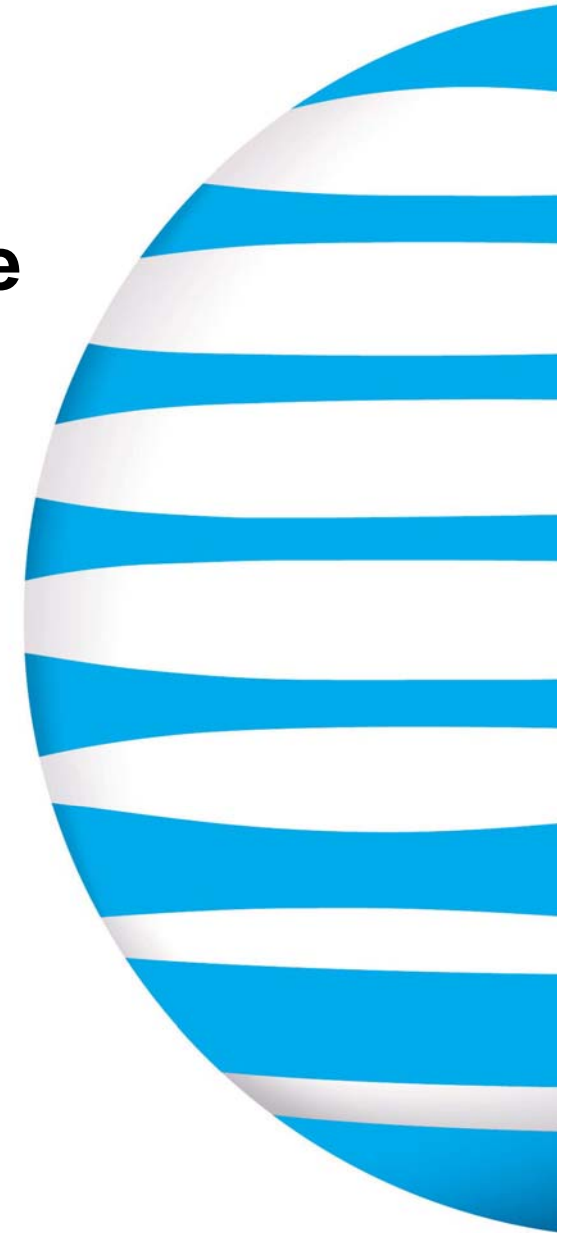


IFPUG – September 2004 Conference

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EXPLOIT TECHNICAL INNOVATION

Reducing Project Costs- Using Cost/Function Point Data and Benchmarking as a Tool

Agenda

- Need for metric
- How the metric was developed
- How data was collected/reported
- Issues encountered/overcome
- Benchmarking
- How the results were used
- Progress Made
- Lessons learned



Need for Metric

- **Need to understand project costs related to size of work- need to reduce costs**
- **Need to look a cost, quality and cycle time and determine appropriate mix**
- **Cost data from suppliers was a better alternative to a productivity measure using effort hours**
- **Desire to benchmark costs to industry average**
- **Desire to compare cost among our suppliers- internal and external**



How the Metric was Developed

- **Determined which types of projects to include enhancement vs. maintenance type work**
 - Classification of work
 - Include/Exclude criteria
- **Determined what cost data would be comprised of- what phases of development work**
- **How to count project work that spans applications**
 - Count function points for all applications part of a project and sum
 - Sum all application costs.
- **How to evaluate metric- in aggregate or by size/platform**
 - Looked at data in aggregate at first
 - Moved to looking at data by function point size

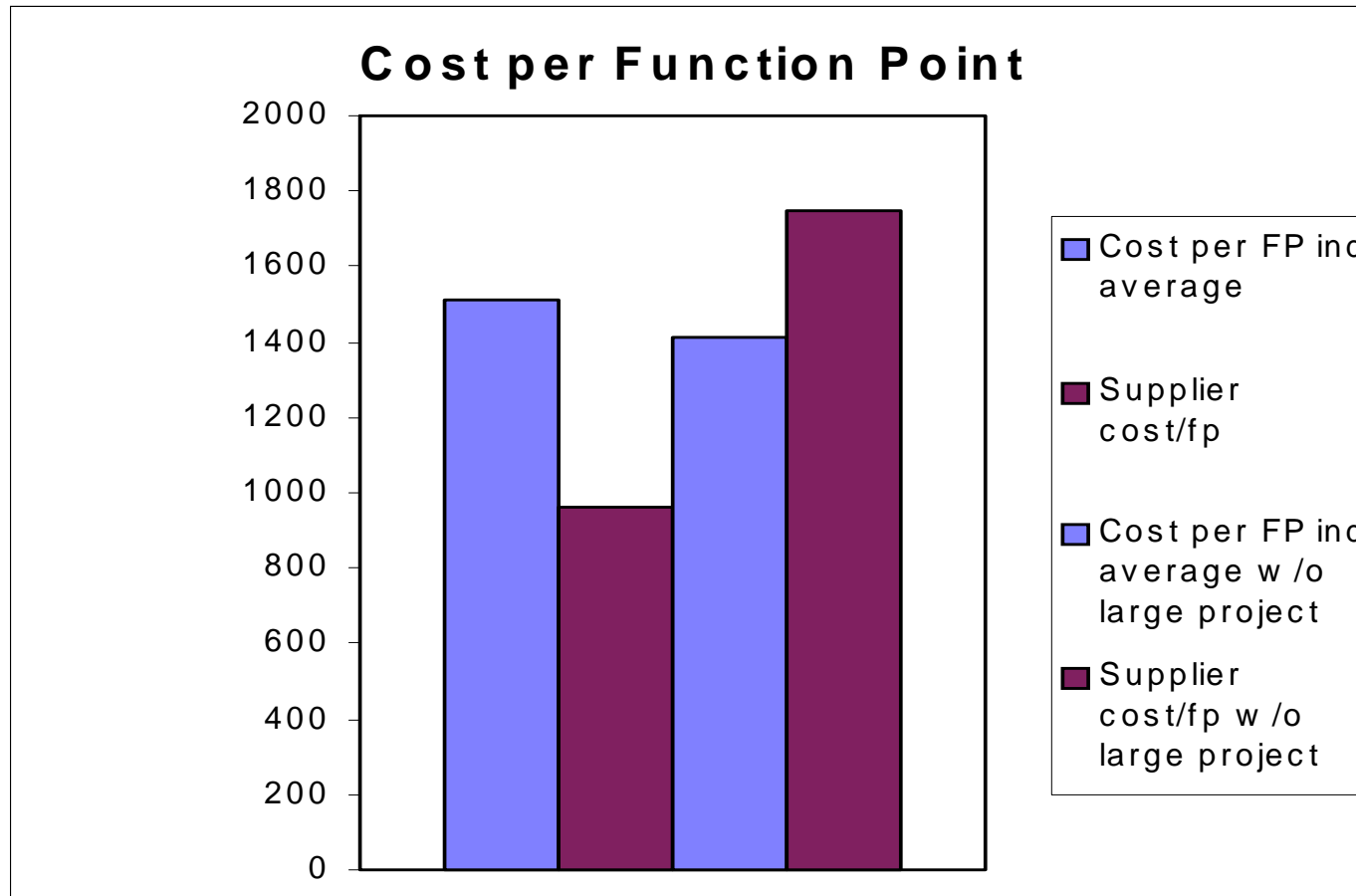


How Data was Reported/Collected

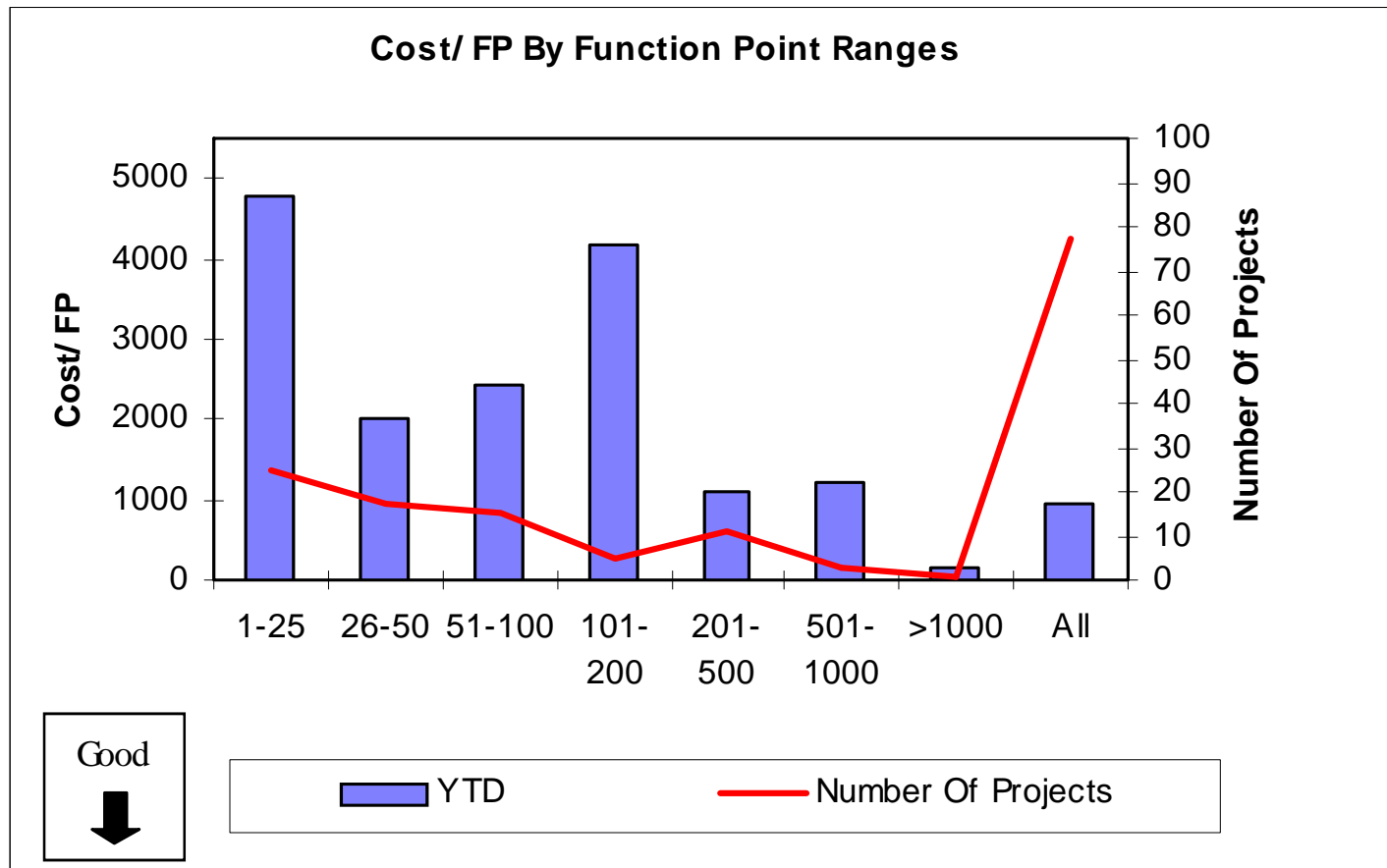
- **Initially in aggregate then by platform/function point ranges**
- **Evaluated in detail monthly**
- **Developed baseline view for all suppliers – 1 year of data**
- **Compared different suppliers**
 - Be careful - they have different benchmark targets based on the type or work and development platforms



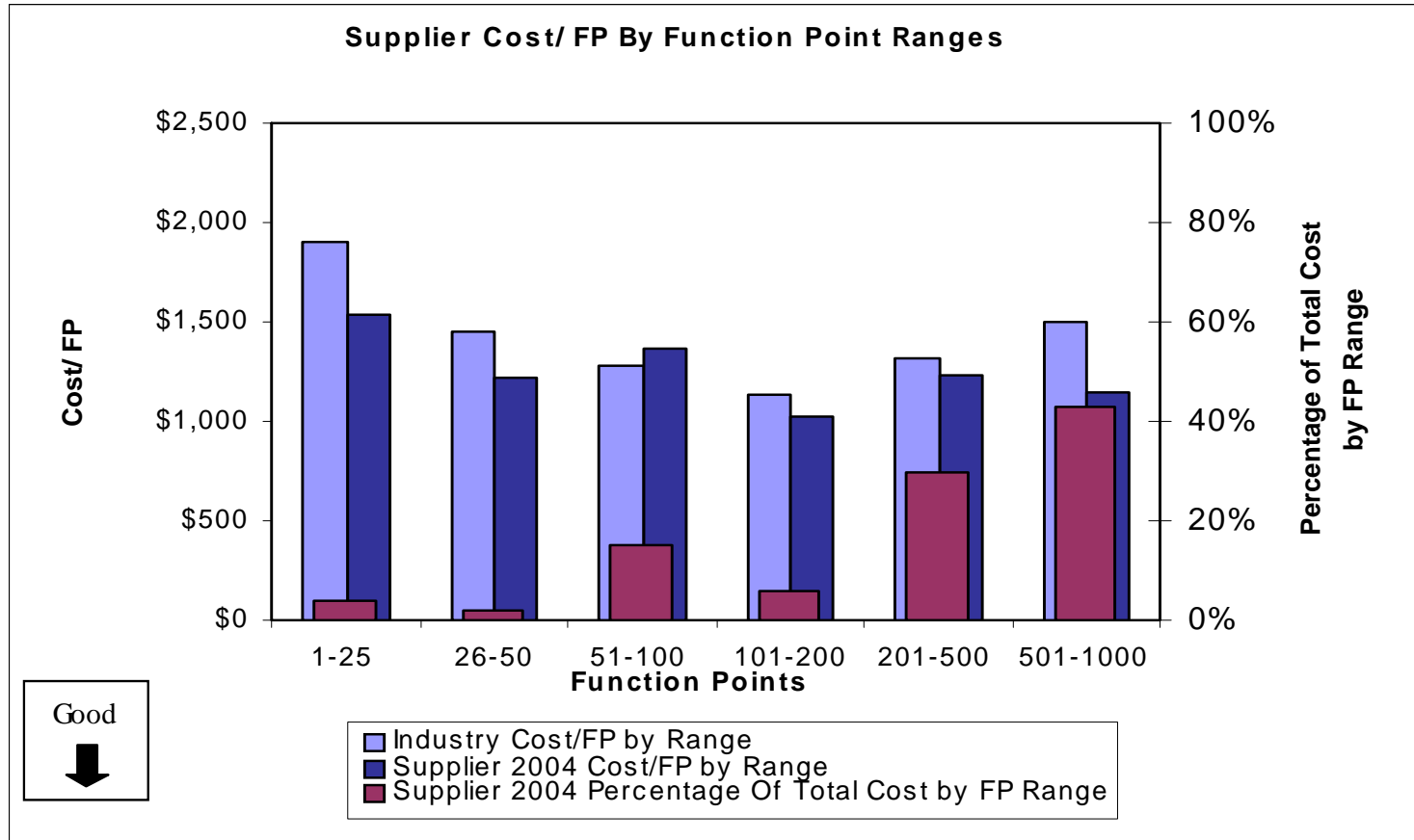
Example - Aggregate Chart



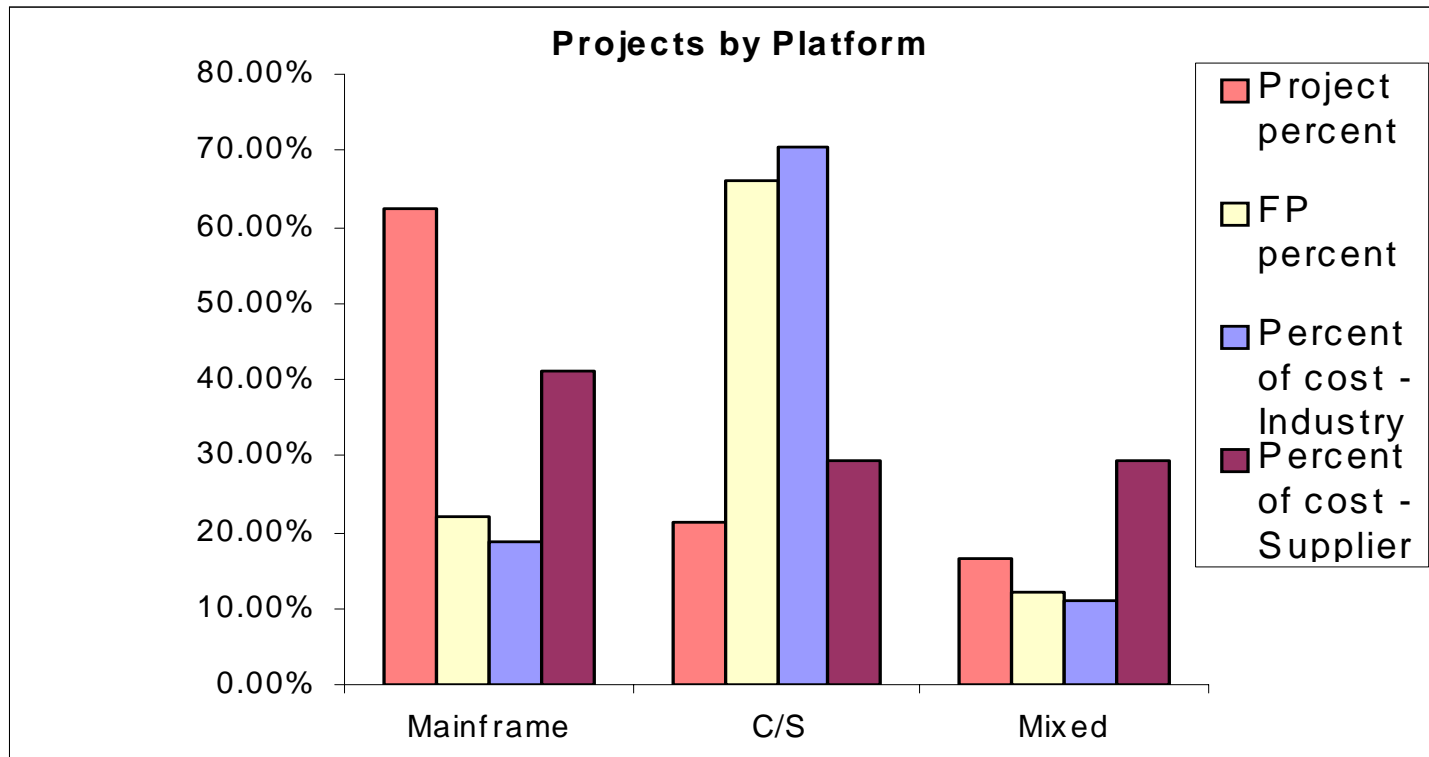
Example - Projects by FP Size



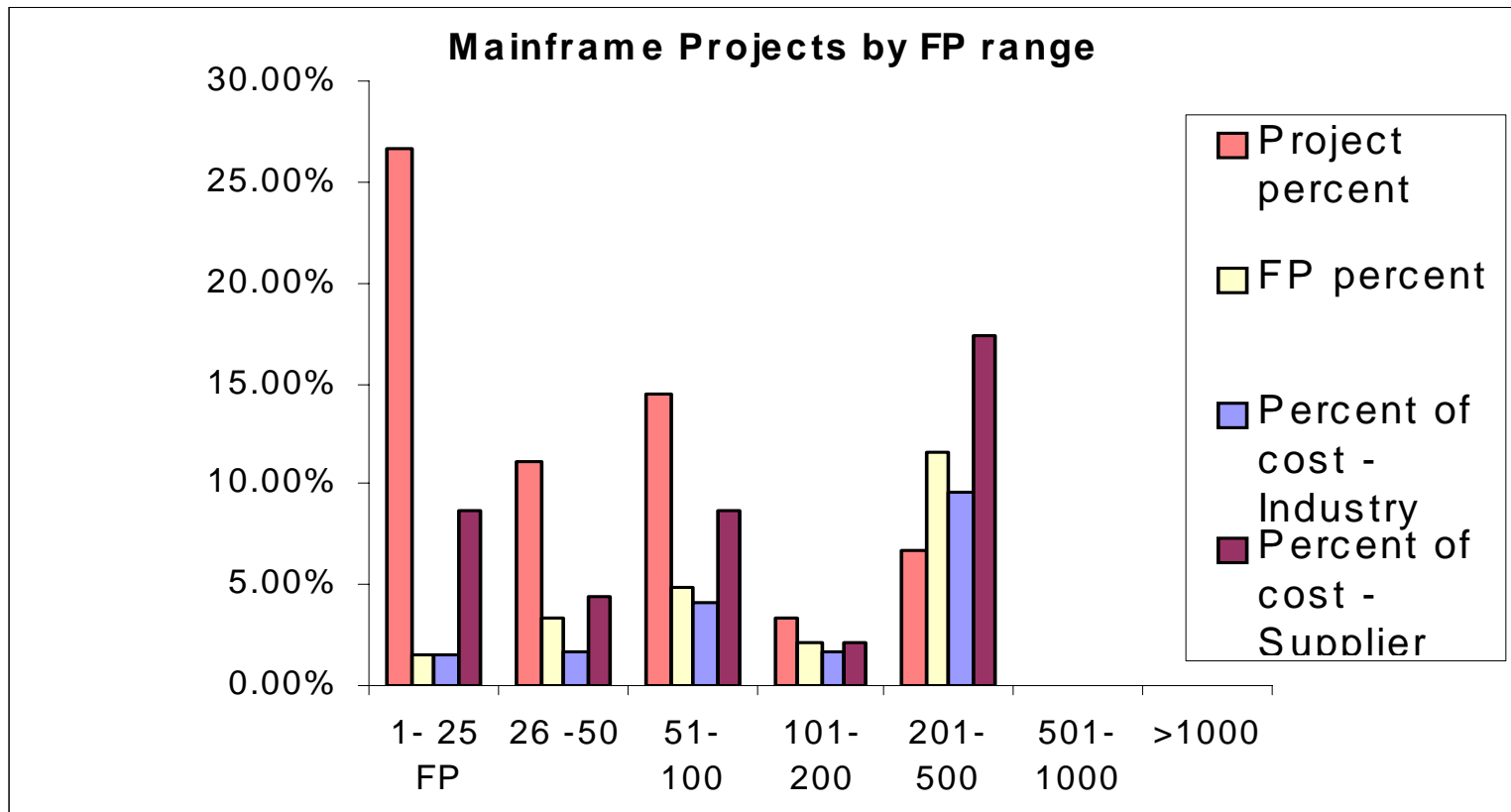
Example - Projects by FP Size and cost %



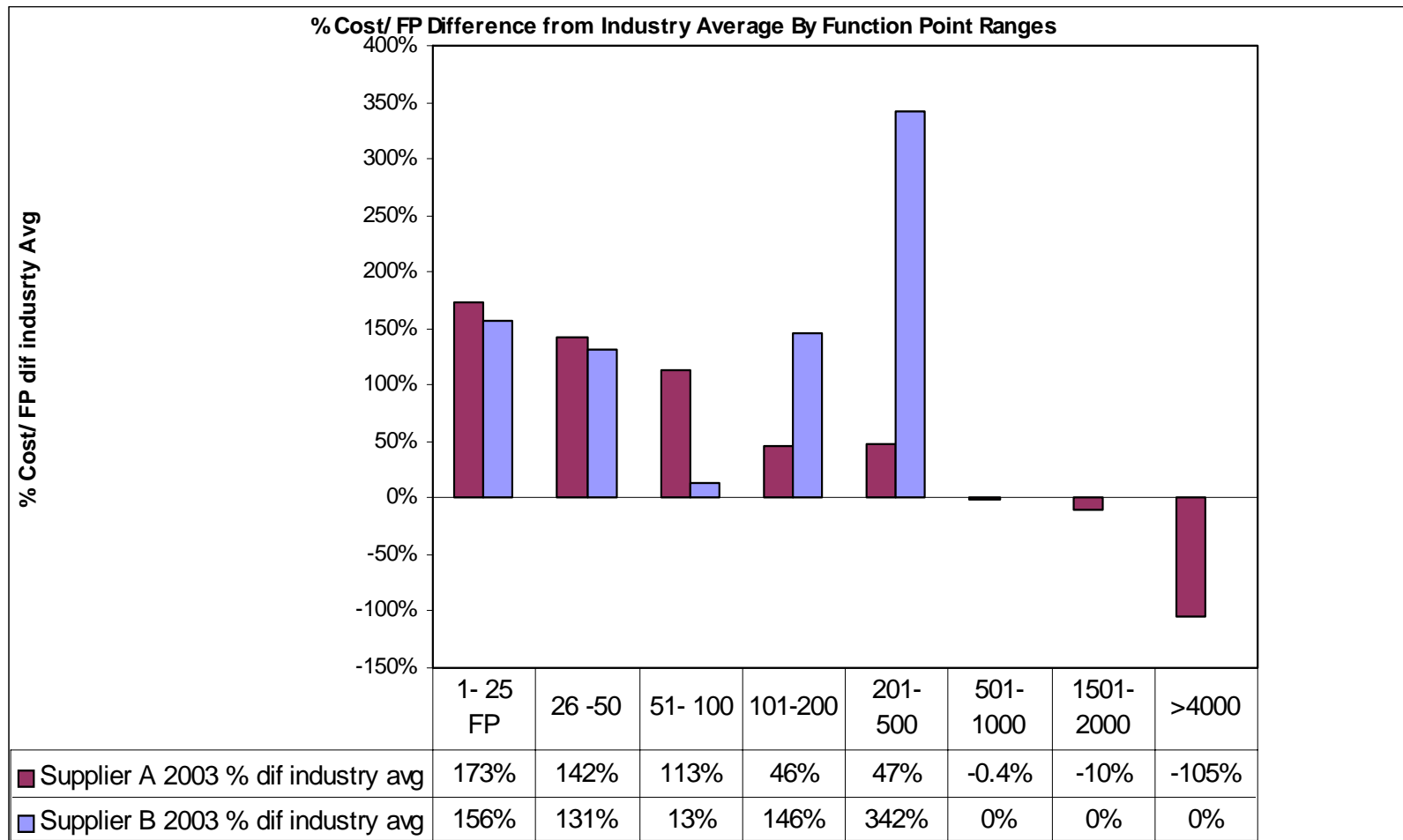
Example - Projects and Cost by Platform



Example - Projects and Cost by Platform and Size



Example Supplier Comparison Chart



Issues Encountered

- **Include/exclude criteria- much discussion on this**
 - Documented criteria to use so it was clear
- **Work that spans across suppliers**
 - Test only projects - excluded
 - Still remains issue on certain projects – review individually
- **Accurate collection of cost data from some suppliers**
 - Actuals on a project basis not always available – used estimates



Benchmarking

- **Benchmarked annually over 3 years**
 - Developed a baseline view- a years worth of data prior to first benchmark
 - First benchmark too aggregate and comparison to other companies not an “apples to apples” comparison
 - 2nd and 3rd benchmarks - better comparison and by ranges and platforms
 - Further discussion each year on what type of work should be included/excluded for the comparison
 - Results showed significant improvement (32%)over 3 years while quality stayed the same or improved



How the Results Were Used

- **Results showed small projects costing more money than industry average**
 - Process changes implemented to streamline some types of projects and eliminate overhead
- **Optimum package size- identified**
 - Looked for ways with the business to package work more efficiently- still working this area- less successful in this area
- **Costly applications/platforms identified**
 - work underway to replace some



Progress Made

- **Significant reduction over 3 years in project costs**
 - But still too high in some cases- especially on small projects
- **Quality level maintained and slightly improved**
- **Process improvements implemented- to stream line low risk small projects**
- **Still more work to do- need to look at cost/quality and cycle time trade-offs.**
- **Quality is not free**



Lessons Learned

- **Define your metric up front- decide what is included/excluded**
- **Don't look at data in aggregate - look at and evaluate the data by size ranges**
- **Ensure comparison with benchmarker is “apples to apples”**
- **Ensure you have at least a years repository of data before drawing any conclusions**
- **Collect data monthly and review for trends**
- **Benchmark yearly to see progress compared to industry**
- **Implement actions plans after each benchmark**

