



Investment Management Standard -

Global advances in reducing the *risk in software* development

“Treating Software Projects as an Investment!”

Pam Morris – CEO



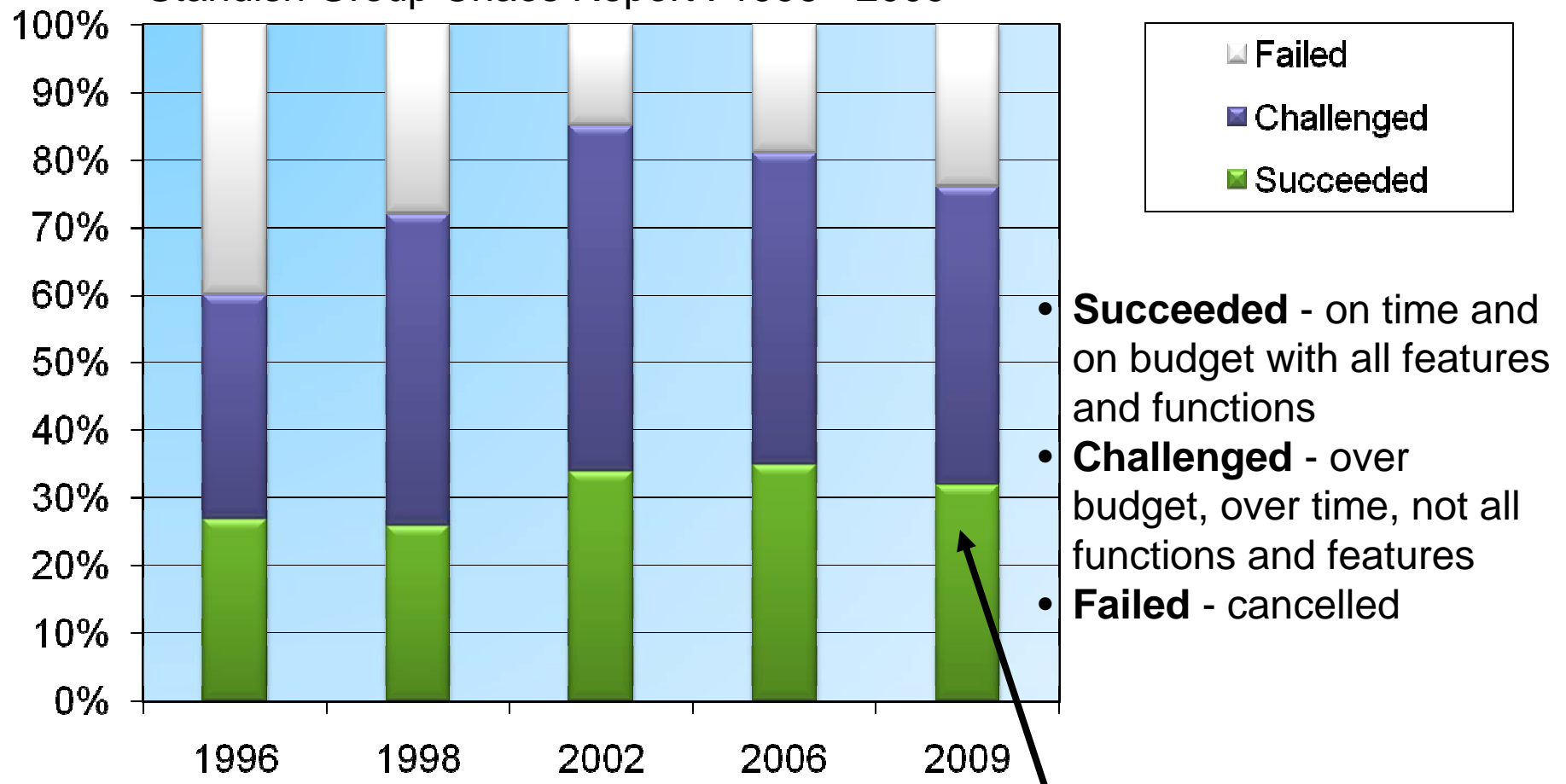


Agenda

- Managing Software Projects as Investments
- New strategies for mitigating software Project Risk
 - Applying formal Investment Management Process to IT projects starting at Business Case
 - Applying Governance based on Measurement to Projects to ensure benefits are delivered

Governance – “balancing risk against opportunity”

Standish Group Chaos Report : 1996 - 2009



Only 32 % achieved Business Intent



*2006 Australian Survey – Success Vs Failure Observations

- **Very few projects use risk management**, and those that do rarely manage those risks
- The **vision for the project (its business goals) must be shared** among all project personnel, especially the project manager
- 60% of organizations have ***no process to measure benefits***
- 86% of projects had a ***business case***, but 60% ***ignored*** it
- 49% of organizations **have had (one or more) project failures**
- ***75% of projects were underestimated***, none were overestimated

* Reference June Verner of NICTA (the National Information and Communication Technology institute of Australia) - 2006



*USA Survey – key aspects of reasons project fail

- **Poor project planning**--risk management was not addressed or project business goals are 'fuzzy' and project plans were weak.
- **Poor business case** - in that the need for the system was not fully justified in ways that related directly to the organizations business requirements or priorities.
- **Lack of top management and Business User involvement and support.**
- **Poor understanding of the impact of project cost drivers** such as project size, technological change, novelty of application area and personnel changes

* Reference CMA Management) - 1998



Leading Edge Strategies to Optimize Success

1. Formalise “Investment Management Process”

- Communicates shared goals with stakeholders
- Identifies benefits that can be quantified and monitored during and after the project
- Keeps the business case relevant
- Ensures top management involvement and accountability

2. Requirements Sizing and Scope Management

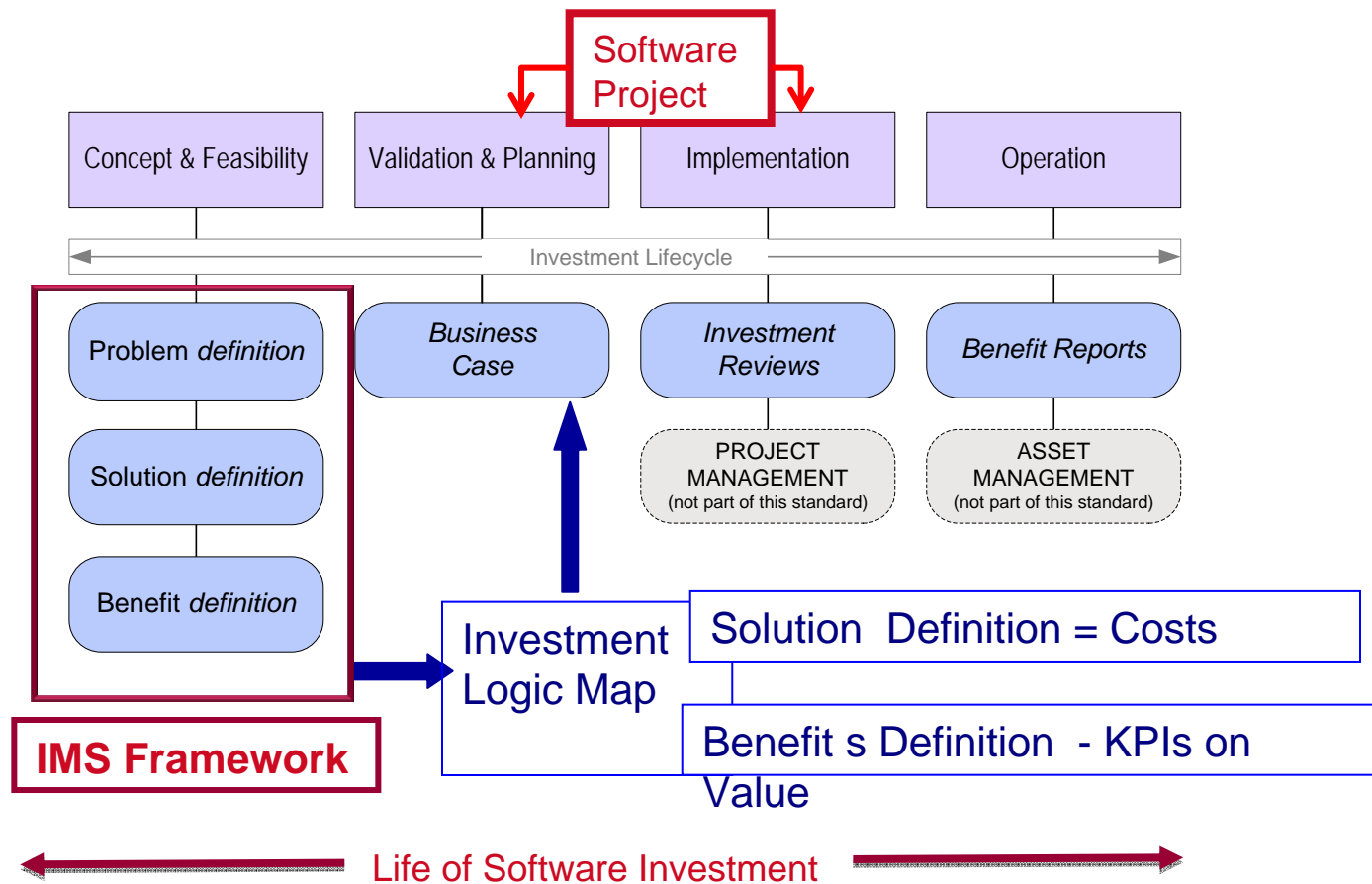
- Objective measure of Project Size for accurate cost estimates
- Ability to monitor impact of change

3. Objective Estimation of Cost and Schedule

Ability to predict the impact of project attributes on cost and schedule
Early warning of project blow-outs

Investment Management Standard

- Formal Framework to quantify and monitor the investment over its lifecycle - from planning through to retirement



1. Investment Management Process

- ***Investment Management Standard**
 - Framework to enable an ‘investor’ to clearly define the **need for an investment**,
 - shape the solution and **map deliverables directly to the benefits**
 - **Identify the impact and risks** of the investment
 - **Monitor and track the delivery of benefits** throughout the investment lifecycle.
- *“The adoption of these practices has been shown to drive investments that are more effective at implementing policy and reducing the risk of investment failure”* Department of Treasury and Finance Vic Government
- * Investment Management Standard – see
[*http://www.dtf.vic.gov.au](http://www.dtf.vic.gov.au)



Investment Management Vs Project Management

- **Investment Management Methods** continually monitor:
 - if the logic underpinning the investment is sound
 - Will the expected benefits be achieved?

- **Project Management Methods** continually monitor:
 - If the project is on budget and on schedule
 - Will the expected software product be delivered?

*<http://www.dtf.vic.gov.au>



Why do we need Investment Management?

- Global Economic Crisis = limited available budgets for investment
- IMS = Strategy for Investment Prioritization
- Critical to Survival that:
 - **all projects to deliver real benefits**
 - **effort and costs are kept to a minimum**
 - Only develop Business Plans for projects with quantifiable benefits
 - Only evaluate for approval a limited number of Business Cases
 - **Risk of failure is minimized**
 - Inbuilt KPI monitoring gives early warning to cancel or change course

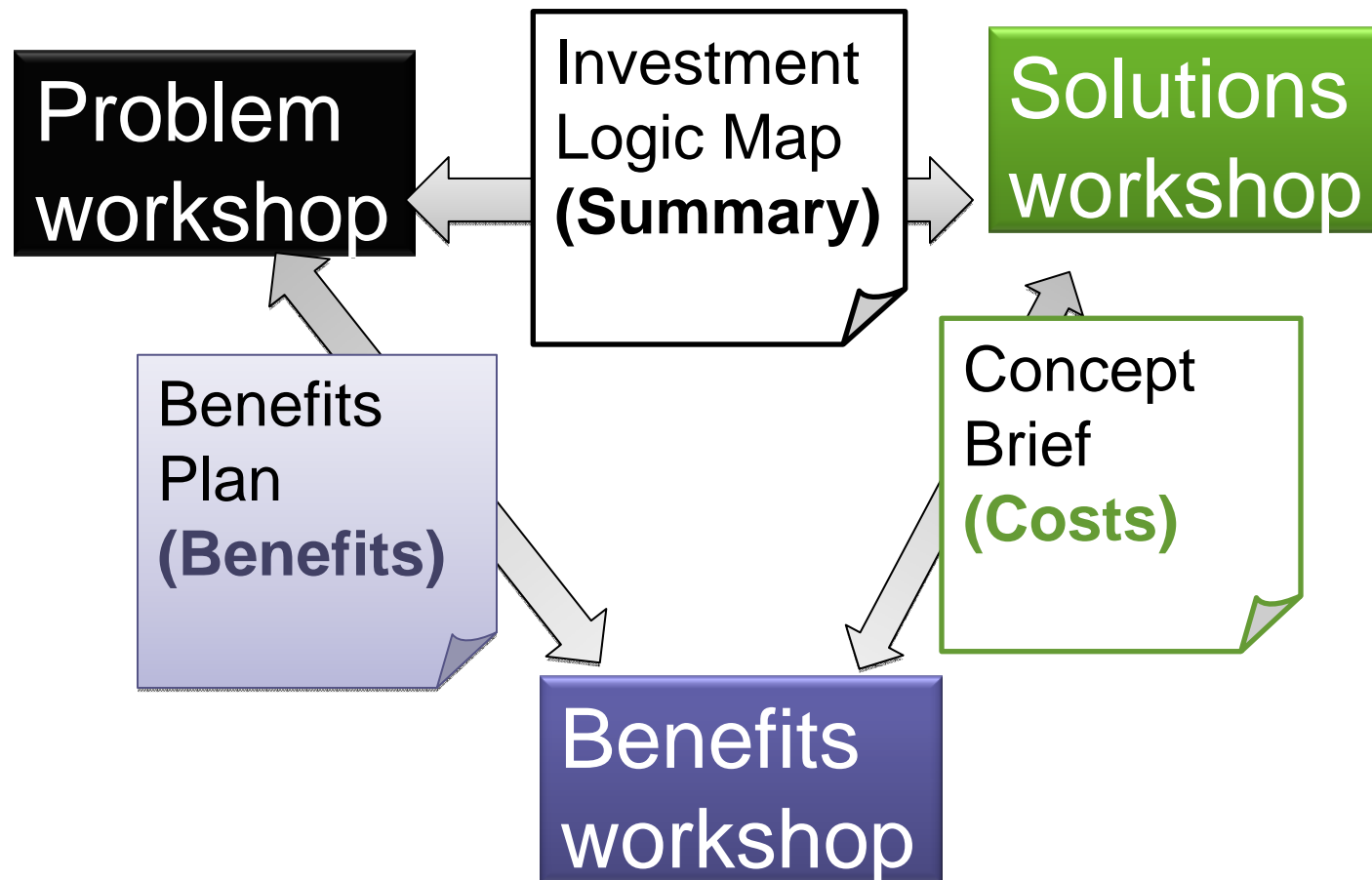


How is the IM Approach Different?

- Formal structured methodology
- Facilitated workshop of stakeholders with the investors
- Key Deliverable :
 - Investment Logic Map
 - single page defining the problem, benefits and solutions
 - Key communication vehicle for Business Case
- Time boxed to complete within 2 elapsed days
- Filters proposals BEFORE they cost *real* money

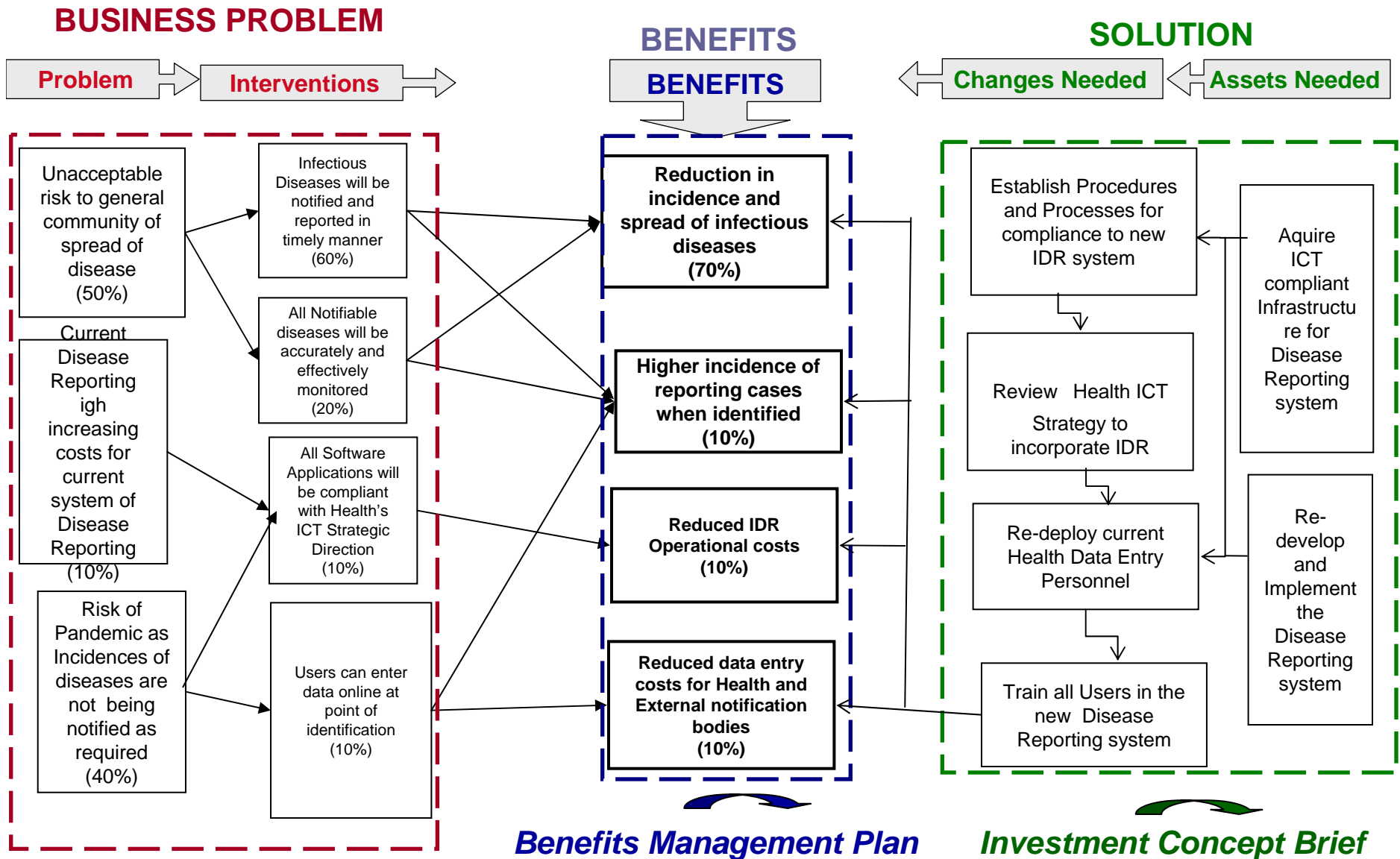
IMS – how does it work

- 3 Workshops – facilitator with Stakeholders and Investors



Department of Health – Minimise Risk of Pandemic in Victoria

Investment Logic Map



Benefits – Measureable and Accountable

Key Performance Indicators

Reduction in incidence and spread of infectious diseases

- Decrease the time between case identification to case notification by 20% over a period of one year

Reduced Operational costs

- Reduce current IDR maintenance costs by 20% in the first year
- Reduce Number of FTEs supporting IDR by 20% over the first 2 years after implementation

Improved compliance of notification by external bodies

- Reduce by 50% the the number of incidents of notifiable disease that do not need further modification over the first 2 years after implementation.
- Increase by 50% the number of incidents of notifiable diseases are that are officially reported the first time the patient seeks medical assistance by the end of year 1

Reduced data entry costs for Health and External notification bodies

- Reduce Data Entry costs by 95% by the end of the first year after implementation.



IMS – how does it work

- 3 Workshops with Stakeholders and Investors
- Deliverables are:
 - **Investment Logic Map** – framework for subsequent investment decision making and is ultimately used to measure the effectiveness of the investment
 - **Benefits Management Plan** –the expected benefits, the pre-requisites for the delivery of each benefit, how the benefit will be measured and who has responsibility for delivering the benefit
 - **Investment Concept Brief** –identifies the proposed solutions likely costs, risks, dependencies and deliverables

Benefit Definition WORKSHOP –Benefit Profile



- ***IMPROVE MARKET SHARE BY 40%***
- **KEY PERFORMANCE INDICATORS**
 - **KPI 1** = New Customers requesting Quotations
 - **Measure** = 100% Increase new customers quotations
 - **Baseline value** = 10 quotation requests per calendar month
 - **Target value for measure/s** = 20 new customer quotations monthly
 - **Date targets will be met** = June 2010
- **RESPONSIBILITIES**
 - **Who is responsible for meeting KPI?** = Stephen Smith
 - **Who is responsible for reporting KPI?** = Susan St James
 - **Who is responsible for providing the data** = Jin Cheong
- **REPORTING SCHEDULE**
 - **Frequency of reporting KPI 1** = monthly
 - **Source of measurement data Measure** = Sales department
 - **Starting date for reporting Baseline value** = June 2009
 - **Collection Method** = Project Management System Reports



Benefit Definition WORKSHOP –

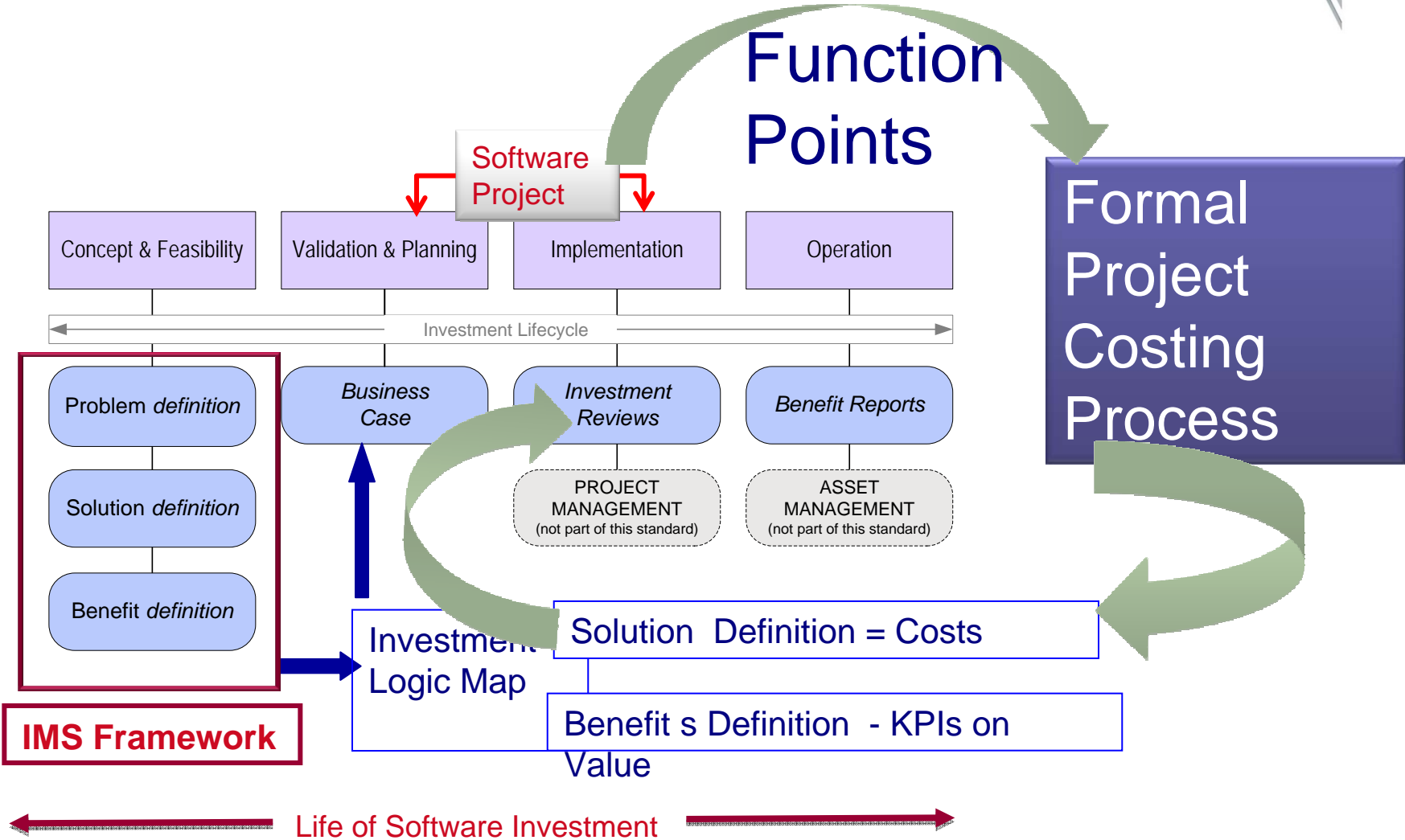
- Evaluate Benefits to justify Investment:
- BENEFIT
 - Does the benefit justify the scale of investment?
- KPI
 - Can it provide evidence that the benefit has been achieved?



Solution Definition Workshop - Investment Concept Brief

- Evaluate each **Asset Purchase** and proposed **Change** to understand scope of the negative impact of the Investment:
- Evaluate:
 - Costs
 - risks
 - dependencies
 - deliverables
- Need to have a formal Process for determining ‘cost’ of the software and ‘time to market’
 - Note : Project Software Deliverables :
 - are often the most costly deliverable
 - Have poorly defined user requirements
 - Have none or poor measures to indicate scale of development
 - Are typically Significantly under estimated

Investment Management Standard





2. Requirements Sizing and Ongoing Investment Management

- Quantitative measure of Project Size
- Using Project size to:
 - Do early project estimates
 - Assess suppliers 'solution' match
 - Quantify the impact of change
 - Monitor delivery rates
 - Evaluate supplier effectiveness



Key Concepts – Risk Mitigation Strategies

- **Investment Management Process**

- manages the ‘investment’ value for the business – it is independent of managing the project
- Reduces numbers of Business Cases written
- Assists in better Prioritization of Business Cases
- Reduces overall Project Risk



Key Concepts – Investment Management Process

- **Helps reduce project risk of failure, in that it :**
 - *Improves the business case* by focusing on the real problem and the real benefits, not the solution, resulting in *better* solutions
 - Ensures *management involvement* , commitment and accountability at the start – they remain accountable for the realization of the benefits
 - Provides a mechanism to identify *measurable benefits* that can be monitored for delivery
 - Provides a process to identify *all the changes* needed to deliver the benefits
 - Communicates a simple clear ‘story of the investment’ for all stakeholders to ensure *common alignment* in expected outcomes
 - Uses objective means of quantifying Project scope, costs and delivery times enables ongoing assessment of ‘investment value’



Summary

- **Investment Management Process help ensure that our investment benefits and opportunities are realised**
- **Metrics help ensure that the logic underpinning our investments is sound**
- IMS can be used for *any* investment
- Facilitate assistance using certified IMS specialists



Thank you

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