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Strategic Analysis Report
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Ensuring an 'IT Project' Delivers Business Value

Healthcare organizations (HCOs) often lose much of the business value of their initiatives because they typically conceive of them as "IT projects." To achieve business goals, HCOs must conceive of their initiatives as business change projects.

Management Summary

Healthcare organizations (HCOs) often lose much of the business value from business transformation initiatives that involve IT because they overlook something almost too simple to mention. They and their IS organizations typically conceive of initiatives as "IT projects," yet this "IT" designation implies that technology is paramount, not the business value. The IS organization understandably feels comfortable thinking in terms of technology; all too often the rest of the HCO goes along. Sometimes this misconception can jeopardize the HCO's very future. If the HCO wants to use IT to achieve business goals, though, it must conceive of such initiatives as business transformation projects with IT components — and plan and implement them accordingly.

HCOs should focus on business value in all aspects of an initiative. Project planners should explain the project to all stakeholders, from executives on down, in business terms that everyone can understand — not technical terms. Likewise, planners must justify the project based on the business value expected, not on secondary considerations such as updating IT systems. Finally, since the project must deliver business value, the HCO should hold a functional business unit (FBU), i.e., a department within an HCO, accountable rather than the IS organization. The HCO must reinforce this accountability throughout the project's duration since stakeholders tend to defer to the IS organization's technical expertise when the inevitable usage problems occur. The IS organization should also change itself to reflect this orientation. In particular, it should define itself according to the roles it must play in supporting the enterprise's business goals. This Strategic Analysis Report describes what HCOs should pay attention to when they turn IT projects into business transformation projects.

The report discusses the following Tactical Guidelines:

- Avoid thinking of projects as IT projects; they are business transformation projects with IT components.
- View IT as supporting, not leading, business transformation projects.
- Describe a project with terms and metrics related to the HCO's business goals.
- Communicate the business purposes of, and expectations for, an IT investment to achieve the expected business value.

Ensuring an 'IT Project' Delivers Business Value

- Identify the FBU accountable for delivering the expected business value of a project before it begins.
- Take proactive steps to avoid accountability shifting back to the IS organization by default.
- Reinforce the FBU's accountability for delivering the expected business results throughout the project.

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1.0 Introduction

When an HCO approves an IT investment, it should have a project plan with the IS organization as the facilitator and the FBU as the owner. To improve the chances for success, the HCO must view the effort as a project for changing the way it does business, not as an IT project. *Therefore, the HCO must hold the FBU accountable*. Once the project has begun, the HCO must reinforce the project's business purpose and expectations to remind everyone that the FBU is accountable for achieving the expected business results. In addition, organizing the IS department as a role-based, shared-service utility will boost the likelihood of realizing full business value from the HCO's IT investments.

2.0 Preparation

Setting the right expectations for a business-change project starts with good preparation. The importance of this aspect exceeds even that of gaining the necessary funding. When project managers do not specifically define expectations, funding authorities and recipients tend to substitute their own expectations — positive or negative. In some cases, HCOs view technically successful projects as business failures because the users' unrealistic expectations went unchecked. Unfortunately, IS managers seldom get a second chance because the *perception* of business value delivered counts with the enterprise and its funding authorities.

Since preparing for project approval lays the foundation for business perceptions, where can the preparation fail? The success of business transformation projects results from addressing the following issues from the start of the project:

- *Terminology* must reflect the business orientation of the project. **Warning Sign:** Only the IS organization understands the project description.
- Approaches to *justification* must match the project type. **Warning Sign:** All projects use the same approach to justification.
- *Communication* must be clear, concise and business-focused. **Warning Sign:** The description is too technical.
- *Accountability* for delivering expected business results is clear at the project's start. **Warning Sign:** The HCO views it as an IT project.

2.1 Terminology

Tactical Guidelines:

- Avoid thinking of projects as IT projects; they are business transformation projects with IT components.
- View IT as supporting, not leading, business transformation projects.

Terminology often represents the initial obstacle. If managers do not describe the project in business terms the enterprise understands, it likely will not win approval. The IS organization should realize that the IT terminology it understands may have little currency elsewhere. Since most people grasp core concepts verbally first, the IS organization should not explain them in long, complex or difficult-to-visualize descriptions. A few simple statements should do to summarize the business purpose.

Every project must have a designated owner responsible for delivering the expected value once the IT tools become available. Enterprises create business value through a combination of tools and business processes. The IS organization may have expertise on the potential of IT tools, but their users within the enterprise are the experts on what business processes work best with the tools available. Thus, the users must take the lead in defining how they will use their tools to achieve their business activities.

But even before the enterprise assigns ownership of a project, the IS organization can do something to help — it should stop referring to projects involving IT as "IT projects." This usage has become ingrained in most HCOs and makes it more difficult for a project to win support when executives view such projects as an IT expense rather than as a business investment. Not only does this focus on IT obscure the business value of the project, it obscures the fact that the IS organization will not operate the tools day in, day out once implemented. Thus, stakeholders will always blame the IS organization if an "IT project" fails to deliver expected value even though the IS organization has little control over day-to-day operations.

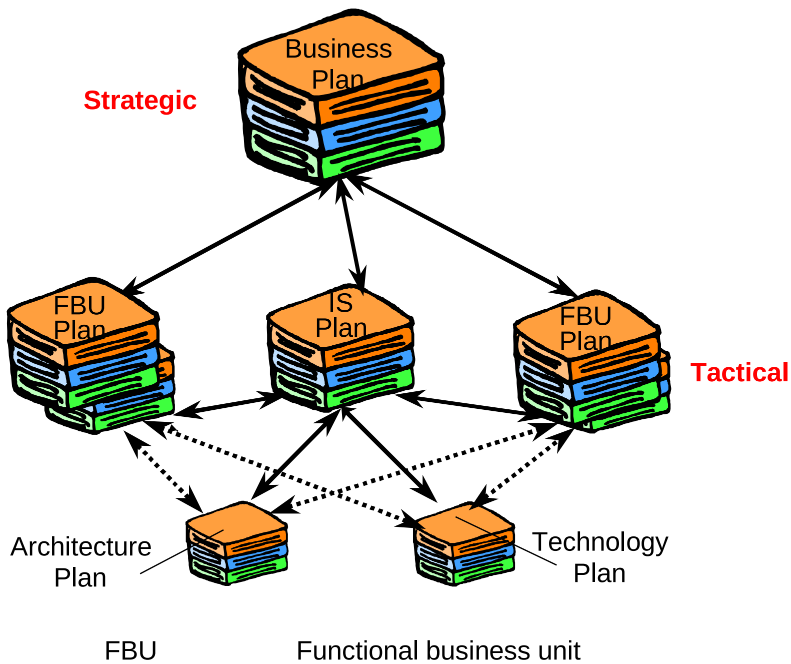
To describe a project so that those outside the IS organization can understand it, the IS organization should help users to describe how the business transformation project relates to business processes, how those processes may need to change and what impact the project should have on the HCO. This description will be more credible coming from the affected users rather than from the IS organization, but neither group can adequately prepare it without the other's cooperation. In particular, the affected users must commit to the business value expected, expressed in metrics of their business performance. Committing to achieve the expected performance levels then becomes the responsibility of the affected users, and the business metrics become a check and balance for the rest of the enterprise to know how well the project owner has achieved that goal or expectation.

Action Item: Describe business transformation projects in business terms.

2.2 Justification

Tactical Guideline: Describe a project with terms and metrics related to the HCO's business goals.

The IS organization often finds itself outside the executive group that sets the enterprise's strategic business plan. This situation forces the IS organization to continuously align the IS plan with the business plan. Ideally, the IS plan should integrate into the business plan as most FBU plans already do (see Figure 1). In any case, the IS organization must take the lead in ensuring that the integration occurs.



Source: Gartner Research

Figure 1. Integrate the IS Plan

First, the enterprise should have only one strategic plan — the strategic plan for the business. Each FBU, including the IS organization, should have a tactical plan as its part of the overall business strategy. For example, the IS organization has responsibility for operating the infrastructure, so it is the FBU with operational responsibility. The IS infrastructure provides the information backbone for the IT tools of other FBUs and requires IT strategies for ensuring the infrastructure's integrity — just as other FBUs have their own functionally-specific strategies. As part of the IT strategy, the IS organization should also have an architecture plan and a technology plan that guides the use of IT within the HCO and governs implementation of the IS plan. By working with each FBU proactively, the IS organization can ensure a more adequate infrastructure to support the enterprise as well as ensuring that each FBU's IT requirements stay within the established guidelines. Along the way, the IS organization can integrate the IS plan into each FBU's plan and eventually into the enterprise's strategic business plan.

When they seek to justify a project, planners should also consider the type of business transformation initiative they have undertaken, or they will reduce the likelihood of its approval. Since different business transformation initiatives require different approaches to justification, the IS organization can ensure a firm foundation for linking business value to the IT investment by understanding the differences between the types of change initiatives that an HCO may undertake. Planners must choose the most appropriate approach to justification for the change initiative that they plan (see Figure 2). The key to understanding the different types of justifications is the interplay of "hard" and "soft" benefits. Hard benefits have a quantifiable impact on the financial bottom line; soft benefits may be quantifiable, but their impact on the financial bottom line cannot be quantified (although they may have real impact there). The justification types include:

- *Business necessity* initiatives are not optional. Although such projects need little formal justification for being undertaken (e.g., regulatory requirements such as the Health Insurance Portability and Accountability Act), planners may still need to justify the approach and resources to be used.

- *Financial initiatives* require normal justification processes, where the hard benefits exceed the actual costs. The justification for these initiatives typically involves cost/benefit analysis and calculations of return on investment.
- With *vision, strategy and objectives initiatives*, soft benefits provide the primary justification (and hard benefits seldom offset costs). Planners must argue for the project indirectly by showing that it will help realize the HCO's vision, strategy or objectives.
- *Discretionary and research initiatives* have the least quantifiable justification since they involve exploration more than the expectation of a substantive return or competitive advantage. Neither hard nor soft benefits will offset the costs, but these projects are typically undertaken to determine the feasibility of an expensive, large-scale project (and validate the effectiveness or avoid much more costly mistakes before the enterprise commits large resources). The "return" on these projects is typically just knowledge.

Justification		Examples
1	**Necessity**	HIPAA, regulatory changes, must-do competitive response, survival, price of doing business
2	**Financial**	Business process cost reductions, cost/benefit using NPV, IRR or other techniques
3	**Vision, Strategy and Objectives**	Business initiatives that help achieve the enterprise's vision, strategy and objectives but cannot be justified on a strictly financial basis
4	**Discretionary and Research**	Research regarding emerging or new-to-the-organization technologies, or techniques with no expectation for a financial return on the initial investment

HIPAA	Health Insurance Portability and Accountability Act
IRR	Internal rate of return
NPV	Net present value

Source: Gartner Research

Figure 2. Select Justification Approach

Rather than presenting the largest benefits first (hard or soft), planners should always start their argument with every possible hard justification before proceeding to the soft justifications. Presenting the hard, financial benefits first (e.g., higher revenue or reduced expenses) better communicates the project's objective foundation. The perceived value of soft benefits varies with each stakeholder and decision-maker (i.e., few agree on how much), but the subjective value of soft benefits becomes more credible when added to the "hard" foundation than when planners present their subjective values first.

Action Item: Viewing the IS plan and its strategies as *tactical* reminds the IS organization and the HCO that the IS organization supports the business' strategic plan and should align with it.

2.3 Communication

Tactical Guideline: Communicate the business purposes of, and expectations for, an IT investment to achieve the expected business value.

Once the planners have justified their project and won approval from above, their job of communicating its value has only just begun. Even though most employees do not have the time or interest for detailed project descriptions, they still form opinions about the project that can affect its outcome. Accordingly, project planners and managers should communicate with all stakeholders simply, clearly and succinctly — in bulleted "sound bites," if you will. Gartner recommends that project managers develop a bullet list of three or four brief, to-the-point statements about what the project will do for the enterprise and what results they expect. Ideally, this list should include changes in performance metrics that everyone can understand and follow — e.g., reduce the average time it takes to receive payments by 10 days or reduce the average time to admit a patient by four minutes. In addition to these positives, one or two brief statements about the impact of *not* doing the project can further underscore its business value — e.g., "without this project, we cannot offer this desired service." Such a bullet list will equip almost anyone involved in the project to summarize it quickly in informal settings, where most people form their perceptions.

Action Item: Communicate a business transformation project's goals and impact in brief, clear bullet points.

2.4 Accountability

Tactical Guideline: Identify the FBU accountable for delivering the expected business value of a project before it begins.

Without clear accountability, the enterprise cannot fully realize the business value of IT investments. To make an "IT project" accountable as a business project, HCOs should do the following:

- Identify the accountable FBUs
- Hold FBUs accountable to deliver the expected business results
- Require FBUs to accept accountability by actively defining how they will use their business processes and IT tools to deliver the expected results

Accountability requires that management identify which users are accountable and that the users accept accountability. Typically, managers assume that this identification is clear within a single FBU but less so when IT tools cross multiple FBUs. *However, the enterprise should base accountability, not on organizational structure, but on users whose role is to capture data.* Capturing data and using information often represent different roles, even within a single FBU. Users responsible for information capture must have primary accountability since all other users depend on their performance and quality. Ideally, the data capture users should also use their data to some extent for a quality feedback process.

Executives must then make it clear that the enterprise will hold each FBU accountable for its assigned roles just as they do for non-IT activities. The IT tools simply furnish a means to perform better — but perform they must. For its part, the FBU must accept this responsibility. Acceptance includes actively defining how it will use the new IT tools to perform its tasks, establishing metrics to measure improvements, and adjusting business processes to accommodate the tools' idiosyncrasies. The IS organization should actively facilitate the FBU taking ownership of its IT tools and using them.

The HCO can determine the FBU's readiness to accept accountability for its business transformation project. A FBU is ready to accept accountability for its business transformation project when it can do the following:

- Articulate the business challenges the project will address
- State how the proposed IT tool addresses the business challenges
- Describe the expected business results
- Specify the limits of the proposed IT tool
- Formulate these ideas in the users' own terms

The FBU's leaders must be able to articulate clearly the business challenges they will address — e.g., "we must reduce turnaround time on transcribed reports, or we risk losing physicians to another HCO." FBU leaders should be able to state how the new IT tool will change users' ability to perform their work, a capability that requires a solid grasp of their business processes. For example, "the new tool will use speech recognition to create a report from the physician's dictated recording, thereby eliminating much of the manual processing now required." The FBU leaders must also be able to describe the expected business result — e.g., "attending physicians will receive 75 percent of transcribed reports electronically within 12 hours, and the head count in the transcription department will decrease by two." The FBU must also be able to specify the limits of the proposed IT tools. Because tools are never perfect, the FBU must know and communicate their limits to avoid fostering unrealistic expectations. For example, "speech recognition is not perfect, so a transcriptionist must still compare the recording to the final document and make adjustments manually."

Action Item: Evaluate the FBU's readiness to accept accountability for delivering the expected business value.

3.0 When the Project Is Under Way

If you thought you could transfer accountability to the FBU so easily, you're wrong. Your accountability problems have just begun. Good preparation will start the project off well, but once the HCO starts to implement the project, managers must diligently maintain the processes established during the preparation. Without good project management to detect the need for course adjustments and to apply them, all projects will degenerate and fail to provide the full value expected. The value of a project to the enterprise lies in its operation, so as with planning, the project team must stay focused for the business transformation project to deliver the value expected.

3.1 Accountability, Accountability, Accountability

Tactical Guideline: Proactively avoid accountability shifting back to the IS organization by default.

Gartner has a simple recipe for failure to deliver on a business transformation project:

- Accountability shifts back to the IS organization from the FBU.
- Stakeholders become uncertain about the status of the business transformation project.

Since most FBU personnel have less experience leading projects, the IS organization usually provides much of the guidance in project management. But don't fall into a trap that could shift accountability back to the IS organization if stakeholders do not perceive the personnel of the FBU that is assigned accountability as leading the project. Of course, the IS organization should provide detailed support and guidance in project management to the FBU's project leaders, but the project leadership must still actively lead the project.

The running of a business transformation project can default to the IS organization unless the IS organization actively resists. Even agreeing to "represent" the project in any forum contributes to the perception of ownership. The IS organization should therefore always defer to the FBU in such forums; the IS organization can reinforce the FBU's report but must avoid appearing to lead the effort. The IS organization can provide support by compiling agendas for meetings, taking notes, drafting status reports and performing other administrative duties, all of which has a major influence on the project without usurping the FBU's leadership role.

Finally, the IS organization must proactively mentor executives and the FBU's managers on how to use the new IT tools effectively. However, even in this, the IS organization should take pains to remind everybody that users are the business process experts, and the IS organization simply facilitates these processes with IT tools.

The other trap involves failing to keep the enterprise periodically aware of the project's status. Without status checks, expectations follow individual perceptions, which can easily become too positive or too negative.

Action Item: IS must avoid appearing to be leading a business transformation project for a FBU.

3.2 Repeating and Reinforcing

Tactical Guideline: Reinforce the FBU's accountability for delivering the expected business results throughout the project.

To maintain the FBU's accountability, the HCO should do the following:

- Reinforce continually that the FBU remains accountable to deliver the expected business results
- Ensure that the FBU proactively adjusts business processes for new IT tools
- Discourage the FBU from changing new IT tools to fit old business processes.

Executives can often reinforce the FBU's accountability informally — e.g., by asking, "When the project is complete, Patient Accounting will be lowering our accounts-receivable days outstanding — right, Mr. Smith?" Simple, casual reminders using the previously described bulleted sound bites developed during the preparation phase can prove very effective, especially with top management, and the IS organization can coach them on using the bulleted sound bites as reminders in addition to the more formal reporting structure. Such reminders underscore both accountability and the value that the HCO expects.

During implementation, the HCO can gauge accountability by the degree to which the FBU proactively refines how it will adjust its business processes and its new IT tools to achieve the expected results. The FBU should request customizing or changing the tools only as a last resort, especially when those same tools already provide considerable latitude for configuring them. The IS organization often allows people to raise this option too early in a project, which has the effect of reducing users' motivation to work with their IT tools' native ability to be customized (e.g., less motivated to adjust new business processes for the IT tool). Before considering special changes, the FBU should make every effort to work with their tools' configurability. After all, *new development will elongate the implementation, and the productivity increases resulting from the changes seldom offsets the delay in realizing business value*.

Periodic communication of the transformation project's status offers a simple, effective check and balance across multiple FBUs. Not only does communication provide a common reference point for everyone to know where the project stands on its timeline, it also affords an opportunity to repeat the project's purpose and expected results by using the bulleted sound bites developed during preparation. The status report increases the visibility of all parties involved and often becomes a subtle motivator since no one wants to appear lacking in the eyes of peers.

Project leaders should also communicate decisively when unexpected problems arise — e.g., a delay in hardware delivery, which delays testing and, ultimately, implementation. Surprises will happen, but the project team can manage people's reactions if it keeps everyone involved and aware of the situation. The project team should also include such issues in the status report for less involved parties so that they understand the implications. Such openness enables other FBUs to have confidence in the process that the IS organization uses in helping each FBU deal with their surprises when they launch their own projects. Finally, the project team should keep open the lines communications with all stakeholders so that it can identify problems as soon as they arise and not leave users hanging.

Action Item: Regular status reports, decisiveness and openness ensure continuous communication for the accountable FBU.

4.0 A Role-Based, Service Utility IS Organization

All the techniques and tools described thus far can work in IS environments; however, restructuring the IS organization can further enhance its effectiveness in supporting the FBUs. Gartner strongly encourages HCOs to establish a role-based, service utility IS organization, structured to support the FBUs proactively. A role-based approach focuses on the IS service roles rather than the traditional technology processes. IS personnel will need to adopt a service mind set as the IS department transforms into a group that provides shared IT services as a utility. By making organizational changes that better reflect the services role that the IS department plays, IS will become even better known within the enterprise for effectively and proactively supporting the enterprise's goals.

Strategic Planning Assumption: *By 2003, 40 percent of HCOs will use a shared-service model to reorganize the management of their IT infrastructure (0.7 probability).*

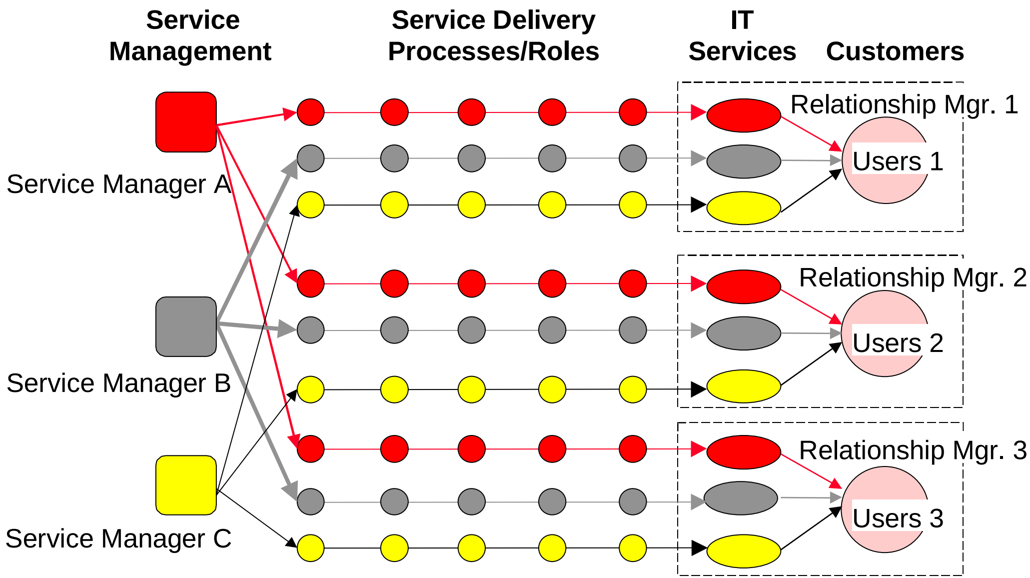
A role-based, shared-service model defines the IS organization in the following terms:

- The specific services it delivers to its customers
- The work it performs to provide those services
- The roles required to carry out the work

Here "services" means the functions that customers from various parts of the enterprise or even business partners buy and share — not what the IS organization does to deliver those functions. In other words, "service" does not refer to technology or areas of technical expertise within the IS organization. Key roles include relationship managers, who have responsibility for maintaining customers' satisfaction with the IT services, and service managers, responsible for the delivering a specific service product to all customers of that product.

Defining the major roles involved in executing the process steps provides the link to the conventional organization chart, where the IS organization can match individuals or position descriptions to the experience and skills needed to fulfill given roles (see Figure 3). The management of people can continue within the traditional structure of the organization chart and by using the means most appropriate for each class of employee.

Action Item: Separate the *use* of IT services from the *provision* of IT services, thereby enabling the IS organization to determine how it can best deliver services (in-house or outsourced) independent of its customers' use of those services.



Source: Gartner Research

Figure 3. IT Shared Services Utility Model

Imperative: Stovepiped IS organizations in HCOs should reorganize around their service delivery processes.

A role-based, shared service utility organization can serve HCOs well, not just in defining its own IS organization but also in managing all the HCO's IT resources. Along the critical path of an HCO's value chain are many potential configurations of resources (e.g., provided by the IS organization or by external service providers). The best way to understand each resource lies in its role in executing a stage of the chain. This organizational model requires distributed governance — something that highly centralized IS organizations have little familiarity with — through such mechanisms as steering committees and governing boards. In addition, this model will only work if all parties accept agreed-upon interface requirements and an evolving development method as the extended IS organization matures.

Action Item: An HCO's IS organization should define its organizational processes and roles according to their customers, the service elements they deliver, the process steps that produce those service elements and the roles played in executing the processes.

5.0 Recommendations

An IT investment serves to obtain business value, and enterprises should do the following to realize this value:

- *Approach the initiative as a business transformation project, not an IT project.* That idea should carry through all activities related to the project. Calling it a business transformation project with IT components, rather than an IT project, underscores the business impact and reminds the HCO of the project's business orientation.

- *Describe the project using business terms, metrics and purposes that those outside the IS organization can understand.* The business purposes of, and expectations for, the project must be concise, and the project leaders must reinforce them as long as the project lasts.
- *Communicate that the IS plan tactically supports the enterprise's strategic business plan.* Otherwise, the IS organization's aligned IT strategy may end up competing with business goals, and projects suffer from dueling agendas.
- *Select an approach to justifying the project based on the type of project.*
- *Hold a FBU accountable.* The FBU's accountability for delivering the expected results must be clear, and everyone involved in the project should reinforce it throughout the project's duration.
- The IS organization should be organized into a shared-service utility model so that it can support the FBU appropriately. The HCO should create a role-based IS organization that understands its primary mission is providing support.