

Using the Options framework for analysis

The Options framework provides a structured approach to identifying and filtering a broad range of options for delivering policies, strategies, programmes and projects.

Key dimensions	Description
Scale, scope and location options	<p>The 'what' in terms of the potential coverage of the programme. Potential scopes are driven by business needs, service requirements, and the scale of organisational change needed to improve service capabilities.</p> <p>Examples include coverage in terms of: business functions, levels of service, geography, population, user base, and other parts of the business. A key consideration is what is in/out of scope and the scope options (status quo, minimum scope, intermediate scope or maximum scope).</p>
Service solution options	<p>The 'how' in terms of delivering the 'preferred' scope for the programme.</p> <p>Potential service solutions are driven by available technologies, recognised best practice and what the market can deliver.</p> <p>How can services be provided? What alternative ways could the services be delivered? What alternative processes (including technology and business process engineering) could be utilised?</p>
Service delivery options	<p>The 'who' in terms of delivering the 'preferred' scope and service solution for the programme.</p> <p>Who can deliver the services? Who are the alternative service providers? In-house, outsource, alliance, strategic partnership?? Public or private provision? Or combinations of the above? Note:</p> <ul style="list-style-type: none"> • All state sector proposals requiring Cabinet approval that have whole-of-life costs in excess of \$25 million must consider non-traditional procurement options for service delivery, including public private partnership (PPP)¹. • State sector projects: <ul style="list-style-type: none"> – if there are options with structural implications for government (eg setup of a new Department/Departmental Agency) engage early with the State Services Commission: www.ssc.govt.nz/mog – Government Procurement can provide guidance and support on how to engage effectively with suppliers at early stage: www.business.govt.nz/procurement

¹ Current government policy precludes the use of new PPPs in the education and health sectors.

Key dimensions	Description
Implementation options	<p>The 'when' in terms of delivering the 'preferred' scope and service solution and service delivery arrangements for the programme.</p> <p>Potential implementation options are driven by deadlines, milestones, dependencies, economies of scale, delivery of benefits and risk management.</p> <p>The optimal option provides the critical path for delivery of the agreed projects and activities, and the basis for the programme plan. Options for implementation include piloting, modular or incremental delivery, big bang, and phasing (tranches).</p>
Funding options	<p>The funding required for delivering the 'preferred' scope and service solution, service delivery and implementation path for the programme.</p> <p>Potential funding options include public or private capital, the generation of alternative revenue streams, operating and financial leases, and mixed market arrangements.</p>

Using the options framework to identify the long list (Programme Business Case, Indicative Business Case)

1. *Convene at least one workshop* with key stakeholders; senior managers and stakeholders (business input) customers (user input) and specialists (technical input), with a trained and experienced facilitator.
2. *Confirm the investment objectives and potential scope for the programme*, as set out in the strategic case
3. *Agree the critical success factors* for the programme.
4. *Identify the potential 'scopes'* for the programme, ranging from business-as-usual (BAU) through to the 'do minimum' and 'do maximum' and intermediate options.

These options focus on the scale of potential change required. To avoid 'scope creep' they must not exceed the potential scope for the programme as defined in the strategic case; if they do, the 'case for change' needs to be revisited and updated.

The 'do minimum' scope must be a realistic option that meets the 'core' scope and essential business needs of the programme. The 'do maximum' is predicated on meeting the full scope of the programme and all needs. The intermediate options should focus on key differences in relation to the desirable and optional scopes.

Be pragmatic: Scoping options discounted for delivery in the short-term may be retained in the strategic portfolio for consideration in the longer-term.

- i. Carry out a SWOT analysis for each option – note advantages and disadvantages and how well it meets the agreed investment objectives and CSFs.

- ii. Discard options that are plainly unrealistic or uneconomic; for example, any that does not fully meet all of the investment objectives and critical success factors (document the reasons).
- iii. Carry forward possible options, including 'Do nothing' and 'Do minimum' scopes.
- iv. Identify the preferred way forward (PWF) – the 'scope' that is considered most likely to optimise value.

Scopes identified for a programme that are more ambitious than the 'do minimum' must be justified on their potential for optimising benefits in relation to costs.

Consider numbering options and colour-coding the results. For example:

Case study: for a service improvement programme where the 'scope' for change has been defined in terms of organisational coverage: the number of departments and functions that might be affected by the change.
The workshop identified and appraised the options as follows:

Programme		Do nothing	Do minimum	Intermediate option	Intermediate option	Do maximum
1	Service scope – as outlined in strategic Case	1.0 all departments	1.1 Dept A (Front Office only)	1.2 Dept A FO plus Dept B and C	1.3 Dept A FO plus Depts B,C,D	1.4 All Dept A, B, C, D, E
		Carried forward	Carried forward	Preferred way forward	Carried forward	Discount

Once the preferred way forward for potential scope has been identified:

- 5. *Identify 'potential solutions'* for improving organisational capabilities within the programme's preferred way forward for potential scope, ranging from business-as-usual (BAU) through to the 'do minimum' and 'do maximum' and intermediate options.

These options focus on the outputs, activities and potential projects required.

- 6. The 'do minimum' solution must be a realistic option that meets the 'core' requirements and essential business needs for the programme. The 'do maximum' solution must not exceed the agreed scope for the programme as defined in the strategic case (which must be revisited if it does). Limit intermediate options to those that have key differences in relation to their desirable and optional outputs and activities.

Be innovative and think in terms of what other organisations have achieved, what is likely to work, and what is available in the marketplace.

- i. Carry out a SWOT analysis for each option – note advantages and disadvantages and how well it meets the agreed investment objectives and CSFs.
- ii. Discount unrealistic options. Carry forward possible options, including 'do nothing' and 'do minimum' solutions.
- iii. Identify the preferred way forward (PWF) – the 'solution' that is considered most likely to optimise value.

Solutions identified for a programme that are more ambitious than the ‘do minimum’ must be justified on their potential for delivering additional value.

Case study: for a service improvement programme where the ‘service solution’ relates to the number of outputs and activities – potential projects – that might be required within the programme.
The workshop identified and appraised the options as follows:

Programme		Do nothing	Do minimum	Intermediate option	Intermediate option	Do maximum
2	Service solution – in relation to the preferred scope (option 1.2 above)	2.0 Current services	2.1 Core: QMS + training	2.2 Core & desirable plus: New IT	2.3 Core & desirable plus: Refurbished office	2.4 Core & desirable plus: New offices
		Carried forward	Carried forward	Carried forward	Preferred way forward	Discount

Once the preferred way forward for potential service solution has been identified:

7. *Identify potential options for ‘service delivery’* of the programme’s preferred way forward in relation to potential scope and service solution.

These options focus on the delivery of the outputs, activities and potential projects required.

In this instance the ‘do minimum’, intermediate and ‘do maximum’ choices relate to the varying levels and degrees of ‘ambition’ for service delivery, so a ‘do maximum’ is not necessarily required.

Be innovative and challenge whether the organisation is currently sourcing and delivering the services it provides in the most efficient and cost-effective way.

- i. Carry out a SWOT analysis for each option – note advantages and disadvantages and how well it meets the agreed investment objectives and CSFs.
- ii. Discount unrealistic options. Carry forward possible options, including ‘do nothing’ and ‘do minimum’ service options.
- iii. Identify the preferred way forward (PWF) – the method of ‘service delivery’ that is likely to provide the optimal outcome in terms of programme and operational delivery.

Case study: for a service improvement programme where ‘service delivery’ relates to how the required outputs and activities or potential projects might be provided within the programme.
The workshop identified and appraised the options as follows:

Programme		Do nothing	Do minimum	Intermediate option	Intermediate option	More ambitious
3	Service Delivery – in relation to the preferred scope and solution (options 1.2 and 2.3 above)	3.0 Current arrangements	3.1 In-house	3.2 Outsource	3.3 Mix in-house and outsource	3.4 Strategic partner
		Carried forward	Carried forward	Discount	Preferred way forward	Discount

Once the preferred way forward for potential service delivery has been identified:

8. *Identify potential options for 'implementation' of the programme's preferred scope, service solution and method of service delivery.*

These options focus on the sizing, sequencing and phasing of the potential outputs, activities and projects required.

The mix of projects

As part of this action, identify the projects that best achieve the investment objectives and service requirements, yet lie within the boundaries of the scope parameters and critical success factors identified for the programme.

The following criteria may also be helpful in determining and recommending the mix of projects within a programme:

- *Proximity to delivery: Projects close to completion (particularly where there is a high degree of confidence in the achievement of investment objectives) could be allowed to continue and included within the programme, in order to deliver quick wins*
- *Dependencies: Projects which are dependent on particular programme outcomes may be grouped together.*
- *Achievement of investment objectives: Projects likely to contribute significantly to the programme investment objectives should be included within the programme.*

Organising into tranches

The preferred programme option includes identification of the programme's tranches.

Typically, programmes are planned as a series of sequential tranches which meet elements of the business needs at defined points in the future. Completion of each tranche is also an opportunity to review the Programme Business Case as a basis for seeking confirmation to continue to invest in the mix of projects and activities within the programme; consider completion of each tranche as a potential off-ramp.

The recommended programme tranches show intermediate future states and outline which of the programme outcomes will be realised at the end of each tranche.

- *Develop a programme roadmap that identifies the programme tranches and each tranche's contributions to investment objectives, costs and benefits at the end of each tranche.*
- *There is no need to identify all projects and activities across all tranches. For the first tranche, projects should be identified in some detail, because the Programme Business Case is seeking approval to commence business case development for these projects.*

In this instance the 'do minimum', intermediate, and 'do maximum' relate to the varying levels and degrees of 'ambition' for implementation, so a 'do maximum' does not necessarily apply.

- Create tranches that provide synergies, holistic fit and sufficient critical mass for delivering economies of scale, and **size** accordingly
- Focus on the critical path for delivering the required outputs and activities and **sequence** accordingly

- Design and build projects that optimise benefits delivery while managing the risks and **phase** accordingly
- Consider the requirement for off-ramps.
 - Carry out a SWOT analysis for each option – note advantages and disadvantages and how well it meets the agreed investment objectives and CSFs.
 - Discount unrealistic options for implementation. Carry forward possible options, including ‘do nothing’ and ‘do minimum’ service options.
 - Identify the preferred way forward (PWF) – the approach to the sizing, sequencing and phasing of potential projects that is most likely to deliver successful outputs and outcomes.

Case study: for a service improvement programme where ‘implementation’ options relate to how the required outputs and activities might be delivered over time.
The workshop identified and appraised the options as follows:

Programme	Do nothing	Do minimum	Intermediate option	Intermediate option	Do maximum
4 Implementation – in relation to the preferred scope and solution and method of service delivery (options 1.2, 2.3, 3.3 above)	4.0	4.1 Tranche 1 Project A: QMS & training Project B: refurbished offices & new IT Tranche 2 Project C: New services 1&2 Project D: New services 3&4	4.2 Tranche 1 Project A: refurbished offices & new IT Project B: QMS & training Tranche 2 Project C: New services 2&4 Project D: New services 1&3	4.3 Single tranche Project A: QMS & training Project B: refurbished offices & new IT Project C: New services 1,2,3 & 4	N/A
		Phased 3 years	Phased 2 years	Big bang 1 year	
	N/A	Carried forward	Preferred way forward	Discount	

Once the preferred way forward for implementation has been identified:

9. *Identify possible ‘funding options’* for resourcing of the programme’s preferred scope, service solution, method of service delivery and implementation.

These options focus on the range of different ways in which the programme’s projects and activities could be funded, including both traditional and innovative sources of finance.

In this instance the ‘do minimum’, intermediate, and ‘do maximum’ relate to the varying levels and degrees of ‘ambition’ for funding the service, so a ‘do maximum’ does not necessarily apply.

- Carry out a SWOT analysis for each option – note advantages and disadvantages and how well it meets the agreed investment objectives and CSFs.

- ii. Discount unrealistic options for implementation. Carry forward possible options, including 'do nothing' and 'do minimum' service options.
- iii. Identify the preferred way forward (PWF) – the funding option that is most likely to meet the requirements of the programme, to optimise value for money and be affordable.

Case study: for a service improvement programme where potential projects and activities could be funded in their design, build and operational phases through a number of sources.
The workshop identified and appraised the options as follows:

Programme		'do nothing'	Do minimum	Intermediate option	Intermediate option	Do maximum
5	Funding – in relation to the preferred scope, solution, method of service delivery and implementation (options 1.2, 2.3, 3.3, 4.2 above)	5.0	5.1 Public funding	5.2 Private finance	3.3 Mixed public & private	
		N/A	Carried forward	Discount	Preferred way forward	

A wide range of possible solutions should be considered under each of the five dimensions. There is no set limit on the number of composite options that may be generated – but to avoid undue analysis effort, impractical options can be discarded as part of the workshop process (take a note of the reasoning).

The options framework is a useful tool; even in this very simplified case study, over 20 main options have been considered – for scope, solution, service delivery, implementation and funding – and indirectly over a thousand possible combinations of different options.

The individual tables can be merged to form a single page summary of the options that have been *considered* – a useful format for senior management.

An example is shown on the next page. This one is for a project, but the same principles apply

Annex: Worked Example of a Long-list Options Assessment (project)

Reference to	Scoping Options				Service Solution Options				Service Delivery Options				Implementation Options			
	SCO1	SCO2	SCO3	SCO4	SOL1	SOL2	SOL3	SOL4	SDO1	SDO2	SDO3	SDO4	IMP1	IMP2	IMP3	IMP4
Description of option	<i>Do Nothing</i>	<i>Minimum</i>	<i>Intermediate</i>	<i>Maximum</i>	<i>Discrete</i>	<i>Integrated Regionally</i>	<i>Integrated Nationally</i>	<i>Regional and National Network</i>	<i>In house</i>	<i>Partially managed (led by [MINISTRY])</i>	<i>Partially managed (led by commercial supplier)</i>	<i>Fully outsourced to commercial suppliers</i>	<i>Phased nationally by discipline</i>	<i>System phased by site</i>	<i>System phased by region</i>	<i>National implementation</i>
Investment Objectives																
Full supported network MIMS available for implementation by X	No	No	Yes	Yes	No	Partial	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Support improved clinical data and management information flows	No	No	Yes	Yes	No	Partial	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Improve the functionality and flexibility of the Pathology IT system to meet current and future needs	No	Partial	Yes	Yes	No	Partial	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Critical Success Factors																
Business Need	No	No	Yes	Yes	No	Partial	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Strategic Fit	No	No	Yes	Yes	No	Partial	Yes	Yes	Yes	Yes	Yes	Partial	Yes	Yes	Yes	Yes
Benefits Optimisation	No	No	Yes	Yes	No	Partial	Yes	Yes	Yes	Partial	Yes	Partial	Yes	Yes	Yes	Yes
Potential Achievability	Partial	Yes	Yes	Partial	Partial	Yes	Yes	No	Partial	Partial	Yes	Partial	No	Yes	No	No
Supply-side capability and capability	Partial	Yes	Yes	Partial	Yes	Yes	Yes	Partial	Partial	Partial	Yes	Partial	Yes	Yes	Yes	Yes
Potential Affordability	No	No	Yes	Partial	Partial	Yes	Yes	No	No	Yes	Yes	No	Yes	Yes	Yes	Yes
Summary	Continued for VFM	Discounted	Preferred	Possible	Discounted	Possible	Preferred	Discounted	Discounted	Possible	Preferred	Discounted	Discounted	Preferred	Discounted	Discounted
Options progressed to the shortlist <i>As the CSFs are crucial (not desirable) any options that had a CSF scoring a "No" are discounted</i>																
Option Title																
Option 0 Do Nothing	SCO1 Do Nothing															
Option 1 Intermediate Scope - Regional	SCO3 Intermediate				SOL2 Integrated Regionally				SDO3 Partially managed (led by commercial supplier)*				IMP2 Phased by site			
Option 2 Intermediate Scope - National	SCO3 Intermediate				SOL3 Integrated Nationally				SDO3 Partially managed (led by commercial supplier)*				IMP2 Phased by site			
Option 3 Maximum Scope - Regional Integration	SCO4 Maximum				SOL2 Integrated Regionally				SDO3 Partially managed (led by commercial supplier)*				IMP2 Phased by site			
Option 4 Maximum Scope - National Integration	SCO4 Maximum				SOL3 Integrated Nationally				SDO3 Partially managed (led by commercial supplier)*				IMP2 Phased by site			
	<p>* A capability analysis of the [MINISTRY] will be conducted to see if SDO4 Partially managed (led by [MINISTRY]) is a possibility. Based on present incomplete information this does not appear to be a viable option.</p>															