Major Project Oversight and Guidance

Available online at: http://www.das.ohio.gov/Portals/0/DASDivisions/InformationTechnology/IS/Optimization/Major%20Project%20Oversight%20and%20Guidance1.pdf

1.0 Background

The State of Ohio, in common with many other large organizations, continues to face challenges implementing large projects successfully. To demonstrate the potential significance of this challenge, research by The Standish Group found that only 13% of large government projects were categorized as successful. For this research, large projects were defined as projects with labor costs over $6 million and successful projects were defined as on time, on budget, and on target. A further 58% of large government projects were categorized as challenged. These challenged projects were defined as over budget, late, and /or had an unsatisfactory target. The final 29% of large government projects were categorized as failed. Failed projects were either cancelled prior to implementation or not used after implementation.

In pursuit of successful implementation of large projects, it is important to understand what contributes to positive outcomes. In a paper titled **Reducing I.T. Project Management Failures: A Research Proposal**[1], authors Gezinus J. Hidding, Ph.D. and John Nicholas, Ph.D. of Loyola University discuss the author, Peter Drucker, and how he makes the distinction between efficiency (doing things right) and effectiveness (doing the right things). Successful projects need to do both, but most projects that fail strive to solve only one. Generally, government has focused on the efficiency side by concentrating on the management of the project, specifically on the schedule and budget, by implementing the Project Management Professional (PMP) certification, the Project Management Body of Knowledge (PMBOK), etc. However, the effectiveness of the project (i.e., the outcomes) is just as important. Effectiveness includes such outcomes as whether or not the project met the needs of the citizens and employees. In order to be successful in the implementation of major projects, the State must pursue both efficiency and effectiveness.

2.0 Purpose

This document outlines how the State of Ohio is planning to improve its success rate on major projects undertaken at the enterprise level and throughout state agencies as well as boards and commissions. It identifies the Major Project Oversight (MPO) model and project management conditions necessary for the successful implementation of major projects in the State of Ohio. The governance approach and project management steps outlined in this document are intended to help ensure that major projects are pre-identified, delivered on

[1] https://www.computer.org/csdl/proceedings/hicss/2009/3450/00/09-09-04.pdf

time, within budget, and that the deliverables are of high quality and in alignment with the agreed upon scope of the project.

Additionally, this model approach will assist agencies in establishing and strengthening project management practices that gauge agency readiness and align project resources with agency mission, goals, program priorities, necessary outcomes, and statutory requirements. Further, this will identify state project management controls that will meet basic project management needs while providing agencies with the flexibility to adapt to agency missions and processes.

This document outlines a new governance model for the State of Ohio. Implementation of a portfolio management model, as a first step, will help improve the success of projects within the State. The benefits that will result from portfolio management include:

- Improved vendor management due to transparency--based on providing insight across the State enterprise of current and planned business and IT initiatives;
- Increased agency level collaboration--enabling individual agencies to leverage each other's business and IT investments and capabilities;
- Enterprise risk management and mitigation--enabling the State to be more aware of risk elements known at the time the project is prioritized and scale of potential risk damage that can impact project success;
- Improved consistency and collaboration on similar investment areas--so that common solutions for shared problems can be used across the State (e.g., e-signatures);
- Improved efficiency of effort--where coordination can lead to greater cost efficiencies, ability to leverage purchasing power, ability to tap into other agency expertise, and can all lead to reduction in agency and enterprise cost or effort; and
- Improved quality of effort--by building upon experience of other agencies with similar or related initiatives.

The importance of establishing this process cannot be overstated. Properly executed, this will be a major step in improving the management of government operations and provide insight into operations and agency initiatives and priorities not currently possible.

3.0 Current State

Project management and project governance differs across agencies in the State. A number of agencies have implemented Program or Project Management

Offices, or Agency Steering Committees to provide governance across projects within their specific agency. These agency implementations generally:

- Conduct major projects oversight activities, which may include authorizing funding, contracting, or expenditures or changes to scope, budget, or timeline.
- Address major project risks and issues.

The MPO approach will supplement and support these existing governance organizations in agencies where they exist. Agencies that have not implemented these governance organizations will be required to implement an Agency Steering Committee for major project governance for both business and IT major projects.

4.0 Success Factors

As noted above, the Standish Group performs research on projects across both industry and government. They identified the top 5 factors found in successful projects:

1) User Involvement,
2) Executive Management Support,
3) Clear Statement of Requirements,
4) Proper Planning, and
5) Realistic Expectations.

To ensure these factors are covered in large projects in the State of Ohio, we have further categorized them as follows:

- **User Involvement** includes Business Case Development, Business Engagement, Agency Readiness, and Executive Sponsorship;
- **Executive Management Support** includes Executive Sponsorship and Defined Escalation Process;
- **Clear Statement of Requirements** includes Business Case Development, Business Engagement, and Requirements Development;
- **Proper Planning** includes Strong Project Manager, Agency Readiness, and Defined Escalation processes; and
- **Realistic Expectations** includes Business Case Development, Business Engagement, and Executive Sponsorship.

As noted earlier in this document, successful projects need to manage both efficiency (doing things right) by concentrating on the Project Management and effectiveness (doing the right things) by focusing on the outcomes. The identified success factors support both of these needs:

- **Project Management** is supported by executive sponsorship, a strong project manager, defined escalation process, and agency readiness, and
- **Outcomes** are supported by business case development, executive sponsorship, business engagement, requirements development, and agency readiness.

Executive Sponsorship: Every major project in the State should have a sponsor who is a senior executive in the agency. The executive sponsor makes sure that the project's goals are aligned with the overall agency strategy, champions the project within and outside the agency, ensures that the agency is prepared to accept the project at implementation, obtains project support from other senior executives, mitigates change resistance, and provides ongoing direction as the project develops. The executive sponsor has ultimate responsibility for the success of the project. Assignment of an executive sponsor is critical to the success of a major project.

Strong Project Manager: The project manager is responsible for leading a project from project identification to implementation. This includes project planning and project execution, as well as managing the people, resources, tasks, deliverables, and scope of the project. The project manager should be identified at project inception. Assignment and executive support of a strong project manager is critical to the success of a major project.

Requirements Development: Requirements development is the process to elicit and document the business, mission, and operational needs from users and other stakeholders. Staff and stakeholders with broad knowledge of the agency in which requirements are being developed (whether for a system, service, or the enterprise) and who are capable of thinking broadly about the solution should be assigned to this important task. Participants need to be able to identify cost-effective solutions (e.g., process changes). Legacy system requirements should not drive the process. Getting this right is one of the biggest drivers of success on the outcome of the project. Too often in government projects, the requirements developed to drive the new project are based on the existing requirements used in the business today, or worse, when the legacy system was originally developed, with little to no thought given to different ways and approaches to accomplishing the business today and achieving the desired different outcomes.

Business Engagement: Many large projects involve the business users at the beginning of the project, during requirements definition, and then near the end of the project, during training and implementation. Successful projects engage the business users and business unit leaders throughout the project, continually obtaining their feedback. The executive sponsor and project manager should define a business engagement process within the agency during the project planning phase. In addition, business engagement includes identifying all other agencies impacted by the project. The executive sponsor and project manager should define an agency engagement process for other impacted agencies and a communications plan for these agencies.

Business Case Development: A business case is the first step in the capital planning and investment model and should be developed by the business entity in the agency driving the project. One of the benefits of working in government is the ability to share information between government organizations. An initial step in the business case development is to reach out to other states to understand what they have done with similar initiatives. Ask questions such as: what approaches did they take, what lessons did they learn, and what steps would they do differently based upon their experience? The business case is used to obtain the support, participation, and leadership commitment for a project. It should provide justification for the project, including the business need, problem, opportunity, and how the project improves the overall efficiency and effectiveness of state government or statutory fulfillment, including the direct and derived mandate(s) related to the project. The business case should define the expected business benefits (short term and long term) and document the expected timing for these business benefits. A Lean process analysis of the current business process should be conducted to improve existing processes and validate the business need for the project and expected outcomes. It should outline the estimated project cost. It should describe the impact on the organization and users and the changes that are required. Finally, the business case should identify specific alternatives that were examined, their associated impacts, risks, costs, and benefits.

Agency Readiness: The agency must plan for and implement Organizational Change Management (OCM) to prepare the agency for the changes in services or business processes as a result of the project implementation. Agency employees possess the knowledge of the current business processes, as well as the undocumented work arounds to make the processes function correctly. The project is going to change the way they do their jobs and they may view the new project as a challenge to their knowledge and position in the organization. The right OCM approach can help the agency achieve the goals set out by project implementation by involving and communicating with employees throughout the project.

Defined Escalation Process: An escalation process is a set of defined and documented procedures to deal with potential problems or issues at the lowest level in the organization as possible. This escalation process must be pre-defined, agreed upon, and ready to deploy as needed.

Agencies that have existing project management processes that may align with components and functions discussed in this whitepaper, will be required to map these processes to those identified in this new approach.

For example, the Ohio Environmental Protection Agency (EPA) has a documented Project Management (PMO) approach and processes that have been included in Figure 1: Major Project Governance.

5.0 Major Project Oversight and Governance

It is the State’s goal to ensure success of the implementation of major projects. To accomplish this, the State will create an oversight and governance process that follows the required approach described above. All agencies with major projects will implement an Agency Steering Committee if one does not exist to conduct project oversight for all major projects (business and IT) in the agency. The State will implement a Major Projects Governance Committee to provide governance, executive sponsorship at the enterprise level, and oversight on complex agency projects in the State. This governance committee will monitor quality and progress on major projects and determine the appropriate course of action for major projects that are not meeting appropriate quality or progress goals.

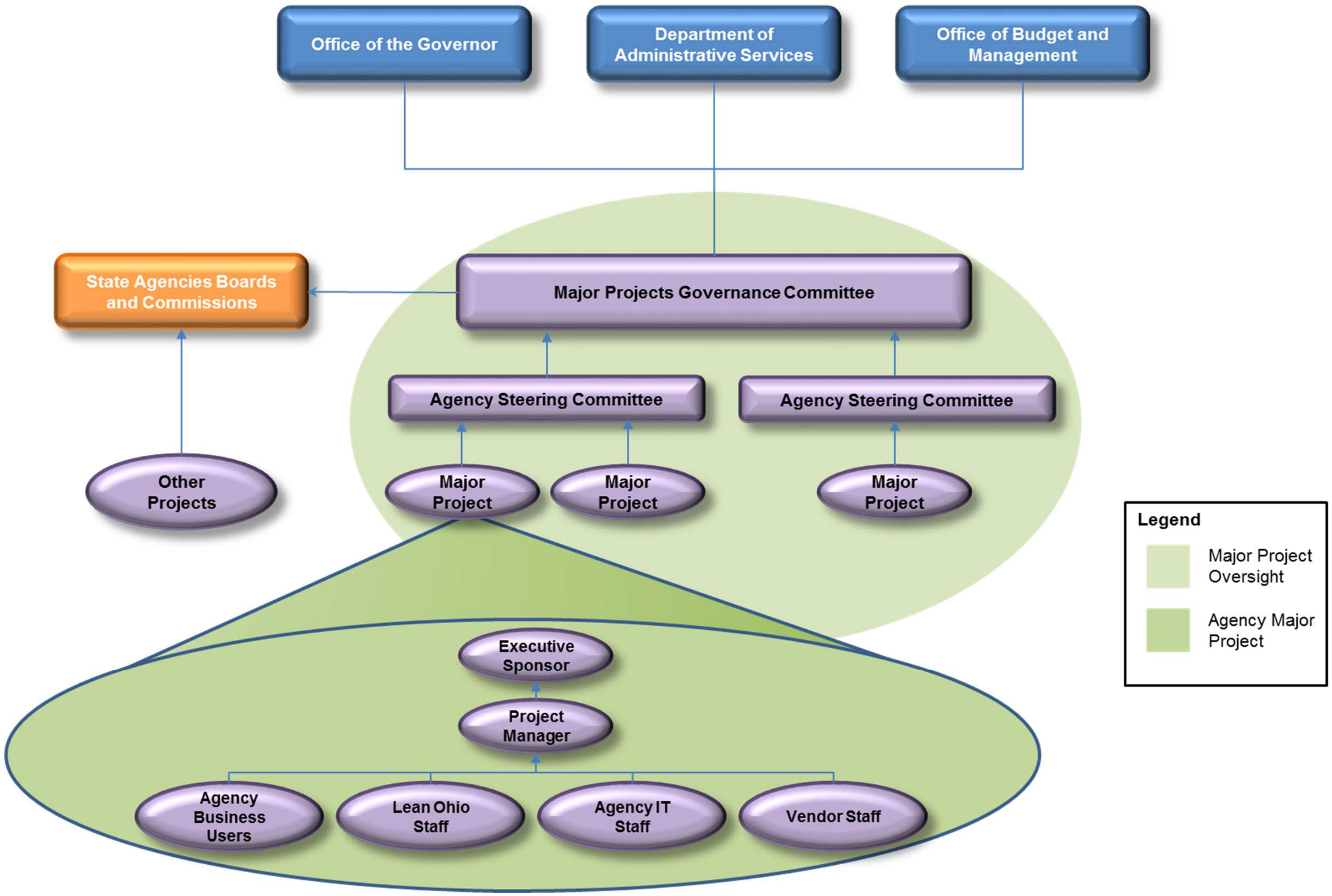

Figure 1: Major Project Organization

This section explains the roles and responsibilities for the steering and oversight committees. It then details when the success factors identified above should be implemented within the projects.

Agency Steering Committee.

Agencies responsible for sponsoring major projects shall establish a steering committee (governance) for oversight of all major projects. The committee should include the agency director or his or her designee and executives or representatives from finance, information technology, legal representation and other business areas as appropriate. Additionally, the executive sponsors and project managers of all major projects in the agency should participate. Agency Steering Committees shall:

- Conduct major projects oversight activities, which may include authorizing funding, contracting, or expenditures or changes to scope, budget or timeline.
- Address major project risks and issues and provide status updates to the Major Projects Governance Committee on a quarterly basis or at major project milestones.
- Ensure project management practices or methods for project tracking and reporting, risk monitoring and resolution, change control, and decision-making are implemented.
- Verify the project is delivering the benefits identified in the projects Business Case.
- Meet on a regular schedule to discuss project progress and any identified issues.

Major Projects Governance Committee.

The Office of the Governor, DAS, and OBM shall establish a Major Projects Governance Committee. The committee shall consist of a chairman designated by the Office of the Governor, the DAS Director or designee, and OBM Director or designee. The committee shall:

- Provide approval for the agency to launch the major project based on completion of the Success Factors as outlined in section 4 of this document.
- Determine the appropriate course of action for major projects that do not meet progress goals; are failing to meet quality, timeliness, budgetary or functional requirements; or are not meeting expected post-implementation performance.

- Monitor major project quality and progress; identify issues; and make recommendations for major project progression or remediation.
- Meet at least quarterly to discuss any issues related to investments in major projects. The committee shall meet more frequently as needed.

6.0 Project Stages

This section describes in what stage of the project the success factors identified above should be implemented. There are four identified stages for every project (refer to Figure 2, Major Project Governance, below for additional details).

Major Project Governance

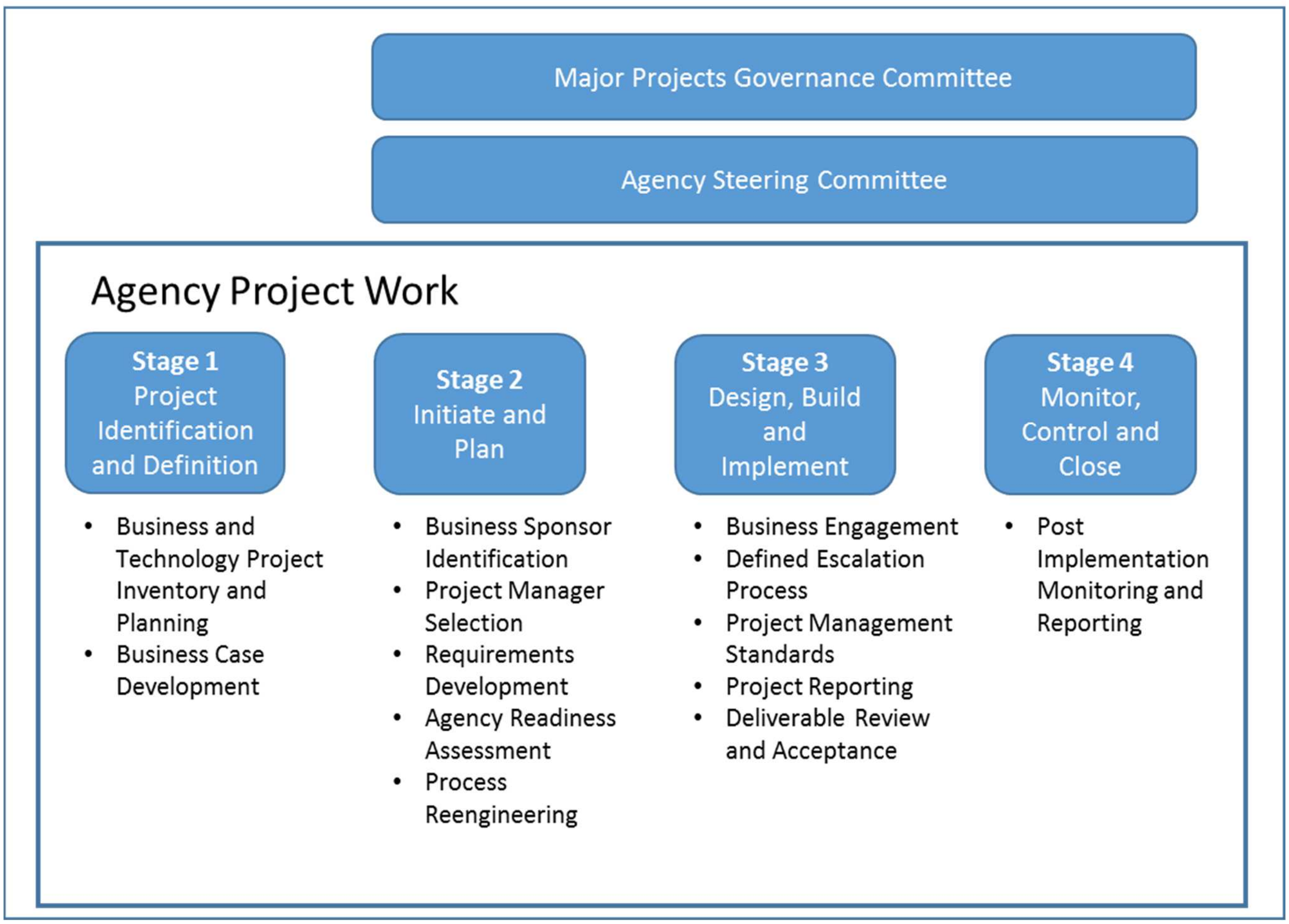

Figure 2: Major Project Governance

Stage 1: Project Identification and Definition

Project identification and definition is the initial stage of the project development cycle and is performed prior to significant investment being made. The following activities shall be performed as part of this stage:

Business and Technology Project Inventory and Planning: To ensure timely support of major projects and improved enterprise coordination among projects and applications, agencies will submit and update, on a quarterly basis, an inventory of business and technology projects via the state's project prioritization tool. Projects will be reviewed by DAS Office of Information Technology (OIT) and OBM for preparedness, risk, and similarity, and recommendations may be made to enhance project support or engage in cross-agency project collaboration. Projects will be identified through this process for ongoing review/monitoring by the Major Projects Governance Committee.

Business Case Development: The executive sponsor responsible for the major project shall establish a business case for the project, prior to any project initiation.

- It would be advantageous for the agency to designate the executive sponsor and the primary project manager prior to business case development. Early selection of the executive sponsor and project manager can ensure their involvement in the development of the business case as well as the initial planning for the project. In addition, the timely identification of the executive sponsor and project manager with the requisite skills, credentials, and experience can contribute to the strength of the business case.

- The business case should address the following elements as may be applicable to the specific project:
  - The business need. (Why is this project necessary and what would be the impact if the project is not pursued?)
  - General project description, including key objectives and goals.
  - Identification of the approaches taken by other states, including their lessons learned.
  - Lean Process Improvements informed from other approaches and implemented in existing and new processes.
  - Project goals and desired outcomes.
  - Estimated project cost and total cost of ownership (rough order of magnitude +/-50%).

    - Estimated timeline.
    - High-level benefits.
- The business case should be enhanced during the planning process to include:
    - Strategic alignment with agency and state goals.
    - Definition of current and future states.
    - Estimated annual maintenance costs.
    - Identified alternatives and their associated impacts, risks, costs, and benefits.

Stage 2: Initiate and Plan:

This stage includes project initiation and project planning. If the selected approach for the project is a competitive procurement, these steps should be performed prior to the RFP being developed.

Designation of an Executive Sponsor and a Project Manager: Assignment of both an executive sponsor and a strong project manager is critical to the success of a major project. These roles can be filled by people from within or external to the Agency.

- When selecting the executive sponsor, agencies shall ensure the sponsor has the appropriate experience and authority to represent and commit the agency as well as business interests and needs throughout the project. The executive sponsor should be an executive or senior leader within the organization to provide the authority and credibility needed. The executive sponsor should be a visible and active participant in the project responsible for ownership, oversight, and resources to successfully implement and support the project. The executive sponsor has ultimate responsibility for the success of the project. The responsibilities of the executive sponsor are:

    - Providing clear direction for the project and how it links with the organization’s overall strategy;
    - Driving timely decision-making, change management, and issue resolution;
    - Securing project resources;
    - Ensuring the project is on time, on budget and on scope;
    - Providing feedback on status reports and making sure they reach the necessary stakeholders, and
    - Championing the project at the executive level to secure buy-in.

The executive sponsor creates an environment that allows the project manager to manage the project.

- When selecting a project manager, agencies shall ensure:
  - The project manager's experience is similar to the scope, size, and complexity of the major project;
  - Must be highly organized, an effective communicator, be detail oriented, a good delegator, and recognize and facilitate the resolution of issues quickly;
  - Is given the appropriate level of authority and access within the agency;
  - Understands scope, impacts and importance to the agency;
  - Has availability and is committed to the duration of the project; and
  - Understands the procedures for major project escalation and change control.

  The project manager is responsible for ensuring the project is delivered on time, to budget and to the required quality standard. The project manager's responsibilities include:

  - Project planning and scope definition,
  - Task planning and sequencing,
  - Resource planning, developing schedules, and time estimation,
  - Cost estimation and budget development,
  - Risk analysis and managing and reporting on risks and issues,
  - Progress monitoring and reporting,
  - Team leadership,
  - Working with Vendors,
  - Quality control, and
  - Benefits realization.

Requirements Development: Prior to the development of a competitive procurement (whether developed in-house or with DAS OIT) or the award of a contract, the agency responsible for the major project shall develop a description of the future state and define the associated business, technology, policy, and human capital requirements.

- The requirements development should address the following elements as may be applicable to the specific project:

- Lean process analysis validation at this stage to validate the project direction, including creating strategic, process, technical, and organizational views to assist in streamlining the business and operational processes prior to defining requirements. Additionally, the Lean process analysis must include integration/handoffs with other agencies or systems.
- Think broadly**.** Staff with broad knowledge of the enterprise in which requirements are being developed (whether for a system, service, or the enterprise) adds value and may be able to identify cost-effective solutions (e.g., process changes).
- Relationships and interfaces to other systems.
- Define requirements, including mapping to expected business benefits. **Legacy system requirements should not drive the process.**
- Factor expected benefits into solution design.

Agency Readiness Assessment: The agency shall conduct and document an overall organizational readiness assessment, which shall include the following:

- Business and operational readiness.
- Change readiness, including Organizational Change Management and communications plan.
- Impacts to customers, employees and any other stakeholders, both internal and external, including other agencies impacted by this initiative.
- Identification and evaluation of the resources required to support, maintain and operate the resulting service or system following project implementation.

Stage 3: Design, Build and Implement:

This stage of the project covers the design, build, and implementation of the project, and is generally the stage with the largest effort and cost. The previous stages have been about setting the project up for success, and this stage is about ensuring project success.

Any agency or enterprise project identified as a major project will meet the following project management requirements:

- **Business Engagement:** The executive sponsor and the project manager should define a process for continual business engagement throughout this phase and ensure the process is followed. Continual business engagement includes both internally within the agency and externally to all other agencies impacted by the project or the changes.

- **Defined Escalation Process:** The executive sponsor and the project manager should define an escalation process to manage and resolve potential problems and issues as quickly as possible.

- **Project Reporting:** The agency responsible for or sponsoring the major project shall provide monthly major project status reports to the Major Projects Governance Committee. As a major project approaches a project phase review, the Agency Steering Committee will provide a project phase deliverables assessment to the Major Projects Governance Committee, including any missed business requirements and their impact, and when and how the missing business requirements will be implemented (enhancement or change request).

- **Project Phases and Associated Funding:** The agency responsible for or sponsoring the major project will ensure the required deliverables are completed in alignment with the business requirements and contractual agreement. If the project does not meet phase requirements; or is failing to meet quality, timeliness, budgetary, or functional requirements, the major project will be reviewed for continued funding or remediation by the Major Projects Governance Committee.

Stage 4: Monitor, Control and Close

This stage of the project occurs after successful implementation of the project and covers ongoing support, maintenance, and operations.

- **Post-implementation Monitoring and Reporting:** The agency responsible for or sponsoring the major project shall monitor the development of the project in attaining project goals and outcomes and provide the Major Projects Governance Committee progress reports on goal and outcome achievement for a minimum of one-year post-implementation. In instances where the project is not yielding desired results, the agency will provide a corrective action plan to the Major Projects Governance Committee.

7.0 Criteria

Agencies shall ensure the major project oversight and project management requirements outlined within this policy are implemented or incorporated into current agency governance processes to protect the investment of taxpayer resources. This policy applies to both current and future projects that meet the "major project" criteria. Agencies are strongly encouraged to follow similar processes even for those projects that are not designated as "major projects." For the purposes of this document, any project which meets one or more of the criteria listed below shall be considered a major project and shall follow the MPO governance requirements outlined herein:

- Total contract value is expected to exceed $5 million (or is tracking to become a project that is over $5 million);
- The project is determined to be high risk or high impact.
- The project has an enterprise or statewide impact; involves more than one state agency, board or commission; or is initiated by a state agency and will involve other non-state governmental entities/organizations;
- The project develops, adds functionality, or re-engineers a mission critical business process and/or application; or
- Is otherwise designated as a major project or a high risk or high impact project by the Office of the Governor, or the Director of the Ohio Department of Administrative Services (DAS) or the Ohio Office of Budget and Management (OBM).