

YOU PAID WHAT?

A Workshop on Full Cost Accounting Methodology For IT Projects

In The Public Sector

MARCH 9-11, 2004 OTTAWA, ON CANADA • THE OTTAWA CONGRESS CENTRE

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TECHNOLOGY IN GOVERNMENT





THIS PROGRAM WILL FEATURE SPEAKERS FROM:

Society Of Management Accountants

PWGSC Standards, Architecture & Security

Deloitte

The Standish Group

Ottawa Software Quality Association

NASA

PWGSC Business & IT Solutions Group

UCLA

Also featuring a focus session by author David A. Wheeler on evaluating open source software



WHY SHOULD I GO?

Budgets, Time, Value: Is Your Team Better Than Average?

How much better than the "industry average" would your IT project teams have to be to deliver results on time, within budget, and with all the requested features? Broad industry surveys, interviews and workshops with IT executives show the following averages:

Less than one sixth of IT projects (16.2%) are considered "successful" by IT executives. Success is defined as the project being completed on-time and on-budget, with all the features and functions initially specified.

Over half of IT projects (52.7%) are considered "challenged".

This refers to projects that are completed and operational but over-budget, over the time estimate, and/or offering fewer features and functions than originally specified.

About a third of all IT projects (31.1%) are labeled "impaired".

These projects were canceled at some point during the development cycle.

Almost a third of the "challenged" and "impaired" projects experience:

Cost overruns of 150% to 200% (averaging 189% of their original cost estimates)

Time overruns of 200% to 300% (averaging 222% of their original time estimates)

Source: The Standish Group TSG, Massachussets, "CHAOS Study" http://www.standishgroup.com/chaos/intro1.php

WHAT IS FULL COST ACCOUNTING?

Instead of making information technology purchasing decisions on the basis of a single-project cash-flow, FCA provides a framework to assess value-for-money from an enterprise perspective, and when appropriate, in consideration of the wider community. It provides a structured way for executives, managers and other stakeholders to communicate about enterprise-level Return On Investment (ROI), as well as about positive or negative "externalities". Furthermore, when FCA is applied to competitive cost-per-point procurement processes, it will typically present a more competitive environment for a wider range of suppliers, compared with contract-by-contract criteria.

WHO SHOULD ATTEND?

You are a senior information technology manager or architect who guides the informatics direction of your organization.

You are an accountant or financial analyst responsible for preparing departmental estimates, budgets and business cases for information technology projects and renewal.

You are a procurement officer who assists with information technology acquisition criteria, processes and contract.

FCA IN GOVERNMENT

In both Canadian and European governments, FCA has been engaged by environmental departments and agencies for improving ecological accountability and sustainability. In the US, the White House Office of Management and Budget has been encouraging agencies to adopt FCA since 1991. Several that have implemented FCA in recent years (Justice, Labor, Environment http://www.epa.gov/fullcost/principl.htm , Veterans Affairs, and NASA, among others) are reporting that managers are able to make more informed and prudent decisions about their programs, because they better understand and track their full costs.

In 2003/04, FCA methodology in the field of information technology (IT) is still in its formative stages, and the concept remains unfamiliar to most IT professionals. But the multi-billion dollar scale

and aggressive momentum of information technology maintenance

cost have led to worldwide demand for greater accountability in IT

decision-making, recovery of financial control over IT, and more realistic appraisal of the returns on IT investments.

The "You Paid What??!" workshop on FCA methodology is a mutual learning event involving IT and accounting professionals interested in measuring and managing the full costs of IT decisions.

This series of sessions offers a fast-paced, participatory, and results-based event that is driven by current priorities in applied FCA in the public sector. Genuine case studies will be used to help participants to articulate the issues to be resolved, and to identify solution options. Participants will come away with state-of-the-art knowledge that will be immediately applicable to designing and implementing better financial reporting and management for IT projects within their respective organizations!



RELATED TOPICS IN THE NEWS

"One of the key objectives of this government is to restore Canadians' trust - and to do that we need to show Canadians that we treat their tax dollars with respect and care," said Minister Alcock.

The government will achieve the \$1 billion in annual savings through reallocation that was outlined in Budget 2003. The President of the Treasury Board has been tasked with meeting this commitment.

In addition, cabinet's Expenditure Review Committee - to be chaired by Minister Alcock - will conduct an extensive and rigorous review of all government spending, to report in autumn 2004 for implementation in the 2005 budget. The review will create a cycle of continuous management improvement and the pursuit of excellence in the public service. Resources will be reallocated from the old to the new, from the good to the better. The committee starts work tomorrow.

"This will help foster a new management culture in government," Minister Alcock said.

Source: http://www.news.gc.ca/cfmx/CCP/view/en/index.cfm?articleid=74299&

TECHNOLOGY SHOWCASE & ROI "SHOW & TELL" MARCH 9TH & 10TH 2004

The technology showcase will run for the first two days of the learning event and is offered to public sector employees free of charge. Access is not contingent on participation in the learning event portion of the program, however a limited number of passes will be issued. Eliminating the common pitfalls of industry tradeshows, this is your opportunity to meet solution providers from:

· Internal government resources

- Open Source suppliers
- Proprietary suppliers

As part of the Technology Showcase solution providers will be given the opportunity to participate in the ROI "Show & Tell". The purpose of the ROI "Show & Tell" is not to only provide a technology demonstration, but to discuss the hard 'value' questions you need answered.

Join These Organizations
Already Exhibiting:
Deloitte
Qunara Inc.

Information Management & Economics

ARMA NCR Chapter
Records Management Institute
CIPS
Council Of Federal Libraries
Institute For Certified Records Managers

Ibis Research Society Of Management Accountants The Standish Group Knowledge Exchange Service, PWGSC IT Business.ca

For information on how you can exhibit at the Technology Showcase please call 613-226-8317

TESTIMONIALS FROM PREVIOUS VCM EVENTS

"Excellent and knowledgeable speakers"

—Health Canada

"Very appropriate and supportive of my vision"

-New Brunswick

"Excellent and useful presentations"

-DND

Did a great job of drawing out the opinions of the audience

"Very practical, good discussion, well constructed" —cipa

"I t was very helpful...made a difference in getting funding approval"

-Government Of Saskatchewan



PRE PROGRAM FOCUS SESSIONS

FOCUS SESSION (A



TUESDAY, MARCH 9, 2004

SOME GOOD QUESTIONS FOR FCA TO ANSWER: FOUR CASE DISCUSSIONS

8:30am - 12:00pm

CASE 1: ASSOCIATED MANAGEMENT COSTS

What is a reasonable way to take account of these costs right up front at the procurement stage, as well as during ongoing financial monitoring and management?

CASE 2: SELECTION CRITERIA RELATING TO INTELLECTUAL **PROPERTY ACCESS**

Can and should some of the comparative assessment criteria in the procurement process also value costs to the Government associated with the intellectual property and code restrictions of a proprietary solution, compared with the government's 'free/libre' access to use of the the intellectual property and programming code of an open source option? If so, how?

CASE 3: BENEFITS OF COST-SHARING

From the point of view of a Canadian Government agency, how might post-

project cost sharing have been anticipated and quantified in an original project plan? How might the benefits of such 'resource amplificiation' be evaluated now?

CASE 4: LIABILITY WHEN THINGS GO WRONG

What are some working rules by which such costs should be formally estimated, and how should these be accounted for in the Government's financial records?

Your Focus Session Facilitator: Mr. Joseph Potvin is a senior economist and IT architect, serving as a member of the management team for the Standards, Architecture and Security Sector, IT Services Branch, in Public Works and Government Services Canada. Prior to joining PWGSC, he worked internationally as a consulting economist in twenty countries, and at several divisions of the World Bank. His primary work for more than a decade has been on full cost accounting technical analysis and application for executives and managers.

FOCUS SESSION



TUESDAY, MARCH 9, 2004

Deloitte. HOW TO CONDUCT EFFECTIVE COST ESTIMATING FOR BETTER PROJECT MANAGEMENT OF YOUR IT IMPLEMENTATIONS

1:00pm - 4:30pm

- · Almost 33% of IT projects are labeled "impaired".
- Over 50% of IT projects are considered "challenged".
- · Less than 17% of IT projects are considered "successful".

Why?

Most of these statistics point to a common problem early in the project management cycle and that's an inaccurate estimation of costs. Some may say that this is a problem inherent with estimation because you are essentially guessing; how can you possibly be right all the time? And you are right; it's not possible to be 100% accurate. But there are methods you can employ to ensure the cost estimations you make are better, giving you the ability to better manage your IT projects.

In this highly practical and interactive focus session you will learn techniques to effectively estimate the costs of your IT project up-front and methods to determine which technique is better suited for your project. Join the experts of Deloitte as they ensure you will be better equipped to manage your IT projects more effectively and be able to bring up industry IT project statistics.

About Your Focus Session Facilitator: Mr. Abhay Raman is a Manager in the Ottawa office of Deloitte. He is a senior practitioner with significant experience in IT architecture, strategy and planning. He has helped organizations in North America, Europe & in the Asia Pacific region with IT Architecture planning, CRM, Identity Management, Portals and Information Management. He is a proficient, experienced project manager, well versed in effective project estimation with extensive experience in the full life cycle of application development, requirements definition through package & custom implementations. Mr. Raman has also tenured as a part time professor of Management Information Systems at Carleton University in Ottawa - Canada. He has presented at various events in North America and Asia.



MAIN AGENDA - Wednesday, March 10, 2004

8:30 Chairperson's Opening Address Michael Tinkler Society Of Management Accountants

8:50 KEYNOTE OPENING ADDRESS

Michael Turner Assistant Deputy Minister, Telecommunications and Informatics Program Branch (TIPB), Public Works & Government Services Canada (PWGSC) is responsible for guiding PWGSC's information technology services to the rest of the Federal Government. Mr.Turner will comment on the expected operational impacts of engaging full cost accounting methods for public sector decision-making on information technology.

9:30 SPECIAL PROGRAM HIGHLIGHT

James (Jim) H. Johnson is Founder and Chairman of The Standish Group, which has come to be known for its high quality, independent primary research, analysis conducted through focus groups, in-depth surveys and executive interviews. Mr. Johnson will discuss highlights of the latest edition of the CHAOS Chronicles, which condenses nine years of groundbreaking research on project performance of over 40,000 completed IT projects. www.standishgroup.com

10:15 Networking & Refreshment Break

10:35 Developing An Approach For Evaluating Software Quality Prior To The Purchase

One of the biggest problems with software acquisition is that you often don't get what you thought you were buying. However there are simple techniques and checklists that you can employ to ensure that the products you are buying are of the highest quality and will not present additional costs or higher exposure to risk for your department. This work session is dedicated to providing you with a model for measuring software quality, which will also provide you with valuable information you may need in a Full Cost analysis. You will be joined by Dr.Khaled El Emam to learn about:

- · The quality of software you can expect today and budgeting for that
- Evaluating the internal costs associated with deployment beyond acquisition
- · Checklists, criteria, decision aids and tools for product evaluation

Dr.Khaled El Emam

President

Ottawa Software Quality Association

11:20 Section Analysis

Utilizing topical experts, or expert facilitators delegates will be guided through an interactive discussion to enhance program connectivity, identify general themes, and apply themes to relevant situations.

12:05 Networking Lunch

1:15 Full Cost Accounting – Principles & Practice A U.S. Government Perspective

As part of President Bush's management agenda the United States is focussing on budget performance integration. In order to accomplish this, you need to understand your costs. One of the methods for accomplishing this feat that the U.S. Government promotes is a full cost accounting methodology. Two organizations that are employing this methodology is NASA and the Small Business Administration, however each approach it differently. One employs a surveying approach of the different business lines, while the other employs an attribution approach. You will learn from Lloyd Blanchard about:

· Understanding the principles of FCA and the different methods of utilizing it

- Applying each method at an organizational level
- Applying each method in an information technology approach

Lloyd Blanchard

Senior Advisor, Financial Management NASA

2:00 Understanding The Implications Of Employing A FCA On The Procurement Process

Have you ever wondered why the procurement process takes so long? At the end of the project, have you ever wondered whether you won or not? More often than not it reflects the difficulties of managing the procurement of an IT solution without fully managing the expectations of the business requirements and objectives . Many times there is a lack of a quantifiable defininion of success. Too often the business case is incomplete or does not provide the answers necessary for gaining contract approval. The Business and IT Solutions group within the Acquisitions Branch of PWGSC is not only dedicated to helping organizations answer the necessary questions, but helping them understand why it is important to answer them. Employing a FCA approach will not only allow you to make better purchasing decisions, it will ultimately improve the purchasing process, making your life a lot simpler. You will learn from Ted Purnell about:

- Improving accountability and reducing risk with IT purchases
- Facilitating the purchasing approval process to shorten the amount of time to implemention
- Improving communication with senior management to increase support for initiatives

Ted Purnell

Manager, Business & IT Solutions PWGSC

2:45 Networking & Refreshment Break

3:05 Demonstrating The Long-Term Impact Of Employing FCA For IT

In 1996/97 the Administrative Information Systems (AIS) branch of UCLA embarked on an exercise to essentially measure the value of IT as it related to the different business lines it serviced. The purpose was to essentially eliminate the "black box" perception of its services. In doing so AIS was able to ascertain the value of each component of any given project, resulting in a baseline for its current production portfolio. After some inspection AIS realized that this "baseline" could also be used a basis for predicting the full cost of proposed projects, which were not previously accounted for when an organization was in the decision phase of project development. The end result is a full cost accounting approach that has demonstrated benefits far beyond making more responsible IT development decisions. You will learn from Judith Freed about:

- Predicting all the associated costs with IT development projects
- Minimizing the impact of organizational cost-cutting
- Developing better relationships with the business lines you service Judith Freed

Business Applications Manager

UCLA

3:50 Section Analysis

Utilizing topical experts, or expert facilitators delegates will be guided through an interactive discussion to enhance program connectivity, identify general themes, and apply themes to relevant situations.

4:35 End Of Day



POST PROGRAM FOCUS SESSIONS

FOCUS SESSION C

THURSDAY, MARCH 11, 2004

HOW TO QUANTIFY THE OF VALUE IT FOR YOUR ORGANIZATION

8:30am - 12:00pm

Organizations like yours have complex IT systems. Merely maintaining them is a huge job. So when your management announces that they now want hard figures on how to control IT costs and projects, it presents huge challenges for your IT department. If this sounds like you...

One of the biggest challenges your It department is facing these days is to undertake an analysis of all your IT systems, procedures, partners, and processes in order to justify and make IT a valued service centre.

In this workshop we will work together to build a value model. Using cases and tools we'll create ways to:

- Demonstrate IT value and contribution to stakeholder values
- Encourage management to view IT as an investment and not a cost center
- · Measure and budget IT investment returns

We will also review some proven management strategies and case studies. In an effort to address and discover this 'holy grail' of the IT universe, we will explore a few fast track solutions focused on:

- · Full Cost Accounting
- · Total Cost of Ownership
- · Risk Assessment
- · Return On Investment

Join your colleagues at this exciting workshop that will employ a unique approach, with an eye towards reducing dependence on outside consultants.

About Your Focus Session Facilitator: Mr. James (Jim) H. Johnson is the founder and chairman of The Standish Group. He has been professionally involved in the computer industry for over 30 years and has a long list of published papers, articles and speeches. He has a combination of technical, marketing, and research achievements focused on mission-critical applications and technology. He is best known for his research on transactional middleware, as well as project and system failures. Jim is a pioneer of modern research techniques and continues to advance in the research industry through virtual focus groups and case-based analytical technology.

FOCUS SESSION



THURSDAY, MARCH 11, 2004

HOW TO EVALUATE OPEN SOURCE SOFTWARE IN ORDER TO ACCURATELY COMPARE IT TO ALTERNATIVES

1:00pm - 4:30pm

Open Source Software / Free Software (OSS/FS) has risen to great prominence. Briefly, OSS/FS programs are programs whose licenses give users the freedom to run the program for any purpose, to study and modify the program, and to redistribute copies of either the original or modified program (without having to pay royalties to previous developers). Many quantitative studies have shown that, in many cases, using OSS/FS programs is a reasonable or even superior approach compared to their proprietary competition.

The challenge for you is how do you effectively conduct an analysis that will allow you evaluate and compare all of your options regardless if it is Open Source or proprietary. Well, the basic steps for evaluating all programs, both OSS/FS and proprietary, are essentially the same:

- · Identify what your options are
- · Review existing evaluations
- Compare attributes of your options to your needs. Important attributes include functionality, cost, market share, support, maintenance, reliability, performance, scalability, usability, security, flexibility, and legal/license issues
- · Analyze the top contenders, examining these attributes in more detail

However, the way that you perform these steps in an evaluation is different for OSS/FS programs than for proprietary programs. A key difference for evaluation is that the information available for OSS/FS programs is usually different than for proprietary programs.

This workshop will provide you the basic tools you need to conduct such an evaluation considering the fundamental differences in the information you collect. Furthermore, utilizing the basic approach outlined above, you will examine the necessary components under each section that will allow you to tailor your evaluation to needs of your organization.

Your Focus Session Facilitator: David A. Wheeler, is an expert in software development and computer security. He is the author of several books, including "Software Inspection: An Industry Best Practice" (IEEE CS Press) and "Secure Programming for Linux and Unix HOWTO". He has written many articles analyzing open source software/Free Software (OSS/FS), including "Why OSS/FS? Look at the Numbers!", "More than a Gigabuck: Estimating GNU/Linux's Size", and "How to Evaluate OSS/FS Programs".



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Registration Fee. The registration fee includes the Main Day Agenda, March 10, 2004 plus your choice of any two of the four half-day focus sessions on March 9th & 11th 2004.

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