



US Department of Housing and Urban Development (HUD)

CASE STUDY

- Challenge** HUD had to respond to Congressional and OMB mandates that Federal agencies develop a process for capital planning of IT projects as part of the budget process.
- Action** After establishing a rational approach to select and monitor IT projects, HUD evaluated tools to complement this process and selected Expert Choice as the best solution for their needs.
- Results** HUD reduced IT project requests from more than \$600 million to less than \$450 million, saving time and money while delivering an even greater impact on the agency's mission.

[Challenge]

IT Project Portfolio Prioritization and Management

The U.S. Department of Housing and Urban Development's (HUD) mission is to increase homeownership, support community development and increase access to affordable housing free from discrimination. HUD's total annual budget is \$32 billion with roughly \$400 million allocated to IT spending each year.

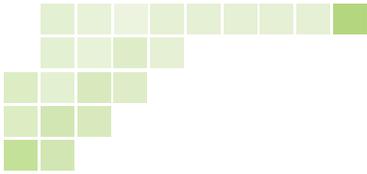
HUD was annually besieged by requests for IT projects by its program areas, but had no rational process that allowed management to select and monitor the best projects within its budgetary constraints. Like most Federal agencies, HUD was required by Congressional acts to hire a CIO and develop an IT capital planning process in recent years. However, it wasn't until the Office of Management and Budget (OMB) threatened to cut agency budgets in 1999 that an IT planning process was actually developed and implemented at HUD. There had been a great deal of wasted money and manpower in the duplication of efforts by program areas, a lack of a sound project prioritization process and no standards or guidelines for the program areas to follow.

For example, in 1999 there were requests for over \$600 million in HUD IT projects against an IT budget of less than \$400 million. There were over 200 approved projects but no process for selecting, monitoring and evaluating these projects. HUD could not determine whether its selected IT projects were properly aligned with the agency's mission and objectives and were thus the most effective projects. The agency determined from best practices and industry research that it needed both a rational process and a tool to support this process to meet OMB's requirements.

[Action]

Using the results from this research, HUD recommended that a process and guidelines be developed that would allow senior HUD management to select and prioritize the objectives and selection criteria while





allowing the program teams to score specific project requests. With the process in place, HUD next researched and evaluated decision support tools that would assist management in successfully driving this new process.

After a thorough evaluation of tools in the market, HUD selected Expert Choice as the most robust and most flexible tool available for several reasons. Expert Choice, based on the Analytic Hierarchy Process (AHP) is as or more mathematically legitimate than competitive products and its ease of use allows HUD to train its management on the use of the tool. Expert Choice also enables HUD management to derive its priorities rather than arbitrarily assigning scores like many other tools, which adds further credibility to the process. Moreover, Expert Choice gives HUD senior management the ability to include their full team of program area managers in a transparent decision process.

HUD now uses Expert Choice with its capital planning process to select, manage and evaluate its IT portfolio in real time, while the selected IT programs are being implemented. Initially, internal management had to be sold on this process and on using Expert Choice, and the fact that many Fortune 500 companies, Federal agencies and MBA programs have successfully deployed Expert Choice for similar needs helped convince them of the value of the tool. Subsequently, the ease of use of the tool and the transparent process have further added credibility to the process. Those who tried an “end run” around the process were reminded that their senior management had set the objectives and approved the process. In addition, both OMB and GSA were supportive of the process during their audits of HUD.

[Results]

The results have been staggering: with the new methodology and Expert Choice, HUD has reduced the preparation and meeting time for the annual selection and prioritization of IT projects from months to mere weeks, saving time and management hours. Program area requests of recent IT budgets dropped from the 1999 level of over \$600 million to less than \$450 million as managers recognized that the selection criteria for IT projects are going to be fairly and stringently applied by senior management, and that the number of projects funded has dropped from 204 to 135. In the first year of implementation, HUD reallocated \$55 million of its IT budget to more effective projects that were better aligned with the agency’s objectives.

In addition to saving time, the fair and transparent process has increased buy-in at all levels of management – there are few opportunities or incentives, if any, for an “end run” around the process. HUD now requires that each Assistant Secretary for the program areas sign-off on the weighted selection criteria, and managers now know that special requests are likely fruitless if they cannot be supported by the selection criteria.

HUD is now working on measuring the performance, or business impacts of each project, such as the number of mortgages approved daily and the number of community grants funded each quarter. Once the assessment tools are in place and enough data is collected, then these performance measures will also be incorporated into the IT capital planning process to further refine the selection phase of the budget request.

HUD describes Expert Choice as the “perfect decision tool” and is continually finding more uses for the product. For example, Expert Choice was initially incorporated into the annual project selection and review, but is now used quarterly. Currently, HUD is investigating how to incorporate the use of Expert Choice into its biweekly management meetings that monitor project progress. HUD also has moved beyond using Expert Choice for determining and weighting selection criteria to have the scoring teams in each program area use it for their project judgments that instantly roll up to the overall HUD portfolio model.

In summary, HUD has developed an effective process that, supported by Expert Choice, has had a significant impact on the agency’s selection, management and evaluation of its \$400 million in IT projects. By saving HUD both significant time and money, and by selecting those IT projects that best meet HUD’s selection criteria, Expert Choice is helping the agency better achieve its mission of providing affordable housing to those in need.

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