

## **Session 7. IT Business Case and Acquisition Strategy**

The objectives of this session and its required readings are:

- (a) to explain the role of the "value proposition" in gaining management interest in and support for the IT acquisition being planned;
- (b) to provide an understanding of the purpose and nature of the IT business case and acquisition strategy document, which requires executive review and approval to proceed to the next steps in the acquisition process; and
- (c) to examine and make use of the Gantt chart, a common project planning and management tool used by federal agencies as well as private sector corporations.

This Session primarily relates to the following CMMI® Acquisition Module process area: Project Planning, with an emphasis on its practice titled *Establish and Maintain the Acquisition Strategy*.

### **The Value Proposition**

A value proposition is a succinct statement of a proposed solution and its value to an organization. Its best form is one sentence. It is basically a summary statement designed to quickly communicate the proposal concept and its value to executives to make them interested in hearing more about the proposed solution. The value proposition can also help to gain agreement and reinforce understanding among members of the proposal team on the essence and value of what is being proposed.

Since one objective is to have the value statement be memorable, it needs to be brief, one or at the most two sentences. IT Economics Corporation Template 9 explains the value proposition in some detail and provides examples.

### **The Business Case and Acquisition Strategy**

The pre-solicitation planning activities are generally funded separately from the project that will be conducted by or with an IT service provider. The cost of the pre-solicitation activities may be funded by one or more organizational components that have the problem or the opportunity, by a special fund established to meet such costs, by a special component established to do business analyses, or by the same executive committee that funds projects. The project for which there is to be a request for a proposal must generally be approved and funded by the executive committee.

- In government organizations, the "Acquisition Strategy Statement" usually includes both the business case and the acquisition strategy.
- In commercial organizations, the "business case" is used to justify any proposed investment, including investments in IT, and will include the acquisition strategy.

The IT Economics Corporation Template 10 is titled "Acquisition Strategy Statement" because of the emphasis on IT acquisition. However, it includes the justification for the investment in the description of the proposed IT Acquisition.

Many federal agencies use the term "Acquisition Strategy Statement" and a few have placed examples of this statement on their websites. However, an increasing number of federal agencies, including components of the Department of Defense, are starting to call it a "business case" because they are adopting many commercial best practices associated with that term.

### **The Language of Business**

The Acquisition Strategy Statement is prepared for submission to an executive review committee that will decide whether or not to approve it so the next steps in the acquisition process can be taken. The entire document must be written in language that the executives will understand. It should not contain technical language that has little or no meaning to them and to other stakeholders who will view the document. If it is believed that certain technical information must be included in this document, it needs to be explained in non-technical terms that are understandable to executive reviewers and other stakeholders. In general, it is better to provide technical details (and non-technical details) in supporting documents that can be made available to executive reviewers and other stakeholders who are interested. For example, the files could be made available via browser-accessible files placed on the internal network.

Organizations typically provide guidance and a template as aids for preparing this document. In many government agencies, the acquisition strategy statement is very detailed and lengthy. The template from IT Economics, on the other hand, is relatively short, with less detail. Details can be provided in related supporting documents that are made available to reviewers who are interested in seeing specific details.

**Common Contents:** Common information in strategy statements includes the following:

- Definition of the need (problem or opportunity)
- Affected organizational strategies, objectives, and key performance indicators
- How the products and/or services to be acquired will meet the defined need
- Descriptions of the products and/or services to be acquired
- Principal benefits, costs, and risks
- Information security and privacy considerations
- Potential sources of the products and/or services
- Systems life cycle(s)
- Market research
- Use of competition in the supplier solicitation and selection process
- Contract type to be used
- Contract incentives and penalties, if any, to be included
- Contract risks anticipated and mitigation methods

After its approval by the executive committee, the acquisition strategy statement will be used by those who need to stay abreast of the acquisition process, including the project manager, the program manager, members of the integrated project team, and others who will participate in or make decisions about acquisition activities.

### **IT Economics Template 10**

The Template 10 Acquisition Strategy Statement requires that the principal business justification for the project be placed in the section titled "Proposal Summary." It must summarize the problem or need that the proposed solution addresses, state the benefits of the solution in measurable terms, give the projected cost over the life of the solution (i.e., the investment required), and briefly describe the major risks and how they will be managed. This summary is based on information previously developed and documented.

While the other sections of the document are also important, the **Proposal Summary** section will be of greatest concern to executive decision makers. It is the first thing they read and it is important for it to make a positive impression at the outset.

The Basic Acquisition Approach section summarizes the strategy for acquiring and implementing the solution as well as providing support after implementation. Certain especially important aspects are singled out for more detail (e.g., market research, use of competition). Notice that the last subheading pertains to risk. The statement entered here must be as accurate as possible. Executive decision makers are very concerned with risk. It is one of their favorite topics for questions in investment review meetings with the project sponsor and key IPT members. The sponsor and IPT must be prepared to defend before the executive committee all aspects of the risk analysis summarized in the document.

### **Federal Agency Acquisition Strategies**

The acquisition strategies of many federal agencies often make use of the services provided by other federal agencies, such as the General Services Administration (GSA), which was examined to some extent in Session 5. As we saw in that session, the GSA is a principal federal agency for IT acquisition. It offers a great variety of IT acquisition services to federal agencies, which is why federal agencies often include GSA in their acquisition strategies.

The U.S. Department of Defense (DoD) is the world's largest purchaser of IT products and services. It also has agencies that provide IT acquisition services to its many components, both civilian and military agencies, including the military services. Exploring the offerings at a principal DoD acquisition website can demonstrate the nature and range of the IT acquisition services that can be made part of a DoD component's acquisition strategy.

## The Gantt Chart

IT Economics Corporation Template 11 focuses on the preparation of a Gantt chart for an IT acquisition project. The Gantt chart developed using Microsoft Project for IT acquisition projects provides much more than a project schedule. It identifies resources and when and where they will be used in the project.

The Gantt chart is a common project planning and management tool used by both government agencies and commercial organizations. A Gantt chart, in its simplest form, is a project schedule that can be depicted in a bar chart. However, the Gantt chart used in IT acquisitions must be much more than a bar chart because of the nature of the information it has to convey. It is a graphical depiction of a detailed project schedule that shows phases, tasks, milestones, the resources for each task, and task relationships. It can serve as a powerful planning tool, enabling an organization to efficiently and effectively balance its resources (such as project personnel) to complete the various tasks efficiently over the life of the project.

The Gantt chart for a project is based on the work breakdown structure (WBS) that was prepared for the project and uses other information developed in the planning. The WBS defines the scope of the project and shows project phases, tasks, milestones, and general information about the resources required, and it is the foundation for preparing the Gantt chart. The Gantt chart goes beyond the WBS by identifying, for example, the start and end dates for tasks and how resources will be used. The quality and effectiveness of the Gantt chart depend largely on the quality of the related WBS. The use of best practices in project planning, including a professional quality WBS, makes it easier to prepare the Gantt chart.

***Note:** It is considered a poor practice to prepare a Gantt chart first and then generate the WBS from the Gantt chart (Microsoft Project has the ability to generate a WBS from the data entered for the Gantt chart). The risks in using this poor practice are substantial.*

Microsoft Project provides has built-in aids and links to other aids that help planners create a Gantt chart. New users of Microsoft Project should take advantage of these aids to develop their Gantt charts.

A Gantt chart provides a view of the schedule of the project tasks, including when each task is to start and when it is to end. The Gantt charts used in IT projects also show task dependency relationships and the resources assigned to each task. One of the most popular tools for creating Gantt charts is Microsoft Project. Microsoft states, "In Microsoft Project, the default view is the Gantt Chart. You are likely to spend a lot of your time in Microsoft Project in this view."

Project tasks can be scheduled to take into account when the resources required will be available. For example, the best personnel to perform Task 8 of the IT acquisition project might be the personnel that performed Task 7. Therefore, it would be best to schedule Task 8 to start after Task 7 ends, rather than to attempt to perform the tasks in parallel with different team members.

## **WBS Codes**

Gantt charts prepared with Microsoft Project permit the inclusion of a column that shows the WBS code for each phase and task, for use as a cross-reference. To the right of the column listing the project tasks is another column that gives the duration of each task, and then a bar corresponding to the start and end dates of each task. Planners can vary the start and end dates as well as the specific resources applied as they create their Gantt chart. Because project planning software is so helpful in creating an efficient and effective project schedule, project managers generally rely on such software to help prepare the detailed schedule and resource management plan in the form of a Gantt chart for their projects.

## **Required Readings**

### **(a) Value Proposition Readings**

Do a Google search on VALUE PROPOSITION and read some of the definitions. You need to spend only about five minutes doing this. Notice the variations in the definitions. Some call for a relatively long statement while others call for a brief statement, depending on the purpose of the value proposition and the views of the author of the definition. Despite the variations in length, all of the definitions stress clearly communicating the value of what is being proposed. (For an IT acquisition whose business case has not yet been approved, the brief value statement described by IT Economics Corp. should be used.)

Read the IT Economics Corp. material describing the preparation of a brief value statement, at the following locations:

<http://www.iteconcorp.com/T9Value%20Proposition.html>

### **(b) Business Case and Acquisition Strategy Required Readings**

Carnegie Mellon Software Engineering Institute. *CMMI@ for Acquisition*, Version 1.3. November 2010. In the Project Planning process section, read SP 1.1 Establish the Acquisition Strategy, pages 276-279. See Session 3 reference list.

Defense Systems Management College. (1999). *Acquisition Strategy Guide*. Defense Systems Management College Press. Selectively read Chapter 3 (13 pages). Skip the paragraphs that pertain to DoD technicalities and are not related to the substance of developing an acquisition strategy. This document is a little dated, but the general approach and principles it presents are still valid. (The websites of the Defense Systems

Management College and the Defense Acquisition University, which previously permitted links to more recent IT acquisition publications, are now closed to non-DoD computers for security reasons.) See reference list.

The Federal Government's Acquisition Central provides much information about acquisitions. Look over this web page, including the "major initiatives' underway, to see what is offered. <http://www.acquisition.gov/>

Explore the websites below to gain insight into federal IT acquisition services offered by some federal agencies to influence the acquisition strategies of other federal agencies.

- Explore GSA's website that focuses specifically on Technology and Communications. Click on **Overview** in the menu at the left of your screen. Note the Products and Services and the Contract Vehicles listed at the bottom of the page. Under Contract Vehicles, click on **SmartBuy**. Read the description of SmartBuy and the reasons given for using it. Available at: <http://www.gsa.gov/portal/content/105195>
- The Department of Defense is the sponsor of informative IT acquisition websites. Click on this URL: <http://www.acq.osd.mil>. Note the items on the web page. While the links on the page are live, some of the detailed acquisition guidance material and other documentation may not be available to you unless you are with a DoD component.
- Optional Reading from Gartner . Here is a video describing why outsource, what to outsource, who are the best resources for providing the services, how will the services be delivered, when to deliver it, and where to deliver it. Video available at: [Enterprise Innovation: Sourcing Strategy](#)

### (c) Gantt Chart Required Readings

The best source of information about how to create a Gantt chart using Microsoft Project is the Microsoft Project software itself. It provides step-by-step instructions for creating a Gantt chart. If this software is new to you, be sure to take advantage of this built-in guide. There are many other sources of information about creating Gantt charts. Explore the helpful optional related information cited below under *optional readings*.

- Read the discussion of the Gantt chart provided at <http://www.iteconcorp.com/T11Gantt.html>

Here are some **optional readings** concerning Gantt charts:

- **Microsoft Project 2010:** For those who have Microsoft Project 2010, this Microsoft website can be very helpful: <http://www.microsoft.com/project/en-us/tips-tricks.aspx>
- Mindtools describes Gantt Charts and explains how to prepare one manually, in *Gantt Charts: Planning and Scheduling More Complex Projects*. The explanation

is actually for a very simple project that documents the Gantt chart on graph paper. The value of this article is that it is easy to read and understand the concepts. However, be aware that it sacrifices the use of certain standards to improve readability (e.g., the standard that task names must begin with an action verb). Also, only very simple projects can make use of graph paper Gantt charts, which is why IT acquisition projects use professional software to create Gantt charts. Available at [http://www.mindtools.com/pages/article/newPPM\\_03.htm](http://www.mindtools.com/pages/article/newPPM_03.htm)

## Assignments

### 1. Individual Project Assignments

Based on your previous project activities, you should be in a position to perform the following three activities for your individual project.

**Activity 9.** Write a value proposition for the alternative you selected. An explanation of how to write a value proposition is provided in the reading titled *Value Proposition*, which also gives two examples of value propositions. You can model your value proposition after the examples. The reading and examples are available at: <http://www.iteconcorp.com/T9Value%20Proposition.html>

**Activity 10.** Develop an Acquisition Strategy Statement for your proposed IT acquisition project (that you selected in Activity 8 and summarized in your Activity 9 value proposition).

A template for preparing the statement, titled *Acquisition Strategy Statement*, is available at this location: <http://www.iteconcorp.com/T10StrategyStatement.html> Please use this template to prepare your Acquisition Strategy Statement. Keep your responses to the various sections of the Acquisition Strategy Statement as brief as possible, while still communicating your key points. As you likely know from your own experience, executives like brief, to-the-point documents, preferably only a page or two. They usually don't read lengthy acquisition strategy statements.

**Activity 11.** Develop a Gantt Chart, using Microsoft Project, for the WBS you created for the alternative solution you selected as best.

A discussion of Gantt charts and an illustration of a Gantt chart generated using Microsoft Project are provided at <http://www.iteconcorp.com/T11Gantt.html> The illustration is similar to what you will produce for your Activity 11. It illustrates the level of detail appropriate for the Gantt chart you prepare for your project. Submit your Gantt chart as an .mpp file (a file produced by Microsoft Project.).

## **DUE DATES OF ACTIVITY ASSIGNMENTS.**

Activities 7 - 10 are due on the end date of this Session 7. **Activity 11 is not due until the end date of Session 9.** This gives you more time for developing your Activity 11 Gantt chart.

Please post Activities 7 - 10 in your Assignments Folder by the end date of this session.

As usual, the due date for responding to this session's Discussion Questions is the end date of this session.

### **2. Discussion Questions**

After you have completed the above readings, please post a response to the Session 7 Discussion Questions, each of which is provided in a separate conference.