



“Winning an Exacta”

Want a Step Change in Investment Returns?

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DAAG 2006 Case Study:
Innovating with Decision Analysis (DA)
& Process Change Management

Definition of Exacta

“Exacta” - a type of bet, especially on horse races, in which the bettor must select the first- and second-place finishers in exact order.

Initial State – “Opening Day at the Races”

HR Projects underway

- Upstream

- Some working to upgrade their HR systems

- Consolidation of other OpCo HR systems



Our Horse

Other High-value Upstream IT Projects

- “A”

- “B”

- “C”

- Future projects



Other Horses



Pre-Framing Upstream HR Project: Opportunity Statement



Implement a standard HR Information System

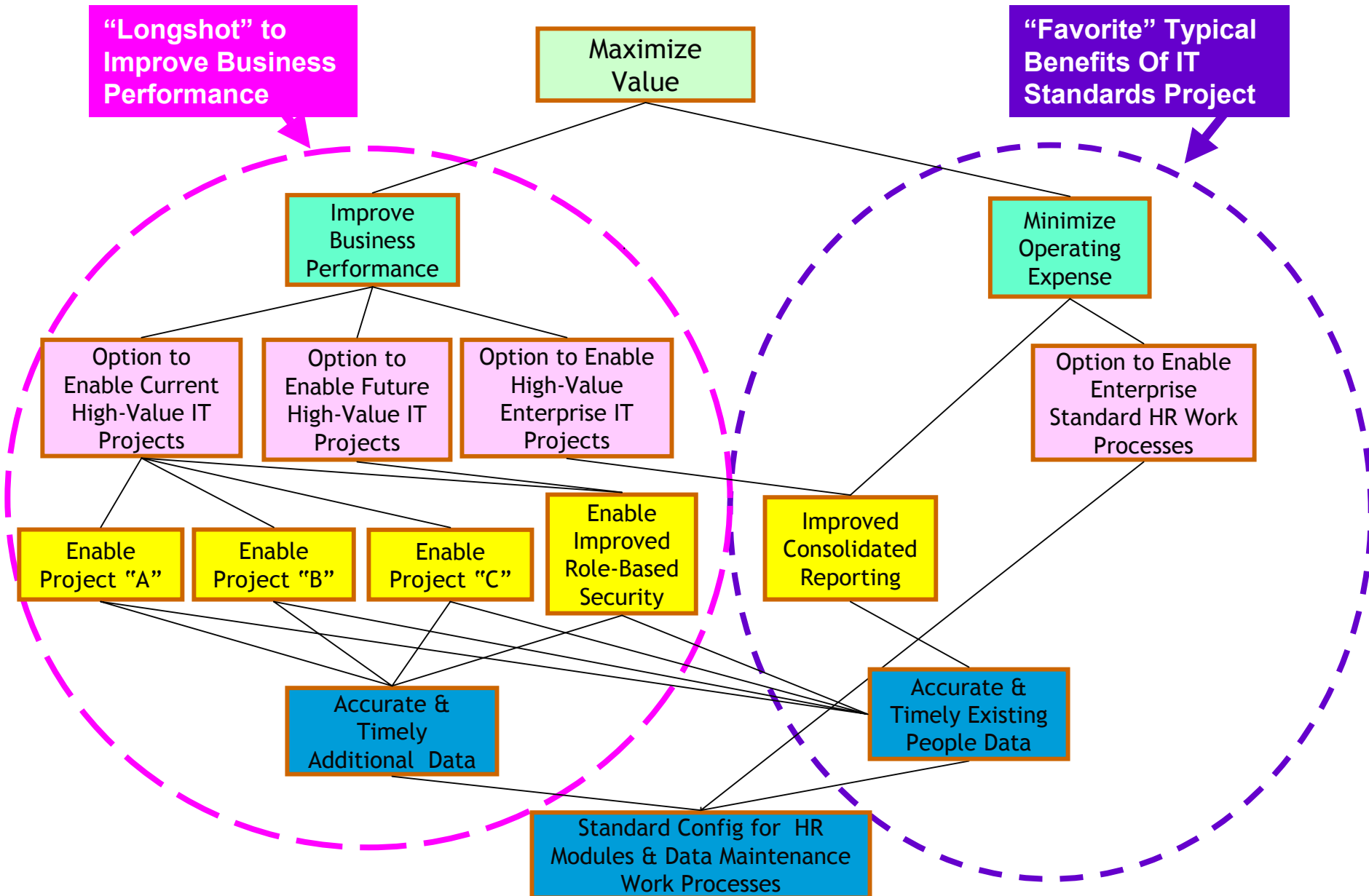
- To provide the level of detail and functionality required to support SBU and Enterprise HR work processes

Agreement to evaluate “long shot” optionality using DA and Process Change Management

Typical Opportunity for an IT Standards Project

- To identify and value the need for a common source of people data as a result of other Upstream IT Projects.

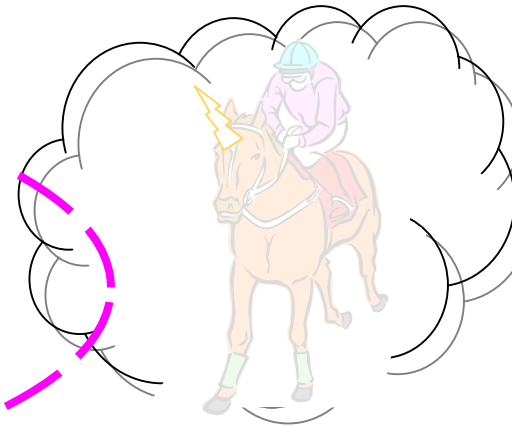
Objectives Hierarchy – What is the ideal state?



Summary of Value Drivers

People started to believe in a mythical “Unicorn Longshot”

- Better enablement and faster deployment of high value projects with a standard source for people data
- Role-based security model



- IT support savings from deploying a common HR system across SBUs
- HR consolidated reporting efficiency from standard HR data

Typical Benefits Of IT Standards Project



Scoping Interviews - Testing for High-Value Project Connections

- Help us determine projects that would benefit from accurate and timely people data and specifically how they would be enabled
- Discussion topics:
 - Relationship Project "A"
 - Relationship to Project "B"
 - Project "C"
 - Future high-value Projects?



Mythical “Unicorn” Found!

DA & Process Change
Management
assessment summary



Project “A” will benefit from accurate & timely people data.

- Project “A” systems rely solely on schedulers knowing people’s skills and availability to schedule work
- The full value of Project “A” cannot be reached without accurate people data made readily available to schedulers

- **\$ 8,000,000 / year Option Value**

- However..... The option value is only created if this Upstream HR project completes ahead of Project “A”

Winning an “Exacta”

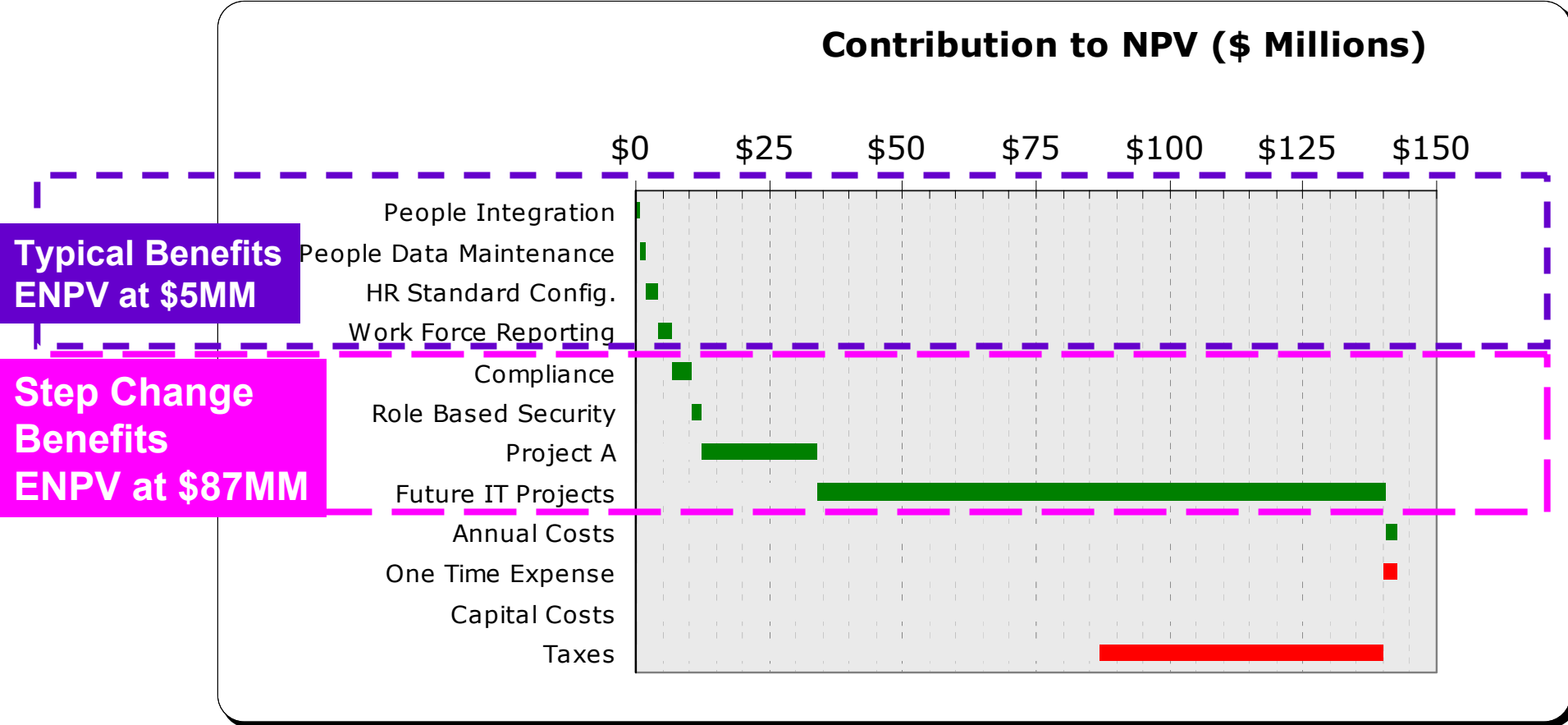


Unlike a horse race, project managers (jockeys) can collaborate to ensure the projects finish in an exact sequence

- Via collaboration, the “excess weight” in this Upstream HR project was offloaded, so it finished ahead of Project “A”
 - Separate projects to pursue enabling Enterprise IT Projects and Enterprise HR standards goals were spun off on the pace they needed to deliver on those high value opportunities

- Once it was clear we could win the “Exacta”, we could credibly assess the optionality of winning an “Exacta” in each of the future races by enabling Future High Value Projects with accurate people data

While the business case was positive from minimizing operating expense, the step change in return comes from enabling high-value projects



Project ENPV increased from \$5MM to \$87MM by enabling high-value Projects

Key Points

- Innovating a **step change in investment returns** is no accident
 - Key leverage point (vs. limitation) is project scope or opportunity in “pre-frame” which should include high value optionality (long shot), both immediate and potential for the future
 - Objectives Hierarchy - good tool for making optionality visible
- Vision or “**ideal state**”
 - Requires innovation and persistence
 - Need early examples (war stories)
 - Credibility from solid documentation later
- IT can enable value to the business, leading to **high value opportunities**
 - To credibly claim optionality benefits, clear accountability and costs, if any, for seeking future optionality should be included
- **Timing** – can be critical and controllable
 - Can collaboratively agree to sequence projects

General Discussion

- Does this "Exacta" concept have applicability to other types of investments?