Australian Government

Department of Finance and Deregulation

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Gateway Review Process – Lessons Learned Report (third edition)

FINANCIAL MANAGEMENT GROUP

Lessons learned and better practice

> *"The successful delivery of government programs requires the projects that underpin their implementation to be well-managed from the point of inception through to full implementation."*[1]

The purpose of this publication is to promulgate the lessons learned and evidence of better practice observed from Gateway reviews conducted during 2009-10, to assist agencies to identify opportunities for improving their own management of projects and programs. Many of the projects reviewed during this period involved cross-government and multi-jurisdictional initiatives, which can be inherently more complex than single agency projects. This report presents lessons learned across four themes:

- managing complex governance arrangements across agencies and jurisdictions;
- project inception, gaining approval and funding;
- risks associated with implementing projects in tight timeframes; and
- establishing a 'benefits-led' approach.

[1] ANAO Better Practice Guide, *Planning and Approving Projects*: *An executive perspective,* June 2010,(p.i).

Theme One: managing complex governance arrangements across agencies and jurisdictions

"Effective oversight by the project sponsor of the development of the business case helps target the project more precisely, enhances the reliability of the business case, and builds stakeholder interest and support."[2]

Lessons learned and examples of better practice:

- Identify and engage with stakeholders early as this gives them the opportunity to identify their risks and interests appropriately. Engaging early encourages commitment and fosters collaboration. It also helps to:
  - establish a clear and common understanding of the project's scope;
  - define and agree on the outputs and how they will be measured; and
  - stipulate the critical success factors, including business change impacts or overcoming organisational boundaries.
- Establish formal agreements between agencies and other organisations or jurisdictions. This helps to foster coordination and integration in project delivery. Formal agreements can clearly define the governance arrangements including: roles and responsibilities, escalation triggers and processes, accountability and benefits management, transparency and value for money. Some examples include Strategic Partnership Agreements, Tripartite Agreements or a Memorandum of Understanding.
- Establish Terms of Reference (or similar) for Inter-departmental or Steering Committees (IDCs) charged with providing project oversight and strategic direction. IDCs inform their respective agencies/organisations on benefits, priorities, capability issues, associated costs and emerging risks. To gain the maximum benefits from these committees they should be proactively managed, with regular meetings scheduled, standing agenda items and attended by appropriate senior executives from each stakeholder group.
- Revisit governance and project management arrangements throughout the project life-cycle to help ensure they remain fit for purpose. Remove, where necessary, redundant layers of consultation and decision-making; these may have served the project during its early stages but may prove cumbersome during the sourcing and implementation stages.
- Establish how communications will be structured to ensure that all stakeholders are clear and agree on how the project will meet its objectives. Some agencies have conducted 'road shows' to communicate the aims and objectives of a project widely to stakeholders. These have gone across states, territories and cross-government agencies, and helped to foster a broader sense of ownership and collaboration.
- If possible, conduct detailed stakeholder analysis and prepare stakeholder impact assessments. By doing this, some agencies were able to qualitatively inform their cost and risk implications, and assess whether stakeholders, including the private sector, were willing and able to deliver.
- Keep the business case up to date as the project progresses, reflecting key parameter changes in funding, scope and benefits in particular. This helps to ensure project transparency and keeps stakeholders informed.

[2] ANAO Better Practice Guide, *Planning and Approving Projects: An executive perspective,* (p.55).

Theme Two: project inception, gaining approval and funding

> *"As part of the annual Budget process, entities develop new policy proposals. At this stage, the main criteria for assessment will be the overall program policy and cost priorities. If a new policy is agreed, the focus of reviewing the policy implementation project is that it will be able to deliver the policy requirements within the agreed implementation budget and timeframe".*[3]

Lessons learned and examples of better practice:

- Keep in mind the basic principle: bring forward a business case that demonstrates how the proposed investment will achieve and measure policy outcomes, strategic objectives and benefits. This will enable government and stakeholders to make informed decisions about budget, priorities, risk, and responsibilities.
- In the business case:
  - define the business need, expected benefits and critical success factors, including any synergies and dependencies with other projects/programs;
  - identify and define stakeholders' roles and responsibilities for the delivery of individual projects, milestones and resources, as well as escalation processes;
  - clearly articulate and substantiate costs associated with business change, including capital and operating expenditure and additional resources needed to address capability gaps; and
  - outline how the project will be implemented, considering: communication strategies and change management, transitional and operational planning (integration and handover), risk management and contingency or fall-back options.
- To illustrate an agency's capability consider:
  - including relevant information from the agency's application of P3M3™ (Portfolio, Programme and Project Management Maturity Model)[4], and/or
  - engaging stakeholders early to design and run a series of 'pilot projects' that can test business case assumptions, capability, management and funding arrangements.
- Consider breaking down the project into distinct stages. This can help to maintain project momentum in between the intense activity that occurs during key budget processes and the time when approval is given to proceed, as well as manage resources more efficiently.
- Consider conducting an analysis of business processes and systems (based on existing information gathered through the requirements definition stages). This helps to inform the critical evaluation and prioritisation requirements needed before approaching the market and commencing any procurement processes.
- Consider using focus groups to refine the implementation and management strategies associated with business change and integration. This can help to sustain buy-in from stakeholders and encourage their active involvement. In addition, regular agenda items and reporting to executive boards helps to keep senior stakeholders informed about the progress of the project and emerging issues.

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[3] ANAO Better Practice Guide, *Planning and Approving Projects*: *An executive perspective*, June 2010, (p.8).

[4] The model can assist agencies to systemically identify and assess their organisational capability to commission, manage and realise benefits from ICT-enabled investments and identify areas for improvement.

Theme Three: risks associated with implementing projects in tight timeframes

> *"Organisations of any kind face internal and external factors and influences that make it uncertain whether, when and the extent to which they will achieve or exceed their objectives. The effect this uncertainty has on the organisation's objectives is risk".*[5]

Lessons learned and examples of better practice:

- Importantly, identify and engage all major stakeholders early and proactively. This ensures that there is a clear and commonly understood vision of the issue, the desired benefits and outcomes, and the suitability of the proposed solution. This approach also provides the opportunity to obtain agreement of all major stakeholders where timeframes are critical and compromises have to be made in timing, cost or quality.
- Where necessary, systematically identify benefits, costs, outcomes and key performance indicators, which will have an impact on the timing, cost and risks. This may be achieved through appropriate consultation (including IDCs), via validation of project concept plans through workshopping, or more structured facilitation planning sessions (for example Investment Logic Mapping).
- Consider appointing an experienced and dedicated project manager, supported by a capable team and a clear project plan. This will help to to track dependencies and projected dates in order to identify and mitigate any potential risks associated with slippages early.
- Consider introducing a 'soft launch' or implementation pilot prior to widespread deployment. This helps to identify and reduce the inherent risks, such as establishing capability and managing operational change.
- Consider building into contractual arrangements, provisions to vary scope, time and/or cost, particularly where the procurement traverses a lengthy time period. This helps to minimise impact, effort and cost associated with potential policy or similar changes. Ensure variations and approvals are clearly documented to avoid misunderstandings and disputes.
- In circumstances where it is necessary to commence a project in advance of reaching a final agreement, consider whether it is viable to piggyback on, or vary, existing contractual arrangements. This helps with expediency and efficiency, as these existing contractual arrangements would have been tested and subject to the process of probity checks.
- Consider appointing an experienced and dedicated contract manager to manage all facets of the contract, including negotiations. This ensures that there are clear and commonly understood expectations, roles and responsibilities.

[5] AS/NZS ISO 31000:2009 Risk management – Principles and guidelines.

- Consider appointing a full-time risk manager to develop and monitor a comprehensive Risk Management Plan (RMP), which might include:
  - identifying, categorising and assessing risks;
  - appropriate stakeholder representation in the risk assessment process;
  - the manner and frequency of monitoring and reporting;
  - a clearly defined escalation process with trigger points;
  - costs of mitigations with linkages to the overall program contingencies; and
  - retiring risks where appropriate.
- Consider and apply lessons learned from other similar projects. This allows the project to capitalise on the lessons and risks, as well as identify the potential for using existing infrastructure and assets, including management or specialist products.

Theme Four: establishing a 'benefits-led' approach

> *Dan Lovallo and the Nobel-prize winning Daniel Kahneman argue in the Harvard Business Review that we suffer from, "Delusional optimism: we overemphasise projects' potential benefits and underestimate likely costs, spinning success scenarios while ignoring the possibility of mistakes."*[6]

Lessons learned and examples of better practice:

- Formalise arrangements between parties early, through Memorandum of Understanding, Tripartite Agreements or contracts, to ensure that there is a consistent and coordinated approach towards managing benefits following project implementation, including:
    - monitoring service providers' performance against service levels and standards;
    - effective and ongoing contract management and development to improve value for money and flexibility for the project to be re-contested in the marketplace; and
    - evaluating stakeholder/customer satisfaction.
- Develop a benefits realisation strategy, which clearly shows what will happen, where and when the benefits will occur and who will be responsible for their delivery. It is important to be clear about handover and responsibilities for ongoing operations in the changed state (for instance when the benefits will actually be harvested). Integrating this strategy with the overall project plan will help to ensure ownership and ongoing management of benefits is maintained after the project has been handed over to its business owner.
- Implement a tracking process, which monitors the achievement of benefits against the agreed expectations and targets. The tracking process must be capable of tracking both 'hard or tangible' (for example cost, headcount) and 'soft or intangible' (for example image or reputation) benefits. Performance monitoring and reporting throughout the project lifecycle helps to demonstrate the realisation of the intended outcomes and benefits.
- Consider incorporating case studies and lessons learned based on prior experience to help illustrate how benefits will be achieved and to inform the benefits realisation plan, including monitoring and measuring performance.
- Make benefits realisation SMART: Specific, Measurable, Achievable, Realistic and Timely.
- Consider conducting a Post Implementation Review (PIR) to assess whether the project met its business case objectives, including the projected key performance indicators, expected benefits, and return on investment. The PIR can also help agencies to determine future benefits and lessons learned.

[6] Lovallo, Dan and Daniel Kahneman, 2003. "Delusions of Success: How Optimism Undermines Executives' Decisions," Harvard Business Review, July Issue, (pp. 56–63).

About Gateway Reviews

The Gateway Review Process (Gateway) is a project assurance methodology that originated in 2000 out of the United Kingdom's Office of Government Commerce, to improve the delivery of major projects. Gateway involves short, focused reviews at critical points of the project life-cycle conducted by a team of independent reviewers.

As at 1 July 2010, 131 reviews have been conducted since Gateway was introduced by the Australian Government during the 2006-07 Budget. Of the 37 reviews conducted during the 2009-10 financial year, 43% were undertaken at the project inception and decision-making stages, typically the Gate 0 (business need) and Gate 1 (business case) review stages. Ninety-seven per cent of surveyed Senior Responsible Officials participating in reviews during the period stated that Gateway was beneficial and would impact positively on the outcome of their projects.

The reviews conducted during the period made 330 recommendations across seven key project management themes, as follows:

1. Project Planning and Management (28.3%)
2. Business Case and Benefits Realisation (18.4%)
3. Stakeholder Management (17.7%)
4. Governance (12.5%)
5. Risk Management (10.7%)
6. Service Delivery (6.4%)
7. Delivery Strategy (5.5%)

Better Practice Guidance

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