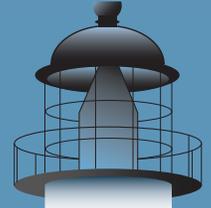


# EXCEEDING VALUE



## VALUE IS WHAT YOU GET

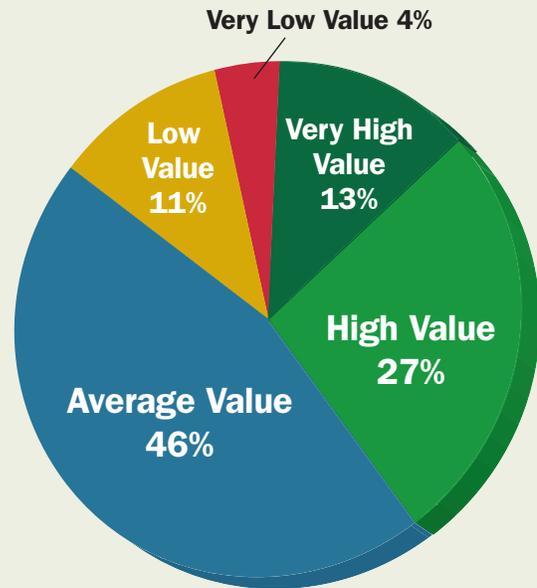
Warren Buffet said, “Price is what you pay. Value is what you get.” The project budget, schedule, and specifications constitute the project’s price. In other words, price comprises cost, time, and scope, otherwise known as the “triple constraints.” Most projects are measured by price, but price does not always correlate to value. Fifteen percent of projects in the CHAOS database that met the triple constraints had low to very low value. Only 40% of projects had high to very high value, and the rest had average value. Sometimes you pay the price for a project but do not get the value.



## WHAT GETS MEASURED, GETS MANAGED

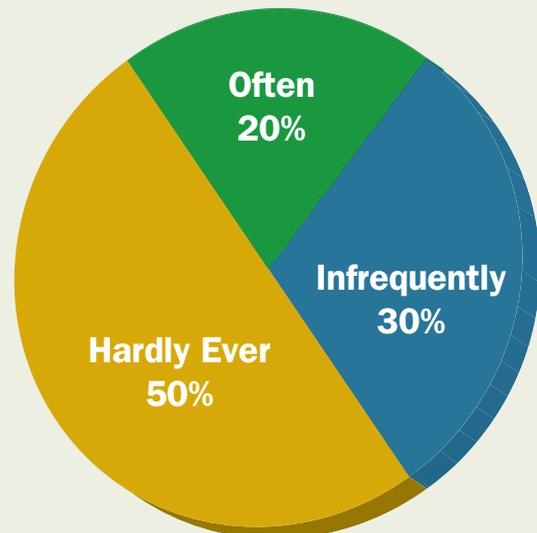
Peter Drucker said, “What gets measured, gets managed.” Which is exactly how we manage projects. The project management profession is built around measuring and managing the triple constraints. However, the triple constraints are artificial measurements and rely on the skills of many people on the project team. For example, interviewing stakeholders about what they want in the project is often used as a way to develop specifications. These specifications turn into requirements that turn into the scope of the project. Standish Group research shows that 80% of features and functions have low to no value. Drucker also said, “There is nothing so useless as doing efficiently that which should not be done at all.”

### VALUE OF SUCCESSFUL PROJECTS



*The reported value returned for projects that met the triple constraints.*

### FEATURES USED



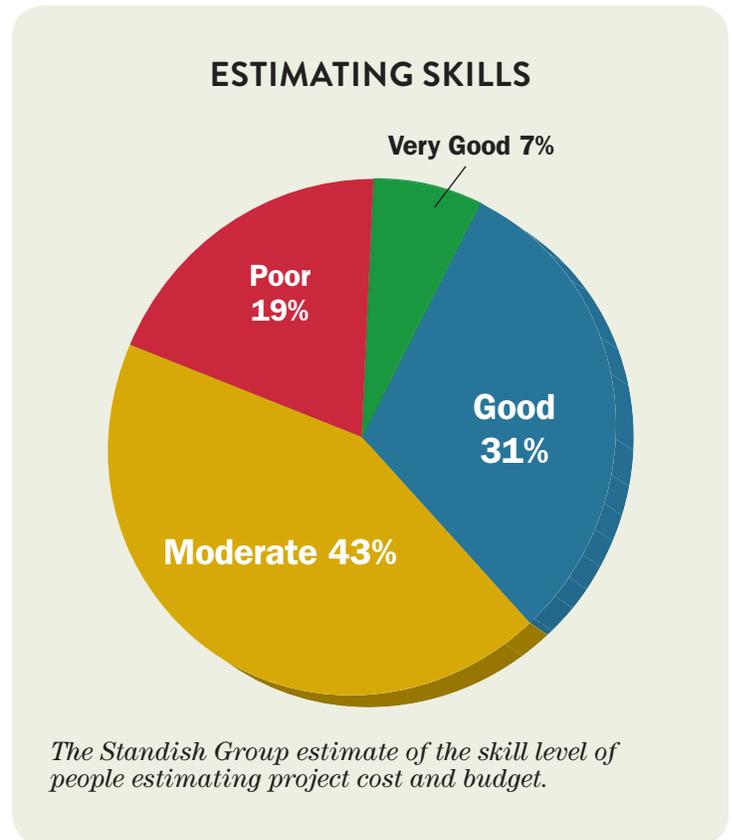
*The Standish Group estimate of features used in custom application development.*

## THE LUCKY ESTIMATES

“There are only two types of project estimate, lucky and lousy” (Jim Johnson). The project budget relies on the skill of the estimator and negotiations with the project sponsor; and it is ultimately dictated by the financial department. Our research shows that less than 40% of organizations are skilled at estimating project costs. The project schedule relies on the skill of the planners, negotiations with the project sponsor, and the availability of resources. Again, Standish Group research shows that less than 40% of organizations are skilled at providing consistent and timely needed resources for the life of their projects. Managing to the triple constraints is hard. That is why we have an entire profession, hundreds of tools, and years of education to manage and measure these three items. The ironic thing is, even when you get it right, it does not mean you also get value.

## ABSOLUTE VALUE

Charles Dudley Warner said, “There is no such thing as absolute value in this world. You can only estimate what a thing is worth to you.” This is one of the features of Standish Group’s Value Portfolio Optimization and Management Service where we use relative values versus expending time and effort on absolute values that are always wrong anyhow. Our Value Portfolio Optimization and Management Service is a forward-thinking and predictive visualization of the value of your software investments. By focusing your project portfolio on value, our service frees your organization to create value. Our aim with this service is to reduce or minimize the burden placed on you by expensive tools and complex processes to try and achieve project success based on the triple constraints. The one thing this service does not do is immediately try to change your process or sell you new and cumbersome tools. It really does not matter where you are in project management maturity. Therefore changes are gradual, iterative, less risking and inexpensive.



## PORTFOLIO VALUE

Albert Einstein said, “Try not to become a man of success, but rather try to become a man of value.” The Standish Group calculates the value of an organization’s portfolio using our value index. Each project in the organization’s portfolio is given a rating from zero to 100 points. The value points are accumulated and divided by the number of projects in the organization’s project portfolio. In the Standish database, the top 10% of the organizations with the highest value rate had an average rating of 71 points. The maximum rating for any organization in the top 10% was 90 points and the lowest was 64 value points. However, the calculation for the ROI ratio is not linear, but parabolic.

## PARABOLIC CURVE

Phyllis Diller said, “A smile is a curve that sets everything straight.” Our parabolic curve runs from zero on the bottom of the U to 10 on the positive right, to a minus 4 on the negative left of the U. A good estimate of the value ratio is 1-to-10 times each value point. So an organization with 64 value points is getting about a 270% return or 4x, while an organization with 90 points is getting about an 890% return or 10x. An organization with an average portfolio value of 54 points is getting zero value. Below 54 points the organization is getting a negative value on its project investments. For example, an organization with 48 points will have a negative 210% value ratio. The more you can increase your value rating, the higher the return on value from your project portfolio.

## REAL DOLLARS

Andrew Lo said, “Great investors need to have the right combination of intuition, business sense, and investment talent.” In real dollars, increasing the upward slope of the parabolic curve means a \$50 million project portfolio investment with a 64-point rate will return \$135 million in five years, while the same \$50 million with a 90-point rate will return \$445 million. This is over 3x the money returned. Some of the organizations with high value rates had low success rates and higher failures. Now consider that some of the organizations with the highest success rates had low value points. High success rate organizations with a value rate of 43 value points will have a zero to negative return on investment. The Standish Group’s Value Portfolio Optimization and Management Service helps you move from a success-based system to a value-based system.

### SUCCESS VALUE RATING

SUCCESS RATING		
Resolution	Cost/Time	Points
Success		100
Challenged	Less 20%	90
	20-50%	80
	51-100%	70
	101-200%	60
	201-400%	50
	Over 400%	40
Failed	Less 50%	30
	50-75%	20
	76-90%	10
	Over 90%	0

VALUE RATING		
Resolution	Cost/Time	Points
Success & Challenged		
Very High		100
High		90
Average		65
Low		45
Very Low		30
Failed	Less 50%	30
	50-75%	20
	76-90%	10
	Over 90%	0



## VALUE PORTFOLIO OPTIMIZATION AND MANAGEMENT SERVICE

Our Value Portfolio Optimization and Management Service is a forward-thinking and predictive visualization of the value of your software investments.

### STEP 1: GETTING TO KNOW YOU

By focusing your project portfolio on value, our service frees your organization to create value. Our service offers the following benefits:

- High Returns on Investment
- More Innovations
- Greater Stakeholder Satisfaction
- Less Management Frustration
- Reduced Project Overhead

### STEP 2: PROJECT PROFILES

The Value Portfolio Optimization and Management Service offers the following features:

- Rapid
- Simple
- Comprehensive
- Inexpensive
- Comprehensible

### STEP 3: OPTIMIZATION CLINIC

The one thing we are not going to do is immediately change your process or try to sell you new and cumbersome tools. It really does not matter where you are in project management maturity. Our aim is to reduce or minimize the burden placed on you by expensive tools and complex processes. We do this through our three unique items:

- Research database of 50,000 projects
- Patented optimization formula
- Our insight into a broad set of projects

Our three-step method helps you focus on things that really count.

- **STEP 1:** Project Skills and Environmental Orientation
- **STEP 2:** Individual Project Optimization & Assessments
- **STEP 3:** Value Optimization Clinic

**FOLLOW-UP:** Each quarter The Standish Group will visit your organization to update your portfolio. Our Value Portfolio Optimization and Management Service helps you exceed and create value.