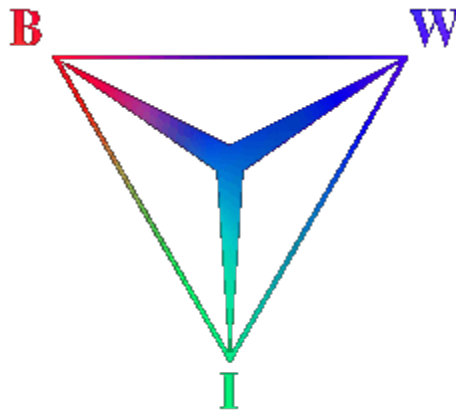


# IT Portfolio Management

The Clinger-Cohen Act and its impact on The Netherlands  
Public Document



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Master Thesis

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## Foreword

In the scope of the study Business Mathematics and Informatics of the division of Mathematics and Computer Science of the faculty of Exact Sciences at the Vrije Universiteit Amsterdam, an internship at a company is obligatory. During this internship theoretical knowledge is used in practice. The study involves three separately expertises: Business administration, Mathematics and Computer science. Special attention is given to the integration of the different disciplines.

### *Problem definition*

Chances are that in the (near) future, just as in the USA, the Dutch government decision makers will be obliged by law to adopt a portfolio approach to IT-investments. This portfolio approach is one of the major aspects of the Clinger-Cohen Act (CCA) - an act which the US Congress passed in 1996 and is expected to cross the ocean to Europe and especially The Netherlands. There are few guidelines that can be applied to give the approach a more concrete form.

The central theme of this research is:

*What will the impact of the Clinger-Cohen Act be on The Netherlands if this bill is to be implemented in Europe?*

### *Placement Company*

I was seconded to the division Social Security (SOZ) within PinkRoccade which forms a major part of the division Public Sector of the concern. This division focuses on clients in the public domain.

### *Acknowledgments*

First of all I would like to thank Scipio Maas, my direct coach at PinkRoccade, for his help and guidance. During the many meetings he was always willing to assist with evaluating and implementing solutions to the problems that were encountered during my tenure. Also I would like to thank my indirect coach at PinkRoccade, Thiel Chang, for all his time and knowledge he shared with me. I would like to thank the colleagues, with whom I worked. Thank you for making my internship a highly memorable period.

Special thanks go to Bert Kersten for all his time, knowledge and guidance as my first/direct guide from the Vrije Universiteit. I can't forget to mention Guszti Eiben, my second guide at the VU.

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R.F. Braams

Amsterdam, November 2004.

## Executive Summary

*[\*\*\*Classified\*\*\*]*

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## Introduction

*\*\*\*Please note that this is a reduced version of a confidential report. For more information, please contact [s.maas@pinkroccade.com](mailto:s.maas@pinkroccade.com) or [hkersten@few.vu.nl](mailto:hkersten@few.vu.nl).\*\*\**

### ***Problem definition***

*[\*\*\*Classified\*\*\*]*

### ***Objectives***

*[\*\*\*Classified\*\*\*]*

### ***Structure of this report***

This thesis consists of two parts.

Part 1 consists of three chapters and offers a theoretical foundation. In here, the results obtained from the literature study are presented. Chapter 1 gives some relevant information about key players in this thesis concerning the CCA: the United States of America (USA), Europe, the Dutch government, the UWV and PinkRoccade. In the 2<sup>nd</sup> chapter the Clinger-Cohen Act is the primary focus and in Chapter 3 one can read about the IT portfolio approach - one of the most important aspects of the Clinger-Cohen Act.

Part 2 contains three chapters in which the Dutch government, the UWV and PinkRoccade Public Sector are screened regarding to what extent they fit the requirements of the CCA.

The last chapter, Chapter 7, gives an overall summary of the results of the entire research and answer to the central theme.

# Part I: Literature study



## Chapter 1. Business Environment

### 1.1 Introduction

There is a huge cry for insight in governmental IT expenditure, leading to such an act as the Clinger-Cohen Act (CCA). As the figure below (figure 1) shows, global spending on information and communication technology (IT) has grown from US \$1.3 trillion in 1993 to US \$2.4 trillion in 2001.

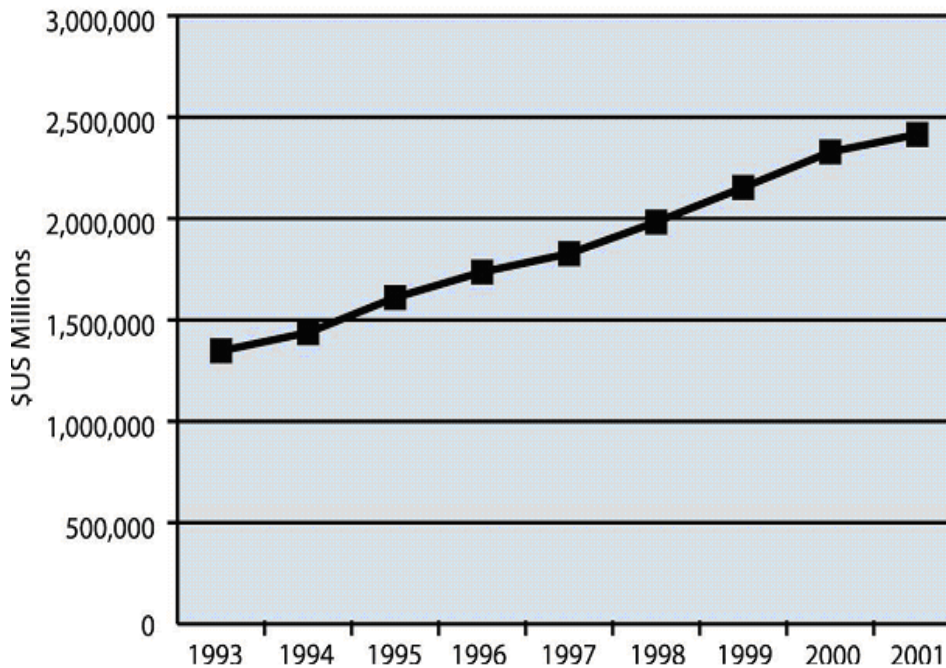


Figure 1: Global ICT Growth 1993-2001 (in millions of US dollars), © WITSA (2002)<sup>[38]</sup>

The next paragraphs give some relevant information about key players the CCA (probably) has an impact on.

## 1.2 The United States of America (USA)

The benchmark study of WITSA<sup>[35]</sup> reveals that USA tops the chart for IT spending. The study found that the United States remains the leader in overall IT spending<sup>1</sup> as the following figure (figure 2) will show.

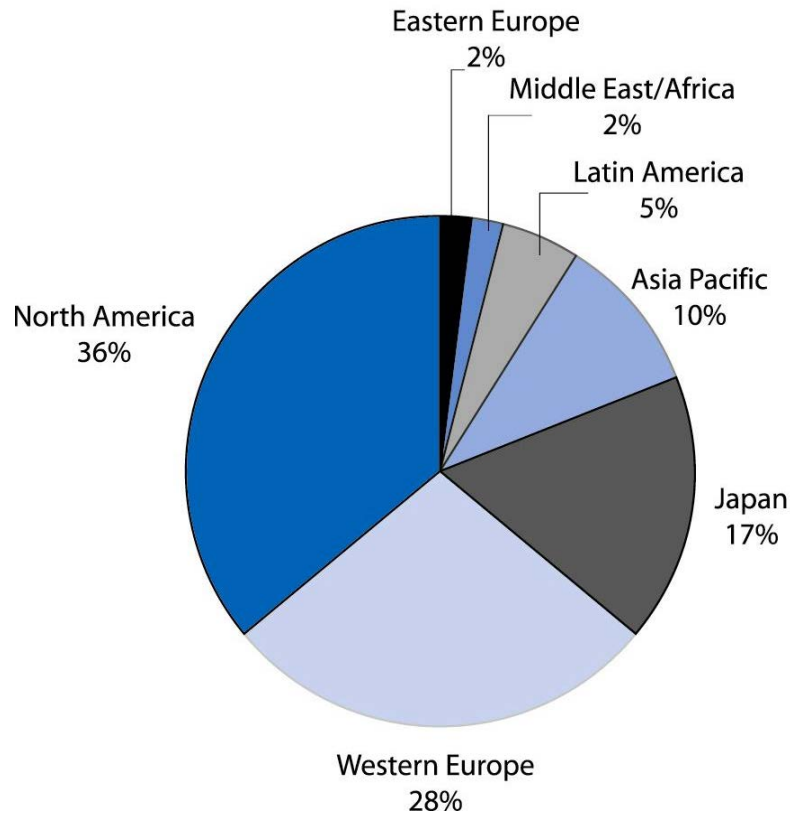


Figure 2. Regional Percent of World ICT Market, © WITSA (2002)<sup>[35]</sup>

The US federal government spending on information systems and services, according to a report by Input Inc.<sup>2</sup>, will increase 11 per cent annually to \$63.3 billion by 2007 from a base of \$37.1 billion in 2002<sup>[20]</sup>. Five agencies will account for nearly 70 per cent of the total federal spending on information systems and services by 2007 - the Department of Defence, the Department of the Treasury, the Department of Transportation, the Department of Justice and NASA. Homeland security and e-government sectors are currently the highest IT priorities for federal agencies.

<sup>1</sup> with \$812.6 billion in 2001. USA's current IT spending is 5% of its GDP. As an indicator of the prevalence of IT in an economy; in the USA the PC penetration is 600 per 1000 people.

<sup>2</sup> Input Inc. is a marketing company specializing in technology and government. See also <http://www.input.com>

The US government is more focused on results than at any other time. In 2001, the President established a management agenda to deliver greater results to the American public and place greater accountability on Federal executive departments and agencies. A key element of the president's management agenda is the use of information technology (IT) to achieve greater results and efficiencies.

Because of the fact that the CCA was born in the USA, Chapter 2 will discuss some lessons learned in the USA while implementing the CCA.

### 1.3 Europe

The research group Gartner<sup>[12]</sup> has calculated that the European Public Sector will spend near US \$58 billion on IT in 2004. Almost half hereof, US \$23 billion, will be spent on IT-services. This year almost US \$98 million will be spent on Open Source services in Western-Europe. It is forecasted that in about four years this amount will be close to US \$228 million.

In order to modernise the government services, the EU has formulated ambitious goals in what is called the Lisbon strategy, in 2000. This strategy has been translated into the so-called "*actionplan eEurope 2005: an information society for everyone*". The Lisbon strategy states that

*"Europe should become the most competitive and dynamic knowledge economy in the world in which vast economical growth leads to more and better jobs and a solid social cohesion."*  
[5]

The focus of this report is on The Netherlands.

### 1.4 The Dutch Government

The Dutch government includes more than 1600 organizations and consists of three tiers:

1. the Central Government (the 13 Ministries),
2. the 12 Provinces and
3. the 483 Local Governments

The ZBOs (independent organizations) such as the regional police, the Chamber of Commerce and the social security institution UWV are also part of government.

The focus of this report is on the first layer (the central government) and the UWV. It is estimated that the total IT expenditures of the Dutch government will be about €2,267 billion<sup>[22]</sup> in 2004. This is an increase of near 7% in comparison to the year 2003. Near 38% of the government IT budget will be spent on external IT services (Professional Services).

Professional Services consists of 4 types of services<sup>[28]</sup>:

1. Consulting Services
2. Development & Integration (D&I)
3. IT Management
4. Process Management

*Consulting Services* are advisory services to help companies analyse and improve the efficiency of business operations and technology strategies.

*Development and Integration Services* customize or develop IT solutions, assets, and processes and then integrate these solutions, assets, and processes with existing infrastructure and processes.

*IT Management Services* provide day to day management and operation of IT assets and processes. As such, they represent the core value components of IT outsourcing. IT management services include three sub segments: operational services, applications IT management services, and help desk IT management services.

- *Operational Services* transfer all or part of the day-to-day system management responsibility for a customer's IT infrastructure (host/data centre, client/desktop, or connectivity/ network), and in some cases the transfer of ownership of the technology or personnel assets to an outside vendor. Also included is the management of technology assets.
- *Applications Management Services* includes providing a wide variety of applications services, processes and methodologies for maintaining, enhancing and managing custom applications, packaged software applications or network-delivered applications.
- *Help desk IT management services* includes services that handle a company's operational problems and internal queries about IT related issues (hardware and software support, dispatch of service technicians or parts, etc.)

*Process Management Services* represents the core element of a Business Process Outsourcing (BPO) service, namely the transaction processing.

The figure below (figure 3) displays the government's Professional Services investments for the period 2002-2003. As the figure shows, within the government the services D&I and IT Management showed the fastest growth the last two years. They are also the biggest services considering their volume. The two other services show a rather small increase and are also small in volume. As we can clearly see the government IT spending stayed quite the same.

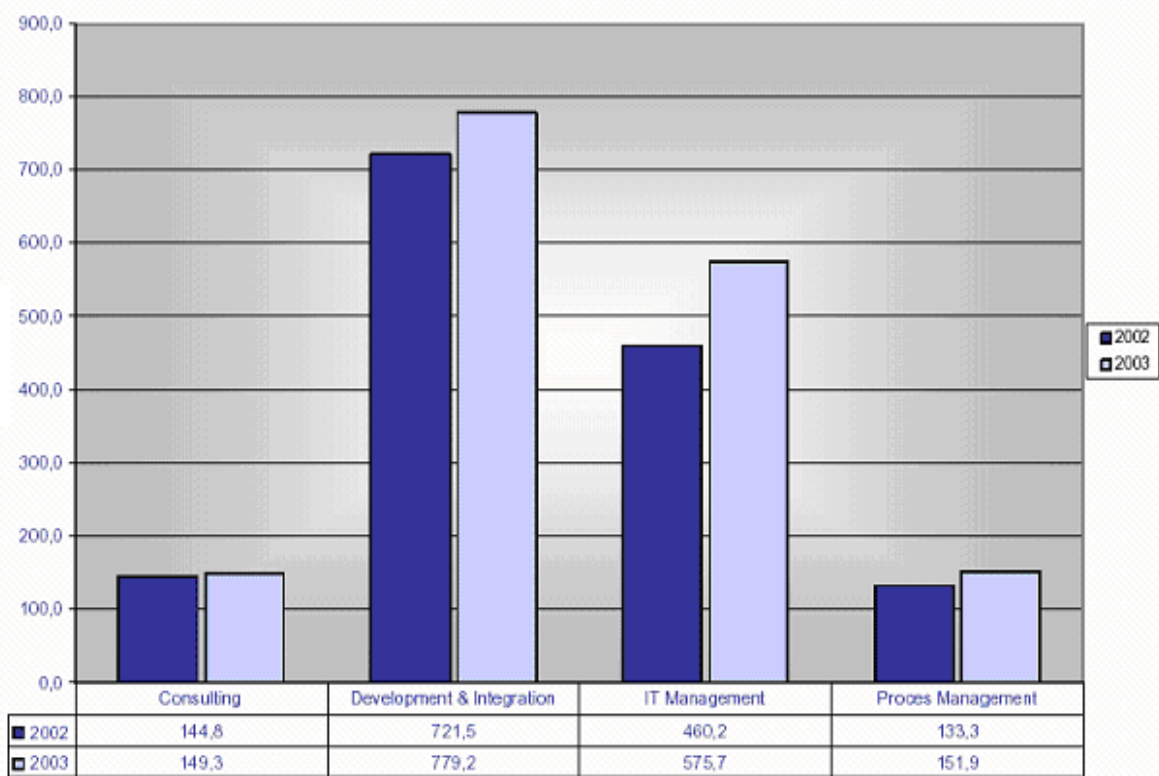


Figure 3: Government spending on Professional Services 2002-2003 (in millions of euros), © Gartner (2004)<sup>[13]</sup>

The figure below (figure 4) displays the estimated governmental expenditure on Professional Services for the period 2003-2007. As the figure shows, we can expect a growth in all the four types of services in the coming years.

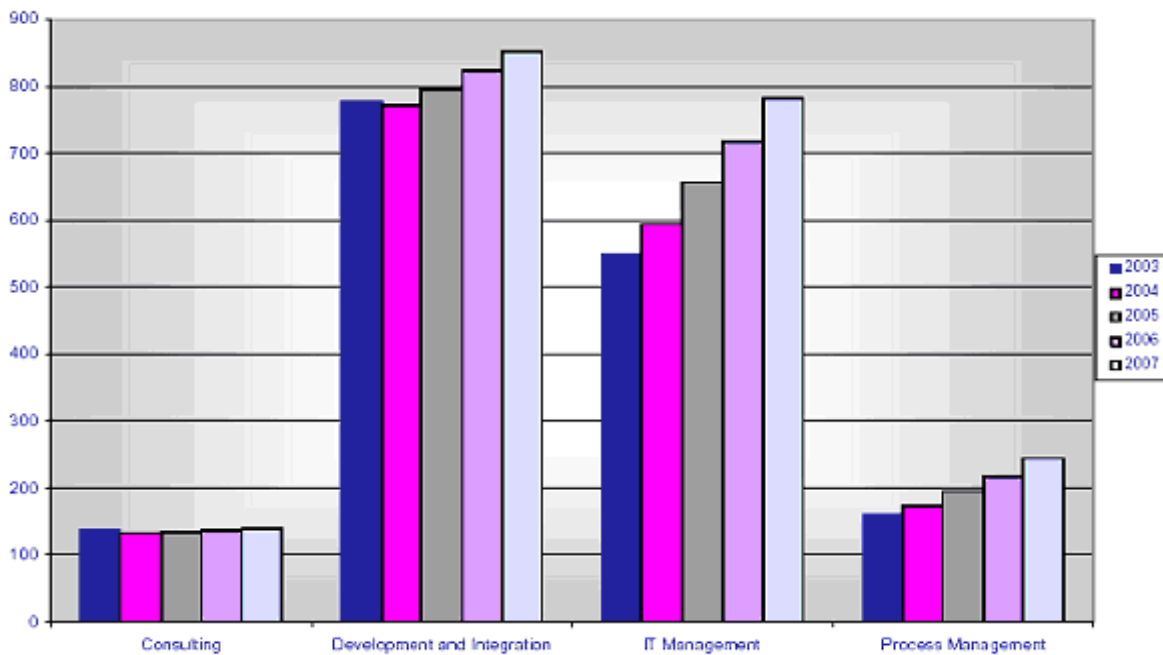


Figure 4: Estimated governmental expenditure on Professional Services 2003-2007 (in millions of euros), © Gartner (2003)<sup>[11]</sup>

In 2004 a majority of the Second Chamber of the government set a concrete deadline for organising the IT infrastructure at all levels of the Dutch government more efficiently by the end of 2006. The government is becoming more and more a 'smart buyer': it looks like the primary driver is 'do more with less'.

In Chapter 4 more about the Dutch government and its IT investments will be discussed. In that chapter the focus is on the possible impact of the CCA on the Dutch government.

## 1.4 The Dutch Social Security Institution (UWV)

Since January 2002, the former social security institutions Guo, Gak, Cadans, Uszo and Bouwnijverheid, and former employer Lisv form the UWV. UWV (an independent organization) and sister company CWI (Centre for Work and Income) came into being as a result of the recent reorganisation of the social security organs.

UWV is responsible for the social security process for employers and employees. They pay the benefits for those who are entitled to allowances (well over 1.2 million persons). They also support disabled people in finding a job and training. UWV collects premium from circa 400.000 employers. In 2002 this was over €20 billion.

Dutch law and regulations as well as politics have a great influence on the UWV: its tasks (reintegration- and insurance execution) are regulated by law and The Ministry of Social Affairs and Employment (SZW) has a 'watch dog' role. With approval of the Prime Minister UWV can also execute other tasks than the tasks described above. So, if the government is obliged to implement a bill such as CCA, odds are that this will have an impact on the UWV.

As we recently could read in de Telegraaf<sup>3</sup>, the UWV was severely under attack. UWV was accused of wasting millions on IT projects:

*"The past couple of years the social security giant, the UWV, wasted a couple of hundreds of millions on chanceless or failed automating projects."*<sup>[31]</sup>

The UWV doesn't agree with the way it is portrayed, but admits that, as the pro tempore chairman of the UWV puts it;

*"We should have a more effective communication and transparency regarding IT investments in the organization."*<sup>[30]</sup>

The division of PinkRoccade were I was seconded, SOZ (social security), generates approximately one third of the net revenues of the PinkRoccade concern. The main client of SOZ is the Dutch social security institution, the so-called UWV. So, if the CCA has an impact on the UWV, it stands to reason that it will also have an impact on PinkRoccade, at least the division SOZ.

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<sup>3</sup> De Telegraaf (the Telegraph) is a Dutch daily newspaper

## 1.5 PinkRoccade

The mission statement of PinkRoccade is as follows:

*“PinkRoccade wishes to be an innovative IT service provider which, based on a solid knowledge of client processes and a wide array of competencies, makes a genuine contribution to the creation of our client’s business value.”<sup>[27]</sup>*

Many of the processes PinkRoccade helps support using IT have an impact on our everyday social and economic life. Next to generic solutions it has a *decentralised approach*: it has organised its service on the basis of market segments such as Energy and Utilities, Healthcare, Central government, Social Security and more. As an IT service provider, PinkRoccade focuses on service, management and exploitation.

*[\*\*\*Classified\*\*\*]*

**\*\*\* Please note that the Chapters 2-7 are classified \*\*\***



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