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# EVALUATING THE BUSINESS IMPACT AND ROI OF YOUR PROJECT MANAGEMENT PRACTICE

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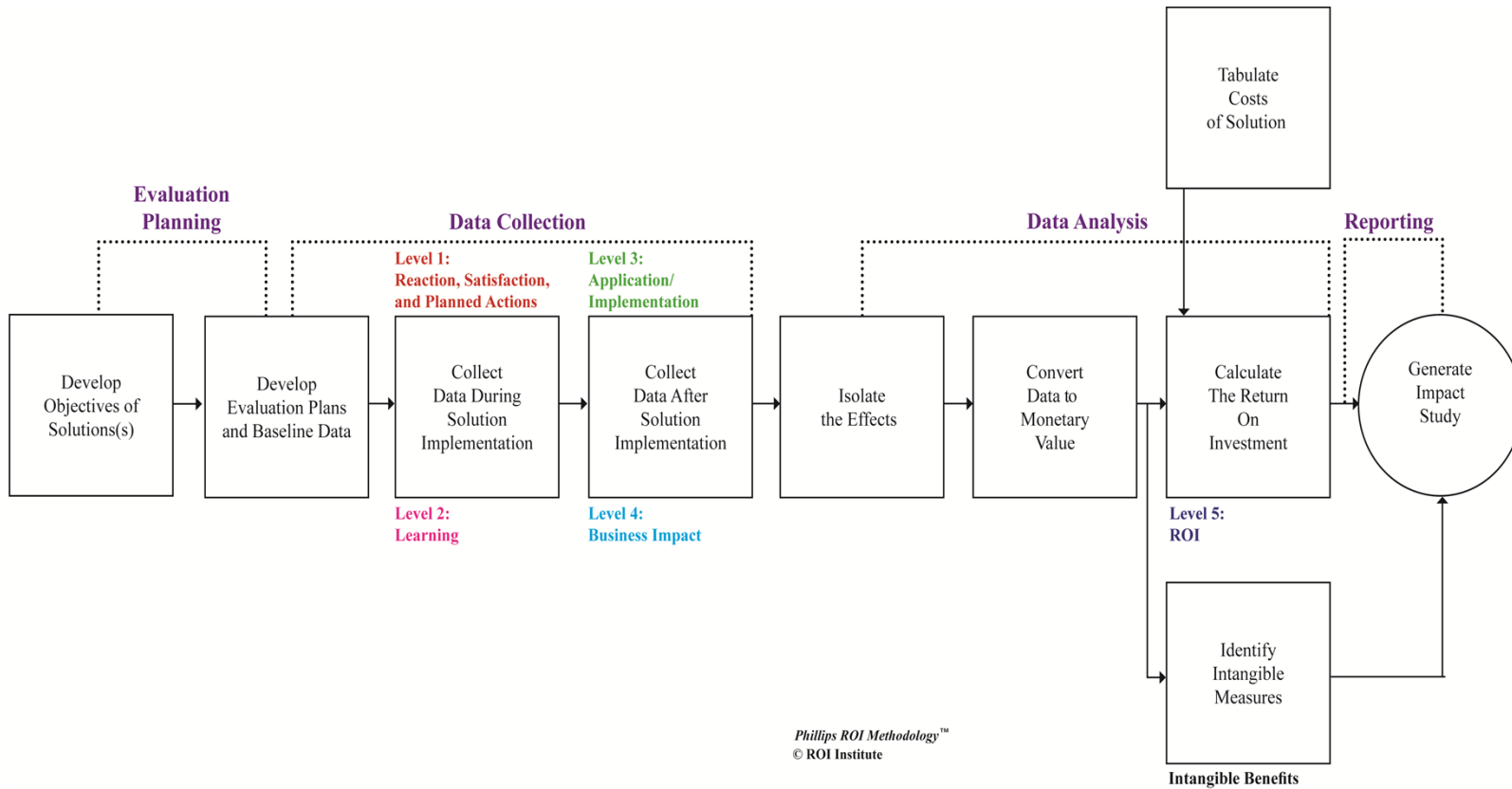
## AGENDA

- Why Measure the Value of a Project Management Practice
- Phillips ROI Methodology™ Overview
- Case Study: Business Impact and ROI Study
- How Do I Get Started?
- Q&A

# WHY MEASURE THE VALUE OF A PROJECT MANAGEMENT PRACTICE

- ROI is a reality for an increasing number of organizations
- Value of the PM practice to the bottom line
- Ensure alignment of the PM practice to the organizational goals
- Inefficiencies in the practice can be identified and corrected
- Successful practices can be expanded globally within the organization
- Use to drive improvement and secure funding for continued growth of the practice

# PHILLIPS ROI METHODOLOGY™



Phillips ROI Methodology™  
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## FOUR MAJOR PHASES IN THE PROCESS

- Evaluation Planning
- Data Collection
- Data Analysis
- Reporting

## PHASE 1: EVALUATION PLANNING

- Develop/review the objectives of the practice
- Develop evaluation plans and baseline data
  - Establish evaluation purposes
  - Develop data collection plan
  - Develop ROI analysis plan
  - Develop project plan

## PHASE 2: DATA COLLECTION

- Collect data about the practice utilization
  - Level 1: Reaction
  - Level 2: Confidence
  - Level 3: Application
  - Level 4: Business Impact

## PHASE 3: DATA ANALYSIS

- Isolate the effects of the practice
- Convert data to a monetary value
- Capture the costs associated with the practice
- Calculate the ROI
- Identify intangible benefits

## PHASE 4: REPORTING

Six types of results are collected and reported on:

- Reaction and Planned Action
- Learning and Confidence
- Application and Implementation
- Business Impact
- Return on Investment
- Intangible Benefits

# CASE STUDY: PROJECT MANAGEMENT PRACTICE OF A GLOBAL IT CONSULTING ORGANIZATION

- Formalized project management practice in place for 1 year
- 1 year to develop the practice
- Prior to that year – informal processes in place for a 2 year time period
- Total PMs = 25
- Organization has 4 offices – 2 in US, 1 in UK and 1 in Asia-Pacific
- Projects were valued at \$5M +
- Clients were mainly Fortune 1000 organizations

## CASE STUDY: WHY MOVE TO A FORMAL PRACTICE

- Increase in the number of major projects
- Increase in competition
- Hiring of additional project managers and project team members within the next 2 – 4 years
- Expansion of organization to other geographic areas
- Desire for consistency around tools, templates and software in use
- Desire to eventually move to a centralized PMO

## CASE STUDY: GOALS

- Have standard processes and procedures in place:
  - Improve project performance
  - Ensure consistency across all divisions and project teams
  - Improve tracking and utilization of project resources
  - Enable for efficiencies in managing projects
  - Standardized software, tools & templates
- Expected to lead to:
  - Increased percentage of successful projects
  - Improved knowledge sharing and capturing of lessons learned from projects
  - Improved teamwork across divisions

## CASE STUDY: PHASE 1 EVALUATION PLANNING

- Objective: Evaluate a formal project management practice in place for one year
- Gather baseline data: now vs. then
  - Success of projects
  - Utilization of project resources
  - Efficiencies from project to project
  - Ease of transition from project to project

# CASE STUDY: PHASE 1 EVALUATION PLANNING

## ○ Data Collection Plan

- Level 1: Reaction/Satisfaction with formalized practice
- Level 2: Confidence in use of formal processes and procedures
- Level 3: Application – use of the formal processes and procedures
- Level 4: Collection of data for business impact

# CASE STUDY: PHASE 1 EVALUATION PLANNING

## ○ ROI Analysis Plan

- Data items to be collected at Level 4 – impact measures targeted for improvement
  - Improved project performance
  - Efficient utilization and tracking of resources
  - Increased percentage of successful projects
  - Implementation of best practices and standard processes
  - Sharing of knowledge/lessons learned captured
  - Use of standard software and templates
- Hurdle rate set at 20%

## CASE STUDY: PHASE 2 DATA COLLECTION

- Level 1: 85% satisfaction with formalized practice
- Level 2: 82% confidence in use of formalized processes and procedures
- Level 3: 88% consistent use of formalized processes and procedures
- Level 4:
  - Improved project performance – 35%
  - Efficient utilization and tracking of resources – 42%
  - Increased percentage of successful projects – 30%
  - Implementation of best practices and standard processes – 88%
  - Sharing of knowledge/lessons learned captured – 72%
  - Use of standard software and templates – 25%

## CASE STUDY: PHASE 3 DATA ANALYSIS

- Total costs of program: \$1.02 million
- Intangible benefits
  - Improved teamwork
  - Reduced conflicts
  - Improved “reaching out” to others for problem solving

## CASE STUDY: PHASE 3 DATA ANALYSIS

$\text{ROI (\%)} = \text{Net Program Benefits} / \text{Program Costs} \times 100$

$\text{ROI} = \$3,158,000 / \$1,020,000 \times 100$

$\text{ROI} = 3.10 \times 100 = 310$

For every \$1.00 invested, \$3.10 is returned AFTER the costs are recovered.

## CASE STUDY: PHASE 4 REPORTING

- Final report of results provided to senior leadership team and Board of Directors
- Still work to do, but significant progress made in short time frame

## GETTING STARTED

- What significant influences might impact the study?
- Why are you evaluating the program?
- Get management commitment
- Plan for evaluation early in the process and build it into the process
- What issues exist/need to be addressed?
- What barriers will you face?
- Who are your champions for evaluation?
- Manage the ROI study like any other project!

## SUMMARY

- Select the appropriate program for a business impact and ROI study – have a goal in mind
- Help secure management buy-in
- Plan, implement and manage the entire study process

*Questions?*

## CONTACT INFORMATION

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