

Solution Definition

Investment Management Guideline

Version 3.0

10th June 2008

Department of Treasury and Finance

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1 Introduction

1.1 Context within the Investment Management Standard

Investment management establishes a set of simple practices that allow an ‘investor’ to clearly define the need for an investment, shape the solution and track the delivery of benefits throughout the investment lifecycle. The adoption of these practices has been shown to drive investments that are more effective at implementing policy and reducing the risk of investment failure.

The current Investment Management Standard defines six practices that are documented in the form of guidelines as depicted in Figure 1. This guideline relates to the *solution definition*.

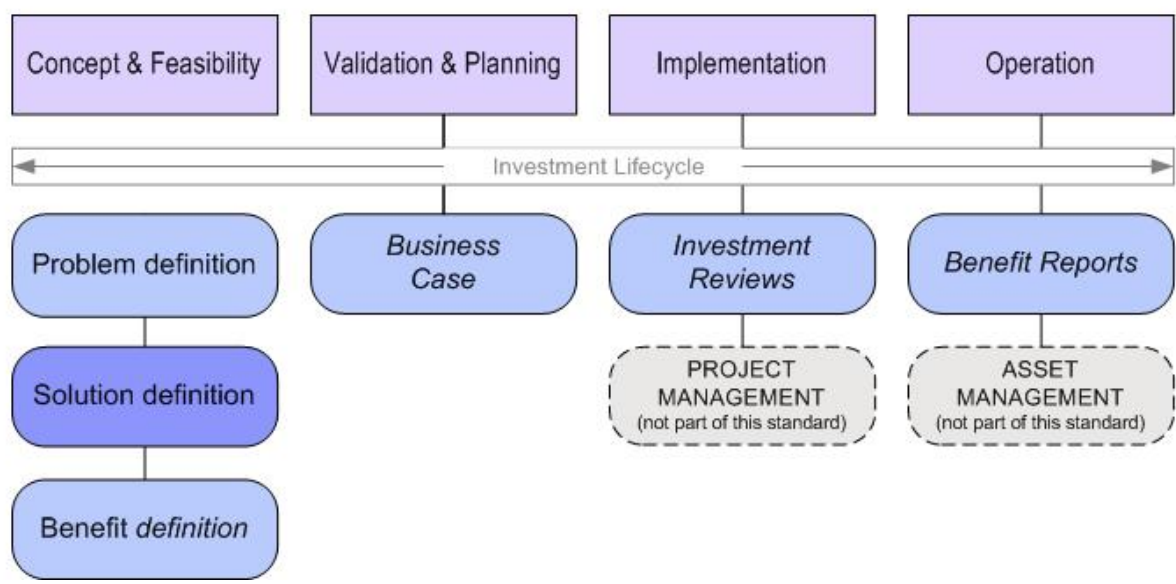


Figure 1: The Investment Lifecycle

1.2 The purpose of this guideline

The investment logic map developed in the Problem Definition workshop provides a clear understanding of why an investment is being considered (‘the problem’) and some idea as to what the solution might be. However, before any judgement of the relative merits of an investment can be made, a better understanding is required of the likely solution and its associated costs, risks, timelines and critical dependencies. It is also necessary to identify ‘dis-benefits’ - any negative outcomes that might result from the proposed solution. The *solution definition* workshop is used to identify and scope the type of solution that is likely to be required to respond to the business need and produce the benefits that are sought. This is a two-hour facilitated workshop that brings together people with diverse expertise who identify and quantify the likely best solution. The output of this workshop is the modification of the investment logic map to depict the identified solution and an *investment concept brief* that contains the key details of the identified solution. This workshop does not replace the need to conduct an options analysis for major investments. It merely provides information on the scope and cost of a likely solution so that the investor may be able to decide whether, based on competing investment proposals, this investment should be considered further. For smaller investments it does provide a rigour not normally exercised in choosing and testing a proposed

investment solution. For some investments it might provide sufficient information to enable an investment decision to be made without the need to develop a business case.

Common sense in applying the standard

The approach defined in this standard is applicable to any investment, irrespective of its size or type. However the way it is applied to a \$200M investment will be different to that of a \$20K investment. Common sense needs to dictate what is appropriate. While for a major investment it is necessary to dedicate an entire workshop with specially selected participants to identifying the likely best solution, for smaller investments this might be done as part of the Problem Definition workshop.

2 The Solution Definition Workshop

2.1 Intent of the workshop

Whereas the Problem Definition and Benefits Definition workshop was focussed on the problem and benefits sought, this workshop is aimed at identifying and scoping the likely solution as it can be best identified at this point in time. Figure 2 depicts this focus in the context of the investment logic map and the roles of the workshop participants.

The solution itself is defined as the changes (and any enabling assets) that will need to be made in order to deliver the identified benefits.

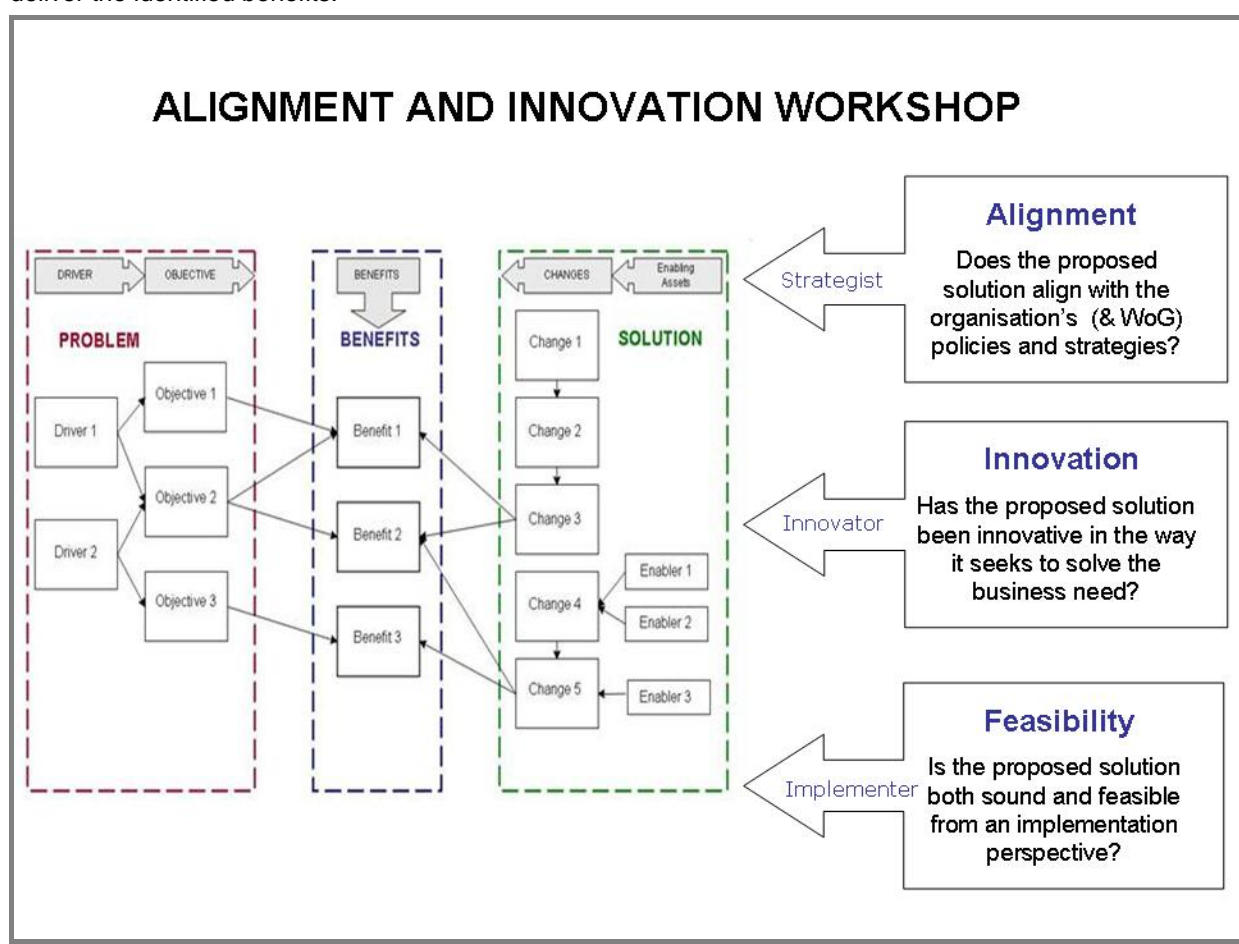


Figure 2: Focus and participants of solution definition workshop

Unless some business *changes* are made then no new benefits will be delivered to the business. These changes can be either within the organisation or elsewhere. In defining the problem the investment needed to solve the Objectives (or strategic interventions) were identified. The changes that will be required are set in the context of these objectives - they provide some elaboration of how the strategic intervention will be implemented. A common reason that the benefits of an investment fail to be delivered is that there was some level of change that was required but was never identified or ultimately acted upon.

The changes that are identified may require an enabling asset if they are to be succeed. An enabling asset is a physical asset that is required to make a change work. There might be the construction of a new hospital and some type of information technology system. These can be either purchased or build.

2.2 Outcome of the workshop

The Investment Concept Brief that is developed at this workshop will provide the investor with a clear understanding of whether a compelling case exists to consider this investment further. Specifically, the workshop will specify a potential solution in terms of the changes that would be required and the associated costs, timelines, risks and assumptions. It will also validate that the benefits that were sought are realistic.

3 Why use an accredited facilitator

Although the development of an Investment Concept Brief might seem simple, without the facilitation of someone skilled in their development the outcome can be significantly diminished. To rectify this situation, a process of facilitator accreditation has been established. As a result there is now a pool of people who can effectively facilitate investment management workshops. Some of these work within Government and others are consultants. The list of accredited facilitators is on the Investment Management website. It is recommended that for 'serious' investments an accredited facilitator is engaged.

An accredited facilitator will also be able to assist in setting up the workshop and advise as to who might be the right mix of participants.

The facilitator accreditation process ensures that a person understands the theory and practice involved in creating an Investment Concept Brief – and this is important. It does not test their facilitation and mediation skills. It is therefore recommended that, before engaging an accredited facilitator, an Investor validates these capabilities by contacting an investor who has previously engaged them.

4 How a solution definition workshop is conducted

4.1 Before the workshop

4.1.1 Selecting and inviting participants

The participants at a solution definition workshop comprise the following:

Investor	Person who has the business problem, will be responsible for making or advocating the decision to invest, and will ultimately be responsible for realising the expected benefits. Was the key participant in the problem definition workshop.
Solution architect	Understands the business problem and the domain of the solution. Is responsible for proposing and defending the likely best solution to the identified business problem
Strategist	Understands the strategic direction of the organisation in terms of policy, business strategy and enterprise architecture
Innovator	Has broad knowledge as to how innovation and new technologies are being used in the specific business area
Implementer	Has developed solutions in the specific business area and is aware of what already exists and the feasibility of developments in this area
Facilitator	Is accredited to facilitate workshops under the investment management standard

Before the workshop the investor must decide, taking a broad view, who could provide the most value in terms of the Strategist, Innovator and Implementer and invite them to attend the workshop. For minor investments these may be internal people who will play their respective roles and provide the rigor that will test the solution.

The investor must also nominate a Solution Architect.

Prior to the workshop the Solution Architect must:

- Consider the range of potential solutions to the identified problem and choose what they believe to be the most suitable
- Shape the preferred *solution* in terms of the changes and any associated enabling assets that will be required to deliver the Key Performance Indicators (KPIs) identified as evidence that the benefits will be delivered. This solution should then be depicted on the investment logic map for the investment consistent with the example in the appendix using no more than seven changes.

Note: If there is no clarity as to what might be the most suitable solution the investor may decide to commission the development of strategy to better understand the need and the potential solutions. This should only be done if the Investor is convinced that there is a compelling need to take some action and, based on the likely size of the budget and the relative merit of other proposals that will be competing for the budget, the resources that will spent on the strategy is worthwhile.

4.1.2 Booking venue

The workshop is time-boxed at 2 hours in one single sitting.

The venue must be able to accommodate the number of participants comfortably and have a suitably sized whiteboard - preferable one that can produce screen copies.

4.2 At the workshop

The workshop process is as follows:

Item	Objective	Key Person	Duration (mins)
Setting the workshop 'RULES'	The Facilitator will outline the rules of the workshop: <ul style="list-style-type: none"> • Time constraint • Possible outcomes • Participant roles. 	Facilitator	5
Outlining the PROBLEM	Using the Investment Logic Map developed previously, the problem is articulated and the expected benefits are discussed and understood.	Investor	15
Proposing a SOLUTION	The proposed solution is articulated, discussed and understood.	Solution architect	15
RE-SHAPE SOLUTION	The solution proposed is tested by the participants to determine whether it is, in their opinion, the most likely best solution: <ul style="list-style-type: none"> • Does it align with the organisation's policies, strategies and architectures? • Is it innovative in the way it seeks to solve the business need? • Is it sound and feasible from an implementation perspective? <p>The investment logic map is amended to reflect any change to the proposed solution.</p>	Strategist Innovator Implementer	50
SCOPE agreed solution	Based on the agreed solution consolidate information to populate the Investment Concept Brief (refer to appendix).	All	30
Concluding the workshop	The facilitator will reflect on the outcome of the workshop and the next steps.	Facilitator	5

4.3 After the workshop

Within 24 hours of the workshop the facilitator will complete and circulate version 0.1 of the investment concept brief to all workshop participants. This will reflect the outcomes of the workshop and will be in the format of the example in the appendix. Within 48 hours of the workshop the participants will provide any responses to the facilitator and the facilitator will make final changes and circulate version 1.0 to all participants. This will conclude the solution definition workshop.

The investment concept brief can then be used by the investor to decide the merit of the investment proposal. This might result in any of the following actions:

A compelling case exists to invest and an investment decision will be made (this is unlikely to be the case for major investments)

Based upon the available budget and the competing priorities the proposal should be considered further.

This might result in an options analysis, business case development, feasibility study or the development of a strategy

Considered in the context of competing priorities there is no point in considering the investment further.

5 More information

The template can be found on the Department of Treasury and Finance website. For more information, please go to www.dtf.vic.gov.au/investmentmanagement or email investmentmanagement@dtf.vic.gov.au

6 Appendices

6.1 Appendix: Glossary

Benefit

The value that the investment will provide to the organisation or its customers. Benefits are normally a positive consequence of responding to the identified driver. Each claimed benefit must be supported by Key Performance Indicators that demonstrate the investment's specific contribution to the identified benefit.

Benefit Management Plan

A short document that defines the pre-requisites for the delivery of each expected benefit, how the delivery of each benefit will be measured, and who will be responsible for measuring and realising each benefit.

Benefit Reports

A report for the investor that depicts the status of the delivery of the benefits compared to the original expectations.

Business Case

A document providing the information that an investor needs to decide whether to commit resources to a new investment.

Change

The things that must be done by the business if the benefits are to be delivered. The changes provide detail of how the strategic intervention defined in the objective will actually happen.

Dis-Benefit

A negative impact that might occur as a direct consequence of implementing a particular solution.

Driver

The reason that action needs to be considered at this time. Drivers are normally couched in negative terms such as "climate change is demanding new ways of living in Australia". A driver should capture the essence of what is broken and the consequence.

Enabling asset

Any physical asset that must be built or purchased to enable the identified changes to occur. These may be a hospital, a pipeline or an IT system.

Gateway

The Gateway Review Process is a best practice initiative based on proven techniques used extensively in progressive industries and governments. The Gateway Review Process has been validated and optimised for use in Victoria over a wide variety of projects and programs.

Growing Victoria Together

A ten-year vision that articulates what is important to Victorians and the priorities that the Victorian Government has set to build a better society.

Investment Concept Brief

A two-page document that depicts the logic underpinning an investment and identifies the likely costs, risks, dependencies and deliverables of the proposed solution. It is used to summarise the merits of an investment and allow decision makers to prioritise competing investments before proceeding to business case.

Investment Logic Map

A simple single-page depiction of the logic that underpins an investment. It provides the core focus for an investment and is modified to reflect any changes to the logic of an investment throughout its lifecycle.

Investment Management Standard

A best practice approach applied over the life of an investment that aims to reduce the risk of investment failure, provide greater value-for-money and drive better outcomes. It has been designed to enable the *investor* to shape and control investments throughout their lifecycle.

Investment Reviews

Formal scheduled periodic reviews that aim to confirm that the logic for an investment remains valid.

Investor

The person who has an identified business problem (or opportunity), will be responsible for making (or advocating) a decision to investment, and who will be responsible for delivering the expected benefits. This person is often referred to as the 'senior responsible owner'.

Key Performance Indicator (KPI)

A measure that has been selected to demonstrate that a benefit expected from an investment has been delivered.

Objective

The high-level action (or strategic intervention) that is proposed as the response to the identified driver. This intervention must be framed within the context of the organisation's purpose.

Project Management

A controlled process of initiating, planning, executing, and closing down a project. The changes required to enable the benefits of an investment to be delivered are usually defined as projects.

6.2 Appendix: Investment concept brief (fictional example)

Public Transport Initiative (Fictional)
 <Organisation Name>
Investment Concept Brief

Investment Logic Map

Public transport congestion is eroding the city's liveability (50%)

Existing public transport infrastructure will not support future demand (30%)

Inadequate public transport is disconnecting the city's communities (20%)

Identify the needs of developing communities and

Provide to meet our future transport (5)

Improve and reliable public transport system (2)

Public Transport Initiative (Fictional)
 <Organisation Name>
Investment Concept Brief

CONTEXT What is the compelling reason this investment should be considered further?
 Public transport is failing to meet current demand and will be further impeded by growth in patronage.

BENEFITS What benefits will this investment deliver to Government?
 Refer to Investment Logic Map on the reverse. (OVER)

DIS-BENEFITS What negative impacts to government might result from the identified solution?
 Undertaking transport infrastructure projects may disrupt public transport services during delivery phases of projects. (short term)
 Undertaking transport infrastructure projects may disrupt road traffic particularly when projects such as grade separations occur. (short term)

RISKS What are the primary risks to the success of this investment?

Risk	Criticality (H/M/L)	Likelihood (H/M/L)
Inability to accurately forecast patronage growth	M	H
Incorrect identification of public transport needs	H	M
Shortage of technical skills and construction resources	H	H
Inefficient project co-ordination	M	H
Transport operators not working collaboratively	M	M

CRITICAL DEPENDENCIES Are there any conditions that, if they were to change, may impact the need for this investment (eg. Policies or dates)?
 Government's policy regarding congestion taxes/charges
 Government policy regarding the environment.
 Government targets regarding public transport usage.

TIMEFRAME What are the expected timeframes for the key deliverables?

Description of deliverable / milestone	Time from funding (Months)
Identify current and future service requirements	6 months
Delivery of new rolling stock	1-2 years
Delivery of new infrastructure i.e track, stations	1-12 years
Improved reliability and efficiency of public transport system	1-12 years

COST What are the likely costs of this investment?

Item (business change or enabler)	Cost (range)
New transport infrastructure	Approx \$9.5b
New rolling stock	Approx \$1b
New IT system	Approx \$20m
TOTAL	Approx \$10.5b

POLICY ALIGNMENT What is the primary policy to which this investment will contribute?
 Deliver and Sustain Future Public Transport Demand

INVESTOR Who is the senior person who will ultimately be responsible for delivering the identified benefits?

Name	Position	Signature	Date

Document Control	Template Version 3.0
Version:	[Add]
Last Reviewed	[Add]
Facilitator	[Add]