Measuring RoI for Project Management

Professor John Beckford
Beckford Consulting

john.beckford@beckfordconsulting.com

Tel.: 07785 360249
Introduction

- Why do Project Management?
- What tools do we use?
- How is value (RoI) on investment in PM measured?
- What are the obstacles to transparency?
- What might be done differently?
Why do Project Management?

• Rationale for Project Management
  – Deliver Project Objectives
    • Faster, cleaner, cheaper, more effective – time, cost, quality
  – Illusion of Control
    • Reporting (RAG status), Administrative, Regulatory, Political
  – ‘Park’ an otherwise surplus manager
    • Corner office, big title, minimal expectations!
What tools do we use?

• Tools and Methods
  – Executive Sponsors £
  – Steering Groups £
  – Stakeholder Engagement £
  – Project and Programme Office(s) £
  – Software Solutions £
  – Project Methodologies £
  – Project Management Training £
  – Professionally Qualified Staff £

• What do they all have in common?
  – They all represent ‘investment’ in project success!
How do we measure RoI?

• Commonly
  – We don’t measure most of our ‘investment’
  – If we don’t measure our investment we can’t measure our return!

• Key learning point!
  – We need to be explicit about the true, full, costs of projects
  – We can then justify projects AND investment in Project Management against a rigorous evaluation
  – If the project cannot withstand its true costs we shouldn’t be doing it!
What do we mean by Return on Investment?
- Generally - the enhancement in financial performance obtained from the investment
- Expressed as lower costs or higher revenue (or both!)

Is that enough?
- Customer Service, Engagement and Commitment £+
- User uptake (software projects) £+
- Behavioural change £+
- Time to market £+
- Increased business volumes, lower error rates £+
- Organisational and Personal Learning £+
Obstacles to transparency

• Difficulty
  – Non-financial value can be difficult to measure!
• Ignorance
  – Lack of method, lack of skill, lack of data
• Assumptions
  – Unquestioned ways of working, unchallenged costs
• Politics (the CEO’s favourite project!)
  • There will ALWAYS be one of these
  • Managing bad news
• Lack of breadth of understanding
  • There is ALMOST no such thing as an IT project
  • There are many INFORMATION projects
  • The costs are in the hardware, software, consultancy
  • The benefits are in the Information – but we don’t measure that!
• Understand that:
  – NO project has an automatic right to exist!
  – SOME projects have no visible payback
• Develop a Project Planning/Business Case approach that:
  – is rigorous and transparent
  – addresses ‘hard’ issues
    • visible costs and benefits
  – exposes hidden costs and benefits
    • steering & stakeholder costs
    • behavioural benefits, learning
    • time to market, reduced errors, increased volumes
  – identifies ‘political’ aspects of the project
• Be brave!
The financial measures remain the same:
- £ Cost/ £ Benefit * 100/1 = %RoI!
- That’s not going to change – it’s how the sums work!

What is different?
- The costs and benefits address the wider business implications
- Non-financial benefits and costs are understood
- The basis of measurement is shifted from ‘pure’ financial measures to a range of quantitative AND qualitative measures
- There is greater understanding and appreciation of the project itself – and the consequence of THAT is greater commitment!