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Managing Technology Project Investments for Success

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Leading organisations continue to invest in new business initiatives for sustainable long-term competitive advantage and success.

Many organisations are spending millions annually, yet many CFOs and business leaders struggle to find favourable answers to the following questions favourably :

- Are our technology project investment processes mature and robust enough to support effective decision-making, through a clear management approach to select, control and monitor projects throughout their life cycle for optimal capital and resource allocation?
- Are our project investment decisions being driven by cost, risk, and benefit information, and is this information accurate and up-to-date?
- Are project motivations updated as funding is spent and are benefits assessed and managed effectively?
- Most importantly, is the organisation making decisions that maximize benefits while minimizing risks?

To advance strategic outcomes and maximise returns and minimise risks, it makes sense to have a systematic methodical and integrated approach that encapsulates continuous identification, selection, control and life-cycle management and evaluation of project investments.

At each step of the process, some key questions must be answered.

Project Investment Management Process

1. Selection

The Project Investment Management Process starts with the Selection phase.

In the Selection phase, the organisation determines priorities and makes decisions about which projects will be funded during the year.

A starting point for the Selection phase is the screening process, in which projects being submitted for funding are compared against a uniform set of screening criteria and thresholds, in order to determine whether the projects meet minimal requirements and to identify at what organisational level the projects should be reviewed.

The projects that are selected for funding make up the portfolio of project investments or Book-of-Work for the following year. The Selection phase helps ensure that the organisation selects those projects that will best support strategy execution and identifies and analyses a project's risks and proposed benefits before a significant amount of valuable capital is committed or spent.

The costs, benefits and risks of all projects – proposed and under development, are then assessed and the projects are compared against each other, ranked and prioritised.

Weighting factors are attached to the ranking criteria. These ranking criteria could include strategic alignment, business priorities, complexity, time-to-market, cost, implementation risk and benefit factors.

Readily available prioritisation is not only valuable for initial project selection, but can also direct portfolio planning and sequencing which is a valuable lever available for management to accelerate or reduce technology spend at any time during the year, based on operational performance of the organisation.

Portfolio selection and prioritisation has the challenge of balancing the interests of different business stakeholders. In fact, to achieve optimal business performance levels and sustainability of the business, healthy levels of re-investment is required in all key areas.

It is also important to keep track of multi-year investments in order to identify areas of continued under-investment, relative to business priorities and to formalise multi-year investment plans.

A Project Investment Committee will ultimately agree on which projects to select for funding based on the unbiased set of criteria, which is not only achieve the desired strategic outcomes of technology project investments, but is also valuable to reduce political noise and organisational entropy.

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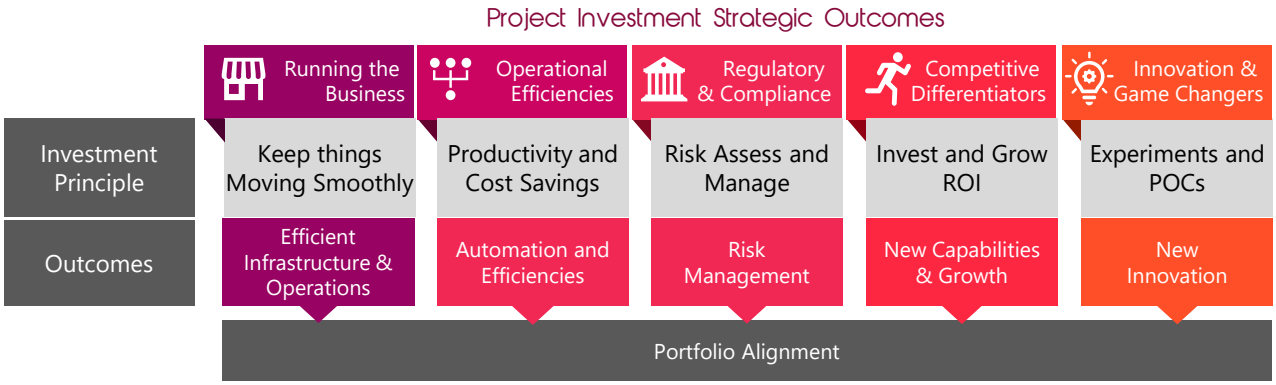

2. Control

Once selected, all of the projects in the portfolio are consistently controlled and managed. Progress reviews, in which the progress of projects are compared against projected cost, schedule, and expected strategic outcomes, are conducted at key milestones in each project's life cycle.

The type and frequency of these reviews are usually determined based on the analyses of risk, complexity, and cost that went into selecting the project.

If a project is behind schedule, not meeting performance expectations, or the burn-rate is unfavourable, it must be decided whether it should be continued, modified, or cancelled. Actions must also be quickly taken, to mitigate the effects of changes in risks and costs.

Decisions made at the Control phase may include cancelling the project, modifying it to better meet strategic requirements, accelerating development of the project, or continuing its development as planned.

3. Evaluate

Finally, once projects have been fully implemented, actual versus expected results are evaluated to assess the project's impact on the organisation's strategic outcomes, the identification of any changes or modifications to the project that may be needed, and revision of the investment management processes, based on lessons that had been learned.

Investment control meetings held on a regular basis throughout the year, will enhance business agility, ensure optimal resource allocation and support the concept of fail-fast innovation, with limited and up-front agreed investment.

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Annual Investment Management Process

This project investment decision-making approach is a fluid and dynamic process. The illustration below indicates how this process could work when project spending for all projects, new proposals and ongoing projects, are decided each year as part of an annual planning and budget process.

Selection decisions are made based on an analysis of where needs are greatest and in line with the organisation's systems retirement and replacement plans and implementation strategy.

Projects that are terminated or delayed as part of selection decisions are evaluated immediately to allow the organisation to assess the impact on future proposals and to quickly benefit from lessons that have been learned.

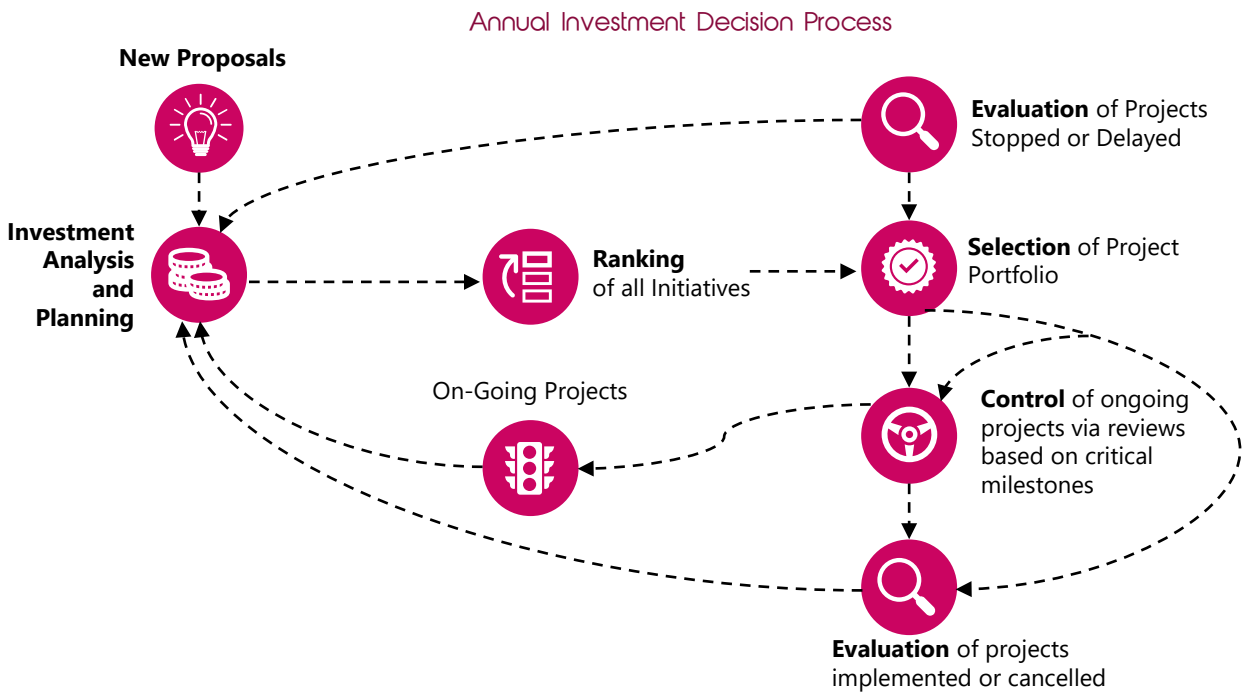
Projects selected as part of a technology projects portfolio of investments enter into an investment control process for the remainder of the year.

Investment control meetings are conducted on a regular basis throughout the year.

These meetings may coincide with episodic project events that automatically trigger a management review (i.e. deviations in cost, schedule or performance outside of accepted thresholds) or with critical life-cycle milestones.

Post-implementation reviews (PIRs) may also be conducted for projects that have completed or cancelled during the year.

The results of these control meetings and post-implementation reviews provide input into the following year's Selection process.



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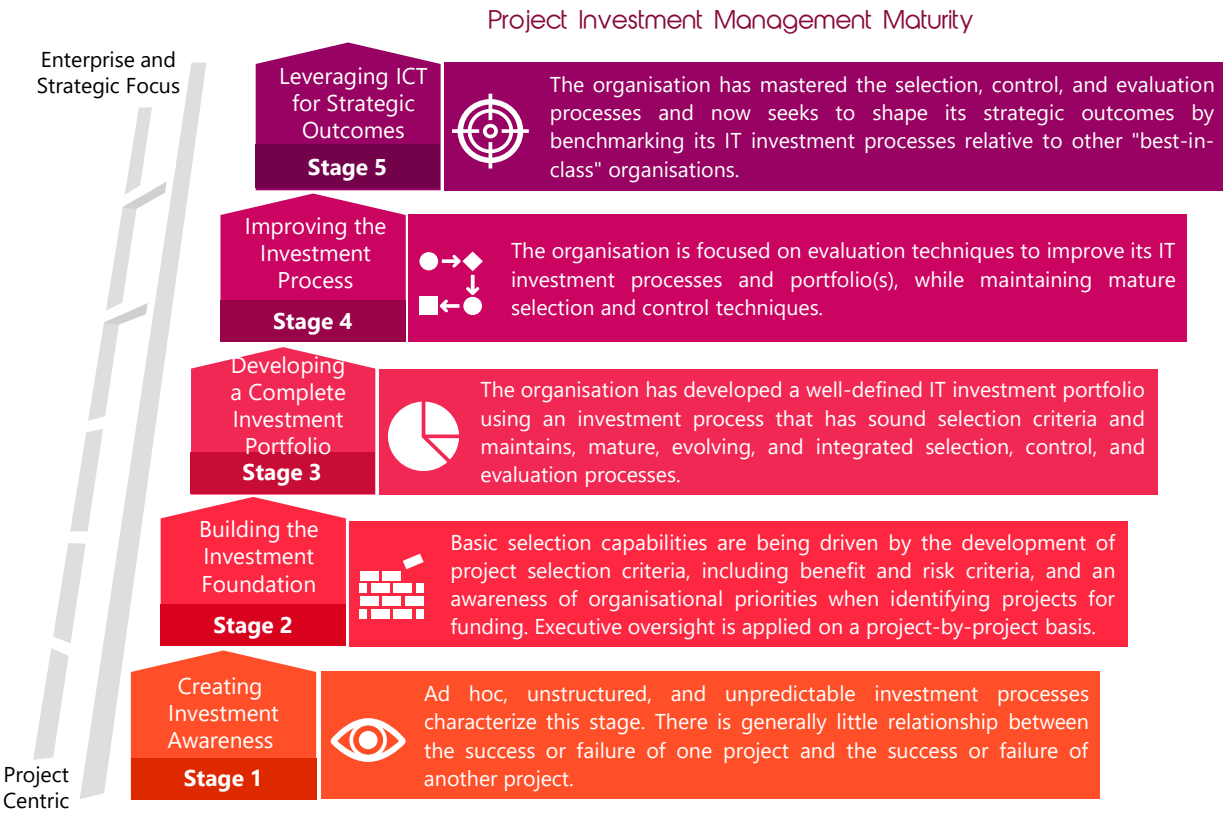
Investment Management Maturity

Most large organisations are likely to have pockets of excellence within their programme and project management capabilities. One area where many organisations prove to be sub-optimal, is in the area of project investment management.

We assess Project Investment Management Maturity based on the following framework.

The framework starts at Stage 1, where project investment is unstructured to Stage 5 where technology solutions are effectively leveraged for strategic outcomes.



Moving From Stage 1 to Stage 2

Investment control processes are the essential proficiencies established by an organisation as it moves from Stage 1 to Stage 2.

As investment control processes become better established:

- One or more investment board(s) is created to govern the project investment management process
- A project asset inventory is created to support executive decision-making
- Visibility into projects investment increases
- Ongoing projects more predictably achieve their interim and final development and schedule milestones because of improved organisation-wide system acquisition, development, and management practices
- The organisation creates and maintains better project-level cost accountability
- Key customers (or end-users) and business needs for each IT project are identified.

Critical to maturing project-level investment control processes, is the ability to recognize the need for and to take swift corrective action when a project is having trouble meeting its schedule expectations and cost estimates. As the organisation matures, it learns from past decisions, better manages the causal factors that created the past problems, and thus improves the cost and schedule results in ongoing projects.

Beyond the investment control processes, the organisation also begins to implement basic selection processes.

The core business needs for each IT project are identified and the basic portfolio development processes are used to select new IT proposals.

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Moving From Stage 2 to Stage 3

Creation of a mature project investment selection process is the major accomplishment demonstrated as an organisation moves from Stage 2 to Stage 3 maturity.

Well-developed investment control processes lead to greater certainty about future project investment outcomes and greater confidence that project investments, when they are selected, will achieve their expected cost and schedule goals.

Thus, once the investment control processes have been established, an organisation can build mature portfolio selection processes.

Mature selection processes include:

- The creation and maintenance of portfolio selection criteria
- The analysis associated with examining the merits of each project investment
- The grouping of similar investments together and the development of the portfolio, and
- The creation of a mechanism to coordinate multiple IT investment boards (if multiple boards exist).

Beyond the creation of a mature selection process, the organisation now adds the elements of benefit and risk management to its investment control process since it has installed the supporting tools for doing so as part of selection process maturation.

Moving From Stage 3 to Stage 4

As an organisation reaches Stage 4 maturity, it has created mature project investment evaluation processes and established a complete project investment management process.

In this stable environment, the organisation can take the lessons it has learned from evaluating its investment processes (i.e., based on post-implementation reviews) and change these processes with predictably beneficial results.

By doing so, it also creates the environment and the mechanisms for continuous improvement in Stage 5.

In addition to investment process improvement, the organisation can also manage resource succession that is, "de-selecting" current project investments by migrating to successor project investments or retiring obsolete and low-performing project investments.

Moving From Stage 4 to Stage 5

An organisation that is maturing from Stage 4 to Stage 5 has mature selection, control, and evaluation processes in place.

The organisation now seeks ways to:

a) Institutionalise the continuous improvement of these processes and

b) improve its strategic business outcomes

It accomplishes these goals by examining and learning from others by means of benchmarking.

Benchmarking is used by the organisation because there may be external organisations that have specific processes that are more innovative or more efficient than its own processes.

Beyond benchmarking, the organisation leverages IT to significantly change and improve its business performance and outcomes.

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Project Investment Management Approach

Our Project Investment Management Framework builds out on the Select / Control / Evaluate elements.

More specifically, we determine the Processes, Data and Decisions required for effective investment management.

The key elements of each of these are demonstrated in the matrix below.

Quantum Change is able to add value to your organisation at each of these intersections and the key elements to assess maturity and to support and grow where required, enabling true strategy realisation for your organisation.

Project Investment Management Approach

Repeatability | Efficiency | Completeness

	Select	Control	Evaluate
Process	Selection Processes include: • Screening projects • Analysing and ranking all projects based on benefit, cost, and risk criteria • Selecting a portfolio of projects • Establishing project review schedules	Control Processes include: • Consistently monitoring projects • Involving the right people • Documenting all major actions and decisions • Feeding lessons learned back into the Selection phase	Evaluation Processes include: • Conducting post-implementation reviews using a standard methodology • Feeding lessons learned back into the Selection and Control phases
Data	Selection Data include: • Evidence that each project has met project submission requirements • Analysis of each project's costs, benefits, and risks • Data on the existing portfolio • Scoring and prioritization outcomes • Project review schedules	Control Data include: • Measures of interim results • Updated analyses of each project's costs, benefits, schedule, and risks	Evaluation Data include: • Measurements of actual vs. projected performance • Documented "track record" (project and process)
Decisions	Selection Decisions include: • Determining whether projects met Process-stipulated requirements • Deciding upon the mixture of projects in the overall project investment portfolio	Control Decisions include: • Deciding whether to cancel, modify, continue, or accelerate a project • Aggregating data and reviewing collective actions taken to date	Evaluation Data include: • Measurements of actual vs. projected Performance • Documented "track record" (project and process)

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Enabling our clients to mature their Technology Project Investment capabilities - Example

With the fist element in the Select dimension being Project Screening, the artefacts that support Project Screening may look as follows in practice:

Project scoring is done across the dimensions of Strategic Fit, Economic Impact and Feasibility, with sub-category examples as follows, each with their own weighting:

- Alignment with Company Goals
- Market Positioning
- Core Capabilities
- Revenue Potential
- Profitability & Margin
- Growth Potential
- Technical Risk
- Financial Resources
- Human Capital

These scores will then translate into a matrix to support decision making, being:

- Top Priorities
- Future Potentials
- Back-Burners
- Potential Cuts

Armed with output like this, executives are likely to have a solid foundation for objective and robust discussion across the entire project portfolio, enabling considered trade-offs and alignment on key focus areas.

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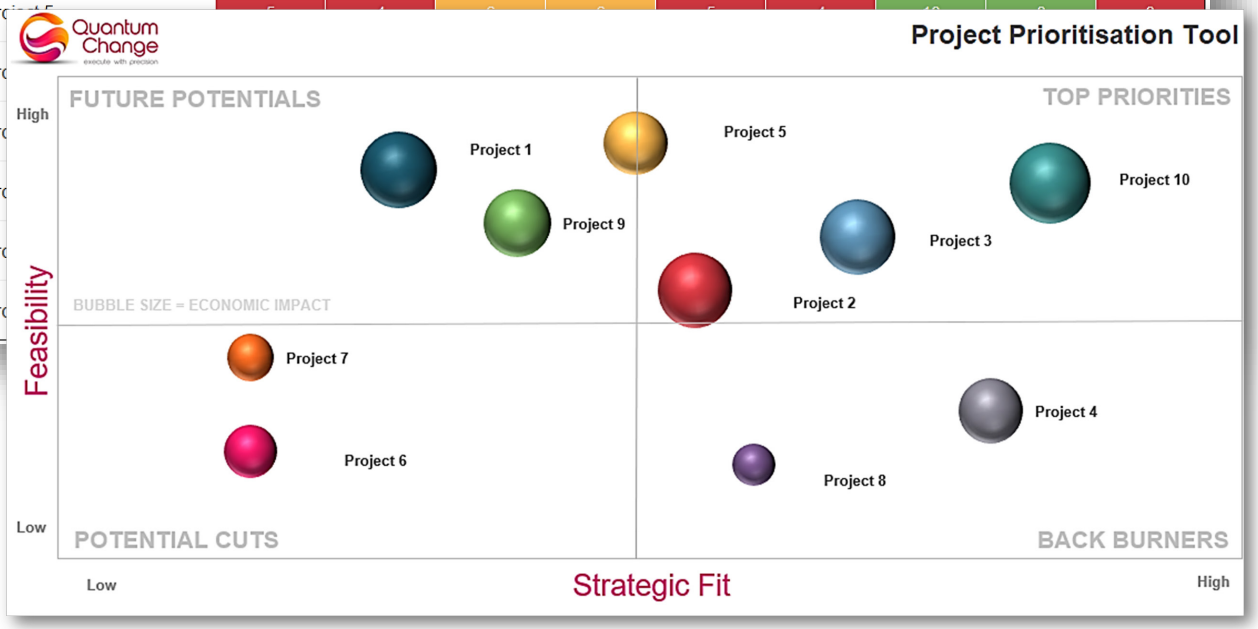
Project Prioritisation Tool

	Strategic Fit			Economic Impact			Feasibility		
Project Scoring	Alignment w/ Company Goals	Market Positioning	Core Capabilities	Revenue Potential	Profitability & Margin	Growth Potential	Technical Risk	Financial Resources	Human Capital
Weighting	15%	15%	10%	10%	15%	15%	10%	5%	5%
Project 1	2	3	4	6	6	9	7	8	7
Project 2	3	6	8	6	7	7	3	8	6
Project 3	8	6	6	6	7	7	6	5	7
Project 4	9	8	6	5	6	4	2	3	4



At Quantum Change, we capitalise on decades of collective strategic change experience to unlock benefits for our clients

Quantum Change have a dedicated specialist team of programme leadership professionals who have the knowledge, skills and experience to lead and support large and complex change programmes.

In the ever-changing environment we are in, organisations frequently undertake large and complex changes. There are significant pressures to deliver benefits within tight timelines and cost constraints whilst minimizing risk. Our leadership team draw upon skills, techniques and expertise acquired through practical experience to provide our clients with valuable advice and support

Our team provides solutions which address a range of challenges facing organisations as they adapt to regulatory changes, technological developments, mergers and acquisitions and pressures to increase profitability.

The amount of change that organisations go through requires expertise in issues and complexities around planning, designing, people change, benefits realization and precision execution.

Collectively, our team has extensive experience, spanning decades in delivering large complex change programmes across Africa. We value diversity, with a keen understanding of the regional context and nuances, required for successful Pan-African execution.

Contact us to execute with precision

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info@quantumchange.co.za

+27 83-576 4089

www.quantumchange.co.za