



CASE STUDY: A Top-10 Most Populous State Government

Creating a Transparent, Strategically Aligned Process for
Allocating Public-Sector IT Investments

Allowance Method Case Study

Background

Recognizing the increasingly critical role that Information Technology (IT) plays in the delivery of services, the State Legislature appropriated \$72.5 million in 2018 targeted for IT investment through its Information Technology Investment Fund (ITIF). The appropriations bill directs that the funds be used for modernizing state information technology systems, improving the state's cybersecurity framework, and achieving efficiencies.

The State Department of Technology, Management, and Budget (DTMB) manages IT for 19 state agencies. The DTMB assigns agencies to one of five General Managers (GMs) who works with the agency to fulfill their IT needs. These GMs are members of the ITIF Executive Governance Board, along with the Department Director, Chief Deputy Director, Chief Financial Officer, Chief Technology Officer, Director of the Center for Shared Solutions, and Director of Customer Service. The Governance Board is responsible for recommending projects to be funded under the ITIF.

The Challenge

The DTMB faced significant challenges allocating funds from the ITIF.

First, the DTMB lacked a transparent, structured process to prioritize and select IT projects considered for investment. The DTMB GMs would meet to discuss and evaluate individual projects, but lacked an overarching framework to justify their decisions. This situation caused dissatisfaction within the agencies they supported, which questioned how the DTMB spent their money. With a steadily growing appropriation for investment in IT projects and no transparent way to justify their decisions to the agencies, the DTMB expected much more backlash when they rejected funding requests.

Second, the DTMB was called out by an external auditor for not adequately aligning IT investment with the State's strategic priorities. This deficiency created urgency to improve. The Governor required the ITIF to support IT modernization, and not general IT. However, the DTMB was unsure if they were spending the money according to the ITIF mission. The DTMB never took a step back to ensure they understood the real strategic priorities and could evaluate projects through that lens.

With an urgent need to improve transparency and alignment, and acknowledgment that solving this problem required specialized expertise, the DTMB turned to Allowance for help.

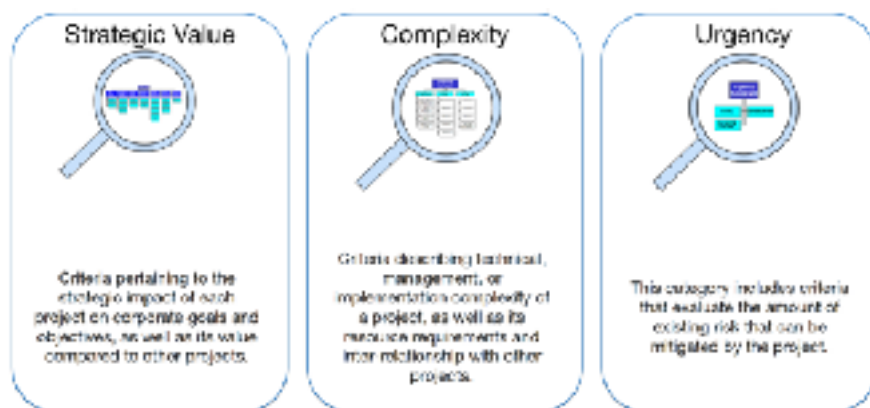
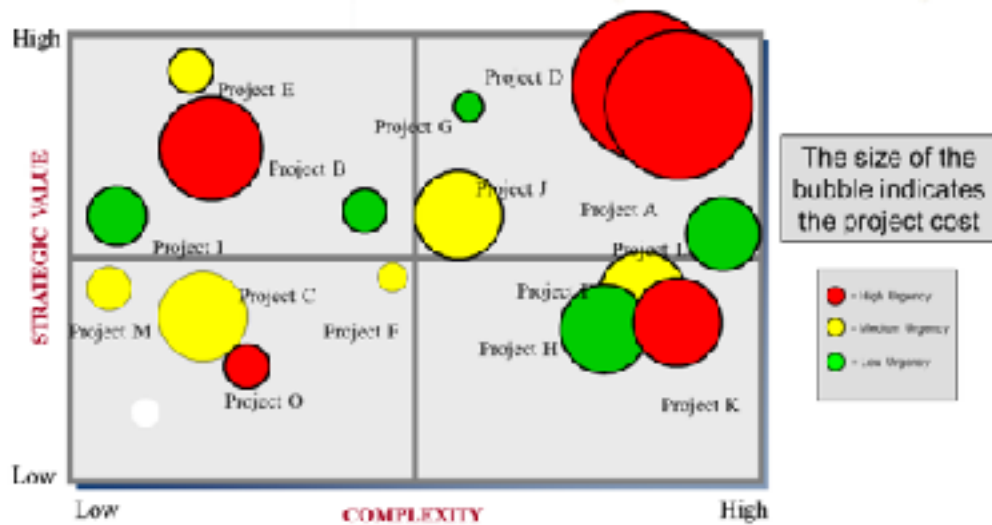
The Solution

The Allowance team utilized its proven Allowance Method and technology platform to help the DTMB create a transparent, aligned decision-making process for allocating IT investments.

The Allowance Method consists of five steps:



The Allowance Method creates transparent, objective decision-making processes by taking into consideration each project's cost, strategic value, complexity and urgency.



Phase 1: Strategize

Initial Meeting

We kicked off the project with a meeting that included the ITIF Executive Governance Board and key people from the State Budget Office. The purpose of the meeting was to understand their sources of strategic priorities and the current dynamics of their decision-making.

We first discussed the Governor's strategic priorities. It was a lively discussion, but there was little consensus within the group. We then attempted to create a scorecard of the Governor's priorities, which morphed into a scorecard of general priorities rather than those specific to ITIF. We had spent four hours to get to this point, and concluded that we could not use the scorecard. It was a painful lesson but, in the end, people recognized the need to refocus on the specific ITIF priorities. It was also clear that the group was too big to make effective decisions with no framework.

Follow-up Strategy Meetings

We scheduled a follow-up meeting with a smaller group. In preparation for the event, we reviewed the document the Governor issued when he appropriated the funds for the ITIF. The document was a good starting point for the discussion. Over the course of two sessions, we distilled the Governor's goals into three high-level strategic priorities. The priorities were mutually exclusive and collectively exhaustive to make sure no priority was missed or duplicated:

1. Modernize the state's aging IT environment
2. Establish transformative IT service delivery
3. Introduce cutting-edge innovation

We agreed that if we achieved these three strategic priorities, we would accomplish the mission.

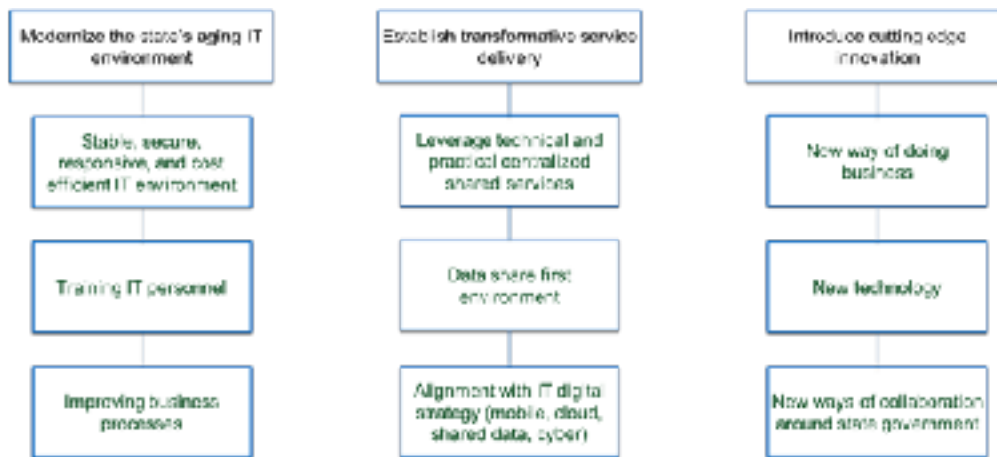
We then broke each strategic priority down into strategic objectives by identifying all the factors that could influence the priorities. Objectives have to be defined precisely to enable the development of metrics and measures for each of them.

1. Modernize the state's aging IT environment
 - Enable a stable, secure, responsive, and cost-efficient IT environment
 - Train IT personnel
 - Improve business processes
2. Establish transformative IT service delivery
 - Leverage technical and practical centralized shared services
 - Data "share first" environment
 - Align with State IT digital strategy (mobile, cloud, shared data, cyber)
3. Introduce cutting-edge innovation
 - New ways of doing business
 - New technology
 - New ways of collaboration within state government

Getting to this point required some effort and patience. The team was working in a way they had never worked before. They were surprised that they could all start with different opinions, but that we could eventually come to this consensus. For the first time, they had criteria aligned with strategic priorities.

The strategy comes to life in the Allowance Method and supporting technology as a Strategic Value Scorecard.

Strategic Value Scorecard



Phase 2: Compare

In Step 2, we use pairwise comparisons to determine the relative weight of each priority and objective. These weights represent the importance of each priority and objective to the organization.

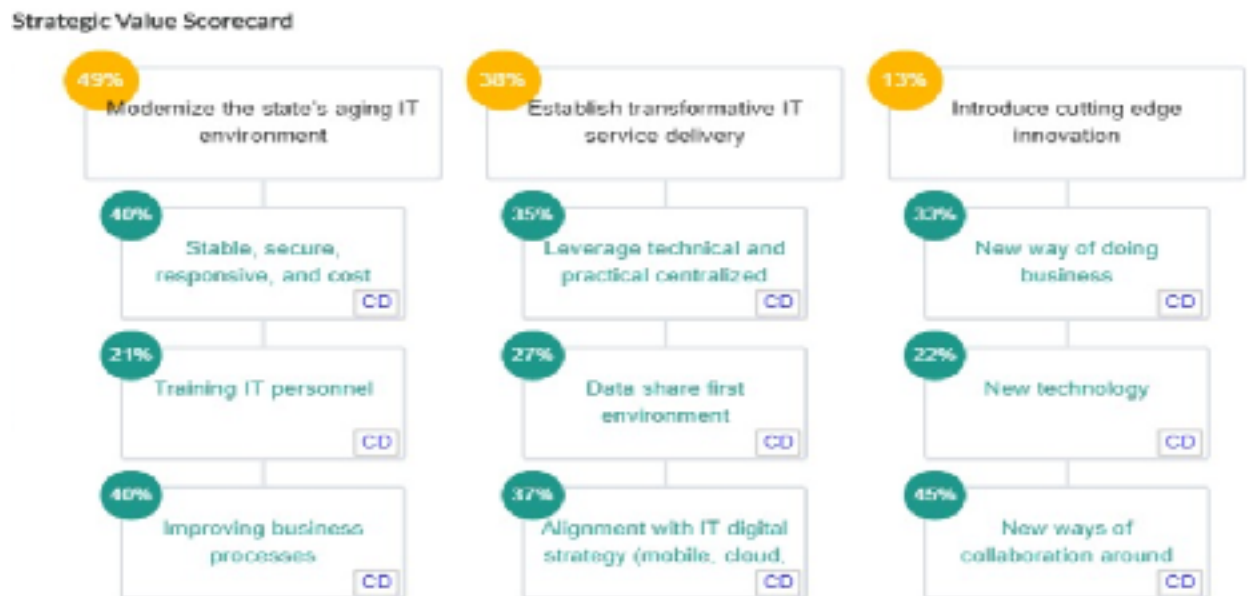
Doing this requires the skilled facilitation for an Allowance Decision Coach. We start by comparing two of the three strategic priorities to determine the relative weights. The Coach facilitates a discussion and then uses the Allowance Method Platform moving the cursor left or right until the groups are in agreement on the relative importance of one priority over the other. The Coach repeats the process until the group has completed pairwise comparison for all priorities.

Comparisons



Pairwise comparison also measures the consistency of group, which in this case was very high. A high level of consistency builds confidence in the results and means that people are clear in their mind about their priorities, what’s important and by how much.

Next, the Coach facilitates pairwise comparisons for the strategic objectives within each strategic priority. The software automatically captures the pairwise comparison data and displays the relative weights of each strategic priority and objective on the scorecard.



As we go through the pairwise comparisons, we also identify a subject matter expert who can speak to the strategic value of each objective, and the complexity and urgency of alternatives. Their initials are captured in the software and displayed in the bottom right corner of each box.

Phase 3: Quantify

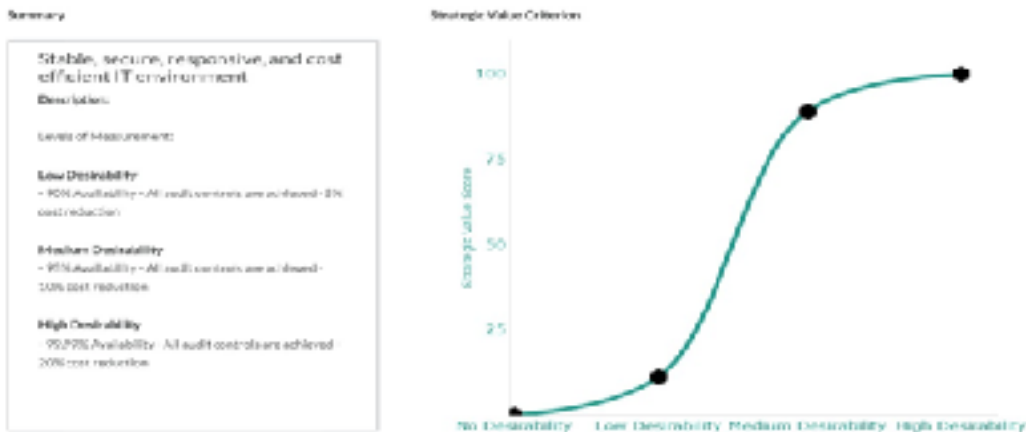
Working with the DTMB team and subject matter experts, we created scales for their assigned objectives. The scales help us define how we will measure our strategic objectives and score our

alternatives. This approach lets us measure and quantify subjective criteria. The Allowance method Platform then calculates project scores based on established scales.



We divide each scale into four intervals that span a continuum starting from no desirability to high desirability. The expert helps to establish definitions for low, medium and high desirability according to DTMB norms. Then the team chooses a curve to fit the scale, since not all measures will be linear. The experts have the option of creating a customized curve.

For example, the first objective for which we created scales was “Creates stable, secure, responsive and cost-efficient IT environment.” We asked the group to define the levels of desirability for this objective. For this objective, they defined desirability regarding percent availability, achievement of audit goals, and cost reduction. We summarized the measurement levels the group defined in the table below. The group then selected a curve that scores projects with medium or high desirability much higher than projects with low desirability.



We worked through this for all nine strategic objectives. We also created scales to measure urgency and complexity.

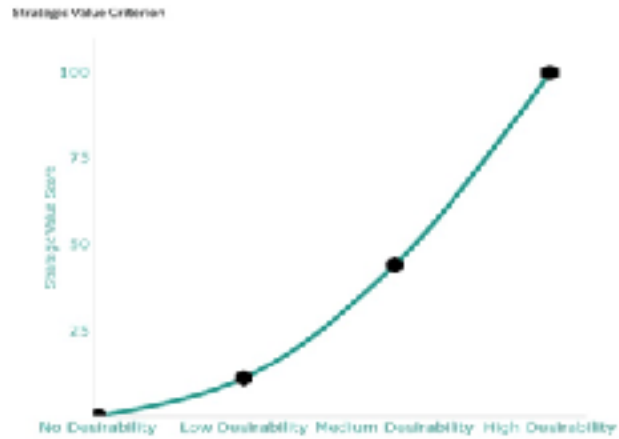
Summary

Urgency
Description:
 Level of Measurement

Low Desirability
 - Loss of outside funding (need to discontinue) - Software upgrades

Medium Desirability
 - Technical issues reaching end of life - Considerable return on investment - Replacing technology reduces overall cost - Considerable maintenance and resources to support system

High Desirability
 - Loss of life - Continued growth of user base - Significant risk to mission/operation - Federal legislative mandate



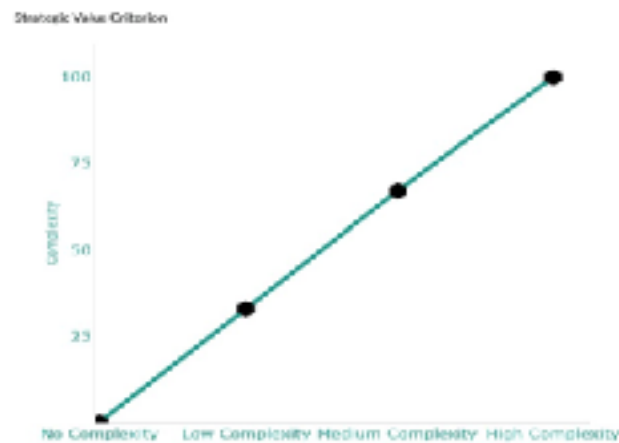
Summary

Complexity
Description:
 Levels of Measurement

Low Complexity
 - Single agency - Low number of resources/teams - One technical integration point

Medium Complexity
 - Multiple agencies - Medium number of resources/teams - More diverse technology integration points

High Complexity
 - Federal wide - Large number of resources/teams - Multiple technologies/integration points



Phase 4: Score

With the weights and scales established, it was time to score the projects. We decided to score the projects as a team, using several working sessions to review all 35 projects.

A “project” is an initiative that would require funding from the ITIF. A project form is created in the Allowance software to collect required information such as project name, description, and cost. The form may be customized to add more fields if necessary. The project form will be used to measure the impact or desirability of each project in relation to all strategic objectives and priorities (i.e., the strategic value), as well as its complexity and urgency.

Project owners are the sponsors requesting funds. Project owners receive a system-generated email with a link to their project dashboards where they can create and submit multiple projects. Project owners use the sliders on the project form to estimate the impact or desirability of the projects they create in relation to strategic priorities and objectives, as well as complexity and urgency based on expert definitions that were established in the Quantify step.

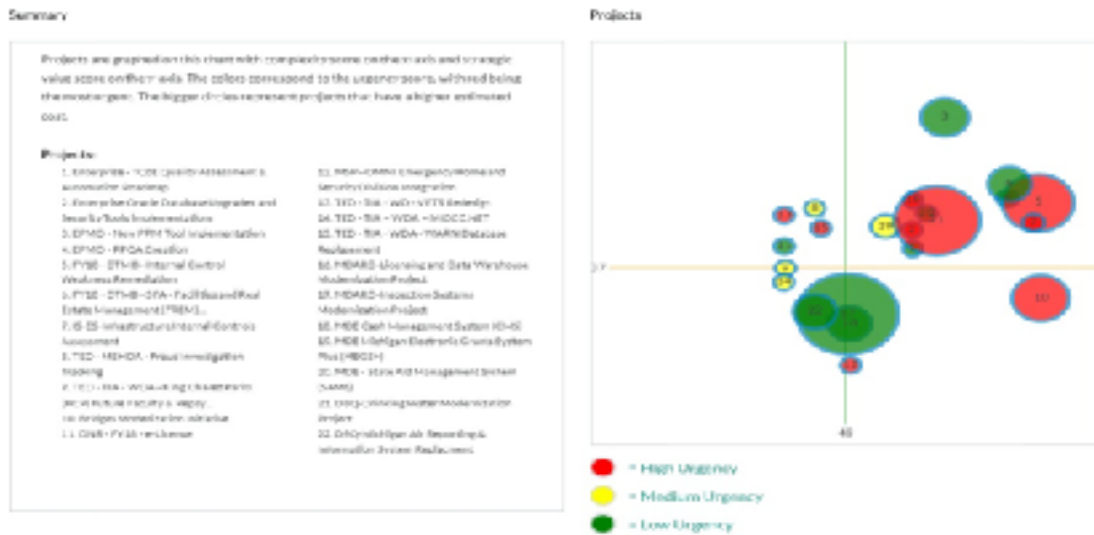


Based on inputs from the project owners on their project forms, the software calculates a score for the projects in relation to each of the strategic objectives. Scores are combined to obtain an

overall project score for strategic value, complexity, and urgency. The project dashboard displays the project scores.

Phase 5: Select

Once the team enters the project information and the software scores the projects, the software then plots the project score on a bubble chart. The y-axis represents the strategic value, the x-axis represents the complexity, the color of the bubble represents the urgency, and the size of the bubble represents the cost.



The DTMB team then met to select the prioritized projects for funding. The team set the budget that is available for allocation. The software suggests a portfolio of projects most aligned with the strategic priorities, and the team can adjust that portfolio manually.

Strategic alignment measures how a project or a portfolio of projects aligns with strategic priorities. A strong alignment indicates a substantial likelihood of achieving strategic priorities and objectives. The alignment is calculated based on the impact of each project on the strategic priorities.

A cost distribution chart is also developed to indicate the cost contribution of each project or portfolio of projects to the strategic priorities. The cost distribution chart can be very helpful in informing the DTMB how much they are spending on each strategic priority. The software allows the team to filter projects by any strategic priority, objective, or project attribute.

The chart below shows the projects that the team ultimately recommended.

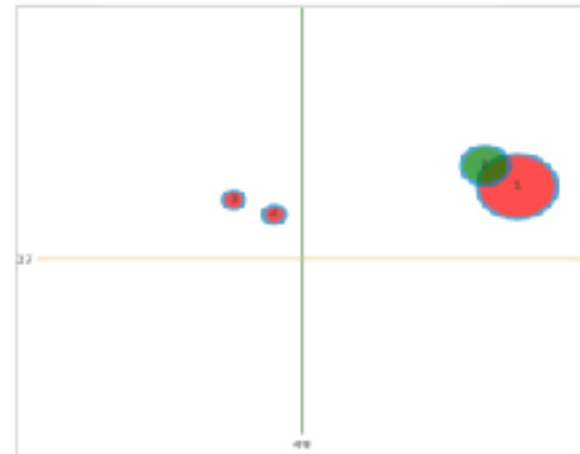
Summary

Projects are ranked on this chart with complexity score on the x-axis and strategic value score on the y-axis. The color is categorized by the urgency score, with red being the most urgent. The bigger circles represent projects that have a higher estimated cost.

Projects:

- | | |
|--|--|
| 1. FVSB - DTMB - Internal Control
Weakness Remediation | 3. FED - FA - WDA - VETS Database
Replacement |
| 2. FVSB - DTMB - SPA - Facilities and Real
Estate Management Process... | |

Projects



- = High Urgency
- = Medium Urgency
- = Low Urgency

99

Impact

All the members of the ITIF Executive Governance Board who were involved in this effort were very excited about the impact of adopting the Allowance Method for allocating investments. They are confident that the rigor of the approach will correct the shortcomings identified in the external auditor's report. They also now know how to align their investments with strategic priorities and justify the decisions to the agencies they support.

The most significant takeaway is that when you want to align priorities, don't dive straight into the projects. Clearly understand the strategic priorities and what's essential before attempting to select investments and projects.

Next Steps

The first time through the Allowance Method, a client works with a certified Decision Coach who is an experienced facilitator and knows how to run the workshops and software. Over time, it is desirable for the client to become more self-sufficient. For example, now that the software is configured correctly, the agencies can submit their projects or work with their DTMB GM to present projects. This approach saves the time, effort and complexity of meeting to do this as a group.

Additionally, the strategic priorities and objectives should be revisited periodically to examine the priorities and ensure continued alignment with the mission.

The software gives the client a greater sense of ownership in the process. We also encourage select individuals in client organization to become certified Decision Coaches. Certification reduces cost and dependency on outside consultants and enables more natural embedding of the Allowance Method into the cultural fabric of the organization.