

South Dakota IT Project Portfolio Management Process

IT Project and Portfolio Management

The State of South Dakota

Executive Summary

When the State of South Dakota's new administration took office in 2003 they investigated the current state of spending on Information Technology. The number was significant relative to the overall budget for South Dakota, representing approximately 6% of the State's budget. With this in mind the Governor asked the Comptroller to meet with each agency to understand how their IT dollars were being invested.

The results were surprising and illuminating. Few agencies could succinctly summarize the range of IT expenditures flowing through their agency. Given the significant number of dollars in play, the Governor asked the Comptroller to work with the Bureau of Information and Telecommunications, the centralized IT organization for the State of South Dakota, to form a Senior IT Committee with representation from the Governor's Office, cabinet members from a few key agencies and the state CIO, who is also the head of the Bureau of Information and Telecommunications.

Initially the Senior IT Committee reviewed and either approved or rejected IT projects on a case by case basis when those projects exceeded a specific dollar threshold. After employing this approach for a period of time the Senior IT Committee saw that they were making isolated decisions without a broader view of how these individual projects fit into the agency's overall strategic direction let alone how the project related to other IT projects the agency might be considering.

Realizing this deficiency and desiring to ensure that IT spending was supporting agency strategic intentions the Governor's Office charged the CIO with developing an IT Project Portfolio Management (PPM) process that would provide a framework for all IT investments across the State of South Dakota enabling better decisions relative to the stated goals for each agency.

The CIO enlisted the Bureau of Information and Telecommunications to develop a Portfolio Management process that would meet the unique needs of the State of South Dakota. The Bureau performed research on IT Portfolio Management best practices and over a period of time developed an efficient, effective process with key deliverables that supported the requirements of the Governor's Office.

The South Dakota PPM process was initially deployed to two agencies as a pilot in the fall of 2007, and then three additional agencies were added in November of 2007. Three to four agencies per quarter are being engaged in the process until all Executive Branch agencies are participating.

There are many benefits to the State of South Dakota from our IT Project Portfolio Management process. The Governor's office has insight and assurance that agencies are selecting and prioritizing their IT investments to achieve their strategic intentions. The executive management of each agency has better visibility into their IT spending and a consistent mechanism to influence that spending. The CIO and Bureau of Information have a view of the agencies prioritized IT projects allowing them to better manage resources, anticipate demand and support client initiatives.

Description, Significance and Benefits

Contextual Principles

The Governor's Office reviewed the State of South Dakota's spending on Information Technology at the outset of the new Governor's term. As part of the review Executive Branch agency leadership was interviewed regarding their agency's spending on Information Technology projects. It became apparent that the majority of agencies could not account for the dollars they were spending on Information Technology projects.

The State of South Dakota has a centralized IT organization called the Bureau of Information and Telecommunications (BIT) which is headed by the State CIO, Otto Doll. All IT services are provided through this Bureau. On occasion agencies may engage outside vendors for IT services, but even then BIT is involved in an oversight capacity.

The Governor's Office recognized an opportunity to improve fiscal responsibility and in conjunction with the State CIO created a Senior IT Committee composed of members from the Governor's Office, a few key agency Cabinet members and the State CIO. This committee reviewed Information Technology projects exceeding a specific dollar threshold. This approach provided some immediate benefits by requiring agency's to provide a business case for every large IT project and providing an additional layer of project evaluation.

After a couple of years of utilizing the Senior IT Committee review process the Senior IT Committee recognized that there was further opportunity for improving how IT dollars were being expended. The process did not provide a meaningful agency context for IT investment, nor did it address the potential alignment of the IT expenditure with the agency's strategic intentions.

Business Problem & Solution

The Governor wanted to ensure that IT investments were aligned with agency strategic intentions. Too often Information Technology funds were being spent because they would expire at the end of a fiscal period; or perhaps a key person in the agency witnessed a vendor demonstration for a "must have" product; or lower level staff had the ear of a programmer and continuously sought enhancements on non-critical systems.

Given these problems and the one-off process of project review by the Senior IT Committee, a better, more comprehensive approach to IT investment needed to be put in place. The Senior IT Committee review was unable to assess the overall value of any particular investment because it was provided in isolation without respect to other existing and potential investments. This one-off approach to investment approval was not reaching the goal that the Governor had charged to the Senior IT Committee and the CIO.

In order to provide the most cost-effective, strategically aligned Information Technology solutions there needed to be a mechanism in place that would engage senior agency leadership in planning their IT investments, assessing the relative value of their investments and prioritizing these investments in accordance with their strategic intentions.

With this in mind the Senior IT Committee and the CIO asked the staff of the Bureau of Information and Telecommunications to develop a process that would achieve these goals.

The Bureau's task force reviewed industry practices and determined that the solution would be in the area of Project Portfolio Management (PPM). Research was performed by inquiring to leading industry analyst organizations, interviewing other states in the NASCIO network and reviewing information generally available in the industry. The task force outlined specific attributes that the solution required. Some of these were unique to the State of South Dakota and others shared by other government entities.

Consideration was given to commercial off the shelf solutions (COTS). Although helpful in identifying best practices the group realized that these products did not meet some of the unique requirements of the State of South Dakota. For example, in South Dakota each agency is responsible for their strategic intentions resulting in 20 sets of unique strategic intentions. Each agency has their portfolio which is assessed against their unique set of intentions defined by the agency executive management. In addition, we wanted our process to focus on the benefits of the process rather than a software tool so we determined to use every-day tools like Microsoft Office Word and Excel as the core of the technical side so the focus would be on the results of the process and not the adoption of a software package.

It was determined that in order to ensure a best practices approach for state-wide use that it would be wise to engage a consultant firm with experience in PPM design and implementation. A Request for Proposals was published and a consultant firm selected. The task force worked closely with the consultants to define a process that would accomplish the goals set out by the Governor's Office.

The task force designed a process that would be beneficial for each agency in the Executive Branch and provide benefit to the Governor's Office and the Bureau of Information and Telecommunications.

It is a simple but powerful process that results in a prioritized portfolio of IT investments for each agency which is assessed in relation to the agency's strategic intentions. The agency senior leadership reviews and adjusts the project portfolio monthly and then the portfolio is presented to the Senior IT Committee for their evaluation and endorsement.

The basic process starts with the formation of an IT Project Concept. An agency staff member who conceives of the project documents the basic project information, the business need and benefit, the relevance of the project to agency strategic intentions and the financial impact of the project. This information is then reviewed by agency senior management and a spreadsheet of projects, the portfolio, is completed. The portfolio spreadsheet provides a numeric rating system of the project in relation to a variety of measures including agency strategic intentions, business risk, and technical risk. Monthly the Agency Leadership Team prioritizes the projects and submits a fully assessed and prioritized portfolio of IT investments to the Senior IT Committee. The committee reviews the portfolio to ensure that prioritized investments are in line with stated strategic intentions, have an appropriate balance of risk and value, and contain an appropriate mixture of active projects as well as future planned projects.

This approach went through a pilot phase with two agencies in September of 2007. After going through the cycle for two months and making appropriate adjustments to the process it was then rolled out to an additional three agencies in November of 2007. It is now being

implemented in three more agencies for a total to date of eight agencies as of the summer of 2008. We will enroll three to four new agencies every quarter until all 20 Executive Branch agencies are participating.

As part of the engagement with the consultancy firm a marketing approach was defined and implemented. The task force and consultants developed communication assets that are used in a structured approach to introduce an agency to Project Portfolio Management and assist their adoption of the State of South Dakota's PPM process. The approach starts with the CIO meeting with the prospective agency cabinet member one-on-one to briefly describe the PPM process and the specific benefits to the agency for their participation. Then an Executive Preparation meeting is held with the agency cabinet member and their executive leadership team, usually the set of directors reporting to the cabinet member. This group will ultimately become the Agency Leadership Team referred to as the ALT within our PPM process. After the two introductory discussions focusing on the benefit of the PPM process to the agency a more detailed Kick-Off presentation is conducted with the ALT and the Portfolio Management Team (PMT). The PMT is composed of a Program Manager from each of the divisions within the agency. At this Kick-Off presentation the focus is still on the benefit to the agency and also incorporates a high-level overview of the process and deliverables used within South Dakota Project Portfolio Management process. Finally a detailed "how-to" meeting is held separately with the ALT and the PMT to focus on their respective tasks necessary to produce the monthly portfolio.

Significance of the Project

Since the introduction of the process in the fall of 2007 five agencies have fully adopted the South Dakota PPM process with three additional agencies adopting the process currently. Each of the cabinet members, along with the Governor's Senior IT Committee and the State CIO has found significant benefit from the process. We have over 350 projects in the composite portfolio from these agencies representing about 33% of the annual IT spend.

The CIO and his Bureau now have the opportunity to see at a glance the range of IT projects both in process and planned for these agencies allowing them to manage resources, anticipate demand and manage expectations. The Senior IT Committee has the confidence that these IT projects and dollars are being invested in accordance with agency strategic intentions and the agency leadership has the obligation and opportunity to influence the selection and prioritization of projects for their individual portfolios relative to their strategic intentions.

These successes make the rollout of the PPM process to the remaining agencies more appealing and more compelling in order to engage all agencies in the process to leverage the benefits on a larger scale.

Benefit of the Project

The development of the South Dakota PPM process is estimated to have cost approximately 500,000 dollars in staff time, research and consultant costs. Through the PPM assessment and prioritization process there have been enough deferred or rejected projects to recover the cost of development of the PPM process within the first year of its implementation. Overall in the first year of the South Dakota PPM process the Senior IT Committee has avoided over 8% of IT

costs through project deferment and/or rejection. These savings will increase as the process is disseminated to all Executive Branch agencies.

The South Dakota PPM process has also yielded considerable intangible results for all parties involved. First is the increased confidence from the Governor's Office in the strategic value of Information Technology investments. With the business and risk assessment for the entire portfolio the Governor's Office can see at a glance that the appropriate mix of risk and reward is being achieved for each participating agency and that the high priority projects are in alignment with the agency's strategic intentions. Second, the agency leadership has enhanced visibility into all IT activities in their agency. They actively assess the value of every significant IT investment relative to their strategic intentions allowing them to prioritize those investments that best meeting their goals. Through the prioritization of their portfolio the agency enjoys increased influence and control over their IT projects and spending. And third, the Bureau of Information and Telecommunication has an improved ability to manage resources in light of the agency portfolio. In addition the Bureau can anticipate demand for both the volume of work in the pipeline and skills required to achieve the high priority projects.