

Investment Logic Mapping (ILM) for a Project – New Zealand

Background

ILM (known as Investment Management within Australia) was developed by the State Government of Victoria, Department of Treasury and Finance (DTF) in 2003, to screen budget bids and strengthen thinking and decision-making around prioritisation and resource allocation within agencies and across government. It was formally introduced to New Zealand by the State Services Commission (SSC) in July 2008, following successful pilots by the Ministry of Health. It is being used increasingly by New Zealand Government agencies and is included in the New Zealand Treasury's guidelines for Public Sector business cases. Although its origins are in the public sector it has proved an equally valuable technique when used in the private sector.

For more information about the NZ Treasury Better Business Case™ standard:

[Better Business Cases™ \(BBC\) \(treasury.govt.nz\)](https://www.treasury.govt.nz/better-business-cases)

For more information on the Investment Management Standard, see the Victoria DTF website:

www.dtf.vic.gov.au/infrastructure-investment/investment-management-standard

Overview

Investment Logic Mapping (ILM) is a technique to ensure that intelligent discussion and thinking is done up-front, before solutions are identified and before any investment decision is made. It is a technique to ensure the 'story' about any proposed investment makes sense (the 'logic' part of ILM) and to test and confirm that the rationale for a proposed investment is evidence-based and sufficiently compelling to convince decision makers to commit to invest in further investigation and planning.

The main 'artefacts' from Investment Logic Mapping are the Investment Logic Map and the Benefit Management Plan.

The **Investment Logic Map** is a simple single-page flowchart that tells the story of an investment and exposes its underpinning logic. It is in plain English and has been designed to answer many of the key questions required to make an investment decision. The ILM is modified to reflect any changes to the logic of an investment throughout its lifecycle. An example ILM is attached.

The **Benefit Management Plan** specifies the benefits an investment will be required to deliver, and the evidence that will be required to prove the benefits have been delivered. This information is captured in the form of a Benefit Management Plan (BMP). A BMP is made up of a benefit map and a statement of reporting and responsibilities.

ILM can help business case developers and Senior Responsible Owners (SROs) define and validate the business need and the benefits the solution is expected to deliver.

1. Problem Workshop

The problem definition workshop aims to identify the problems that need to be addressed. This is a departure from the way many projects are identified, as they are often solution-driven (such as a new financial management system, or a new building) and are proposed without the analysis of what the underlying problems are, and if the particular solution will address them.

The workshop can be quite challenging, as participants clarify their understanding of what the underlying problems are. This is essential to get a shared understanding before moving forward. After the workshop the draft ILM is produced.

There are three possible outcomes from this workshop:

- The investment logic depicted will indicate a strong case to proceed further with the consideration of the investment.
- The investment logic depicted will indicate that the case to proceed further is weak.
- No coherent investment logic was able to be produced.

2. Benefits Workshop

If the decision is made to proceed, the second workshop is held to identify the benefits and key performance indicators (KPIs), measures and targets appropriate to them. The benefits identify the value the investment will return to the organisation. This is an important aspect of the ILM 'storytelling' as this will be what convinces decision makers that the investment should be made. This information can become an input to cost/benefit analysis, benefits realisation management, and alignment to organisational outcomes.

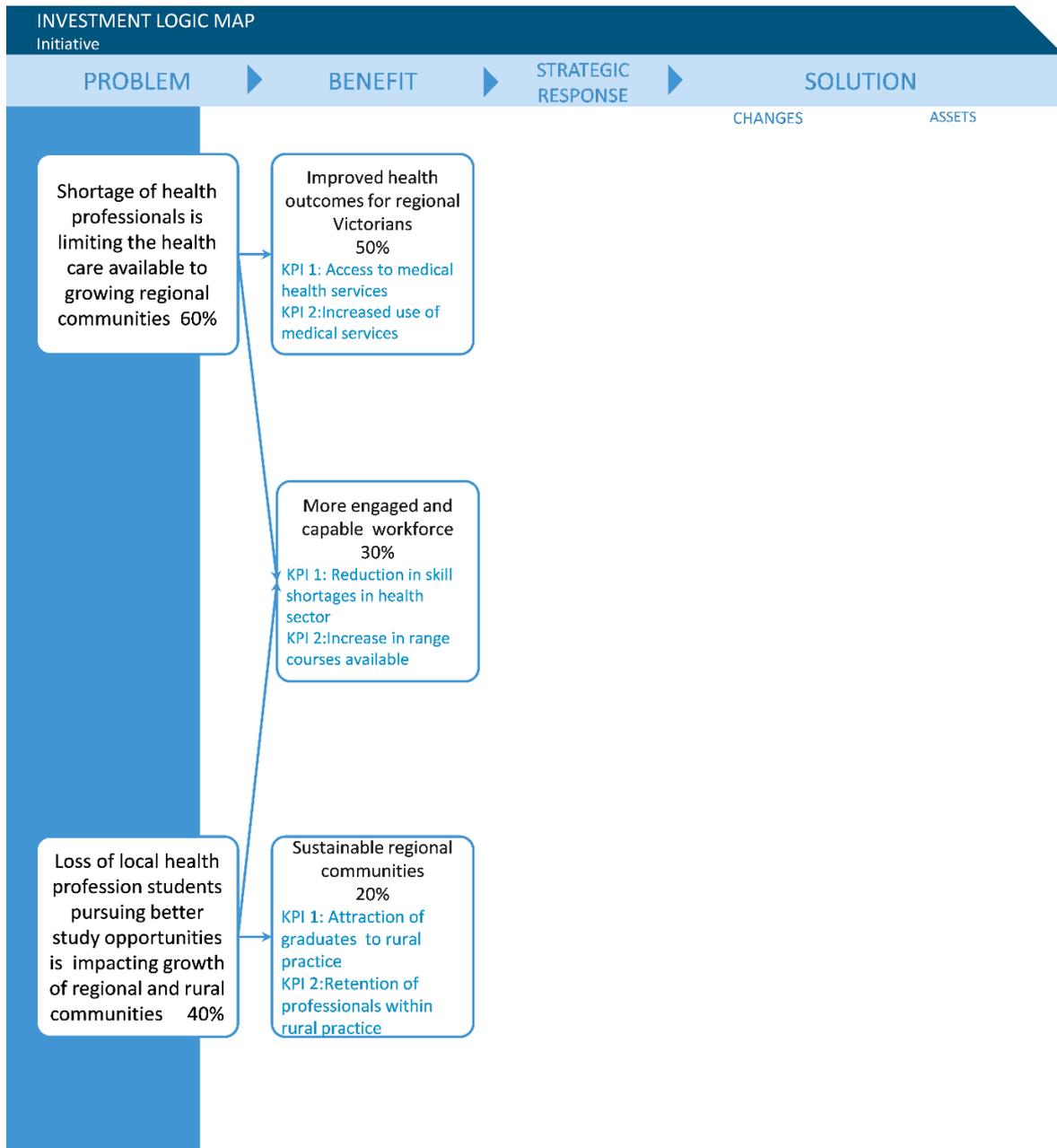
This workshop may have some different participants (the Investor should participate in both workshops). Much of the focus is on identifying meaningful, measurable and attributable KPIs and measures, responsibilities and timing for their measurement. These become indicators of the success of the investment if it is pursued. After the workshop the Benefit Management Plan is produced. This is a short document that defines the pre-requisites for the delivery of each expected Benefit, how the delivery of each Benefit will be measured, and who will be responsible for measuring and realising each Benefit.

EXAMPLE INVESTMENT LOGIC MAP

DEPARTMENT OF HEALTH (Fictional) – Adapted for BBC

Improving access to health services in rural Victoria

Health workforce enhancement program



Investor: <firstname surname>
Facilitator: <firstname surname>
Accredited Facilitator: Yes / No

Version no: <e.g. 0.1, 1.0 etc>
Initial Workshop: <dd/mm/yyyy>
Last modified by: <firstname surname dd/mm/yyyy >
Template version: 5.0

Source: Department of Treasury and Finance, Victoria