

# 1 Organizational Value: Introduction

- project concept should start with a clear goal defined in terms of *Measurable Organizational Value* (MOV).
- MOV provides a clear understanding and purpose of project, and a foundation for writing the business case.
- In the end MOV provides a way to evaluate whether a project was a success.
- Business case documents MOV, as well as alternatives and options that are analyzed and compared.
  - alternatives may include
    1. doing nothing,
    2. build something else,
    3. or purchase from vendor.
  - For each alternative,
    1. feasibility,
    2. cost,
    3. benefits,
    4. and risks are analyzed and comparedso a recommendation can be made with confidence to choose between best alternatives.
  - If one of the options is approved, project manager (and team) move onto the next phase of the project.
  - Otherwise project opportunity is abandoned (the do-nothing alternative).
- vision and strategy
  - organization vision drives organization strategy
  - organization strategy drives project's measurable organizational value
    - \* vision: to be the best XXX company for the consumers
    - \* strategy: need to better align with consumer values
    - \* project: build a system to analyze consumer data
- MOV and project objectives:
  - must be measurable. or have good proxies for measure.
  - provide value: time and resources should only be spent if they provide value

- be agreed upon: stakeholders need to back the project and mov estimates.
- be verifiable: if MOV acts as a measure of success, then it needs to be verified at the end of the project.
- Objectives vs MOV
  - MOV defines success. objectives may be accomplished, but without MOV there's no success.
  - e.g. meet all requirements, but built a useless system.
- Developing a MOV:
  - identify the desired area of impact: financial, operational, customer relations, strategic, social, etc.
  - identify desired value of the project: will project help do things better, faster, cheaper, do more, etc.
  - develop appropriate metric: what and how to measure. e.g. money, percentage, etc.
    - \* if not tangible (customer satisfaction), then use surveys, or proxy measures.
  - set a timeframe: when will we measure increased profits, etc.
  - verify MOV, and get agreement from stakeholders: make sure it's accurate, realistic, and has the backing of management.
  - summarize MOV in a concise statement: this process will succeed if...
  - *impact* → *value* → *metric* → *time* → *verify* → *summarize*
- Business case: a document (or a set of documents) that documents the need for the project from the broader business perspective. it must include
  - assumptions,
  - estimates,
  - methods,
  - costs,
  - benefits, etc.,

of doing the project, as well as alternatives such as doing nothing, or purchasing solution from vendor, etc.,
- steps to define business case:
  - define measurable organizational value

- form a cross functional business case team
  - \* credibility
  - \* alignment with organizational goals
  - \* access to real costs
  - \* ownership
  - \* agreement
  - \* bridge building
- define feasibility and access risk
  - \* economic feasibility
  - \* technical feasibility
  - \* organizational feasibility
- identify risks: what can go wrong
  - \* accessmsnet: what's the impact of each thing going wrong
  - \* response: how to avoid or minimize risk
- define total cost of ownership
  - \* direct or upfront costs:
    - hardware,
    - software,
    - equipment,
    - development,
    - installation
  - \* ongoing costs:
    - support,
    - salaries,
    - training,
    - upgrades,
    - maintenance
  - \* indirect costs:
    - initial loss of productivity,
    - time lost when system is down, etc.
- define total benefit of ownership
  - \* increasing high value work: more time on doing X vs doing paperwork
  - \* improving accuracy and efficiency: reducing errors, duplication, reduce number of steps, etc.
  - \* improving decision making: timely and accurate information

- \* improving customer service: new products and services for customers.
- analyze alternatives: once costs/benefits are analyzed, it's important to look at alternatives.
- financial models focus on cash in-flows (or out-flows).
  - \* payback period = initial investment / annual-net-cash-flow e.g. 100k / 20k = 5 years.
  - \* breakeven, similar to payback, but is measured in units of thing sold. e.g. initial investment 100k. each unit costs is sold for 30, and costs 25 to manufacture. 100k / 5-profit = 20k units. to breakeven.
  - \* return-on-investment ROI = (total benefits - total costs) / total costs.
  - \* net present value: time-value of money:

$$npv = -I + \sum_{t=1}^{\infty} (netcashflow/(1+r)^t)$$

$I$  is initial investment,  $r$  is discount rate,  $t$  is time period, and  $\infty$  is however number of units to estimate, eventually these will approach zero.

\* e.g. suppose system is 100k, that generates 30k a year, etc.

\*

$$FV = PV(1+r)^n$$

\*

$$PV = FV/(1+r)^n$$

- linear scoring models:
  - \* assign "importance" (normalized weights, 0..1) to each attribute of system
  - \* then calculate score via: sum( wi \* ci)
  - \* can compare alternatives based on score.
  - \* weights can be subjective.
- propose and support the recommendation
  - \* once alternatives are analyzed, and estimated costs/benefits compared.
- business case:
  - cover page: title, author, date
  - executive summary: brief problem description, brief goal, MOV and how it ties to goals and strategy, brief alternatives. brief why that one solution is being recommended and why.
  - introduction: background, current situation, description of problem, measurable org value, how achieving MOV will support organization goal and strategy. objective of writing this business case.

- alternatives:
  - description 1
  - description 2
  - description N, etc.
  - analysis of alternatives
  - methodologies how they are analyzed
  - data collection methods
  - metrics used
  - presentation of results, metrics, sensitivity, risks, assumptions
  - proposed recommendation
- project selection:
  - project must align with organization value, vision, mission, and strategy.
  - must provide measurable organizational value that can be verified at the completion of project.