Get it measured, get it done. Focus on business value.
Value delivery isn’t where it needs to be – but you can do something about it

In November of 2019 KPMG, the Australian Institute for Project Management and the International Project Management Association (IPMA) released a report that showed that just 19% of organizations deliver successful projects most of the time. 19%! Additionally, more than half of the people surveyed (58%) thought that things had improved over the last two years. This is clearly not good news. When a discipline delivers only 19% success rates there is clearly a fundamental problem that needs to be addressed, and yet very few organizations are actually doing anything about it.

We believe the problem is with the way that project performance is managed.

Whether projects are delivered using traditional, agile or hybrid approaches the focus is on vanity metrics – statistics that create a sense of wellbeing among stakeholders but don’t reflect on what’s happening on the project. The classic example is the waterfall project triple constraint of time, scope, and budget. Project managers spend a lot of time producing reports that show how their initiatives are proceeding against those metrics, and then spend even more time discussing how performance can be improved with stakeholders.

The issue? Their projects weren’t approved to deliver on time, on scope and on budget.

They were approved to deliver on benefit – to deliver customer and business value and contribute to the attainment of the organization’s goals and objectives. Agile is no better. Burndown charts, cumulative flow diagrams, and velocity reports give a sense that work is being done, but do nothing to indicate whether it’s the right work to optimize value.

If organizations are ignoring the metrics that indicate whether benefits are being achieved it’s not really surprising that only 19% of those organizations consistently deliver successful projects. You can’t manage what you don’t measure. So why is this happening?

Value focused metrics can be hard

Meaningful metrics can be harder to define and measure. For all of their flaws, vanity metrics are easy to produce and easy to understand. And they do provide an indication that project delivery is at least moving forward. It’s easy to ignore the fact that they don’t do anything to indicate whether projects are headed in the right direction when there is no easy alternative.

Value based metrics can legitimately be difficult to define and measure.

Not every project directly delivers revenue growth or cost reduction, and even those that do are only one part of a complex integrated system with multiple variables influencing the ultimate financial performance. How do you show that a system upgrade was responsible for a reduction in operating costs rather than improved processes, better trained staff, or any other of 100 changes that were implemented?
Fortunately, every project identifies the expected benefit at one point in the process.

When the project proposal or business case is developed it contains estimates of how much the project will cost to deliver along with how much benefit it will bring, and the timing of when those benefits will occur. Without those forecasts the project won’t be approved because there won’t be an expected return on the investment.

How are those projections developed and why aren’t they maintained and managed after the project is approved?

Generally, there are a number of issues:

1. The benefit forecasts in business cases are usually little more than informed guesses based on the understanding of the environment and the need to produce a significant enough benefit to get the project approved.

2. There is no indication of how, or even if, those benefits will be measured to validate they have occurred.

3. There is no accountability for the benefits, allowing optimistic numbers to be proposed without fear of any repercussions.

4. Business case forecasts are treated as snapshots in time and are not updated to reflect the ever-evolving operating environment that drives changes between approval and delivery.

This is what needs to be addressed if organizations are going to successfully move to value based metrics.

Three rules for value forecasts

If organizations commit to complying with just three rules for business case value forecasts, they can immediately create an environment where value can be measured. If you can measure it, you can manage it.

The first rule is simple:

• Create accountability for benefit forecasts.

If a business case suggests that successfully delivering a project will result in a cost reduction then the following year’s operating budget should immediately be reduced by the amount of that saving. If a revenue growth or market share gain is identified then the target for the period following delivery should be increased by the claimed amount.

This will have the immediate impact of producing more conservative benefit forecasts, but that’s not a bad thing. It will then be easier to identify the project investments that will really contribute to the goals and objectives and those which are merely taking limited investment funds away from potentially better candidates. However, there will still be a number of projects excluded by this rule because the benefit won’t be so easy to ‘bake in’ to future budgets or targets.
That leads us to the second rule:

• **All benefit forecasts must include details for how value will be validated.**

By defining the criteria for measurement at the outset of the project we create a foundation for the ultimate measurement of value and eliminate any uncertainty. When financial benefits cannot be tied directly to the outcomes (or can't be tied within a reasonable period of time) it also allows discussions to take place around what can be measured, and for those proxies to be approved – establishing a way for value to be interpreted from other factors.

For example, if a company is looking to increase market share, it likely doesn’t want to wait for multiple quarters to see how that share trends. So, it may look at early indicators that are likely to foreshadow that number – reduction in churn, increase in unit sales, higher customer NPS score, etc. The metrics used to provide an early indicator of value can be anything – but they must be approved by stakeholders as part of the project approval. That creates the model for measurement and management.

Similarly, there will be cases where value attainment must be determined purely subjectively – where it will assume to have been achieved if key roles in the organization believe that it has been delivered. That’s a perfectly acceptable approach as long as there is a degree of independence among those making the determination. But again, it must be defined and accepted up front.

The final rule for value forecasts deals with the inevitability of change:

• **Value forecasts must be maintained throughout project delivery.**

Organizations understand that in today’s world project cannot be approved many months prior to delivery and then left alone. There is an expectation that they will need to be adjusted and adapted to reflect changing operating environments, emerging threats and opportunities and technological advancement. But historically that focus is on evolving the work of the project itself, not on the benefits that the project is capable of delivering.

Evolving operating conditions are just as likely to impact the value that can be achieved – competitor offerings will erode opportunities for growth; emerging technologies will improve the potential efficiency of systems, etc. For value to be optimized – for the business to generate the best possible return on the investment in a project, the benefits forecasts must be updated to reflect these changing conditions. On occasion that may require the project to be reconsidered because it is no longer capable of generating a satisfactory return, on other occasions it may be expanded to leverage an increasing opportunity.

**Who manages value?**

Understanding that metrics must be value focused instead of vanity focused is a key starting point. Creating a value model with accountability around business case forecasts is a step in the right direction. But true success only comes when benefit delivery capability is actively managed all the way through the project and beyond.
During the project the focus is on ensuring that the work being done remains capable of delivering the benefits expected. This is still only an enabling function at this point, value attainment will ultimately come from the way the project’s outputs are leveraged within the business environment. However, if alignment between work and benefits is not actively managed during the delivery phase it can be impossible to achieve value goals after the fact.

Once the delivery phase is complete, the previously agree to metrics and proxies must be measured and any variances addressed. From an organizational perspective, any shortfalls in value attainment must be made up elsewhere in the portfolio, potentially driving changes to current and future projects. Only when those variances are measured and managed can that occur with any hope of success.

Accountability for benefits management should sit with the organization’s portfolio management function. Portfolio management is about ensuring that the collective project investments deliver the collective benefits. It can’t just focus on projects during delivery, it must also be involved in prioritizing upcoming projects and managing benefit attainment. Portfolio management should be part of a business focused PMO. The business focused PMO is a critical part of how organizations generate value and benefits management is one of the most critical parts of their remit.

That measurement must be combined with real accountability for the success or otherwise of value delivery. Business areas can’t avoid accountability for benefit shortfalls because they originally defined the benefits, determined how those benefits would be measured, and contributed to the updates to forecasts during project delivery. Not every project will succeed, but every project should have accountability.

Continuous value delivery improvement

Achieving value from projects consistently is hard. No survey is ever going to show that all organizations achieve value from all of their projects. But the bar is currently set so low that improvements are necessary, and fairly easy to achieve. The measures we have set out in this paper help you to start that journey.

Real success comes from continuing beyond these basics. From a commitment to continuously improve performance and deliver more value across more projects with greater consistency. To achieve that requires a commitment to enterprise agility – building an organization that understands its operating environment and responds to threats and opportunities effectively and efficiently. It requires a project delivery environment that is optimized to focus on value, built around a business focused PMO. And it requires a commitment to deliver the best possible value with every single project. We discuss more value-based metrics to help you achieve that in our partner eBook to this paper.
The bottom line

Whether it’s the survey referenced above, PMI’s latest Pulse of the Profession that reports 11.4% of project budgets are wasted, or any of the other reports that consistently show inconsistent or failing value delivery from projects, there is plenty of evidence that projects are failing to deliver value on a regular basis. You cannot afford to be a statistic, and you don’t need to be, as long as you forego vanity and focus on metrics that actually help ensure value is achieved consistently.

Learn more.

We’re committed to helping everyone move to a metrics model that not only focuses on value, but helps to improve the delivery of that value.

- Learn how Business Aligned PMOs are changing how IT is delivered
- Learn how to Measure Value to Deliver Value and effectively manage value-based metrics
- Read how ServiceNow delivered metrics tied to delivering business value with the promise of a business focused PMO.
- Read about Enterprise Agility and how to reinvent your business for today (and tomorrow’s) world
- Learn more about how ITBM can help you deliver enterprise agility for better business value

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