'Value Creation' – A Critical Dimension of Project Management

Capability Enhancement

PMIBC-18-1-003

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ABSTRACT

The need for a project, originates from the value the organization requires to be added.

In the present VUCA-2 world, the speed and accuracy with which projects can deliver strategic value have significant impact on an organization's growth and competitive advantage.

Success of the project is primarily decided by the achievement of the expected value.

A value case Identifies, quantifies and aligns expected value with organization strategy. It dwells on the intangible and tangible benefits. It is unique in its multi-stakeholder management and multi-value approach.

A versatile Project Manager need to maximize the effectiveness of project management methodologies to provide maximum value in the shortest time and within the budget, show measures to increase the value contribution to the organization in terms of performance improvement, efficiency and flexibility, while achieving the business goals. Identify effective cost reduction potentials that can be achieved in short term and with limited risk. Provide suggestions, preserve innovative and unique practices, skills and knowledge base of the organization. Evolve current employee skills in accordance with the strategy.

The value realization management plan should provide summary of the benefits and specify what when and how. Break down macro benefit categories to identifiable, specific, benefit levers and enablers.

Value delivery in addition to the traditional triple constraint, is a must for the organizations to survive the highly volatile business world. The differentials are in the speed, quality and optimized costs, the project managers demonstrate in the value delivered.

INTRODUCTION

Projects are designed to deliver value to the organization. Delivering envisaged value is the measurement of success of the project leadership. The classic 'triple constraint', of schedule, cost and scope continues to be the focus and provides the parameters of measurement for the project managers. However, measurements restricted to delivering 'scope' within budget and cost and missing on the value envisaged, keep project management at a lower level in the chain of value creation for the organization. Delivering 'value' within a budget and in time is expected from the project/project leadership. The 'value' has become the fourth constraint.

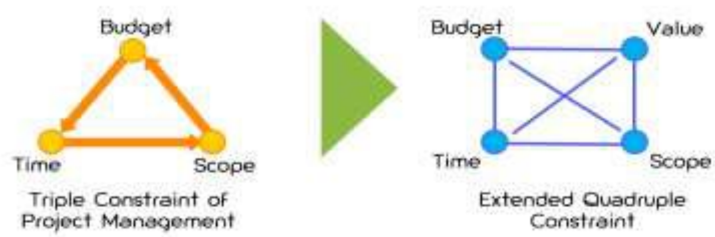

Fig. 1 – Value as Fourth Constraint

Gartner in its forecast for the project management profession states that by 2020 (1) project managers are expected to deliver a transformed organization in its entirety. It implies that the measurement of 'value created' for the organization is a critical parameter of project success besides the scope, in time and within cost delivery.

The value to be delivered is stated in detail in the value case. Deliverables and tracking process are captured in the integrated project plan. A versatile Project Manager can use his/her expertise and maximize the effectiveness of 'project management methodologies', to provide maximum value in the shortest time, and within the budget.

DETAILS OF THE PAPER

1. Understand Value

The required 'value' often cascades down from the organization's strategy, business goals and tangible benefits specified in the business case. Such examples of 'value' are: 'increase speed to the market', 'reduce overhead costs of operations', 'faster response to customer complaints' etc.

Many project managers do not understand the return on investment of the deliverables they are providing and focus only on scope, whereas the organizational leadership generally relates to the value delivery as defined in business goals and its connectivity to the financial outcomes of the business. This disconnect between the project managers' understanding of the project deliverables and the business leadership perception about project success keeps the PMs at a distance from the key stakeholders. Project leadership must bridge this gap and should connect to the value to be delivered to the organization at all levels.

For instance, implementation of a 'just in time' (JIT) inventory solution reduces inventory holding costs by 75%, making extra cash available which can be invested in other pressing needs. It may also provide additional tangible or intangible benefits. However, the JIT solution will require improved vendor management to ensure that suppliers can provide for the organization requirements 'on call' and may require some increase in the amount of cash kept as risk contingency to procure items at higher cost from the market (than otherwise negotiated rates with the vendors for regular and bulk purchase) to meet emergency requirements.

a. Perception of value is different at various levels in the organization.

Different stakeholders have different value perceptions. These perceptions change with their role and business needs. For a CEO, shareholders and the board of an organization, increase in earnings per share may be the biggest desired value. A project leader will have more elaborate goals like reduced cost of operations, increased speed of transections, reskilling and redeployment of resources, ensuring acceptance of changes being implemented across the organization, etc. Similarly, the value perceptions for employees, customers and partners will be different. It is important that the value is well articulated since the way the value is specified will impact the attitude and interest of the stake holders towards the project.

2. Value realization life cycle

A typical value realization cycle passes thru the six phases as mentioned in Fig. 2. Vision and strategy are at the highest level, a value case captures the value to be delivered at each level, process redesign and automation is at the next phase where improvements are worked on. These improvements can be observed post-deployment. However, any new process takes time to stabilize and benefits can be measured, only after its use is optimized through effective support and regular operations.

Fig 2 – Value Realization Cycle

3. The Value Delivery Approach

The fig 3 defines the 'value' delivery cycle

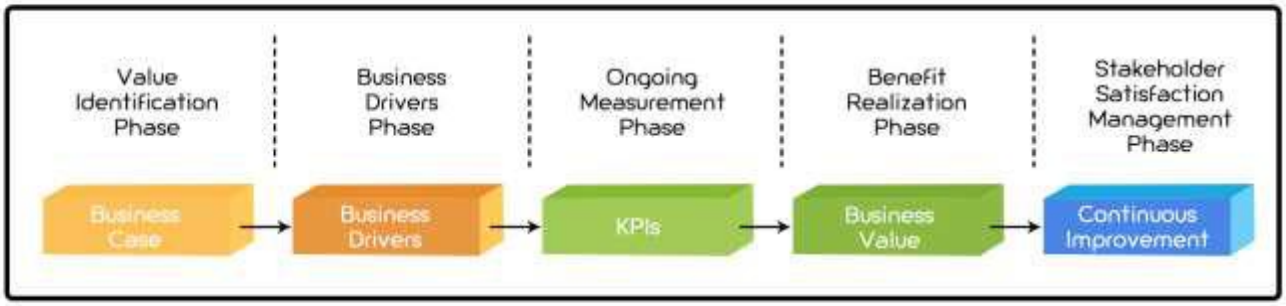

Fig. 3 – Value Delivery Validation Phase

The value delivery is executed by:

i. Establishing initial screening for verification and validation of the existing efficiency potentials to value identification and identification of business drivers

ii. Establishing of prerequisites for an ongoing measurement of value achievement

iii. Benefit/value realization post stability and ongoing improvement

4. Value case

A value case considers both financial and non-financial values. It seeks to make non-financial values explicit, in addition to the financial values which are specified at a prominent level in the business case. A value case is designed to understand and demonstrate value to be delivered at each level in the organization. When aggregated bottoms up, it creams to the top as specified in the project goals. The value can be the redefining of a business process, automation of a manual process or restructuring an organization to make it more productive. Stakeholders are involved at all levels. It makes it easier to get stakeholders consensus on the value and provides a more persuasive and defendable justification for the project program.

The value case approach is a tried and true method of helping organizations define the value that can be expected from project, and it helps align the stakeholders' common objectives to achieve measurable results. Clarity on the value provided especially by the soft benefits over a specified period which can shift an organization's perception of soft savings or benefits from it being less desirable to becoming more desirable. With a holistic approach to improvement opportunities depending upon the benefits recognition approach, long-term benefits such as less employee turnover, savings on training new employees, reduced absenteeism, high employee morale, ability to attract and retain talent, higher customer satisfaction, increased repeat as well as additional business, higher retention of customers etc. cannot be taken for granted. It might take some convincing to push organizations to consider the value of soft savings, and the ultimate financial rewards they can bring.

All these benefits and value outcomes are mentioned in the value case. For some benefits, the financial value is easy to measure and for others some approximations can be made. Irrespective of challenges in the quantification and measurement, the value case gives adequate information to the top leadership for making the right decision. At times, soft benefits could be more relevant than management realizes at the time of making the business case.

Hard benefits still receive most of the attention in companies. Analysts, the stock market and investors all use financial performance as a primary assessment tool of a company's success. It is difficult to convince senior managers of the value of soft savings when the data and the numbers are not clearly visible.

a. The value case is different from a business case

A business case is prepared to decide whether to go ahead or not with the project program, whereas the value case focuses on the value being provided at each level in the organization and specifies the intangible benefits. Here are a few key differences:

i. The value case dwells on the intangible as well as tangible benefits whereas the business case focuses on tangible benefits and the return on investment over a specified period.

ii. A value case is developed by interacting with stakeholders at all levels. A business case is mainly targeted at the top management or key stakeholders' requirements.

iii. The value case is unique in its multi-stakeholder and multi-value approach whereas the business case is an important financial level understanding.

b. Prepare the value case

Building a value case requires identifying the value levers, quantifying the anticipated value as far as possible and aligning the value to overall project and program definition. The project leader must work closely with key stakeholders to define the benefits and prepare the value case. The more thorough and granular the value case the higher is the commitment of the stakeholders. The following are the steps in making value case:

i. **Identify the value*:*** A qualitative insight on who gets what value is worked out for each stakeholder. A comparison between 'As is' and 'To be' situations in the specified area of responsibility of the stakeholders will define exact value. This can come from restructuring business processes, automation of manual processes, restructuring organization, upgrading skills levels and changes being implemented in work culture. At times, a domain and product subject matter expert is required to articulate the anticipated value.

The relevant value that the project should provide are clearly mentioned. Methods used to arrive at this information can be through group workshops and advanced interview techniques.

ii. **Quantify the value, where possible:** Who-gets-what and who-does-what are quantified in appropriate units of measurements where possible and what cannot be quantified is clearly specified. For example, is the value in reference a saving in terms of $s or is it saving in terms of time taken to complete a transaction. In case the distribution and impact of the qualitative values identified cannot be determined unambiguously, additional insights, expert interviews, surveys and data analysis should be obtained where necessary.

Business benefits are normally referred to as 'hard' and 'soft'. Hard benefits are the ones which can be easily measured like number of legacy IT systems planned to be sunset with introduction of new IT system, reduction in number of contracts and payroll commitments required to provide the service at similar levels in future, etc. Soft benefits include increase in brand value and image of the company, improvement in skills of the people, improvement in employee morale, increase in safety culture etc. These improvements do result in attracting and retaining talented employees which also help in greater customer satisfaction and retention and winning new business. The spectrum of benefits includes values like cost avoidance or capacity enhancement. For some benefits, it is obvious that savings will occur, but there is no straightforward way of confirming the dollar value of savings arising from a specific intervention.

Some of these benefits may get indirectly quantified and provide approximate understanding of the benefit in quantitative terms. For instance, a process improvement and introduction of self-service portal for onboarding new employees reduces the number of steps from 20 to 8 and hence there is reduction in number of employees to support the onboarding process by 60 %. There are obvious and measurable payroll savings and office infrastructure savings when the number of support staff are reduced. However, these calculations are not straight forward. The skills of resources required as replacements could be expensive and there may be additional costs to bring them up to the speed. In another example, an optimized process is expected to provide greater productivity, reduce the transaction processing time and increase customer satisfaction. We may see the measurable increase in production, high customer satisfaction scores and less time spent on the transaction post deployment of the change. However, it is very difficult to clearly state what exactly enabled this benefit and how much was the increase attributable to a specific intervention.

At times, what starts as soft savings can become hard savings after some time, when theorized savings become quantifiable. For example, an organization's attrition rate of key resources was 2% more than the market average; one year after project the attrition rate of the key resources is 1% less than the market average. There are large measurable savings in the hiring, onboarding and induction and training costs;

however what factors went into these savings and how much was the impact of each factor will at best be an approximation.

iii. **Align Value:** Value alignment is a structured process aimed at getting an overall acceptable project definition based on the alignment at every level. Value Alignment is an iterative process which terminates when an agreement to take collective action is arrived at. When an alteration is required, necessary steps must be repeated.

a. Engage Stakeholders:

Work closely with stakeholders to seek deeper understandings and seek answers to the questions that must be analysed in the development of the value case. These questions are:

- What value propositions will the key stakeholders agree on?
- Why will it work?
- What are the potential obstacles and is there room for improvement?
- How much value/benefit is achievable
- How will the value be realized and how will improvement be made in projects as well as processes?
- How will the benefits be measured?
- Who is responsible for the ongoing measurement?

The project leader needs to engage stakeholders to make them understand what is important and valuable to them; why and what capabilities will allow the project team to achieve those goals; why do certain capabilities help achieve certain metrics; and why there is room for improvement. Once the stakeholders understand What and Why, he or she can move into the How. How will the improvements to be made and the benefits/cost take-outs be achieved? The leader can start to gauge how much the stakeholders are going to commit toward real targets. Once the What, Why and How are understood the project leader is ready to develop the value case benefits/ cost take-outs and construct the deliverables to establish the 'How Much.'

iv. Provide the following value additions

- Show measures to increase the value contribution to the organization in terms of performance improvement, efficiency, availability and flexibility, while achieving the business goals.
- Identify effective cost reduction potentials that can be achieved in short term and with limited risk
- Provide suggestions, if and where required.

- Preserve innovative and unique practices, skills and knowledge base of the organization, not to mention its brand power, for future requirements.
- Evolve current employee skills in accordance with the strategy to modernize the organization.

5. Prepare a value realization plan

The value case should result in a value realization management plan. The plan should provide summary of the benefits. Break down macro benefit categories to identifiable, specific, benefit levers and enablers. The breakdown should:

- Confirm that benefits are clearly identified and quantified, where possible. There can be multiple methods of measurements -- for instance, metric changes, adoption rates, survey of affected employees.
- Specify benefits, where quantification is difficult to measure for an intervention, but can be indicative through surveys of employee satisfaction and customer satisfaction.
- Identify success criteria used for the evaluation of the value anticipated from the project project/program.
- Specify benefits tracking assumptions -- for example while implementing a new solution for a human resource management system, a plan to sunset the legacy IT systems is usually developed. An assumption that the systems planned to be sunset by a specific date and will not require any more expenditure for maintenance, needs to be specified.
- Provide details of the process of calculations and baseline data. Do not completely disaggregate results. Provide inputs based on agreement on a procedure for the evaluation of efficiencies with the key stakeholder and the sponsor. There may be too many solution elements in play to accurately track changes. Client organizations are often changing and so the requirements change.
- Establish clear ownership of benefits within the client to ensure accountability.
- Set expectations on timing. Results are usually measurable after the change is completely adopted. The benefits can be immediate, medium term and long term. Based on the timing for benefit tracking and underlying assumptions, the achievement of benefits for each lever can be evaluated with the rollout of key enablers.
- Establish a baseline for monitoring the progress and establish checkpoints to ensure that timely benefits are achieved.

- Establish links between planned activities and achievement of benefit/value.
- Ensure mechanisms are in place to enable management, measurement, and tracking of benefits/value. Identify roles and responsibilities for benefit measurement and tracking with proposed monitoring process
- Establish plans to identify and manage risks and issues, which have a direct impact on benefits/value. Prepare a "Benefits Realization -- Risk and Opportunity" action plan with focus on those issues or risks that have a direct impact on business benefits. Use this plan to monitor and manage risks and opportunities. The plan should identify potential risks with proposed mitigating strategies. Add additional risks and opportunities at any time and review the plan at regular intervals in conjunction with the stakeholders.
- Include the following, in case of a multi project/program:
  - Agreement on each interim deliverable.
  - Modes for tracking and reviewing ROI.
  - Communication channels.
  - Comparison of value/business case vs actual investment and actual benefits.
  - Process of documenting findings and recommended action plans on the
  - Value scorecard.
  - Action plans to improve results and implementation of lessons learnt for future roll-outs or 'waves.

7. **Track Value**

Value traceability is crucial to the success of any value realization. A benefit tracking approach provides visibility into the value/benefits being realized and enables effective management of risks, opportunities and dependencies. Value tracking ensures that while addressing scope, cost and schedule requirements, the planned value delivery takes precedence and is not missed out

Value enablers and levers are well defined in a value management plan. Assumptions, dependencies, risks and ownership are also specified. In addition, the business requirement can go through changes during the implementation period. Some of these changes can be large and unforeseen. The project leadership needs to address all these requirements and keep the focus on delivering value in sync with organizational strategy. Some risks can even be converted to opportunities to add additional value and a few assumptions may bring in surprises.

Where possible, interim benefit measurement and monitoring exercise may be required for providing scorecards to the top management, project sponsor, and to the project team and take mid- course corrections, if required.

The value management plan, post appropriate approvals, should be re-baselined during the delivery phase, if the parameters have changed - accordingly the expectation of stakeholders are reset.

It is this change in the mindset of sticking to the 'scope as defined earlier' to 'delivering the required business value within the most reasonable time and cost' that differentiate conventional project managers from future project leaders.

6. Measure value realized

The objective of a project program is to deliver value as agreed to with organization leadership. Value realization is one important exercise that the top management looks forward to. The value enablers, levers, measurement process, time span, expectations on quantities as well as intangible benefits and dependencies, measurement process, ownership are specified in the benefits/'value management plan, which is one of the key deliverables of the value case. Tracking of value to be delivered, management of dependencies and risks impacting the value delivery is carried out while building the transformed organization.

The table 1 provides an example of value envisaged from a project based on implementation of an ERP system and replacement of legacy IT systems. Source of the value, value levers, the score card for measurements, time when the value is likely to be delivered, quantifications (dollar value) where possible and where difficult or not possible to measure, are mentioned.

	Benefit Source	Lever	Score Card	Value	Time (post deployment)	Remarks
1 A	**Redundant IT Systems Sunset**	IT Support Resources	Details of number of resources, Payroll Saving	$ Value	2 months	Provide details for each system
. B		License costs	Details with validity dates	$ Value	Specific dates	The benefit realization timings will depend on renewal date

C		Depreciation of owned IT systems	Details with validity dates	$ Value	Specific dates	Depreciation is accrued on a specific date
D		IT Infrastructure - Networking, servers etc.	Details	$ Value	Specific dates	Some functionality/infrastructure in a system will have to be maintained as per the local laws
E		Partner systems interfaces redesign	Details	$ Value	2 months	Same as above
F		Physical Infrastructure - Office, seats etc.	Details	$ Value	Specific dates	Sane as above
G		Service providers Contracts	Details	$ Value	Specific dates	There may be penalties for early termination of contract

Table 1 – List of Tangible and Intangible Benefits from a Project Program

7. Conditions of Satisfaction (COS)

Conditions of Satisfaction (COS) goes beyond written contracts and even defined value. Many expectations from the project program remain implied, can be difficult to make explicit, and while seemingly insubstantial or subjective, are very much part of the vision and strategy of the organization as envisioned by the top leadership.

Though creation of organizational value as put down in writing is important for the project leadership, it is also important that the less articulate but equally important expectations and understanding of the organization leadership are met. Only some conditions explicitly address the business problems that are viewed as critical to the successful completion of the project. Project leaders are expected to understand the client's priorities, issues and internal dynamics which otherwise may not be visible, but relevant. Thus, the conditions of satisfaction relate to more subjective matters that key stakeholder's feelings are important to the successful delivery of the solution that is being provided.

COS promote a superior delivery experience by understanding the organization's priorities and managing stakeholders' expectations. They also help avoid potential problems and improve relationships. It creates positive perceptions and vibes, as it spreads a feeling that someone's true satisfaction has been cared for.

CONCLUSION

The 'value' delivered to meet the business objective by the service or the product being delivered by the project managers, is the criterion for success of the project and takes precedence over the scope, the schedule or the allocated budget. When change is a constant, organizational transformation is a constant imperative. And we are living in an era of unprecedented change and business complexity. The best of yesterday's strategies seems barely adequate to the challenges you as a business leader wake up to, today.

"May you live in interesting times" goes a Chinese greeting. We have got more than we bargained for. The business world has become faster, flatter and more complex, but people and their leaders are still at the heart of it all. Trade and investment barriers are in a state of flux -- they recede and rise like the tide.

The speed and accuracy with which projects can provide strategized business value have significant impact on an organization's growth and competitive advantage.

REFERENCES

Michael Hanford; "To the Point: What Will Project Management Look Like in 2020?' 2014. Gartner