



NJ PMI Chapter
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Strategic, Value-driven Project Management

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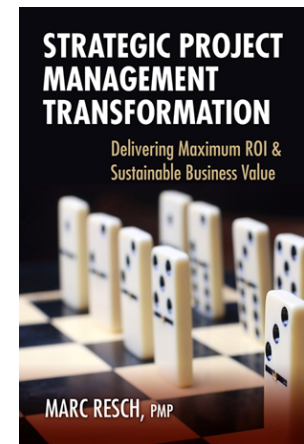
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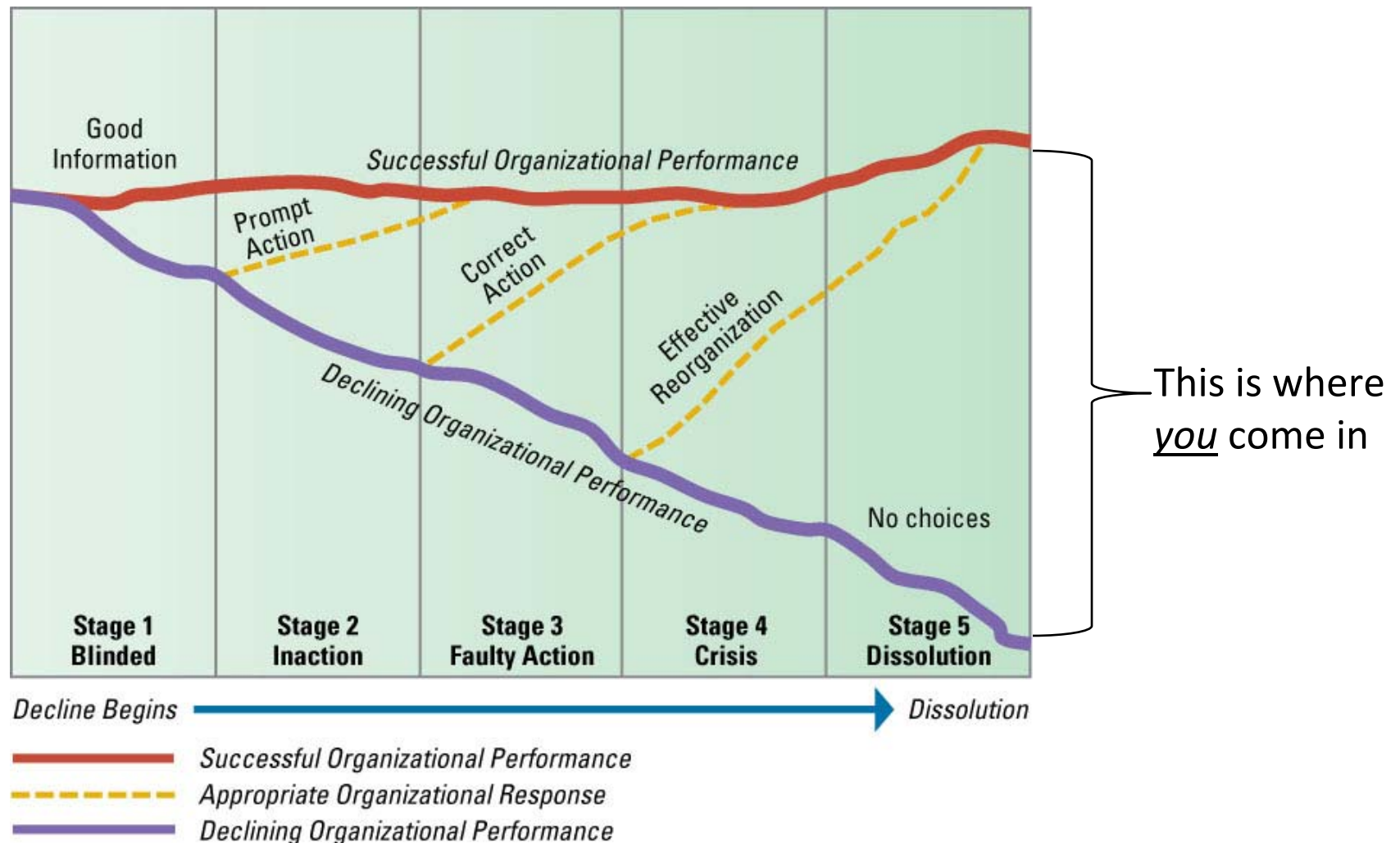
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Let's jump right in...What do these well-known companies have in common?

- TWA
- Kodak
- WorldCom
- Arthur Anderson
- Linen's and Things
- The Sharper Image
- Nortel
- Borders
- Tower Records
- CompUSA
- Bennigan's
- Lehman Brothers
- BearingPoint
- Blockbuster
- A&P

Can corporate decline be prevented?

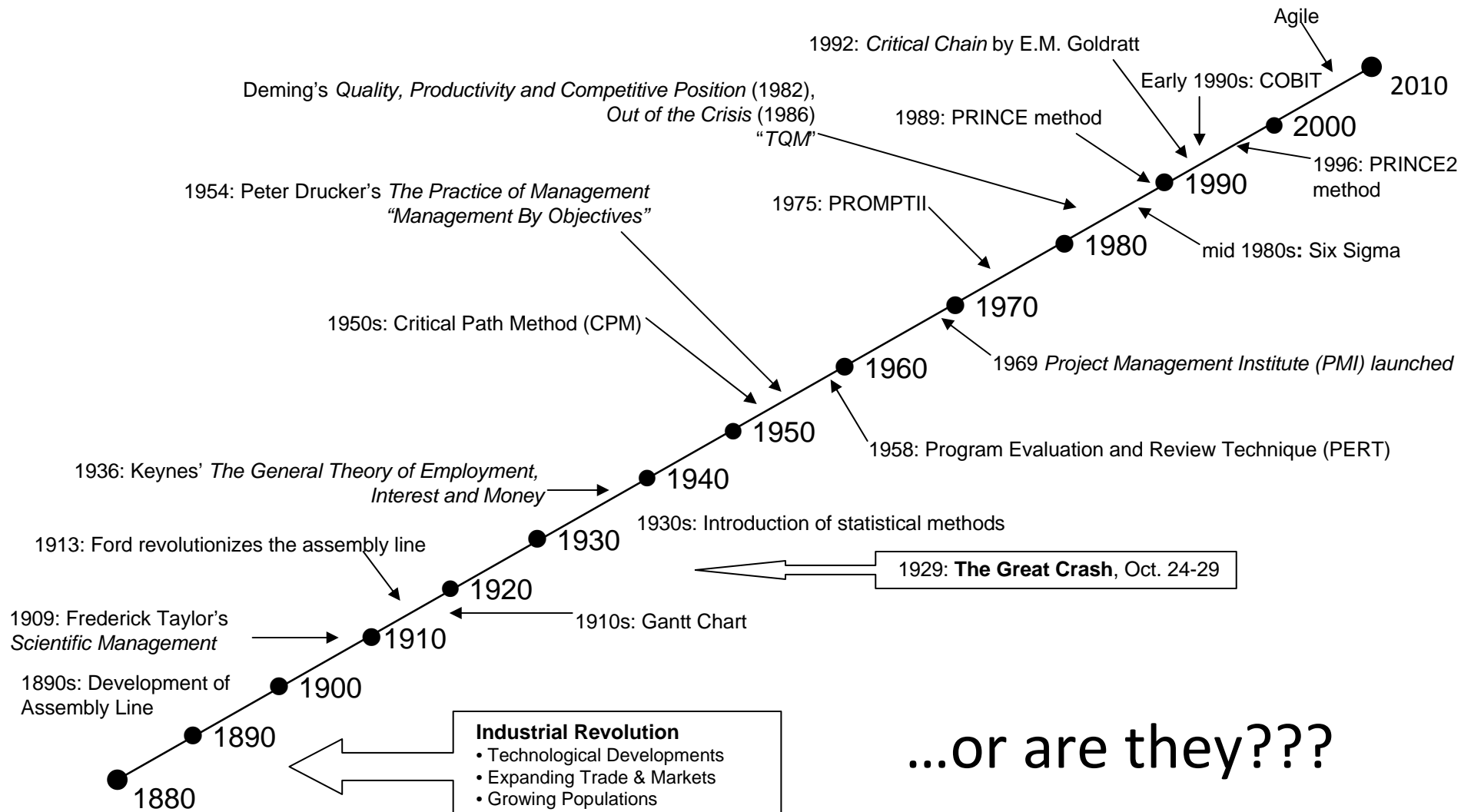


You Bet!

Let's get back to the basics...what are the fundamentals of business?



But these fundamentals of business are always changing...



...or are they???

Projects are investments and we expect returns on our investments

Financial Investment Manager

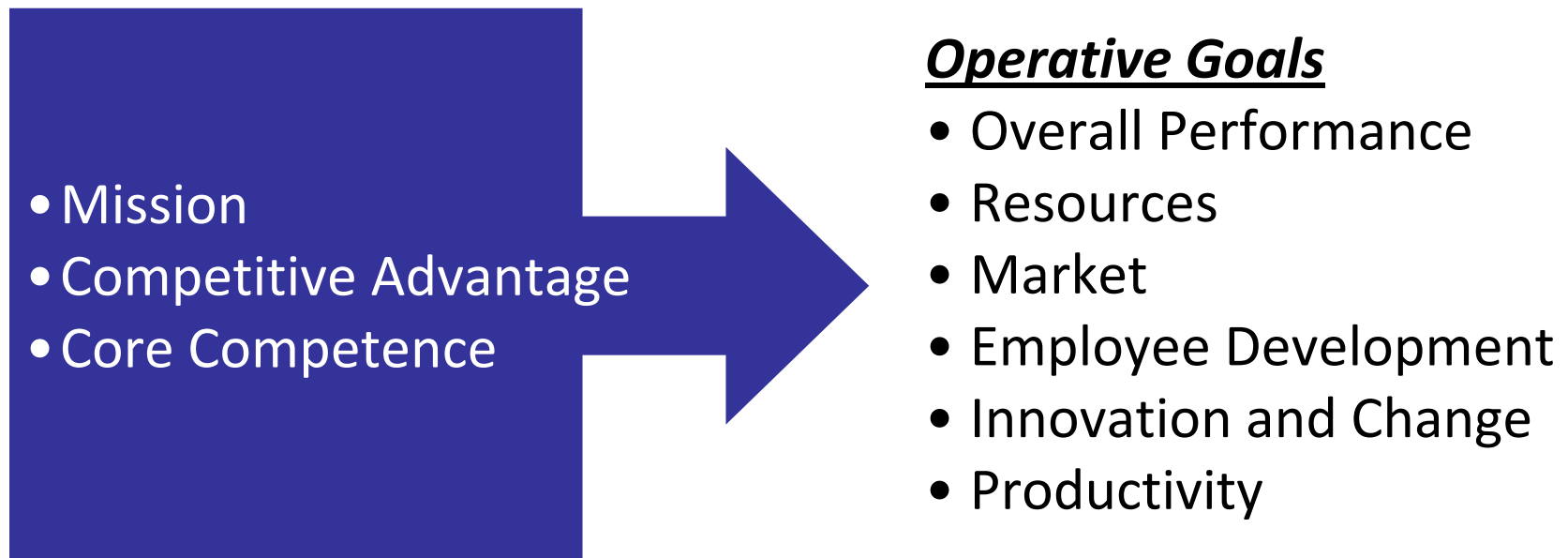
- Considers client situation
 - Marital situation
 - Children situation
 - Age / Retirement goals
 - Income and assets
- Considers many factors
 - Price to earnings (P/E) ratio
 - Profit margin
 - Debt to equity ratio
 - Return on equity
 - Dividend yield

Business / Project Manager

- Considers company situation
 - Mission
 - Strategic Objectives
 - Competition
- Considers many factors
 - NPV
 - IRR
 - ROI
 - Payback Period
 - Value-enabling benefits

To start, we need to know our organizational purpose

Strategic intent - organization's energies and resources are directed toward a focused, unifying, and compelling goal



Project alignment to the strategic intent is paramount to success



How many of us can recite our company mission statements verbatim?

Bet you know these companies though...



- To organize the world's information and make it universally accessible and useful
- To bring inspiration and innovation to every athlete in the world
- To help people save money so that they can live better



What about your company's strategic objectives?

- Grow retail stores by 10%
- To be #1 or #2 in market share in every business we operate
- Increase sales by 12%
- Provide service to 8 additional countries
- Achieve compliance with federal and state environmental mandates
- Have zero injuries in the workplace

Examples

*In organizations with a clear and explicit statement of strategic objectives,
71% of projects met their original goals and business intent, compared to
59% at companies that don't have clear objectives*

Source: PM Network, July 2012, pg 17

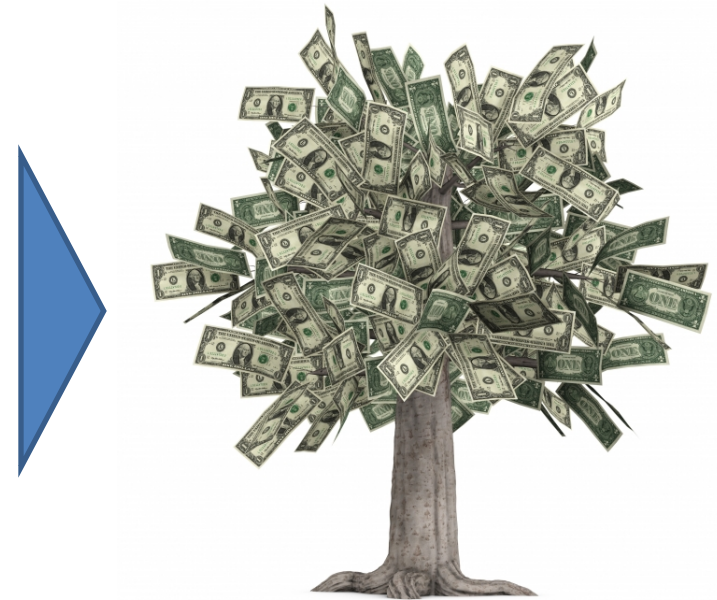
You, the project professional, are on the front lines to deliver business value

- This includes:
 - Executives
 - Managers
 - Stakeholders
 - Project Sponsors
 - Project Managers
 - Subject Matter Experts
 - Core project team members

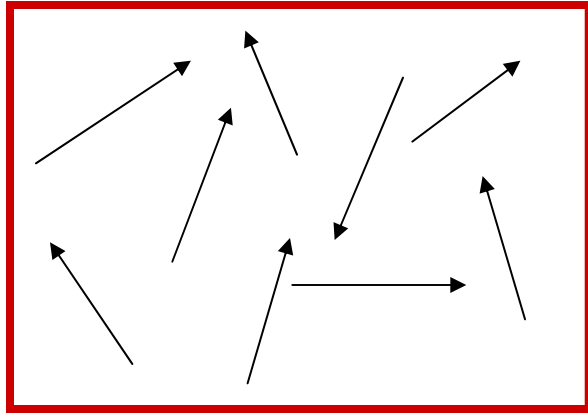


Do you speak in these business terms when describing your projects?

- Strategic and financial investment
- Competitive advantage
- Business value in monetary units
- Business value in non-monetary units
- NPV, IRR, ROI, Payback
- Benefit realization and optimization



It's high-time for project practitioners to embrace a strategic, value-driven focus



Without Strategic Focus

- Company vision, policies and strategic objectives **are not** understood
- Results in **misaligned** direction, goals and objectives



With Strategic Focus

- Company vision, policies and strategic objectives **are** understood
- Results in **aligned** direction, goals and objectives

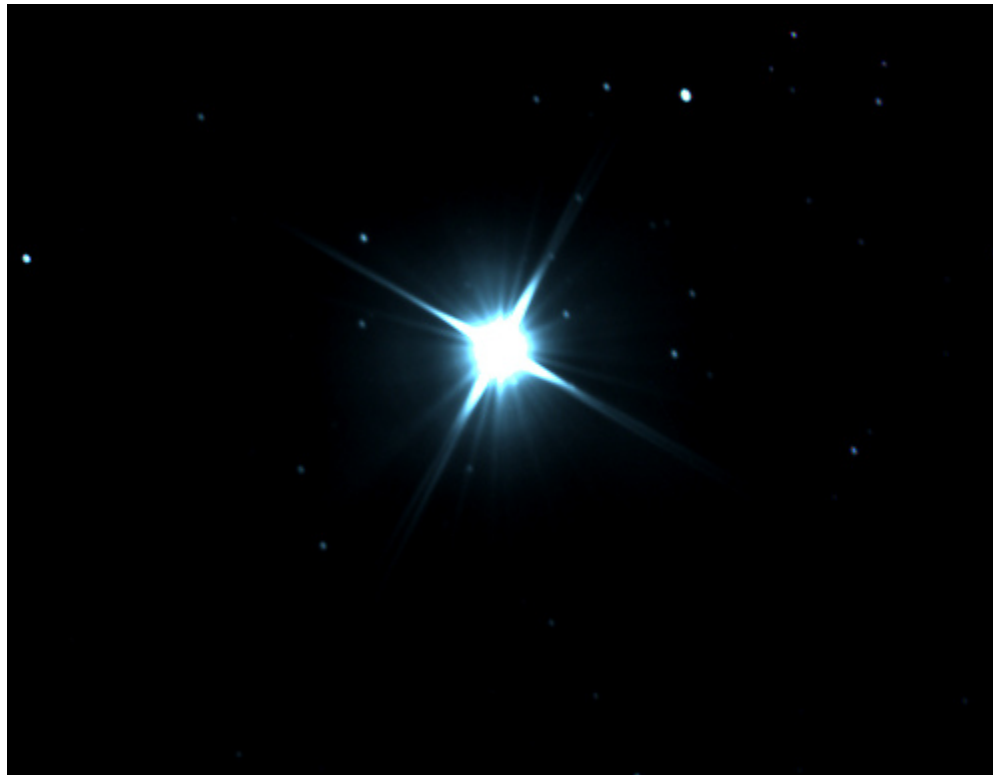
We can learn a lot from Geese!

Good leaders don't have all the knowledge, but usually have the right knowledge

- Solid understanding of mission, objectives, values
- Business priorities
- Solid business acumen
- Understanding of basic financial vernacular
- Knowledgeable of the Industry and competition
- Vision



The North Star of Project Investments: The Business Case



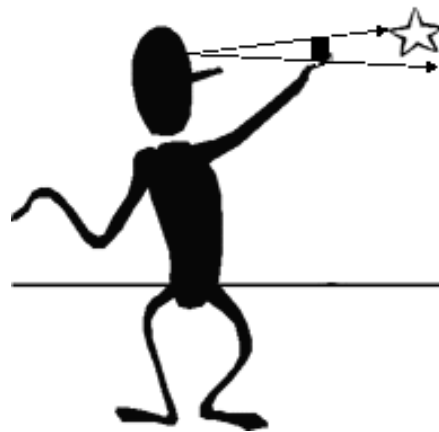
The North Star has been guiding people for millennia

- Aligned with the Earth's axis of rotation
 - Lies directly overhead viewed from the Earth's North Pole
 - Dependable indicator toward the North Pole
- Brightest star in the Little Dipper
- Used for navigational purposes for explorers, nomads, tribal migrations for a very, very long time



The business case, like the North Star, must guide and direct project teams

- Primary tool used in deciding to invest in a project or not, or to invest in one particular project over other projects
- Articulates current issues, problems or opportunities and provides detailed information on the solutions to address the current business needs



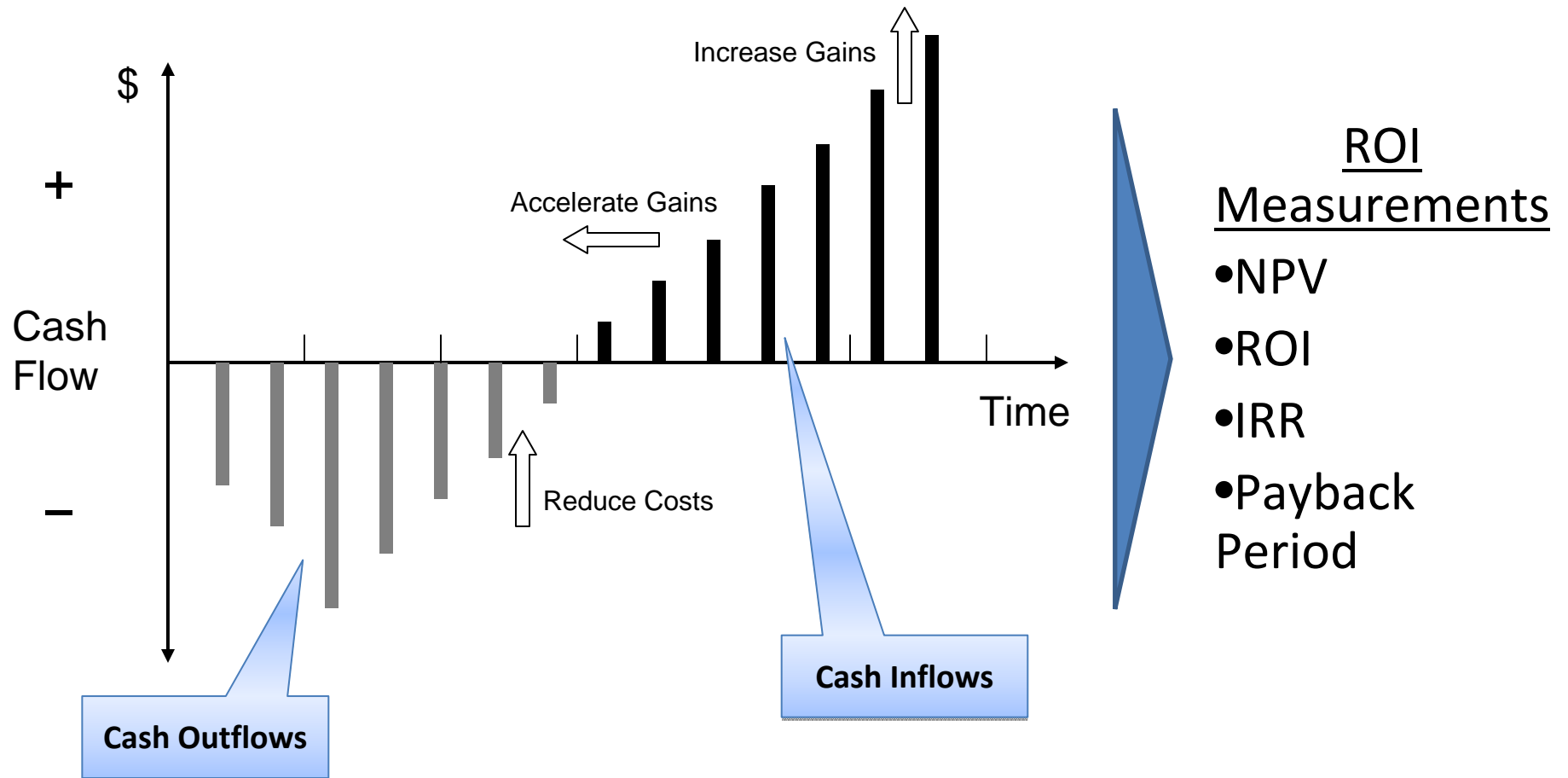
	Year 0 7-1-06	Year 1 7-1-07	Year 2 7-1-08	Year 3 7-1-09
Costs				
Equip. purchase	(10,000)	0	0	0
Installation fee	(2,000)	0	0	0
Maint. fee	(500)	(500)	(500)	0
<i>Subtotal</i>	<i>(12,500)</i>	<i>(500)</i>	<i>(500)</i>	<i>0</i>
Savings				
Leased equip.	2,000	2,000	2,000	0
Labor	0	7,800	7,800	7,800
<i>Subtotal</i>	<i>2,000</i>	<i>9,800</i>	<i>9,800</i>	<i>7,800</i>
Cash Flow	(10,500)	9,300	9,300	7,800

The business case answers very important, strategic and financial questions

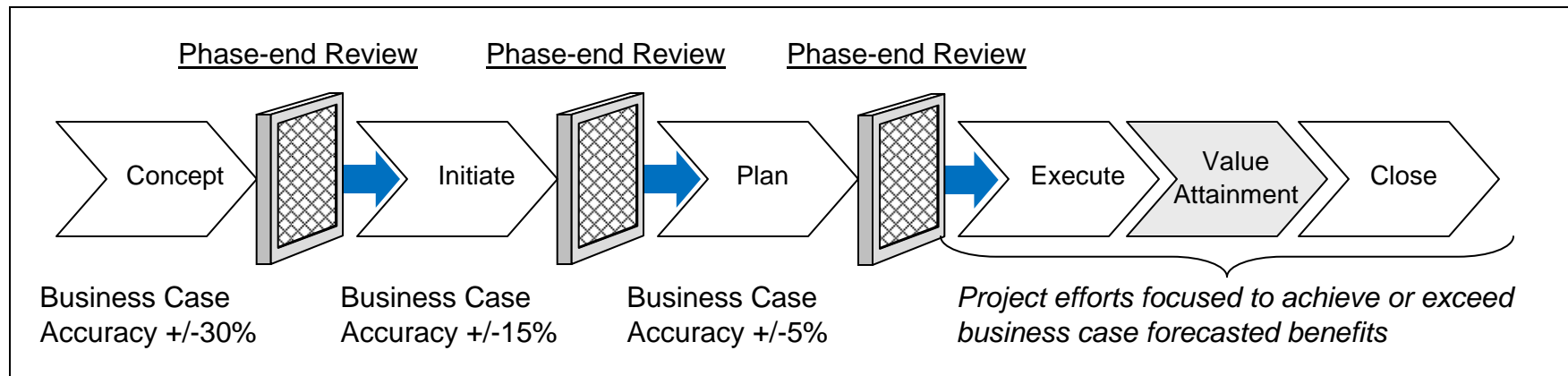
- Why is the project investment needed in the first place?
- What will happen if the effort is not undertaken ('do nothing')?
- How much money, people and time will be needed to deliver the solution?
- How much financial value will be generated?

What else?

The business case forecasts cash flows for your project investment

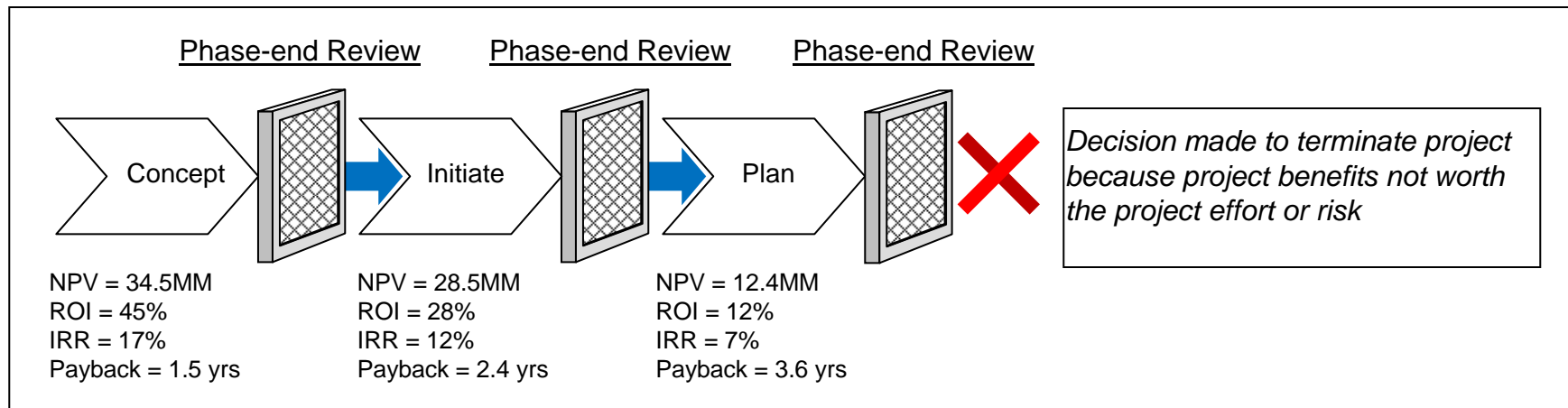


The business case is a living document that gets updated for accuracy



- it's best to terminate projects as early as possible in the lifecycle once it's determined that the project will not deliver the acceptable results
- By canceling a project for justifiable reasons, resources can then be re-directed elsewhere in order to investigate options to bring about the desired business outcomes

Key decisions are made based upon business case results



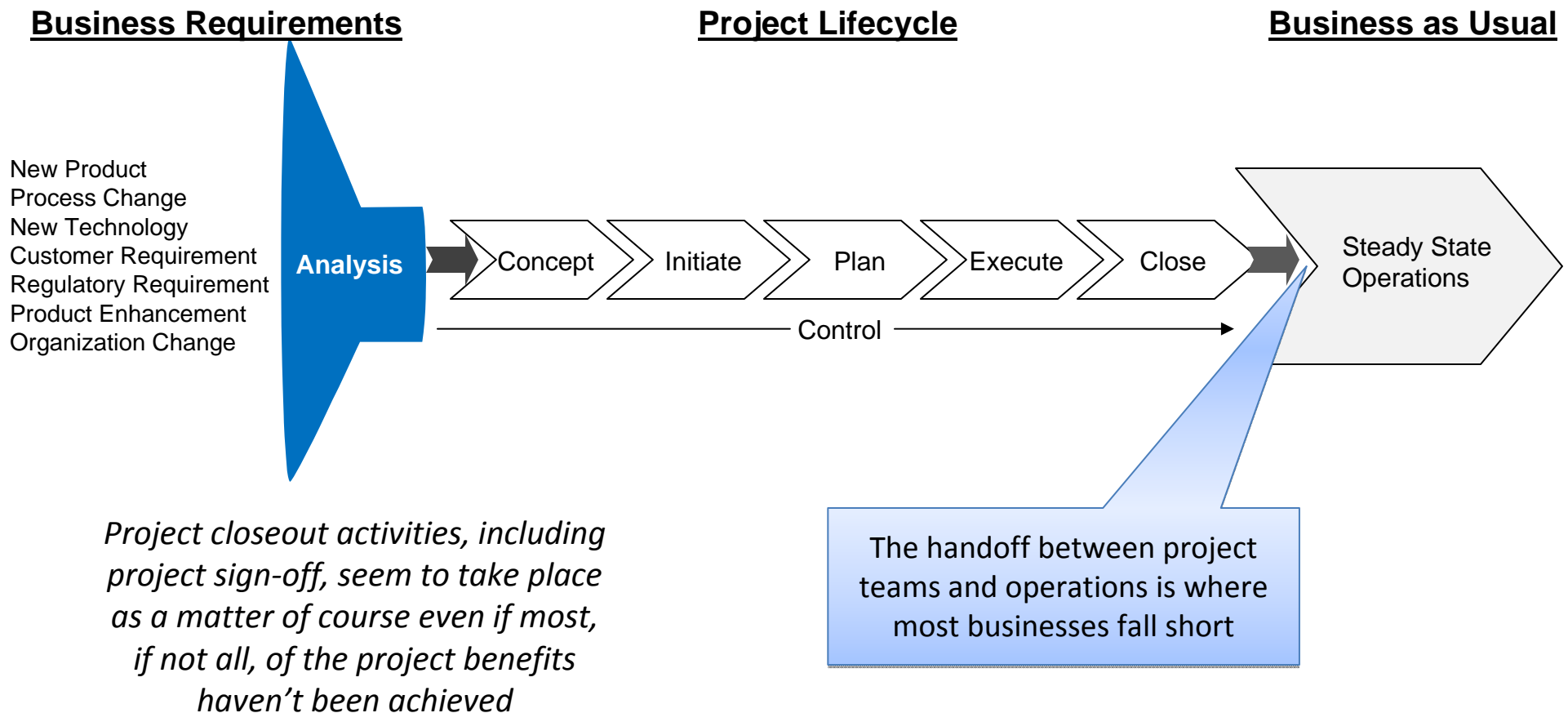
It's better to terminate a project now than to spend time, money and resources on one that doesn't add the appropriate amount of value

How do you approach the North Star of project investments?

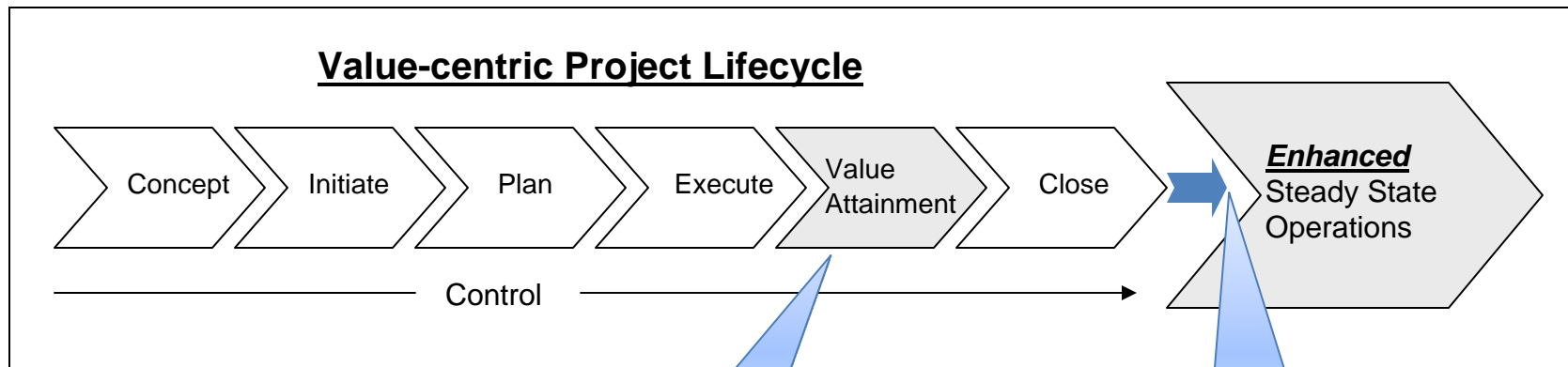
- Are you fearful?
- Are you energized?
- Do you have the requisite skills?
- What are your anxieties?

- *Here is where you can separate yourself from the pack...*
- *Here is where you can transition from a traditional project professional to a strategic value enabler for your organization...*

But business as usual resumes upon closeout, wiping out valiant project efforts



A value-driven lifecycle addresses these shortcomings and focuses on business value



Project value metrics are monitored, tweaked and optimized

It's no longer business as usual, but enhanced steady state operations

And now you can state definitively what your projects accomplished

Examples

- Achieved a 45% return on investment (ROI)
- Achieved a net present value (NPV) of \$5.2MM
- Paid off all project costs in 1.5 years
- Achieved a 12.3% internal rate of return (IRR)
- Achieved total savings of \$1.92MM in 10 months
- Reduced inventory by 49%
- Cut procurement costs by 45%
- Increased labor efficiency by 40%
- Consolidated systems from 17 to 6
- Increased production by 22%

Let's start using such business language!