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## ICT Standard

# Investment Management

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# 1 Overview

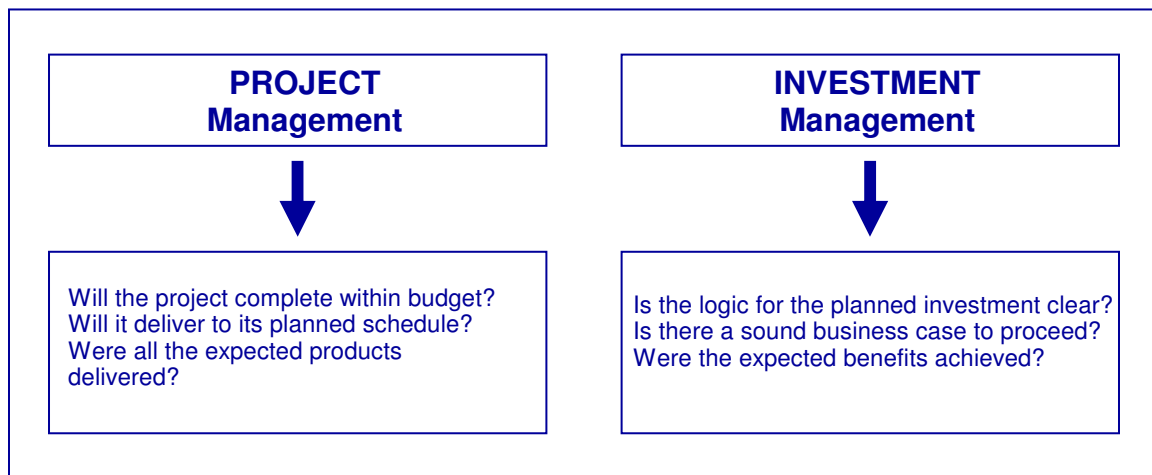
## 1.1 About Investment Management

The management of investment projects has traditionally focussed on ensuring that a project delivered to time and budget and that the expected functions were delivered. A successful project was therefore one that delivered to cost and time expectations. This was a *project management* focus.

The traditional focus on project management has left '*the investor*' questioning, "Has the project delivered the planned benefits?"

*Investment Management* considers the investment from the viewpoint of the investor. It represents a marked shift in thinking. The focus is different, the timescales are much longer and the language used is different to that of project management. Figure 1 depicts this differentiation.

**Figure 1: The context of Investment Management**



## 1.2 Rationale for this standard

This standard has been developed with the intent of obtaining two substantial benefits:

### 1. Improving the value provided by the existing investment

The application of the investment management standard will result in a major improvement to the way that the existing investment contributes to the government's priorities.

### 2. Improve decision making process and outcomes

The application of this standard facilitates the questioning and re-shaping of each potential investment to maximise its transformative capability. Whilst in the short-term this will only impact individual investments, over the longer term it will demonstrate how better investment decisions can lead to improving the way that government operates and delivers its services and policies.

## 1.3 Background to this standard

The Office of the Chief Information Officer was established by the Victorian Government in 2003 to drive the government's strategic investment in ICT. This office creates the policy environment that will enable government departments to re-use, consolidate, share, standardise and exploit the full capabilities of ICT. Two of the Office's key objectives are:

- To align ICT investment with government priorities and outcomes
- To improve strategic planning for ICT deployment across government.

Over the past three annual budget cycles the Office of the CIO has worked with Departments to shape and strengthen investment proposals and has provided advice to Government on the relative value of individual ICT-dependent investment proposals and their likelihood of success. This investment management standard has evolved from these experiences, and is applicable to all investment management processes government wide.

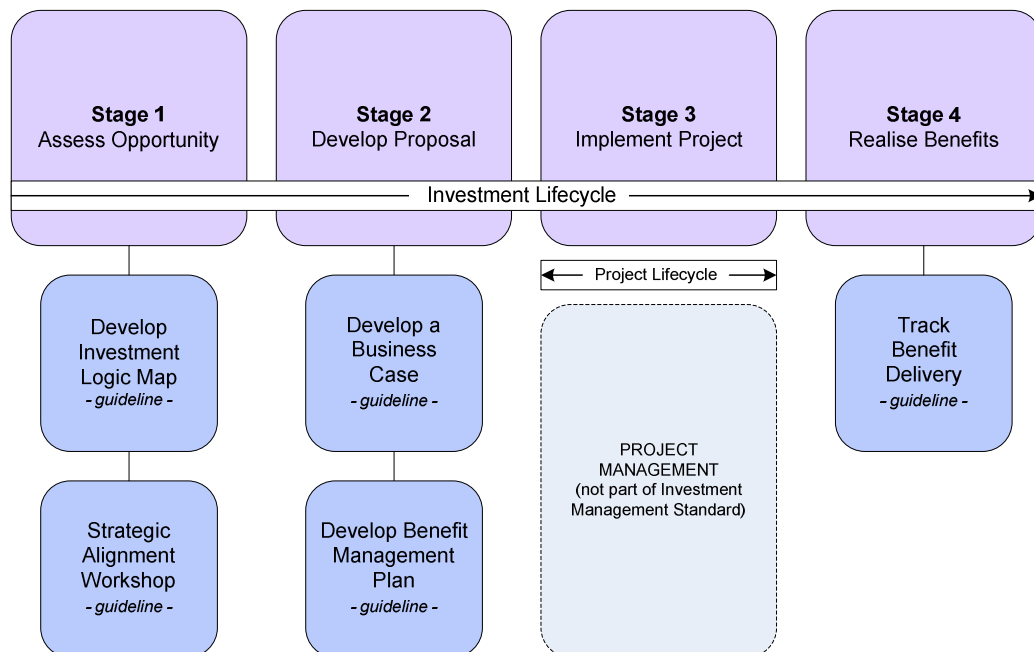
## 2 Compliance with this standard

This standard defines a number of individual components (guidelines and templates) that together constitute 'investment management'. An ICT-dependent investment is compliant if it employs the relevant Investment Management Guidelines as it progresses through the investment lifecycle.

## 3 The Investment Management Guidelines

This standard divides the investment lifecycle into four stages - strategic assessment, development of investment proposal, implementation of a project, and the achievement of the benefits. Across these stages five guidelines have been developed as is depicted in the following figure:

**Figure 2: The Investment Management Guidelines**



These guidelines have been developed over several years through the practical application of some sound theory. They have been designed to be simple, practical and to provide maximum value for the minimum amount of effort and cost. As good ideas evolve there is often a natural inclination to make it

even better - this typically results in over-engineering and reduces its ultimate impact. In developing this standard such temptations have been resisted.

This standard does not specify any approaches to support the 'Implement Project' stage of the lifecycle. This stage focuses on Project Management and should use existing project methodologies. These are not considered part of this Investment Management Standard.

## 3.1 Investment Logic Map

### 3.1.1 Purpose

One of the primary reasons that investments fail is that the basic logic for the investment was not understood or shared by all those parties who needed to know. The common cause of this is that the investors themselves were not clear what was driving the investment decision or what benefits the investment could reasonably be expected to deliver. The development of an Investment Logic Map provides the foundation logic that is used throughout the investment lifecycle.

### 3.1.2 Approach

The tool that has been developed to provide clarity is the Investment Logic Map. On a single page this depicts the drivers for the investment and the objectives and benefits that would be required to respond to these drivers. It then identifies the business changes and the technology enablers that would be needed to meet the objectives and provide the benefits.

An Investment Logic Map is the product of a two-hour facilitated workshop with 'the investors' - those people who have identified a business need and will be responsible for making an investment to satisfy that need. These people will ultimately be responsible for the delivery of the benefits that will respond to the initial need. It is critical that the real 'investor' is the focus of this workshop and that the role has not been delegated to someone less responsible - this will ultimately compromise the outcome of the investment.

The Investment Logic Map delivered in this process is the foundation document for the investment and is the basis for all subsequent phases of this methodology.

It should be noted that, outside of Investment Management, this tool has proven to be an effective means of clarifying the underlying logic and priorities of an organisation's existing or potential activities.

## 3.2 Strategic Alignment Workshop

### 3.2.1 Purpose

Having obtained a clear understanding of what the potential investment needs to achieve (through the development of an Investment Logic Map), the Strategic Alignment Workshop provides the opportunity to shape the solution that will provide maximum strategic value to the organisation at the minimum cost. This aims to overcome practices that replicate infrastructure and miss opportunities to align solutions with broader policies and strategies.

### 3.2.2 Approach

The means to achieve this strategic alignment is a workshop of 1 – 2 hours that will be a 'meeting of the minds' of a range of people who could add value in shaping the investment solution. The type of questions that are considered in this workshop are:

- Is the proposed approach aligned with broader policy objectives?
- What functions or facilities already exist that might be leveraged to satisfy the identified need?
- Are there technical standards or policies that should be adopted in providing the solution?
- Can this investment be used to provide key business or technology capability that others could use in the future?

The successful outcome of this workshop is an overall agreement as to how the solution might be shaped to provide maximum benefit to all parties.

## 3.3 Business Case

### 3.3.1 Purpose

The need for developing a sound business case is well understood and, within the Victorian Government, considerable work has been done as part of the Gateway process. The Gateway Business Case guidelines address the key issues that are common across various investments and allow the flexibility to scale the business case to what makes sense for the particular investment.

### 3.3.2 Approach

The Gateway Business Case Guideline uses the investment logic and strategic approach developed in the two previous guidelines. The Business Case Guideline was primarily developed for major investments, and has been modified to provide useful guidance and tools for investment of any size.

It is a self-contained guide to developing a robust business case that:

- provides a logical structured approach;
- sets out the recommended format for the final business case;
- provides tips and recommendations concerning the content for each component of the business case; and
- includes several sets of tools that will help to develop strong arguments that reinforce the claimed benefits.

## 3.4 Benefit Management Plan

### 3.4.1 Purpose

A primary reason that investors are reluctant to invest in an initiative is that they often have low confidence that the investment will produce the benefits they are seeking. There are many reasons for this lack of confidence some of which are:

- the expectations of the investor were unrealistic or were never communicated to, or agreed to, by the developer;
- the business changes that were a pre-requisite to obtaining the benefits were never completed; or
- that nobody was assigned the responsibility of tracking and reporting the delivery of the benefits.

The Benefit Management Plan Guideline defines an approach that will address these issues.

### 3.4.2 Approach

Using the Investment Logic Map as its foundation, each of the identified benefits is considered separately. For each benefit one or two KPIs are selected and measures and targets for each are selected. Against each benefit the pre-requisite business changes are identified and the people responsible for measuring the benefits and for their ultimate delivery are nominated.

Unlike most Benefits Management Plan produced in the past, this is brief and provides a clear focus on achieving the identified benefits.

The plan is developed as a pre-cursor to making an investment decision as it provides meaningful evidence that the benefits expected of the investment can realistically be expected to be achieved. This is a shift in thinking where previously such plans have been required (if required at all) some time after an investment decision has been taken.

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## 3.5 Benefit Tracking

### 3.5.1 Purpose

The tracking and reporting of the benefits that were ultimately delivered by an investment is seldom carried out. Substantial anecdotal evidence exists that investments often deliver significant benefits that were unforeseen at the time the investment decision was made.

Benefits tracking and reporting will address these issues and, in addition to providing a rigour that will drive a benefits focus for individual investments, will provide some long-term knowledge to guide future investment strategies.

### 3.5.2 Approach

Once implementation of the project is underway, the reporting of benefits can commence. The start date for reporting each benefit will be defined in the benefit management plan. As most benefits will only start to accrue following implementation of project deliverables, there may be a substantial lag between investment approval and benefit reporting.

Many organisations have established a process for reporting the progress of major projects against the cost, time and deliverable expectations. The reporting of benefits against an investment can easily be included in these reporting arrangements although the responsibility for reporting and achieving benefits rests with the investor and not with the project manager.

The provision of relative weighting to each individual benefit enables the overall benefits to be reported on a single graph comparing what was the original expectation with the actual achievement. This provides a powerful graphic representation of benefits achievement.

## 4 Appendices

### Appendix 1: Glossary

#### **Benefit Management**

Benefit management is the process of organising and managing such that the benefits expected of the investment are tracked and reported.

#### **Benefit Management Plan**

A benefit management plan is the document which identifies the benefits expected to be achieved by a specific investment and specifies the criteria for their achievement and who is responsible for their measurement and achievement.

#### **Benefit Report**

A benefit report is status report on each benefit claimed in the benefit management plan. The raw data on the KPI's is entered and the output is reflected in terms of the total benefit achieved at a point in time.

#### **CIO**

Chief Information Officer

#### **Government**

Government is the party that has the confidence of the lower house, and from whose numbers ministers are appointed.

#### **ICT**

Information and Communications Technologies

#### **Investment Logic Map**

An investment logic map is a clear, diagrammatic representation of the relationships between the investment rationale (drivers, objectives and benefits) and the project activities (business changes and enablers).

#### **Investment Management Standard**

The investment management standard is a document which provides direction on the implementation of this policy.

#### **Investor**

The person that has identified a business need and will be responsible for making an investment aimed at satisfying that need. The investor will ultimately be responsible for achieving the benefits that had been the intention of the investment.

#### **KPI**

Key performance indicator

#### **OCIO**

The Office of the Chief Information Officer of the Government of the State of Victoria in Australia

#### **Project**

A project is a planned activity that contributes to the resolution of an issue and is unique and temporary in nature. That is, has a designated end date and unique and well defined end result/s.

## Appendix 2: Acknowledgements

The OCIO would like to acknowledge the work undertaken in the field of benefit management by the UK Cranfield School of Management in the United Kingdom. Thanks also go to those Victorian government departments that were involved in the testing of this standard.

## Appendix 3: Further Information

For further information:

- Go to <http://www.dtf.vic.gov.au>
- Select Gateway reviews and best practice guidelines
- Select Lifecycle guidance material