

PDR Program Evaluation.

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Context and Background

- Gartner has worked with MPI for over 7 years providing research and advisory insights to assist MPI in benchmarking the IT organization vs. peers and helping with the application of our PPM (Program and Portfolio Management) research to MPI
- In the last year, MPI has contracted Gartner to conduct an assessment of the PDR program as follows:
 - The PUB ordered that in the 2019 GRA, the Corporation shall file an update, prepared by Gartner, to its 2017 PDR report.
 - The 2017 Order required ... *an independent assessment on the development and roll-out of the PDR Project, including the progress of the pilots, the timing of full implementation, the costs of the project and the anticipated savings to be derived from the project.*

Team

- Gartner assigned additional senior resources to conduct the updated assessment.
 - Team Lead: Charles (Chuck) Henry, Vice President, Solution and Pricing.
 - Supported by the established Gartner team that conducted the review in 2017.
- Chuck Henry
 - Chuck is a Vice President with Gartner Consulting with over 40 years of executive and consulting experiences in both public and private sector organizations.
 - From 2013 to 2015 Chuck was the Senior Managing Partner responsible for Gartner's consulting relationship with the Canadian Federal Government and Crown Corporations. Engagements included:
 - Project Reviews of Major Crown projects (i.e. over \$100 Million in spend)
 - Development of the Cloud Strategy for the Government of Canada
 - Development of a digital maturity model for Service Canada (the "front door" to many Federal Government programs)
 - Development of the Government of Canada's Application Program management model (based on Gartner's T.I.M.E. methodology).
 - From 2005 to 2009 Chuck was the Chief Technology Officer (CTO) of the Government of Canada Chuck and provided management oversight for the approximately \$5 Billion per year of IT spend by the Government of Canada.
 - Prior to the Government, Chuck spent 30 years at IBM Canada as a Systems Engineer and Executive Consultant.

Evaluation Approach

- Review of Key program artifacts:
 - An MPI Management presentation regarding the PDR Program to the MPI Board of Directors (dated April 19, 2018) restating the PDR cost and benefit projections.
 - MPI-generated value management analysis which provided data and analysis supporting the Management analysis and recommendations
 - Project status reports
- Interviews on site at MPI on April 19, 2018
- Ongoing telephone discussions with MPI and the previous team to gather additional documentation and clarify documents and spreadsheets
- Internal discussions with the team the delivered previous evaluations to MPI

PDR History

- Over the past 5+ years MPI has been on a journey to improve service to Manitobans in three areas:
 1. Physical damage
 2. Loss prevention / road safety
 3. Customer service
- This evolved into a business case for PDR with projections for costs at \$65M and the identification of a high level benefits stream. As the program evolved, two conditions developed:
 1. MPI had difficulties measuring/breaking out some of the ongoing costs, especially licensing, due to complex license schemes from vendors and components from multiple vendors being used, and re-used, across multiple projects.
 2. Senior executives led negotiations with the repair industry (savings) and solution vendors (costs) with limited engagement at the business unit level for developing, monitoring and delivering projected benefits. The resulting agreements sometimes limited the business unit's ability to achieve projected benefits.

PDR Current State

- The overall business case (benefits – costs) has been analyzed and refined by MPI's value management team and the project team over the past year
- MPI management has recently conducted a detailed assessment of:
 - current costs/expenditures to date
 - the balance of the approved available budget
 - a detailed evaluation of the benefits that could be achieved from the expenditure of the remaining funds.
- **They concluded that the benefits to be achieved would not be supported by the cost to achieve them, and they have recommended to the MPI Board of Directors that the CCRS component of the PDR program be cancelled**

PDR Comparison between 2017 and 2018

Gartner 2017	MPI 2018
NPV +\$13.7M	NPV (\$49.9M) with CCRS cancelled
Discount Rate 3%	Discount Rate 9.5%
Costs \$65M	Costs \$57M
Analysis period 2016/17 to 25/26	Analysis Period 2017/18 to 26/27

- There is a significant difference in some of the costs and the benefits, and the overall Net Present Value (NPV), between the 2017 Gartner report and the 2018 MPI team restatement.** At the highest level there are three factors causing the changes:
 - Some costs that should have been attributed to the PDR Program were not included in the original analysis.
 - New evidence shows that some benefits of the PDR Program are planned to be lower than projected.
 - MPI is using a newly agreed upon risk-based standard discount rate of between 6.5% and 9.5% for NPV calculations to make project investment decisions.



Gartner Lessons Learned

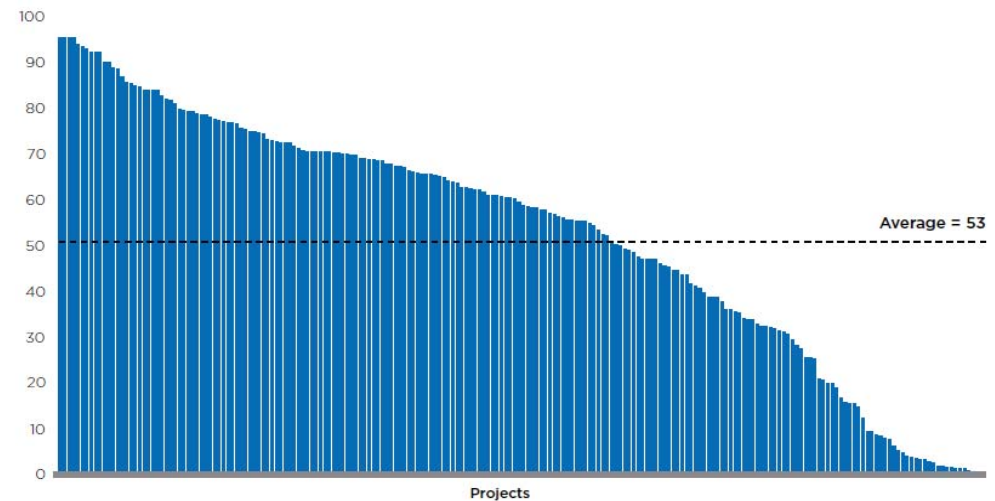
- Gartner made a number of requests for details regarding operating costs and the benefit projections in 2017 and we reported the costs and benefits stream based on the high level data provided by MPI. In retrospect:
 - **Gartner should have highlighted in the 2017 report that the report conclusions were based on high level numbers that had not been validated through detailed analysis.**
 - Gartner and MPI management have agreed that all analysis going forward will include consideration of detailed supporting data, and if the necessary level of detail is not available, that will be clearly stated.

Gartner View of CCRS Cancellation Decision

- Gartner has reviewed the latest iteration of the PDR Value Management/Business Case data and related assumptions. It would appear that, in addressing the request from the Board, **MPI has followed the advice provided by Gartner and applied a much more rigorous approach to the PDR business case and application of the value management framework.** The MPI financial analysis is much more detailed, complete, and sophisticated than we have seen in the past. There is a much greater focus on value management and benefits realization which is a key driver for program success.
- **MPI has continued to mature its value management capabilities and is now formally tracking benefits.** This leads to a more holistic, and potentially more conservative, view of benefits than was previously the case due to the higher level of accountability and operational involvement across MPI for achieving the forecasted costs and benefits. We view this as a positive step forward for MPI.
- Gartner's independent analysis, based on the more detailed data available, supports the current value projections. **Gartner supports MPI's decision to terminate the CCRS component of the PDR program** and to finish the few remaining components in 2018/19.

Gartner Perspective 1: IT Project Success

- A review of Gartner’s project database shows that even among those projects that are delivered at least 90% on time and on budget, the majority fail to deliver business outcomes.
- The top-performing projects in terms of budget and schedule compliance attain an average of only 53% of their business outcome expectations
- Further: The Harvard Business Review found that one in six technology projects are “black swans” that fail spectacularly, with a cost overrun of 200 percent on average.



Gartner Perspective 1: Observations for MPI

Continue to invest in Value Management.

- MPI has made significant progress in applying value management principles to its project portfolio. We'd recommend this focus be extended into project management teams and MPI's project management methodology. Specifically we recommend that MPI:
 - Emphasize general management capabilities when selecting a project manager
 - Ensure PMs have stakeholder management training and insights as it is the number one driver of sponsor satisfaction
 - Continue to explicitly link project objectives to organizational goals.
 - A project team and sponsor who can specifically link planned project outcomes to broader organizational goals can continually assess project effectiveness and make earlier and better decisions about changes in scope, timelines, budgets and overall project value.

Gartner Perspective 1: Observations for MPI

- Further increase the focus of plans to business outcomes.
 - MPI's project resource management plans should include resources at project conception / initiation time that define project success in terms of business outcomes, and ensure there is a matching investment as project phases complete to ensure that benefits are harvested or realized.
 - This requires up front scope to be clear while allowing room for flexibility to manage uncertainties and changes to benefit profiles as the project evolves.
 - The up-front investment should endeavor to create leading indicators of benefits realization and imbed them into project health checks
- Harness the Power of Stakeholders.
 - Expand engagement with stakeholders at project conception and launch. That is the best time to foster collaboration and provide delivery flexibility to match stakeholder needs and constraints.
 - Educate sponsors into the issues they will need to take ownership of, and address, throughout the course of the projects.

Gartner Perspective 2: Digitalization of P&C Insurance

- Gartner Research indicates that Digitalization is beginning to radically transform the worldwide property and casualty insurance industry.
- Understanding the impact of the most transformational technologies will be difficult for many P&C organizations given the large number of emerging technologies and the budgetary restrictions that are a reality for MPI and most P&C firms.

Gartner Perspective 2: Digitalization of P&C Insurance

- Gartner sees technology advancing in these area that will affect MPI:
 - Mobility and customer support.
 - MPI's customers are no longer tethered to, nor expect service primarily from, a computer. Instead, they are tied to mobile devices, text messaging and social media.
 - Maturing use cases for Artificial Intelligence (AI).
 - In areas such as claims handling, where combinations of cognitive computing and Chatbot's are supporting touchless claims processing.
 - Continued evolution and adoption of telematics among worldwide auto insurers to support new business models.
 - This includes a growing focus on in-depth analytics, including the use of Internet of Things (IoT) data for behavioral modeling.
 - Greater acceptance of software as a service (SaaS) solutions by P&C insurers for policy administration.
 - Innovation centering on product development, including the development of on-demand insurance products and improvements in customer experience management.



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