

The IPMA logo consists of the letters 'IPMA' in a bold, dark green, sans-serif font.

Leadership Education Networking

Meeting Enterprise Goals through Project and Portfolio Management

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Welcome

Sound Familiar?

- > **We don't have enough resources to get the work done.**
- > **In our organization, there is no real portfolio planning.**
- > **We don't prioritize our projects, or every project is a #1 priority, or our priorities are constantly changing with no explanation.**
- > **Everyone is doing end-runs around the approval process.**
- > **Funding tends to be very political.**
- > **We can't kill a project. If we do kill a project, it always seems to show up again.**
- > **We never have any objective measurements to overcome the politics in decision-making.**
- > **We get funding to build duplicate systems for different business units and the end result is an ever-growing set of unsupportable redundant applications.**

The Reality

- > **Wrong projects – not linked to strategy/goals**
- > **Projects are not prioritized**
- > **Too many projects – not in line with resources**
- > **Projects use strategic resources inefficiently**
- > **Projects invest in non-strategic systems and applications**
- > **Projects are not monitored and managed collectively to determine if projects should be slowed, stopped, helped or modified – tradeoffs are not identified and exploited**
- > **Unbalanced investment mix (supply/market-side, venture, short/long-term, development, research, innovation, growth, operational improvement or maintenance, mandated investments)**
- > **40% of IT projects fail to deliver intended results (cost, schedule, performance)**
- > **Standish CHAOS Report 2009 – Highest Failure Rate in a Decade**
32% Succeeded 44% Challenged 24% Failed

Addressing These Challenges: *Two Dimensions*

▶ *Doing the right things*

The ability of the enterprise to ensure strategic alignment and maximum value of the overall portfolio of investments

PPM

▶ *Doing things right*

An organization's ability to make the best use of its people, budgets and assets

PMO

Project and Portfolio Management (PPM) *An Enterprise Process*

- > While being tied largely to IT and fairly synonymous with IT Portfolio Management, PPM is ultimately a subset of corporate portfolio management and should be exportable/utilized by any group selecting and managing discretionary projects
- > **PPM is not just about IT!**

Why are Enterprises Addressing PPM?

It is about IT!

- > Enterprises want to effectively spend “new” IT dollars
- > The business wants to hold IT accountable for all costs
- > IT and Business Units recognize the need to collectively govern new investment decisions
- > IT wants to improve their relationship with the business – new projects are the primary interface other than Help Desk
- > Many organizations mistakenly equate PPM to IT Governance and believe they are addressing IT Governance
- > **Ideally** – implemented as part of a larger IT Governance initiative

Addressing These Challenges - Revisited

From an IT Perspective

▶ ***Doing the right things***

IT's ability to partner with the business to maintain alignment and maximize return from IT investments

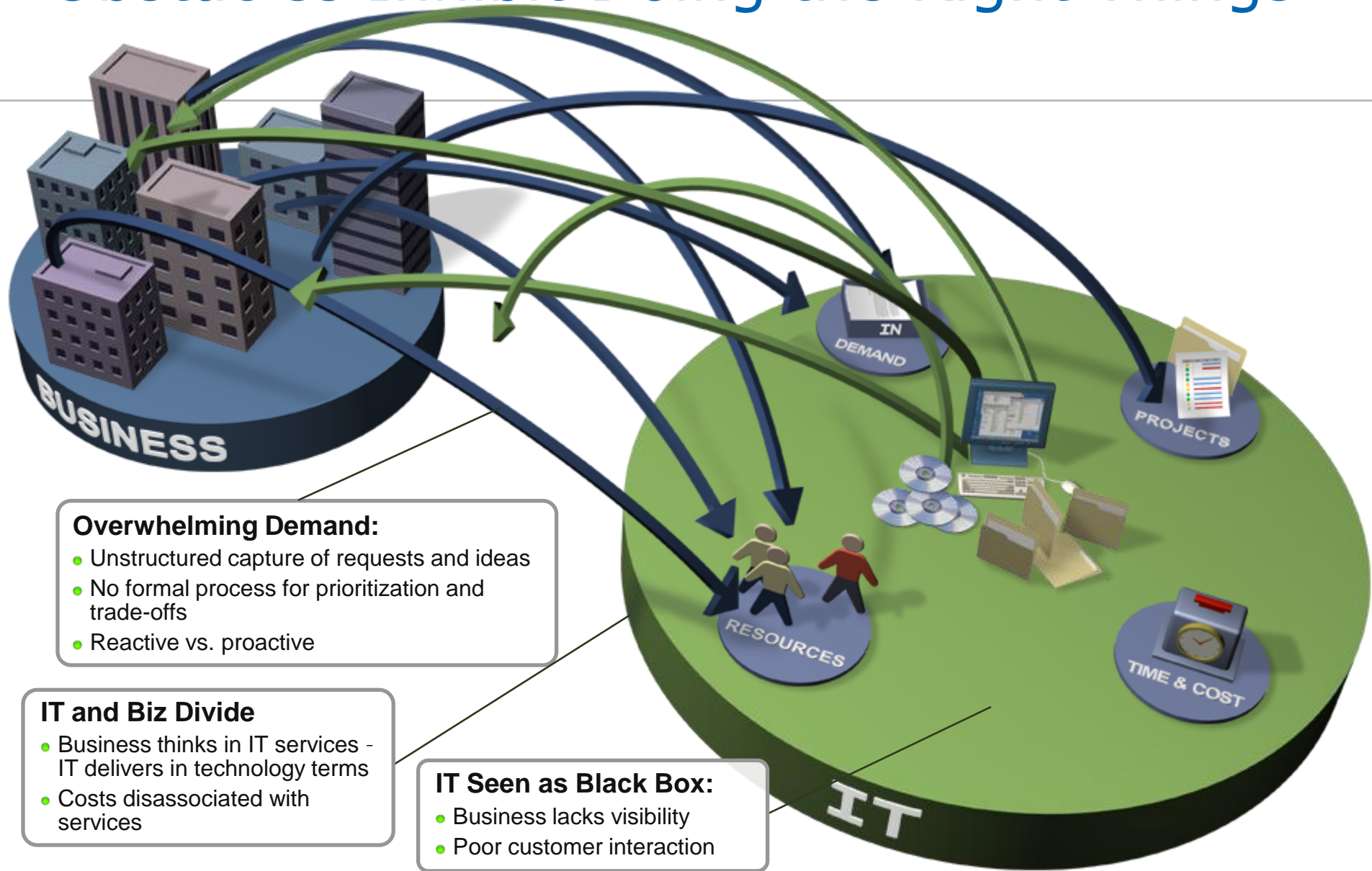
PPM

▶ ***Doing things right***

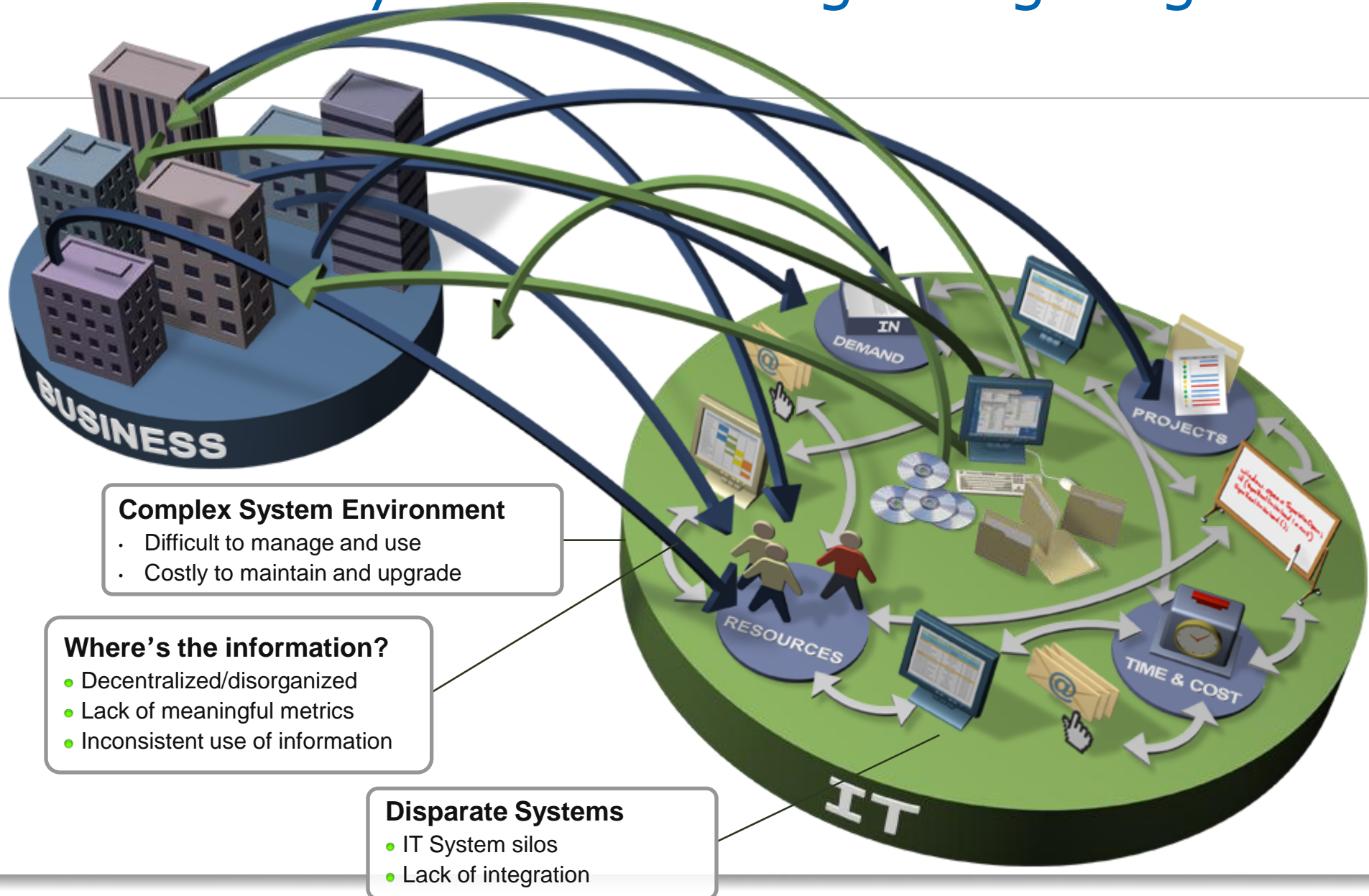
IT's ability to make the best use of its people, budgets and assets

PMO

Obstacles Inhibit Doing the Right Things



Inefficiency Hinders Doing Things Right



ITG and PPM – the Blueprint for Success



First, What is IT Governance?

- > Structure of relationships and processes to direct and control the IT enterprise to achieve IT's goals by adding value while balancing risk versus return over IT and its processes. © IT Governance Institute. All rights reserved.
- > "The processes that ensure the effective and efficient use of IT in enabling an organization to achieve its goals." © 2006 Gartner, Inc. All rights reserved.
- > "The process by which decisions are made in IT investments." © 2005 Forrester Research, Inc. All rights reserved.
- > Simple Version - **The processes and relationships that lead to reasoned decision-making in IT**
- > 3 Key Questions:
 - **What decisions need to be made?**
 - **Who is accountable for making the decisions?**
 - **How will the decisions be made?**

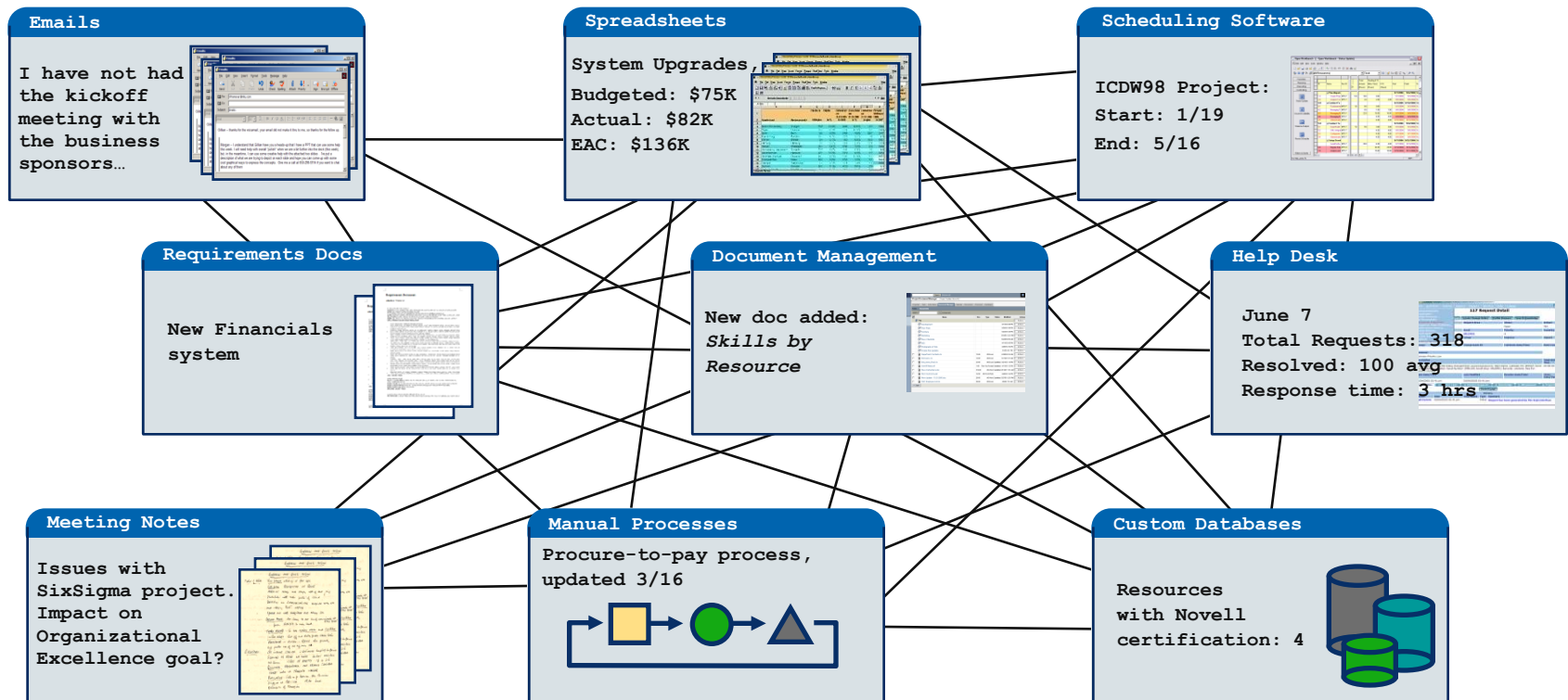
PPM in an IT Governance Context

- > Engaging with IT's customers to make fact-based decisions through the use of portfolio management
 - What investment decisions need to be made?
 - Who is accountable for making investment decisions?
 - How will investment decisions be made?

- > Decisions require fact-based information – This requires a systematic approach to collect, integrate, analyze and provide meaningful data

The CIO's Information Challenge

- > Too much data about some things
- > No data about other things
- > Stored and presented haphazardly
- > Often not relevant or useful



Too much Information, Too Little Sharing

- > 47% of IT Managers spend 30% of their time trying to get the right information (as opposed to 25% for non-IT Managers)
- > 42% say they have too much information
- > 44% complain other departments are not forthcoming with information
- > 39% say they can't determine what information is current
- > 38% must weed out duplicate information
- > 21% don't understand the value of received information
- > 84% collect and store information on their own hard drives and e-mail accounts

Source: InformationWeek, January 3, 2007

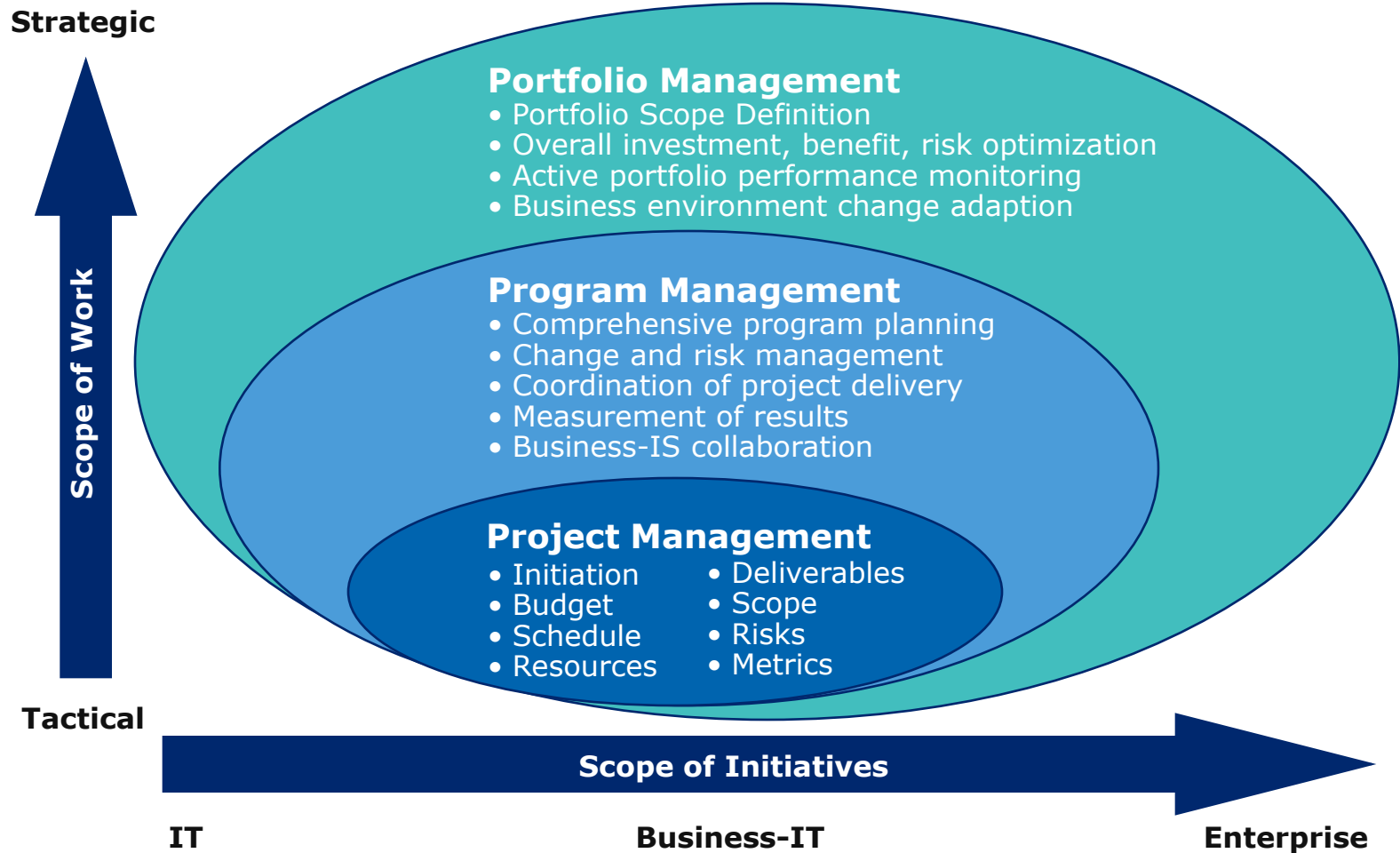
PPM –Definitions Vary

- > Project Portfolio Management is a continuous loop of communication that enables an IT organization and the business to collaboratively plan and manage IT investments.

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- > PPM is a term used by project managers and project management (PM) organizations to describe methods for analyzing and collectively managing a group of current or proposed projects based on numerous key characteristics.

The "P's" in PPM



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The Goal of PPM

The Key to Success

- > **ENTERPRISE:** The fundamental objective of the PPM process is to determine the optimal mix and sequencing of proposed programs and projects to best achieve the organization's overall goals

- > **IT:** The goal of Project and Portfolio Management is to ensure that an organization's overall portfolio of IT-enabled investments is aligned with and contributing optimal value to the organization's strategic objectives by:
 - Establishing and managing resource profiles
 - Defining investment thresholds
 - Evaluating, prioritizing and selecting, deferring, or rejecting new investments
 - Managing the overall portfolio
 - Monitoring and reporting on portfolio performance

*ITGI Copyright. 2006 IT Governance Institute – Val IT Framework

What is a PMO when the “P” stands for “Portfolio”?

- > Portfolio management offices contribute to business growth by optimizing the enterprise's portfolio of projects and programs. They allocate scarce resources toward enterprise objectives, while factoring in risk, desired returns and interrelationships between these investments.

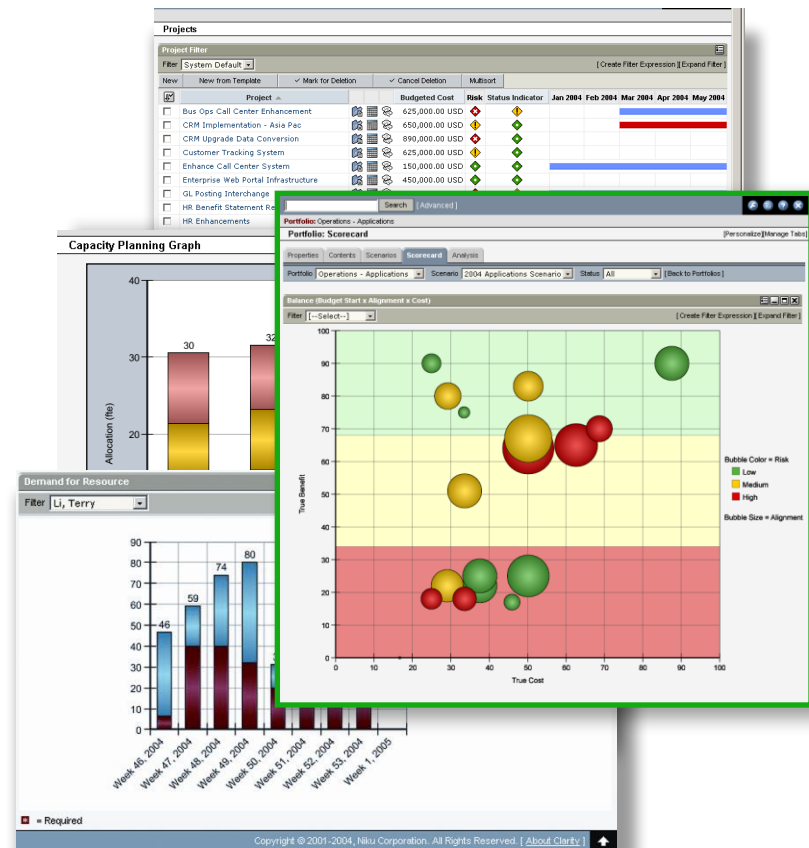
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- > The portfolio management office typically operates independently of IS, reporting to the CFO, COO or other senior executive. This gives it the clout to raise portfolio management issues to the highest levels and make decisions based on the best interests of the entire enterprise.

PPM Enables Governance of IT Investment Decisions

IT Investment and Prioritization - Choosing which initiatives to fund and how much to spend

- > How much do we spend?
- > What do we spend it on?
- > How do we reconcile the needs of different constituencies?
- > Ensures IT spending reflects strategic priorities
- > Requires business-led and IT-enabled Portfolio Management



PPM Governance Committee

Almost Always the First Step

Ensure the right people are involved

- > CIO – Committee Chair, Facilitator
- > Core Business and Functionality Leadership – Decision-makers
- > CFO – Dual role: Functional and financial consultant
- > Other IT Staff – Expertise and insight as required



Major Decisions
Go/No-go
Kill/Fix
Benefits Review

PPM Ensures We Do the right Things

- > Typically expressed in terms of hard economic measures, business strategy goals, or technical strategy goals - while honoring constraints imposed by management or external real-world factors.
- > Typical attributes of projects being analyzed in a PPM process include:
 - Each project's total expected cost
 - Consumption of scarce resources (human or otherwise)
 - Expected timeline and schedule of investment
 - Expected nature, magnitude and timing of benefits to be realized - Value
 - Relationship or inter-dependencies with other projects in the portfolio

The Essence of PPM

Decision-making Criteria

- > The decision to invest in a project should be made based upon **criteria** measuring the relative **benefits** (e.g. supporting enterprise goals) and its relative **cost** and **risk** to the organization.
- > The portfolio of projects should be grounded in some **financial objective** such as increasing shareholder value, top line growth, etc.
- > PPM attempts to address **issues** of resource allocation, e.g., money, time, people, capacity, etc.
- > **Risks** must be computed in a statistically, actuarially meaningful sense.

A Great Business Case

- > The business benefits targeted, their alignment with business strategy - who in the business will be responsible for securing them
- > The business changes needed to create additional value
- > The investments needed to make the business changes
- > The investments required to change or add new IT services and infrastructure
- > The ongoing IT and business costs of operating in the changed way
- > The risks inherent in the above, including any constraints or dependencies
- > Who will be accountable for the successful creation of optimal value
- > How the investment and value creation will be monitored throughout the economic life cycle, and the metrics to be used

*ITGI Copyright. 2008 IT Governance Institute – Val IT Framework

Approaches to PPM – Many Models

> Common Portfolios

- Run – Doing what we do
- Grow – Doing more of what we do
- Transform – Doing different

> Peter Weill, MIT CISR Sloan School of Management

- Transactional – to cut costs or increase throughput for the same cost
- Informational – to provide information for any purpose
- Strategic – to gain competitive advantage or position in the market
- Infrastructure – the base foundation of shared IT services used by multiple applications

> Forrester, Gartner, Deloitte, PWC, Accenture, etc.

5 Steps to Effective Project and Portfolio Management

5

Assess Results

4

Connect Delivery to Plans

3

Make the Hard Decisions

2

Establish Investment Criteria

1

Model the Portfolio

PPM Includes Project Execution

Should we continue the project?

- > Portfolio Management continues beyond the project investment decision – more than just go/no-go
- > Approved investments should be managed actively on a continuing basis and not considered just when approval is sought
- > Involves continued analysis of the portfolio
- > Monitoring each investment for its relative contribution to enterprise goals versus other portfolio investments
- > **Answers the fundamental question:** *Is the investment decision still valid?*

PPM Includes Project Execution

Should we kill it or fix it?

- > Is the project performing below expectations? (schedule or cost overruns, benefit erosion)
- > Is the project still aligned to business objectives? (which constantly change)
- > Management must decide:
 - To make the necessary project/portfolio adjustments to improve performance
 - To make the necessary project/portfolio adjustments to maintain alignment
 - To kill the project to eliminate further investment and redirect resources towards other projects that better fulfill business objectives

PPM Includes Execution

The Mechanics of Project Oversight

- > PPM Governance Committee
- > Analysis typically performed on a periodic basis to revise the portfolio for optimal business performance
- > In this way both new and existing projects are continually monitored for their contributions to overall portfolio health



How Do We Accomplish the Objectives of PPM?

- > Requires a holistic view of the entire IT portfolio across the enterprise
 - Projects
 - People
 - Applications
 - Assets
 - Demand
 - Services

Project Portfolio

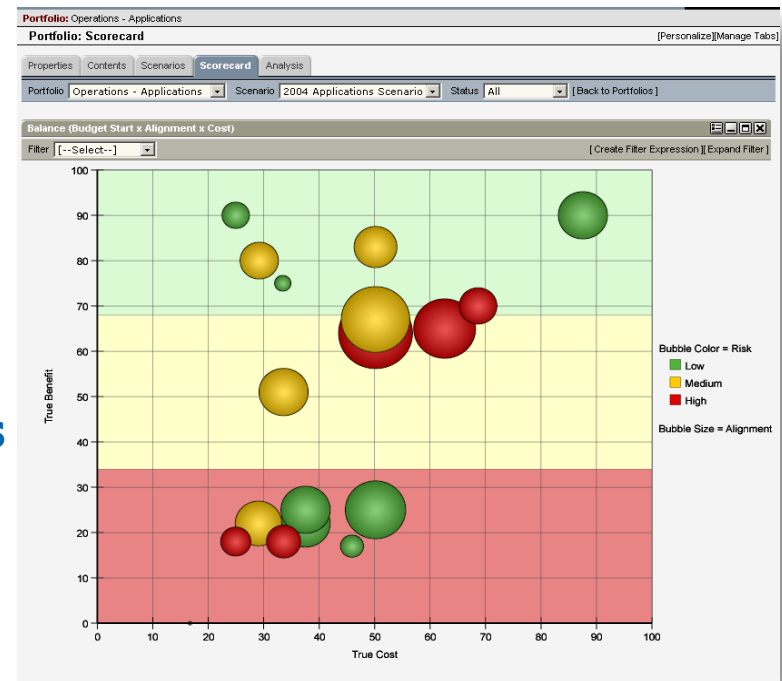
- > PPM is necessary for reliably understanding and delivering to business goals & expectations
- > Capture all projects across the IT organization, both large & small
- > Visibility enables management of all projects as a whole - allowing tradeoffs among projects

The screenshot displays a 'Projects' dashboard with a table of project data. The table includes columns for Project name, Budgeted Cost, Risk, Status Indicator, and a Gantt chart showing project timelines from January 2004 to May 2004. The Gantt chart uses blue bars for active projects and red bars for completed or delayed projects.

Project	Budgeted Cost	Risk	Status Indicator	Jan 2004	Feb 2004	Mar 2004	Apr 2004	May 2004
Bus Ops Call Center Enhancement	625,000.00 USD	High	Warning					
CRM Implementation - Asia Pac	650,000.00 USD	High	Warning					
CRM Upgrade Data Conversion	890,000.00 USD	High	Warning					
Customer Tracking System	625,000.00 USD	High	Warning					
Enhance Call Center System	150,000.00 USD	Low	OK					
Enterprise Web Portal Infrastructure	450,000.00 USD	Low	OK					
GL Posting Interchange	350,000.00 USD	High	Warning					
HR Benefit Statement Reporting	450,000.00 USD	Low	OK					
HR Enhancements	275,000.00 USD	High	Warning					
Journal Entry Enhancements	210,000.00 USD	Low	OK					
New Partner Web Site	675,000.00 USD	High	Warning					
Operations System Performance Upgrade	250,000.00 USD	Low	OK					
Order Management Data Mart Development	550,000.00 USD	High	Warning					
PeopleSoft Data Migration	450,000.00 USD	Low	OK					
Reduce Network Maintenance Costs	550,000.00 USD	Low	OK					
Upgrade Network Performance	425,000.00 USD	High	Warning					
Web Development - OM Interface	450,000.00 USD	High	Warning					
Lifecycle Management Template	1,200,000.00 USD	High	Warning					
Systems Migration	0.00 USD	Low	OK					
Lifecycle Management Template		Low	OK					

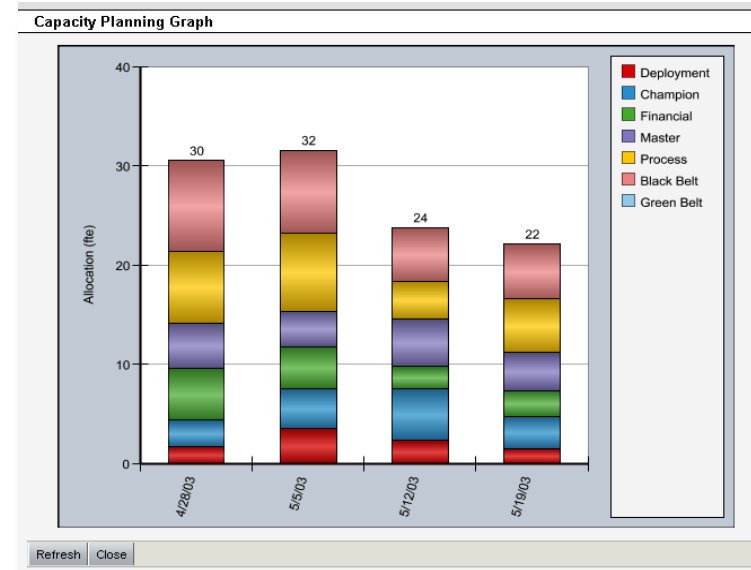
Application Portfolio

- > **IT Application Portfolio Management (APM)** attempts to use the lessons of financial portfolio management to measure and justify the financial benefits of each application in comparison to the costs of the application's maintenance and operations.
- > Large organizations have thousands of applications
- > Provides the information needed to rationalize and prioritize applications – Identify strategic applications
- > Eliminate redundancy
- > Free application maintenance dollars for higher-value uses



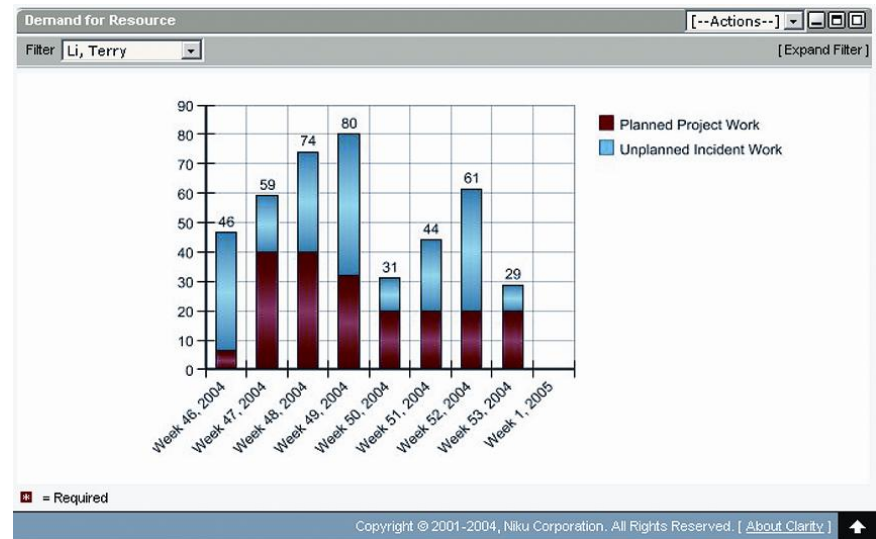
Resource Portfolio

- > **Resource allocation is a critical component of PPM. Once it is determined that one or many projects meet defined objectives, the available resources of an organization must be evaluated for its ability to meet this project demand.**
- > **Resource planning is essential given medium-to-large project portfolios**
- > **Understand existing labor or funding resource commitments**
- > **Manage by skill set and affinity**
- > **Consider in-house and outsourced supply**
- > **Identify strategic resources**



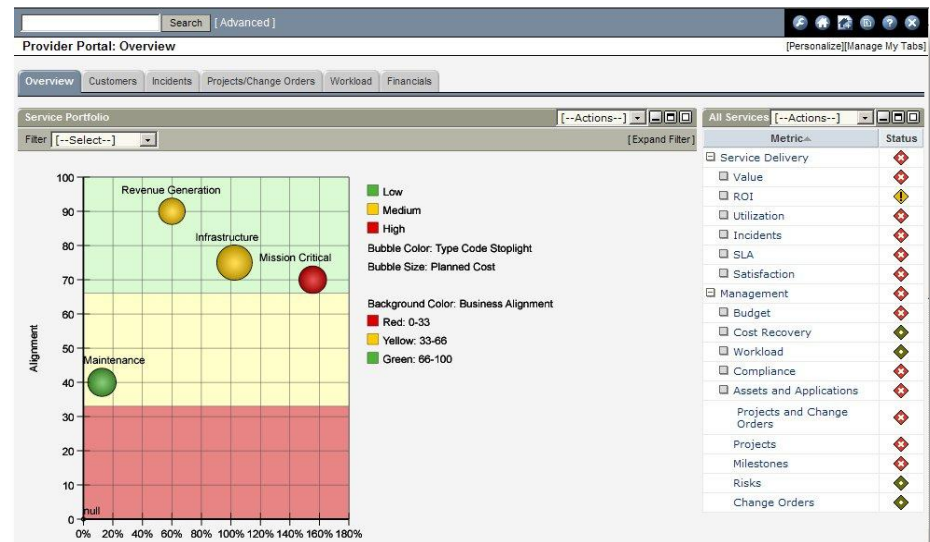
Demand Portfolio

- > Also known as **pipeline management** - the ability to measure the planned allocation of resources according to some strategic plan. To do this, a company must be able to estimate the effort planned for each project in the portfolio
- > Prioritize and manage work appropriately
- > Capture total demand – both planned and unplanned
- > Understand impact and cost of unplanned work on the portfolio



Service Portfolio

- > **Describes a provider's services in terms of business value**
- > **Develops a financial and strategic model around services to support business initiatives**
- > **Articulates business needs and the provider's response to those needs – in terms of value to the business**
 - Why should a customer buy these services?
 - Why should they buy these services from us?
 - What are the pricing or chargeback models?
 - What are our strengths and weaknesses, priorities and risk?
 - How should our resources and capabilities be allocated?



Portfolio Dashboard

Personal

Overview

Organizer

Reports and Jobs

Account Settings

Overview [Personalize][Manage Tabs]

Portfolio Management

Projects

Benefits of PPM

- > Enables the CIO to establish the required governance to engage with the business effectively and to deliver investment results efficiently
 - Communicate effectively with business partners/stakeholders
 - Align with organizational goals, strategies and priorities
 - Select the right investments and make the right tradeoffs
 - Demonstrate measurable business value
 - Operate in compliance with corporate governance requirements
 - Involve top management in project portfolio execution

- > Management can more clearly and transparently demonstrate its effectiveness to its shareholders or owners

PPM Checklist for Success

- > Properly represented PPM Governance/Steering Committee
- > Designed and implemented formal PPM-specific processes (Criteria management, Submission, Evaluation, Approval, Prioritization, Managing, Monitoring & Reporting, etc.)
- > Designed and implemented formal PPM-related processes (Resource Management, Demand Management, etc.)
- > Common language (terminology & nomenclature)
- > Standard tools and templates (request form, business case, program/project information, etc.)
- > Timely “tailored” data – resource, demand, application, asset, program/project status, etc.

Advice when Addressing PPM

- > Absolutely requires Executive sponsorship and leadership – Vision and Enablement
- > Absolutely requires Business participation – IT facilitates but the business must be a partner in the effort
- > Business process initiative – This requires skills in process management, design, implementation – and organizational change
- > Decisions require fact-based information – This requires a systematic approach to collect, integrate, analyze and provide meaningful data

Meaningful Metrics

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First, What are Metrics and Measures?

- > **A metric is a standard unit of measure**, such as mile or second, or more generally, part of a system of parameters, or systems of measurement, or a set of ways of quantitatively and periodically measuring, assessing, controlling or selecting a person, process, event, or institution, along with the procedures to carry out measurements and the procedures for the interpretation of the assessment in the light of previous or comparable assessments.
- > **Metric** – an operational definition that describes, in specific terms, what something is and how the process measures it
- > **Metric** – a standard of measurement
- > **Measurement** - an actual value

Why measure?

- > **To make decisions** – all data is used to make decisions
- > If you don't measure it, you can't manage it
- > If you don't measure it, you can't improve it
- > If you don't measure it, you probably don't care
- > If you can't influence it, then don't measure it
- > *If you are collecting data, and you don't know exactly what decision is associated with the data, stop collecting the data. It is a waste of time.*

What Do Metrics Tell Me?

- > **Variations** – Did I hit the mark? If I missed, was I within *tolerance* levels?
- > **Trends** - Examining performance over time to determine performance improvement or deterioration and to forecast future performance

The Elements of a Good Measure

- > **Important** - Reflects the ultimate goals and purpose of the organization
- > **Controllable** - Is something that employees can directly influence
- > **Accurate** - Reliably expresses what is being measured
- > **Objective** - Not subject to dispute
- > **Easy** - Not burdensome or expensive to obtain
- > **Timely** - Is available in time to make a difference
- > **Comprehensible** - Easily communicated and readily understood
- > **Harmless** - Does not induce dysfunctional behavior

Measures – Critical Dimensions

> Financial/Productivity

- cost
- price
- profit
- overhead
- carrying cost
- estimate vs. actual

> Timeliness

- cycle time (speed)
- on-time

> Quality of Interaction

- responsiveness
- convenience
- dependability

> Quality of Work/Product

- performance
- accuracy
- conformance
- completeness
- reliability/durability
- aesthetics
- serviceability

> Other

- capacity
- compliance
- agility/adaptability
- safety
- employee satisfaction

Am I measuring the right things?

> **When making decisions**

- Was my decision realized?
- Was my decision good?
- How can I make better decisions?

> People understand it

> People know what to do with it

> **People want it**

Develop & Maintain Dashboards to Enable & Ensure Involvement

- > Understand Data Requirements
- > Decision-mapping – linking the data
- > Metrics and Measures Reporting
- > Role-specific Reporting

**VISIBILITY
INTO IT!**



Metrics from the Top

- > **Goals** – outcomes the enterprise must achieve
- > **Strategies** – major programs the enterprise pursues to achieve its goals
- > **Processes** – operating mechanisms that execute strategies

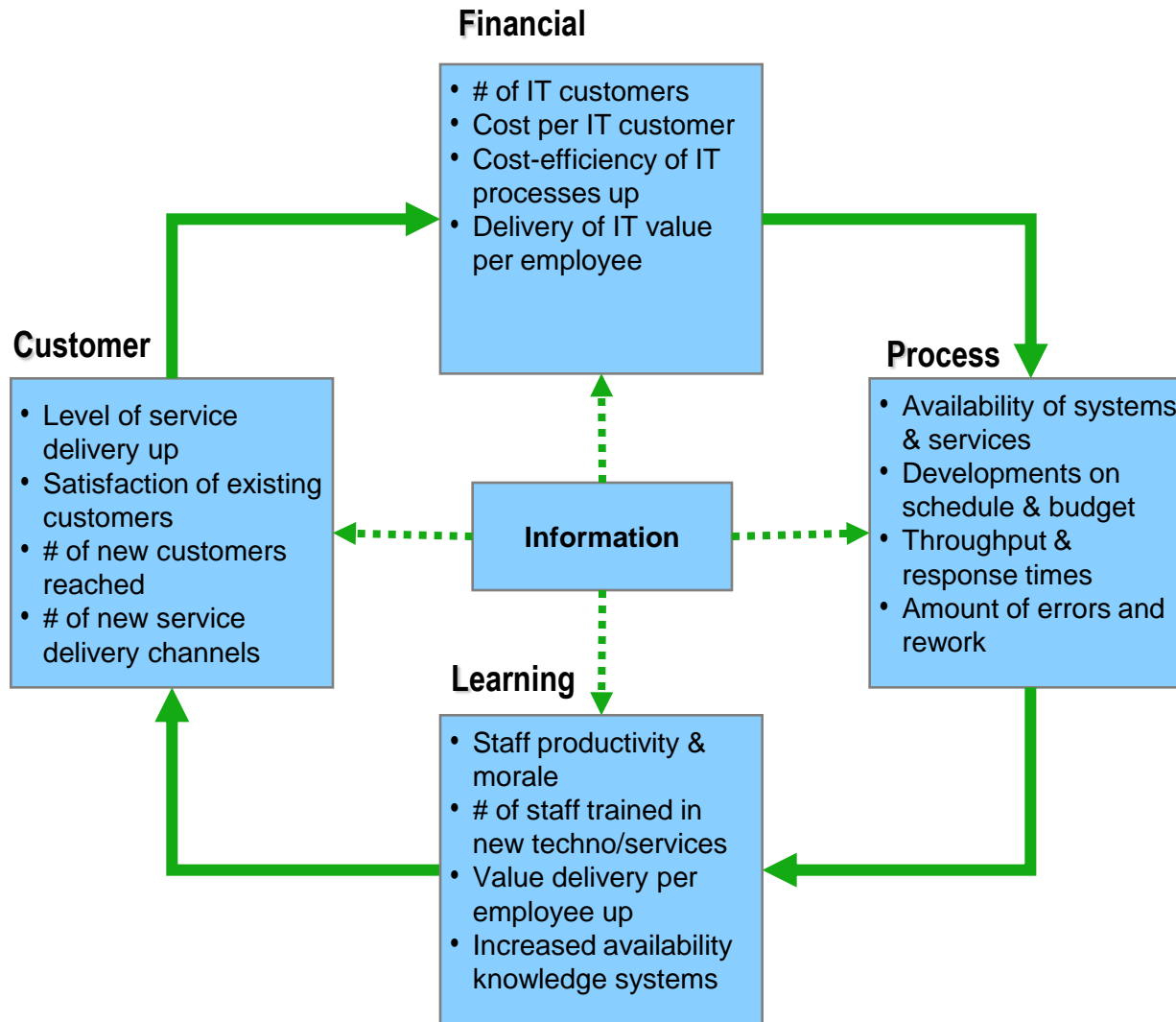
Balanced Scorecard – a History Lesson

- > The **Balanced Scorecard** (BSC) began as a concept for measuring whether the smaller-scale operational activities of a company are aligned with its larger-scale objectives in terms of vision and strategy. It was developed and first used at Analog Devices in 1987. By focusing not only on financial outcomes but also on the human issues, the Balanced Scorecard helps provide a more comprehensive view of a business, which in turn helps organizations act in their best long-term interests. The strategic management system helps managers focus on performance metrics while balancing financial objectives with customer, process and employee perspectives. Measures are often indicators of future performance.
- > **According to the Balanced Scorecard Institute**
The balanced scorecard (BSC) is a strategic planning and management system used to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organizational performance against strategic goals
- > IT view of the world with financial transparency so you can talk with business executives about true life-cycle costs and true accountability within IT services

Balanced Scorecard Objectives

- > Demonstrate the value added by IT
- > Establish a balanced set of measures for determining the effectiveness of the IT organization
- > The foundation for creating the IT strategic plan and linking it into tactical and operational plans
- > Communicate and influence IT performance in key areas as required by the business and its stakeholders
- > Establish a framework for IT management reporting

Balanced Scorecard – 4 Perspectives



Balanced Scorecard – Examples

> Financial

- Cash flow
- ROI
- Financial Result
- Return on capital employed
- Return on equity

> Customer

- Delivery Performance to Customer - by Date
- Delivery Performance to Customer - by Quality
- Customer satisfaction rate
- Customer retention

> Internal Business Processes

- Number of Activities
- Opportunity Success Rate
- Accident Ratios
- Overall Equipment Effectiveness

> Learning & Growth

- Investment Rate
- Illness rate
- Internal Promotions %
- Employee Turnover
- Gender/Racial Ratios

IT Governance Principle Metrics

Strategic Alignment



- > Show how IT supports the Enterprise Strategy
- > Show how IT Operations are aligned with current Enterprise Operations

Value Delivery

- > Show how IT delivers appropriate quality on-time and within budget
- > Show how actual cost and ROI is managed



Risk Management

- > Risk Controls
- > Transferring risk
- > Risk acceptance



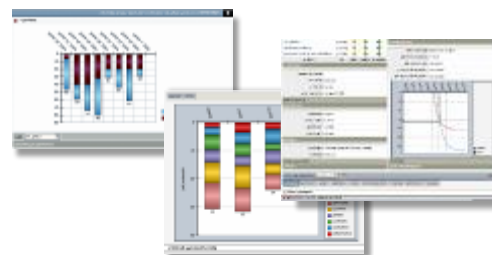
Resource Management

- > Show how IT optimizes the infrastructure
- > Show how IT optimizes human resources



Performance Management

- > Show how IT measures performance (balanced scorecard, KPIs, etc.)
- > Use of automated systems providing performance data and information



Strategic Alignment

Focus on aligning with the business and collaborative solutions



- > Show how IT supports the Enterprise Strategy
- > Show how IT Operations are aligned with current Enterprise Operations

Show how IT:

- > Delivers against the strategy
- > Balances investments between systems that support the enterprise as is, and transforms the enterprise to create an infrastructure that enables the business to grow
- > Adds value to products and services
- > Improves customer satisfaction and customer retention
- > Assists in competitive positioning
- > Contains costs and improves administrative efficiency
- > Increases managerial effectiveness

Value Delivery

Optimizing expenses and proving the value of IT



- > Show how IT delivers appropriate quality on-time and within budget
- > Show how actual cost and ROI is managed

Show how IT:

- > Is fit for purpose, meeting business requirements
- > Flexible to adopt to future requirements
- > Provides required throughput and response times
- > Enables ease of use, resiliency and security
- > Provides integrity, accuracy and currency of information

Risk Management

Addressing the safeguard of IT assets, disaster recovery and continuity of operations



- > Risk Controls
- > Transferring risk
- > Risk acceptance

Show how IT:

- > Mitigates risk by implementing controls (e.g. Risk Management Systems, Audit controls, acquiring and deploying security technology to protect the infrastructure, Business Continuity Planning, Disaster Recovery, etc.)
- > Transfers risk by sharing risk with partners or transfers risk to insurance coverage
- > Accepts risk by formally acknowledging that the risk exists and it is being monitored

Resource Management

Optimizing knowledge and IT infrastructure



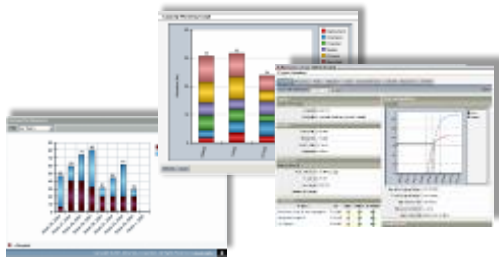
- > Show how IT optimizes the infrastructure
- > Show how IT optimizes human resources

Show how IT:

- > Manages system procurement
- > Benefits from service procurement
- > Manages the lifecycle of hardware, software licenses and services contracts
- > Applies appropriate methods and adequate skills to manage and support IT Projects and Systems
- > Improves workforce planning, recruiting and workforce retention
- > Provides IT education and development

Performance Management

Tracking project delivery and monitoring IT services



- > Show how IT measures performance (balanced scorecard, KPIs, etc.)
- > Use of automated systems providing performance data and information

Show how IT:

- > Establishes and measures financial objectives
- > Maps financial objectives to customer requirements and needs
- > Measures process performance, effectiveness, efficiency and criticality to the business
- > Addresses innovation requirements and future needs
- > Determines how business executives and users view the IT department

COBIT® IT Performance Measurement

Goals and metrics are defined in COBIT® at three levels

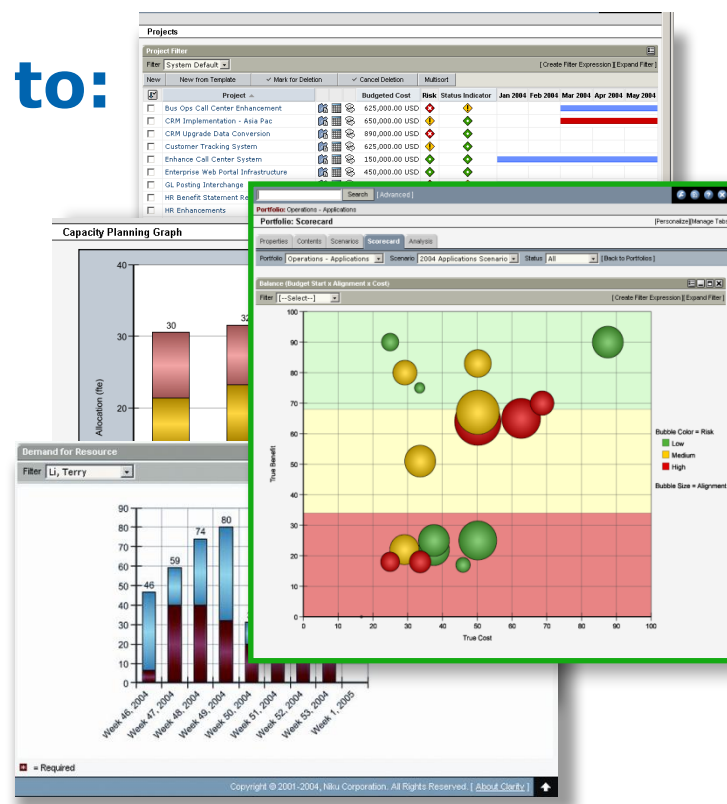
- > It goals and metrics that define what the business expects from IT and how to measure it
- > Process goals and metrics that define what the process must deliver to support IT's objectives and how to measure it
- > Activity goals and metrics that establish what needs to happen inside the process to achieve the required performance and how to measure it

PPM Goals

IT Investment and Prioritization - Choosing which initiatives to fund and how much to spend

Percentage of IT spending to:

- > Run the business
- > Grow the business
- > Transform the business (innovation)



PPM/PMO Metrics and Measures

Collect the Data to enable:

- > Connecting the goals of the organization to the identified strategies, and the strategies to the project portfolio
- > Showing whether or not the portfolio properly balanced between supply-side and market-side projects
- > Keeping top management involved in the execution of the project portfolio
- > Completing projects faster to meet market-side goals of speed to market and competitive advantage and to meet financial goals of reduced cost and better ROI

PMO Metrics and Measures

4 Dimensions – Based on a 2008 Forrester Report

Consulting

- > Number of engagements
- > Number of mentoring relationships
- > Number of training days delivered

Knowledge Management

- > % of Healthy Projects
- > Number of best practices contributed

Standards

- > Number of projects complying with project management standards
- > Number of projects complying with methodology

Portfolio Management*

- > Total return of the portfolio
- > % of actual value versus expected value
- > % of projects that meet or exceed expected value

Measuring the Value of Projects

- > **Increase throughput**
- > **Reduce investment**
- > **Reduce operating expense**
- > Have the combined effect in the 3 measurements that result in an obviously positive effect on the bottom line now and in the future (e.g. increase investment, but provide a dramatic resulting increase in throughput, such that the investment is recovered within two years or less). A project that can affect two of these simultaneously is even better. A project that affects 3 is even better.
- > *Unless meeting legal or regulatory requirement*

Measuring the Value of Projects

- > **Throughput** - The value of the products and services you deliver to customers minus the direct cost of goods or services sold or paid to outside vendors. In a for-profit company, this is how much money is left in the bank account after payment has been received from customers and outside vendors and subcontractors have been paid for parts, materials and services. In a not-for-profit organization, the value of the products and services is still required but often expressed in non-monetary form.
- > **Investment** - All capital investment and investment in inventories at all levels (raw materials and parts, work in progress, and finished goods throughout the supply chain.) This includes all investments that must be written off over more than the fiscal year.
- > **Operating Expense** - All of the money that the organization spends to turn its investment into throughput. This includes all annual expenses. It also includes all labor costs, depreciation expense, and supplies consumed throughout the year.

Project Metrics and Measures

- > **Classic** - On time, on budget, within scope
- > **ITG Evangelist's** – Speed, Value, and Performance delivered
- > **Influence future decision-making**

The screenshot displays a software interface for project management. At the top, there's a 'Project Filter' section with a dropdown menu set to 'System Default'. Below this is a toolbar with buttons for 'New', 'New from Template', 'Mark for Deletion', 'Cancel Deletion', and 'Multisort'. The main area is a table with columns for 'Project', 'Budgeted Cost', 'Risk', 'Status Indicator', and a Gantt chart for the year 2004 (Jan, Feb, Mar, Apr, May). The Gantt chart uses red and blue bars to represent project durations. The table lists various projects such as 'Bus Ops Call Center Enhancement', 'CRM Implementation - Asia Pac', and 'Customer Tracking System', each with its budgeted cost and risk level.

Project	Budgeted Cost	Risk	Status Indicator	Jan 2004	Feb 2004	Mar 2004	Apr 2004	May 2004
Bus Ops Call Center Enhancement	625,000.00 USD	High	Yellow					
CRM Implementation - Asia Pac	650,000.00 USD	High	Green					
CRM Upgrade Data Conversion	890,000.00 USD	High	Green					
Customer Tracking System	625,000.00 USD	High	Green					
Enhance Call Center System	150,000.00 USD	High	Green					
Enterprise Web Portal Infrastructure	450,000.00 USD	High	Green					
GL Posting Interchange	350,000.00 USD	High	Green					
HR Benefit Statement Reporting	450,000.00 USD	High	Green					
HR Enhancements	275,000.00 USD	High	Green					
Journal Entry Enhancements	210,000.00 USD	High	Green					
New Partner Web Site	675,000.00 USD	High	Green					
Operations System Performance Upgrade	250,000.00 USD	High	Green					
Order Management Data Mart Development	550,000.00 USD	High	Green					
PeopleSoft Data Migration	450,000.00 USD	High	Green					
Reduce Network Maintenance Costs	550,000.00 USD	High	Green					
Upgrade Network Performance	425,000.00 USD	High	Green					
Web Development - OM Interface	450,000.00 USD	High	Green					
Lifecycle Management Template	1,200,000.00 USD	High	Green					
Systems Migration	0.00 USD	High	Green					
Lifecycle Management Template	0.00 USD	High	Green					

PMI PMBOK® Project Measurements

- > **Performance information** – status of deliverable completion
- > **Performance measurements** – schedule variance, cost variance
- > **Forecasted completion** – Earned Value Technique
- > **Quality control measurements**
- > **Project plan as baseline** – scope, schedule, cost parameters – may include technical and quality parameters
- > **Approved change requests**
- > **Deliverables** – subject to approval by sponsor or customer

Earned Value Technique

> **Earned Value Technique**

Compares the cumulative value of the budgeted cost of work performed (earned) at the original allocated budget amount to both the budgeted cost of work schedule (planned) and to the actual cost of work performed (actual). This technique is especially useful for cost control, resource management, and production.



Data Collection Methods

Metrics

Method	Counts	Expert judgments	Length of turns	Turn overlap	Resource cost	Task Completion	Time	Tool Usage	User ratings	Conversational Constructs	Repair Activities
Log	X		X	X	X	X	X	X		X	X
Observation	X	X	X		X	X	X	X		X	X
Questionnaire		X			X			X	X		X
Audio	X		X	X	X					X	
Video	X	X	X		X		X	X			

The Principles of Process Metrics



- > Focus on end to end process outcomes and performance
- > Meticulously derive metrics from customer needs and enterprise goals
- > Avoid being distracted by intermediate measures
- > Assists in the strive for common understanding and awareness
- > Base performance measures and rewards on metrics
- > **Use to monitor performance, shape behavior and drive change**

Summary

Some final thoughts

- > Metrics cost \$ - the #1 inhibitor
- > Match frequency to importance
- > If you can't take action on a metric, then it doesn't matter
- > Can somebody make a decision based on the metric?

Thank you

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