Governor's Center for Efficient Government

The purpose of this document is to convey the standards by which the Governor's Center for Efficient Government evaluates outsourcing projects at key milestones in the Gate Management Process. The guidelines set forth herein were developed to promote fair and transparent best business practices in government in order to foster accountability, competition, efficiency and innovation in the way state agencies deliver services to Florida's citizens. To assist agencies in contracting for services outside the scope of the Board's review, broadly applied, these guidelines may be applicable to any contracted services project, regardless of size and scope. The Center for Efficient Government will continue to seek feedback from State agencies to aid in updating this document and ensuring a positive and beneficial outcome.

The Gate Management Process provides for a method of evaluating each stage of any outsourcing initiative: *Business Case Development, Procurement, Contract Management, Transition Management and Post Implementation: Performance Measurement.* Standards are outlined for each of these stages. The end of each stage represents a Gate for review and validation.

Gate Management Process Standards
May 2004

Business Case
for
[Project Name]

Insert the name of the project

Date

Provide a new date for each version of the document

Lead Agency Name	*Name* *Title* *Office* *Phone*
Affected Agencies	*Name* *Title* *Office* *Phone*
Project Contact	*Name* *Title* *Office* *Phone*
Justification Statement	*Why is the project needed as compared to other alternatives?*
Estimated Cost	*How much does the agency anticipate this project will cost?*
Timeframe	*How long does the agency anticipate this project will take?*

Provide information being requested in table above.

Stage 1.0: Business Case Development

Scope, Rationale, Feasibility and Strategy

1.01 Executive Summary
1.02 Provide the Benchmark: Describe Current Service, Program or Function
1.03 Rationalize Basis for Introducing Competition into Service
1.04 Describe Assumptions and Methodology
1.05 Formulate and Detail Recommended Solution
1.06 Identify State and Agency Impact
1.07 Explain Transition Management Strategy
1.08 Identify and Document Critical Success Factors
1.09 Outline the Proposed Procurement Process
1.10 Conclusion

Business Case Development

A comprehensive business case is essential to provide a broad analysis and plan of the overall project to facilitate early buy in and provide a verifiable basis for conducting an outsourcing initiative. The business case should clearly identify the current situation leading to the need or desirability for the proposed outsourcing project, the expectations of the project in terms of the key benefits to be achieved, estimated financial costs associated with the proposed project and a clear basis for the recommendation to outsource.

A business case should be drafted after a project has been conceptually designed and vetted. It is important to develop a business case within the context of an agency's core mission and other programs, functions or services. If the business case is for a project affecting more than one agency, it should be framed within perspective of the State's policy and budget priorities.

A business case should be a living document through the execution of a contract. The *preliminary* business case is a working document that will lead to the first Gate Management Process Review by the Center for Efficient Government's Oversight Board. If key assumptions or the methodologies change, or as additional information is made available, the business case should be *updated*. Once a contract is executed, a *final* business case should be created to reflect issues agreed upon in the contract; specific performance metrics based on the broad success factors outlined in the preliminary business case should be included in the final business case.

The purpose of creating a sound business case is to clearly demonstrate value added to the State in outsourcing a service, convey one consistent message to all stakeholders and to provide the roadmap for how the project would be developed, procured, implemented and managed. Factors used to determine how the success of a contract would be measured should be provided in this document and shall serve as a non negotiable factor for the remainder of the project if implemented.

Specific goals of a robust business case shall be to:

- Communicate a clear business need.
- Obtain management commitment and approval for the project.
- Clearly present the rationale and documentation for investment.
- Justify the project in terms of benefits to be realized.
- Provide an audit trail for decisions to be made during the planning and implementation stages.
- Estimate costs, benefits and risks associated with the proposed project.
- Ensure that senior management and owners of the business case fully understand the implications and scope of the project.
- Provide transparent rationale for gaining support from the Governor and Legislature as well as stakeholders.
- Demonstrate that the implementing agency is capable of implementing and managing the project.
- Provide a framework for decision-making in the planning and management of the project.
- Provide a structure for further stages.
- Serve as a management tool to achieve maximum value.
- Document the policy, budget and functional objectives.
- Identify key stakeholders and formulate the plan with their input to ensure buy in on the front end and commitment to managing the changes required to successfully implement the program.

How to Create a Sound Business Case

Draft the document to communicate to all stakeholders - a broad audience:

- Be clear and concise.
- Be persuasive.
- Provide a clear vision of the end result/benefits.
- Clearly demonstrate the need for the project.
- Prove that the agency is prepared and capable of implementing the project.
- Communicate why the timing is appropriate.
- Make it interesting.

The initial business case will not be inclusive of data available after the execution of a contract or reflect all changes or decision points that will arise during the implementation phase. Rather, it should be as comprehensive as possible and serve as a healthy exercise for the State in determining the potential of the project and making the case for statutory or budget authority if needed.

Do not lose the message in too many technical details. All data does not need to be provided in the business case itself; when possible, use truncated data to make a point and provide appendices to validate the data used or provide more detail for reference.

A good business case should be developed with the input of key stakeholders, both internal and external, and drafted by a team of people – subject matter experts, budget staff, legal staff, personnel and purchasing officers, experienced project managers, senior managers and seasoned technology project managers where applicable, at a minimum. It is important that all of these stakeholders have the opportunity to provide input or feedback on the front end of a project as each will have a different perspective and will, at some point, be responsible for managing certain components of an initiative.

Key Components of a Sound Business Case

The ultimate goal of a strong, comprehensive business case is to outline the ***scope*** of the proposed project, describe the ***rationale*** for contracting out, demonstrate that the ***feasibility*** of such a project has been analyzed and outline the ***strategy*** for procuring, managing and implementing the project.

The following describes the recommended structure and content for a business case.

SCOPE

1.01
Executive Summary

This should be a short narrative overview identifying the scope and purpose of the business case, including the current status of the program or service, areas of inefficiencies that need to be addressed and targeted by the proposed effort, and the goal of the proposed outsourcing. clearly communicate what benefit the State will achieve by contracting for the service or function.

Summarize key points from other sections in the summary. It may be useful to fully develop all other sections of the business case first.

Confirm the business need and scope:

- Summarize the priorities of the Agency (s) associated with this effort.
- Describe why outsourcing is a consideration.
- Describe public policy, market conditions or technology drivers behind the business case, including a brief assessment of best practices in the area of concern where appropriate.
- Document the key objectives to be realized by the proposed effort, and the resulting benefits. Categorize the project's goal as Cost Reduction, Performance Enhancement, or Value Added.
- Make the case for a return on investment.
- Describe any Executive or Legislative action driving the need for change.

1.02
Provide the Benchmark: Describe Current Service, Program or Function

This should be a comprehensive documentation of the current service, program or function, as it is currently conducted by the State. By capturing this information and establishing a benchmark, the agency will be able to compare future outsourcing activities with the benchmark data and determine successes and shortcomings. Further, comparing this data will determine whether or not the areas of inefficiencies that needed to be addressed and targeted by the proposed effort were done, and whether or not the goal of the proposed outsourcing was achieved. Finally, the agency will be able to report as to what benefit the State achieved by contracting for the service or function. It is imperative to establish good benchmark data in order to determine the project's success during the monitoring stage of the Gate Management Process.

Document the current status of the program or service, including inefficiencies and shortfalls that should be addressed. For service outsourcing, include:

- Specific Service Descriptions
- Statutory Authority
- Staffing Information
    - Total number FTE
    - Positions
    - Salary & benefits
    - Length of service
- Budget (prior state fiscal year, current state fiscal year, and projection for next state fiscal year)
- Performance Measures and performance data (last state fiscal year, current state fiscal year, next state fiscal year)
    - Include any related benchmarking data such as customer satisfaction survey results
- Current Service Agreements, including any interagency agreements
- Technology Resources, including hardware, software, and licensing
- All internal and external stakeholders
- Number of customers served

All prior and current state fiscal year information should be consistent with legislative appropriations from the General Appropriations Act. All “next state fiscal year” information should be consistent with information in the agency’s Legislative Budget Request and/or Long Range Program Plan. All other benchmark information should come from the previously referenced documents or other official state planning and budgeting documents.

RATIONALE

1.03
Rationalize basis for introducing competition into service

This section should explain how the service, function or program area is critical to the agency’s mission, how it is aligned with the State’s policy and budget priorities and identify all objectives for changing the method of service delivery. Document specific issues that need to be addressed in order to improve the quality of service or achieve new efficiencies. Explain that there is a business need for the service and for contracting it out. Include any performance, operational and financial issues. Explain why the status quo is not desirable and note the drivers of change.

For the sake of comparison, explain what the current service has been compared against; public to private, public to public or improvements in procedures and processes.
Identify any best practices for the program available from other public or private sector entities not currently being utilized by the State.

Briefly document the recommended solution and prioritize the remaining alternatives in terms of feasibility, anticipated process or programmatic improvements and benefits. Explain why alternatives other than outsourcing or contracting out were dismissed.

Different alternatives for meeting the goals and business objectives should have been researched and documented prior to drafting the business case. Ensure that all available and appropriate options have been considered. A Cost Benefit Analysis and Risk Analysis should have been conducted for each alternative so that comparisons and appropriate recommendations can be made. A proposed methodology for cost comparisons, attached to this document, may be used as a tool in making cost comparisons between in-house and contract service delivery.

Identify why the function or service could not be improved upon internally and describe all alternatives considered. These should include different levels of outsourcing, agency alternatives for improving service through in-house reengineering or increasing/decreasing the scope and/or requirements of the service being performed. In the description of alternatives, document the following:

- Any assumptions unique to each alternative
- The impact to the agency or program area for each alternative
- The ease or difficulty of implementation for the alternative
- Pros, cons and potential benefits, including soft organizational benefits
- Risks associated with each alternative.

1.04
Describe Assumptions and Methodology

The business objectives and recommended solutions are often based on assumptions associated with policy, legislation, agency direction, market conditions, timing of events, and other considerations that may change over time. This section should clearly articulate such assumptions and should be the basis for all business case rationale. This section should also identify how changes in key assumptions would impact the project and outcome. If key assumptions *do* change, this document must be updated.

- List all assumptions considered when determining the necessity of performing this project.
- Organize assumptions into major categories such as those related to current policy directives, market and technology conditions and events, internal organizational changes, legislative changes, current cost or funding structure changes, and schedule mandates.

It is important to detail the assumptions upon which the case is built not only because many of them may change, but because the wider audience to whom you are making the case may not have enough background to automatically make similar assumptions. You may also use this section to document how you arrived at certain data where no specific information may be available or to explain estimated figures used to arrive at a conclusion.

The methodology used to develop cost comparisons in the rationale for contracting a service to another entity (1.03) should be detailed in this section, as it is often difficult to compare true cost allocation figures when financial models across sectors are different. The method used should aim to keep the process as simple as possible while ensuring a high degree of validity.

Methodologies used for calculating any other variable figures should also be expressed in this section as should methods used to assign costs or associated figures to resources associated with the project. Stakeholders need to understand how the agency arrived at cost and benefit figures.

FEASIBILITY

1.05
Formulate and Detail Recommended Solution

This section should begin with a high-level narrative description of the proposed solution and full scope of the project. Identify the functionality requirements across the effort that must be addressed and delivered and provide a synopsis of what the residual role of the State would be and how the program area would eventually be reorganized due to the change in delivery of service. This narrative should clearly communicate what the proposed project encompasses and the overall scope in terms of what responsibilities will remain within the agency (ies) and what is being shifted to the vendor. State how the project will contribute to the agency or State's core mission. In addition, if any statutory change or budgetary authority is needed, provide a description detailing what the changes are and how the agency plans to accomplish these changes (i.e., through the agency's Legislative Budget Request or via legislation to be proposed during the next Legislative session).

The remainder of this section should be dedicated to providing more detailed information regarding the full scope of the project. This should include the fiscal impact of the project, associated changes in business processes, risks associated with this option, the timeline and milestones planned in pursuing the project and all other related areas necessary to demonstrate that the agency understands the complexity of the project, has done due diligence in researching the business requirements and risks and is prepared to manage all aspects of the project, if implemented. Any expected benefits and savings should be balanced with expected risks and up front costs to the State. Prove here that this balance has been weighed and that this project will provide value added to the State.

The following issues represent the level of detail to be established for the proposed project in this section:

- Functions within the agency that are expected to be affected or created
- High level requirements for each function or program area and a brief description of each requirement
- Business objectives
    - Desired outcome; address all that apply
        - Reduced cost
        - Cost avoidance
        - Increased service level (qualitative or quantitative)
- Scope
    - Identify all services, functions, programs and state assets to be transferred to a contractor
    - Identify processes, systems and employees within scope of project
- Cost model reflecting

  - o Current expense: As-is cost and any associated system(s) replacement cost, including current FTE count
  - o Projected expense: Total outsourcing project costs for length of proposed contract (projected expense)
    - Subtotal for provider contract expense
    - Subtotal residual organization cost
    - Subtotal for workforce transition cost
    - Subtotal for any third party monitoring cost
    - FTE reduction
  - o Total expected verifiable cost savings
    - Over length of proposed contract
    - Projected annual cost savings
    - Savings timeline
- Published industry average or benchmark for service
- Project timeline and milestones
- Location (s) covered
- Impact on organization (what division or unit of what agencies are impacted, what functions, what personnel)
- Acceptable possible funding methods
- Expected performance, service or program improvements (must be verifiable)
- In final business case – a chart comparing the best and final offers from interested bidders showing company name, annual cost, total cost
- In final business case – justification for award of contract to vendor
- Summary of net change in cost position of the state
- Summary of benefits to the state
- Programs, services, functions or computer systems that will need to run in parallel upon initial implementation of the project

Outline how the project is achievable and explain how the lead agency is or will be able to manage the procurement and project as required to successfully implement the project. Next, detail how the project will be managed. Be sure to identify a project management lead (does not have to be by name) and a project management team. Explain how the project will be monitored. Detail how stakeholder input was taken into consideration and how they will be involved in the development and implementation of the project.

Explain how this is a viable and beneficial project to potential contractors. If this has been done for other public sector entities, please provide details.

Tangible benefits should be quantified. This includes cost savings and possibly revenue impact. Total costs should be identified and organized, both project and operational. Return on Investment (ROI) should then be calculated and substantiated. Cost Benefit Analysis results should be documented for each alternative solution, including outsourcing vs. not outsourcing. Identify benefits in a manner that can be tracked and measured through post-implementation operations. “Soft” benefits and costs should also be documented, such as increased satisfaction to those who use services, and opportunity costs associated with doing the project. Identify alternatives associated with increased/decreased requirements and scope and show costs or impact associated with the change in scope in an effort to provide an apples-to-apples comparison.

- If applicable, identify current/expected total resource costs associated with not conducting this project at all.

- Identify total budget by agency.
- Show a cost-to-benefit analysis associated with each viable alternative identified.
    - Document increased revenue opportunity if applicable over anticipated life of outsourcing contract.
    - Document change in total resource costs to the State over life of outsourcing contract for this option. For option to source in-house, contract cost would be zero, and show change in total resource cost.
    - Document anticipated contract costs over the life of the contract for this option.
    - Calculate the ROI associated with each viable option.
- Document funding methods, and list all constraints on funding sources.
- List any federal requirements for funding.
- Document a list of anticipated soft costs and/or benefits associated with each alternative.

1.06
Identify State and Agency Impact

This impact statement should begin by stating what division or unit of the agency (s) are impacted, what functions, personnel and capital or technology resources will be impacted and how any changes in the business process will affect these resources. Any changes affecting the method of service delivery to the customer should be identified and explained. Changes in the business process should also be explained and the process by which these changes will be mapped and managed should be well documented.

Critical components of this section and of the project itself are in demonstrating that a Risk Assessment and SWOT Analysis (Strength, Weaknesses, Opportunities and Threats) have been conducted and how the agency is prepared for the impact on the State if risks are realized. Risk allocation should be clearly communicated.

Risk Assessment
The lead agency should identify and document key risks and craft a mitigation strategy. Document those opportunities for problems that could have a negative impact on the performance and success of the project. Also document risks associated with not performing the project and realizing the business objectives. For an outsourcing recommendation, risks and obstacles associated with outsourcing should also be identified and documented. For each risk, a mitigation approach should be identified.

- First list the current risks to the organization/agency that are REDUCED or mitigated from accomplishing this outsourcing effort.
- List the risks associated with moving forward with the outsourcing initiative. These may include funding risks, service level risks, schedule risks, vendor performance and relationship risks, etc.
- Determine a severity level for each risk.

Determine and document a mitigation approach for each risk identified. Based on the severity, the plan may be to accept the risk and do nothing, or spend money at the onset in preparation of having to mitigate a risk realized.

SWOT Analysis

Analyze the State's Strengths and Weaknesses as well as the Opportunities and Threats associated with the solution being proposed. Describe how the agency will capitalize on its strengths while reducing the potential negative impact of its weaknesses. Detail opportunities available through the proposed solution and identify a plan of action for threats identified. Identify any constraints on the State to successfully implement the program.

Clarify residual roles and responsibilities on the state side and explain what the impact will be, if any, on the rest of the agency or State. If the project will require the agency reorganizing, describe the new organization and how the reorganization will be achieved.

Some outsourcing projects affect only the agency that is initiating them. However, many projects will impact several, if not all, agencies. Each agency expected to be affected should be identified, including the areas or functions most affected within each agency.

- List all agencies potentially impacted by the outsourcing project. Consider all processes that may change, all events causing possible disruption, and all functions that are expected to impact resource levels.
- Conduct an initial impact analysis facilitated session with representatives from each agency. Determine groups within each agency that may be impacted.
- Summarize Change Management needs for each agency.

Analyze what the impact on the State would be if the project fails to reach full implementation. Identify contingency plans for each major risk.

STRATEGY

1.07
Explain Transition Management Strategy:
Communications, Training and Employee Transition

Identify the Project Management Team and describe the roles and responsibilities of each member.

Create a Change Management Team and Outline a Change Management Plan. According to the Center for Efficient Government's Employee Transition Guide, as a part of an agency's outsourcing efforts, a change management team shall be created out of current resources composed of high level agency staff. This team shall be defined in the business case for each project. This team shall include, but not be limited to, the agency's communications director and division director of the affected work unit, work group employees and contractor representatives. The role of this team will be to identify and resolve issues throughout the life cycle of the outsourcing initiative. They shall provide clear pathways for affected employees to seek and obtain information or assistance. The change management team should also provide in-person informational sessions addressing the outsourcing initiative with affected employees, agency management and any external interested parties.

Outline a Communications Plan. This plan should identify all stakeholders and employee classes to be affected by the project. Identify when and how the agency and vendor will communicate the status of the project and the personal impact on each employee throughout the procurement and implementation stages.

Outline an Employee Transition Plan. Address the data related to affected employees, identify specific positions to be outsourced if possible (if not, identify broad classes) and describe the feasibility and process of implementing the project with minimum impact to these employees. Include any contractual terms related to the transition of employees that will be required for the procurement to succeed. Refer again to the Center's Employee Transition Guide to draft this portion of the business case:

- The business plan for contracted services shall address a communications plan for affected employees. This plan should identify all stakeholders and employee classes to be impacted by the project and identify when and how the agency and vendor will communicate the status of the project and the personal impact on each employee.

- Each agency shall develop job placement policies for employees affected by an outsourcing initiative. Policies shall include, but not be limited to, requiring that each impacted state employee be interviewed by the contractor and considered for job placement within the company.

- Each agency shall develop a reemployment and retraining assistance plan for employees who are not retained by the agency or employed by the contractor.

- Agencies shall consider incorporating Severance Compensation provisions into outsourcing contracts requiring the vendor to create an employee severance pay pool as part of the contract. Employees who are not offered employment with the state, the vendor, or another entity would be provided severance pay.
    - If an agency feels that this measure is desirable, this provision should be outlined in the business case and be addressed during the procurement process. This option does not preclude an agency from negotiating or entering into a contract providing for other performance and compensation provisions.

- In accordance with existing statutory authority, agencies shall, within their approved budgets, offer Critical Employee Retention salary increases in order to retain those individuals identified as critical to successful transition of the outsourced service to the contractor.

Outline a Training Plan for employees and customers. Summarize the requirements for training, a timeline for training prior to implementation of the project and include continued training for the transition phase.

Describe how the transition period of the State turning over a function or service to another entity will be managed. Identify programs, services, functions or computer systems that will need to run in parallel upon initial implementation of the project. Most services outsourced experience an initial decline in quality of service. Account for how this will be managed if it occurs and, if applicable, describe how customer service levels will be maintained during this period.

Briefly describe how the Project Management Team will transition into monitoring the contract and performance of the project.

1.08
Identify and Document Critical Success Factors

Identify how a return on investment shall be determined and document those characteristics of the project's end-result that must be met at a minimum for the project to be considered a success.

Critical Success Factors
Critical success factors should be easily measurable at the end of a project and should be non-negotiable during the procurement of a contract. Examples include the elimination of a manual processing unit, reduced annual maintenance costs or higher quality service metrics. Provide a full description of business outcomes and service requirements necessary.

- Based on the current state of the agency and on the business objectives identified, list what critical results must be realized for the project to be considered a success.
- Identify which risks are most closely associated with the critical success factors, and re-address mitigation if necessary.
- Identify as many specific, minimum performance metrics that should be included in the final contract as possible.

1.09
Outline the Proposed Procurement Process

This portion of the business case should document the recommended procurement approach and the basis for it. This section shall include but not be limited to:

- Proposed solicitation method
- Anticipated number of respondents
- Proposed evaluation method (i.e. best value to the state or best cost)
- Anticipated procurement timeline
- Anticipated procurement budget if required

A Procurement Review Team should be identified in this section to include, at a minimum, Senior level management from the lead agency, the project manager if already identified, agency budget staff point person, purchasing representative from the lead agency, the General Counsel for the lead agency or his/her designee, a representative from the Department of Management Services Division of State Purchasing and a representative from the Governor's Center for Efficient Government.

Identify key contractual terms such as duration, how to market the project to potential contractors and milestone delivery.

Briefly state how the procurement and project will be monitored. If a third party is recommended to serve as monitor, outline the procurement process for this contractor as well.

1.10 Conclusion

Reiterate key points made in the Executive Summary. Restate the business need and scope of project. Explain why the recommended solution is the best value for the State and communicate why initiating the project now is appropriate and beneficial to the State. You may also want to include a brief outline of a timeframe and work plan if the business case is for a project being initiated by the Governor, Legislature or the Center.

GATE 1 - Business Case

Style guideline

- All charts should be completed in Microsoft Excel
- All numbers are to be presented as positives
- Header should have agency name and business case title
- Pages should be numbered, with the number centered on the bottom of the page
- The Business Case should be completed in Microsoft Word
  - Font Style – Times New Roman
  - Font Size – 12 point

- An index of the attachments or tables.

Attachments to include but not be limited to:

- Total budget for service by agency, category and fund
- Copy of any statutory, rule and federal authority to provide the service
- List of all constraints on the funding source of the service
- List of any federal requirements for the service or use of funds
- List of all FTE associated with the service with name, position title, years of service with the state, years of service with the agency and current salary
- List of potentially affected parties