

# Capital Investment Approval

## The Challenge

While the need to review major projects prior to approval is widely acknowledged and programs are in place at most firms, few have been effective in increasing the value delivered by IT

Reviews programs tend to become bureaucratic exercises, viewed as pointless hurdles

Business units resent having to participate in IT approval procedures

A surface level review is unlikely to uncover the real issues and risks embedded in complex project proposals and plans, but detailed reviews can be slow and require highly experienced staff

## Our Approach

A well structured review program can justify the unavoidable expense and effort

Providing the training and support required to develop high quality business cases is critical

## Capital Investment Approval

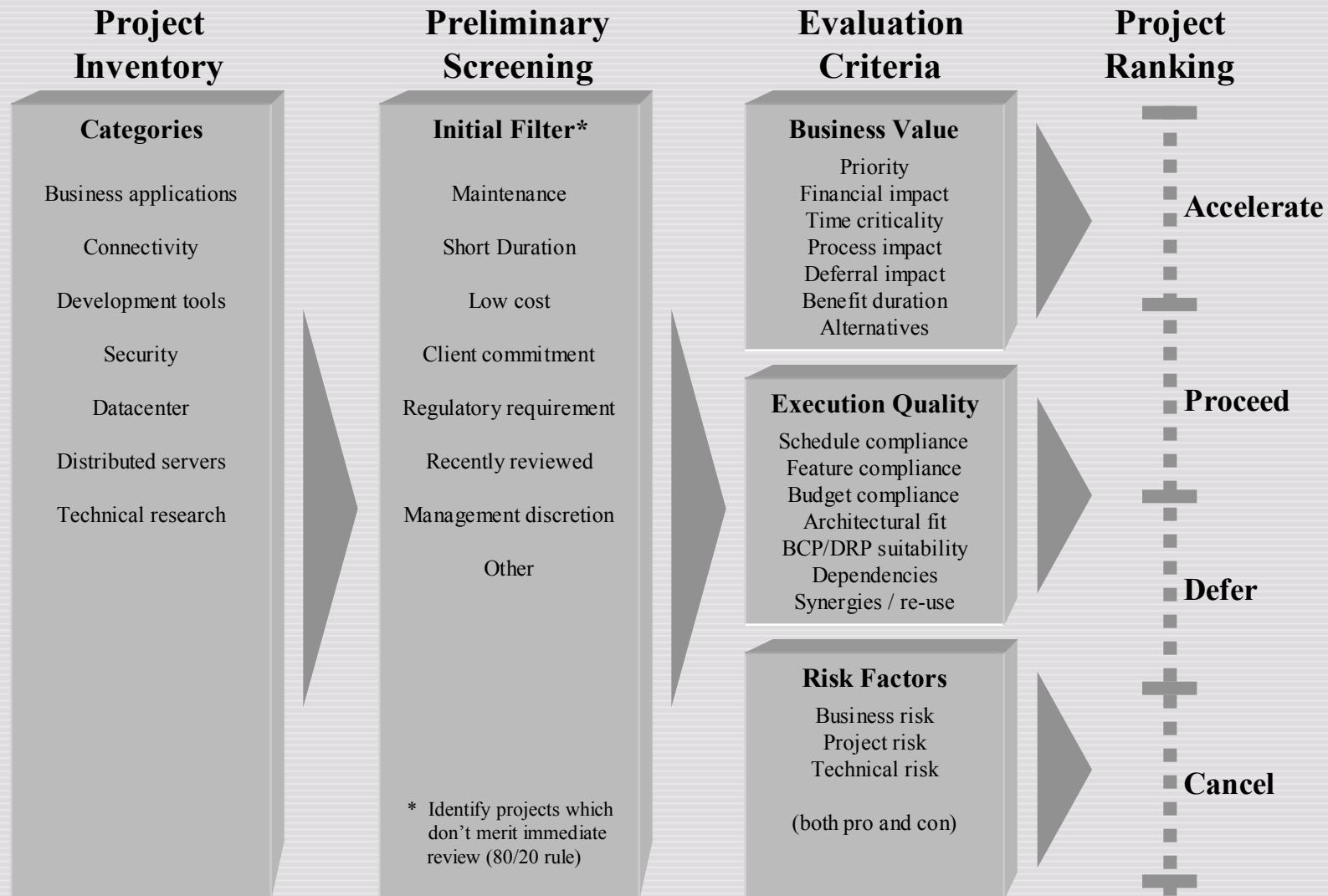
**Although widely practiced, current capital investment review and approval programs tend to have serious deficiencies**

### Common Issues

- ▶ Absence of clear statements of business and technical strategy frustrate project review and approval
- ▶ Failure to prioritize projects in accordance with stated business strategies and the value to be created
- ▶ Inadequate business case preparation prevents full evaluation and consistent, structured decision-making
- ▶ Lack of clear, structured processes permits managers to finesse the system, skipping reviews and required approvals
- ▶ Review and approval roles are unclear or not widely communicated; review processes are informal or subject to frequent change
- ▶ Inadequate or uninformed business participation or buy-in of the review and tracking processes
- ▶ Failure to track projects, measuring actual results and benefits removes accountability
- ▶ Doesn't reflect a portfolio management perspective of systems, skills, infrastructure and projects; decisions made in isolation
- ▶ Insufficient senior-level sponsorship; treated as a formality or results are not adhered to in practice

# Evaluate Project Portfolio

The first step is to screen the portfolio of ongoing projects...

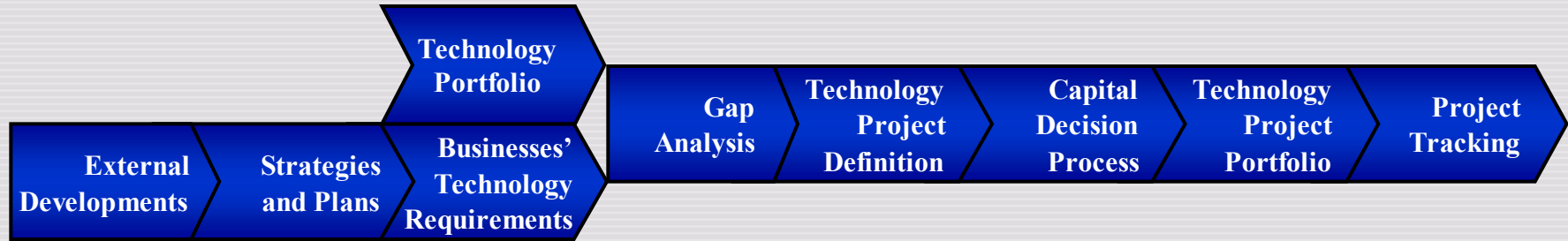


# Capital Investment Approval Process

Then a disciplined program of reviews based on business and technical planning is instituted

## Approval Process Overview

Illustrative



|                               |                                 |  |                                 |  |  |   |   |  |
|-------------------------------|---------------------------------|--|---------------------------------|--|--|---|---|--|
| <b>Business Units</b>         | Monitor business developments   | Set business strategies and plans          | Review                          |  | Review   |   |   | Accountable  |
| <b>Information Technology</b> | Monitor technology developments | Set technology strategies and architecture | Develop requirements statements | Assess / prioritize deficiencies in the current technology portfolio | Define projects to address high priority gaps  | Jointly prepare business cases                                | Manage the portfolio of approved projects | Accountable  |
| <b>Investment Approval</b>    | Monitor best practices          |  |                                 |  | Screen projects / identify review requirements | Review projects / prioritize and direct the selection process |   | Periodically review and report on the status and outcome of projects |
|                               |                                 | Approved by Corporate Management           |                                 |  | Fast track If Small and BAU                    | Reviewed by Steering Committee                                |   | Reported to Corporate Management                                     |

## Key Lessons Learned

**Without continued senior management focus and a serious commitment of time and resources, the approval process will become a hollow bureaucratic exercise**

- **Construction of well structured business plans is critical: provide the training, support, tools and resources needed to do this process well**
- **Develop a review program that includes multiple levels of increasing detail; assign projects to levels based on cost, risk and business criticality**
- **Thresholds should be established for re-reviewing projects which are of extended duration or which materially miss key deadlines**
- **Customize the review process for “bet the firm” projects. Consider using external or dedicated resources with relevant expertise over the project life**
- **When reviewed projects are completed, include a follow-up review to identify opportunities for improving the review process**