

Title: Washington State Portfolio Management and e-Portfolio

Project/System Manager: Andy Hix

Job title: Senior Policy Advisor

Agency: Washington state Department of Information Services

Department: Management and Oversight of Strategic Technologies

Address: 1110 Jefferson stree S.E.

City: Olympia

State: Washington

Zip: 98504

Phone: 360-902-3431

Fax: 360-664-0733

Email: andyh@dis.wa.gov

Category for Judging: State Planning and Management Initiatives

Person Nominating: Stuart McKee

Job Title: Director, Department of Information Services

Address: 1110 Jefferson Street S.E.

City: Olympia

State: Washington

Zip: 98504

Phone: 360-902-3470

Fax: 360-664-0733

email: stuartm@dis.wa.gov

NASCIO Recognition Awards, 2002
State IT Management Initiatives
Portfolio management and e-Portfolio

Description of project

Washington adopted a portfolio model for the management of Information Technology (IT) resources in January 1998. This risk-based approach to IT procurement was developed through the cooperation of agencies, senior legislative staff and public entities with oversight responsibilities, and is codified in statute. It has successfully integrated business and technology purposes into a common goal of providing better service through more efficient government. Portfolio management also recognizes the balance between those investments that are best made centrally and those that are properly made under the authority of agency leads.

This year, Washington has extended portfolio management from an agency-by-agency basis to an enterprise-wide basis. Through the recent launch of the e-Portfolio application, Washington is compiling comprehensive statewide data on IT assets and expenditures, which will enable the analysis and management of IT investments for the benefit of the statewide enterprise.

Portfolio management

The portfolio concept is grounded in the management principle that any significant investment requires careful stewardship to maximize its value and insulate it from threats to its integrity. This principle is well understood with respect to traditional investment categories – real property, commercial paper, and equity investments – all of which are commonly managed in portfolios. These portfolios allow decision-makers to view the range of investments as a whole but also consider discrete investments in context.

The need for a portfolio with respect to IT investments is no less important. Agency IT investments involve significant taxpayer funds; are often mission-critical; and are increasingly interrelated in a digital, networked environment.

A second tenet of a financial portfolio is that it exists to support a goal, possibly funding a college education or providing for retirement, and the nature and management of the investments will be dictated by this purpose. Similarly, a fundamental principle of the portfolio approach to IT investments is that IT portfolios must be managed to support an agency's business goals. The investment mix will therefore differ depending on an agency's business. Transportation, for instance, will obviously require different levels of investment in GIS applications or database management than social services or natural resource management

Washington's IT portfolios provide a compilation of information about an agency's investments in its IT infrastructure. The information is organized into five sections – an overview, the strategic business plan, the technology infrastructure, current technology projects and planned investments – and shows the interrelationships between them. Presenting a comprehensive view of an agency's IT situation, the portfolio enhances the ability of key decision-makers, including executive management, to assess the probable impact of investments on an agency's programs and infrastructure, and provides a process for coordinating and prioritizing new projects in the context of a business plan.

Portfolio management builds on the *1996 Washington State Strategic Plan* and includes the foundational policies, procedures and processes necessary to make informed decisions about IT alternatives, and achieve a very high rate of project success. Risk is assessed and managed through a tiered risk and severity matrix which considers not only overall dollar amount but organizational impact, development effort, technology, organizational capability, impact on citizens and /or state operations, visibility and the consequences of doing nothing.

e-Portfolio

The electronic portfolio (e-Portfolio) project uses online technology to automate aspects of the IT portfolio management process for agencies and the Department of Information Services (DIS) Oversight and Planning team, in particular the processes for submitting portfolio information. These include links to online agency portfolios, as well as collecting agency updates and inventory information. The electronic transfer and consolidation of information creates efficiencies for Oversight and Planning by providing up-to-date agency portfolio and inventory information that can be used to produce the legislatively mandated Information Technology Performance Report.

Prior to e-Portfolio, agencies completed their portfolios using a template available in the Microsoft Word format, and then submitted them manually to their oversight team member, who was responsible for keeping the document, as well as manually calculating agency totals and averages. Under e-Portfolio, an electronic form (e-form) application is used to collect agency portfolio information via the Web. The portfolio e-form posts agency data directly to a database that provides up-to-date agency reports for the Management and Oversight team, and calculates summarized data. The objectives of the new application are to:

- Provide an easy to use and secure online form for agencies, thereby facilitating agency participation in the portfolio program.
- Provide automatic tabulation and reporting of data for the Management and Oversight team.
- Provide summarized state data for the IT Performance Report and ultimately, for compilation of a statewide IT portfolio.

Significance to the improvement of the operation of government

Portfolio management has improved the operation of government most significantly by ensuring that the right projects are developed at the right time, and with a minimum amount of risk. The integrative approach to the five portfolio segments promotes a sound prioritization process for prospective projects. The results are that agencies base their procurement decisions on the desired outcomes or business solutions, not on specific technologies that may be outdated by the time they are deployed. This has been achieved through the following aspects of the portfolio approach:

- IT and business goals are integrated. Through the portfolio management process, IT managers have learned to think in terms of business goals, and business managers have learned to think in terms of IT solutions. Overall, the development and deployment of IT is driven by the clearly defined business needs of an agency in serving citizens, and fulfilling its legislative mandate
- Comprehensive information about the context of an agency's overall operations is readily available for decision-making. Executive management has gained a competent understanding of the agency's IT capabilities and limitations, enabling them to bring executive focus to IT investments, support projects knowledgeably, and provide leadership on a more strategic basis. Agency heads have new management tools for meeting statutory responsibilities for the stewardship of IT investments.
- The risk severity matrix used in portfolio management provides clear guidelines for comprehensive analysis and proper mitigation of IT investment risks. Large projects are broken into smaller, more easily managed projects. Each phase adds value on its own without committing funding authorities to subsequent phases. An objective process exists to determine the most appropriate form of oversight.
- The portfolio-based framework changes and strengthens the relationships between and among stakeholders in the IT management structure. In addition to its established role in standards and guidelines development, the Information Services Board (ISB) and the planning and policy component of DIS are now able to consult with agencies early in the planning process, before significant commitments are made to specific investments.
- Portfolio management improves the effectiveness and efficiencies of the oversight functions. It has removed much of the burden of a paper-intensive reporting process while placing a premium on activities that help ensure success. The agency's portfolio provides a baseline for agency and state-level performance reporting.
- IT portfolios in general, and the e-Portfolio project in particular, ensure that the state IT infrastructure as a whole is effectively integrated. Projects are reviewed to identify areas of duplication of effort or infrastructure and inconsistencies with the statewide direction.

Benefits realized by service recipients, taxpayers, agency, or state

Benefit to service recipients. Portfolio management benefits service recipients by focusing the use of IT on facilitating and enhancing service delivery. This is especially evident in the context of digital government applications, which move services from the countertop to the desktop, thus empowering the citizen to engage government in personal terms that control convenience, access, time and space. e-Portfolio extends this benefit by promoting the delivery of services on an enterprise basis rather than an agency basis, making it even easier for citizens to find and use the services they want.

Benefit to taxpayers. Portfolio management benefits taxpayers by recognizing IT projects and acquisitions as the public assets that they are, and managing them accordingly by minimizing risk, prioritizing their acquisition according to utility and best business fit, and ensuring that they integrate well into the statewide IT infrastructure. By requiring that new investments fit into the overall portfolio, not merely solve a single problem, portfolio management ensures that taxpayers get their money's worth from the investment. e-Portfolio will save the taxpayers a substantial amount as redundancies in IT assets and investments are eliminated on a statewide basis.

Benefit to agencies. Portfolio Management benefits the agency by promoting better IT acquisition decisions. Within its structure, agencies establish a strategic IT plan for the short and medium term (1-3 year basis), taking advantage of a framework that identifies and reduces the risk for individual acquisitions, and producing a higher success rate for individual projects. The portfolio management document centralizes the agency's IT information, facilitates management decisions, and promotes executive buy-in. Portfolio management allows agencies to compare their various investment ratios to industry standards, providing a method for tracking return on value for overall IT investments.

The e-Portfolio eliminates the requirement to provide inventory data for the performance report and reduces the number of oversight reports required annually. The format is easy to update.

Portfolio Management has proven most helpful to those agencies that are the least centralized. Prior to portfolio management, many of these agencies didn't even identify all of their IT costs. Now they are in a position to eliminate duplications.

Benefit to the state. Portfolio Management has provided benefits to the state by ensuring that limited IT resources are applied where they will provide the most value, by reducing the risk exposure of projects under development and by providing information in a format that supports good management decisions.

e- Portfolio provides substantial benefits to the state by providing a comprehensive view of IT investments across the enterprise. This allows the identification and elimination of redundant investments, identifies unused capacity, promotes the efficiencies of an enterprise approach, and provides uniform, accessible information for management decisions on a statewide basis.

Return on investment, short-term/long-term payback (include summary calculations) Projects must exhibit measurable operational benefits.

The purpose of portfolio management has never been to save IT dollars, it has always been to spend IT dollars more wisely. A significant understatement of the true value of portfolio management results by using traditional methods to quantify return on investment. Standard ROI measures cannot adequately quantify the cost avoidance achieved by reducing risk, the value of IT projects that align with business objectives, the value of goodwill and efficiency that occurs when government provides convenient, online services for citizens, or the value of effective decision-making tools.

One anecdotal story, however, does give a sampling of an incidental return on the portfolio management effort. The Department of Natural Resources developed their portfolio with the equivalent of .25 annual FTE and in the process realized they were spending far too much on maintenance. The resulting decision to eliminate the maintenance costs in favor of new acquisitions resulted in an 4.15% drop in overall infrastructure costs, roughly \$188,210 per year for this element of the portfolio alone. (Costs for infrastructure maintenance of \$1,559,800, representing 12.5% of the total portfolio, were reduced to 10% of the total portfolio. Infrastructure development costs of \$2,970,00 representing 24% of the total portfolio rose to 25% of the total portfolio)

Return on investment for e-Portfolio and the development of a statewide portfolio promises to be equally difficult to quantify but just as significant. Developed in-house in less than a year, the e-Portfolio application, short term, is expected to reduce efforts for agencies as well as DIS staff in preparing the performance report. In the long term, as it is used for compilation of the statewide IT portfolio, it is expected to identify redundancies across the state such as data centers, large server farms and network duplications between agencies.