

CAI®

MORE THAN MEETS THE EYE

Projects May Be
Secretly Costing
You More Money
Than You
Bargained For





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Completing Your Projects? But at What Cost?

You Might Be Missing Out On More Than You Imagined with Your Projects

Technology projects are dynamic. You pour in money and lots of hours and sit through countless meetings in hopes of a big reward at the end of the project. However, project overruns may adversely impact your goal attainment.

Through project value realization, you learn how value-efficient your project is every step of the way. In fact, that is how you assess if the project will add the expected value to your business and warrant monetary success. And you can even build your assumptions of potential loss ahead of time so that you can adjust your planning before projects even begin.

\$2.3T Loss

For US firms due to unsuccessful software, poor quality in legacy systems, and operational software failures.

*- The consortium for Information & Software
Quality*

If you, like many organizations, don't know what these potential pitfalls are, don't worry. You're not alone. Reports indicate many companies, even though they manage to deliver their projects, have failed to realize the value they expected.

So, how do you know whether you are earning value in the first place? You must apply a Project Value Realization approach to provide visibility into project quantitative and qualitative business outcomes.

CASE STUDY

Ranpak, a packaging firm, set up a new cloud-based ERP tool in Jan'2022.¹

- Due to software glitches, and other unavoidable issues, the company lost \$5 million in net profit in Q1 2022.
- The overall ERP implementation cost rose to \$6.5 million in Q3.
- The company incurred a large cost overrun and missed out on valuable opportunities.



Project Value Realization

How to Make Your Technology Investments Profitable

Despite a great strategy, a clear vision, and technological capabilities, technology projects often fail or, at the least, experience trouble. Why? One reason is that your clients, vendors, stakeholders, or team members did not perceive any real value.

Former Lowe’s CIO Steve Stone shared his experience recently. Lowe’s engineering and operations teams undertook a project of replacing network switches in 1,000 retail locations despite the business not having any perception of tangible value. But the business soon realized that failed switches could halt vital store functions such as item lookups, specialty sales, cycle counts, etc. The value of the suspended services against the replacement cost determines the ROI of this switch replacement project. It is here that Project Value Realization plays a pivotal role.²

Value realization is to create quantifiable benefits for your stakeholders through successful project outcomes.³

Many executives believe IT projects consistently achieve the expected value, but studies say otherwise. An Accenture survey shows that only 6% of organizations succeed in realizing value in technology projects and investments.⁴ A Harvard Business Review study revealed that IT projects overran their budget on average by 27%. At least one in six IT projects overran the cost by 200% and schedule by 70%.⁵ IBM studies indicate that implementing a Project Value Realization approach is crucial to quantifying project value & helping achieve substantial business outcomes:⁶

- 40% reduced total cost of ownership
- 25% decrease in time to market
- Empowered leaders make informed decisions
- Enhanced accountability

WHY SHOULD YOU QUANTIFY YOUR PROJECT VALUE?^{7,8}

SAP Upgrade Failure – Cost Overruns

Invacare Corporation
Project: Address ERP Pain Points
Period: Oct 2021
Factors: Ongoing delays, overbearing cost factors
Value Lost: Change in leadership, revision in ERP value realization timeline, project halted

No Project Visibility

Australian Stock Exchange
Project: CHES Replacement
Period: Nov 2022
Cost: \$173 million (AUD 250 million)
Factors: Delivery delays caused only 63% of deployment, disconnect between management and ground reality
Value Lost: Two-year delay, project was shelved



Overcome the 'Bystander Effect'

How Should You Realize Project Value?

Before you delve into the functionalities of a project, you should ask yourself: how do you define a truly successful project? Most professionals consider benefits and value as the main components of a project. However, the same project professionals often cry themselves blind when they observe the project going over budget or delayed for no apparent reason. Perhaps by leaving project outcomes to fate, leaders often fail to identify a concrete cause to substantiate the downfall of a project. The answer is precise: Bystander Effect.

Only 2.5%

Companies complete all the projects they set out to do.⁹

- Price Waterhouse Cooper study

When you interpret the bystander effect in project terms, it means that a project is less likely to get help from the team if there is no distinct sense of ownership among team members. It will impact the overall project performance and the team's coherence.

How should you tackle the 'bystander effect' in a project?

It is a question many professionals fail to acknowledge and resolve. There are three essential estimates you must focus on to enhance a sense of accountability:

1. Scope (quality and value of the benefits it serves to the stakeholders). It provides a project roadmap that lets the team focus on common objectives.
2. Time (duration and deadline of the project). It focuses on prioritizing, delegating, and monitoring a project and its growth.
3. Costs (both estimate and actual). Estimates and actual costs provide a better trajectory and understanding of project finances and resource allocation.

However, many companies accommodate additional time and cost 'buffers' to make their projects more flexible. Unfortunately, project value is hampered, resulting in a lower investment return. And it does not end there; jeopardizing one project is just the beginning of the 'snowball effect' that, if not handled well, can lead to a series of regrettable events.



Don't Be Penny Wise and Dollar Foolish

What Value Are You Losing?

Too many companies equate project value with immediate financial goals. However, they often miss the big picture. Repercussions of losses from project delays and overruns go beyond one project. Moreover, overbudget projects deliver the same benefits for a higher cost, which results in a lower return on investment (ROI). As a result, the question arises: Would you have taken on the project if you had known the true costs?

\$122M Loss

For every \$1B spent on projects in the US.¹⁰

– PMI's Pulse of the Profession

Most projects quickly derail and cause a domino effect on other projects. How many times has this happened to you? Maybe more than once. Well, fret not; you are not alone.

Per a CISQ Report, cost of unsuccessful IT projects can be up to \$260 billion!¹¹ In fact, 90% don't even deliver measurable ROI!¹²

While most businesses cope with cost and schedule overruns, a recent Standish Group CHAOS report indicated 66% fail miserably¹³ and might endanger the company's very existence. These unforeseen, high-impact events—known as 'black swans'—occur much more frequently than anticipated.

- Per Earthweb, poor PM planning results in 11.4% of resource wastage.¹⁴
- A late or overbudget project delays the start of upcoming projects, thereby impacting additional revenue earnings and causing productivity losses.
- With troubled projects, it is common to cut scope to minimize losses and wrap up the project. However, compromised project scope is merely a broken promise. It reflects poorly on the team and might lead to business crises in the long run.

These adverse effects can snowball into other projects by disrupting resource allocation, attracting fines, and costing you a lot of customers. So, don't be penny-wise and dollar foolish.



What's The Way Forward?

How to Minimize the Opportunity Costs

70%

Of digital transformation projects didn't meet outcomes. ¹⁵

- Boston Consulting Group study

Opportunity losses, as indicated above, are hard to recover from. So, how do you achieve the desired project value?

It's simple. Value = Benefits – Costs. The way forward is to quantify the value each of your projects delivers using the Project Value Realization approach:

- Evaluate your project investments using metrics like:
 - » ROI (determines the percentage return for every dollar you've invested)
 - » Productivity (know if you're getting your money's worth in resource utilization)
 - » Net present value (NPV), internal rate of return (IRR), and modified rate of return (MIRR) (measure your current value of future investments, profits based on internal factors only, and investment break-even)
- Measure your project portfolio over time (projects started, projects finished, time, cost & scope variations, and average expense and duration).
- Benchmark your project performance and use those factors (actual cost, time overruns, compromised scope, and diminished benefits) across all projects.
- Identify non-productive activities and key items in need of attention.
- Predict project risks from stakeholder assessments and make data-driven decisions by accessing historical data and predictive analysis.
- Have a post-project audit to get an accurate picture of the value gained.
- Ensure compliance with best practices and governance oversight to ensure success.



Act Before It's Too Late

Proactive Approaches to Secure Your Project Value

Every organization prefers on-time, on-budget, and quality-defined projects. But there are always some could-have-been scenarios that deflect your projects. Here's how you can avoid those afterthoughts and retain your project value proactively:

- Get automated alerts from an early warning system. You cannot be too prepared,
- Have continuous feedback loops to prevent your project value from flatlining,
- Plan per your priorities. Diligently monitor the risk factors,
- Review each project stage. Pause, review, revise, and then pro-

A Risk Ignored Is a Project Denied

TrueProject - The Right Step Towards Project Value Realization

Complex projects are challenging to manage. You need the correct solution and automation to drive the best benefits. Else, cost overruns, deferred benefits, reduced scope, or overdue value of other projects in the portfolio can take you by surprise anytime.

About 1 in 6

Projects had a cost overrun of 200% or more. ¹⁶

- Price Waterhouse Cooper study

Most PM tools display your project's quantitative data only. But you must have the heads-up view of your project, not the rear view. You need to know risks before they happen because the later they appear, the more damage they cause, the more failure you will experience, and you will not realize the desired project value.



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Until now, there has not been a technology solution to incorporate all aspects of Project Value Realization. Yes, over one hundred task management and PM-based tools offer the organization and scheduling of the work to be performed... but that is the issue. It's just about the work to be performed with no consideration of the absolute need and desire to truly realize 100% (or more) of the value of those projects.

Don't believe this? Ask yourself, "Are all my organization's projects always 100% delivered on time, on budget, and meeting needs?" Suppose your organization is like virtually every other one on the planet, and you answer honestly. In that case, you are "planning" on longer delivery, over budget, and lower scoped deliverables all the time. You can now incorporate predictive intelligence that will provide advanced warning against troubled or failing projects that protect your investments in the existing systems you have and delivers you the Project Value Realization solution you seek.

TrueProject from CAI stands apart from all the other project management tools available and complements those tools. It ensures that your projects stay on track and helps you achieve your project value and beyond.

- It safeguards your projects with early warning signs and allows you to address risks before they happen.
- It benchmarks your organization's project knowledge and recommends best practices for every project phase.
- It has comprehensive dashboards to highlight the top items in need of attention.
- It has an integrated feedback loop that combines the team's response to varying project issues with quantitative data.

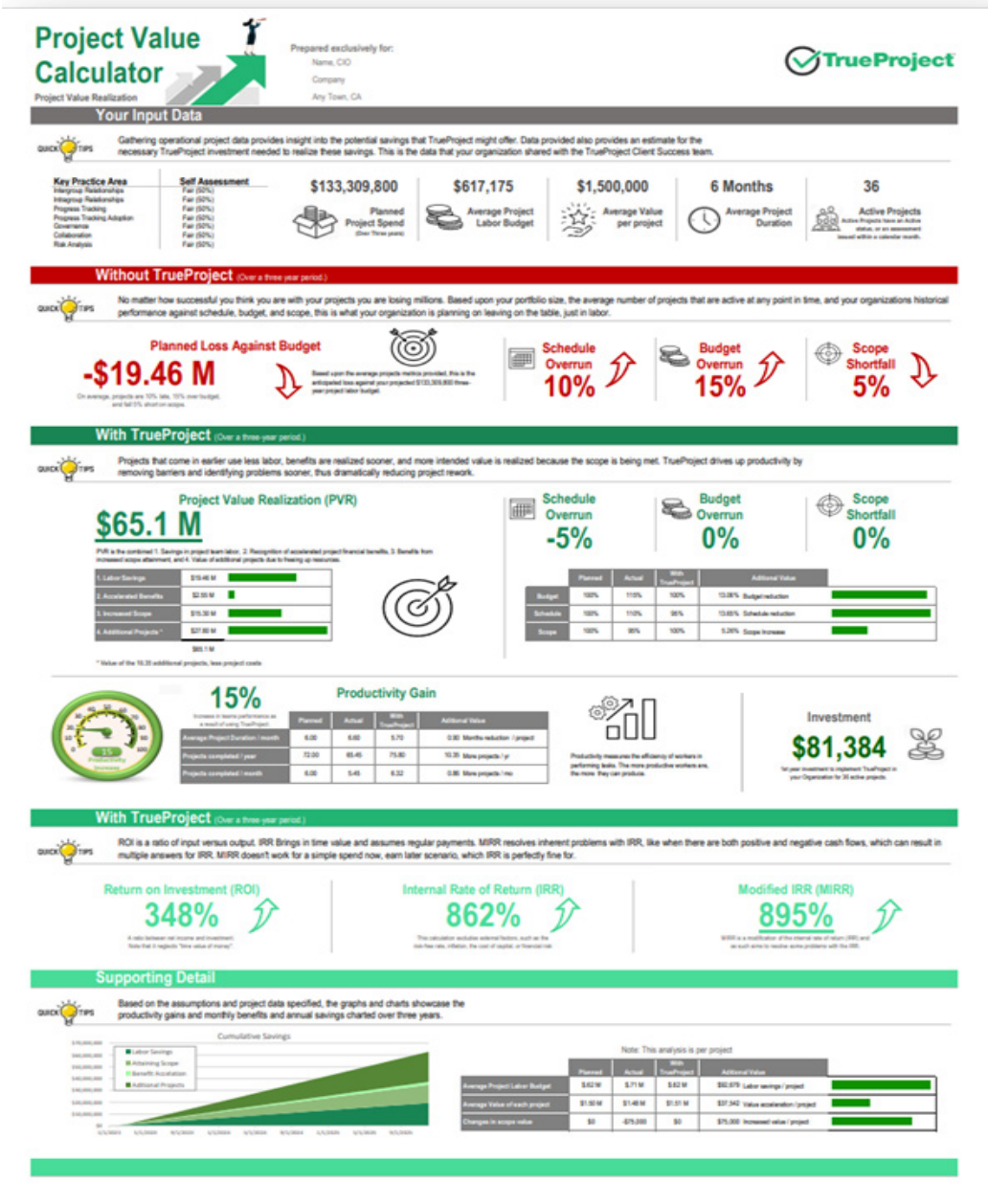
The following infographic shows an example of what you can achieve with TrueProject.

Let's say you have 36 active projects, each with an average of a six-month duration; that's a \$133 million planned spend over three years.

The expected average project value is \$1.5 million. However, despite being prepared and successful, you might lose approximately \$19.46 million due to missed schedules, budget overruns, and scope shortfalls.



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On the other hand, TrueProject's value-optimizing features not only save you from those losses but also generate additional earnings and rewards like:

- No budget increases and reduced scope shortfalls.
- Decreased rework.
- Accelerated project benefits are boosting project value to \$65.1 million.
- 15% enhanced workforce productivity.



Conclusion

Project value is more than being ‘on time’ and ‘on budget.’ A technology project is successful if the stakeholders see the desired business benefits. When benefits are realized, value (money) is created. If not, you simply lose out on money (value) beyond imagination. Every technology project has immense potential for generating the big bucks you desire. But, when you work without a vision, you let the intangible risk factors creep in and miss out on additional revenue opportunities. Don’t let that happen to you. Set your eyes on the big prize! To maximize the true value of your projects, you need TrueProject.

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