Delivering Business Value: The Most Important Aspect of Project Management

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Abstract

A Guide to The Project Management Body of Knowledge (PMBOK Guide) – Fifth Edition (2013) states "through the effective use of portfolio, program, and project management, organizations will possess the ability to employ reliable, established processes to meet strategic objectives and obtain greater business value from their project investments." In other words, the whole purpose for project management (as well as portfolio and program management) is to execute work which provides increased "value" to the business or customer. If an organization does not realize increased business value as a result of sponsoring and executing a project, then the project will not (or should not) be embarked. Thus, the most important aspect of project management is "delivering business value to the customer.” As a means to realize this aspect, a project manager must foster a project environment which focuses on delivering the identified business value.

This paper explores the necessity of identifying and ultimately delivering value to the customer of the project. Although the author recognizes that some projects are humanitarian in nature and deliver value that cannot be measured in business terms, this paper will focus on business related projects. Recognize, however, that a project (business or non business related) must always deliver “value” to the customer otherwise that project should not be performed. For that reason consider the premise of this paper valid for all types of projects. Additionally, it is recognized that measuring business value is as unique as the organization; therefore this paper will not attempt to identify a specific technique for measuring increased business value that a project produces.

Introduction

Every day thousands or maybe even hundreds of thousands of projects around the world commence. Some projects are well conceived and others start as a result of an off handed thought and begin without understanding if the project should be executed at all. A key aspect of portfolio and project management is that of choosing which projects the organization should undertake. This process likely differs for each organization, however, to avoid making the mistake of starting a project that should not see the light of day, considering the value that will be delivered to the customer is paramount.

The ownership of envisioning and identifying the purpose of the project lies soundly outside the bounds of a project. Thus, the responsibility of identifying the business value that will be delivered as the result of executing the project also lies with the same group, usually management or the PMO. Often project managers are not considered to be responsible for the business value. This point of view is flawed and must be reconsidered to elevate the project management profession. Project managers must be responsible for understanding the vision of the project and for delivering the identified business value to the customer as a result of executing the project.

Often we think that a project is successful if a quality scope is delivered on time and within budget. Although those are important indicators, the true measurement of a projects success is how well the project delivers business value. If value
isn’t delivered to the customer then the project is not successful. In some cases the failure should be contributed to those chartering the work because the project was of no value to the customer, thus is should not have been started. Other times, the project manager is responsible for the failure because they did not manage the project in a way that it delivered the identified business value. For example if a project is delivered over budget, the expected business value is eroded by the additional costs. The same could be said for delivering a project late or with poor quality. Additionally, a myriad of other factors can impact the business value.

With business value such a critical aspect of project management, let’s turn our focus to understanding what it is.

**What is Business Value?**

“Business Value” does not have a single agreed upon definition, however examining several sources that attempt to define what “Business Value” is can give us a better insight into its meaning and application.

According to BusinessDictionary.com, if one was “to assess the value of a business or an owner’s interest in a company,” a “Business Valuation” is often performed. A business valuation is “the process of examining various economic factors of a business using predetermined formulas.” These valuations are often performed by third party accountants with several different types of methods to identify the value of the business. Each of these methods describes the business value in monetary terms.

Wikipedia defines business value as “an informal term that includes all forms of value that determine the health and well-being of the firm in the long run.” They go on to say that “many of these forms of value are not directly measured in monetary terms.”

In an article about business value and quality Alan Koch stated that “the ‘Business Value’ is the net benefit that will be realized by the customer” of a project. Mr. Koch also states that “a description of this expected business value should be included in a good project charter.”

For the purpose of this paper and in the context of applying business value to project management, let’s consider the following definition: Business Value is the net benefit that will be realized by the customer of a project, and can be measured in either monetary or non monetary terms.

**The need for adding or increasing business value creates projects**

If we consider the nature of a project, the PMBOK indicates that a project is “undertaken to create a unique product, service, or result.” In some cases the products or services produced will be new offerings to the customer and will inherently provide new value to the business. In other cases existing products or services will be modified in some way which will create new value to the customer or business.

If a business becomes complacent and does not look to create new value for their customers it is likely that their competitors will begin to find ways to fill those needs. Eventually the company who does not continually innovate and provide for the needs of their customers will become stale. Their failure to continue to add value for their client base will allow other companies to better fill those needs and acquire more of the market share. Therefore, a company must always be looking to add value to their customers or they will go out of business. Projects, therefore, become the lifeline of a viable business.
Steps to Delivering Business Value
Since projects are the lifeline of a viable business, project managers have become integral to the continued success of a company and business in general. Project managers must learn to look for and demand that the business value of a project is clearly defined and understood. Below are the steps that a project manager should take to make sure that the project they lead delivers business value (See Exhibit 1).

1. **Understand the Vision**
   The sponsor of the project should be able to identify the vision they have for the project. The vision should include a high level view of the scope of the project and more importantly the reason the project was created. The vision is often identified as part of the project charter, but if not, it is the responsibility of the project manager to obtain clarity. The project manager should sit down with the sponsor and get the vision clearly documented. Once the vision is documented, the most important thing the project manager can do is to internalize the vision. The project manager must be able to believe in the purpose of the project and that it is worthy of the effort that will be extended.

2. **Be clear of the business value of the project**
   Once the project manager has captured the vision of the project, an understanding of how that vision translates into true business value is critical. There is not one way to document business value, yet it is critical for the organization to state the value the project will deliver and how it will be measured during the project. Where possible the business value should be stated in monetary terms but as previously stated, there are often non-monetary benefits that can be realized and identified.

   If the PM is not able to believe in the intrinsic value of the project and how it will be measured, they are going to have a difficult time moving to the next steps and ultimately leading the project to success.
3. Evangelize the Vision and Business Value to the Project Team

A key function of a project manager is to motivate the project team. It is important for the project team to believe in what they are doing. Thus it is critical for the project manager to evangelize the vision and business value of the project to the team members. The importance of this is best described by the words of Antoine de Saint-Exupery who said:

“If you want to build a ship, don’t drum up the men to gather wood, divide the work, and give orders. Instead, teach them to yearn for the vast and endless sea.”

If the project team can understand the vision and business value of the project, they will “yearn” for the ability to deliver that business value to the customer. They will become much more engaged in their work and even enthusiastic about delivering value to the customer.

4. Foster a team environment to effectively deliver value

With the team fully behind the vision and business value that the project will deliver, it is the responsibility of the project manager to foster an environment which will allow the team to deliver efficiently. Just as in any sporting event, when a team gets to a point where everyone on the team knows their responsibilities and trust within the team is prevalent, the team delivers great results. The project manager must serve the team and remove any roadblocks in their way so that team efficiency thrives. As a project manager fosters a project environment which focuses on delivering value to the business, the project team will respond with motivation to succeed.

5. Measure the realization of the business value

This step actually occurs throughout the project and often requires continued measurement after the project is complete. The project manager is responsible for reporting on the progress of a project, and a key aspect that should be reported on is the realization of business value as deliverables are completed. Depending on the nature of the project the final realization of the increased value might not be measurable until sometime after the project has been completed. The organization should continue to measure the increased value delivered until a pre-determined timeframe of the projects impact.

Summary

In the past, success of a project was measured based on its ability to deliver a quality scope on time and within budget. Although these factors are important to consider and control as a project progresses they are not a true measurement of the success of a project. A project can only be considered successful if that project delivers the predetermined business value to the customer. When we look at project success in this light, businesses will make better decisions about which projects to execute and project managers will focus on what is important as their team delivers value.

As a project manager is engaged in executing a project they should consider the following steps to better deliver business value.

1. Understand the vision.
2. Be clear of the business value of the project.
3. Evangelize the vision and business value to the project team.
4. Foster a team environment to effectively deliver value.
5. Measure the realization of the business value.

When project management focuses on delivering business value as we deliver projects, our discipline will become more and more valuable to the organizations we serve. Those organizations will stay vibrant because they are delivering increased value to their customers and they will continue to look to project management as a critical aspect of growing their bottom line.

As we focus on the customer, delivering business value will be the most important aspect of project management.

References


