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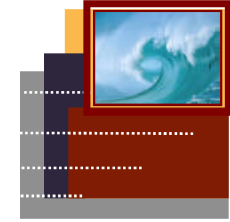


Value Proposition Management

Delivering the Business Promise

Presented by
John G. Mathers

So .. what's up with major projects today?



■ Help me understand:

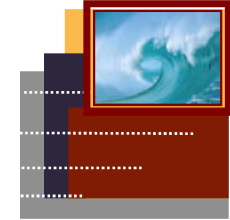
- We do projects every day; they define the value of growing businesses!
- We devote hundreds of billions of dollars to them!
- There are thousands of classes on how to run projects, tens of thousands of books and articles, hundreds of associations devoted solely to project management!

... **and yet >70% of projects still fail!!!!**

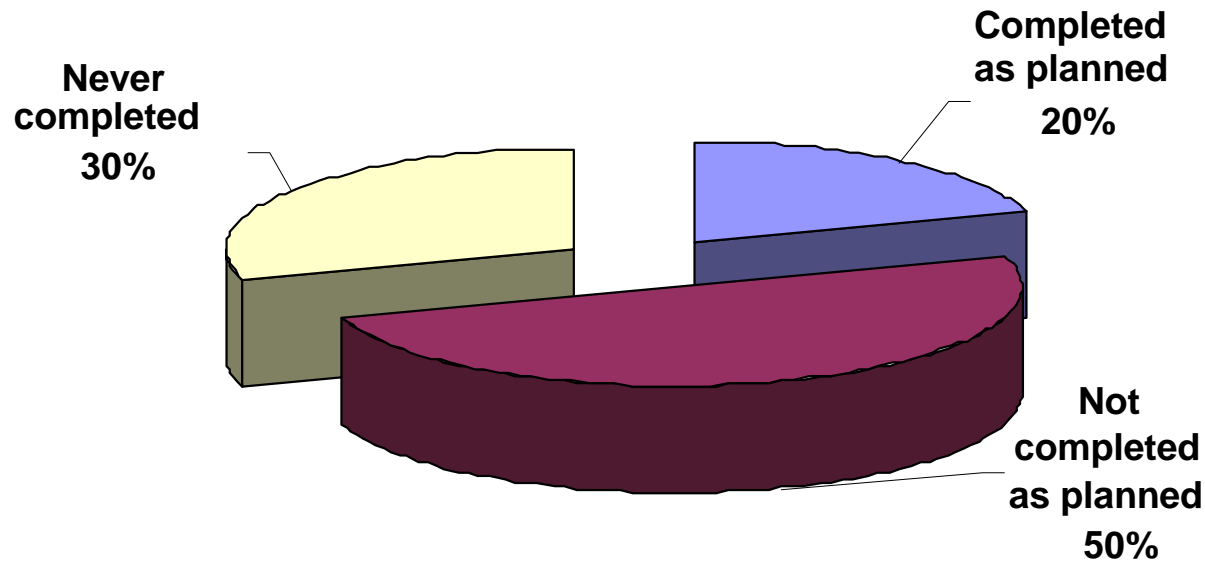
■ What's wrong? Are project

- Too complicated? Too complex and sophisticated?
- Too demanding? Requiring too broad a range of skills?
- Too dependent on people? Too reliant on the quality of management and team members?

What do the studies show?



- **30%** of major projects are never completed and **50%** do not deliver as promised*

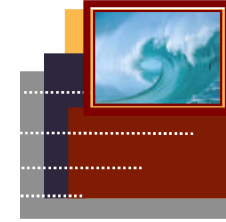


- **Only 50% of corporations use metrics in projects, despite size, cost or timing****
 - **>95%** consider “done/not done” a metric

Sources: * Study of 2000 US-based companies by Hackett Group, Atlanta, 2003

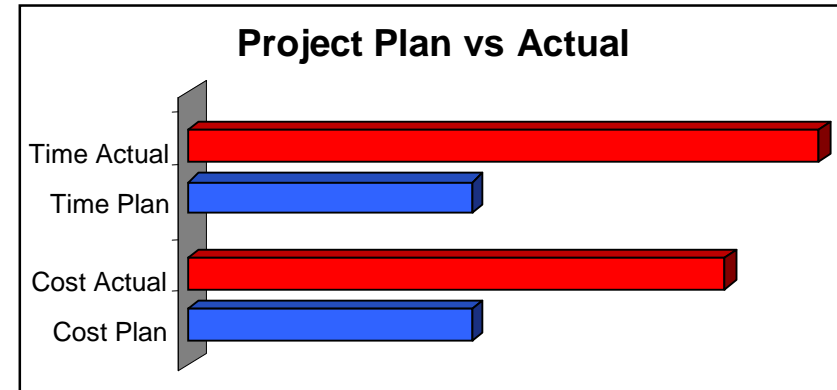
** Study of 6000 companies worldwide by Rubin Systems, Pound Ridge NY, 1999

What do the studies show? (continued)



- **US companies currently spend \$250 billion yearly on IT development projects alone (~ 175,000)**

- **Only 12%** of projects are on-time and on-budget
- **31%** have cost overruns
- **34%** have time overruns
- 26% realize only a portion of planned functionality (avg 61%)

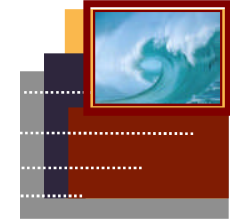


- **Corporate professionals assessment of successful projects (in order of importance):**

1. User Involvement (19%)
2. Exec Mgmt Support (16%)
3. Clear Requirements (15%)
4. Proper Planning (11%)
5. Realistic Expectations (10%)
6. Smaller Project Milestones (9%)
7. Competent Staff (8%)
8. Ownership (6%)
9. Clear Vision & Objectives (3%)
10. Hard-Working, Focused Staff (3%)

Source: Standish Group 1995, updated 1998 and 2000 (study of 362 companies and 3,682 projects)

Identified areas of failure

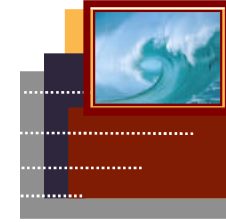


■ The reasons given for failure include

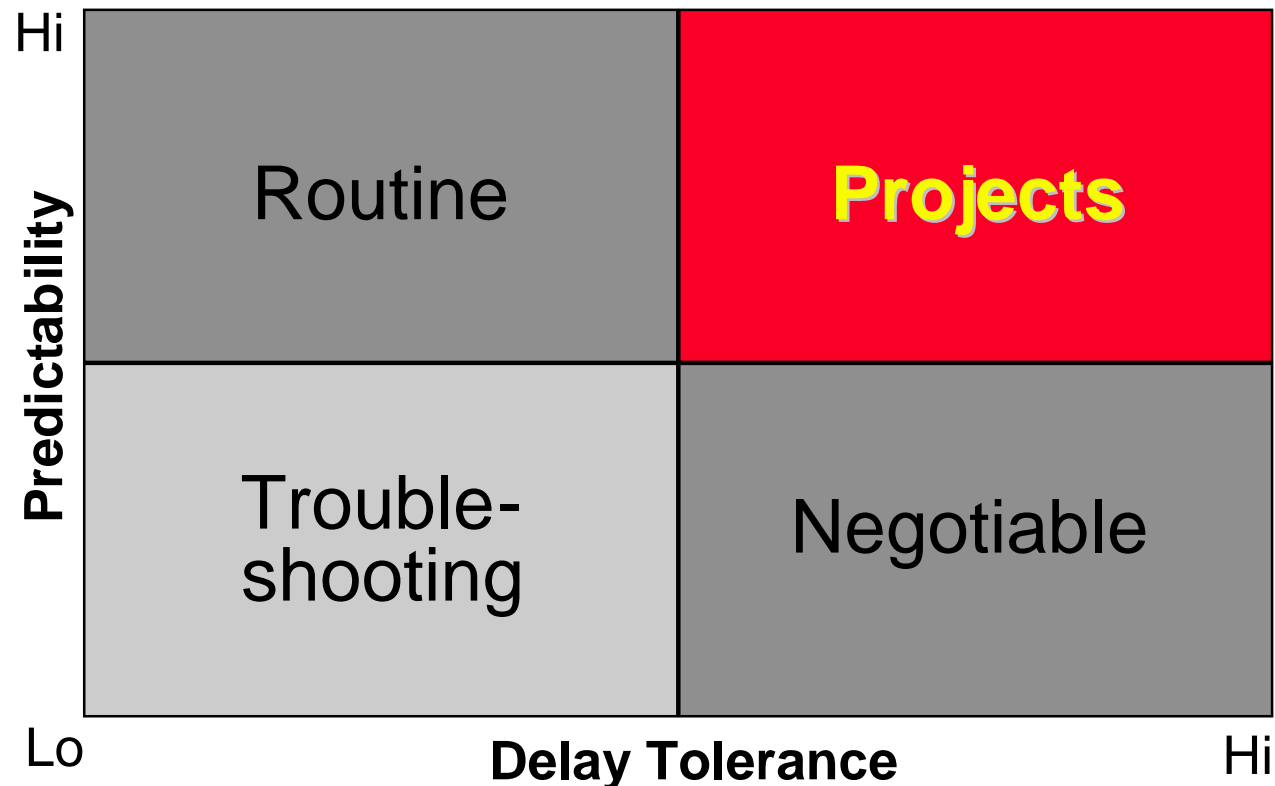
- **Ownership**: too often senior management has not considered the project in light of realistic expectations for results and clearly committed – through budget – to the effort
- **Stakeholders**: often internal and external stakeholders/ influencers are not clearly identified and *included* until they are impacted by ongoing project activity
- **Alignment**: too often alignment is attempted as new stakeholders are identified rather than through a focused and directed effort at the start and regularly during the effort
- **Changes**: often market and internal surprises demand immediate and reactive changes in deliverables/timeframes
- **Management**: too often performance problems at the bottom of the organization tend to be escalated late as emergencies rather than arise as part of regular, normal reporting

Sources: General compilation of comments from Standish and Hackett studies

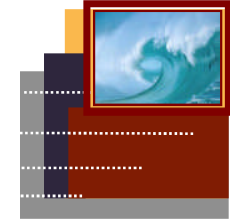
Another way of looking at what's wrong?



- **Projects** – like many business activities – are too often addressed as routine activities rather than a demanding *management of VALUE PROPOSITION through the life of the effort*

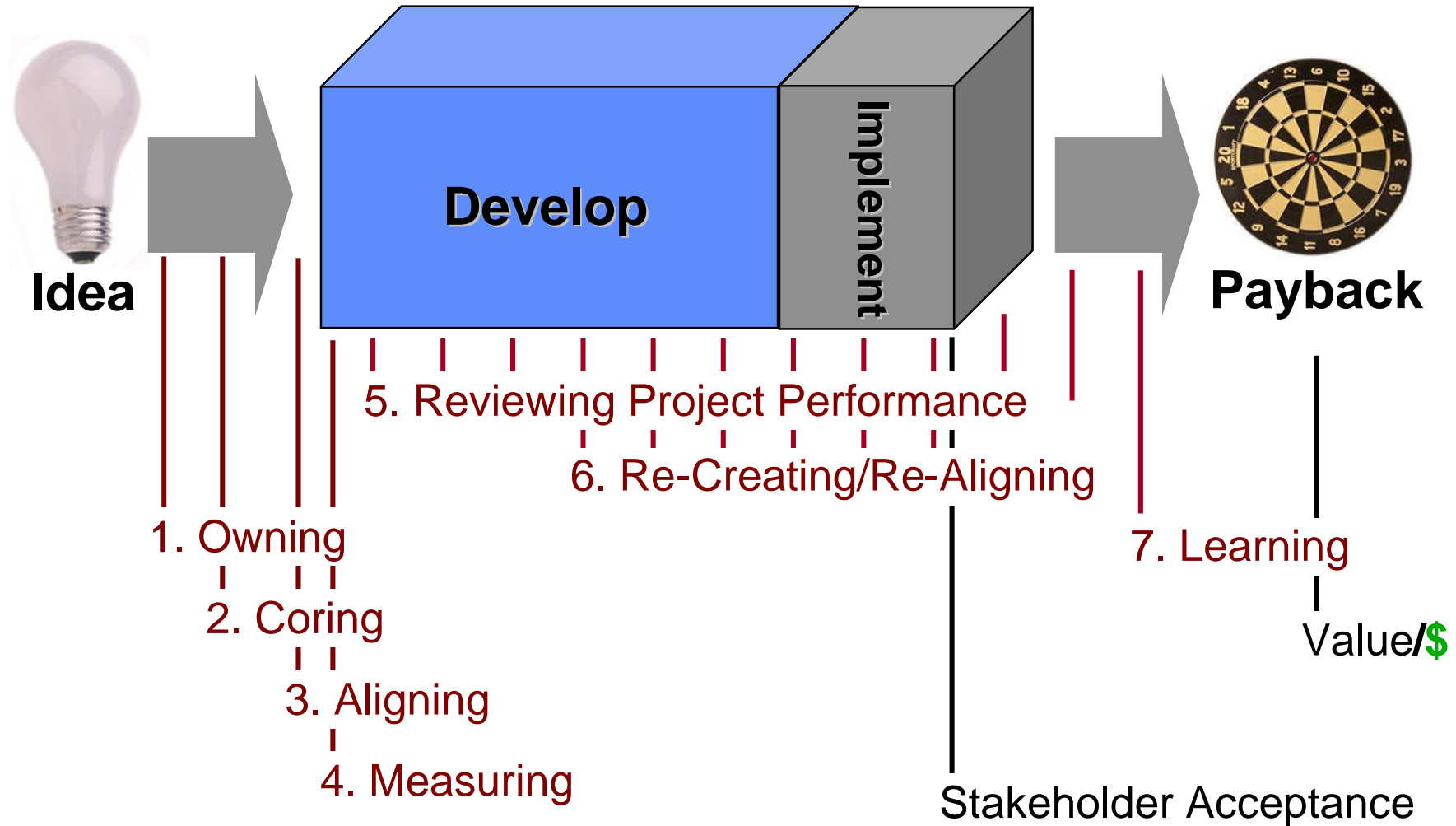
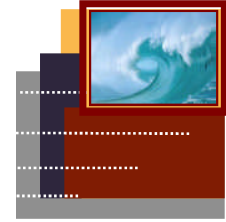


What is *Value Proposition Management*?



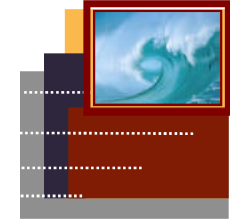
- The **Value Proposition** is a clear, concise, factual statement of quantifiable results from products or services – the more specific the value proposition, the easier the measurement ... and achievement
- **Value Proposition Management (VPM)** is regular, ongoing oversight of pre-identified Stakeholders' values/benefits as new products or services are *identified, developed and delivered*
- VPM provides management with appropriate positive or negative feedback on the impact of changes during the development/ implementation cycle, with quantitative and qualitative reporting to support decision making
- VPM supports and enhances project management tools and senior level control through the life of the effort

Key Value Proposition Management practices



Value Proposition Management

1. Owning



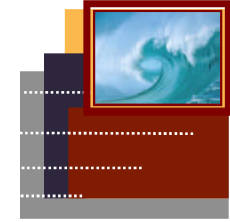
Key Actions

- Feasibility review & value proposition:
 - Value criteria
 - Benefit assessment (initial deliverables)
 - Stakeholder benefit
 - Initial schedule
 - Initial costing
 - Initial risk Review
 - Initial benchmarks
 - Initial dependencies
- Management review
- Initial list of stakeholders

Key Results

- Feasibility
- Initial value proposition
- Buy-in (senior-, group- and project-level mgmt)
- Initial budget
- Stakeholders list (first cut)

2. Coring



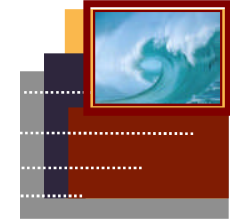
Key Actions

- Core project team:
 - Recruitment / selection
 - Initial work plan
- High-level requirements
- Payback assessment
 - Revenues or cost savings
 - Breakeven vs current state

Key Results

- Project staffing
- Project work plan
- Requirements (first cut)
- Payback assessment (first cut)

3. Aligning



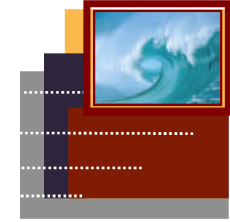
Key Actions

- Contact stakeholders & interested parties
- Detailed value proposition
- Detailed requirements
- Detailed work plan
- Detailed budget
- Project alignment:
 - Value proposition
 - Requirements
 - Work plan
 - Budget & human resources
 - Project management structure & reporting

Key Results

- Identified stakeholders & interested parties
- Completed value proposition, requirements, work plan, and budget
- Agreed-upon overall project and reporting structure

4. Measuring



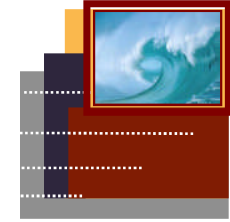
Key Actions

- Establish metrics:
 - Time
 - Cost
 - Resources
 - Scope
 - Quality
 - Action items
- Detailed reporting process / templates and process
 - Graphic representation
 - Hierarchy of meetings
 - Timing

Key Results

- Regular reporting and decision-making process
 - Sub- & project-level
 - Group
 - Senior management
 - Stakeholders
- Hierarchy meeting regular agenda:
 - Deliverables realized
 - Cost review
 - Critical issues / decisions
 - Payback assessment

5. Reviewing (short-cycle)



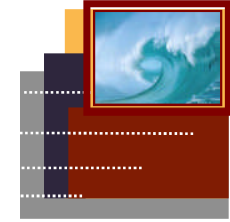
Key Actions

- Tools selection and acquisition:
 - Project management
 - Budget
 - Reporting
- Regular project-level meetings:
 - Performance to plan (graphic schedule & cost)
 - Project and individual exception issues
 - Action required
- Regular communication across & up organization:
 - Exception graphical report with issues/actions highlighted
 - Specialized reporting

Key Results

- Control of performance issues
- Regular communication to all interested parties
- Special management reporting:
 - Change control
 - Risk assessment
 - Payback assessment

6. Re-creating



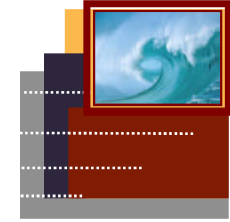
Key Actions

- Regular review and re-alignment (all interested parties):
 - Key issues/impacts
 - Decision-making
 - Revision of plans
- Special situation review and re-alignment (only as demanded by project-level impacts):
 - Key issues/impacts
 - Decision-making
 - Revision of plans

Key Results

- Revised project plan impacting (as agreed by management) schedule or budget
 - Risk assessment
 - Payback assessment
- Revised metrics for reporting purposes

7. Learning



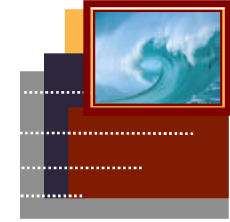
Key Actions

- Review of project performance (what worked, what did not work, & suggestions)
- Payback Review (final assessment of value proposition realized)

Key Results

- Project learnings (shared across all interested parties)
- Payback review (shared with stakeholders only)

Seven practices in three areas



A. Careful preparation

1. **Owning** – Establish ownership at the senior-, group-, & project- levels
2. **Coring** – Core project team recruitment, selection & work plan
3. **Aligning** – Alignment of stakeholders / interested parties

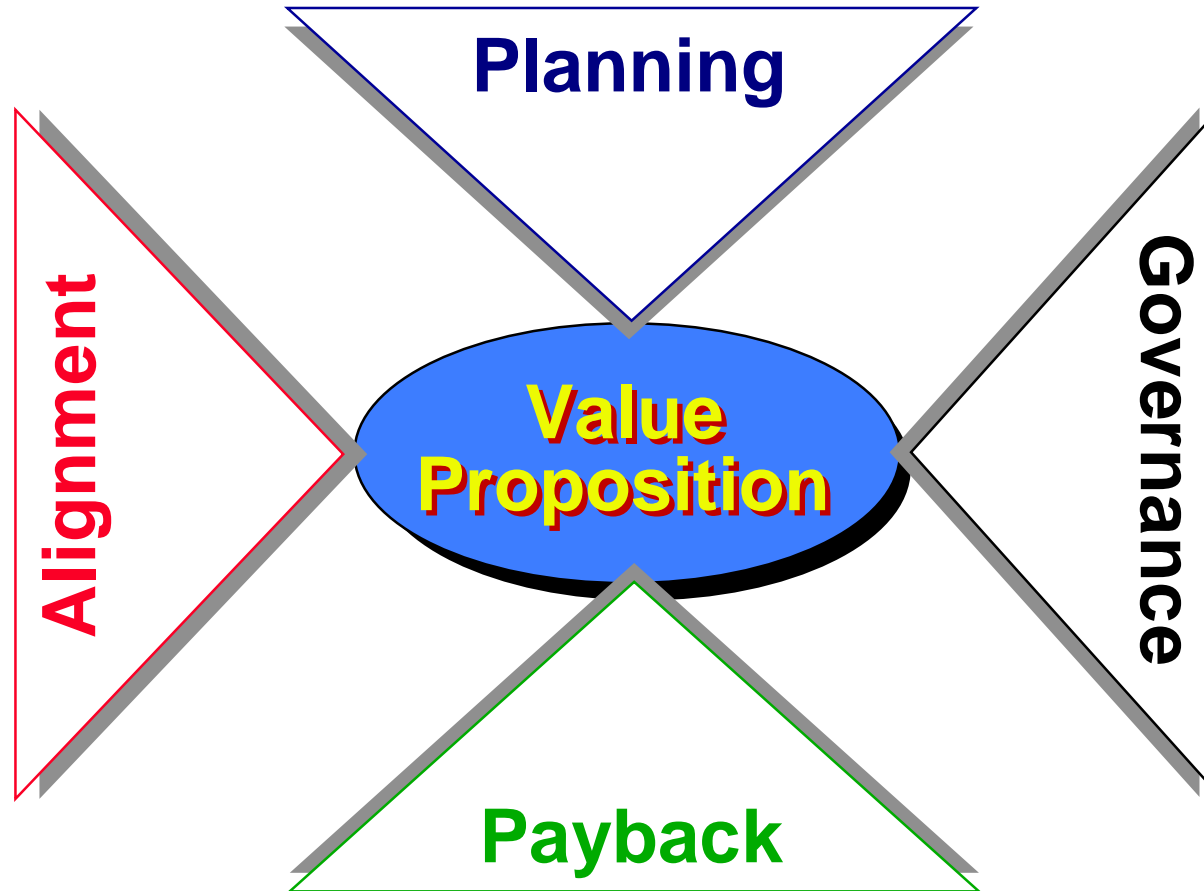
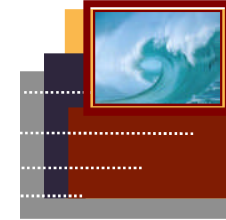
B. Focus on managing action and change

4. **Measuring** – Selection / representation of key project performance metrics
5. **Reviewing** – Regular exception reporting designed and implemented at project-, middle- and senior-levels

C. Considered review of results

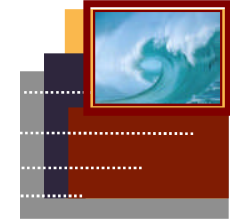
6. **Re-creating** – Regular re-alignment and exception change management to adjust to shifting strategic and market realities
7. **Learning** – Review learnings from project successes and failures

Success is at the intersection



Ongoing, balanced management of all key elements is the leverage point for delivering project benefits

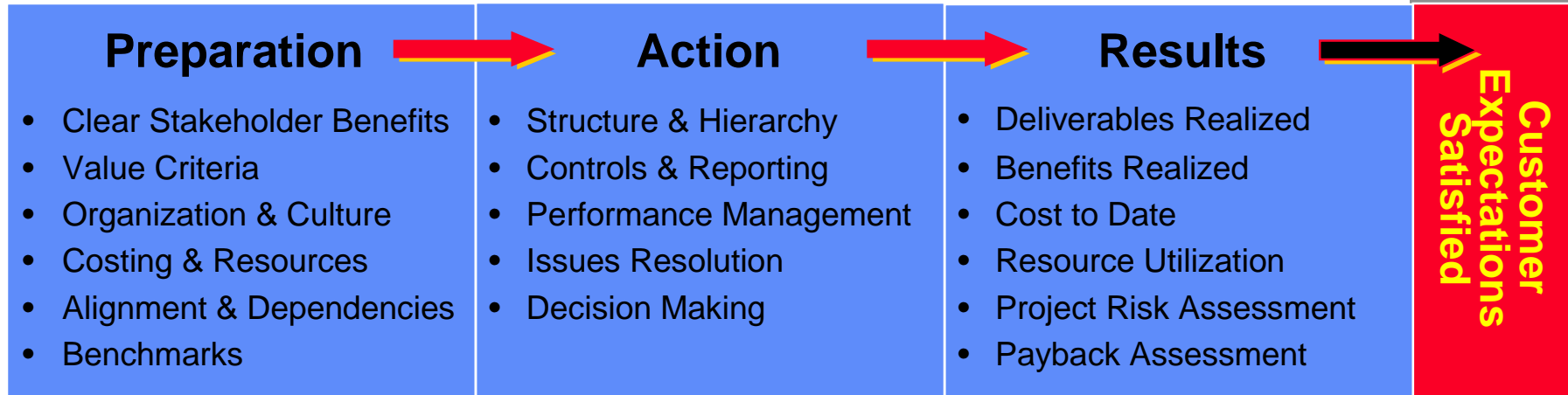
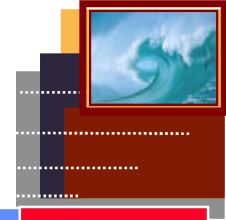
Success is at the intersection



Project success is based on simultaneous attention to:

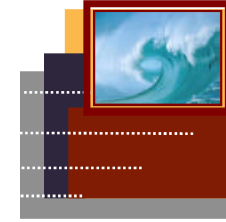
- **Planning** – ongoing alignment on vision, resources, deliverables, project plans, roles, and project management responsibilities
- **Alignment** – identification, needs assessment, and motivation of all internal and external stakeholders
- **Governance** – ongoing project management, including project monitoring, resourcing, reporting, decision-making, and individual feedback systems
- **Payback** – constant oversight of performance in direct relationship to expected, measurable results

VPM tools



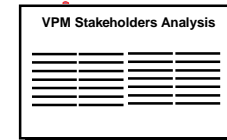
Value Proposition Management Assessment		
Where Did We Start?	Where Are We Now?	What Do We Do?
<ul style="list-style-type: none"> • Benefit identification • Planned cost and timing • Planned dependencies and organizational support • Measurement benchmarks • Project structure & controls <p>Reports:</p> <ul style="list-style-type: none"> • Stakeholder Analysis 	<ul style="list-style-type: none"> • Deliverables and benefits realized • Cost to date and resource utilization <p>Reports:</p> <ul style="list-style-type: none"> • Current Risk Assessment • Payback Assessment 	<ul style="list-style-type: none"> • Project issues indicators • Current challenges and opportunities <p>Reports:</p> <ul style="list-style-type: none"> • Recommendations for ongoing project support

VPM tools



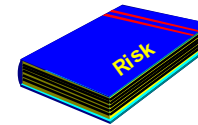
■ Stakeholder Analysis

- A concise summary of all stakeholders, their perceived and real value to the project, and the strategies around commitment



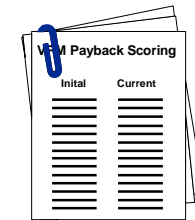
■ Team Assessment

- Internal identification of project issues using indicators developed through work with hundreds of IT projects across multiple industries (focus on IT-intensive projects)



■ Payback Assessment

- Initial market value (revenues/cost savings to breakeven) versus current state or return on investment, depending on data



■ Project Risk Assessment

- Initial value proposition (strategy, functionality, market expectations, cost, time, resources) versus current deliverables

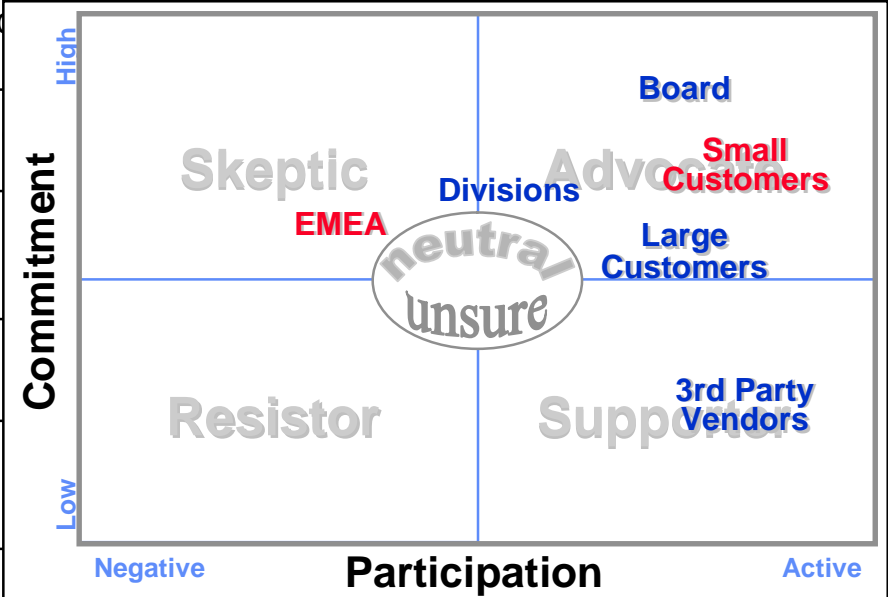
■ Recommendations for ongoing project support

- Structure, planning, alignment, reporting, decision-making, and performance management
- Potential action plans

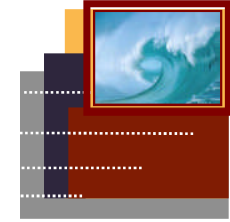
Tools: stakeholder analysis



Stakeholder (in the Outcome)	Key ?	Required (for Desired Outcome)	Needs (Beyond This Project)	Commitment (RE SK SU AD)	Tactical Plan (To Move Commit)
Large Members	Yes	ROI	Competitive position	RE SK SU AD	Worksessions, dialogue, formal authority
Processors	No	ROI	Long-term IT strategy	RE SK SU AD	Engage in solution; clarify objectives
Regions	Yes	Payback	Strategic positioning	RE SK SU AD	Additional information
Board	Yes	Strategic positioning	Strategic	RE SK SU AD	Engage in solution;
Development Team	Yes	Payback & quality	Integrati	RE SK SU AD	
Legend: RE=Resistor SK=Skeptic SU=Supporter AD=Advocate					



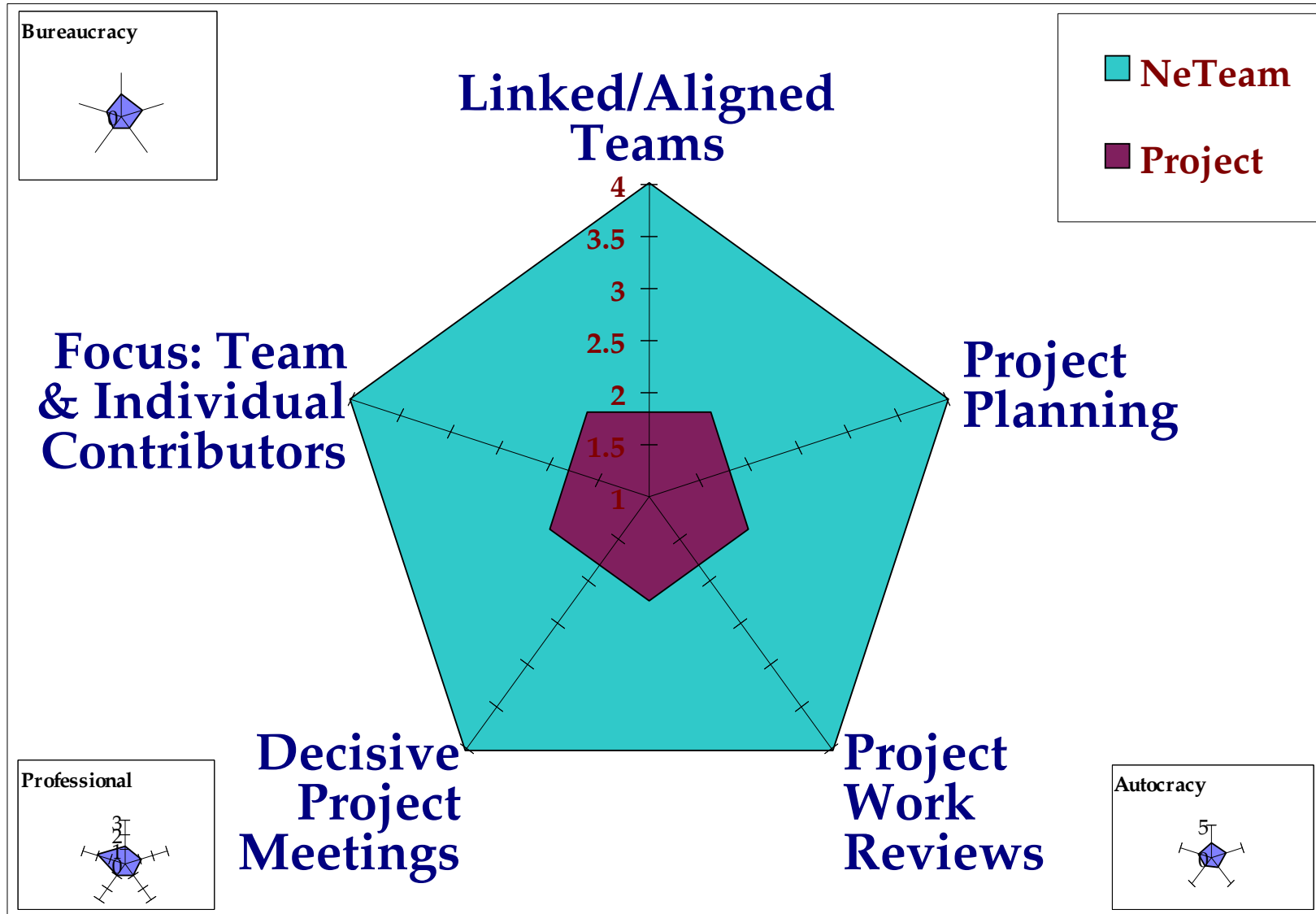
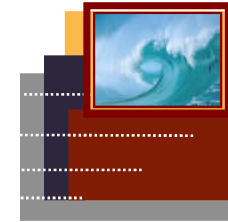
Tools: project team assessment



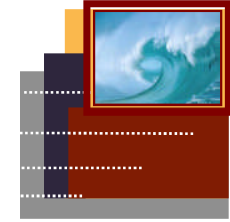
- **Rapid response study of internal project team members to identify indicators of performance issues in selected areas:**
 - Networking and alignment within organization
 - Team and project planning
 - Reviewing project results/performance
 - Making decisions in project work review meetings
 - Focus and support at the team and individual contributor level

- **Report generates chart of areas of concern and points to active management solutions**

Tools: output of VPM team assessment



Tools: payback period evaluation (PPE)



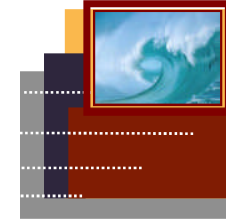
- **Initial Payback Period assessment (based on Project History)**
- **Compared with adjusted Payback Period assessment (based on Current Situation changes in deliverables/functions)**
- **Develop gap between initial plan and current “actual”; determine potential impact on market expectations**
- **Establish Risk Assessment based on gap analysis**

$$\text{PPE} = \frac{\text{Initial Investment}}{\text{NPV Savings/Years}}$$

$$\text{ROI} = \frac{\text{NPV Savings}}{\text{Initial Investment}} \times 100$$

- **Note: Where appropriate, ROI will be determined**

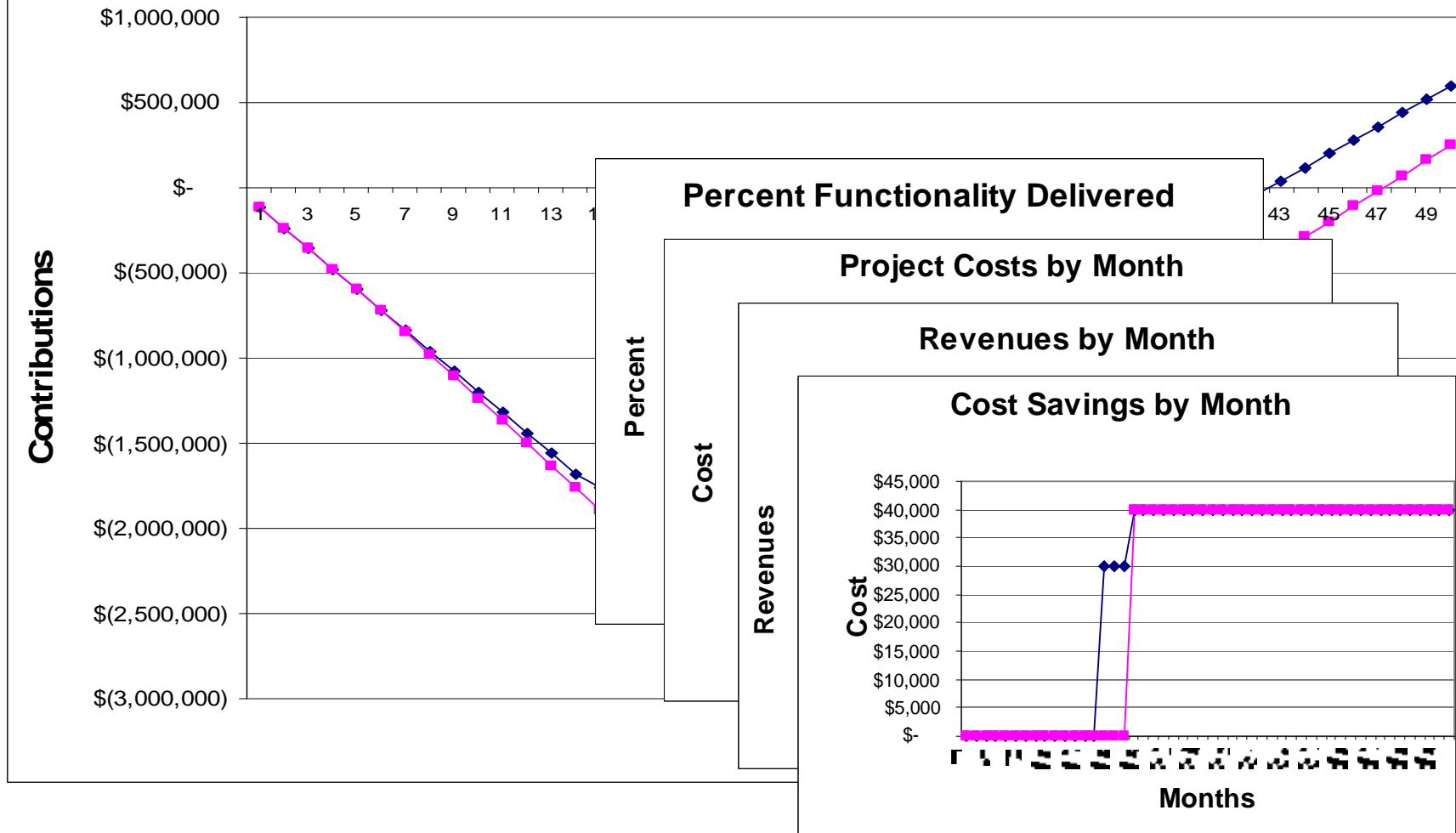
Tools: output of VPM payback assessment



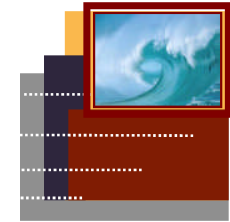
Payback will be delayed 5.6 months at an additional cost (delay costs + lost revenues) of \$1.28M

Payback Period

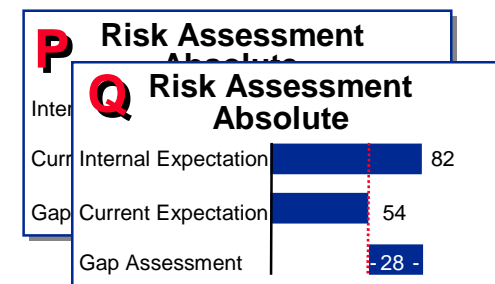
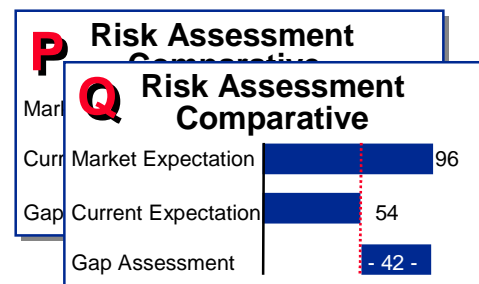
◆ Initial ■ Current



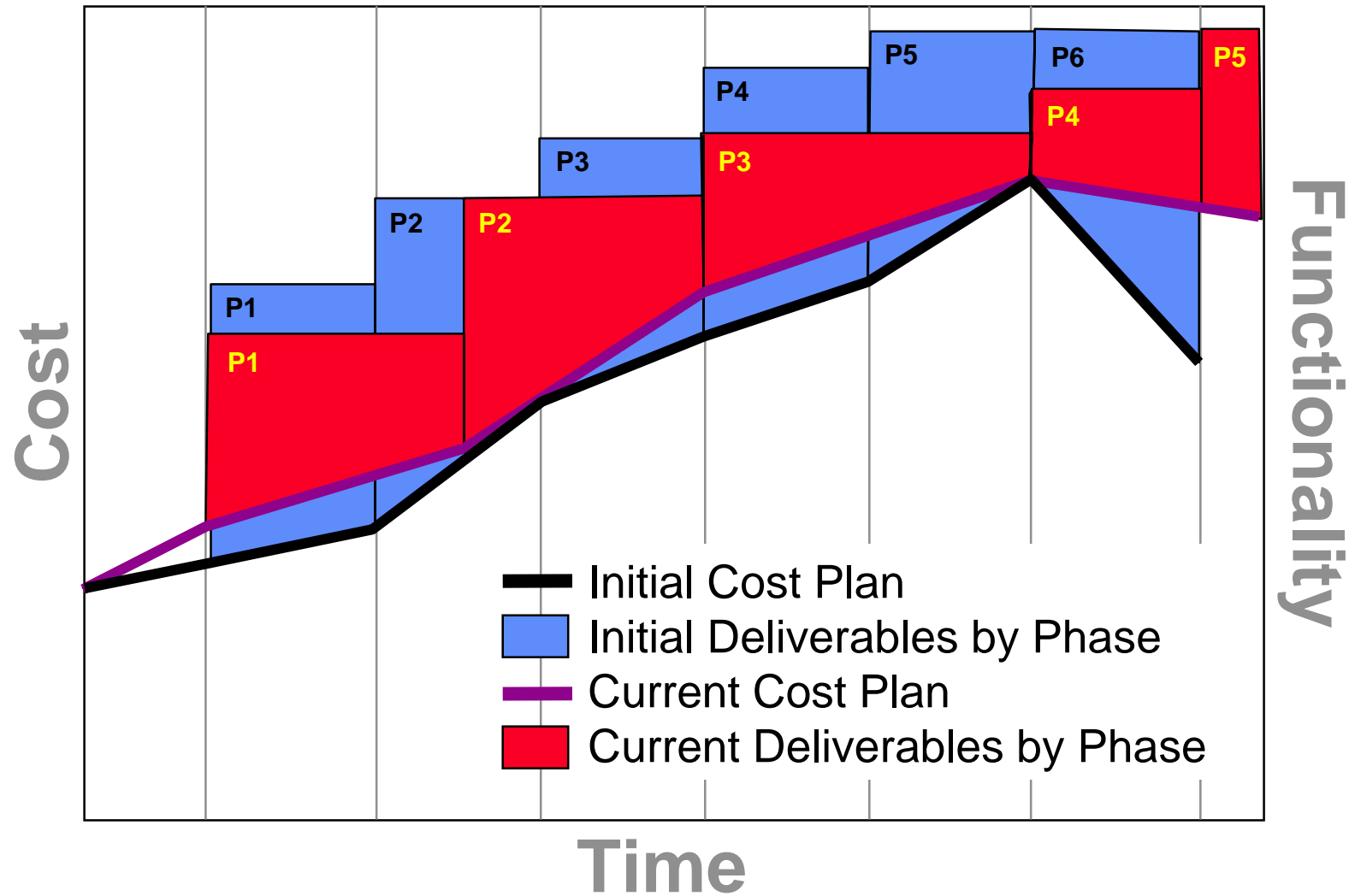
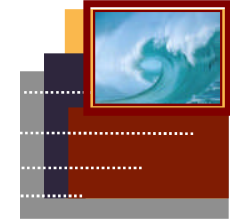
Tools: project risk assessment



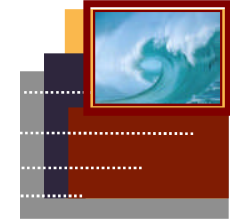
- Analysis identifies **comparative** performance gaps ("how do we compare against anticipated market expectations?") and **absolute** performance gaps ("how do we perform in areas that are critical to our business?")
- Risk Assessment specifically identifies performance requirements being met or unmet and the potential financial and service impacts
- Risk Assessment is reported as a relative score across specific project deliverables relative to **P**ace and **Q**uality



Example: Gap Analysis



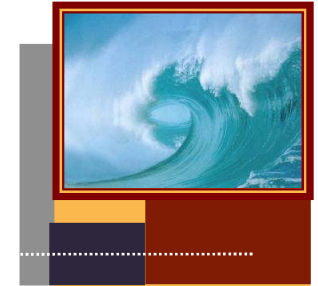
Getting started (what to do first?)



- Review concepts and practices with project teams and with management, both middle- and senior-levels
- Select an easily definable project as a “test case” (i.e., defined as low risk, small cost, semi-predictable, acceptable to management and with an experienced project manager and team)
- Review the results of the project both in terms of specifics (did it work to get the planned result?) as well as each of the seven practices
- Make adjustments and implement more broadly

The Seven Practices

1. Owning
2. Coring
3. Aligning
4. Measuring
5. Reviewing
6. Re-creating
7. Learning



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