Novel techniques for business cases and benefit delivery in response to hard times

British Computer Society

7th September 2010

Version 1.1 Issued 29 July 2010 Isochron® – Dimension Four®

The challenge to a new Minister / CEO

Within your honeymoon period:

- 1. Act decisively
- 2. Cut the costs
- 3. Bank the released budget in advance of the savings

Penalty: loss of reputation

The problem in defending programmes and projects

Stephen Jenner "Realising Benefits From Government ICT Investments: A Fool's Errand?" *Academic Publishing International 2009*



© Scott Adams, Inc./Dist. by UFS, Inc.

"30-40% of systems to support business change deliver no benefits whatsoever."

Source: UK Government OGC, Successful Delivery Toolkit

"...project success appears to equate to achieving an acceptable level of failure or minimizing lost benefits"

Source: KPMG Global IT Project Management Survey

"...the planned, systematic, deliberate misstatement of costs and benefits to get projects approved."

In short, "that is lying". Source: Flyvbjerg et al

Copyright Isochron

The challenge to programme survival:

Programme benefits are often:

- 1. vague
- 2. lacking in ownership within the organisation.
- 3. created from budget targets without a strong roadmap to tell the story as to what will change in the business.
- 4. lacking a clear linkage between change and cash benefit.

So need to:

- 1. harden up the business case
- 2. show the payback from investments in IT
- 3. quickly!

ROLE FOR UTILITY COMPUTING

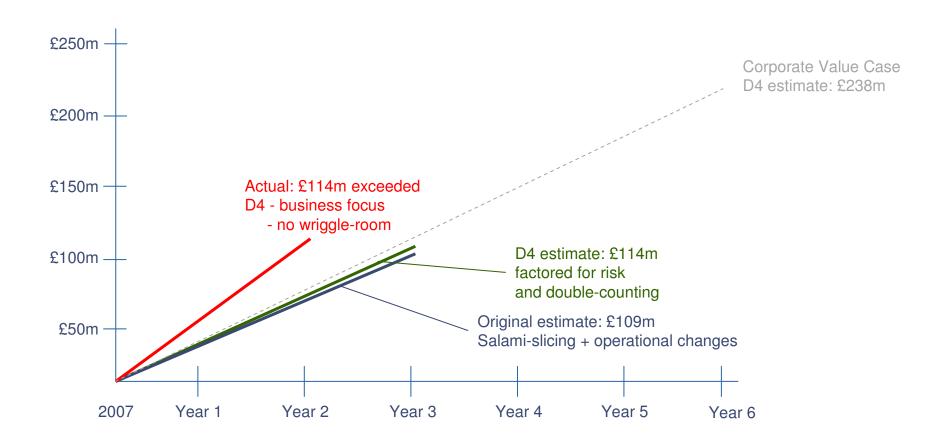
Copyright Isochron

D4 novel techniques

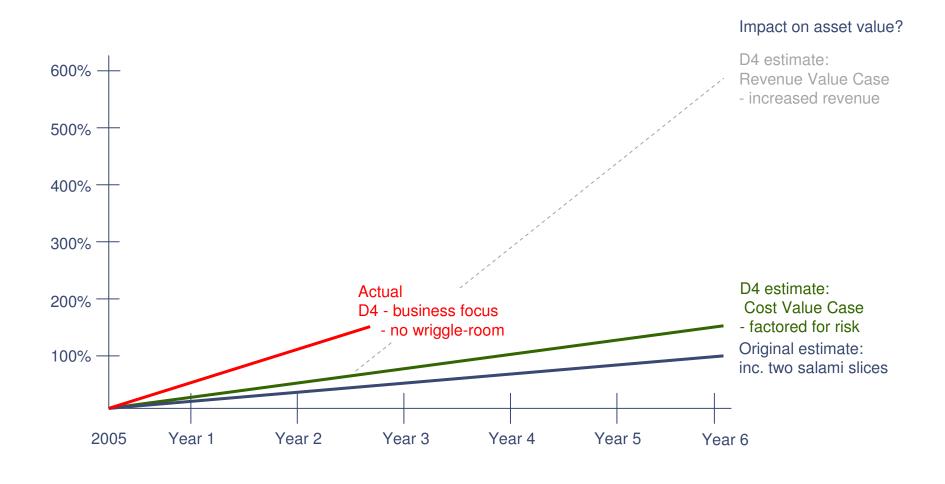
Different because they:

- focus on business changes;
- enable tangible, evidential "show me" statements of needs;
- distinguish outcomes from solutions (get consensus);
- do not rely on number targets to cause change;
- drive out extended benefits, systematically;
- help to increase certainty of delivery; and
- drive benefit cash.

War stories of D4 - NIW strategic business programme



War Stories of D4 - BT NSOC Programme



What else? – D4 back to 2002

Martin Currie Investment Management

Eliminated project "industry"; revolution in ROI

United Utilities

Reverse-engineered value; 8 Value Cases

National Australia Group

Business case for programme

UK Department of Health – Social Care

Consensual and deliverable view of the future

Bucks Hospital Trust*

Overcame resistance to change; BR

Learning and Skills Council*

Precision of outcomes; supported OGC Gateway

Astra Zeneca*

Backed-up change; installed benefits realisation

Northern Ireland C2k*

Impact of IT in schools upon the economy

Argyll and Bute Council**

Value case and BR for transformation

Dumfries and Galloway Council**

Value case and BR for transformation

Moray Council**

Value case and BR for transformation

BECTA*

Made MSP Benefit Profiles substantial and deliverable

Solihull Council and Primary Care Trust*

Valuation of Adult Social Care changes

Scottish Government – DG RAES

Made change actually happen – fast

Acergy Group*

Value case & BR for global changes

^{*} with PwC

^{**} with Serco

Key concepts

- 1. Driven by the business for the business.
- 2. Deliver the benefits not the process.
- 3. Designed right-to-left, outcome first

Questions addressed by the approach

- Can the new Minister / CEO tell when the project is done, and how?
- Are the objectives expressed in deliverable terms?
- What is the story of how the financial objectives will be met?

So meets the need to:

- 1. harden up the business case
- 2. show the payback from investments in IT
- 3. quickly!

Simplicity – just three spreadsheets

"Show me" business outcomes

			ENSURING THE	VALUE STREA	M STARTS				ENSUF	RING THE VALU	E IS COMPLETE	0
RE ID	Source	Outcome of Candidate Projects	RECOGNITION EVENT	OWNER Who will visit to see that it has happened?	ROLE	When will owner first see it?	Where will owner see it?	In the context of which function / process?	COMPLETION RECOGNITION EVENT	When will owner see the event that shows it's complete everywhere?	Where will owner see it?	In the contex of which function / process?
HDD1	CF		At a sign-off of the organisation structure during the Service Board in Sheffleld, see that the organisation is now one complete functional team.	Clive Fenton	Health Director	26/01/07	Sheffeld	Service Board meeting				
HD02	CF		Visit to the NSOC Command Centre observing that the first service process is automated.	Clive Fenton	Health Director	01/09/08	Sheffield NSOC Command Centre	Senice process	Visit NSOC Sheffield, and next day verit NSOC Leavesden, and see that the last of the service processes has been automated.		NSOC Sheffield and NSOC Leavesden	Service process
HD04	CF		Review the business Post Inglementation Report showing the first instance of an automation of deployment	Clive Fenton	Health Director	30/11/08			Malk the floor in NSO C Sheffield and see the last instance of an autometion of deployment, indicating completion of automation.	30/11/07	Sheffield NSOC Command Centre	Automation of deployment
HD05	CF		Review the Service Board Pack showing that the rate in Logica invoices has reduced.	Clive Fenton	Health Director	31/05/06			Attend a Service Board meeting and see that 80% of bought in cost has been renegotiated.	29/12/08		Senice Board meeting
HDD6	CF		Attend a Service Board meeting and see that the Service Reports show that the SLA Dashboard has been consistently green in every month for at least three months.	Clive Fenton	Health Director	30/03/07		Senice Board meeting				
HD07	ROD		Be able to use a central portal to produce a colonted record art of a	Clive Fenton	Health Director							

Cash outcomes

VALUE FLASHPOINT	- 5	FIRST INCIDENCE				LAST INCIDENCE HIGHEST POSSIBLE															
	Cor	Commencement of value V		Value stream reachesfull capacity																	
	When	Where	Context	Who	When	Where	Context	Who	Unit cost	Unit	Muti	Unit	Unit cost	Unit	Multi plier	Unit	Total £m	Notes	Unit cost	Unit	Mut
fonthly Executive Report shows reduction in eadcount and staff costs of permanent staff aceable to the NSIC recognition exents. To be distinguished from staff or over ents aceable to other initiatives, e.g. across-the- cent outs, re-engineering, Somrice.			[Mgmt routine check]	[Mgr]		[Mgmt location]	[Mgmt routine check]	[Mgr]	£11.4	Current state staff cost £m less 20% across-the board out already made	30	Percent reduction in staff	£3.4	Annual saving £m	5.5	Ave years period of saving to 2012/13	£18.8	Assumes 3 -> 1 consolidation of business plus single unified processes and automation	£11.4	Current state staff cost £m less 20% across-the board out already made	
tonthly Executive Report shows reduction in eadcount and staff costs of contractor staff acceptive to the NSOC recognition events. In the contractor of the staff archive extr. one dishippion intuitives, against after contract to the contractor of the contractor of the contractor of the contractor of the contractor of the contractor of the contractor of the contractor of the contractor of the contractor of the contractor of the contractor of the contractor of the contractor of		[ped]	[Mgmt routine check]	[Mgr]			[Mgmt routine check]	[Mgr]	£34.8	Current state staff cost £m less 20% across-the board cut already made	30	Percent reduction in staff	£10.4	Annual saving £m	5.5	Ave years period of saving to 2012/14	£57.3	Assumes 3 -> 1 consolidation of business plus single unified processes and automation	£34.8	Current state staff cost £m less 20% across-the- board out already made	
eports have reduction in headcount 2006/7 areable to re-engineering of Problem fan agement process es																					
eports hows reduction in headcount 2007/8 areable to re-engineering of Change fan agement process as																					
teport's howe that ratio contractors: emmanent staff has changed from 70:30 to .000 and replacements are ave. £100 p day ower rate			[Mgmt routine check]	[Mgr]			[Mgmt routine check]	[Mgr]	£100	Difference in day rate £	105	changing contractor to permanent allowing simultaneous 20% + 30% reduction in staf	248	Ave. work days p.a. Contractors		Years period of saving to 2012/13 assuming start in 2007/8	£15.6		£50	Difference in day rate £ not achieved for most replacements	-
				1		1			1		1					Subtotal	£91.7				1

Business outcomes to cash outcomes

											REDUCED LA	ABOUR COSTS		
RE Ref	RE Description	Asset usage, Topaz/Mercury, Polaris, Oblicore, Opavare with HPSD	Function Mana	ger rationale	Heads	Non- release Value	Rel. 2 Value	Later Releas es	1	1	1A	2	2	3
									reduction in headcount and staff costs of permanent staff	Monthly Executive Report shows reduction in headcount and staff costs of contractor staff traceable to the NSOC recognition events.	Reduction in headcount costs from axolded increase & recruitment (axolded challenged degree modulet headcolded conspraductive efficiency (n REs. HMD 108, PMD2, PMD2, PMD4)	Report shaws reduction in heade ount 2008/7 traceable to re- engin earing of Problem Management processes	Regard shows reduction in heads ount 2007/6 traceable to re- engineering of Change Management processes	Report shows tratio conhactor permanent stat has changed in 70:30 to 40:60 and replaneme are are £100 p day lower rate
	21.2	421	18	4	157				142	43.5		2.2	6.8	10.3
		705	0.27	£1.3	182				51	3.7	14.0	11	4.8	9.3
Office	Visit Count's til Command Entige and see that come hot bette til some been constitut antianottally i chance ophed antibus and beling read to recolve hot be to til tall colled active and be by til ggered antimosttally by ere etc.	o FG2.1 Problem Process Perlag VFG2.3 bette st Process Prelag VFG2.2 Change Process Prelag VFB1.1 Organization Egist Pag.	Ou self: James Rober: Sacedon assimption above basehed 1955-15FTEgling basehed rolleffer. Bettle hely ambitation 5% = 4.5FTE 50% combitation to related LLSF Penally pages HT	Ditti Jay 2006: 5 FTE steels on the boat if but this is where 2 actif by. The accomption steels that HPCD and 6T Took will he grate to define the required to accompting.	4.5		1.1	1.1	2	2				
OMMI	Der Bufman sillen Bickeld; and konseker folg av antwakeld for nafa se nikase of Ciphe and Loudes sember.	v For producti ty V F H 3 Okally Fe Ease Blassyment	James Rador. See Hall is specific to ACC 64FTE and that open to the COLOR 64FTE and that open to the COLOR 64FTE and the COLOR	century 2006: Not accordingly to it in the store that controlled with it in the store that controlled with the store that controlled with the service of the	3		1.5		1	5				

...finance use the link between risk, change and value to challenge the process and keep focus on the outcome

Copyright Isochron

What does it mean for IT?

- apportions benefit cash to infrastructure projects
- highlights where IT is critical
- AND takes IT off the critical path (but IT remains critical for sustainment)

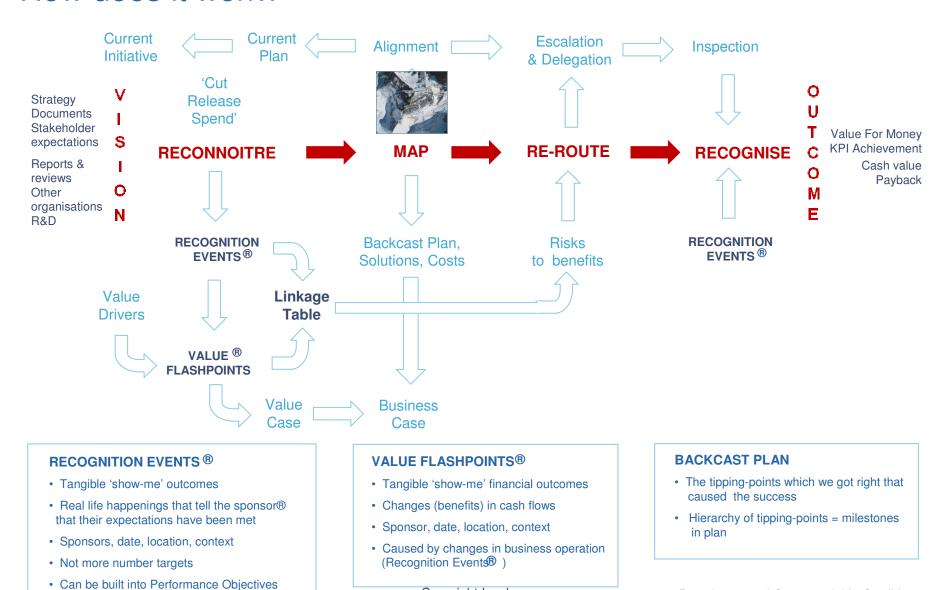
For example:

/ 144	7 🗸	731	/ VL	DA	00	50	טט			
		ESTIMATE LESS RISK AND DOUBLE COUNTING								
Total £m	Notes	Best Estimate	Multiplier	Unit	Total £m	Notes				
£15.6		£15.6	91	%; Sunrise claims 4%; 5% risk that delivery progs don't complete and quality of deliverables remains poor	£14.2	Removes 7 staff from BTE and 21 staff GS to SUNRISE business case = 4% (table with B Corrie)				
£47.8		£47.8	91	%; Sunrise claims 4% in BTE & 4% in GS; 5% risk that delivery progs don't complete and quality of deliverables remains poor	£43.5	Removes 7 staff from BTE and 21 staff GS to SUNRISE business case = 4% (table with B Corrie)				
	Total £m £15.6	Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional specialisms	Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional	Total £m Notes Best Estimate Multiplier Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional	Total £m Notes Best Estimate Multiplier Unit Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional specialisms	Total £m Notes Best Estimate Multiplier Unit Total £m Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional specialisms E47.8 E47.8 E515.6 Multiplier Wi; Sunrise claims 4%; 5% risk that delivery progs don't complete and quality of deliverables reduction because of functional specialisms E47.8 E47.8 Managers 3 -> 1; Operational staff less reduction because of functional specialisms E47.8 E47.8 Multiplier Wi; Sunrise claims 4% in GS; 5% risk that delivery progs don't complete and quality of deliverables	Total £m Notes Best Estimate Multiplier Unit Total £m Notes Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional specialisms Managers 3 -> 1; Operational staff less reduction because of functional specialisms			

How does it position Utility Computing?

- transition of infrastructure to Cloud will be a tipping-point in most Backcast plans
- benefit cash value of Cloud will clearly emerge in MCB estimating
- for data and systems integration, gross-value approach will ensure benefits share for business case

How does it work?



Copyright Isochron

Thank you