Australian Government
Department of Finance

Information Sharing Lessons Learned from Gateway Reviews: Gate 3 – Investment Decision Review

October 2013

The purpose of this document is to share lessons learned to support agencies to better identify opportunities to improve productivity and efficiency and to help make project teams more aware of alternative approaches to project delivery that may increase the realisation of benefits.

This document presents the lessons learned from Gate 3 – Investment Decision Reviews held since the Australian Government's implementation of the Gateway Review Process in 2006 and are drawn from the three project types: ICT, Procurement and Infrastructure. Regardless of their origin, the lessons learned are beneficial and provide good practice that can be applied across all project types.

The Gate 3 – Investment Decision Review provides assurance on the supplier selection and that the business needs are likely to be met through the project and contract management controls. It also assures that processes are in place for contract delivery and that benefits management strategies and plans have been incorporated.

The lessons learned provided in this document are a subset of all recommendations and are grouped into the Gate 3 Key Focus Areas. The percentage distribution for all recommendations is as follows: Business Case and Stakeholders (21 per cent); Assessment of the Proposed Solution (15 per cent); Review of Current Phase (29 per cent); Risk Management (14 per cent); and Readiness for Next Phase (21 per cent).

Business Case and Stakeholders

> *Update the Business Case and manage benefits* – ensure that the proposed solution continues to meet business needs and will realise the previously outlined benefits.
>
> *Proactively manage stakeholders* – update Stakeholder Management Plans and provide feedback to stakeholders on consultations.

Effectively updating the Business Case and managing benefits involves:

- updating the Business Case to reflect the Project's progression, key milestones, revised benefits (if applicable), risks and task level objectives;

- reflecting any changes to the Business Case in all relevant project documentation;

- seeking, where appropriate, that the Project Steering Committee formally affirm the Business Case including validation of revised costs, budget, benefits, risks and contingencies prior to recommending entering into a contract with a supplier;

- maturing the Benefits Management Plan, particularly relating to baseline establishment, benefits profiling (including key non-financial outcomes), measurement processes and assigning ownership for benefits realisation activities;

- for multi-agency projects, considering the benefit of concentrating particular effort on strategies for achieving and maintaining demonstrable participation and cooperation between all participating Government agencies. Examples may include (but not be limited to):
    - publishing all project participants roles, objectives and responsibilities which is continually visible;
    - co-locating project participants;
    - introducing a Memorandum of Understanding (MoU) between participating Government stakeholders; and
    - linking project objectives to staff performance measurements.
- considering the benefits of aligning change and communications processes relevant to the Project with the agency-wide approaches to change and communications.

Proactively engaging with stakeholders involves:
- developing Stakeholder Management Plans for each stakeholder group outlining specific communication messages, mechanisms, frequency and objectives;
- developing a comprehensive statement of the Project's capability that is understood and endorsed by key stakeholders;
- providing stakeholders with feedback following Government's consideration of issues raised during consultations; and
- where there are multiple suppliers engaged alongside the strategic partner, carefully managing all parties and their interaction to avoid diluting the value of the strategic partnership and to ensure that the relationship reflects an integrated project team.

Assessment of the Proposed Solution

> ***Align the solution with the business need*** – confirm that the solution meets the business need and is on budget.
>
> ***Effectively manage change –*** consider the steps required to ensure smooth implementation, transition and operation of the Project.

Confirming that the solution continues to meet business needs and is on budget involves:
- updating key project planning documents (budget, scope and schedule), reaching agreement amongst all project participants, and, where appropriate, that these documents are signed off by the Steering Committee and communicated to relevant stakeholders;
- ensuring that the strategy for end-to-end solution and performance management remains a priority during all phases, particularly during the design phase;
- for ICT Projects, confirming that the core functionality is defined, agreed and reflects the minimum functionality requirements, and ensuring that the schedule clearly identifies the critical path and milestones, with defined and agreed key contingencies;
- reviewing the management of project costs against scope and deliverables;
- developing a detailed whole-of-life costing for the full capability that clarifies the amount of project funds already spent against the appropriation; and
- allocating funding to project and functional levels to enable detailed financial accountability across areas.

Effective change management involves:
- clarifying the roles and responsibilities of the various parties to promote the effective use of all resources in the subsequent phases of the Project;
- ensuring availability of resources required to carry out the plan and manage the change. This requires communication, a change management schedule and adjustments to governance and reporting arrangements;

- developing a transparent decision-making framework and articulating: the process by which risks are considered and treated; how specific resolution teams are engaged; and escalation processes; and

- developing an internally focused change management plan that guides the delivery and implementation of the service and/or solution through project stages. The plan should cover:
  - stakeholder identification and management;
  - how the delivery (implementation, transition and operation) of the Project will impact agency staff; for example, changes to the IT systems and how they are used and the technical expertise required to support these systems, as well as changes to business areas and their operations; and
  - changes to support services provided to external stakeholders.

Review of Current Phase

> ***Update project management documents*** – *ensure project management documents consider short and immediate terms tasks that are measurable, as well as how best to utilise resources.*
>
> ***Robust procurement and negotiation*** – *implementing good practice procurement procedures that are complemented by a robust negotiation strategy.*

Effective project management involves:

- updating all relevant project documentation including the implementation plan, work breakdown structures, dependency assessments and critical path analyses, financial plans and detailed budgets (including operating expenditure allocations), resource plans/sourcing options as well as benefits identification, quantification and realisation documents;

- where possible, integrating project schedules that show the critical path and milestones to:
  - identify and evaluate the dependencies, gaps, duplications and overlaps across the plans;
  - ensure the knowledge of project team members is consolidated;
  - confirm the success criteria, risks and budget against the approved Business Case;
  - enable management to ensure that the milestones and activities are fully aligned to the Business Case's project outcomes and success factors; and
  - facilitate communications and expectations when reporting against the agreed outcomes and success criteria to senior management and key stakeholders.

- making full use of the Project Management Office, including:
  - ensuring consistency of documentation;
  - managing dependencies;
  - managing programme risk;
  - facilitating re-use of templates;
  - setting expectations for quality; and
  - capturing and communicating lessons learned.

- identifying short term and essential immediate term tasks (largely around the procurement processes), and detailed medium-term planning for the next phases (including contract management plans); and

- including robust measures of progress in status reports, such as earned value metrics.

Robust procurement and negotiation involves:

- maintaining procurement processes that incorporate lessons learned by the organisation to improve practices;
- ensuring that any procurement undertaken complies with the Commonwealth Procurement Framework, in particular, the Commonwealth Procurement Rules;
- operating in a way that is consistent with the Tender Evaluation Plans that were developed early in the procurement process to align with the procurement scope and approach to market evaluation criteria; and
- preparing a Procurement Recommendation Report with a detailed justification of the criteria used to short-list tenderers that encompasses:
  - a clear description of the evaluation process, including, where appropriate, reasons for deviation from the Tender Evaluation Plan;
  - a description of how probity was managed during the procurement;
  - a list of items to consider during the contract negotiations; and
  - a detailed justification for choosing the preferred tenderer.
- developing a comprehensive negotiation strategy that informs the negotiation authorities of their roles and mandate, including:
  - who is authorised to negotiate on behalf of the Commonwealth;
  - key negotiation objectives;
  - reporting requirements of the negotiating team (including outcomes);
  - detailed, prioritised and agreed negotiation points (including trade-offs); and
  - points at which dead-lock negotiations are escalated.

Risk Management

> **Ensuring proactive and robust risk management** – *engage project executives, the Steering Committee and Project Board to promote risk management as a part of the culture of the Project.*

Effective risk management involves:

- proactively engaging in risk management by the project team, Steering Committee and Project Board. This includes:
  - project executives encouraging risk management in the day-to-day culture of the Project;
  - continually improving the clarity of risk management and mitigation strategies and actions;
  - taking a broad view of the Project to ensure the right risks are being brought to the forefront of attention of the Project leadership at any given time; and
  - providing detail on key risks to relevant executives.
- ensuring all key risks have been identified, analysed and allocated to the appropriate party;
- promoting granular risk assessment;
- revisiting the risk profile at the commencement of the delivery phase (or if there is a change in project scope) and keeping it current over time;
- implementing and maintaining a single comprehensive risk register and issues log;
- rationalising responsibility for risk management across project areas for reduced costs and better outcomes;
- ensuring 'Strategic Risks' are a standing agenda item for Steering Committee/Project Board meetings;
- conducting independent and facilitated risk workshops to ensure that risks for the Project are realistic and clearly specified; and

-   ensuring that business continuity contingency plans clearly identify trigger points for activation and are agreed and understood by relevant stakeholders and suppliers.

Readiness for Next Phase

> ***Prepare for the next phase of the Project*** *– refine the project team structure and dedicate appropriate resources early to prepare for future phases.*
>
> ***Strengthening the governance framework*** *– strengthen the governance framework so that it is consistent with the Project Management Plan and ready for the next phases of the Project.*
>
> ***Utilise lessons learned*** *– capture lessons learned from the Project and leverage lessons learned from other agencies.*

Ensuring that the Project is ready for the next phase involves:

-   where appropriate, refining the project team structure to incorporate the skills required for the next phase and establishing a plan to implement the revised structure commensurate with major project phases;
-   reviewing the procurement template and tender documentation for consistency prior to any future tendering processes;
-   dedicating resources early to commence planning for any future phases; and
-   where appropriate, conducting a review of the MoU and agency agreements after they have been in use for at least 12 months to ensure that they remain appropriate.

Strengthening project governance involves:

-   ensuring that the governance framework clearly defines the management and organisational structures, accountabilities, lines of authority and decision making, information flows and change management roles and responsibilities;
-   confirming that project governance arrangements and the Project Management Plan reflect the project phase contractual arrangements and aligns to the reporting framework;
-   where applicable, ensuring that the contract management plan fully integrates the key arrangements supporting the Project including the Head Agreement and MoUs; and
-   ensuring that existing governance processes are continually reinforced through the life of the Project.

Utilising lessons learned through project phases involves:

-   conducting a project implementation review in order to capture lessons learned from the Project and enhance organisational capability; and
-   where appropriate, leveraging lessons learned by other agencies in negotiating with and managing major suppliers.