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project where detailed planning begins; otherwise, the project opportunity is abandoned. The time and resources spent developing a business case depends on the nature of the project. For example, a large, complex, and costly project may require more time and resources than a smaller, less mission-critical project because the stakes are higher. Regardless, every organization considering a project should follow a similar process before continuing to the next phase where detailed plans define the scope, schedule, budget, and quality objectives.

MEASURABLE ORGANIZATIONAL VALUE (MOV)

The first step for starting a project should be to define the project's goal or measurable organizational value (MOV). In short, a project begins by defining its measure of success (1). To provide real value to an organization, a project must align with and support the organization's vision, mission, and strategy. For example, a top-down approach begins with an organization's vision and mission statements. A **vision statement** articulates and inspires purpose, while a **mission statement** clarifies what the organization does, who they do it for, and how or why they do it.

Based on the vision and mission statements, management devises an organization strategy. For example, Michael Porter's competitive forces model proposes that a company may want to enact a strategy that prevents its customers from leaving or switching to a competitor (2, 3). Therefore, the organization may want to develop a tight linkage with its customers to make them less inclined to leave. In turn, an organization may consider a business analytics project as a way to better understand its customers and to make recommendations based on known preferences. This project could provide a tactical implementation of the organizational strategy that aligns with the organization's vision and mission.

On the other hand, projects can start from the bottom up or, more specifically, be proposed by an individual, committee, or business unit within the organization. As illustrated in Figure 3.1, the MOV still needs to align with and support the organization's strategy and overall vision and mission in order to provide value to the organization.

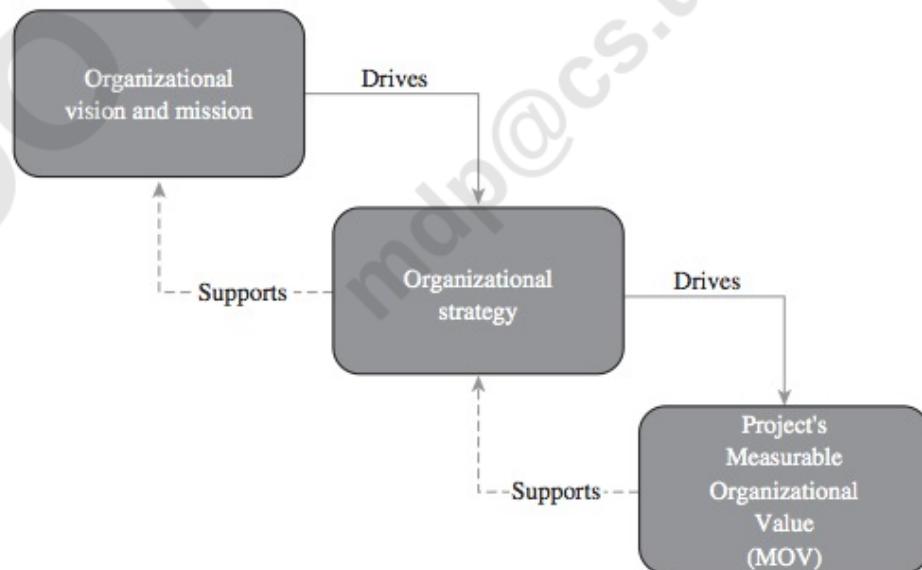


Figure 3.1 Project Alignment

The MOV and Project Objectives

As the name implies, the MOV must:

- *Be measurable*—Measurement provides a clear definition of success for all of the project's stakeholders. For example, consider the statement: *Our project will be successful if we install a database management system to improve our customer service to world-class levels*. Installing a database management system is an activity or a task that may need to be done. While important, the installation of the technology does not guarantee real value to the organization. Moreover, while “world-class” sounds inviting, it is difficult to define and impossible to know if ever achieved. Instead, consider the statement: *Our project will be successful if 95 percent of our customers receive a shipping confirmation within two hours after placing an order*. The second statement defines the project's purpose and allows the organization to evaluate whether 95 percent of its customers are receiving a shipping confirmation within two hours after placing an order.
- *Provide value*—Time and resources should not be devoted to a project unless it can bring value to the organization. For example, value could be in the form of better customer service if the organization can send a shipping confirmation to 95 percent of its customers within two hours after placing an order. Remember, technology is a means to an end and should not be part of a project's MOV. Technology is an enabler; that is, technology enables organizations to do things like reducing the time to send out a shipping confirmation. Value comes from delivery of the project's product, service, or system that achieves or meets the MOV and not from a particular vendor's software package or from a particular programming language.
- *Be agreed upon*—A clear and agreed upon MOV sets expectations for the project's stakeholders. The MOV must be doable and worth doing. Continuing with the previous example, the project's MOV may not be realistic if management sets a target that 100 percent of the customers must receive a shipping confirmation within two nanoseconds of placing an order. The project team may be set on a path of failure if it cannot deliver on this expectation. On the other hand, not much value may be achieved if a performance target is set too low and achieved easily. Perhaps two minutes or even twenty minutes might be a better performance target for sending out a shipping confirmation. In any case, stakeholders must agree upon an MOV that is both realistic and of value to the organization.
- *Be verifiable*—If the MOV acts as a measure of success, then it must be verified at the end of the project. This does not always mean that the MOV will be met immediately at the end of the project when the product, service, or system is delivered. Often there will be a time period of perhaps a week, a month, or even a year before the full value of the MOV is achieved; however, the organization should evaluate the MOV in order to know whether it received the value it envisioned for the time, money, and resources invested in the project.

So, why do we call the project's goal the MOV? Why not just call it a goal? The reason is that many people use the terms goal and objectives interchangeably while others say they are different. Project methodologies provide a common language for stakeholders in order to mitigate confusion and miscommunication. Therefore, calling the project's goal the MOV offers a clear meaning that the purpose of a project is to provide organizational value that is measurable. A project should have only one MOV but multiple project objectives are possible.

As shown in Figure 3.2, project objectives support the MOV. More specifically, project objectives include scope (the project work to be completed), schedule (time), budget (money), and quality (conformance or fitness for use). The difference is that a project's MOV becomes a measure of success, while objectives are important, but not necessarily sufficient conditions for success. For example, a project can be completed on time, within budget, and be defect-free but still it may not be of any use or value

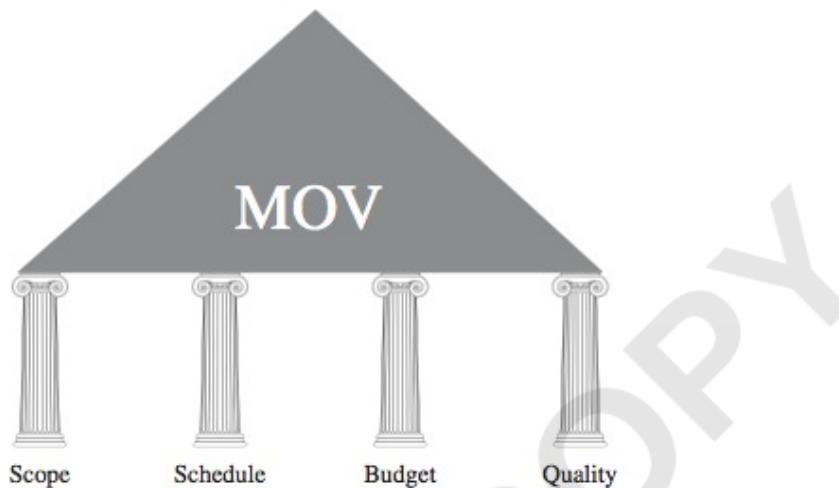


Figure 3.2 The MOV and Project Objectives

to the organization. On the other hand, a project that is late and over budget can still be considered a success if the benefits of the MOV outweigh the costs associated with the project being late or over budget. The only true measure of project success is the value defined in the MOV.

However, project objectives are important and must be managed and controlled because at some point a project that is way over schedule and budget will result in a situation where the cost of the project outweighs the benefits. At this point, the decision to discontinue funding and abandon the project is a sound management decision.

Developing the MOV

Before outlining a process for developing the MOV, let's begin with a good example. Back in the 1960s a U.S. president named John F. Kennedy made the statement:

"Our goal is to land a man on the moon and return him safely by the end of the decade."

This simple yet powerful statement mobilized an entire nation and fueled the space race between the United States and then the Soviet Union. What is interesting about this statement is how clear, concise, and measurable the goal becomes:

- A human being is to land on the moon—not an unmanned spacecraft or even a spacecraft with a chimpanzee.
- The idea wasn't to get an astronaut on the moon and leave him there, or to make it just part of the way back. The astronaut had to make the whole trip and arrive back safely.
- This all had to be accomplished before 1970.

What is equally interesting is that Kennedy never told anyone *how* to do this. That was NASA's job, not his. The goal was to beat the Soviets to the moon, and this project's MOV defined this explicitly.

So, how do we go about developing an MOV? There are six basic steps. The project manager and team should not be responsible for defining the project's MOV. Instead, it is their responsibility to lead and facilitate the process by working closely with the customer, client, sponsor, or relevant stakeholders. This could be done over one or several one-on-one meetings or stakeholder group conferences.

Let's use an example of a nonprofit organization whose mission is to increase public awareness about healthy living. You meet with the director of the organization to develop an MOV for a potential project. Although there are many ways to increase awareness to promote healthy living, such as creating a web site, using social media, or renting a billboard, it is important not to come up with a preconceived solution until after the MOV is defined. Alternatives such as these will be detailed, analyzed, and compared in the business case. If a best alternative exists, then management would make the decision to fund the next stage or phase of the project where a detailed plan is created.

1. *Identify the desired area of impact*—A project can have an impact on an organization in many different ways. Figure 3.3 provides some potential areas of impact and a few examples for each area (4). Again, your responsibility is to lead this process and begin by asking the client, customer, sponsor, or group of stakeholders: “*Is the desired impact of the project strategic, customer, financial, operational, or social?*” Be advised that the worst possible answer is “*All the above*” or “*Yes, I want it to have an impact in all of those areas*” because a project needs to have a clear focus. Another way to gain a clearer picture would be to have the customer or stakeholders prioritize the four areas from most important to least important. The purpose here is to create a dialog to better understand why the project is being considered, as well as the role and impact it will have on the organization. Don’t be surprised if this turns into a lively and spirited discussion among stakeholders as previously accepted wisdom is challenged. The key is to gain valuable insight by asking the question, “*Why do the project?*”

Using the example of our nonprofit, after much discussion, it is agreed that increasing awareness for healthy living falls most closely under the ***social*** category as the organization wants to educate people so that they live longer and healthier lives.

2. *Identify the desired value of the project*—Once the desired area of impact is identified, the next step involves determining the desired value the project can bring to the organization. In simplest terms, you can ask the customer or stakeholders the following questions:

- *Will the project help the organization do something better? (For example, improve quality? Increase effectiveness?)*
- *Will the project help the organization do something faster? (For example, increase speed? Increase effectiveness? Reduce cycle times?)*
- *Will the project help the organization do something cheaper? (For example, reduce costs?)*
- *Will the project help the organization do more of something that it's currently doing? (For example, increase market share? Increase growth? Increase sales? Increase safety?)*

As depicted in Figure 3.4, the key words to identifying value from a project are ***better, faster, cheaper, and do more***. The first three—***better, faster, and cheaper***—focus on quality,

Customer	Strategic	Financial	Operational	Social
<ul style="list-style-type: none">• New products or services• Better quality products or services• Lower priced products or services	<ul style="list-style-type: none">• New markets• Increased market share• Changing the terms of competition	<ul style="list-style-type: none">• Increased revenue• Lower costs	<ul style="list-style-type: none">• More efficient processes• More effective processes	<ul style="list-style-type: none">• Dissemination of knowledge• Improved safety• Cleaner environment

Figure 3.3 Potential Areas of Project Impact and Examples

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effectiveness, and efficiency, while *doing more* of something focuses on growth. For example, if an organization has identified *financial* as its desired area of impact, it may want to reduce costs of a particular process or service. Therefore, value to this organization would be in the form of doing something *cheaper*. On the other hand, another organization may be faced with high inventory costs as a result of having too much inventory in its warehouse. The value that a project would bring to this organization would not be from growth; it does not want to do more of what it is currently doing. The value comes from doing something better (e.g., improved quality to reduce waste or rework), faster (e.g., fewer manufacturing bottlenecks or reduced cycle times), or even cheaper (e.g., lower overhead costs).

While the question in the first step focuses on why an organization wants to take on the project, this second step focuses on the question “*how will this project help us achieve what we want to achieve as an organization?*” At this point, the project manager and client should identify one or two value areas to emphasize. If all four of the value areas appear important, it is a good idea to rank them in order of importance. Keep in mind, however, that not having a clear idea of the desired impact or value of the project may well mean that the problem or opportunity is not clearly understood. The project team may end up treating the symptoms rather than the real problem.

Following our example, the nonprofit wants to increase awareness. Therefore, the director would like to “*do more*” of something it is doing already.

3. *Develop an appropriate metric*—Once there is agreement as to the value the project will bring to the organization, the next step is to develop a metric, or set of metrics, that:

- provides the project team with a performance target or directive
- sets expectations among all stakeholders, and
- affords a means for evaluating whether the project is a success later on.

In general, tangible benefits to the organization are easier to measure than intangible ones; however, this can be done with some creativity. For example, knowing whether profits increased should be fairly straightforward, but customer satisfaction may require surveys or interviews. Often, evaluation requires benchmarking so that a before and after comparison can be made.

To develop a metric, the project manager and customer, sponsor, or other stakeholders should agree on a specific target or range. When not obvious, the target metric should indicate whether an increase or decrease from the organization’s current state is desired. The metrics may be expressed as *money*, *percentages*, or *numbers*. For example, an organization that wishes to increase profits may state this as a 20 percent increase or an increase of \$1 million from the last month, quarter, or fiscal year. On the other hand, an organization that would like to grow its customer base may set a goal of 100 new customers. Therefore, the metrics to support the MOV may be one or a combination of the following:

- | | |
|---|--|
| <ul style="list-style-type: none">■ Money (in dollars, euros, yuan, etc.)■ Percentage (%)■ Numeric value | <ul style="list-style-type: none">(increase or decrease)(increase or decrease)(increase or decrease) |
|---|--|

The nonprofit organization in our example would like to increase awareness for healthy living. There are a number of relevant metrics that could be used. The question is how can the director determine whether this project is a success? Keep in mind that the organization will make a relatively significant investment by the time the project is completed.

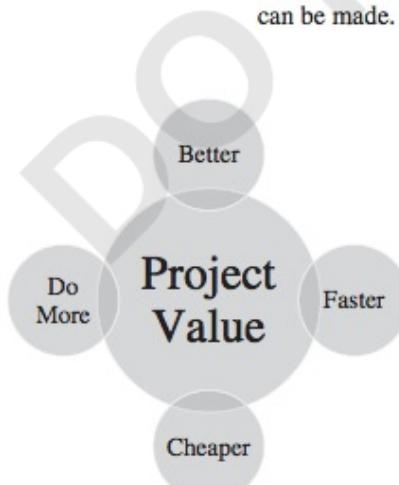


Figure 3.4 Project Value

For example, would a web application be successful when the web site is finished and anyone with an Internet connection can view the site? It is important to have a working web site, but that alone will not make up for the investment and subsequent maintenance and support for keeping the site up and running. What about using a hit counter so that the director can tell how many times the web site was visited? Having traffic to a web site is also important, but awareness may not be increased just because people visit the web site.

After continued discussion with the director, she believes a good measure for awareness is the number of subscribers to a weekly newsletter produced by her organization. Therefore, she says that the project would be successful if 250 new subscribers sign up for the newsletter. The performance targets must be set by the customer, sponsor, or stakeholders empowered to make the decision. Keep in mind that your job is to guide the process and make sure that the MOV is realistic, that is, will you and the project team be able to deliver what is expected?

4. *Set a time frame for achieving the MOV*—Once you have agreement on the target metrics that will provide the desired impact to the organization, the next step is to agree on a specific time frame. For example, a company may focus on increasing profits or reducing costs, but the question is: *When will these results be achieved?* Keep in mind that the scheduled completion of the project is not the same thing as the agreed upon time frame for achieving the MOV. Scope, schedule, budget, and quality are project objectives. Moreover, these project objectives are defined in detail later on when we develop the project plan, so trying to guess what these objectives are at this point in the project can create false expectations. Rarely will the installation of an information system or delivery of a product or service provide the desired or expected value right away. The project manager and sponsor should also agree on how and when the project's MOV will be evaluated.

Continuing with our example, let's assume that the director believes that it is realistic to expect 250 new subscribers within 6 months after the project is completed.

5. *Verify the MOV and get agreement from the project stakeholders*—The next step in developing the MOV is to ensure that it is accurate and realistic. In short, will the successful completion of this project provide the intended value to the organization? And is the MOV realistic? The development of the MOV requires a close working relationship between the project manager and the sponsor. The project manager's responsibility is to guide the process, while the sponsor must identify the value and target metrics. This joint responsibility may not always be easy, especially when several sponsors or individuals need to agree on what will make a project successful or what exactly will bring value to the organization. Still, it is better to spend the time discussing and getting consensus now rather than during the later phases of the project. While the project manager is responsible for guiding the process, he or she needs to be confident that the MOV can be achieved. Being challenged is one thing; agreeing to an unrealistic MOV is another. The latter can be detrimental to your career, the project team, and everyone's morale.

After a soliciting feedback from several subordinates and two board members, the director confirms that 250 new subscribers will provide value to the nonprofit organization. You also believe that achieving this target is feasible.

6. *Summarize the MOV in a clear, concise statement or table*—Once the impact and value to the organization are verified and agreed upon by all the project stakeholders, the MOV should be summarized in a single statement or table. Summarizing the MOV provides an important chance to get final agreement and verification, provides a simple and clear directive for the project team, and sets explicit expectations for all project stakeholders. The most straightforward way to summarize the MOV is in a statement form by completing the following statement:

This project will be successful if _____.

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For example, the project's MOV to increase awareness for healthy living may be:

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

Table 3.1 provides some examples of MOV statements.

However, if the MOV includes a growth component, a table format may provide a better alternative than the single statement format. Continuing with the example, let's say that the director would like to have the 250 new newsletter subscribers 6 months after the project is completed. However, there is no reason why different targets cannot be set for different time periods. For example, what if the director would like to see the number of subscribers continue to increase for the next two years? Perhaps 250 new subscribers would be fine for the first six months, but another 350 could sign up by the end of the year as word spreads and more and more people know about the newsletter. Therefore, the director may establish a performance target of 1,850 new subscribers within two years. The MOV should be flexible to accommodate the expectations and needs of the project sponsor. Always adapt it to fit the needs of the customer or project stakeholders. Table 3.2 provides an example of the MOV in a table format.

It is worth emphasizing again that the MOV does not include any explicit statements about technology. More specifically, the MOV should never mention that a particular relational database vendor's product will be used or that the system will be programmed in a particular language. It is up to the project team to figure out how to build the product or system and determine what technology will be employed to achieve the project goal. At this point in the project, we are concerned with the organization—not with the technology!

In the past, purely technical approaches were often applied to organizational problems. A system would be built, but did it really support or have a significant, positive impact on the organization? Judging from the CHAOS studies discussed in a previous chapter, IT projects have not lived up to management's expectations. In short, the technical people may understand and be very good at working with the technology, but achieving this MOV will also require an organizational approach and commitment. Figure 3.5 shows a process for developing an MOV for increasing awareness related to healthy living.

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.

Table 3.2 Example 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

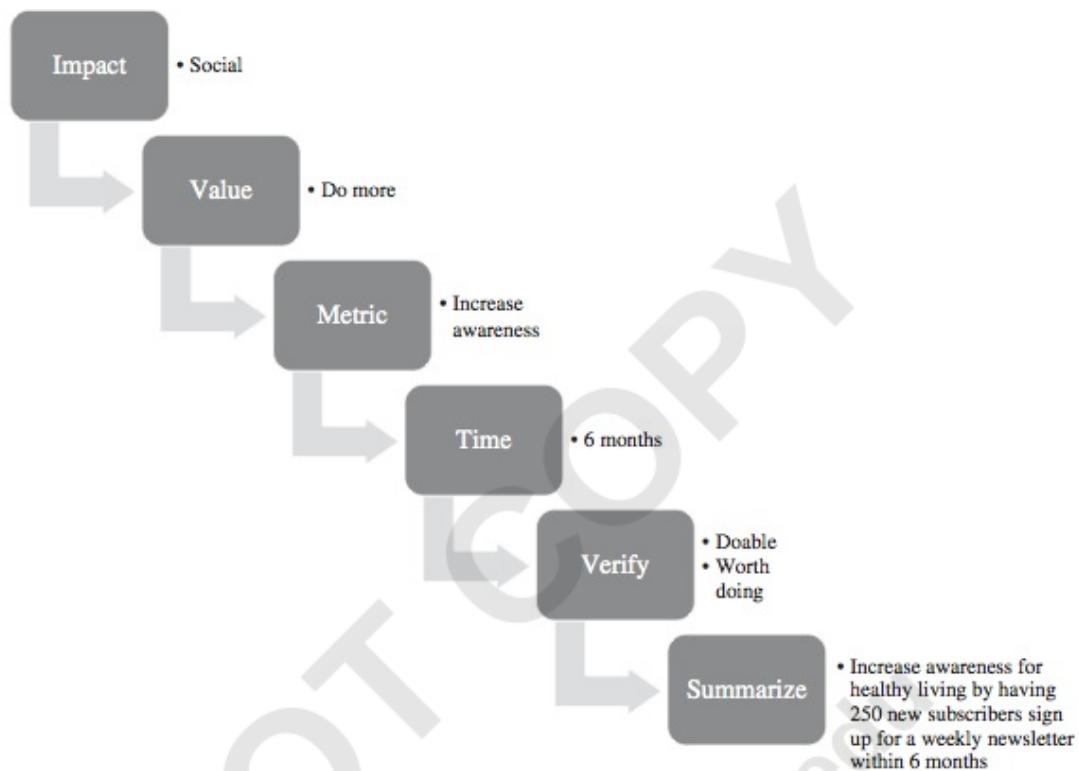


Figure 3.5 Summary of the Process for Developing the MOV to Increase Awareness for Healthy Living

THE BUSINESS CASE

What Is a Business Case?

Although organizations have increasingly turned to information technology to improve effectiveness and levels of efficiency, many projects have been undertaken without a thorough understanding of their full costs and risks. As a result, numerous projects have failed to return benefits that compensate adequately for the time and resources invested.

A business case provides the first deliverable in the project life cycle and is a major theme in the PRINCE2® methodology that was discussed in a previous chapter. It provides an analysis of the organizational value, feasibility, costs, benefits, and risks of several proposed alternatives or options. However, a business case is *not* a budget or the project plan. A business case must provide senior management with all the information needed to make an informed decision as to whether the project should receive funding in order to continue on to the next phase (5). In the next phase, the project will be planned in much greater detail where another go/no decision is made before the plan is executed or carried out.

For larger projects, a business case may be a large, formal document. Less formality may be suitable for smaller projects; however, the process of thinking through why a particular project is being taken on and how it might bring value to an organization is still worthwhile.

Because assumptions and new information are sometimes used to make subjective judgments, a business case must also document the methods and rationale used for quantifying the costs and benefits. Different people who work independently to develop a business case can use the same information, tools, and methods, but still come up with different recommendations. Therefore, it is imperative that