Chapter 3

Meeting CFO Needs with Project/Server 2010

In This Chapter

This chapter helps any individual who is involved with work management understand the importance and capabilities of Project Server in tying financial and economic metrics to the needs of the chief financial officer (CFO) and other financial stakeholders.

We explore the capabilities of Project Server, its newer features, and its ability to connect to other systems. We look at how this results not only in higher success for projects but also in better visibility and forecasting for the projects/programs to their original planned return on investment (ROI).

What You Will Learn

* How to address CFO and organizational financial reporting needs with Project Server
* How a project management office (PMO) can assist in delivering project cost accounting and forecasts
* How to ensure good financial buy-in for decreased risk to a project
* The benefits of tying project reporting to measured ROI and outcomes
* How work management can be critical to organizational success
* How to enable strategic planning to bottom-up reporting and actuals

How the CFO Gets the Attention of the PMO

Attention, CFOs: Imagine being able to increase the health of your portfolio by leveraging portfolio management. There are many factors to consider and put into play, but having the proper type of technology is critical. Running a company with fiscal prudency requires adhesion to compliances, processes, and discipline to protecting the profitability.

A project/program management office (PMO; sometimes called a project controls or project standards office) can play a key role in validating, collecting, and reporting uniform financial and work forecast metrics that are vital to a CFO’s ability to review trends and look at future work, cost, and resource information related to capital and expense projects or programs.

Financial environments are now, more than ever extending to project management systems and include the tracking of spending [AU: clarify]and associating multiple channels of revenue and capital gains against projects. Decisions are made and initiatives are supported that are aligned with either strategic objectives or legal requirements. Some of the supported initiatives are the costs of doing business; others are needed for the future health of the company. From a financial manager’s perspective, not all projects in flight make sense for the bottom line: Some are needed for business growth, some for market expansion, and in many cases some are needed to keep the lights on. For example: A project that retools a production line or updates products for the emerging mobile phone or apps market is just about immediate financial gratification.

The CFO and those responsible for managing the corporate bottom line and strategic financial plans typically manage portfolios (diversified centers of monetization). Financial portfolio managers or fund managers are experts in specific investment areas and strategies. Participants with capital “invest” in each manager with the expectation that they will gain an ROI. For the individual investor, these investment vehicles include such things as mutual funds, stocks, and others.

In the investment world, portfolio/fund managers are held accountable for ROI, performance of their strategies and decisions over time, and other fiscal metrics. In order for financial investment managers (fund or portfolio managers) to be successful, they need high-performing technology specifically tailored to their environment. The technology needs to be current, enable communication via multiple mediums, and have business users’ tools for executing business intelligence (BI), analysis, and modeling and for allowing access to real-time data.

So let’s go one step further and add corporate portfolio/fund manager to the CFO’s list of titles/responsibilities.

Now the CFO is responsible for monitoring the health and performance of each of the investment centers (e.g., departments/divisions, channels, programs, etc.) He or she needs technology and processes that are suited not only for financial management but also for business and work management, including dynamic communication capabilities, tracking, forecasting, and modeling to determine trends, changes, and opportunities.

In order for CFOs to realize effective management of the company from a portfolio perspective, they need to have technologies and processes that capture all business data and information paths and that work against common constraints (i.e., budget, resources, and time) across the entire enterprise. This chapter highlights the benefits, proposed actions, and gaps that a CFO should consider for strategic fiscal planning.

In today’s world, the relationship between the financial organization and the PMO is more important than ever. With Project, organizations are responsible for the implementation of projects that support organizational strategy and in many cases help to quantify, define, and track the strategic value proposition of proposed projects. It is increasingly more important to associate these value propositions with the financial and values that a CFO will need to evaluate.

What the PMO Is Expected to Deliver to the Bottom Line

Every executive, manager, and project manager knows that financial management is an important—and sometimes critical—element of their job. Executives are held responsible for the overall profitability of the business, middle managers are concerned about department budgets and meeting revenue targets, and project managers are accountable for making sure that their projects are accomplishing their objectives within a set of financial constraints. Successful business execution is dependent on having timely and accurate financial information available for all of these roles.

There is an important link between profitability, project costs, and assets, as managed by the PMO, and the reporting and financial summary that CFOs are looking for. Far too often, important financial information is distributed via spreadsheets with little thought about presentation. The data may be inaccurate or incomplete. Without a clear, proper presentation of that data, it is difficult to determine its validity. Even complete, accurate data sets can appear questionable when poorly presented. Unclear data presentations are thus unsuitable for good, informed decision making.

Additionally, financial data must be timely. It cannot be so old that decisions are no longer actionable or so new that decisions are based on incomplete or inaccurate data.

While a full discussion of financial management is too broad to cover here, we can look at financial management from a project portfolio management (PPM) perspective. In other words, from a project or portfolio perspective, what does a high-level executive expect to see from the PMO for actionable decision making?

As mentioned, we cannot ignore the tight relationship that exists between the PMO and the financial organization, since the good or bad financial performance of the strategy implementation has a direct impact on the finances of the organization.

The PMO and those responsible for the area of finance must work together as a team to effectively manage the organization's financial performance. The technology that is available today lets users monitor financial performance information practically in real time during strategy execution. This real-time information enables the project area and the finance area to make much better decisions about the path to be taken by the organization, based on the financial impacts.

Managing Financials: Start with the Project Business Case

In the context of either an individual project or a portfolio of projects, any discussion of financial information needs to start with the business case. From the CFO’s perspective, what is a business case? The business case, or purpose behind the decision, contains the “what,” the “why,” and the “how much” compared to the dual constraints of budget (amount of capital available) and resources (amount of work capacity available). The business case should detail the expected benefits or returns over a period of time as well as the expected timing or roll-out and the cost/effort investment required.

Organizations can leverage the business case approach to determine justification, prioritization, and relevancy of projects against the constraint of both delivery and strategic alignment with future organizational goals and direction. This relationship gives executive stakeholders the ability to measure the project’s financial performance.

Creating a business case for a project may require content and focus as well detailed solution outcomes that will differ across the corporate landscape based on needs of the different corporate stakeholders. The business case should include relevance to vertical industries, department needs, product lines impacted or supported, drawing upon the resources of different functional disciplines of the business group, departments and divisions and the overall resources capabilities to deliver. Essentially tying the business case to strategic drivers needs to not only look at the corporate goals, but also now takes into account the ability of any part of the organization tasked with that delivery, whether they have the capacity, skills to deliver. [AU: Not sure edits preserve meaning, and not sure of the meaning of “resources cpabilities to deliver”. Deliver what? Or is “resources” intended to be possessive (“resources’”). The latter makes it grammatically correct but either way I’m still not sure of your meaning here.]

For example, take three different potential projects or initiatives, a new product, a new business system, or a new process needing to be implemented for compliance. A business case for a new product or service may focus on generating incremental revenue or increasing market share. The business case for a new business system may focus on increasing efficiency or reducing costs. The business case for implementing processes required for compliance may focus on avoiding costs resulting from noncompliance (fines and business impacts associated with loss of reputation or public image).

These different projects created and approved based on the strengths of their comparative business cases typically share denominators residing on both sides of an investment equation: benefits and costs. An organization that is going to leverage PPM technology must understand that quantifying or weighing and deciding on the approval of projects cannot just be measured in revenue generated.

CFOs functioning in support of or parallel to a PMO may have different or unique business value propositions that should be used to rate, rank, and approve and prioritize projects. To a CFO, these different or unique business elements should be captured by the project business case, which means that in defining a project up front, these metrics or measurement vehicles should be defined ahead of time for the business to present to senior management. The methods by which the project business case details are captured may also vary widely throughout different parts of an organization. In larger companies, the different business units or divisions may have similar mini-portfolios of projects (compliance, optimization, revenue), but these initiatives may need to be rated, ranked, and then combined with other departments so that a CFO and other organizational leaders can review them across the entire corporate landscape.

In some organizations, the business case is a stand-alone document or part of a proposal. In others, it is embedded in a statement of work or project charter. Regardless of the differences, there are some common questions that should be answered in the business case:

* Does this project and the level of investment it requires support the organization’s strategic objectives? If yes, how?
* What is the benefit analysis and expected ROI? How soon can we expect to see an ROI? How will the return be measured?
* What types of investment are required, and what type of project will the investment dictate? Capital or incremental? Division specific or enterprise wide?
* Are there any interdependencies among projects, programs, and their related costs versus benefits? For example, to receive the benefits, we can’t do Project X without also doing Project Y.

These questions are just a few examples of what CFOs and financial executives track as they manage projects, programs, or any work-related initiative.

Benefits: Designing a Project Process to Measure Outcomes

The past decade has seen an increasing level of corporate project maturity [AU: clarify]as well as an increasing level of awareness of the importance of tracking and measuring project costs and benefits. Organizations associated with project management like the Project Management Institute, have a larger than ever member base and the prevalence of understanding of project management and certified project management individuals continues to grow. Business and financial stakeholder groups have adopted a rationale for requiring that projects are linked to expected benefits associated with project deliverables or outcomes. For instance, when evaluating scope change that impacts a deliverable, the additional cost or time would be justified against the potential change or increases to the expected financial benefit to be realized by the organization.

As CFOs become more integrated into the business of defining and impacting projects from inception to delivery, they find they are practicing project benefit planning (similar to financial planning actions). Project benefit planning identifies what the expected outcomes or benefits of the project will be and establishes how those benefits can or will be measured and when each benefit is expected to occur. Additionally, financial stakeholders in companies today are finding value in measuring the level of performance for project types within their portfolio and using those measurements to anticipate the performance of future investment. Table 3.1 shows some examples of the different ways financial executives and stakeholders might characterize benefits for project planning. (Note: These examples may also be characterized as business drivers in a portfolio assessment.)

Table 3.1Examples of Foreseen Benefits when Project Planning

|  |  |  |  |
| --- | --- | --- | --- |
|  | Example Project 1 | Example Project 2 | Example Project 3 |
| **What are the annual or year-over-year (YOY) benefits?** | Increase in sales (e.g., %, change YOY, etc.) | Increase in customer satisfaction | Improved governance, regulatory compliance |
| **What tracking and measurements/metrics will be used?** | Reports/dashboards/key performance indicators | Surveys, case studies | Assessments/certifications/third-party audits |
| **How are the timing and milestones defined?** | 1/3/5 year forecasting | YOY/tracking against a baseline | Gateway reviews/maintenance |
| **How will the metrics be reported?** | U.S. dollars/intellectual properties/assets, financial revenue generated | Positive versus negative ratings | Maintain certifications |

Financial executives take note: Work and resource assignments across an enterprise (classified as projects) may not be in play for strategic or financial benefits. In essence, not all projects have financially quantifiable results.

Projects that directly impact the financial bottom-line need to have metrics established early in the project lifecycle in order to track time and effort and to quantify this against the overall costs versus the benefits realized. Tracking project ROI is sometimes included as part of project scope, because there may be projects with intangible benefits or benefits that are difficult to define. CFOs have advantages when using enterprise project/portfolio management systems like Microsoft Project 2010 to define and prioritize project types (capital projects where a tangible asset will remain on the books versus other projects that are more difficult to quantify, such as projects that optimize processes, systems, or people ). There is always a way to track intangible project ROI, and these fields or key metrics would be needed to establish comparison analysis, reports, and/or portfolio baseline tracking analysis for the project from one period to the next.

Effective CFOs will develop and manage strategic and investment benefit plans. From a portfolio management perspective, having a benefit plan provides essential information to focus organizational resources on projects based on return and strategic alignment. It also aids portfolio managers in the process of selecting a diverse set of projects that will provide long-, short-, and mid-term returns.

From a project perspective, the benefit plan provides guidelines for managing project changes so that costs and benefits at least stay in alignment. It can also help to provide a basis for evaluating potential approaches to accelerating project returns, such as iterative development or incremental releases of products or services.

Investments: How to Derive Quantifiable Value from Project Costs

PPM is a powerful mechanism to plan, track, manage, and deliver financial results and an easy place to embed the needed fields and reporting requirements to manage and track such information. Managing financial deliverables by leveraging a PPM ecosystem is a cultural and executive shift, but those organizations that commit to doing so will realize success and provide better visibility and responsiveness to their financial systems and stakeholders.

Let’s break down the scenario of tracking financials and tracking deliverables. We may start by asking questions like: What activities and costs are being identified and managed? How much work package decomposition (task-level detail) is sufficient to expose the details required to gain accurate metrics? Not every organization tracks project costs in the same way. Resource costs are captured in a variety of ways depending on the organization, business environment, and industry. One example of resource costs that an organization may track focuses on the human side of things: the time or effort expended by its employees. Alternately, an organization could track material change through its depreciation of assets, use of materials for production, and so on. Some projects are required to track and report capital expenses separately from operating expenses; in other projects, the differentiation and tracking of capital expense is handled by accounting. For example, a construction project may be building or improving a capital asset, hence a capital project, whereas a software implementation would be considered an expense category project.

Ideally, the business case describes both the total budget (expected cost) for the project and a breakdown by category of actual cost. Leveraging PPM technology like Microsoft Project 2010, a CFO has the ability to closely control the tracking of expenditures and use that data to analyze and model the project’s progression. In this way, comparing the current fiscal state of a project to its planned costs becomes both easier to manage and more powerful. This comparison allows the project sponsor to dynamically adjust the funding plan for the project, whether that means switching to a partial rolling wave budget (where the budget is detailed out only in the areas known and the rest of the project is estimated at a high level), as needing a capital budget, or an expense budget. The stakeholders receive reports on how much is being spent in each of these categories, which is more meaningful than merely reporting against a lump-sum amount. A project business case review, in partnership with the finance department, is now possible.

As a CFO, you will have improved visibility into what the finance department and related PMO division are managing. By using Project Server 2010, you can define the target’s projects and manage the baseline of project costs across the existing work portfolio. Scope changes, changes in material or supply costs, and unanticipated risks all may impact the costs called out in the business case. In some cases, these changes will result in changes to the baseline budget. In others, the project may be canceled so that resources can be focused on efforts more closely aligned with the organization’s strategy and objectives.

The financial and strategic plans need the support and involvement of both the financial stakeholders and the business user stakeholder classes. The project manager is responsible for tracking both the costs and the use of approved resources to complete work packages and deliver expected project outcomes. The project manager is also responsible for making financial decisions regarding the project. To meet these responsibilities effectively, the project manager must establish and maintain processes to ensure that information regarding the project’s finances is accurate and timely. More often than not this requires the project manager to maintain records of financial commitments (such as purchase order amounts) and actual expenditures. This record keeping may be in addition to those maintained in the financial or enterprise resource planning (ERP) system, which, while accurate, may not reflect expenditures until months after the purchases have been made. The intent is not to duplicate the accounting function but instead to provide the basic reporting needed to control and report project costs.

For tracking project costs, the simplest approach is to use the built-in features of Microsoft Project Professional 2010 to maintain a project financial account (a record where expenditures are adjusted against the budget and the project manager can, at any point in time, determine how much of the budgeted amount remains). While this is effective in tracking expenditures, it assumes that the amount of budget that remains is adequate to cover the remaining costs of the project. Alternatively, the project manager may examine both the actual cost and the planned cost of the work remaining in the project. From these data, reports and dashboard views such as a budget variance can be reported.

Earned value (EV) is a capability of Microsoft Project 2010 and a project tracking method that is often used by organizations. EV is considered a reliable financial performance and forecast indicator by the project management community (Project Management Institute standards). Determining EV is an advanced PM competency, and its effectiveness is dependent on the organization’s commitment to processes.

One of the benefits of EV when using Microsoft Project 2010 is that it ties the cost to the work performed. Rather than looking just at the costs incurred to date, EV also looks at how much work was accomplished for cost.

For example, let’s assume that you have a project with a budget of $150,000. Halfway to the project’s promised completion date, the work is estimated to be 50 percent complete, and your costs are $100,000. According to EV, the “value” of the work planned is $150,000. At 50 percent complete, you’ve earned half of it ($75,000). The difference between what was spent and what was earned is the cost variance ($25,000). Additionally, if you divide the earned value by the actual cost, the result is the cost performance index (CPI), a measure of how efficiently money is being spent to accomplish the work. In this example, the CPI is .83, meaning that we are earning $.75 of value for each $1.00 spent. More simply put, it’s costing more to do the work than originally planned. Furthermore, if it is taking more costs to accomplish the work for the first half of the project, it is highly likely that we will need that much more to accomplish the remainder. By dividing the original budget ($150,000) by our CPI, we can forecast that the total amount needed for the project is $200,000.

Ultimately, CFOs are looking for[AU: to or for?] better fiscal tracking tools, specifically related to planning work activities, budgets across the enterprise, and forecasting. Effective financial management and reporting must be meaningful, accurate, and timely. It must be meaningful in that it reflects the key financial indicators tied to the project’s business case, allowing decision makers to examine both benefits and costs of a project and compare them to the expectations. Developing a reporting framework around the business case and focusing on the most important metrics for the benefits and costs is the best approach to ensure financial reporting for executives that meets these goals.

What and Why Is Work Management Critical to Organizational Success?

Work management is the practice of focusing on the specific activities, tools, processes, and reporting that helps an individual get work done. Work management is not reserved just for project work; it can include activities such as time spent on issues (not in a schedule), trouble tickets, project, program and portfolio work, and any type of to-do list that is associated with a resource’s daily work.

The key to understanding work management is that the effort spent in this discipline is designed to reduce waste and optimize a resource’s output and maximize its value to the organization.

As organizations or companies get larger, they tend to struggle with siloed activities and projects that, in many cases, are duplicated in other parts of the organization. Or they find that resources doing the work approach managing their work in different ways, using different tools and methods that don’t lead to an easy way to achieve visibility.

A good PPM software product should enable some flexibility for tracking, managing, and reporting work for resources, and centralize that information into easy and cohesive views to report progress or expose overallocation, underallocation, or duplicate efforts. Not only does Project Server 2010 deliver this flexibility, but Microsoft is continuing to expand and emphasize the ability to bring work, and work activities, past, present and future into view [AU: Please clarify--is it really bringing “work into view” or some specific aspect(s) of the work into view?]of the project organization through its different products and collaboration portal.

The better visibility from which to work includes not only an individual level but also those who are responsible for that work, creating a higher level of value to the organization and a more rapid ability to address issues, slippages, or risks before they derail a project or a resource’s ability to deliver.

The approach that Project Server 2010 brings to the project management organization enables managers to evaluate the resource capabilities of both potential and current projects and to establish the right strategic and tactical priorities and objectives. This information in turn validates the corporate initiatives to focus on and execute those projects that provide the greatest business value.

As we know, all strategy requires financial, human, and material resources in order to be successful and to be carried out. The human resources tend to be more complex to administer and manage, and in most cases they have competing priorities. Work management is where the rubber hits the road and where good PM delivers its highest value. However, this is also where the highest likelihood of strategic value disconnects or misdirection can happen. It is important that even at the lowest tactical level those doing the work understand their connection to the strategic outcomes and key deliverables required by a project.

With all the work being managed across an organization and resources (especially those in a matrixed organization) working on projects with competing priorities and activities, it can be a daunting task to align both the value and the work. For planners, managers, and even the individual resources, it can be difficult to see progress and status and to address resource allocation. However, thanks to technology, we now can clearly identify the real capacity of our resources according to their roles and skills within the organization. Doing this allows us to make a much more realistic plan of our ability to execute strategy and the time frame in which the components of the strategy can be executed, based on the organization’s financial and material resources.

Managing the capacity of the organization's human resources is not an easy task. The principal challenge facing organizations today is the need to integrate and understand the effort required of our resources to execute projects while fulfilling all of the activities of normal day-to-day operations and then capturing and consolidating that data in a way that will allow us to leverage the information to plan efficiently for completing both projects and operations. This is where leveraging a PPM system like Project Server 2010 bridges that gap by centralizing resource and strategic information in one central database for reporting, tracking, and review by CFOs and other senior management.

Managing Independent Departmental Initiatives

All organizations have different departments, and each one has an important contribution to make toward achieving strategic objectives. All departments must work in a synchronized fashion under the leadership of that organization. Some organizations utilize a PMO to obtain and consolidate status updates from each of the various departments to ensure that strategy execution is on target.

While utilizing a PMO makes the process easier, different types of information may need to be tracked along with different workflows, depending on which part of the organization a project is being worked under.

In the past, organizations would stand up, or install [AU: clarify term] multiple instances of PPM technologies to support and simplify the managing and tracking of projects related to different business units (departments) and their associated fields and workflows.

Project Server 2010 contains a new feature —the “Department” field—to helping split apart and manage different department initiatives. . This field is a multivalue lookup that allows both strategic planning of portfolio business drivers and prioritization initiatives to be created and applied to different departments while also allowing projects, workflows, project detail pages, and almost every part of the enterprise PPM system to be differentiated by this field. (See Figures 3.1 to 3.5.)

Figure 3.1 Department for Projects [03-01-departmentForProjects.tif]

Source: Advisicon

Figure 3.2 Department for Resources [03-02-departmentForResources.tif]

Source: Advisicon

Figure 3.3 Department for PDPs [03-03-departmentForPDPs.tif]

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Figure 3.4 Department for EPTs [03-04-departmetForEPTs.tif]

Source: Advisicon

Figure 3.5 Department for Portfolio and Business Drivers [03-05-departmentForPortfolioAndBusinessDrivers.tif]

Source: Advisicon

Managing Constraints to Your Advantage: Addressing the Planning and Execution Bottlenecks

The constraints most commonly identified in the execution of strategy are tied to the availability of an organization’s financial and human resources. The skill of personnel, not just the number of warm bodies, within the organization is the most critical factor that can become a bottleneck and constraint for a project organization. Not having the necessary skills or the lack of their availability because of time constraints will surely prevent the execution strategy the organization needs.

During the stages of project portfolio planning, the main challenge facing organizations is to clearly identify the real availability of resources to assign to strategic initiatives.

During implementation, the main challenge is to stay on course with the activities as planned. This is difficult because daily changes in the strategy and operations cause resources to divert their attention from project assignments that may impact project delivery dates and the results the projects should deliver.

Validating Proposals and Holding the Business Accountable

A largely new and sometimes overlooked part of Project Server 2010 is its ability to create proposals and to present a high-level impact to both future and existing workload, without spending too much time building detailed information that may not be approved.

The proposal may go through its project lifecycle of phases and stages, with the project manager or proposer filling in key fields as required, in fact even building a resource plan that showcases high-level resource needs across weeks, months, or years. This resource plan allows the proposer to give an estimate that is used in providing demand information to executive management without necessarily drilling into a tremendous amount of detail.

By enabling an organization to create key fields through a proposal that can be approved, tied to workflow, and filled in just in time, through the stages of a project, an organization never loses the key metrics associated with it. Those metrics can be used to validate assumptions and even compare the original plan with actual values (time, costs, work, and the value proposition)without forcing proposers to spend a great deal of time on a project that may never be approved.

In the authors’ experience, we have seen cases where 60 percent of projects proposed were never approved. In many cases, when the projects were ready to be reviewed at the next planning cycle, the information had been lost or the resources had left the organization so the exercise of preparing a proposal had to be started all over again.

Some organizations we have worked with launch 30,000 projects or more each year. Years of human effort are wasted when a lot of time is spent building proposals and a high percentage of projects are never approved. By leveraging the Proposal and Resource Plan features of Project Server[AU: caps needed?], these organizations saved tens of thousands of hours.

Although your organization may not initiate thousands of projects, imagine the time savings by having the ability to review, validate, and archive good projects that may not be approved during a planning cycle but may be initiated at a later time.

From a financial standpoint, comparing a proposal-turned-project to its original estimates and business case provides a closed-loop analysis for CFOs and other executives to begin understanding and better managing the strategic initiatives across the organization.

Synchronization of Strategic Objectives to Actual Effort

Effectively aligning strategy with the tactical operations of the organization is no easy task, but it is vital to establish a very close link between the definition of the strategy and the daily operations delivering the project and functional tasks of the prioritized work activities by the organization.

It is easy to define how to achieve this synchronization, but it is difficult to implement. Remember that the strategic benefit or value in some cases is an after-the-fact metric; in some cases it is measured a full year after a project is completed.

In this section, we explore the need to integrate the process of strategic planning with the key metrics and deliverables of the tasks laid out in delivering the project. We also discuss the relevance of helping team members see the impact of their work and activities, that leads to strategic metrics or values. These metrics can be quantified and rolled up and then reviewed by senior management.[AU: simplify sentence]

Imagining Structuring Strategies that Can Be Delivered

One key area that CFOs and other leaders in organizations strive to achieve is executing on a strategy and validating its success. In the book *Good to Great*, author Jim Collins addresses the fact that executives are held accountable not for how brilliant a strategy is but for how well they execute against that strategy. One value provided by Project Server is its organization of initiatives associated with programs or portfolios. By embedding at the earliest stage the strategic value proposition in an enterprise project field and capturing this metric, an organization can group the project center views and automatically have the ability to roll up planned, actuals, and any variance of these key metrics on the screen.

In almost every organization we have worked with in deploying PPM technology, these fields are turned into dashboards, and senior management begins reviewing “exceptions” rather than trying to drill into all projects in the hope of exposing issues or risks to their portfolio of projects.

Fluency of Actuals Against Estimates

By default, the tracking or progressing of tasks in projects or work defined in Project or Project Server automatically allows anyone in Project Server to review the actuals associated with the baseline, estimates, or planned work.

In Project, there are a series of EV fields and variance fields that do the calculation of planned versus actuals for work, cost, duration, and start and finish dates. These fields are native and require no additional work to add to a view or table.

The amazing part of Project Server 2010 is its rich reporting tools that come along with SharePoint. For example, Performance Point Server allows for a Web drilldown directly against Project Server data. Excel Services and SharePoint KPI (key performance indicator) Web Parts are designed to help present graphical BI regarding status and the reporting of actuals against estimates.

Figure 3.6PS

Figure 3.6 Performance Point Server Drilldown [03-06-ppsDashboardPage.tif]

Source: Advisicon

Figure 3.7---KPIthat points toPS

Figure 3.7 KPI Web Part (Source: Advisicon) [03-07-kpiWebpart.tif]

**Source: Advisicon**

In Chapter 10, we explore more of the dashboard reporting capabilities and options associated with Project Server 2010.

The Big Picture: Approaching Top-Down and Bottom-Up Planning and Control Options

In this book, we have discussed and will continue to explore both the capabilities of detailed planning and rolling up information and key metrics to the big picture and business goals and objectives. We also detail the strategic planning capabilities of Project Server 2010. In Chapter 9,we compare the idea of strategic planning to the existing work portfolio.

In a number of cases, the big initiatives and strategic projects launched by organizations lose momentum and connectedness with the vision and intent of company leaders; as a result, the project is watered down from the original intended goals of these initiatives. Often, by the time a CFO or senior company leader finds out what the end result was or would be, there was no time to respond, redirect, or refocus the initiative to hit key objects.

This may be hard for the reader to believe, but many times senior management feels frustrated and powerless to shepherd core or key projects once they have begun because the strategic controls, metrics, and information relating to the project are fractured or difficult to assemble and report against. This is one of the reasons that Microsoft has invested in connecting its ERP software (Dynamics) products to Project Server, to enable the tracking and direct reporting of the financial systems to strategic project tasks and activities.

Project Server 2010 puts the top-down tools and controls directly inside each and every project and establishes role-based views that allow a quick review of any key metric, whether task or rolled-up project-level information. Thus, drill-down connectedness is available not just with schedule and task details but directly with the collaboration portal (Project Workspace) for all project information associated with a project.

Defining a Long-Term Solution that Enables Stakeholder-Class Scalability

An important part of a PPM implementation is to fold in the different stakeholders and their classes to the information, reporting, and metrics that will help them be successful. The more stakeholders benefit from a PPM tool, the more likely that they will support and reinforce the processes and activities that allow that system to succeed.

We have seen cases where PPM implementations have helped to bridge siloed reporting, tracking, and to help eliminate turfing activities leading to galvanized and centralized organizational behavior. These implementations helped to ensure that resources from all parts of a company followed the processes and updating information around their part of the project, thus leading to better unified maturity in Project, Program and Portfolio Management practices and reporting.[AU: clarify] This integration of stakeholders ensures the highest success rate for a large PPM implementation and also creates a synergy of support for PMOs and the information technology organization that may be responsible for the PPM implementation.

By starting with best practices around requirements gathering, first identifying stakeholder groups, classes, and representatives and then folding them into the requirements process, you can ensure that the scalability (upward or downward) of details and reporting metrics are identified. CFOs and the financial organization have a significant stake in being a part of this. By avoiding making the ERP or accounting system become a PM system or the inverse, by ensuring that the PPM system does not become the project cost accounting system of record, you can combine the best of both worlds, enabling the least amount of effort with the maximum amount of reporting, scalability, and drill-down reporting.

Integrating ERP and Other Financial Data

As mentioned earlier, ERP integration with Project Server 2010 is a highly sought after feature. Microsoft has included it in its ERP products (Dynamics), and other third-party products have been created to assist in the combining of systems.

The benefits and scenarios for integrating Microsoft Project Server 2010 with ERP, in particular, integrating the actual time reporting from ERP systems with the timephased planning and resource forecasting power of Project Server 2010, create one of the best solutions for seeing earned value with minimal effort. It effectively links actuals from the source of record (whether financial or time related) for organizations that want to maximize their work management and establish more fluid and effective reporting without duplicating time or cost entries.

Some companies and partners have worked directly with organizations to use the richness of the application programming interface with SharePoint, Project Server, and the SQL server database to integrate bidirectional reporting and updates. This integration is cost effective and enables the source of record actuals (both cost and time reporting) to bring actuals to the planning activities that project/program offices or scheduling groups use Project Server 2010 for.

This connection and the processes around validation and viewing the ERP information in a Project environment enables companies to drastically reduce the time spent in planning and trying to map the actuals directly with the way that the organization schedules work. Enabling the feature-rich reporting capabilities of Microsoft Project Professional, Project Server and SharePoint puts that planning and reporting directly in the hands of the end users.

At the time of this writing, several companies have created integration modules or have done significant work bringing these systems together. These companies and brief descriptions are listed next.

* **Advisicon Inc.** An international project, program, and portfolio management company, teaching, authoring, and consulting in the establishment of PMOs and the technologies to optimize and automate their processes and methodology best practices.
* **Campana & Schott.** An international consulting company for PM and process optimization. With the combination of management and technology consulting, Campana & Schott improve business processes and automate them by using innovative information technology.
* **The Project Group (TPG).** An international full-service provider of consulting, implementation, hosting, products, and training for PM and Microsoft Project.

Important Concepts Covered in This Chapter

In this chapter we covered the importance of involving and engaging the financial management of an organization early in the implementation of Microsoft’s PPM product. Project Server 2010 was designed with top-down scalability in mind and can fold both bottom-up tracking and work management with strategic alignment and business value reporting in one centralized environment. The list below are key topics covered in this chapter and reinforce the value of Project Server 2010.[AU: introduce list]

* Project Server empowers the PMO to support and work with the CFO and for a CFO to help ensure good reporting by basic up-front business case tie-in with projects and proposals.
* The key to financial reporting and strategic value proposition evaluation reporting is found through adding these key metrics to the phases and stages associated with a project’s lifecycle.
* Understanding work management is important to an organization’s critical success in ensuring good alignment with strategic goals and objectives for a project.
* Actuals and estimates are designed to be native and easily exposed for financial and other progress reporting at a glance.
* ERP and financial data can be linked and integrated with Project Server through both native features and third-party products/modules.
* Scalability of growing project maturity can be top down or bottom up. Organizations can start at either end easily and meet in the middle, without having to do all at the same time.

Reference

Collins, Jim. *Good to Great: Why Some Companies Make the Leap . . . and Others Don’t*. New York: HarperBusiness, 2001.