The Integration of Strategic Planning and Portfolio Management

Bank of Canada

Project Management Offices (PMO’s) International Summit

Brasilia, Brazil, April 9-10, 2014

Presented by:
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Chief Financial Officer, Bank of Canada
Agenda

- Bank of Canada
- Strategic Planning
- Portfolio Management
An Ever Changing World

Role of a Central Bank

Need to be More Innovative
(Managed innovation)

Need to be More Transparent
(information transparency)

Need to be More Effective
(Operational excellence)

Need to be More Efficient
(Cost optimization)
The Bank of Canada

- Canada’s central bank
- Mandate: to promote the economic and financial well-being of Canada.
- The Bank carries out its mandate through its four functions:
  - **Monetary Policy** - Keeping inflation low, stable, and predictable
  - **Financial System** - Promoting a stable and efficient financial system
  - **Currency** - Supplying secure, quality bank notes
  - **Funds Management** - Providing banking services to the federal government and key financial system players
The Bank of Canada
1250 employees in 7 cities
Gender: 49% Male / 51% Female
First official language: 67% English / 33% French

Canada’s Population: 35 millions
Organizational Structure

Office of the Governor
(Governor & Senior Deputy Governor)

- Monetary Policy: 2 Depts
- Financial System: 2 Depts
- Funds Management: 1 Dept
- Currency: 1 Dept
- Corporate Admin: 7 Depts

- Chief Operating Officer

Board of Directors
- Governor (Chair)
- Senior Deputy Governor
- 12 Independent Directors

Sub-Committees
- Audit and Finance
- Human Resources
- Capital Projects
- Governance

Management Council (MC)
Leadership Forum (LF)
Chiefs Committee (CC)
Environmental Scan

Strategic Priorities (3 years)

- External: Trends and Challenges
- Internal: Strengths and Weaknesses

Functional Priorities (3 years / revised annually)

Set every 3 years through a strategic planning process at senior management level

Priorities reflecting strategic orientation are established for each of the Bank’s 5 functions

Departmental priorities (Annual)

Established annually for each department based on functional priorities and progress made.
Serves as basis for staff performance agreements
The Planning Framework

Mandate | Mission | Vision
--- | --- | ---

Medium-Term Plan (3 years)

- Strategic Priorities
- Functional Priorities

Enabling Plans

Annual Plan / Budget
The Bank’s 2013-15 Medium-Term Plan

Building on Excellence - Strength, Stability and Confidence

- Performing superior policy analytics
- Building a resilient financial system
- Delivering excellent services
Enabling Plans

- Human Resources Plan
  - Building the Bank’s capacity to attract and retain highly talented staff

- Infrastructure and Resilience Plan
  - Development of physical and technology infrastructures, their security and resiliency

- Financial Plan
  - Prudent financial management
  - Allocation of resources to priorities that add most value
  - Financial constraints aligned with Government Deficit-Reduction Action Plan
Financial Plan – 2% average growth over plan horizon

- Financial model takes into account
  - On-going requirements (salaries & other staff expenses, technology, facilities, depreciation)
  - Small departmental enhancements
  - Medium size technological initiatives
  - Strategic investments
  - Total life cycle costs (impact of new initiatives on on-going requirements)
  - Savings and efficiencies
Strategic Planning for Initiatives (MTP every 3 years)

- Strategic issues are discussed and opportunities identified during strategic planning cycle
  - Initiatives of a transformational nature (External requirements/stakeholders, business evolution, new mandate)
  - Initiatives of a foundational nature (infrastructure renewal, risk mitigation, efficiencies)
- Initiatives that cross over from previous plan are identified
- Validate that financial envelope established for Portfolio of Initiatives allows funding for new and on-going initiatives as well as unallocated funding for unknowns
Validation of Portfolio Envelope

- Assess human resources capacity
  - Business capacity
  - Information technology capacity

- Estimate project life cycle
  - Small, medium, large projects

- Based on typical project life cycle and mix of known initiatives, develop financial profile for Portfolio of Initiatives
Medium-Term Plan – Reasonableness of Execution

Delivering on Mandate (Core operations)

Delivering on priorities

Balancing Act

Ongoing Capacity Assessment

Financial Resources
Human Resources
Continuous Business and IT Evolution

- Business continuously generates ideas
  - Strategic Initiatives (large to medium initiatives)
  - Enhancements (small initiatives)
  - Break/fix
- Ideas are prioritized through business governance committees
  - Feed into strategic and annual planning, budget and forecast processes
- Priorities become initiatives following gating process
Selection of Initiatives

- Ideas are prioritized by the Business based on:
  - alignment to strategic priorities
  - capacity assessment (people, $, time)
  - risk assessment

- Priorities become initiatives following gating process governed by a Portfolio and Project Framework

- Funding is allocated by the Portfolio Review Committee and managed through the Portfolio Management Office

- Initiatives are delivered through Project Teams and are monitored by the Bank’s Project Office
Initiatives Portfolio Governance Framework

Business Governance Model
- Owners / Oversight
- Business Committees
- Operations

Portfolio Governance Model
- Capital Project Committee
  - Board of Directors
  - Oversight
- Management Council
  - Approval (Initiatives > $2M)
- Portfolio Review Committee
  - (CFO, CIO, Adviser)
  - Release funding (all initiatives)
  - Approval (initiatives < $2M)
- Bank Portfolio Management & Project Support
  - (BPMO, BPEO)

Project Governance Model
- Business Chief
- CIO (if applicable)
- Business Leader
- Project Manager
- Project Team
Portfolio Review Committee

- Committee members: CFO, CIO and Bank Adviser(s)

- Acts as a delegate of Management Council for the purposes of:
  - monitoring projects
  - monitoring overall health of Initiatives Portfolio
  - making recommendations to Management Council on prioritization and allocation of resources
  - resolving significant issues relative to specific projects

- Reinforces the culture of information sharing and collaboration among all stakeholders

- Has delegated authority for:
  - funding approval up to $2 million
  - monitoring all Gates
  - managing the portfolio within the MTP strategic envelop
Bank Portfolio Management Office (BPMO)

Enable sound decision making through analysis, advice, relevant & timely information

- Governance Services
  - Investment governance leadership, guidance and advice
  - Gating process (PRC)
  - Prioritization
  - Link to project mgmt processes

- Business Advisory Services
  - Portfolio business analysis & advice
  - Business case advice
  - Benefits management
  - Benchmarking / trending

- Portfolio Planning Services
  - Portfolio planning, analysis & advice
  - Budget/forecast annual plans/MTP
  - Capacity planning
  - Potential spend analysis

- Analytic, Reporting & Monitoring Services
  - Monitor & report on portfolio performance and health
  - Reports to:
    - Senior Mgmt
    - PRC
    - MC
    - Board

Business / ITS / FIN Partners

Bank Project Excellence Office (BPEO)
Gating Process

Opportunity Identification

Stage #1
Business Opportunity Identification

Gate #1
Opportunity Proposal

Stage #2
Definition and Options Analysis

Gate #2
Proposed Business Solution

Stage #3
Business Case & Work Plan

Gate #3
Business Case

Planning and Research

Gate #4
Execution of Work Plan

Stage #4
Regular Quarterly Reporting

Gate #5
Completion and Delivery

Stage #5
Final Acceptance

Gate #6
Benefits Realization

Benefits Harvesting

Stage #6
Benefits Realization Review
Resource Capacity Planning

Stage #1
Business Opportunity Identification

Gate #1
Opportunity Proposal

Stage #2
Definition and Options Analysis

Gate #2
Proposed Business Solution

Stage #3
Business Case & Work Plan

Gate #3
Business Case

Identify Roles
Estimate usage for each role
Identify resource constraints
Adjust and finalize resource allocation plan

For a Business Case to be approved, it needs a detailed resource plan (names or commitment from business and ITS management)
Gate #0
Opportunity Proposal

Gate #1
Proposed Business Solution

Gate #2
Business Case

Gate #3
Regular Quarterly Reporting

Gate #4
Final Acceptance

Gate #5
Benefits Realization Review

Currency
Financial System / Funds Management
Monetary Policy / Analytics
Corporate Administration

Change from previous report
Business Cases Prepared by Business Lead

- Executive Summary
  - Mandatory (Legislative, regulatory)
  - Fulfills an audit requirement
  - Provides efficiency gains
- Context / Motivation
- Options Considered
- Risk Analysis
- Financial Analysis
- Benefits to be Realized
- Recommendation
- Appendix – Project Timelines and Resource Plan

- Cost estimate +/- 10%
- Focus on value for money – benefits realization
Outcomes Management Methodology

- Outcomes Map or Logic Model
  - visual cause and effect of intended business outcome / benefits

- Benefits Measurement Register
  - Target benefit, measurement criteria, accountability

- Progress reports
  - Periodic project updates on progress towards expected benefits

- Benefits Realization Report & Communication
  - Final reporting on delivered benefits against planned outcomes

Approach is scalable and adaptable to different initiatives (size, complexity, etc.)
Outcomes Map Components

**Initiative**
Activity, Project or Program that contributes to outcomes

**Outcome**
Results associated with initiatives
- White: Immediate or Intermediate
- Green: Final
- Gold: Strategic

**Contribution**
The cause and effect relationship between one component and the next

**Manageable Risk**
Uncertainty about the outcome that can be managed to some extent

**Mitigating Action**
Specific action to be taken to deal with the Manageable Risk

**Risk Outside our Control**
Uncertainty about the outcome that cannot be managed
Outcomes Management Map - Example
<table>
<thead>
<tr>
<th>#</th>
<th>Planned Benefits &amp; Description</th>
<th>Measurements</th>
<th>Measurement Baseline or Target Value</th>
<th>Expected Date to Achieve the Benefit</th>
<th>Accountable to Achieve the Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Decrease operational risk: Automation and straight through processing will lead to a decrease in manual processes and errors</td>
<td>Elimination of manual entries Decrease of manual entries</td>
<td>Baseline: 25-40 transactions processed daily. 90% reduction of manual entries expected.</td>
<td>1 quarter After Go Live</td>
<td>Assistant Director Accounting Operations</td>
</tr>
<tr>
<td>2</td>
<td>Increase quality of service to clients: Portfolio statements via automated messaging and faster credits to clients.</td>
<td>Decrease in statements delivery time. Reduced time to apply credits for clients by automating the entitlement memos Reduced time to apply credits for clients by decreasing manual entries (faster turnaround time processing payments).</td>
<td>Baseline: within 5 business days after month end Baseline: Average – 30 minutes every day, June &amp; Dec 1st – 3hrs Elimination of typing in 90% of cases</td>
<td>1 quarter 1 quarter 1 quarter</td>
<td>Assistant Director Accounting Operations</td>
</tr>
<tr>
<td>3</td>
<td>Reduce costs: with the decommissioning of system, no more user licenses will be required.</td>
<td>Elimination of license costs</td>
<td>Baseline: $100,000 annually</td>
<td>January 2015</td>
<td>Assistant Director Accounting Operations</td>
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<td>4</td>
<td>Increase efficiency and effectiveness: automation of daily entitlement reports and reconciliations, entry creation in system, monthly fee calculation, generation of transaction fee reports.</td>
<td>Same as 1 Reduction of resource time in preparing deliverables (e.g.: reports, reconciliations, fee calculations, entitlement memos, etc.) (FIN)</td>
<td>Same as 1 Baseline: daily – 2 hours; month-end – 3-5 hours.</td>
<td>At Go Live 1 quarter</td>
<td>Assistant Director Accounting Operations</td>
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Portfolio Management

- Portfolio Review Committee Monthly Meetings
  - Monthly dashboard of portfolio
  - Approval of gate submissions
  - Funding releases
  - Monitoring of overall portfolio capacity ($, people)
  - Recommendations to Management Council

- Quarterly Reporting to Management Council

- Approval of Business Cases
  - Ensure scope, resources, timelines and benefits are well articulated and measurable

- Monitoring of Benefits Realization
  - Assessment of achievement of benefits
  - Documentation of lessons learned
# Benefits Realization

## BENEFITS REALIZATION REPORT

<table>
<thead>
<tr>
<th>#</th>
<th>Planned Benefit &amp; Description [from the original Business Case]</th>
<th>Expected Date to Achieve the Benefit [month &amp; year]</th>
<th>Measurement Results</th>
<th>Benefit Achieved? [Yes or No]</th>
<th>Comments: Description of the achieved benefit or Explanation of variances</th>
<th>Accountable to Achieve the Benefit [Name &amp; Title]</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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## Project Costs

<table>
<thead>
<tr>
<th>Project Costs</th>
<th>Amount: $</th>
<th>Scope Revisions?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total costs at the business case approval</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total costs at the project completion</td>
<td></td>
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</tbody>
</table>
Project Governance – “Two in a box”

- Model based on “two in a box”
  - Senior Leaders are accountable for deliver of benefits
    - Business Chief
    - Information Technology Officer (or another business Chief if non-IT project)
  - Business lead and project manager accountable to ensure project delivery within scope, on-time and on-budget (+/- 10%)
- Bank Project Excellence Office support the delivery of project by providing tools and dashboards
Bank Project Excellence Office (BPEO)

*Provide project management support in pursuit of the Bank’s business objectives*

- Own and maintain the Project Management Delivery framework
- Monitor adherence to PMD framework
- Provide guidance and assistance to Program and Project managers in project planning and delivery
- Provide organizational change management expertise
- Provide common templates and tools
- Monitor projects on a weekly basis - engages with project managers as required to address concerns
- Report accurately and factually on projects
- Work in close collaboration with the BPMO
Project Management By Phase

Opportunity Identification
- Pre-Initiation
  - Initiative Summary Sheet

Planning & Research
- Phase 0 Initiation
  - Project Definition Document
- Phase 1 Planning & Requirements
  - Business Requirements
- Phase 2 Analysis & Conceptual Design
  - Project Charter
  - Conceptual Solution Architecture & Design
- Phase 3 Detailed Design
  - Solution Specifications
  - Detailed Solution Architecture & Design

Develop, Implement & Operationalize
- Phase 4 Build
- Phase 5 Delivery
  - Monthly Monitoring & Forecasting

Benefits Realization
- Phase 6 Close Out
  - Project Close Report

Opportunity Proposal
- Financial Estimates +/- 100

Gate 1
- Proposed Business Solution

Gate 2
- Business Case

Gate 3
- Financial Estimates +/- 50
- Financial Estimates +/- 10%
- Monthly Monitoring & Reporting
- Final Financial Results
- Benefits Realization
Project Monitoring

- Project Monitoring - Weekly dashboard
  - Scope
  - Schedule
  - Human resources requirements
  - Financial requirements
  - Risks

<table>
<thead>
<tr>
<th></th>
<th>Overall</th>
<th>Scope</th>
<th>Schedule</th>
<th>HR</th>
<th>$</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project 1</td>
<td>★</td>
<td>★</td>
<td>★</td>
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<td>★</td>
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<tr>
<td>Project 2</td>
<td>★</td>
<td>★</td>
<td>★</td>
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<tr>
<td>Project 3</td>
<td>★</td>
<td>★</td>
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<td>★</td>
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<td>★</td>
</tr>
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- Project Managers and Project Controllers
  - Planview – capacity planning and resource management
  - SAP – financial management
  - MS Project – schedule and project management
Strategic Planning to Portfolio Management

- Vision
- Mission
- Mandate

Medium-Term Plan (3 years)

- Initiatives (Gate 1-3)
- Business Cases

- Projects
- Benefits Realization

Continuous management and monitoring of portfolio

- Idea
- Priority

Annual Ententes (Budget)

Quarterly Monitoring

Stewardship & Annual Report
Overall Performance Evaluation and Reporting

- Annual Performance Measurement exercise
  - Performance in delivering against mandate (KPIs)
  - Progress against priorities, plans and initiatives portfolio
  - Resource and risk management
  - Lessons learned

- Serves as the basis for functions, departments and staff performance evaluation, salary adjustment and bonuses

- Report to
  - Board of Directors through the *Stewardship Report*
  - Canadians through the *Annual Report*
Thank you