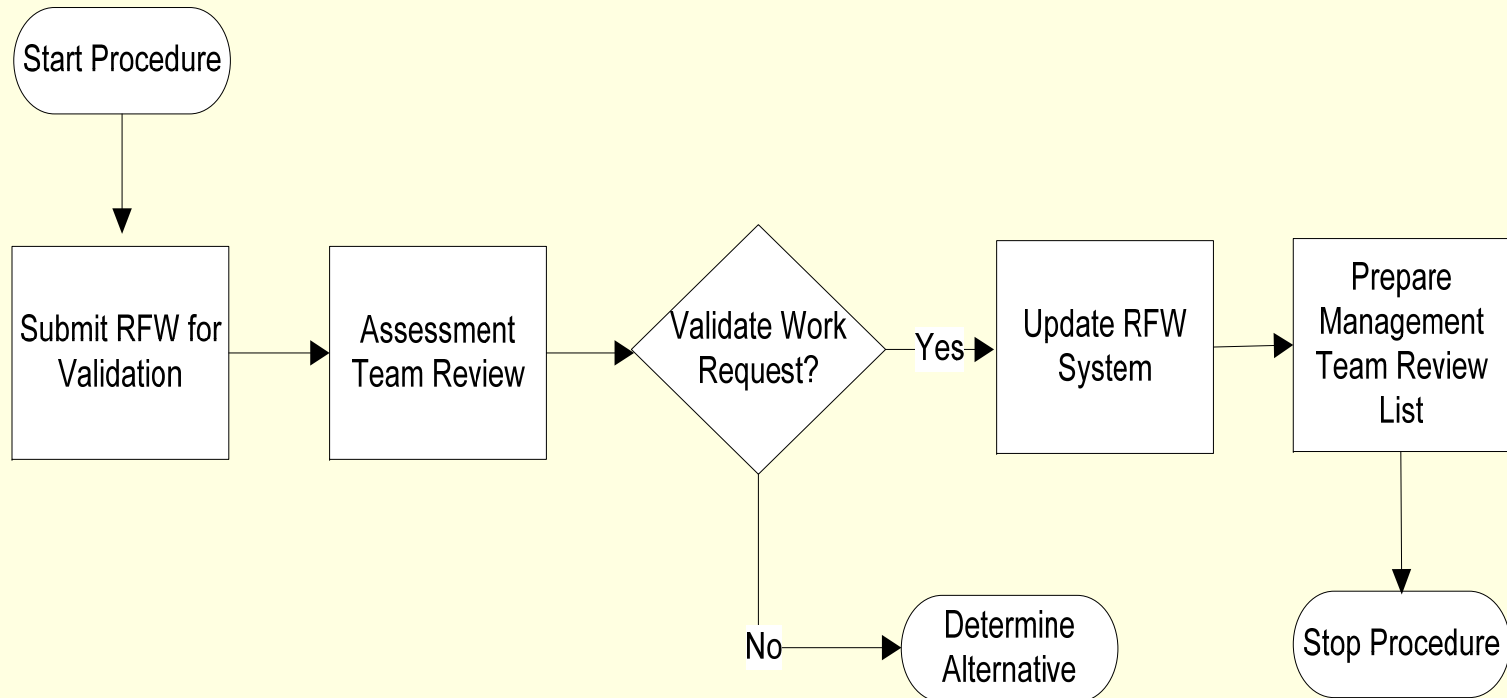
ODOT: Project Selection Procedures

Procedure Step A2 – Initial RFW review



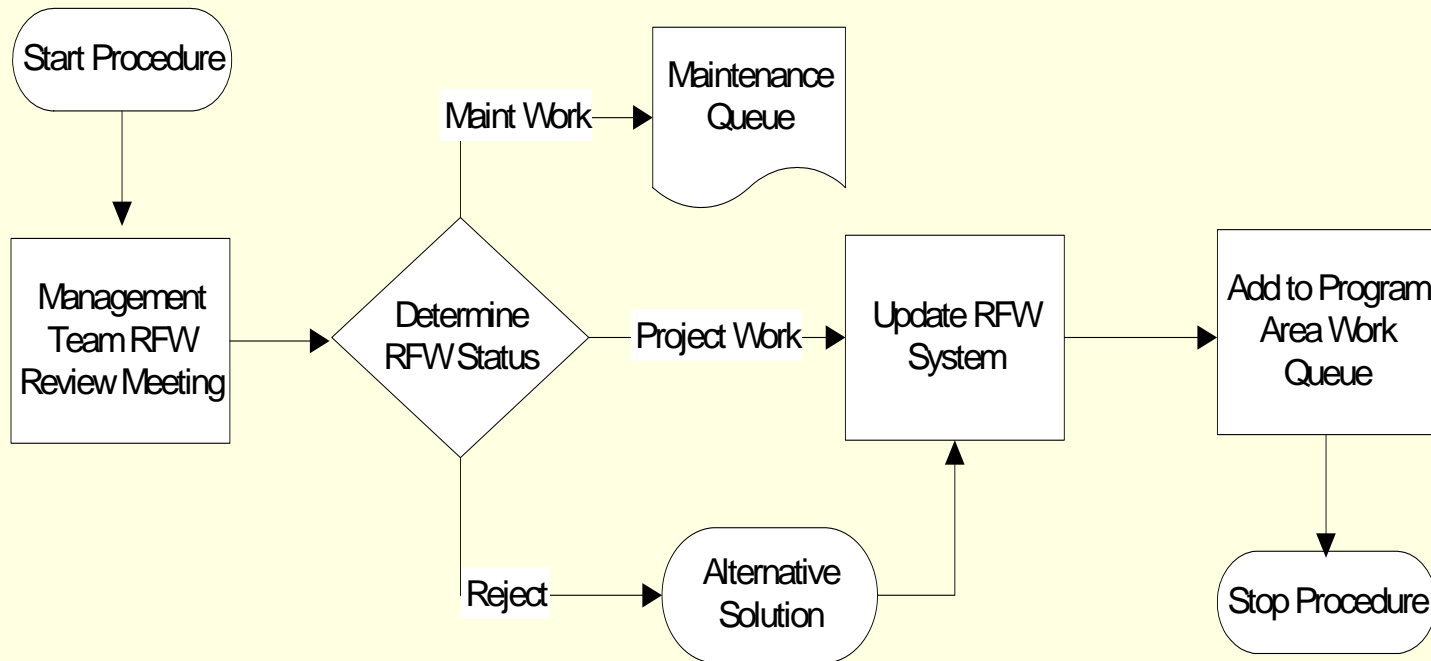
ODOT: Project Selection Procedures

Procedure Step P1 – RFW Business Validation



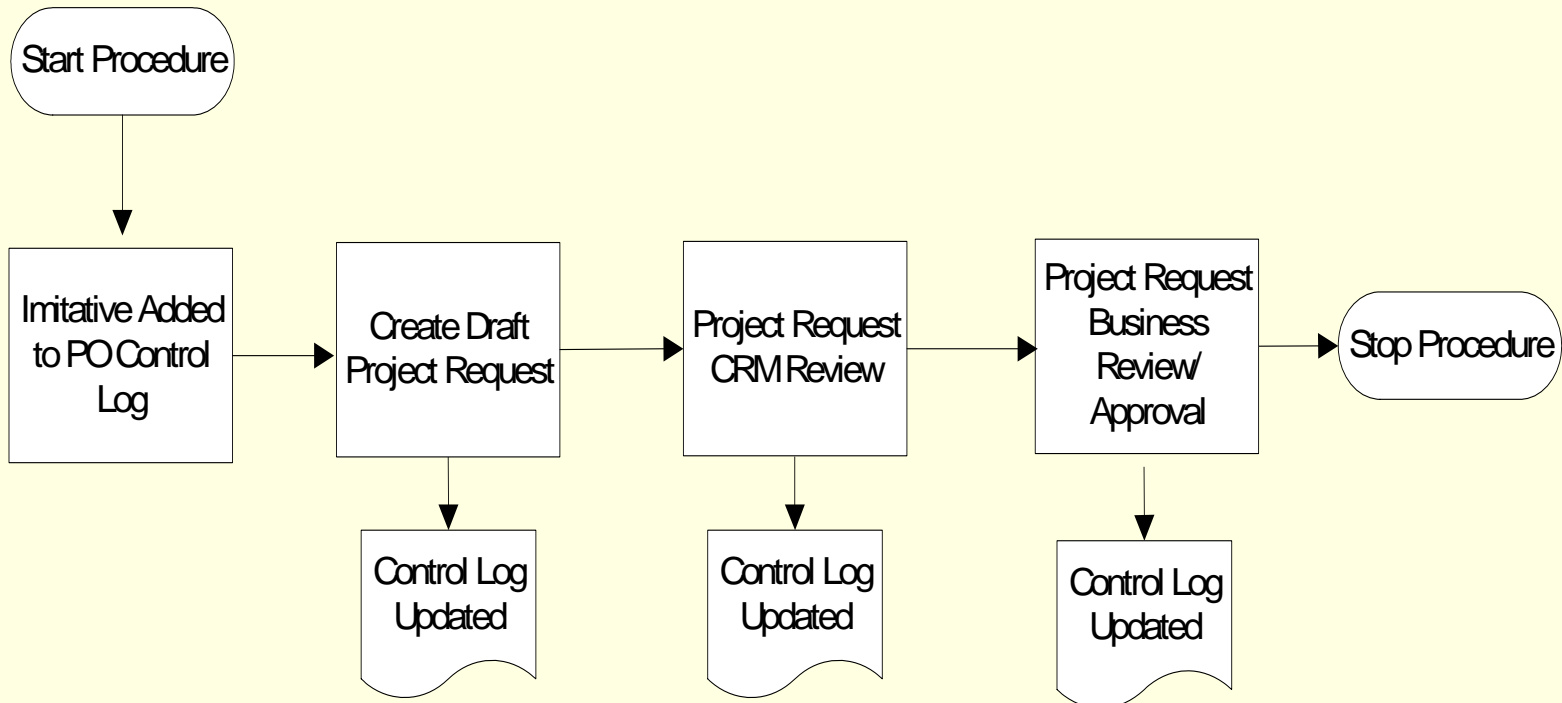
ODOT: Project Selection Procedures

Procedure Step P2 – TAD Management Review



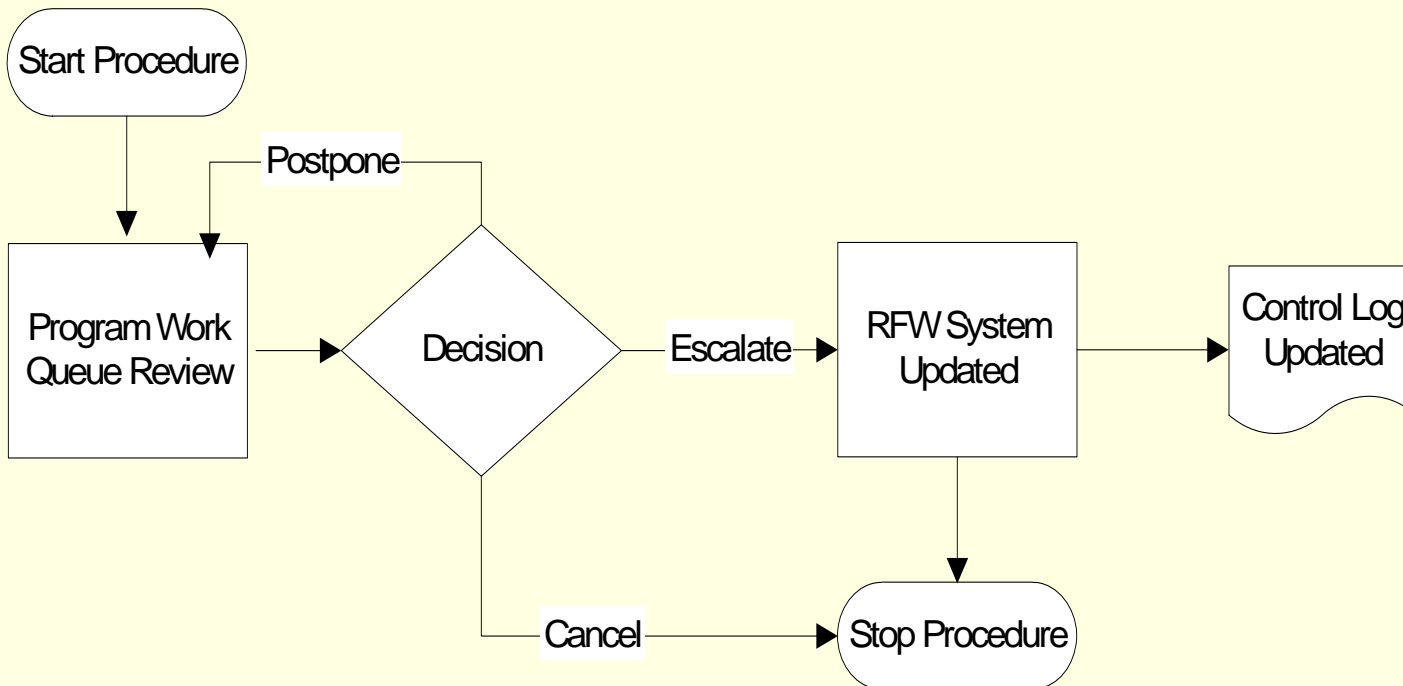
ODOT: Project Selection Procedures

Procedure Step P3 – Develop Project Request



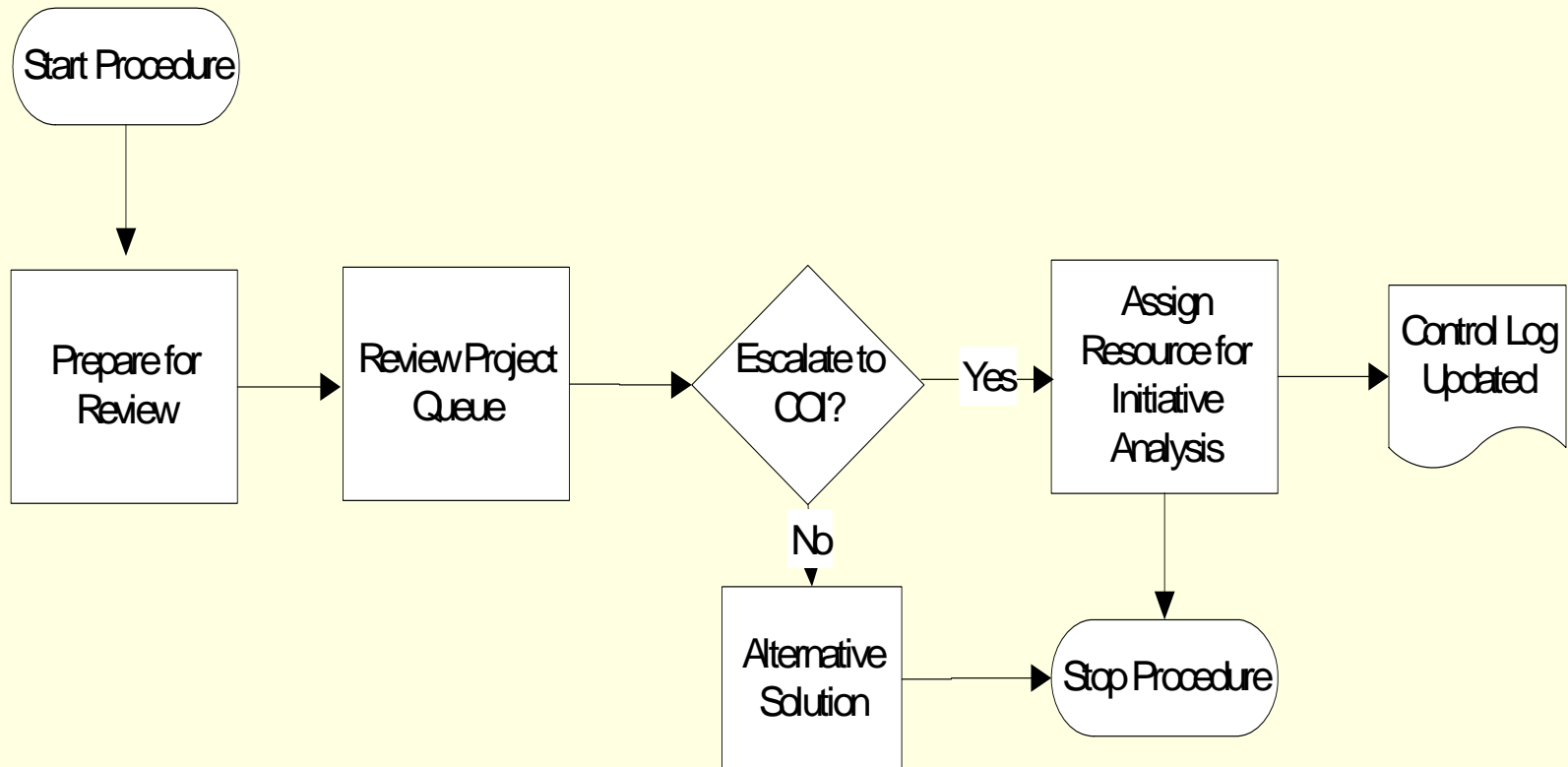
ODOT: Project Selection Procedures

Procedure Step P4 – Program Area Review



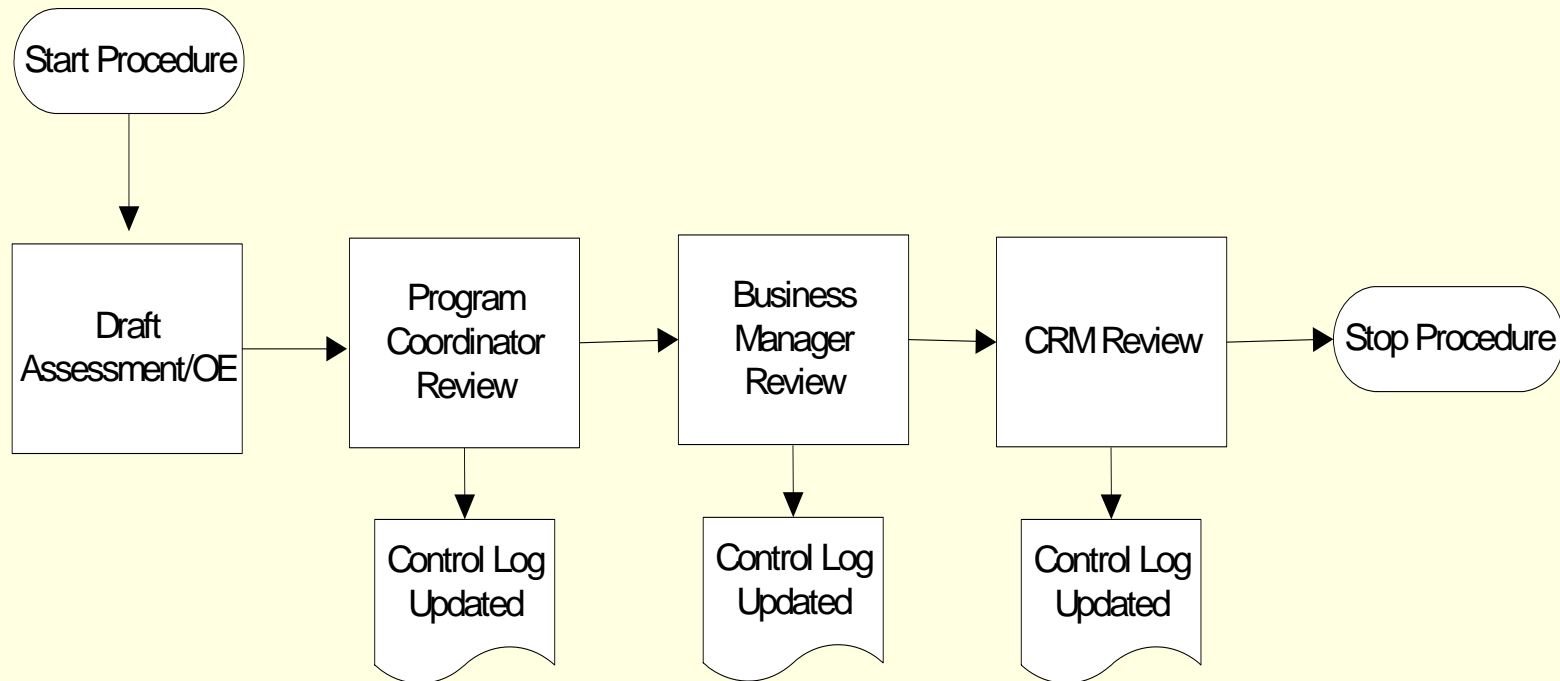
ODOT: Project Selection Procedures

Procedure Step P5 – TAD Project Queue Review



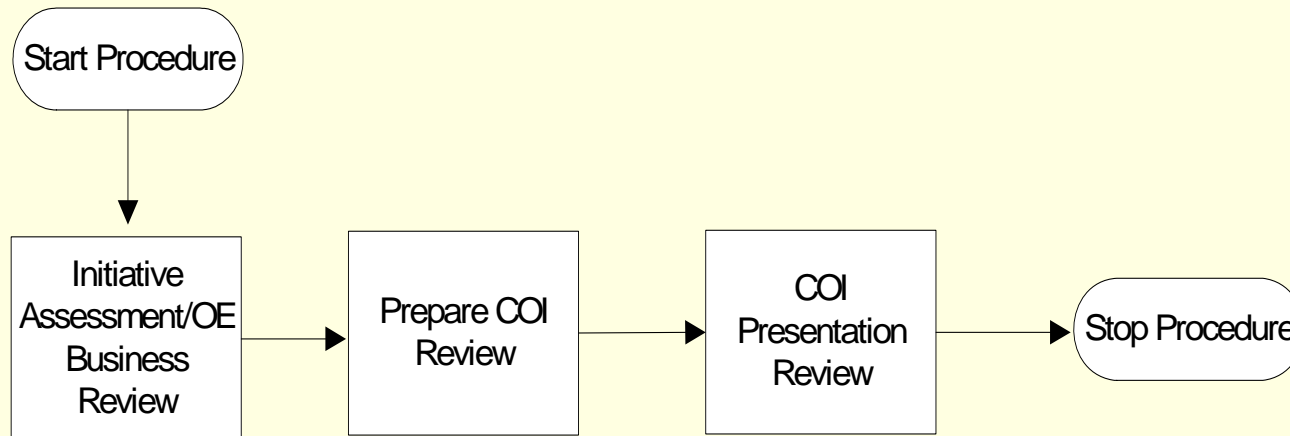
ODOT: Project Selection Procedures

Procedure Step P6 – Initiative Assessment/ Opportunity Evaluation



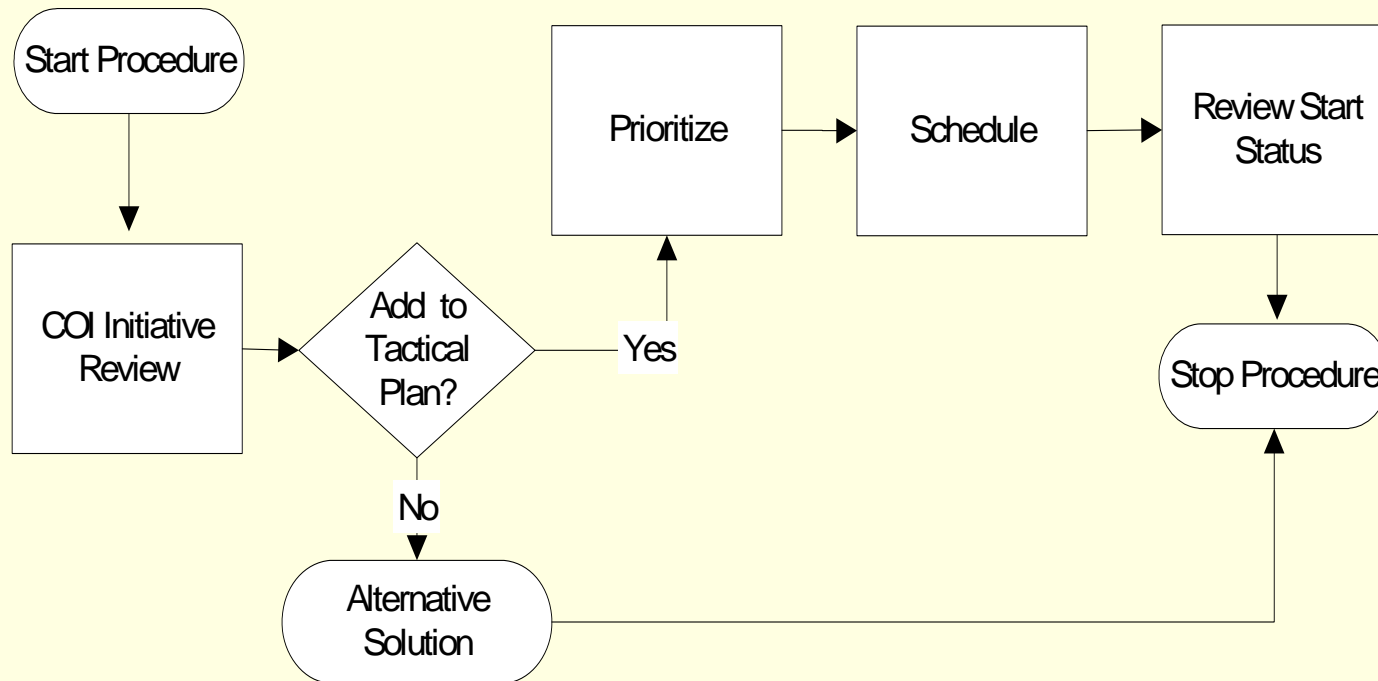
ODOT: Project Selection Procedures

Procedure Step P7 – Business Sponsor Review



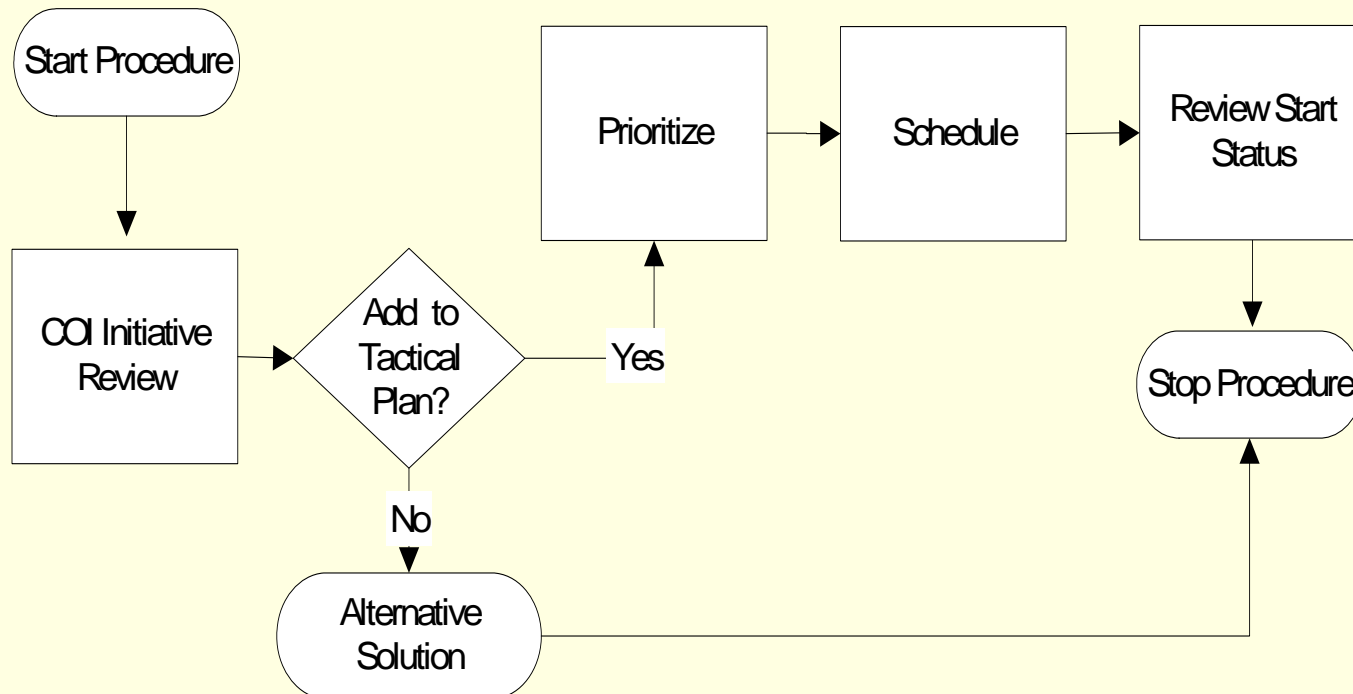
ODOT: Project Selection Procedures

Procedure Step P8 – COI Review



ODOT: Project Selection Procedures

Procedure Step P9 – COI Launch Approval



Business Case Basics:

10 minute Break

Business Case Contents

- ❑ What is BAM looking for?
- ❑ What is EISPD looking for?
- ❑ What is LFO looking for?

Business Case Contents: BAM

- ❑ Executive Summary
- ❑ Purpose – situational assessment
- ❑ Solution overview
- ❑ Solution detail
 - Assumptions
 - Project detail
 - Project metrics (Other agencies)

Business Case Contents: BAM

- ❑ BAM (continued)
 - ❑ Alternatives considered
 - ❑ Measures of success
 - ❑ Cost, by fund type as well as positions and FTE needed – next two biennia – out further if you can

Business Case Contents - EISPD

- ❑ The business case should include the following:
 - Subject, Purpose & Scope
 - Projected cash flows across timeline (lifecycle or other)
 - Alternatives Analysis *(to the extent possible at this point in the project lifecycle)*
 - Assumptions & Methods that the investment is based on
 - Costs & benefits – Financial & Non-financial *(to the extent possible at this point in the project lifecycle)*
 - Critical Success Factors
 - Risk Assessment *(to the extent possible at this point in the project lifecycle)*

Business Case Contents - LFO

- ❑ Should follow DAS guidelines for business cases. In general, the following items would be checked for by the LFO (and individual legislators):
 - ✓ Clear description of the problem and/or opportunity.
 - ✓ Clear definition of the high-level requirements that any solution must meet.
 - ✓ Clear definition of any key assumptions and constraints that might effect the selection of alternative.
 - ✓ Clear definition of the methodology/criteria used to make the final choice.
 - ✓ Clear description of each solution option (including a baseline status-quo or do-nothing option), its costs, benefits, advantages, disadvantages, major risks, ability to meet solution requirements, etc.
 - ✓ Quality solution analysis section comparing each alternative against the baseline on the factors listed above.
 - ✓ Clear recommendation and rationale showing how the solution selection methodology and criteria was utilized in making the final choice.
 - ✓ Clear statement of the consequences of doing nothing.
 - ✓ Clear description of the next steps that need to be taken.
 - ✓ Appendices that include a comprehensive cost analysis (including TCO & ROI), high-level workplan, and a high-level risk analysis.

Business Case Contents – LFO

(continued)

- ❑ In short, the LFO and legislature look for a business case that:
 - ✓ Follows the DAS business case methodology, template, and standards.
 - ✓ Tells a story about a business problem or opportunity from definition to implementation of the proposed solution.
 - ✓ Makes good common and business sense and is likely to be successful.
 - ✓ Contains a sound financial one-time and ongoing financial foundation.
 - ✓ Includes a sound, objective, and ethical/legal selection methodology.
 - ✓ That is independently verifiable (i.e. the reader can determine how and why the recommendation was made and come to the same conclusion by following the selection methodology & criteria).
 - ✓ That is aligned with the agency's business and Information Technology Strategic & Architectural Plans.
 - ✓ That shows that options & lessons-learned from other states and agencies have been considered.
 - ✓ Considered Commercial-Off-the- Shelf (COTS) solutions.
 - ✓ That considers State Data Center (SDC) impacts.
 - ✓ That would stand up well under the “business case health checklist” utilized by the LFO and the similar EISPD business case checklists.

Business Case Contents – LFO

(Common Problems)

- ❑ Some of the common problems encountered by the LFO:
 - ✓ Business cases that focus on justifying their choice (often with no baseline), and not showing how the choice was made and why.
 - ✓ Business cases with weak or no financial analyses.
 - ✓ Not updating the business case when major changes are made to the project or to the option that was selected.
 - ✓ Developing business cases for solutions looking for problems.
 - ✓ Selecting “Cadillac solutions” or unnecessarily “high-tech” solutions.
 - ✓ Failure to consider lessons from other states.
 - ✓ Failure to look at using solutions from other agencies or states.
 - ✓ Selecting Commercial-Off-the-Shelf solutions without considering willingness to modify business processes or to customize the COTS
 - ✓ Failure to take into account other internal initiatives and their potential impacts on the proposed solution.
 - ✓ Failure to utilize good estimating techniques in sizing one more of the alternatives (in particular, underestimating the selected alternative).
 - ✓ Failure to work with other organizations within and outside the organization to make sure that key impacts are recognized (i.e. SDC impacts).

Tools, Techniques, Resources

- ❑ ODOT, DHS, OED, BAM, LFO, & EISPD
 - ❑ *Scoping, Risk Assessments, Complexity, Forms, Charters, etc. that any of the participants have that can be shared*
- ❑ DAS/BAM Budget Instructions for 2011-2013:
http://www.das.state.or.us/DAS/BAM/docs/Publications/2011_13_Budget_Instructions/2011_13_Budget_and_Legislative_Concept_Instructions_only.pdf
- ❑ Business case development resources:
http://www.das.state.or.us/DAS/EISPD/Business_Case.shtml
- ❑ EISPD IT Project Policies and the DHS Business & Technical Assessment Tool can be accessed at:
http://www.das.state.or.us/DAS/EISPD/ITIP/pol_index.shtml
- ❑ This presentation and the LFO Checklist will be posted at:
[Enterprise Information Strategy and Policy Division Business Case Development](http://www.das.state.or.us/DAS/EISPD/Business_Case.shtml)
http://www.das.state.or.us/DAS/EISPD/Business_Case.shtml

Wrap Up

- Summarize
- Questions
- Thanks

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