beyond... the mbh newsletter

March 2002

Editors Comment

Apologies to all those who eagerly awaited our February newsletter. Unfortunately time constraints prevailed and we were forced to postpone our monthly newsletter till March. "Why was that" I hear you ask…. Well, MBH were off successfully launching their Intranet methodology and Managing by Project philosophy in Canberra at the Sixth Australian Performance Management Symposium.

The symposium attracted around 300 attendees from all over the world and was focused on discussing the various methods and tools involved in enterprise performance management. MBH exhibited at the event and our own MD, Mark Heath, presented on his pet topic, NPV and strategic value (a copy of which can be downloaded on our new free downloads page of our website!). To our surprise, Mark was not the only one presenting on this topic at the symposium. A new track had been included in the symposium entitled business benefits and the variety of speakers in this track really drove home the importance of assessing, monitoring and reviewing the business benefits of a project at each decision point of a project.

With this new emphasis on benefits management starting to emerge in both industry and the public sector, we decided to devote the March newsletter to "Business benefits". This months edition will look at the importance of the business case in defining whether a project should exist and continue to exist at each decision point of its life cycle. We also have an article on the two project management methodologies (Prince2 and PMBoK) and how the business case and risk management have become the two differentiating factors between them.

Article 1 - The business case

The importance of the business case in terms of a projects feasibility has been documented extensively in previous editions of the MBH newsletter (Particularly Nov 2001 which can now be downloaded from our website). This article is about the importance of tracking and monitoring that initial feasibility study.

Every delay in a projects key deliverables, increase in cost or reduction in quality affects the original business benefit of the project. Added to this is that the business case is completed at a time of high uncertainty for the project (Hence the need for Monte Carlo and other risk assessments on the NPV result).

As the project moves through its life cycle, many of these risks are mitigated or reduce naturally. Other opportunistic risks are taken advantage of. As this process evolves and more information is collected, the uncertainty of business benefits reduces. This information as it comes through, should be turned into knowledge. What knowledge? The knowledge of whether the original business case is still feasible.

If the business case is viewed as a working document for the project, then it becomes to the benefits of the project what the scope of work document is to the schedule of the project.

If a business case is seen in this way, the importance of continually monitoring and reviewing it becomes apparent. The sad fact is that this review process is often forgotten. Most businesses complete a business case and then park that document in the corner of the champions office once the executive and board has given it their seal of approval.

Thankfully, Managing by Project gives us the framework to implement the process seamlessly and easily. Each check point in the projects life cycle includes a benefits review. When the Macro Scope of Work is signed off, the new timelines, cost and quality aspects are input into the feasibility spreadsheet and a new NPV for the project calculated. If approval to move into implementation is given, then the importance check points are the formal change control process. Each change to cost, time and quality are assessed, not just against the capital budget, but also against the resulting business benefit reduction. A new NPV is calculated (remembering to exclude sunk costs) and if it is positive the project embeds the change and moves on.

This article has highlighted the need for business benefits management. The good news is that this process is easily adopted into the Managing by Project methodology. The value created by abandoning value destroying projects, investing in value enhancing projects and ensuring that the benefits actually accrue cannot be overstated.

Article 2 - Prince2 v PMBoK

One of the very interesting presentations at the recently completed Enterprise Performance Management Symposium was that on Prince2 versus PMBoK. The presentation was given by Kenn Dolan from Ferguson Project Management Services Pty Ltd (www.fpms.com.au). The fascinating aspect of the presentation from an MBH "Managing by Project" viewpoint is the importance of the Business Case in Prince2. The business case is a crucial element to the Prince2 methodology but is surprisingly absent from the PMBoK. The lack of business benefit management in PMBoK is one of the major negatives for adopting it as a foundation of a business wide methodology.

So how does Managing by Project compare with Prince2? That depends on the consulting company you talk to. We believe that they are very similar. One main difference is that while the business case is very important to both methodologies, the extent to which Managing by Project uses this feasibility document in assessing all options for an idea is far greater than that in Prince2. Other differences come down to the ease with which each methodology can be adopted by the company. The simplicity of the process flows in Managing by Project plus the tools that are available (Intranet methodology, link to programme management) are important differentiating factors. However, at the end of the day, it is important to recognise that both methodologies have the same core beliefs. They are:

1. People drive the project, not tools
2. Cultural change must be managed and incorporated into the project via facilitated workshops
3. The business case must be tracked and reviewed at each decision point in the projects life cycle