Maximizing Project Value:
Defining, Managing, and Measuring for Optimal Return
By Jeff Berman
(A book review by R. Max Wideman)

Introduction

Jeff Berman, the author of this book, is Vice President of PM tec, Inc a consulting firm that provides project management services to a wide range of customers. These include construction, engineering, and manufacturing organizations, as well as municipal, state, and federal government agencies. However, the primary focus of the company's consulting services is on project management people, processes and tools, with a significant element of Primavera software, rather than the technology associated with the respective clients. In Jeff's case, he has more than 20 years experience in helping Fortune 500 companies with their corresponding project investments so that his book is similarly focused. In other words, you might call it essentially "Information Technology" focused.

In this book, Jeff attempts to move the discussion of project success beyond the traditional ***on time, on budget*** to a question of creating ***value*** to the organization as perceived by that organization's executives. Indeed, in his seminars and workshops to executives and managers, Jeff often poses the question: "What is project success?" To this, he says, he frequently gets "many people saying the same thing – 'being on time and on budget' – as if they were part of a congregation or cult."[1]

To counter this widely held perception, Jeff has created what he calls Project Speed2Value™ Road Map as illustrated in Figure 1.

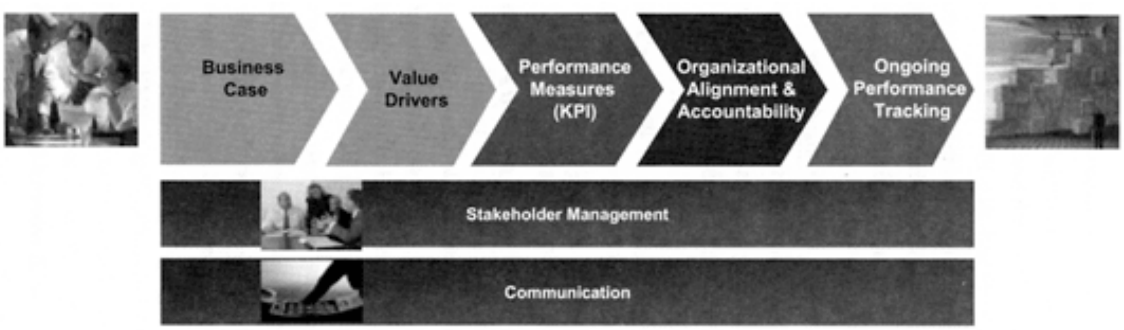

Figure 1: Project Speed2Value™ Road Map

Each of the pictorial arrows in the illustration is explained in Chapters one through five in his book. Consequently, this book tends to be a sales pitch for his "comprehensive approach". Nevertheless, the book contains some valuable insights, as we shall describe in the following pages.

For example, Jeff also poses a further question:

> "What good is a project that's on time... on budget... and ends up providing your organization with no bottom-line results whatsoever? Whether it falls short of expectations, fails to ultimately be embraced by the people in the company meant to be using it, or simply lands with a thud in the marketplace, a project that doesn't truly deliver value is worthless at best. It's great to be on time and under budget, but to achieve positive results, project managers have to embrace an all-new philosophy of what it is they do for their organizations.

> . . .
>
> Far too many projects lose sight of their original purpose due to shifting resources, changing organizational objectives, and other unexpected developments."[2]

Now that we agree with!

Book Structure

Maximizing Project Value contains only six chapters that follow the Project Speed2Value™ Road Map shown in Figure 1 previously. Hence, together with the Introduction, the chapters are as follows:

Introduction: Beyond "On Time and On Budget"

1. Defining the Project Business Case and Getting Buy-in from Top Management
2. Executing a Project with a Business Value Mindset
3. Achieving Project Value Through Stakeholder Management
4. Creating Organizational Alignment and Accountability
5. Establishing an Ongoing Project Performance Tracking Process
6. Conclusion

Appendix A – Project Business Case Exercises
Appendix B – Stakeholder Management Exercises
Key Terms – A brief glossary of some of the terms used in the book

Chapters 1 and 3 are by far the largest, to which the exercises in appendices A and B refer. It should perhaps be noted that the sequence of chapters does not follow any recognized life cycle, whether of the project or the product. Rather, the Speed2Value™ Road Map follows a parallel path through out the ***product*** life cycle with the specific intention of developing ***value.*** And surely, this is the answer to Jeff's second question.

So then the issue is how? In Jeff's view the answer to this question is illustrated by a five-step Business Case life cycle as shown in Figure 2.

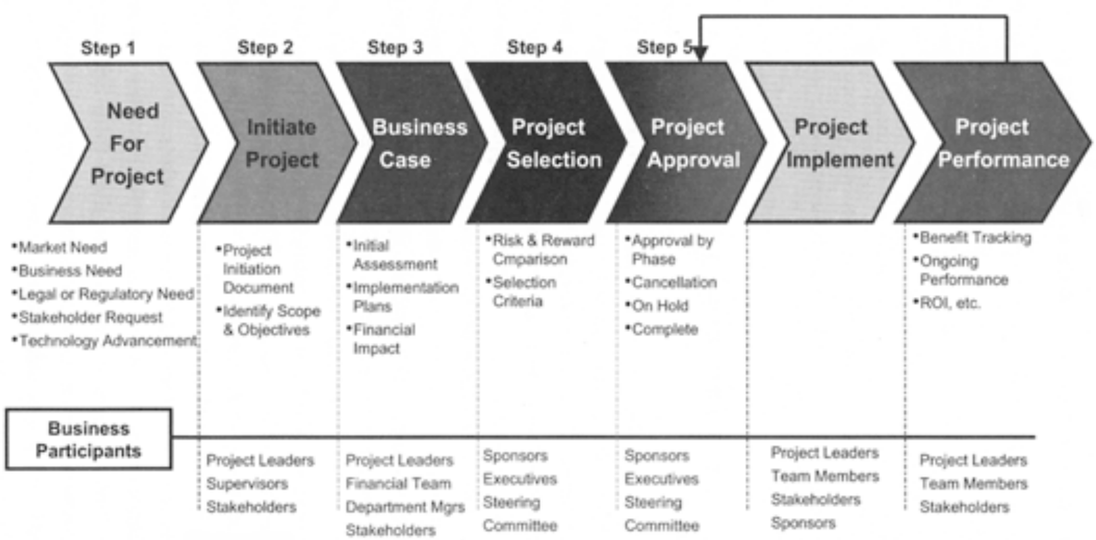

Figure 2: Business Case life cycle – need for a project

There are some important considerations revealed in this chart.

- Since the *Business Case*, Step 3, follows *Initiate Project*, Step 2, the development of the Business Case is clearly considered as a part of the project.
- A Project Initiation Document, PID, triggers *Initiate Project*.
- *Project Selection*, Step 4, and *Project Approval*, Step 5, are somewhat cursory, but another important point is that such approval should be granted by Phase.
- *Project Implementation* is highlighted as obviously a complete exercise on its own, followed by *Project Performance* with an arrow showing feedback.

While we agree with the need for feedback, we have difficulty with the description of this last graphic arrow, as we'll discuss later.

What we liked

In his *Introduction: Beyond "On Time and On Budget"*, Jeff poses another rhetorical question: "Is it possible that although a project is on time and on budget that the company is [not] really better off?"[3] To which he responds:

> "Perhaps the best way to answer [this] question is to first define project failure. I can't tell you how many times executives have told me that their project(s) failed because the solution implemented (whether a new technology, process, or organizational change) was not adapted to by the people affected by the project . . . The fact is that failed projects, particularly the ones that provide little or no *business value*, cost millions of dollars each year."[4]

Jeff defines *Business Value* as:

- Cost reduction
- Business growth
- Maintaining operations (e.g. regulatory compliance)
- Speed and efficiency

So, if Business Value is the true measure of project success, but the project still needs to be "on time, within budget", then Jeff views the combination this way:

Project success = (on time + on budget) x business value

Although the units of measurement for each variable are not identified, or otherwise not consistent, nevertheless this relationship is ***a valuable project management insight***. As Jeff says: "Simply put, business value is a multiplier that increases the overall success of a project."[5]

Chapter 1: *Defining the project Business Case and getting buy-in from top management* is the longest chapter in the book. It is also perhaps the most valuable in that it provides a thorough description of how to go about developing a Business Case and obtaining its approval in the five steps illustrated in Figure 2 previously. Along the way, Jeff suggests that there are *Seven Principles for developing a winning Business Case*:

1. Obtain advanced buy-in from steering committee members and key managers who have approval authority.
2. Be able to demonstrate 'how' the business benefits will be achieved with a sound probability of success.
3. Gain commitment and support from 'key influencers' in the stakeholder community.
4. Set realistic expectations.

5. Develop a feasible implementation plan.
6. Articulate 'why' your project fits within the overall budget and 'why' the timing is critical to the business.
7. Keep the presentation simple and easy to understand.

Chapter 2 emphasizes the need for a project manager to execute his or her project with a business value mindset. This is in order to achieve real project success, i.e. business value to the company, as reflected in the relationship (formula) presented earlier. As Jeff says:

> "To deliver overall business value we must look beyond the tactical execution of a project and focus on the strategic achievement of project value. This is the missing link. We as project managers have been so focused on the tactical end of executing a project that we have been missing the strategic link for getting our project from the business case to the actual achievement of the project business benefits."[6]

Chapter 3, the second longest chapter, describes how to deal with project stakeholders with the foregoing mind-set of achieving project value and the consequent need for stakeholder communication. Jeff defines a project stakeholder as "anyone who is affiliated with a project who can potentially have a positive or negative influence on the end results."[7] Depending on your interpretation of the word "affiliated", that can be a pretty large number – as Jeff acknowledges.[8] The chapter's advice on stakeholder management and communication otherwise follows well-established lines.

Chapters 4 and 5 provide general practical advice on the impact of the project's resulting change and how to deal with it, and how to set up ongoing tracking and measuring project business value realization reporting mechanisms. Judging by the examples provided, the latter are generally based on traditional corporate management metrics.

Downside

We laud the idea of starting the project with a Project Initiation Document (PID) to establish a Business Case, per Step 1 in Figure 2 presented earlier, and the subsequent "Project Approval by Phase" in Step 5. We also applaud the idea of establishing selection criteria and comparing risk and reward in making Project Selection, in Step 4, where "reward" implies determining the expected benefits. However, this model obviously contemplates that there are other competing projects and that means that project portfolio management is involved. If that is true, then there are several implications.

Firstly, the purpose of the Business Case is framed around the six classic logical questions:[9]

- ***What*** benefit and cost the project brings to the business
- ***Why*** the project is important and should be funded
- ***Where*** the project needs to be implemented
- ***When*** the project can be implemented
- ***Who*** is required to implement the project
- ***How*** the project can be implemented with success

However, we suggest that there are other considerations that need to be presented in the Business Case such as:

- Just exactly what is the problem to be solved, or the opportunity proposition?
- What will the project deliverables look like, and what will be their resulting impact?
- Do we have evidence of stakeholder or business unit commitment to the consequent change in

working?
- To whom will be assigned responsibility for providing feedback on the actual benefits achieved?

This last bullet begs the question of who ***ought*** to provide the *Benefit Tracking* feedback? And this in turn requires looking at the typical organizational structure, a point that the author may have overlooked. In our view, any organization of some size consists of three main management groupings, namely: Executive management, Operations management and, if it exists, Project management.

Since the deployment of the products from projects are passed into the hands of Operations, it follows that those in the best position to conduct "Benefit Tracking" are a part of Operations, and not a part of Project Management. It also means that the commitment of the stakeholder or business unit to the project includes acceptance of the resulting product through a suitable transfer of care, custody and control. And further, it means a commitment to proper deployment of the product and some form of feedback of the actual benefits attained.

We believe that it is the responsibility of Executive management to ensure that these commitments are made and are solid, before including the project in the Project Selection process in the first place. The Project Management Institute's definition of "project" is simply: "A temporary endeavor undertaken to create a unique product, service, or result" and the project manager is "The person assigned to achieve these objectives". [10] Therefore, where benefits are concerned, the "Ongoing Performance Tracking" shown as the last graphic arrow in Figure 1, is not the "*Project Performance*" shown as the last graphic arrow in Figure 2, but ***product*** performance.

Once deployed, product performance is the responsibility of Operations management and is not the responsibility of a project manager. Indeed, this is underscored by the author's statement in the final chapter:

> "In essence, the process for achieving project business objectives starts at the initial planning stages for the project and carries through to the final project implementation, after which it is incorporated in the ongoing operations of the business."[11]

One cannot help but imagine the grief that would ensue if a cadre of project managers descended on Operations and attempted to ascertain the actual benefits realized by the products of their projects. This invasion would be construed as a serious functional interference in operational management work. That may well explain why so few "project managers go back after implementing their project and measure the results as stated in the original business case [by asserting] that they are asked to move on to the next project and never look back."[12] Project managers are simply not given that responsibility – and rightly so.

However, none of that should detract from the central theme. That is, the idea that there is considerable benefit in project managers and leaders making a serious effort to view their projects from the perspective of ultimate benefit rather than simply "On time, on budget".

Summary

In reading *Maximizing Project Value* readers should take care not to trip up over three very common confusions that exist in today's project management literature:

1. Project Management and Product Management
- *Project Management* is about managing the project's resources to produce a product.
- *Product Management* is essentially managing the technology to produce the required *product* during the project life span, and
- Once the *project* is completed and the *product* delivered, product management is about managing the deployment of the product to produce a *benefit*.

2. Change Management and Management of Change
- *Change Management* is the formal process of incorporating or rejecting changes to the project's scope or quality and consequent impacts on cost and schedule.
- *Management of Change* is the means by which the "people issues" surrounding business process reengineering is managed. It often involves a cultural shift in attitudes, expectations, opportunities, training and future prospects, along with the reorganization of people. It is designed to ensure that people react favorably and embrace the new product when it comes to deployment.

3. Project Management Responsibility and Operational Management Responsibility
- *Project Management's Responsibility* is, by definition, to produce a product to pre-established requirements.
- *Operations Management Responsibility* is to provide continuing services or production. Hence, it is to use the products resulting from projects to produce benefits that will keep the organization's operations competitive and/or efficient, i.e. "in business to keep the lights on".

With these caveats in mind, this book shows you how to put the emphasis on value when managing a project. Namely, from the project's initial inception, all the way through its completion, and even farther down the road to determine whether the product continues to be of worth to the company. It offers a step-by-step plan you can use to establish the value of a project in terms of the benefits to be expected from its product. You can also identify value drivers and key performance metrics and then track and report them, organize a team for accountability, and more. It gives you the tools and information to:
- Generate accurate value estimates in the proposal stage.
- Create a clear plan that identifies measurable and ongoing value.
- Establish buy-in from key players in your organization.
- Develop and use a process for managing the people responsible for implementing the plan.
- Adapt your project to meet changing business objectives.[13]

As Jeff suggests in his *Conclusion*:

> "Going beyond 'on time and on budget' is the only way to achieve real project success. This is your chance to shine above the rest. Executing your project with a business-value mindset is the way that you can begin delivering results. Maximizing project value is about defining your project success road map, managing the execution process with project value in mind, and measuring your project success for maximum return."[14]

R. Max Wideman
Fellow, PMI

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[1] Berman, Jeff, *Maximizing Project Value*, AMACOM, New York, 2007, p1
[2] Ibid, back cover

[3] Ibid, p1
[4] Ibid, pp1-2
[5] Ibid, p3
[6] Ibid, p67
[7] Ibid, p97
[8] Ibid, p106
[9] Ibid, p10
[10] *A Guide to the Project Management Body of Knowledge (PMBOK® Guide – Fourth Edition)*, Glossary, Project Management Institute, 2008, p434 & 436.
Editor's Note: While we think these definitions do have shortcomings, nevertheless they are widely accepted in the IT industry.
[11] Berman, Jeff, *Maximizing Project Value*, p161
[12] Ibid, pp67-68
[13] Ibid, back cover
[14] Ibid, p162