



Measuring ROI for Project Management

Professor John Beckford
Beckford Consulting

john.beckford@beckfordconsulting.com

Tel.: 07785 360249

- 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!

How do we measure RoI?

- 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!

What might be done differently?

- 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!

Measuring RoI for Project Management

- The financial measures remain the same:
 - $\text{£ Cost} / \text{£ Benefit} * 100/1 = \%RoI!$
 - 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!