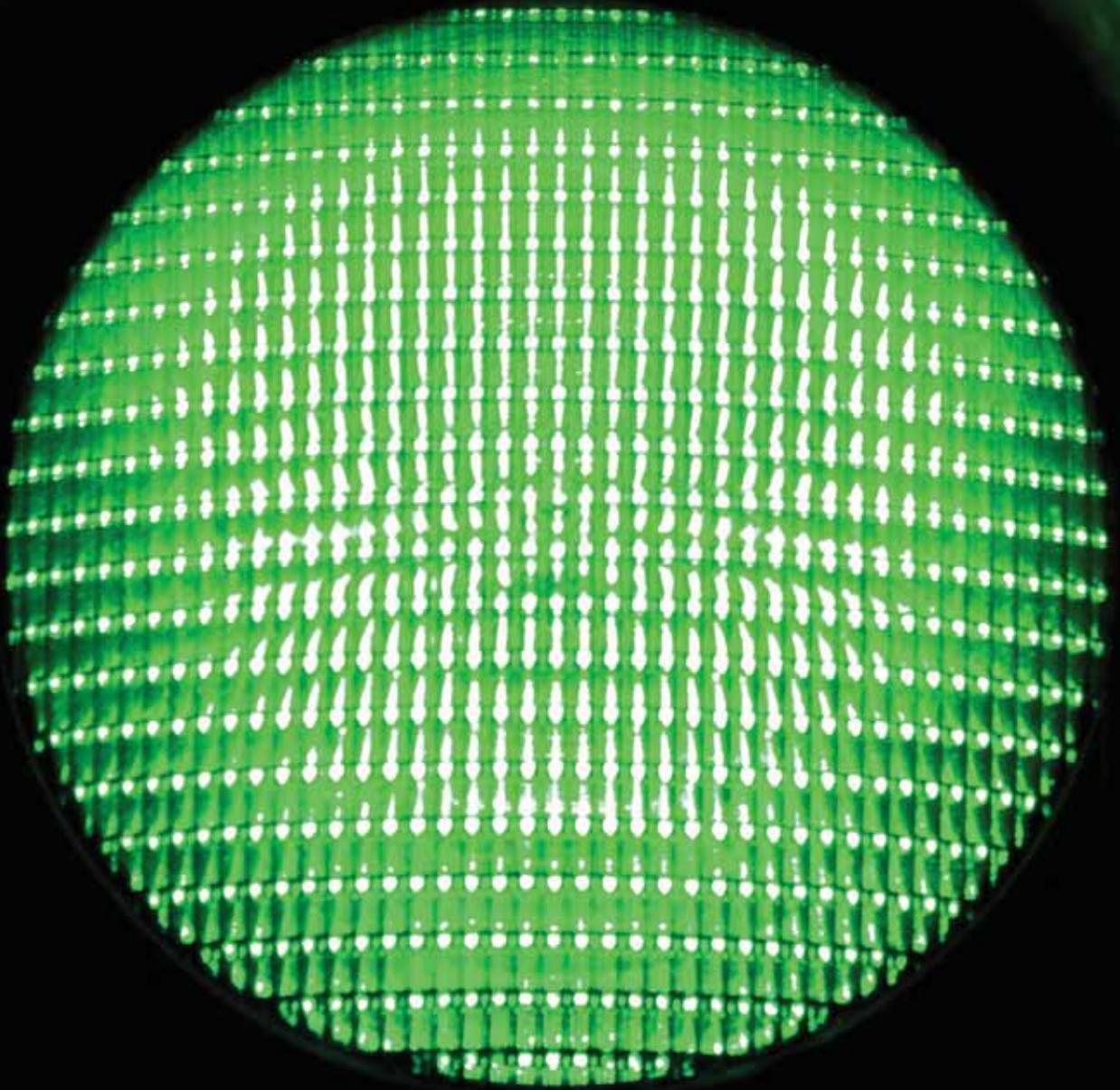


# Contract Management



# getting to green

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## One Team's Journey to an All-Green Portfolio

How one Department of Homeland Security team overcame challenges to transform its investment portfolio scorecard, leading to a foundation for improving performance management.

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**BY MICHAEL IPSARO**

# “thank you”

very much for all your efforts. The improvement in the score from 24 to 35 is quite an accomplishment in such a short period of time.” The program manager of a major Department of Homeland Security (DHS) acquisition program expressed this sentiment after learning that the numerical rating for the program’s Office of Management and Budget (OMB) Budget Exhibit 300, or business case, had improved the investment’s posture to “green.”

What does this mean, and why was the customer exceedingly satisfied with this result? A lot of due diligence and tireless dedication goes into making an “all green” investment portfolio. When learning of the result, a team leader Larry Nee, former Director, Acquisition Program Management Support Division (APMSD), summed it up when he quoted Kermit the Frog’s lyrical “It’s Not Easy Being Green.” However, it can be done through many people working hard, smart, and together.

For those who may not be familiar with the OMB Budget Exhibit, business cases are ubiquitous in the U.S. government. Though this article focuses on business cases within a portfolio/program/project management context, the basic principles and themes expressed also apply to contract management. For example, contracting officer representatives involved with existing or potential contracts of related scope can apply or reference tenets of this story when considering courses of action.

This article will view challenges of “getting to green” through the lens of the Capital Planning Investment Control Support Team’s quest to improve its capital asset portfolio. Referencing the fiscal year 2013 budget cycle, you will learn how the team partnered with customers and collaborated with DHS stakeholders to raise the initial score by over 35 percent to become the only organization in DHS to attain an all-green score for its investment portfolio. This result would have likely been elusive without marked change.

It has been said that change is like a two-sided coin: one side showing threat, the other opportunity. Taking the view of the latter, the team embraced this opportunity.

## making the case for the case

The quality and results of business cases are highly relevant, particularly against the backdrop of the current economic climate. Business cases in support of contract or program actions of varying size and scope are performed daily in the federal government contracting community. For example, according to the federal government’s IT Dashboard,

there are 26 federal executive-level department agencies that prepare almost 6,800 capital asset business cases each year valued at approximately \$78 billion. Many of these capital asset business cases are performed through acquired services.

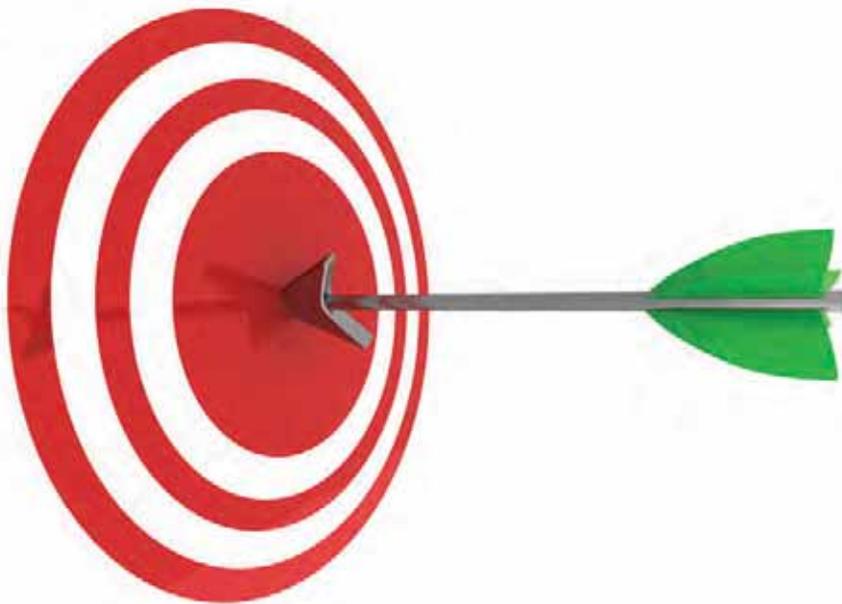
The federal government has an enormous responsibility to meet critical missions, while being prudent stewards of scarce taxpayer-funded resources. To enable financial stewardship, there are numerous laws and regulations, such as the Clinger Cohen Act of 1996 and Federal Acquisition Streamlining Act (FASA) of 1994, which require government agencies to use a disciplined process to acquire, use, manage, maintain, and dispose of capital assets.

To comply with laws and help agencies achieve mission and strategic goals through IT investments in the most economical and least risky way, the Government Accountability Office (GAO) and OMB provide guidance to federal agencies through circulars<sup>1</sup> and models.<sup>2</sup> As a supplement to Part 7 of OMB Circular A-11, the *Capital Programming Guide* provides guidance on how to establish and use an integrated, disciplined capital planning investment control (CPIC) process along with specific techniques to integrate planning, budgeting, procurement, and management of the agency’s portfolio of capital assets. The desired outcome of the CPIC or investment process is to ensure that capital assets, particularly IT, successfully contribute to the achievement of agency strategic goals.

The OMB Budget Exhibit 300/53 is a key tool used by organizations to plan and report progress of investments to stakeholders, including Congress. It is often referred to as a “business case” because it justifies the strategic and economic value of an investment. It is an output of an agency’s investment management process. The contents of the OMB 300 vary according to dynamic OMB guidance; however, the elements are generally consistent with types of information you would typically inquire about if you were investing in an asset. The following represent the various sections of the business case for the most recent fiscal year 2013 budget cycle:

- **Project summary**—articulates project





objectives and alignment with overall mission and strategic goals.

- **Program management**—shows the project’s charter, organization, and resources.
- **Acquisition strategy**—lists individual procurement information that supports the project.
- **Operational data**—provides activities, metrics, and the reporting frequency.
- **Security**—expresses the investment meeting all security requirements.
- **Privacy**—expresses the investment meeting all privacy requirements.
- **Enterprise architecture**—describes where the investment links to various aspects (e.g., services, technology, etc.) of the organizational blueprint for IT assets.
- **Operational analysis**—addresses the four areas required by OMB:
  - Customer/user satisfaction,
  - Internal business,
  - Strategic impact and effectiveness, and
  - Innovation.
- **Risk management**—presents risks against six areas:
  - Cost and schedule,
  - Program management,
  - Technical management,
  - Acquisition management,
  - Human capital, and
  - Other.
- **Project execution**—lays out how investment and component parts will execute/are executing against baseline.

### the investment scorecard

The scoring process typically starts as investment or project managers prepare the business cases. A group of CPIC and program management subject matter experts external to the program/project office consulted and reviewed and predicted a score. Though external, this group was integral to supporting the project offices. Next, DHS provided an ad-

ditional outside view and reviewed and scored the business cases using predefined criteria. The criteria explained the requirements and how the scores corresponded to varying degrees or intensity of compliance with the requirements. In the past, OMB scored the investments using a system that had 10 factors and a perfect score on individual factors is weighted as “5.” DHS used a similar scoring scale with a score of 1–5 for each individual factor/section, with a minimum score of 33 qualifying generally as a “green” investment.

### why green scores are important

However the results of a business case are expressed, its potential utility as a barometer for current and future investment performance is profound. In other words, besides being a type of report card, managers can use a business case as a tool for facilitating continuous improvement. Therefore, credibility and quality of the information are paramount. This is particularly evident today, given the continuous reporting and monitoring of investment progress via the public-facing IT Dashboard.

In today’s world of tight fiscal constraints and the need to stretch dollars even further to meet agency goals, justifying the strategic and economic value of investments is acutely important. Transforming a scorecard as shown in **FIGURE 1** below can support that need.

### challenges the team faced

So, what were some of the challenges the team faced when preparing, evaluating, and submitting the business cases? What obstacles stood in their way? You’ll see that some of the challenges are more general, while others are specific. Of course, time is often a challenge, and it was here, too, as the team was working within tight time constraints. Further, some challenges are discrete to the category, while others overlap categories.

**figure one**

Portfolio of IT Investments	Initial Average Score	Final Average Score	% Change
	26	35	35%

## Senior Leadership Focus/Attention/Endorsement

One of the most important challenges is not having senior leadership commitment early and often. Without leaders setting expectations for performance and deliverables, such as frequent status updates, the chance of business case success drops dramatically. Without leadership setting the tone at the top with respect to prioritizing the importance of the business cases, it becomes a steep uphill climb to obtain optimal resources, meet aggressive timelines, and collaborate with stakeholders to deliver high-quality, thoughtful business cases. When senior leadership is not engaged, the perception of the business case becomes that of merely an annual paper drill, leading it to being pushed to the backburner. Consequently, the lack of commitment may be reflected in resulting final scores.

Without senior leadership attention, investments are not rationalized from a broader portfolio perspective. This can lead to slower, ineffective, or no decisions regarding consolidation, retirement, modernization, or termination. For example, without senior leadership evaluating from a broader view, two investments in different parts of the organization may be providing redundant capability, and consolidation may lead to greater efficiencies. In addition, senior leadership involvement is key to ensure investments align with strategic goals.

Without senior leadership focus, the drive stalls to have certified project managers (e.g., FAC-P/PM) and qualified business case preparers and reviewers. Training needs are not prioritized, which leads to misunderstandings among preparers and stakeholders. Untrained or inadequately trained project managers or subject matter experts do not empower, and often lead to a lack of overall confidence in the process. This can increase the odds of producing lower-quality business cases.

## Stove-Piped or Ad-Hoc Processes

The OMB 300 process is largely calendar-driven (e.g., established by the timeline of the larger federal budgeting process). However, individual agencies and their components should set inter-

nal processes to align with key OMB and agency milestones. Sub-optimized integrated product teams (IPTs) or not using an IPT can result in insufficient internal business processes, such as those that are stove-piped or ad-hoc. This can result in the proverbial “right hand of the organization unaware of what the left hand is doing.”

IPTs should have business case owners (in many cases the lines of business) and key stakeholders such as acquisition, budget, and IT. Without empowered stakeholders engaged on the IPT, information is not transparent or shared, resulting in disconnects and inconsistencies. Not having stakeholders involved in IPTs on the front end can result in increased rework on the back end.

In addition to the adverse impacts of not having preparer stakeholders involved early, not engaging early and often with oversight groups can also wreak similar havoc on the back end. Inefficient or ineffective communication with oversight subject matter experts who review the business cases can result in misunderstandings regarding policy and implementation processes and delayed cycle times. For example, implementing “rolling” review and adjudication of comments instead of addressing a baseline set of comments can lead to confusion as preparers address multiple iterations of “new” comments.

Not having a central platform (e.g., point of contact, collaboration and repository tool, etc.) for business case preparers and stakeholders can lead to disconnects, inefficiencies, and overall confusion. For example, if multiple business case owners speak directly with different oversight subject matter experts regarding the interpretation of a specific requirement, contradictions will likely arise resulting in inconsistencies and subsequent rework.

Finally, it has been said that those who do not learn from mistakes are likely to repeat them. Not prioritizing a task for documenting lessons learned appropriately and funneling them into future planning leads to planning fallacies, faulty assumptions, and repeated mistakes.

## Reactive Planning

Not monitoring the environment continuously and adapting rapidly can lead to problems such as delays. Unanticipated changes can be perceived as an externality, over which the business case preparers do not have much control, and therefore lead to reactive planning. For example, OMB 300-related guidance and subsequent formats and tools change often. This results in scrambling to assess and implement the change. This past cycle saw a radical change in format to emphasize the year-round importance of the business case. Specifically, it was divided into two parts: part A (named “budget justification”) to be submitted annually, and part B (“execution and operation”) submitted monthly, which serve as a baseline for reporting execution and can help answer the question of what happens after the annual submission. When ineffective and inefficient information flows and communication from oversight groups to preparers and stakeholders leads to reactive planning, templates and tools may be adapted haphazardly to new or updated OMB guidance.

Intuitively and empirically, there is a strong link between informed decisions and subsequent positive outcomes related to those decisions. Making an informed decision requires information to be complete, valid, consistent, and current. This applies to the business cases and related artifacts. For example, the challenges summarized above can result in poor decisions based on misleading data and information in portfolios and business cases such as:

- Inaccurate investment life cycle positioning and funding requirements;
- Inconsistent baselines for reporting;
- Poorly structured investments (e.g., supporting projects and sub-projects);
- Unrealistic or inaccurate milestones;
- Inconsistent sections within the business case leading to an incoherent story; and
- An investment not aligned appropriately with broader mission, goals, and architectures.

## overcoming challenges

Not addressing or surmounting the obstacles previously discussed can yield a picture similar to the initial scoring column in **FIGURE 1**. In many cases, transformative improvement is needed. This transformation can be addressed from cultural and operational perspectives. For example, delineation of roles and responsibilities, a strong champion and endorsement of senior leadership, a culture that embraces program and project management best practices, and cross-team collaboration and communication are essential attributes.

### Engage Senior Leadership Early and Often

The team engaged senior leadership early on in the importance of the business cases by identifying and communicating the full range of benefits and impacts from having a highly scored portfolio. The senior leadership team deemed it a priority and communicated it horizontally across business segments and vertically with chains of command. This resulted in the organization focusing its talents and energies on a common goal. Next, in concert with senior leadership's expectations, the team incorporated formal reviews into the calendar-driven preparation and submission process.

For example, there would be a pre-brief to the senior leadership team identifying changes to current policy and procedures, including schedule; then, a first score update describing issues and risks with the process and the individual business cases. After the first score update, there were many formal and informal updates to the senior leadership team on issues resolution and risk management activities through various program review/health assessment meetings. This culminated in a final score review.

Senior leadership engagement resulted in a broader view of the interrelationships of various individual investments. This led to a rationalized consolidation of several individual projects into a portfolio. Greater efficiency in investment management has started, as the various parts are now seen with greater clarity as a synthesized whole aligned to mission,

goals, and architecture.

Recognizing the value of using information from business cases in planning and executing acquisition programs, the team worked with the senior leadership team to integrate the reporting of business case information at various acquisition review boards and program health assessments. This facilitated information sharing and improved the chances of senior leadership receiving consistent messages regarding the program or investment.

Senior leadership recognized the link between certified project managers, high scores, and useful business cases. Therefore, the importance of formal and informal training was elevated, and specific and measurable goals were set for having certified project managers and qualified business case preparers and reviewers.

### Collaborate (Even Co-locate) Across Teams

Leadership recognized the business case as the union/intersection of program, business, and technology management. Therefore, the team was composed of people skilled in these areas. For example, to support the program managers who were responsible for business case preparation, the team featured trusted advisors from a program management support office. These people were already collaborating (and in some cases co-located) with program managers throughout the year so they understood the program's context, including mission, goals, acquisition strategy, program structure, and performance against plan. They could help address the business case from the perspective of it being a year-round program management tool. They worked with the program managers to have their supporting program management artifacts, such as the acquisition plan, life cycle cost estimate, and operational analysis updated and ready to feed into the business case.

The advisors worked in concert with experts in the various technical aspects of CPIC and the business case, such as enterprise architecture, security, privacy, and technologies such as cloud computing. The team leveraged specialized talents of stakeholders from other

parts of the organization as needed, such as finance, and ensured they were kept abreast of any changes that may impact their area. Empowering and engaging IPT members made for speedier, transparent decisions that were communicated across the organization, resulting in tighter integration and quicker information flows.

Recognizing the context of the business cases within the larger agency, department, and OMB portfolio, the team worked in close collaboration, communicating frequently with external oversight and subject matter experts at those levels. This degree of collaboration permitted improved business case review effectiveness and efficiency, which resulted in fewer misunderstandings regarding policy and implementation processes and timelines. For example, transitioning from "rolling" review and adjudication of comments to addressing a baseline set of comments reduced confusion as preparers could better focus limited resources.

The team built a Sharepoint-based platform that offered the business case community a "touch base" portal. It featured salient information such as points of contact, policy, procedures, and schedule and was used for collaboration. This reduced disconnects, inefficiencies, and overall confusion. In addition, a focal point of contact would collaborate with different oversight subject matter experts to



adjudicate systemic comments and clarify there were no potential contradictions. This helped to reduce message inconsistencies and subsequent rework.

### Plan Proactively

Business case preparers do not have much control over continuous changes to business case policy, procedures, and formats. Consequently, reactive planning becomes the norm. However, the team prioritized lessons learned. Based on a review of historical experience, the team learned that the risk of many of these “unknowns” is known. In other words, it can be reasonably predicted there will be changes, with the degree or types of changes somewhat relatively more unknown. Recognizing this assessment, the team increased communication with oversight groups thereby improving the chance of getting ahead of what changes may materialize and their impacts. Concurrently, the team worked with the business case community to ensure multiple scenarios were factored into their planning processes and schedules.

Recognizing the value of collaboration as a key component in preparing business cases and portfolios, the team promoted IPT training annually to the business case community. The team drafted a management directive that laid out roles and responsibilities and served as a guide, along with lessons learned, to subsequent teams as they execute CPIC.

## green scores lead to effective performance management

If we revisit the sentiment the program manager expressed at the beginning of this article within the context of addressing and overcoming challenges, we can feel the resonance. The customer expressed a feeling akin to the experience of climbing a mountain or receiving a hard-earned “A” on a cognitive-strain-induced final exam. It’s been said the longest journey begins with the first step. The first steps were senior leadership investing in the importance of the results, endorsing the change needed to obtain it, and ensuring the right people were selected to implement the change.

The benefits from all the hard, smart, and continuous work transforming and fine-tuning an investment process and resulting business cases are substantial, impactful, and enduring. They include:

- Greater organizational effectiveness;
- Alignment of investments with mission and goals;
- Savings in cost and time;
- Preservation of capital;
- Deeper relationships among stakeholders, including oversight groups;

- A proven model for repeatable use; and
- Enhanced morale and *esprit de corps*.

While Kermit says “being green” isn’t easy, with benefits like these, it is well worth the effort. **CM**

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### ABOUT THE AUTHOR

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Send comments about this article to [cm@ncmahq.org](mailto:cm@ncmahq.org).

### ENDNOTES

1. E.g., Part 7 of OMB Circulars A-11, A-130, and A-127.
2. E.g., GAO’s Information Technology Investment Management (ITIM) Framework.

