



Case Study: Optimized Allocation of Improvement Resources

A healthcare insurance company that was deeply involved in improvement found that it had reached the point of project overload, and didn't have enough resources to complete all the projects it wanted. Plus, there was a need to cut expenses in the current year. They turned to Guidon for help.

The analysis showed that this company fell into a common trap. They had a decent system for project approval that separated good ideas from bad ideas, but there was no system for managing the overall pipeline of approved projects.

Data analysis revealed that the company had 120 active projects. Staff were frequently called on to switch from one project to another (and perhaps back again), meaning few projects were completed quickly.

Resolving the situation required a lot of background analysis to gather information on all 120 projects, so they could be compared on 29 existing and newly defined criteria including:

- How many FTE hours had already been invested, and how much more would be required from both IT and the business (operations)
- Cost analysis including breakdown of Capital and Expense allocation
- Project benefit analysis
- Whether the project was regulatory in nature, and if so, what regulation was being addressed (non-regulatory projects were classified as either strategic or corporate)
- Data-based estimates of ROI

Each project was then scored on two dimensions: potential impact and difficulty. The results were plotted on a matrix. The results were shared with middle management and supervisors to make sure the evaluation hadn't missed any critical information, and some adjustments were made.

Simultaneously, an analysis was done to determine an overall capacity for improvement in the organization: how many FTE hours and other resources could be allocated without straining the other work of the organization.

The company knew it would have to complete the regulatory projects, no matter where they fell on the difficulty vs. impact matrix. When comparing the matrix results to the capacity evaluation, the company realized that it would take their entire improvement capacity just to complete the regulatory projects.

All other projects were deferred and some were cancelled. The company management is now approaching the Board to see if additional resources can be secured so that at least a few strategic projects can be completed in the next fiscal year.

The company saved \$551,000 in expense and \$400,000 in capital for the current fiscal year, and freed up nearly \$1 million in FTE time to be spent in other ways. They have a clear grasp on what improvement projects have to be completed in the next fiscal year, and have a better system for evaluating and prioritizing projects in the future.

Client: A large health insurance company with 236,000 members located in the Mountain West

Industry: Health Insurance

Service: Project Portfolio Management

Challenge:

- Bring the overload of improvement projects under control
- Develop a system for better allocation of improvement resources

Solutions:

- Identify existing projects
- Develop stronger criteria for evaluation, including estimates of FTE and other investment resources and potential ROI
- Projects were scored for their potential impact vs. difficulty to complete, and the results plotted on a matrix
- Projects were categorized as regulatory, strategic, or corporate
- The "improvement capacity" of the organization was established

Results:

- Based on the assessment of the projects, the company realized it would require all their improvement capacity to complete just the regulatory projects
- All other projects were deferred or cancelled, saving \$551,000 in expense and \$400,000 in capital for the current fiscal year (an investment that would have generated few results anyway) and freeing up \$1 million in FTE hours for other work
- Additional funds are being sought to see if any strategic projects can be completed in the coming fiscal year
- The company has a better system for prioritizing projects based on impact, difficulty, and resource availability