

Delivering things right *and* delivering the right things: A P3M approach to Balance of Investment decisions

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Please note that all examples shown are dummy data and are for illustration purposes only

Strategic Context

Gray Report

- Materiel Strategy
- Capability Acquisition Support Plans (CASPs)
- Hard Charging

Defence Reform

An independent report into the structure and management of the Ministry of Defence

Levene Report

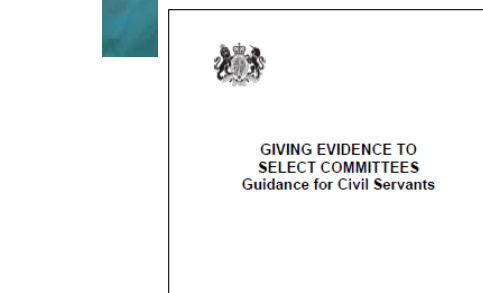
- Fin Mil Cap integration
- Financial delegations
- Holding to Account

“Osmotherly Rules”

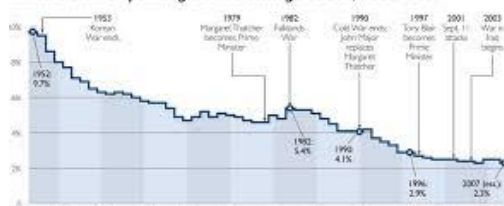
- Increasing SRO direct accountability

- Shrinking Defence Budget

- UK Front Line Commands are (increasingly) master of their own destiny
- Scrutiny is (quite rightly) increasing
- It has never been more important to:
 - “Deliver Programmes right”
 - “Deliver the right Programmes”



British Defense Spending as a Percentage of GDP, 1952–2007



Source: Comrade of the Project, National Historical. Available data set, version 3.02 at <http://www.econometrics.org/2007/02/02/Download.html>.
 WINE, J. (October 8, 2008). Lawson, H. (2008). "What Was the UK GDP Then?" <http://www.winejournal.org/2008/10/08/2008-10-08-what-was-the-uk-gdp-then/>
 October 8, 2008, and other related, North Atlantic Treaty Organization, 1996-2007 at <http://www.nato.int/docu/press/960701a.htm>
 October 2, 2005.

Chart © 2010, Bankgroup

P3M: Longstanding part of the UK Public Sector's Toolkit



Portfolio Management



Programme Management



Project Management

Supporting specialist disciplines



- Best practice in UK Public Sector: almost mandatory
- Provides for a standardised set of information about major investment programmes

P3M: Longstanding part of the UK Public Sector's Toolkit



Portfolio Management

Hypothesis

We can exploit the standard programme information to:

- Maintain the “Golden Thread” from Strategy to individual User Requirements
- Control delivery of the portfolio as a whole: including trading requirements as circumstances change
- Conduct rapid, high level balance-of-investment analysis

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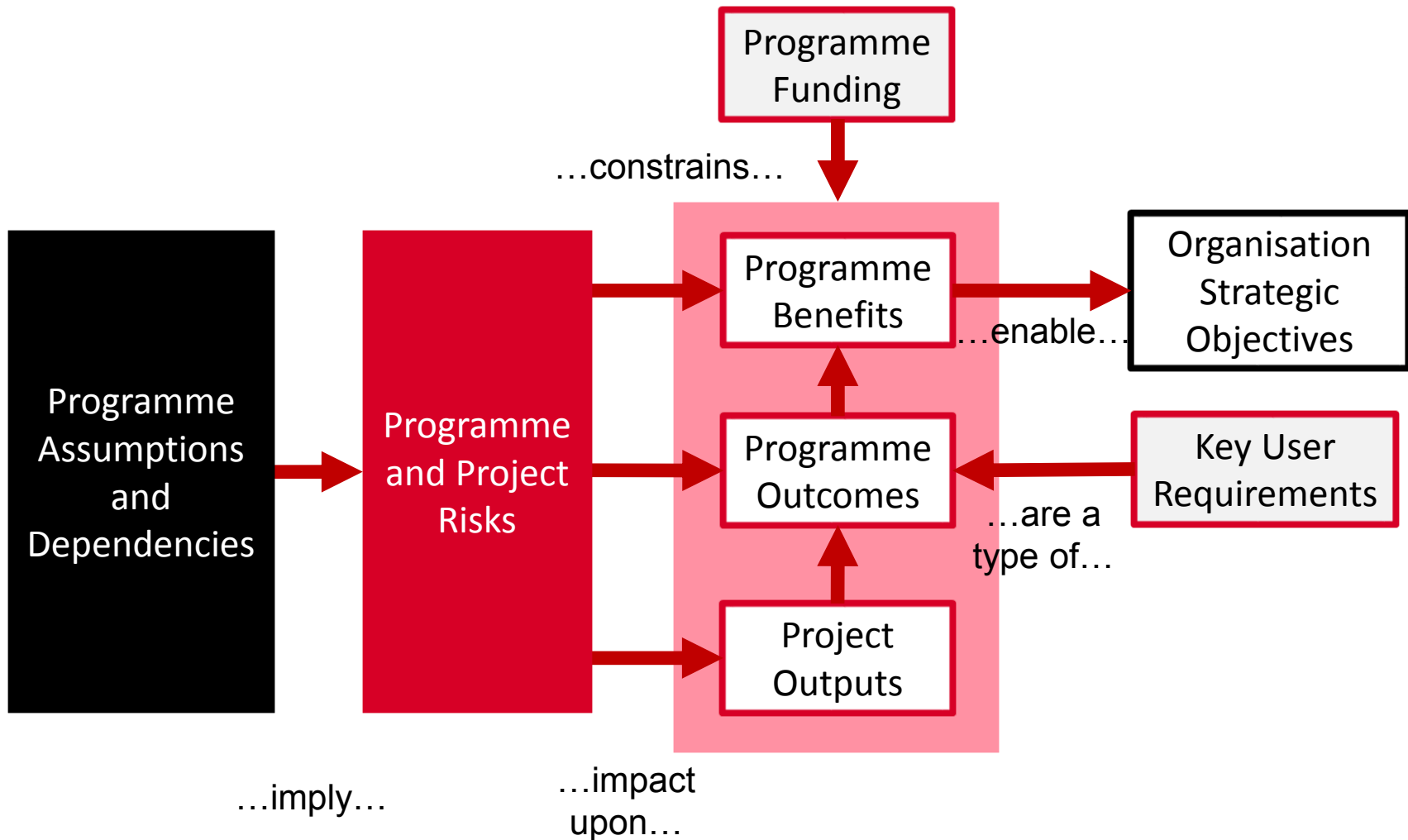
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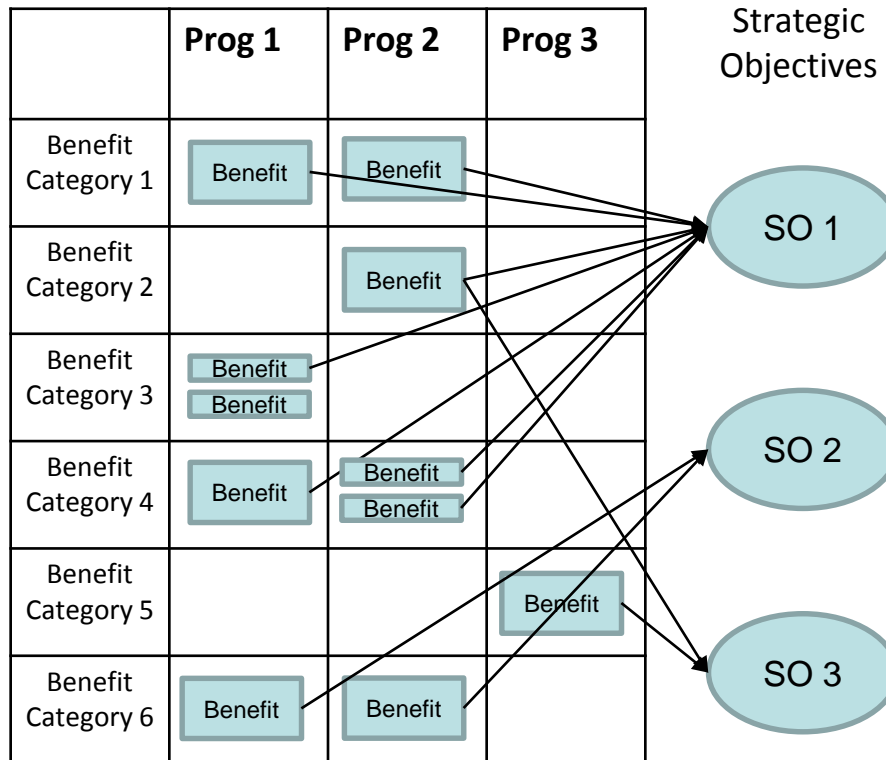
Cases

Managing Benefits

Standard Programme Management Information



Exploiting linkages – Part 1



Enables a profile through time to be generated of each programme's contribution to each Strategic Objective

| Strategic Objective 1 | | | | | | | | | |
|-----------------------|-----------|-----------|-----------|------|-----------|-----------|-----|-------|-------------|
| Yr 1 | Yr 2 | Yr 3 | Yr 4 | Yr 5 | Yr 6 | ... | ... | Yr 10 | |
| | Benefit 1 | | | | | | | | Programme 1 |
| | | Benefit 2 | | | | | | | |
| | | | | | Benefit 3 | | | | |
| | Benefit 1 | | | | | | | | Programme 2 |
| | | Benefit 2 | | | | | | | |
| | | | | | | Benefit 3 | | | |
| | | | Benefit 4 | | | | | | |

Example

Strategic Objective: Ability to conduct Contingency Operations...“What Ifs?”

| Programme | Benefit Title | Variance from baseline plan? | | | | | | | | | | Narrative of variance |
|--------------|--|------------------------------|---|---|---|---|---|---|---|---|----|--|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | |
| Programme 8 | Support to aerial insertion: Sustained ability to provide sufficient very high readiness (R2 or above) aerial insertion capability to support a Complex Intervention | - | - | N | N | N | Y | Y | N | N | N | Delay to Defensive Aids Project for platform create capability gap in years 6 and 7. |
| | Support to aerial insertion: Sustained ability to provide sufficient very high readiness (R2 or above) SF aerial insertion capability to support a Stabilisation Operation. | - | - | N | N | N | N | N | N | N | N | |
| Programme 9 | Strategic Air Transport: Sustained ability to provide sufficient very high readiness (R2 or above) Strategic Air Transport capacity to support a Complex Intervention. | - | - | Y | Y | N | N | N | N | N | N | Delays to Aircraft delivery mean smaller fleet size available. Expected capability for Strategic Air Transport reduced as legacy Fleet retired. |
| | Strategic Air Transport: Sustained ability to provide sufficient very high readiness (R2 or above) Strategic air transport capacity to support a Stabilisation Operation. | - | - | Y | Y | N | N | N | N | N | N | |
| Programme 10 | Strategic Air Transport: Sustained ability to provide sufficient very high readiness (R2 or above) Strategic Air Transport capacity to support a Complex Intervention. | N | N | N | N | N | N | N | N | N | N | DUMMY DATA: FOR ILLUSTRATION ONLY |
| | Strategic Air Transport: Sustained ability to provide sufficient very high readiness (R2 or above) Strategic air transport capacity to support a Stabilisation Operation. | N | N | N | N | N | N | N | N | N | N | |

Impact on Strategic Objective



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Example

Resulting Portfolio Dashboard View

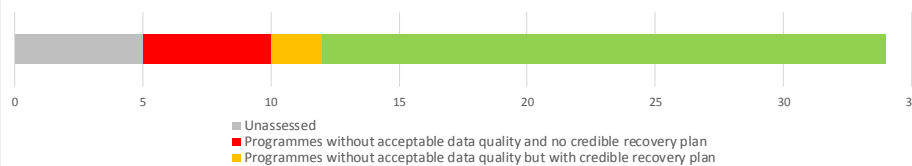
| Strategic Objective | Owner | Year | | | | | | | | | | Narrative |
|--|-----------|------|---|---|---|---|---|---|---|---|----|--|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | |
| 1 – Success on Current Ops. | Ops | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | |
| 2 – Success on Standing Mil Commitments. | Ops | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | |
| 3 – Contingent Capability. | Cap Dev | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | Reduction in aerial insertion capability due to Programme 8. |
| 4 – Workforce. | Personnel | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | Delay Major ICT programme related to recruiting. |
| 5 - Affordability. | Finance | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | ■ | |

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Portfolio Contents

- 1. Programme
- 2. Programme
- 3. Programme
- 4. Programme
- 5. Programme
- 6. Programme
- 7. Programme
- 8. Programme
- 9. Programme
- 10. Programme
- 11. Programme
- 12. Programme
- 13. Programme
- 14. Programme
- 15. Programme
- 16. Programme
- 17. Programme
- 18. Projects
- 19. Projects
- 20. Projects
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- 25. Project
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- 32. Project
- 33. Project
- 34. Project

Portfolio Data Quality

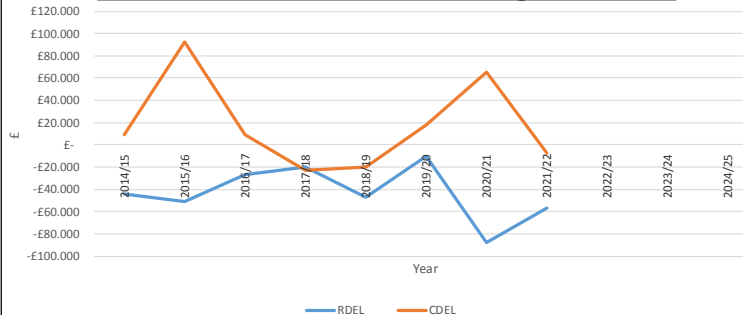


Portfolio contribution to health of Strategic Objectives

| Strategic Objective | Owner | Year | | | | | | | | | | Narrative |
|--|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | |
| 1 – Success on Current Ops. | Ops | Green | Green | Green | Green | Green | Green | Green | Green | Green | Green | |
| 2 – Success on Standing Mil Commitments. | Ops | Green | Green | Green | Green | Green | Green | Green | Green | Green | Green | |
| 3 – Contingent Capability. | Cap Dev | Green | Green | Green | Green | Green | Green | Red | Red | Green | Green | Reduction in aerial insertion capability due to Programme 8. |
| 4 – Workforce. | Personnel | Green | Red | Red | Green | Green | Green | Green | Green | Green | Green | Delay Major ICT programme related to recruiting. |
| 5 – Affordability. | Finance | Green | Green | Green | Green | Green | Green | Green | Green | Green | Green | |

Key
■ Contribution to health of SO is as expected
■ Contribution to health of SO is not as expected
■ The portfolio does not contribute to this SO

Portfolio Financial Position - Variance against baseline

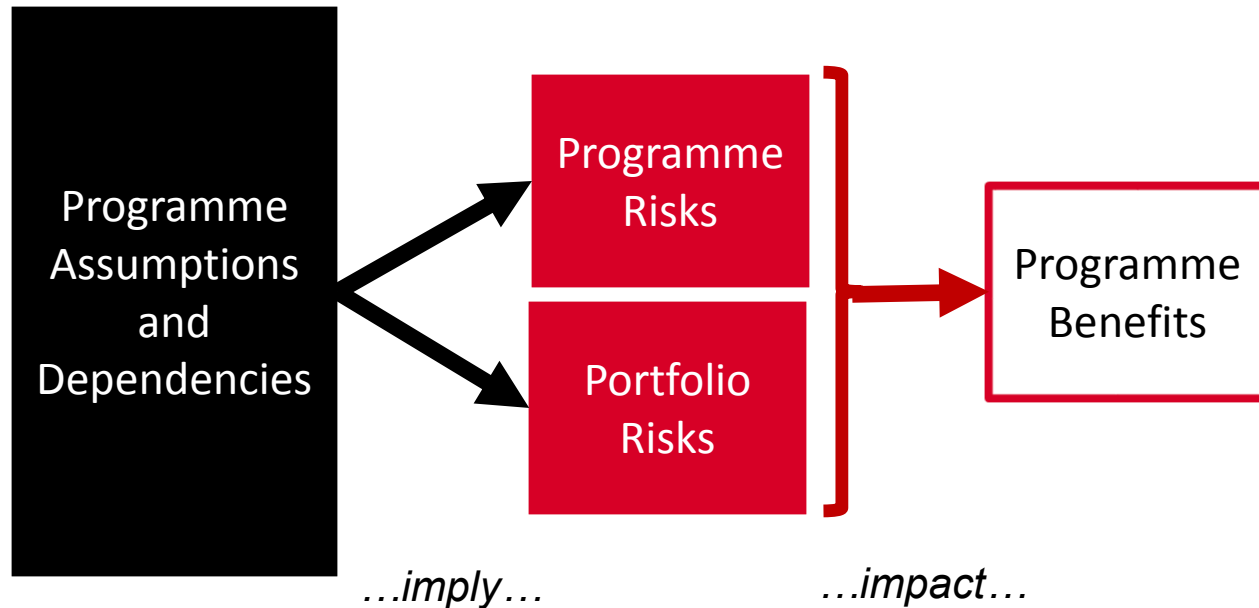


Narrative

- Explanation of which programmes are causing the over-run relative to baseline

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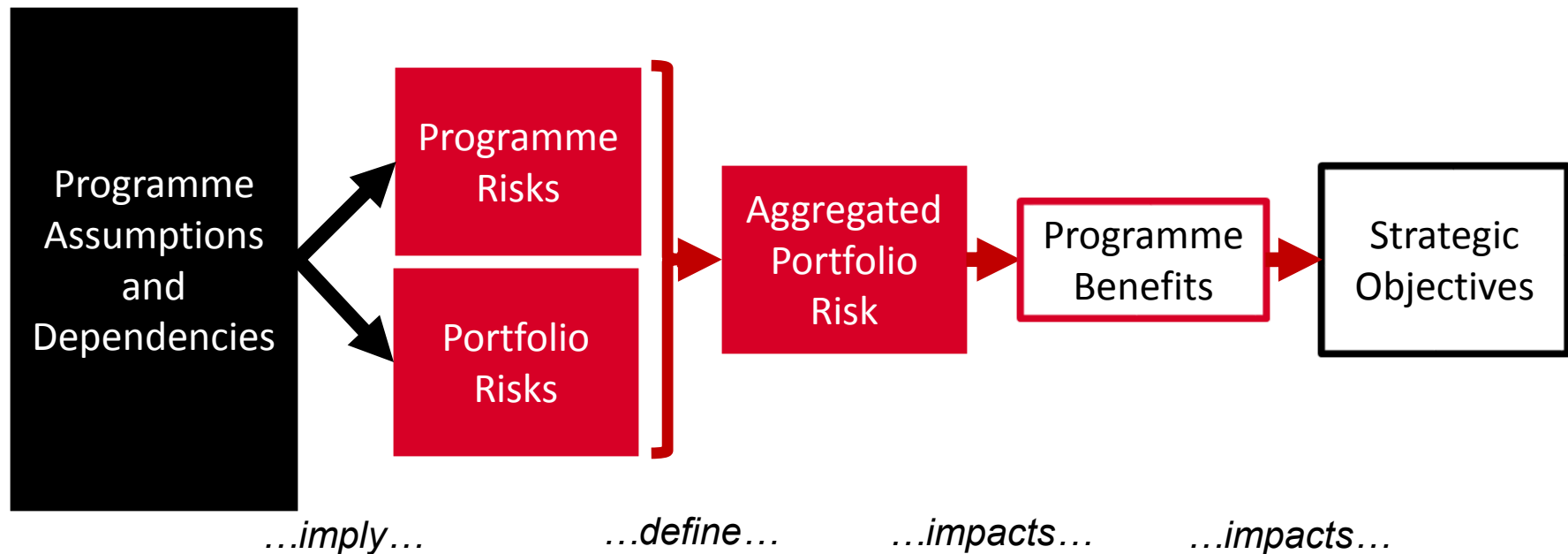
Exploiting linkages – Part 2



Example Portfolio Risk: Multiple programmes calling on the same resources:

- “Two C4ISR programmes both require security accreditation by the same date placing a heavy demand on the security accreditation team”
- “Multiple C4ISR programmes are dependent on the competence of an in-house supplier of Information Systems”

Exploiting linkages – Part 2



- Aggregated Portfolio Risk established by combining programme or portfolio risks with high post-mitigation probability and impact scores

Example

Portfolio Risk Register

| ID | Programme | Dependency (and hence risk) |
|----|---------------------------------------|--|
| 1 | Carrier Strike Programme | There is a risk that the carrier will not be available for flight trials when required... |
| 2 | Aircraft Programme | There is a risk that the infrastructure required to retain sovereign capability will not be available when required... |
| 3 | Armoured Vehicle Programme | There is a risk that a decision is not forthcoming on whether to extend the life of the legacy fleet... |
| 4 | International collaboration programme | There is a risk that dependencies on partner nations become unmanageable... |
| 5 | Export programme | There is a risk that export sales are less than required... |
| 6 | Synthetic Training Programme | There is a risk that the multiple internal dependencies become unmanageable... |
| 7 | Aggregated Portfolio Risk | There is a risk that security accreditation resources are unable to cope with simultaneous demands for support from multiple programmes... |
| 8 | Aggregated Portfolio Risk | There is a risk that in-house Information Services supplier fails to deliver the required ICT when required... |
| 9 | Aggregated Portfolio Risk | There is a risk that the Training Ranges are unable to cope with simultaneous demands for support from multiple programmes... |

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Example Portfolio Risk Register

| Programme | Dependency (and hence risk) | Linked Benefits | Linked Strategic Objective | | | | | Year of Impact |
|----------------------------|---|-------------------|----------------------------|---|---|------|---|----------------|
| | | | 1 | 2 | 3 | 4 | 5 | |
| Carrier Strike Programme | There is a risk that the carrier will not be available for flight trials when required... | Benefit 1 | | | x | | | 2020 |
| | | Benefit 3 | | | x | | | 2019 |
| | | Benefit 6 | | | x | | | 2019 |
| Aircraft Programme | There is a risk that the infrastructure required to retain sovereign capability will not be available when required... | Benefit 1 | | | x | | | 2020 |
| | | Benefit 2 | | | x | | | 2020 |
| | | Benefit 3 | | | x | | | 2019 |
| | | Benefit 6 | | | x | | | 2019 |
| Armoured Vehicle Programme | There is a risk that a decision is not forthcoming on whether to extend the life of the legacy fleet... | Benefit 1 | | x | x | | | 2023 |
| | | Benefit 2 | | x | x | | | 2023 |
| | | Benefit 3 | | x | x | | | 2023 |
| Aggregated Portfolio Risk | There is a risk that the Training Ranges are unable to cope with simultaneous demands for support from multiple programmes... | Prog 2, Benefit 1 | | | x | | | 2020 |
| | | Prog 2, Benefit 2 | | | x | | | 2020 |
| | | Prog 2, Benefit 3 | | | x | | | 2019 |
| | | Prog 2, Benefit 5 | | | x | | | 2019 |
| | | Prog 2, Benefit 6 | | | x | | | 2019 |
| | | Prog 5, Benefit 1 | | x | x | | | 2016 |
| | | Prog 5, Benefit 2 | | x | x | | | 2019 |
| | | Prog 5, Benefit 3 | | x | x | | | 2019 |
| | | Prog 5, Benefit 4 | | x | x | | | 2019 |
| | | Prog 5, Benefit 5 | | x | x | | | 2021 |
| | | Prog 5, Benefit 6 | | | | x | | 2021 |
| | | Prog 5, Benefit 7 | | | | | | 2016 |
| Prog 5, Benefit 8 | | x | | | | 2021 | | |

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Example: Portfolio Risk Plot

| Strategic Objective | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|------|------|------|------|------|--------------|----------------|----------|------|------|
| 1 – Success on Current Ops. | | | | | | | | | | |
| 2 – Success on Standing Mil Commitments. | | 3 | 7 9 | 8 | 7 8 | 4 9 5 | 6 7 | 4 9 5 | | |
| 3 – Contingent Capability. | | 3 | 7 9 | 8 | 7 8 | 1 4 8 9 5 | 1 2 6 8 9 7 | 8 9 | | |
| 4 – Workforce. | | | | | | | | 9 | | |
| 5 - Affordability. | | | | | | | 6 7 | | | |

Portfolio Risk
“hot spots”

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So what have we shown?

- Well run programmes should already hold the key data that we need
- By analyzing the linkages between this data we can very quickly:
 - Understand and maintain the “Golden Thread” from Strategy to individual User Requirements via Programme Benefits
 - Use our understanding of the golden thread to support rapid, high level balance-of-investment analysis
 - Monitor and control delivery of the portfolio as a whole

Final Thought: Implementation Challenges

- Data quality
- Trading between the “Portfolio of Change” and “Business as Usual”
- Inadequately defined Strategic Objectives



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