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Value Management of IT

Not a cost, but a down payment of mission effectiveness

The Status Quo: We don't get full value out of IT

- Federal CIO organizations start over 50% of IT projects with known risk of delivery failure. That's their tragedy.
- Federal Lines of Business don't get full value out of the other 50%. That's theirs.

While the road to sub-value IT may be wide (lack of persistent business integration, failure to reinvent workflows, failure to support full use, adoption and uptake of new systems), the bullet train to failure is the lack of IT's contribution to mission success. As reported in NextGov.com in 2019, 54% of IT projects are identified by CIOs at the planning stage as at high or medium risk of even being delivered. And in 2020 Boston Consulting Group noted that only 30% of technology transformations deliver the value that was demanded by the business. So, with **84% of Federal IT implementations at risk of not providing sufficient value,** agencies miss the opportunity to get the Return-To-Mission (RTM) they expect for the dollars they shell out.

The Problem: Counting the Wrong Things

In making the decision to initiate a new or modernized IT system, government executives and managers in agency Lines of Business (LOBs) aim to help citizens engage with government in ways that are cheaper, better, and faster than they were before. We count attributes, "cheaper" (dollars) and "faster" (time) but often we don't count better" (identifiable units of outcomes).

IT is not a cost; it's a down payment on getting more mission effectiveness. More than inputs or outputs, "better" is the set of outcomes the agency achieves because of the software. Measurements such as "hours worked" or "Level of Effort" are signals or proxies for meaningful mission improvement. However, unless the only purpose of a system modernization is to increase efficiency for the exact outcomes you currently receive, making a system perform to these attributes doesn't increase value. Efficiently producing ineffective outcomes is not helpful to the agency, and not worth the investment.

The Change: Value Economics Mindset

Return on Investment (ROI) and cost benefits analysis (CBA) speak to the financial return for the money you spend. A Value Management approach captures the return the agency gets on its mission. Employing processes of value design, value accounting and value delivery, Value Management improves IT systems' design, enables analysis for decision-making, and improves **mission** outcomes *by intent*.

With Value Management we can validate IT, answering, "is it worth it?" By measuring the right things, defining the right units of outcomes, federal LOB executives can make the implicit ("we want to improve mission performance") explicit and visible ("we can show user benefit").

It is not the work of the CIO's organization to figure this out. The need for improved mission outcomes for the cost of the IT system is a problem for the LOBs. The LOB needs a Value Manager function as counterpart to the IT Manager. Beyond accounting and project plans, a Value Manager would account for value, implementing a Value Accounting process. Detailing what counts as value, "value units" allows for an understanding of the timing of benefits and analysis of the system when things go wrong. It allows for management from the Business side of the IT interaction, complementing our common Cost mindset, with a *Value Management* mindset.

Start with…Cost Mindset	**Add…Value Management Mindset**
Return on Investment (ROI)	Return To Mission (RTM)
IT Management	Value Management
Accounting/Budgeting	Value Accounting
Dollar Units	Value Units
Business (workflow), Functional, Technical Requirements	Value Requirements
Target Profitability	Target Aggregate Value
Payback Period	Value Return Period

The Fix: Beyond User Adoption, User Value

Until the users have a lived experience with the system, the return will be missing. The LOBs can take specific steps to identify the value, design it, and count value. Value starts and ends with the customer, the users.

a. Get with customers before design: *more* than Customer Experience (CX) for feature needs (the "what" we need to build), we probe for the "so what?" To define value units, we ask, “What could you do and what is the value you would get if you had the system?”
b. Define Target Aggregate Value and the Value Return Period.
c. Define and implement the processes for accounting for value creation (not just cost expenditure). How will we count? How will we report? A dashboard may be helpful.
d. More than tool and feature training for use, ensure the adoption and uptake of the product for multiple use cases. Employ an exploration-focused training that links user learning to the initial customer (end user) value statements.