Major Project Oversight and Guidance - Introduction

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

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

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 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. Major Project Oversight will be implemented through DAS/OBM policy XXXX.
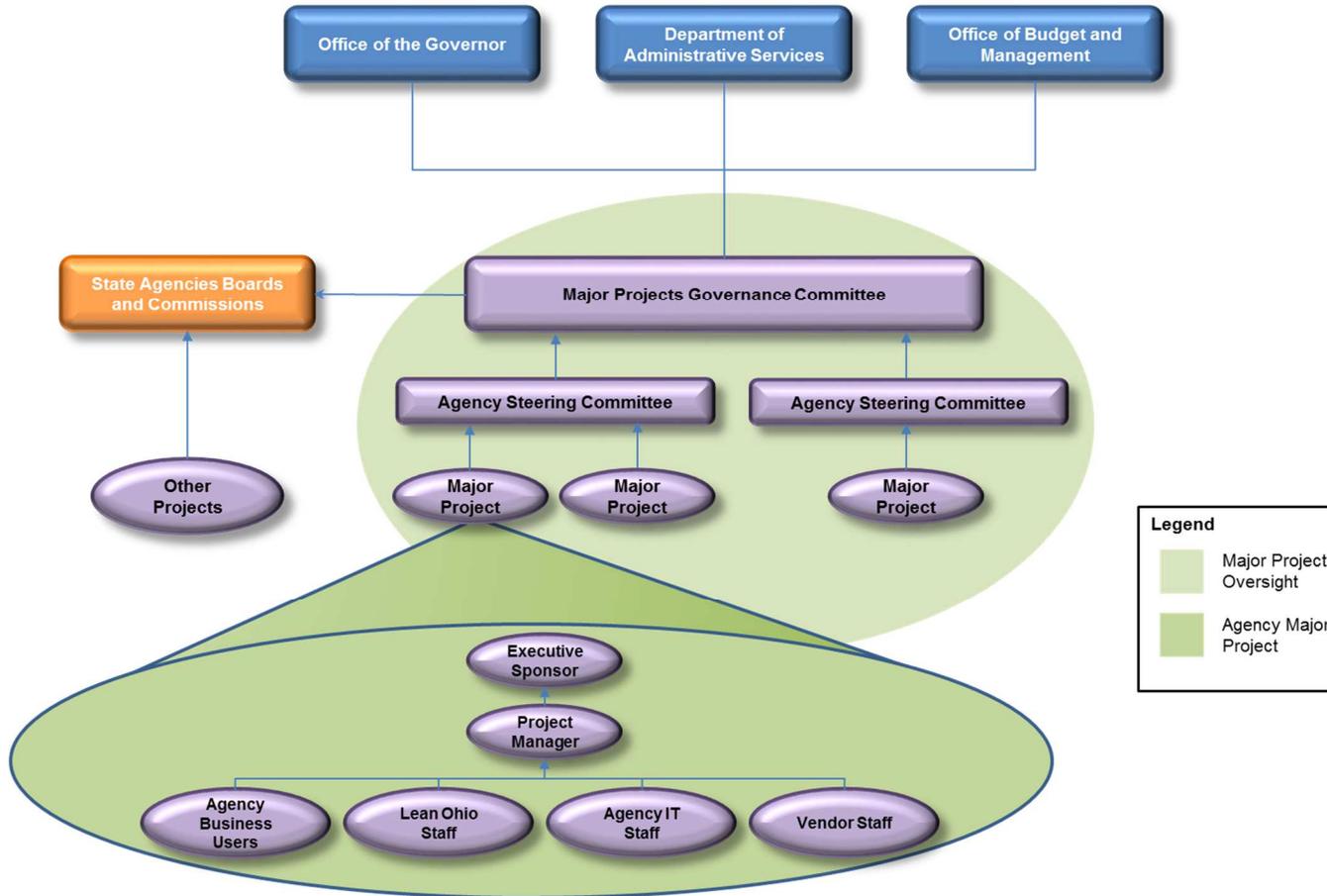
Ohio Department of Administrative Services
John Kasich, *Governor*
Robert Blair, *Director*

Ohio Office of Budget and Management
John R. Kasich, *Governor*
Timothy S. Keen, *Director*

OhioDAS

OBM

Figure 1: Major Project Organization

Ohio Department of Administrative Services
John Kasich, *Governor*
Robert Blair, *Director*

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6.0   Criteria

Agencies shall ensure the major project oversight and project management requirements outlined within DAS/OBM Policy XXXX 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 total project value is expected to exceed $2.5 million dollars and 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).