IT Project Management

CIS 8000

Session 3: Measurable Organization Value & Business Case

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Vision, Mission, Goals

- **Vision** – *Where/what do we want to be – **end state***. It's aspirational; what the project will lead to in 2 or 3 planning/execution cycles.

- **Mission** – *Why do we want to be there or what are we doing to get there – **purpose***. It's the purpose and intended value of the current planning/execution initiative. Mission should be aligned with the vision and bring the organization closer to fulfilling the vision.

- **Goals** – *What's the anticipated outcome – **business value** to achieve.* They're measurable deliverables, outcomes and value the project will deliver. Goals should be aligned with the mission.

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Vision

"If you don't know where you are going, you probably aren't going to get there." Yogi Berra

- A Vision provides a picture of the future you're working to create. It embodies values and beliefs.
- Vision statement should answer the question:
  - ◆ <u>What do we want to become</u>?
  - ◆ What or how you would like things to be?
  - ◆ What do I want to be when I grow up? What should this business become?
- Project Vision should be aligned with Organization Vision, Mission & Goals.

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Mission

- A reason for being or purpose. It is a broad statement of scope, purpose and outcomes that distinguish the project from other projects and from ongoing operational activities.
- Should answer these questions:
  - What are we doing to realize the vision?
  - What is the project all about?
  - Why does this project exist?
  - For whom are we doing it for?
- Project Mission should be aligned with Organization Mission and Project Vision.

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Examples

IBM -

- **Vision:** "*To be the world's most successful and important information technology company. Successful in helping out customers apply technology to solve their problems. Successful in introducing this extraordinary technology to new customers. Important, because we will continue to be the basic resource of much of what is invested in this industry.*"

- **Mission:** "*To lead in the creation, development and manufacture of the industry's most advanced information technologies, including computer systems, software, networking systems, storage devices and microelectronics. And our worldwide network of IBM solutions and services professionals translates these advanced technologies into business value for our customers. We translate these advanced technologies into value for our customers through our professional solutions, services and consulting businesses worldwide.*"

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Examples

Google

Google -

- **Vision:** *"To provide access to the world's information in one click."*

> *What Do We Want To Become?*

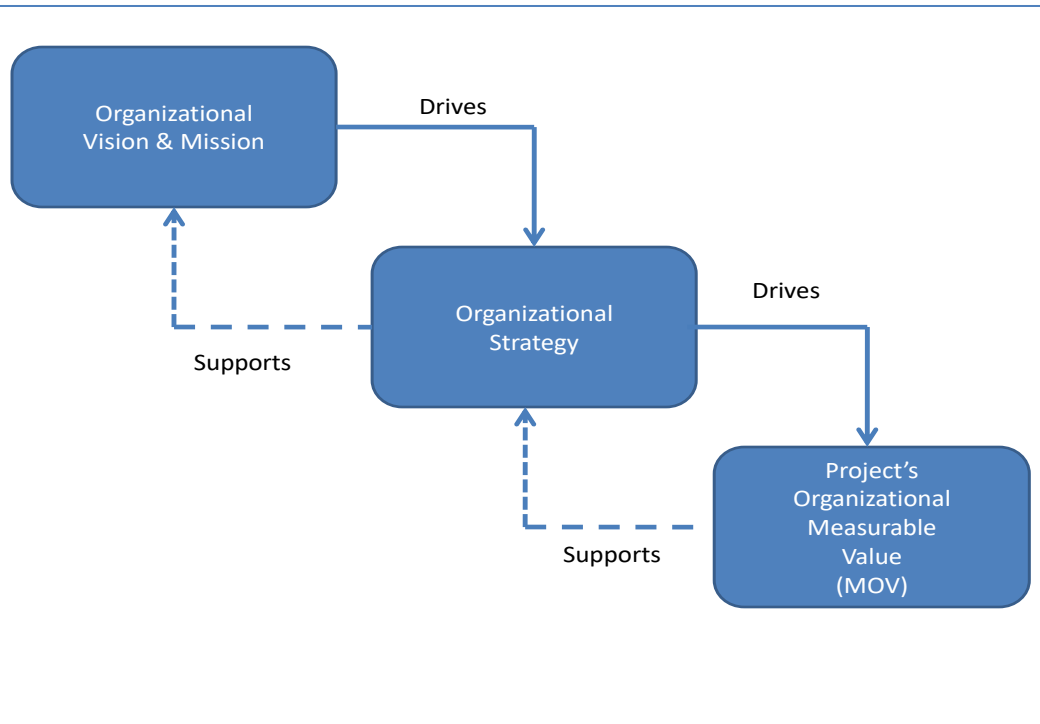> *What Are We Doing?*

- **Mission:** *"To organize the world's information and make it universally accessible and useful."*

Measurable Organization Value - MOV

➤ Defines Project's Measure of Success (True Measure of Project Success)

➤ Aligns with and supports organization's vision, mission and strategies

➤ Defined by the business / customers – business value focused. (PM and Project Team help with facilitating the MOV development process.)

➤ Only one MOV per project but can have multiple project objectives

➤ MOV must –

  ➤ Be Measurable

  ➤ Provide Value

  ➤ Be Agreed Upon

  ➤ Be Verifiable

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Measurable Organization Value: Example

Vision – *(End State)*
- To become the best consumer electronics company in health & fitness industry

Mission – *(What Are We Doing)*
- To provide a common platform to connect and enable communication among all fitness wearable devices and provide better insight to the consumer.

Strategy – *(How Are We Doing It)*
- To partner with health & fitness device manufacturers to develop communication standards and protocols.

MOV – *(What's The Value To Achieve)*
- Project will be successful if we can enlist 50 device manufacturers within 18 months.

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Table 3-1 – Examples of MOV Statements

Area of Impact	The project will be successful if …
Customer	Within 3 months 65 percent of our customers will visit our restaurant at least once a week.
Strategic	We will develop and manufacture a new router that sells for $50 less than our competitor's model by April 1 of next year.
Financial	Sales growth of our smartphone app increases from 3 percent to 6 percent by the end of next quarter.
Operational	Our inventory turnover ratio improves 15 percent by the end of our fiscal year.
Social	The number of accidents in our plant is reduced to zero next year.

Describes

What? How Much? By When?

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Measurable Organization Value: Example

"Our project will be successful if we install a database management system to improve our customer service to world-class level"

Change To….

"Our project will be successful if 95% of our customers receive a shipping confirmation *within* 2 hours *after placing an order"*

How Much?

What?

By When?

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Developing the MOV

1. Identify the desired area of impact

2. Identify the desired value of the IT project

3. Develop an appropriate metric

4. Set a timeframe for achieving the MOV

5. Verify the MOV and get agreement from the project stakeholders

6. Summarize the MOV in a clear, concise <u>statement or table</u>

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Developing the MOV

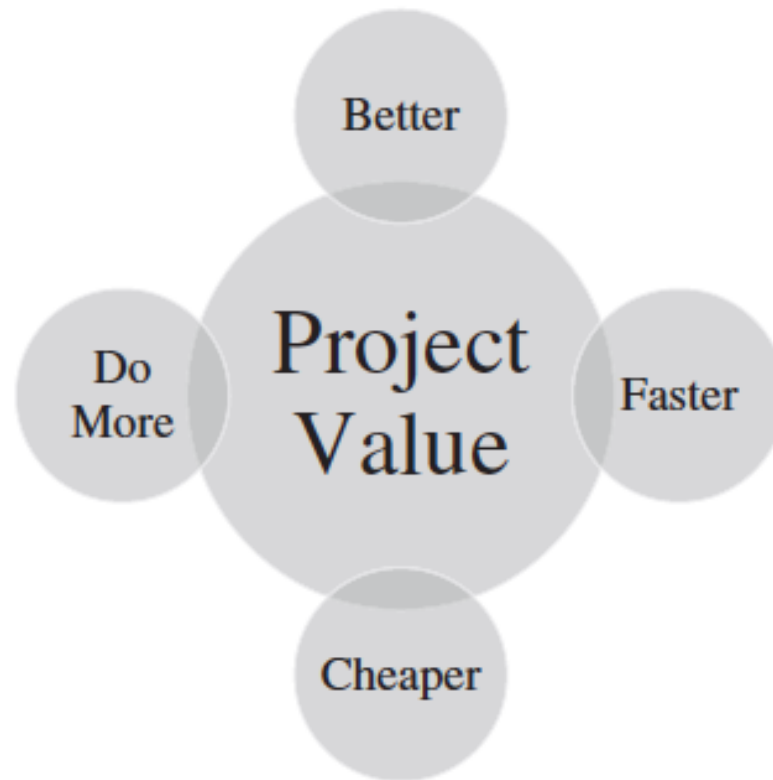1. Identify the desired area of impact

Potential Areas:
- Customer
- Strategic
- Financial
- Operational
- Social

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Figure 3-3 – Potential Areas of Project Impact and Examples

Customer	Strategic	Financial	Operational	Social
• New products or services • Better quality products or services • Lower priced products or services	• New markets • Increased market share • Changing the terms of competition	• Increased revenue • Lower costs	• More efficient processes • More effective processes	• Dissemination of knowledge • Improved safety • Cleaner environment

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Developing the MOV

2. Identify the desired value of the IT project

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Developing the MOV

3. **Develop an Appropriate Metric**
   - Provides the project team with a performance target or directive
   - Sets expectations among all stakeholders
   - Affords a means for evaluating whether the project is a success
   - Metrics are expressed in …
     - Money ($, £, ¥ – increase or decrease)
     - Percentage (% – increase or decrease)
     - Numeric Values (increase or decrease)

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Developing the MOV

4. Set a time frame for achieving the MOV

- When will these results (the MOV) be achieved?

5. Verify the MOV and get agreement from the project stakeholders

- Project manager's responsibility is to guide the process, while the project sponsor must identify and specify the metrics and the acceptable values for the metrics

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Developing the MOV

6. Summarize the MOV in a clear, concise <u>statement or table</u>

MOV Statement: Increase awareness for healthy living by having 250 new subscribers sign up for a weekly newsletter within 6 months.

How Much?

What?

By When?

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Table 3-2 – Examples of MOV Table Format

Time Period	MOV
6 months	250 new healthy living newsletter subscribers
1 year	600 new healthy living newsletter subscribers
2 years	1,000 new healthy living newsletter subscribers

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Your Turn! (Team Exercise)

Small Clinic Georgia (SCG) is a small private clinic employing ten doctors located in rural Georgia. They are considering a project to implement an Electronic Medical Records system for the clinic.

What is a candidate MOV for this project? (Go through the 6 Steps)

"The project will be successful if we could speed up insurance filing by an average of 5 days over the next 12 months."

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The Business Case

- Definition of Business Case: an analysis of the organizational value, feasibility, costs, benefits, and risks of several proposed alternatives or options.

  - First deliverable in the project life cycle
  - Describes –
    - Problem or Opportunity
    - Organization's Goal and Strategy
    - Project's MOV
    - Alternatives
    - Analysis
    - Recommendation
  - <u>Not</u> a budget or project plan
  - Provides the senior management information needed to make a decision about a particular project

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Developing the Business Case
(8-Step Process)

- Step 1: Define Measurable Organizational Value (MOV)

- Step 2: Form a Cross-Functional Business Case Team

  - Advantages:
    - Credibility
    - Alignment with organizational goals
    - Access to the real costs
    - Ownership
    - Agreement
    - Bridge building

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Developing the Business Case

- Step 3: Identify Alternatives
  - Possible Options
    - Change existing process without investing in IT

    - Adopting or adapting an application developed by a different area or department within the organization

    - Reengineer the existing system (OBC – Optimize Base Case)

    - Purchasing an off-the-shelf application package from a software vendor

    - Custom building a new application using internal resources or outsourcing the development to another company

    - Do Nothing (Maintain Status Quo)

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- Step 4: Define Feasibility and Assess Risk (<u>of each alternative</u>)

  - Feasibility ("Doable and Worth Doing?")
    - Economic feasibility
    - Technical feasibility
    - Organizational feasibility
    - Other feasibilities

  - Risk
    - Identification – What can go wrong? What must go right?
    - Assessment – What is the impact of each risk?
    - Response – How can the organization avoid or minimize the risk? (a.k.a Risk Mitigation Strategy)

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- Step 5: Define Total Cost of Ownership

  - Direct or Up-front costs

  - Ongoing Costs

  - Indirect Costs

- Step 6: Define Total Benefits of Ownership

  - Increasing high-value work

  - Improving accuracy and efficiency

  - Improving decision-making

  - Improving customer service

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- Step 7: Analyze alternatives

  ◆ Financial Models –
    - Payback
    - Breakeven
    - Return on Investment (ROI)
    - Net Present Value (NPV)

  ◆ Scoring Models
    - Place weighted % on key criteria
    - Weight % = 100%
    - Compare total weighted scores of all alternatives

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- Step 7: Analyze alternatives
  - ◆Payback – *"How Long?"*

Payback Period = <u>Initial Investment</u>

Net Cash Flow

= <u>$100,000</u>

$20,000

= 5 years

Developing the Business Case

◆ Breakeven – *"How Many?"*

Example: Initial Investment = $100,000

How many Golf Putters do you need to sell to recoup your initial investment?

Materials (putter head, shaft, grip, etc.)	$12.00
Labor (0.5 hours at $9.00/hr)	$ 4.50
Overhead (rent, insurance, utilities, taxes, etc.)	$ 8.50
Total	$25.00

If you sell a golf putter for $30.00 and it costs $25.00 to make, you have a profit margin of $5.00:

Breakeven Point = Initial Investment / Net Profit Margin
= $100,000 / $5.00
= 20,000 units

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◆Return on Investment

Project ROI = $\dfrac{\text{Total Expected Benefits} - \text{Total Expected Costs}}{\text{Total Expected Costs}}$

$= \dfrac{(\$115{,}000 - \$100{,}000)}{\$100{,}000}$

$= 15\%$

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◆ Net Present Value

	Year 0	**Year 1**	**Year 2**	**Year 3**	**Year 4**
Total Cash Inflows	$0	$150,000	$200,000	$250,000	$300,000
Total Cash Outflows	$200,000	$85,000	$125,000	$150,000	$200,000
Net Cash Flow	($200,000)	$65,000	$75,000	$100,000	$100,000

$$NPV = -I_0 + \Sigma \, (\text{Net Cash Flow} / (1 + r)^t)$$

Where:
I = Total Cost or Investment of the Project
r = discount rate
t = time period

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◆Net Present Value

Time Period	Calculation	Discounted Cash Flow
Year 0	($200,000)	($200,000)
Year 1	$65,000/(1 + .08)^1$	$60,185
Year 2	$75,000/(1 + .08)^2$	$64,300
Year 3	$100,000/(1 + .08)^3$	$79,383
Year 4	$100,000/(1 + .08)^4$	$73,503
Net Present Value (NPV)		**$77,371**

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♦Net Present Value

Yr 0   Yr 1   Yr 2   Yr 3

NPV = -200,000 + [(65,000 / (1+.08)) + (75,000 / ((1+.08)(1+.08))) + (100,000 / (((1+0.08)(1+.08)(1+.08)))) + (100,000 / ((((1+0.8)(1+0.8)(1+.08)(1+.08)))))]

Yr 4

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Developing the Business Case

- **Scoring models**
  - provide a method for comparing alternatives or projects based on a weighted score.
  - can combine both qualitative and quantitative criteria
  - weights and scores can be subjective
- **Things to keep in mind about financial and scoring models**
  - Financial models can be biased toward the short run
  - Some criteria are reversed-scored
  - Past experience may help create a more realistic business case.

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Table 3.3 – Comparison of Project Alternatives

Criterion		Weight	Alternative A	Alternative B	Alternative C
Financial	ROI	15%	2	4	10
	Payback	10%	3	5	10
	NPV	15%	2	4	10
Strategic	Alignment with strategic objectives	10%	3	5	8
	Increased market share	10%	2	5	8
Organizational	Likelihood of achieving project's MOV	10%	2	6	9
	Availability of skilled team members	5%	5	5	4
Project	Cost	5%	4	6	7
	Time to develop	5%	5	7	6
	Risk	5%	3	5	5
Customer	Customer satisfaction	10%	2	4	9
Total Score		100%	2.65	4.85	8.50

Note: Risk scores have a reverse scale—that is, higher scores for risk imply lower levels of risk.

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- Step 8: Propose and Support the Recommendation
  - Once the alternatives are identified and analyzed, the last step is to recommend one of the options.

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Figure 3.6 – Business Case Template

The following provides a suggested outline for developing and writing a business case:

Cover Page

- Title and subtitle
- Author and address
- Date

Executive Summary

- Brief description of the problem or opportunity
- Brief description of organization's goal and strategy
- Brief description of project's MOV and how it ties to the organizational goal and strategy *(Only 1 MOV)*
- Brief description of each option or alternative analyzed
- Brief explanation of which alternative is being recommended and why

Introduction

- Background
- Current situation
- Description of the problem or opportunity
- Project's measurable organizational value

- How achieving the project's MOV will support the organization's goal and strategy
- Objectives of writing this business case

Alternatives

- Description of alternative 1 (Base Case)
- Description of alternative 2 …
- Description of alternative N

Analysis of Alternatives *(Both Cost and Benefit Analysis For Each Alternative)*

- Methodology of how alternatives will be analyzed
    - Data collection methods
    - Metrics used and explanation why they are relevant
- Presentation of results that compares each alternative
    - Metrics
    - Sensitivity analysis
    - Risks
    - Assumptions
- Proposed recommendation

Team Assignment 3: Business Case
(Build on your selected case study)

- Assignment to be done with your team.

- Refer to instructions in book – Husky Air (p.78) or MAA (p.80)

- Create a Deliverable as described in the instruction. (Use MS Word)

- When complete, upload to Team Assignment 3 folder in our class page.

  - Naming Convention –

    - Team Assignment 3 - Business Case – Team Name.doc

- Use the remainder of class time, work on the activity outside class.

- Deliverable is due in 2 weeks (May 21st)

- No template provided – Create a professional looking document based on the outline in the case study (p.78 or p.80) and figure 3.6.

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Homework

- Team Assignment 3 (Business Case)
  - Due date is May 21st
  - Maximum 3 pages (single-sided, single-spaced) – no template provided
  - Husky Air or Martial Arts Academy (Based on your Team Assignment 2)
  - Recommendation Options: Detail your method and reasoning
  - Grading will be based on qualitative measures –
    - Level of Research and Details (Reference Sources)
    - Depth of Analysis to Support Recommendation
    - Correlation with Learning Plan and Action Plan
    - Professionalism of Document
  - Appendix to list each team member's contribution / ownership – Role and Responsibilities (do <u>NOT</u> list those that did not contribute)
  - Save in MS Word – "Team Assignment 3- (Team Name)" submit in Team Assignment 3 dropbox.