



# Making the case for PPM



**pm3**<sup>®</sup> Project Portfolio Management

**pm3time**<sup>®</sup> Complete Time Management



## Introduction

There are many reasons why organizations decide to implement project portfolio management solutions, but typically it is to help senior management confidently and consistently answer questions like :

- ✓ Are we doing the right projects, the ones that provide maximum value to the organization ?
- ✓ Are we doing these projects right, meeting the quality, time and cost objectives ?
- ✓ Are we using our resources in the most cost-efficient manner?
- ✓ Are we realizing the benefits from our projects and programmes ?
- ✓ Can we take advantage of this new opportunity and re-balance our project portfolio ?
- ✓ How can we accommodate this “must-do” project within the current portfolio ?
- ✓ Are we going to be able to deliver next year’s investment plan ?

Whatever the drivers are, before investing in Project Portfolio Management (PPM) tools you will almost certainly be asked to provide a Business Case for the investment.

Our own experience, supported by independent research, shows that clients can achieve a Return on Investment of 6-9 months and significant year-on-year savings through an investment in PPM tools.

This white paper provides advice on how to construct a compelling Business Case for your organisation’s investment in PPM tools, and includes some independent research into the value of PPM tools.

## Building a Business Case

The Business Case for investing in PPM tools is really no different to any other Business Case, because it requires you to clearly explain :

- a) the benefits that will be realised when the PPM toolset is fully implemented
- b) the costs of the implementation
- c) the Return on Investment and the payback period

Most PPM tool implementations also involve improvements to the way projects, programmes and portfolios are run. Therefore it is important to recognise that benefits may be attributable to changes in process as well as changes in toolset.

### a) The benefits of using PPM tools

Broadly speaking, there are three types of benefits that need to be considered :

1. direct cost savings
2. tangible benefits
3. intangible benefits

Benefits Definition and Benefits Management are only truly effective when the benefits are measurable, and this means that in order to justify the investment in PPM tools you will need to measure the way your organization is currently working. For example, if you are expecting to reduce the time (and hence the cost) of preparing monthly management reports then you will need to measure your current preparation time (and cost) and to define a target time (and cost) for the future.

## Benefits - direct cost savings

Each organisation has its own reasons for implementing PPM tools, and its own set of expected benefits and operating costs. Below are typical direct cost savings which can be attributed to the use of PPM tools.

ID	Benefit Description	Benefit Owner	Benefit Measure	Current value	Target value	Expected Annual Cost Saving
1	Reductions in Project Manager workloads providing progress updates	Programme & Project Managers	Hours per week per PM			
2	Reduction in PMO workload collating information and producing regular reports	PMO	Hours per week per PMO person			
3	Reduction in Programme Manager and PMO workloads capturing and tracking benefits	Programme Managers, PMO	Hours per month per PM and per PMO person			
4	Reduction in time responding to requests from senior stakeholders for ad-hoc reports/information	PMO	Hours per week per PMO person			
5	Reduction in PMO headcount	PMO	Number of PMO staff			
6	Reduction in induction time for new staff becoming familiar with standards and procedures	HR	Hours per year per new joiner			

## Benefits - tangible benefits

There are many potential tangible benefits that can be attributed to the introduction of PPM tools, as illustrated below. However, it can sometimes be challenging to establish good, accurate, repeatable measures for some of these.

ID	Benefit Description	Benefit Owner	Benefit Measure	Current value	Target value	Expected Annual Cost Saving
1	Reduction in wasted project costs by early identification of failing projects (e.g. Business Case becomes invalid, risks become unacceptable) with potential re-scoping or cancellation	Portfolio Director and Project Sponsor	Number of cancelled and re-scoped projects			
2	Reduced budget overruns due to improved planning and visibility	Portfolio Director	Annual cost of overruns			
3	Improved use of scarce resources (e.g. Senior Architects, test environments), contractors and capital due to improved planning and visibility	Resource Manager, Finance Manager	Annual resource, contractor and capital budgets			
4	Accelerated delivery due to improved use of resources and capital	Sponsor	Annual benefits realized			
5	Reduction of spend on low-value/unnecessary/non-strategic projects due to improved prioritization	Portfolio Director	Annual budgets			
6	Reduction of non-productive time on projects due to improved time recording and tracking	Programme & Project Managers	Annual budgets			

## Benefits - intangible benefits

Intangible benefits are benefits that do not have a directly attributable financial value. However, often with some creative and careful thinking it is possible to attribute financial figures to intangible benefits. Below are some typical intangible benefits from the implementation of PPM tools.

ID	Benefit Description	Benefit Owner	Benefit Measure	Current value	Target value	Expected Annual Cost Saving
1	Maintaining management focus on delivering and maximizing the business value of all project investments	Senior Management	Annual business benefits realized			
2	More projects delivered on time, scope, cost and quality due to following standard processes	Sponsor	Number of projects delivered on time, scope, cost and quality			
3	Reduction in programme and project start-up times	Sponsor	Initiation timeframe			
4	Improved decision making on projects due to accurate, up to date project information being available on-line	Sponsor	Number of Gateways passed			
5	Improved communications due to consistent use of standard processes, procedures and progress measures	Programme & Project Managers	Number of deliverables approved first time			
6	Improved accountability for tasks, deliverables and Work Packages	Delivery Team	Approval timeframe			
7	Process improvements facilitated by increased use of standard processes and lessons learned reviews	Process Manager	Number of improvements identified			
8	Fewer surprises for Operations due to earlier engagement in project lifecycle	Operations Manager	Number of project reviews participated in			
9	Improved maturity of project and programme management capability, leading to increased capacity for change or ability to tackle more complex programmes and portfolios	Senior Management	P3M3 <sup>®</sup> or similar maturity level			

## b) Costs of implementing PPM tools

The costs of implementing software cover people, process and technology. The table below itemises the typical cost items for implementing PPM software.

ID	Cost item	Cost Factor	Cost Type	Estimated cost
1	PPM Software licences	Number of users	Annual	
2	Add-on software licences (e.g. plug-ins, upgrades)	Number of add-on licences	Annual	
3	Interfacing PPM software to existing systems	Number of interfaces required	One-off	
4	Infrastructure and hardware upgrades required	Number of upgrades required	One-off	

ID	Cost item	Cost Factor	Cost Type	Estimated cost
5	PPM Software configuration and set-up costs	Degree of configuration and set-up required	One-off	
6	Training the users in PPM software use	Number of users	One-off	
7	Updating in-house processes and procedures	Number of processes	One-off	
8	Training the users in updated processes	Number of users	One-off	
9	Internal costs to run the implementation project	As required	One-off	
10	Communications and marketing costs	As required	One-off	
11	Other external consultancy costs	As required	One-off	
12	Annual software maintenance and support costs	As required	Annual	
13	Training new joiners in software and process use	Number of new joiners	Annual	

### c) Return on Investment and Payback Period

A classic Return on Investment (RoI) analysis looks at the Costs versus the Benefits, and how long it will take to realize the benefits. Using the information gathered from assessing the Benefits and the Costs in your organization, the following table can help you build the RoI case.

ID	Description	Year 1	Year 2	Year 3	Year 4	Year 5	5 year total
A1	Benefits - tangible cost savings						
A2	Benefits - other tangible benefits						
A3	Benefits - intangibles						
A	TOTAL projected benefits						
B	TOTAL projected costs						
C	NET Return on Investment						

Benefits estimating assumptions		Costs estimating assumptions	
Payback period (months)		Breakeven Fiscal Year	
Payback assumptions			

## Independent Research into the business value of PPM tools

[Gantry Group](#) profiled the payback experiences of eight companies that had deployed PPM tools for at least one year. Key conclusions:

- ✔ Six of the eight achieved a positive ROI within one year
- ✔ On average the software returned a savings of 6.5% of the total IT budget by the end of year one and 14% (NPV) over three years of deployment

These tangible benefits were achieved largely through

- ✔ Reduced project budget overruns
- ✔ Avoidance of spend on non-value-adding projects
- ✔ Reduced staff costs due to improved staff loading/utilization
- ✔ Reduced project reporting/governance expense through PMO automation
- ✔ Improved Project Manager efficiency through project status reporting automation

[Forrester Group](#) profiled the payback experiences of four companies that had deployed PPM tools. Their key conclusion was that the average payback period was two months.

This was largely achieved through:

- ✔ Increased productivity through PPM process standardization and automated reporting
- ✔ Cost savings through PMO automation
- ✔ Increased accountability for project spend

[IDC](#) conducted research into the value added by PPM with 13 highly successful companies that had implemented PPM solutions. Their key conclusions were that on average:

- ✔ The payback period was 7.4 months
- ✔ Cost per project was reduced 37%
- ✔ Redundant projects dropped 78%
- ✔ IT staff productivity increased by 14%
- ✔ Project failure rate dropped 59%

## Conclusion

PPM tools will help senior management answer strategic questions like “are we still doing the right projects?” and “are we still doing them right?” but the decision to invest in PPM tools always needs to be supported by a compelling Business Case.

We have many clients who have followed the approach described in this White Paper and who have achieved a significant ROI and a payback of less than 9 months when implementing our own project portfolio management tool PM3.

If you would like advice on building a compelling Business Case for implementing PPM tools in your organization, or more information on PM3, please contact us at [www.bestoutcome.com](http://www.bestoutcome.com)