

IT Investment Selection

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Outline

- **IT Legislation Compliance**
- **Using the Balanced Scorecard:
Some MITRE Research**
- **A 7-Step Process to IT Investment
Planning**
- **Appropriate Metrics**
- **Cultural Barriers**

IT Legislation Compliance: Better Management

- **CFO Act (1990): Financial Management**
- **GPRA (1993): Financial Management and Resource Management (Planning)**
 - Human
 - Capital
 - Information
 - Other
- **PRA (1995): Information Resource Management**
- **ITMRA (1996): Information Technology Management**
 - Capital Planning and Investment Controls
 - Performance- and results-based management

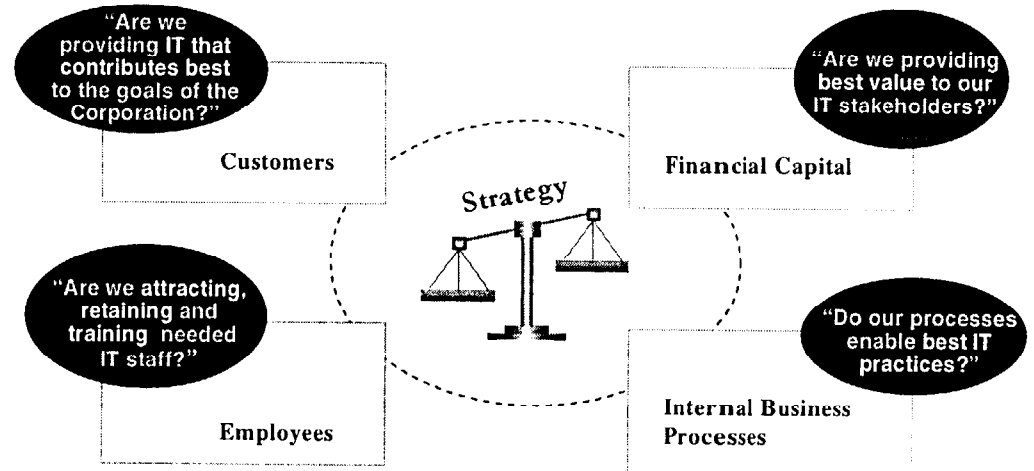
IT Legislation Compliance GPRA 2000?

- **Rumor: All IT Legislation blanketed by one name, GPRA 2000**
- **Questionnaire to facilitate Congressional Review:
www.house.gov/science/gao.html**
- **OMB Guidance**
 - **CFO Act: OMB Circular A-123 (revised), June 21, 1995**
 - **GPRA: OMB Circular A-11**
 - **Paper Reduction Act: OMB Circular A-130**
 - **Clinger-Cohen Act: “Memorandum for Heads of Executive Departments and Agencies,” by Director Franklin O. Raines (Raines’ Rules)**

Using the Balanced Scorecard: Some MITRE Research (1 of 2)

- The BSC evaluates “benefits” of investments in terms of financial and non-financial impacts

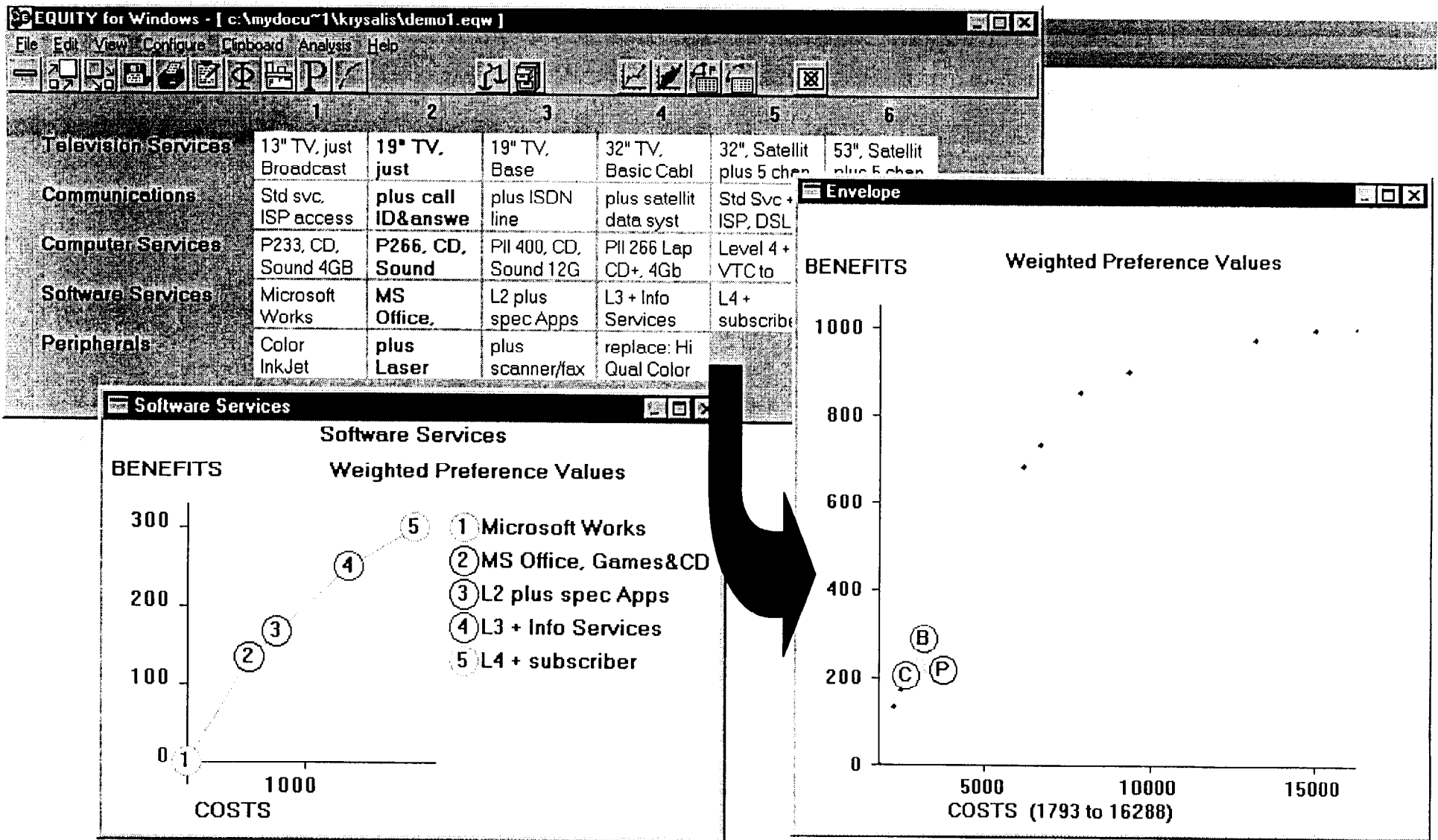
- Typical Scorecard:



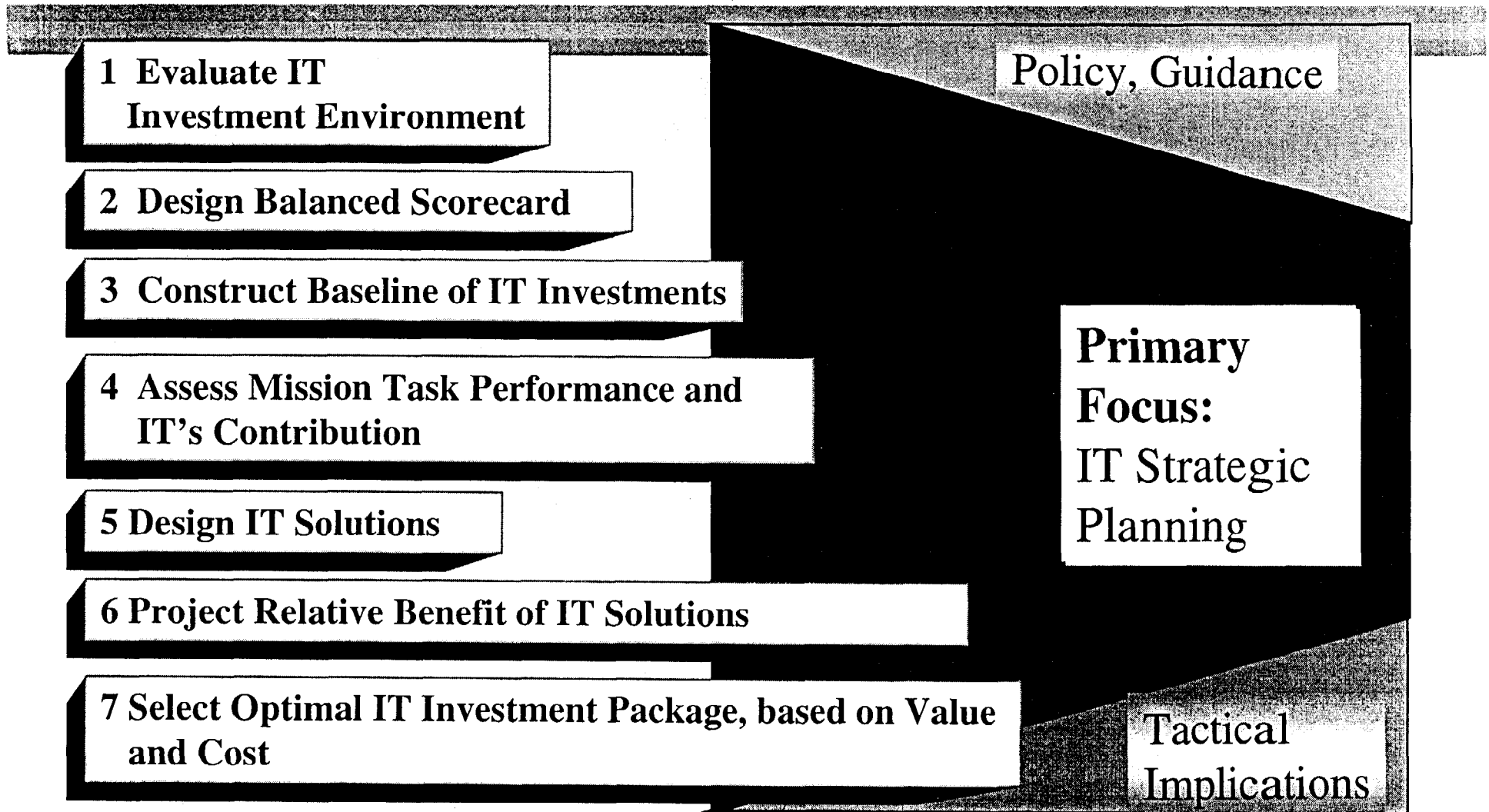
- Research extends the BSC approach used in some commercial firms to DoD IT investment programs

- Public sector environments are not profit-driven, yet, must show the efficiency of a profit-driven enterprise
- May use additional decision analysis tools on top of BSC framework

Using the Balanced Scorecard: Some MITRE Research (2 of 2)



A 7-Step Process to IT Investment Planning



Process Outputs

1 Evaluate IT Investment Environment

Establish assumptions for framework

2 Design Balanced Scorecard

Create "value-focused" framework for IT investment evaluation and decision-making

3 Construct Baseline of IT Investments

Provide cost data used in IT portfolio scenarios and IT portfolio analysis

4 Assess Mission Task Performance and IT's Contribution

Identify IT investment areas to seed strategic planning for IT investment choices

5 Design IT Solutions

Build incremental IT investment packages

6 Project Relative Benefit of IT Solutions

Prioritize IT investment strategies

7 Select Optimal IT Investment Package, based on Value and Cost

Maximize Bang for the IT Buck

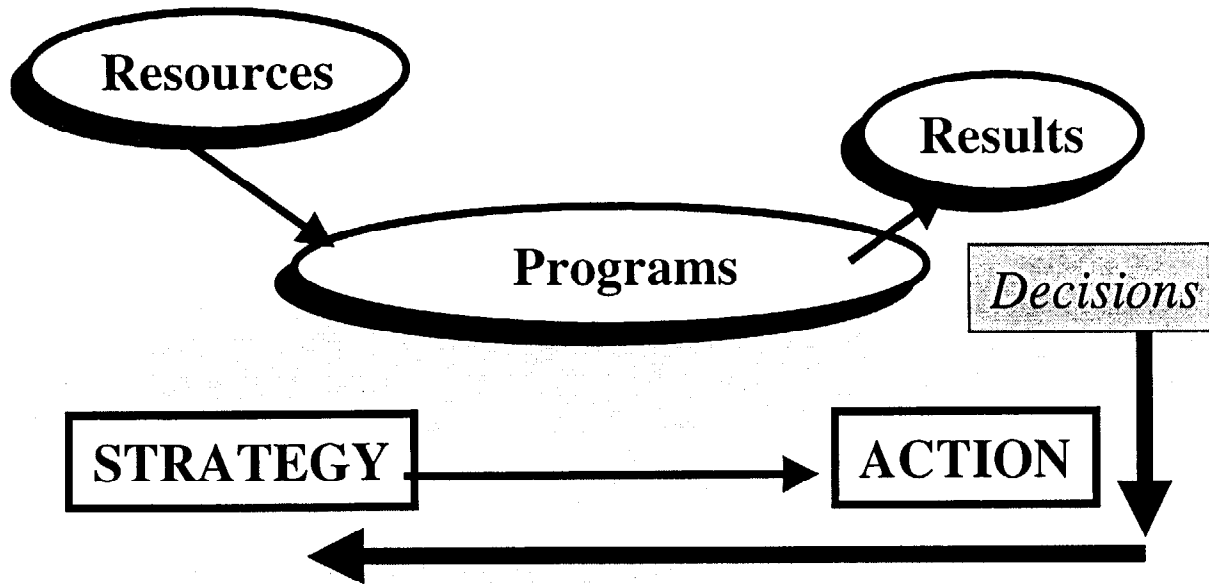
Appropriate Metrics

- **Appropriate: performance indicators that are used to make decisions**
- **Good starting place: Raines' Rules #4, "ROI"**
 - **Direct Mission Impact**
 - **Capability Enhancements (for soldier, leader, civilians)**
 - **Systems Efficiencies**
 - **Costs Saved**
- **DoD Performance Measurement Guide lists 15-20 examples of metrics that are useful**
 - **Where appropriate in the "Select--Control--Evaluate" model is unclear**
- **ITIPs to develop some performance measures**

Cultural Barriers

- **Services and Agencies have been allocating budgets for a long time without GPRA-aligned plans (e.g., the POM process)**
- **They face legislative limitations which limits ‘optimal’ tradeoffs to discretionary spending**
- **Accountability is not always traceable from the strategy to the action**

Link Resources to Results by Turning Strategy into Action through Decisions



Only measure performance if you are going to use that information in some way to make a decision.