

## **CHANGE REQUEST (CR) KPI DILUTION - MASKED PMO GOVERNANCE METRIC REPORTING**

By Dennis Wiggins

### **INTRODUCTION**

We are learning that the Project Management discipline is an ever changing environment that crosses into multiple industries to drive organizations in their strategic directions. It is a very complex discipline that requires the experts to stay up to date with industry best practices, training and solutions.

Project Management Offices (PMO's) are an overhead cost that is responsible for managing the funds of multiple cost and profit centers to achieve C-Level Executive's direction for the Strategic Roadmap. As an overhead cost the PMO should have a primary objective of productivity improvement (i.e. reducing costs) for the resources implementing projects and programs for the PMO Portfolio. This means process improvement not only for the business unit implementing a project, but the PMO is responsible for process improvement as well! Costs for deficient processes are magnified by the number of projects in flight for the PMO Portfolio. This is the significance of Continuous Improvement within a PMO.

Because the project management discipline is dynamic in nature, it sometimes may require a change to be made to the project budget. We are learning that a significant number of projects are failing across multiple industries which implies that the "Triple Constraints" – Scope, Schedule & Costs are exceeding the budgeted costs and delivery timeframe for Sponsors and Stakeholders. It is our belief that this should only occur during changes in Scope by the Sponsors and Stakeholders. Several organizations have published information pertinent to the failure rate associated with Project Portfolio Management (PPM).

We as industry experts should take a methodical approach to the standardization of processes for PMO Governance.

## **CHANGE REQUEST (CR) KPI DILUTION - MASKED PMO GOVERNANCE METRIC REPORTING**

In this article we are going to tackle the Change Request (CR) KPI Dilution – Masked Metric Reporting. We are going to illustrate how the Change Requests dilutes the metric with an illustration of two (2) Change Requests to a project in flight in a comparison of Financial Accounting Vs Project Management Accounting.

### **FINANCIAL ACCOUNTING....**

	CHANGE REQUEST (CR)	BUDGET	FORECAST	VAR	VAR %
PPM TOOL IMPLEMENTATION		\$ 1,000,000	\$ 1,000,000	\$0	0.00%
PPM TOOL IMPLEMENTATION - CR 1	\$ 300,000	\$ 1,000,000	\$ 1,300,000	(\$300,000)	-30.00%
PPM TOOL IMPLEMENTATION - CR 2	\$ 250,000	\$ 1,000,000	\$ 1,550,000	(\$550,000)	-55.00%

### **PROJECT MANAGEMENT ACCOUNTING...**

	CHANGE REQUEST (CR)	BUDGET	FORECAST	VAR	VAR %
PPM TOOL IMPLEMENTATION - BASELINE		\$ 1,000,000	\$ 1,000,000	\$0	0.00%
PPM TOOL IMPLEMENTATION - IN FLIGHT		\$ 1,000,000	\$ 1,300,000	(\$300,000)	-30.00%
PPM TOOL IMPLEMENTATION - CR 1 REBASELINE	\$ 300,000	\$ 1,300,000	\$ 1,300,000	\$0	0.00%
PPM TOOL IMPLEMENTATION - IN FLIGHT		\$ 1,300,000	\$ 1,550,000	(\$250,000)	-19.23%
PPM TOOL IMPLEMENTATION - CR 2 REBASELINE	\$ 250,000	\$ 1,550,000	\$ 1,550,000	\$0	0.00%

We believe that re-baselining should only occur for the Sponsors and Stakeholders for Scope Changes. It is our view that the Project Plan should be holistic of task activities to be completed during implementation within a threshold of 10% for a mature PMO. If you were the Sponsor or Stakeholder and a project cost \$550K more than budgeted, do you think that would be a successful implementation?

The above illustration demonstrates how the Steering Committee / Change Control Board through approval of Change Requests (CR's) can impact Estimate At Completion (EAC) metric reporting in comparison to the Budget. There are other metrics that should be considered for dilution as well, to highlight a few: Return on Investment (ROI), Net Present Value, Internal Rate of Return, etc. This is why we emphasize that there is a co-dependency for the Strategic Road, PMO Governance, Tactical Execution and Continuous Improvement.

It is the responsibility of the PMO to monitor and track these approved Change Requests to the original Budget to determine on a portfolio level the origin of the PMO Process Group breakdown. Yes, we said PMO Process Group breakdown because a Change Request is the result of something not done properly at the time of Baselining the project, and the impact is a Budget reset.

We have demonstrated the complexity required for PMO monitoring and tracking. Now, we are going demonstrate the **speed, simplicity, and self-confidence** that PMO's can

achieve through the use of Dashboard Analytics tool. It is through customization and automatic color coding with full integration that Dashboard Analytics can be achieved in a module hierarchy roll-up. In this illustration the hierarchy roll-up demonstrates that the Strategic Roadmap is red and not in alignment with the C-Level Executives direction with focus on Tactical Execution and Continuous Improvement as they are both yellow.

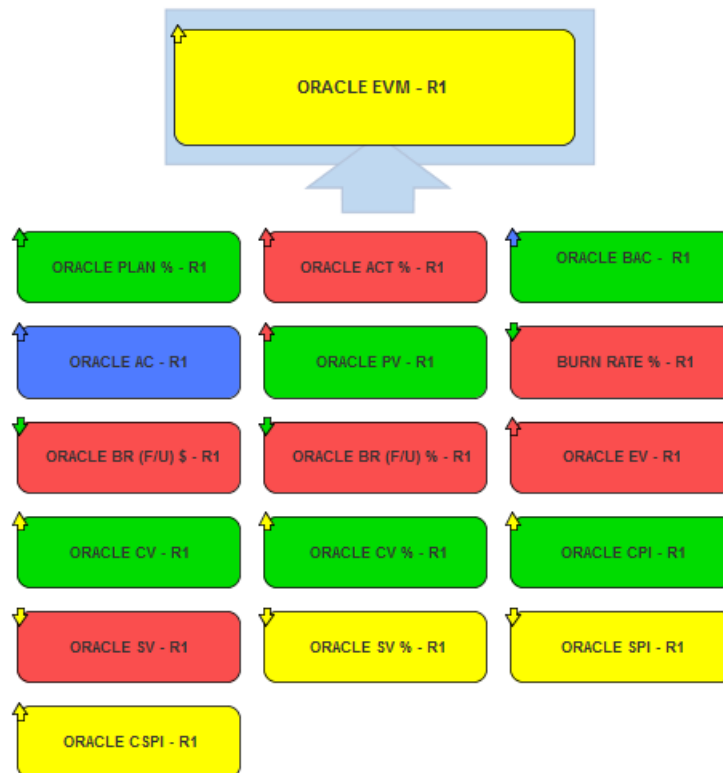


Our experts rely on metric reporting from the Strategic Roadmap, PMO Governance, Tactical Execution and Continuous Improvement for dashboard analytics to flag PMO deficient processes through automation. There is NO DUPLICATION OF EFFORT in our automated PMO Governance metric reporting tool the PPM Executive Command Center (PPM – ECC); it is the responsibility of the PMO to leverage the metric reporting to determine across multiple projects what warrants a PMO process review of the Current State. Manpower is a significant cost that an organization will incur, and if you are addressing the same deficient process with each project or program then there is cost redundancy for each event in the PMO Portfolio.

We have established cause and effect relationships throughout the PMO process. Therefore, we can truthfully say that redundancy of costs should not be occurring within the PMO Portfolio, significant loss of organization dollars (potentially millions) can be avoided through automation and use of Dashboard Analytics.

Below is an illustration of automated Tactical Execution using dashboard analytics through a customized application for Project Portfolio Management (PPM) the Balanced Scorecard (BSC). It automatically color codes based on the tolerance level of PMO Governance, and automatically generates earned value management (EVM) key performance indicators (KPI's), calculating four (4) forecasts for the project, programs or portfolio based on PMBOK methodology.

**Navigation Sub-Module:**



**EVM Sub-Module:**

Objective	Owners	Performance Measure	Notes
ORACLE EVM - R1	dennis	92.36%	ORACLE PLAN % - R1
		86.75%	ORACLE ACT % - R1
		\$5,300,000 (USD)	ORACLE BAC - R1
		\$4,400,000 (USD)	ORACLE AC - R1
		\$4,895,292 (USD)	ORACLE PV - R1
		89.88%	BURN RATE % - R1
		(\$495,292) (USD)	ORACLE BR (F/U) \$ - R1
		-11.26%	ORACLE BR (F/U) % - R1
		\$4,597,750 (USD)	ORACLE EV - R1
		\$197,750 (USD)	ORACLE CV - R1
		4.3%	ORACLE CV % - R1
		104.49%	ORACLE CPI - R1
		(\$297,542) (USD)	ORACLE SV - R1
		-6.47%	ORACLE SV % - R1
		93.92%	ORACLE SPI - R1
98.14%	ORACLE CSPI - R1		

\*Blue represents reserve status.

**Navigation FCST – Sub-Module:**



EVM FCST – Sub-Module:

Objective	Owners	Performance Measure	Notes
ORACLE EVM FCST ANALYS - R1	dennis	\$5,072,046 (USD)	ORACLE EAC - R1
		\$5,102,250 (USD)	ORACLE EAC OPT 2 - R1
		\$5,115,537 (USD)	ORACLE EAC OPT 3 - R1
		\$900,000 (USD)	ORACLE ETC C-TEAM BUD - R1
		\$672,046 (USD)	ORACLE ETC - R1
		\$702,250 (USD)	ORACLE ETC OPT 2 - R1
		\$715,537 (USD)	ORACLE ETC OPT 3 - R1
		\$227,954 (USD)	ORACLE VAC - R1
		\$197,750 (USD)	ORACLE VAC OPT 2 - R1
		\$184,463 (USD)	ORACLE VAC OPT 3 - R1
		78.03%	ORACLE TCPI BAC - R1
		104.49%	ORACLE TCPI EAC - R1
		100%	ORACLE TCPI EAC OPT 2 - R1
98.14%	ORACLE TCPI EAC OPT 3 - R1		

**\*Blue represents reserve status.**

Consider the manpower to compute the above metrics for each project or program that is in flight in the PMO Portfolio; it would result in a large dollar amount applied for this redundancy in the level of effort for Project and Program Managers. But, through automation of color coding and KPI's the solution results in NO DUPLICATION OF EFFORT! The result is an effective learning curve for the PMO staff for Professional Development and removal of subjectivity in the monthly reporting of earned value management (EVM) key performance indicators (KPI's) for the project or program in flight.

We have stated that manpower is a significant cost to a PMO! Organizations not willing to invest in an automated tool or streamline PMO processes are destined to continually and needlessly burn company dollars reducing shareholder value.

**PMO Governance:**

Proficient Project and Program Managers understand that PMBOK provides four (4) ways to compute forecasts using earned value management, and that through analytical review a determination can be made about which is the correct forecast to use. A key determinant is the "To Complete Performance Index (TCPI)" which determines based on the remaining work (ETC) the degree of difficulty. In the above illustration we analyze that the Budget at Completion is sufficient to the complete the project. But, there will be a marginal push in the delivery timeframe (refer to SPI = 93.92%). Ultimately, the metric analysis has informed us that at the current time there is \$900,000 remaining of the budgeted amount; for an approximation of the remaining funds we can multiple the \$900,000 \* the TCPI 78.03% to determine the funds to be required to complete the project. The result is \$702,270, allowing \$197,730 to be included in management reserves for application to other projects or programs that may be overrunning in costs. Hopefully, this illustration has demonstrated the increased productivity improvement

through dashboard analytics by automated color coding of earned value management (EVM) key performance indicators (KPI's).

**Continuous Improvement:**

Our Continuous Improvement solution utilizes Quality Improvement Productivity (QIP) to determine the metric reporting within an organization for comparison of the Current State process cost to the Future State process design costs, recognizing the productivity improvement savings. We consider this to be a true reflection of the Benefit Cost Ratio to a business unit implementing an infrastructure change for the Strategic Roadmap. It is through the cause and effect relationships and the co-dependency on the PMO Governance and Tactical Execution that economy of scale is achieved for business units and PMO Governance.

First, mature PMO's should tackle the "Low Hanging Fruit", and then assess metric reporting from high exposure to low exposure as this will drive the order of PMO process re-engineering. This approach to standardization of PMO processes is very methodical for tactical execution of Organizational Project Management.

Sort by Organization/Balanced Scorecard hierarchy ordering

Number of Hits : 6

Name	Organization	Owners	Performance Measure Frequency	Scorecard Object Type	April 2016	
					Score	Value
<a href="#">ORACLE ACT % - R1</a>	PPM - EXECUTIVE COMMAND CENTER V5.3 (PPM - ECC)	<a href="#">dennis</a>	Monthly	Performance Measure	0	86.75%
<a href="#">BURN RATE % - R1</a>	PPM - EXECUTIVE COMMAND CENTER V5.3 (PPM - ECC)		Monthly	Performance Measure	2.33	89.88%
<a href="#">ORACLE BR (F/U) \$ - R1</a>	PPM - EXECUTIVE COMMAND CENTER V5.3 (PPM - ECC)	<a href="#">dennis</a>	Monthly	Performance Measure	2.47	(\$495,292) (USD)
<a href="#">ORACLE BR (F/U) % - R1</a>	PPM - EXECUTIVE COMMAND CENTER V5.3 (PPM - ECC)	<a href="#">dennis</a>	Monthly	Performance Measure	2.34	-11.26%
<a href="#">ORACLE EV - R1</a>	PPM - EXECUTIVE COMMAND CENTER V5.3 (PPM - ECC)	<a href="#">dennis</a>	Monthly	Performance Measure	1.96	\$4,597,750 (USD)
<a href="#">ORACLE SV - R1</a>	PPM - EXECUTIVE COMMAND CENTER V5.3 (PPM - ECC)	<a href="#">dennis</a>	Monthly	Performance Measure	2.24	(\$297,542) (USD)

[Edit Balanced Scorecard Objects](#)

Sort by Organization/Balanced Scorecard hierarchy ordering

Number of Hits : 4

Name	Organization	Owners	Performance Measure Frequency	Scorecard Object Type	April 2016	
					Score	Value
<a href="#">ORACLE ETC C-TEAM BUD - R1</a>	PPM - EXECUTIVE COMMAND CENTER V5.3 (PPM - ECC)		Monthly	Performance Measure	0	\$900,000 (USD)
<a href="#">ORACLE ETC - R1</a>	PPM - EXECUTIVE COMMAND CENTER V5.3 (PPM - ECC)	<a href="#">dennis</a>	Monthly	Performance Measure	0	\$672,046 (USD)
<a href="#">ORACLE ETC OPT 2 - R1</a>	PPM - EXECUTIVE COMMAND CENTER V5.3 (PPM - ECC)	<a href="#">dennis</a>	Monthly	Performance Measure	0	\$702,250 (USD)
<a href="#">ORACLE ETC OPT 3 - R1</a>	PPM - EXECUTIVE COMMAND CENTER V5.3 (PPM - ECC)	<a href="#">dennis</a>	Monthly	Performance Measure	0	\$715,537 (USD)

[Edit Balanced Scorecard Objects](#)

Sort by Organization/Balanced Scorecard hierarchy ordering

Number of Hits : 4

Name	Scorecard Object Type	April 2016	
		Score	Value
ORACLE SV % - R1	Performance Measure	3.92	-6.47%
ORACLE SPI - R1	Performance Measure	4.39	93.92%
ORACLE CSPI - R1	Performance Measure	4.81	98.14%
ORACLE TCPI EAC - R1	Performance Measure	4.25	104.49%

[Edit Balanced Scorecard Objects](#)

Below is a metric project review analysis that can be applied on project portfolio management (PPM) level that can be utilized to determine PMO Governance process inefficiencies based on summation of red and yellow metrics in the PMO portfolio.

**PROJECT METRIC ANALYSIS REVIEW:**

KPI's	Metric Analysis
Oracle Act%	<ol style="list-style-type: none"> <li>1. Actual %: Core team actual work being performed slower than plan work.</li> <li>2. Burn Rate: Project actual spending less than baseline spending.</li> <li>3. Earned Value: Project actual cost spending slower than planned costs.</li> <li>4. Schedule Variance: Project portion attributable to impact of Delivery Date</li> <li>5. Estimate to Complete: All ETC's are overstated for the project delivery to the flight point in time.</li> <li>6. Schedule Variance %: The percentage of 6.47% is within the threshold of 10% for the PMO.</li> <li>7. Schedule Performance Index: A marginal push in the Delivery Date, consider Fast Tracking or Crashing Project.</li> <li>8. Cost Schedule Performance Index: Combines Cost and Schedule Performance Indexes for combined indexes.</li> <li>9. To Complete Performance Index: Outside of the acceptable thresholds for Project; the other three (3) options within acceptable parameters (2 Green, 1 Blue (Winner).</li> </ol>
Burn Rate %	
Oracle BR (Fav/Unfav)	
Oracle EV	
Oracle SV	
Oracle ETC C-TEAM (BUD)	
Oracle ETC	
Oracle ETC OPT 2	
Oracle ETC OPT 3	
Oracle SV %	<p><b>PMO GOVERNANCE HIGHLIGHTED PROCESS REVIEW:</b></p> <ul style="list-style-type: none"> <li>• Team works well towards achieving targeted objectives – consider team for high visible projects.</li> <li>• Review contingency % applied to Workbreakdown Structure (WBS)</li> <li>• Review Process Group (Phase) for largest Cost variance.</li> <li>• Determine if Process Group (Phase) largest Cost variance attributable to a Deliverable.</li> </ul>
Oracle SPI	
Oracle CSPI	
Oracle TCPI	



	<ul style="list-style-type: none"><li>• Deliverable attributable to a Cross-functional Department.</li><li>• If not, which Cross-functional Department has largest Cost variance.</li><li>• Project Awards provided to Star Performers and Names included in Final Project Status Report</li><li>• Lessons Learned included in the Corporate Knowledge Database</li></ul>
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This is why, in our business model, there is a co-dependency between Strategic Roadmap, PMO Governance, Tactical Execution and Continuous Improvement – We Understand the PMO Big Picture” - Refer to the April 2016 Issue of the PM World Journal “Top Ten Reason for Project Portfolio (PPM) Failure”.

<http://pmworldjournal.net/article/top-10-reasons-for-project-portfolio-management-ppm-failure/>

Our experts have led multi-million dollar PMO Portfolio’s in multiple industries. We have process flowed the cause and effect relationships required for PMO Governance and understand that the value-add to the organization is NO DUPLICATION OF EFFORT due to inefficient PMO processes. PMO’s should understand the Change Request portion that is attributable to PMO deficient processes. If the PMO deficient process costs are removed then remaining amount is the TRUE business unit implementation costs. Reduction of overhead costs by the PMO should be a goal for productivity improvement by creating a value-add service to the organization! We rely on dashboard analytics to guide us using our co-dependent modules; Strategic Roadmap, PMO Governance, Tactical Execution and Continuous Improvement metrics as the Key Performance Indicators (KPI’s) for PMO process and review, which are incorporated in the PPM Executive Command Center (PPM – ECC) to alleviate guess work and place emphasis though dashboard analytics on the deficient PMO processes.

If you can determine bottlenecks in the Process Group, or Tasks then it should be flagged in Lessons Learned for PMO Continuous Improvement. The problem is that in most cases Lessons Learned becomes an artifact that is archived with other project records. Lessons Learned should be consolidated, prioritized and resources assigned for high level process assessment to assess PMO exposure.

It is through streamlined PMO processes like the illustration above that the Project Management discipline will reduce the failure rates while developing industry experts in the project management discipline.

Don't let brand recognition, market share, and polished sales resources fool you into believing their PPM product is the best tool in the industry.

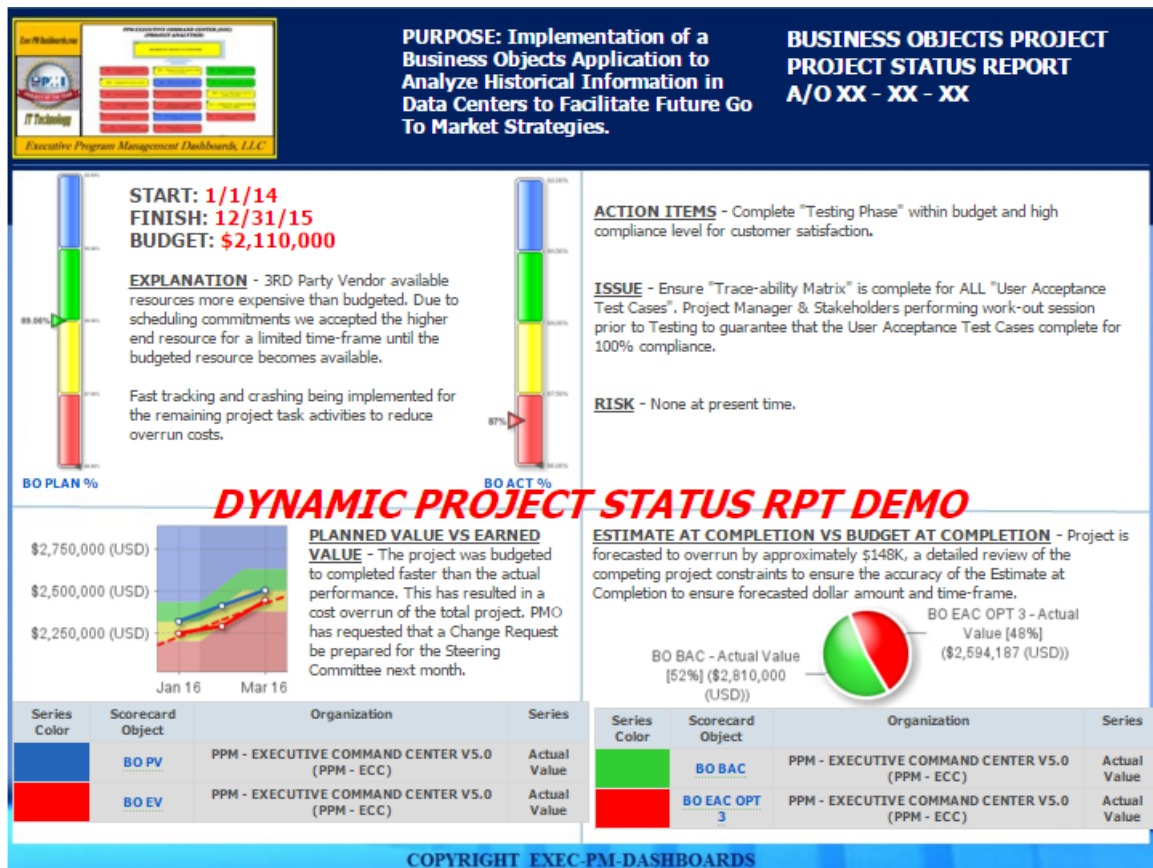
**Does the PPM tool perform Earned Value Management (EVM)? This is the premise of Project Management. Does the PPM tool bridge the project while in flight to the Strategic Road, PMO Governance, Tactical Execution and Continuous Improvement? All the bells and whistles do not mean anything if it is not facilitating the PMO in delivering the project "On-time" within "Budget". Dashboard analytics will ultimately increase company market share allowing products to get to market: cheaper, faster and with higher quality.**

In most cases the leading edge tools are complex (not user friendly) and overpriced for the value they provide to the PMO! But, uninformed PMO Leaders lack a visionary perspective, and go for security with market place brand recognition, as opposed to tools that will effectively and efficiently get the Project Portfolio Management (PPM) job done in a cost effective manner. No PPM Tool is in the "Utmost Gartner Right Hand Quadrant" because they are still flawed, too complex and too expensive while in some cases deviating from the true project management discipline!

**We believe that the PPM Executive Command Center (PPM - ECC) is truly a leading edge product. Therefore, we offer PMO's the opportunity to test the product accuracy by allowing us to run the project metrics in our tool for the organization "Top 3" projects in flight at the current time. We require *NO KNOWLEDGE OF THE PROJECT*, only a set of metrics to import so that the Dashboard Analytics can be prepared for the Tactical Execution. If your organization has an interest for the troubled "Top 3" projects please contact us at the below email address to receive this value add service at no cost.**

**APPENDIX**

Dynamic Project Status Reports should be generated for Sponsors and Stakeholders attached to objects to create drill down functionality to display the problem root cause and corrective measures being deployed by the Project Team. An absorbent amount of time is critiquing words for inclusion in the Project Status Report. Project Managers should disclose with accuracy the disposition of projects as this is the case in a mature PMO. Ultimately, this will free the Project Manager from putting out fires so that he/she can focus on completing future tasks with the project team.



We are highlighting some of the advanced features of how dashboard analytics can be applied to Project Portfolio Management (PPM). Through Project Portfolio Management (PPM), automation of projects can be measured and monitored bridging the four (4) main categories while the project is in flight. This will ensure compliance to corporate objectives for the Strategic Roadmap, PMO Governance, Tactical Execution and Continuous Improvement while reducing costs, and increasing productivity plus professional development! This is the foundation for a reliable and scalable Project Portfolio Management (PPM) Tool.

The HIGH COST of LOW PERFORMANCE 2014:

[https://www.pmi.org/~media/PDF/BusinessSolutions/PMI\\_Pulse\\_2014.ashx](https://www.pmi.org/~media/PDF/BusinessSolutions/PMI_Pulse_2014.ashx)

GARTNER SURVEY SHOWS WHY PROJECTS FAIL:

<http://thisiswhatgoodlookslike.com/2012/06/10/gartner-survey-shows-why-projects-fail/>

Refer to the KPMG Report 2013 which speaks to the rationale of dismantling PMO's because of PMO leadership and direction; it is an overhead cost which should have a primary focus on productivity improvement.

**KPMG Canada Project Failure Rate:**

Apply the KPMG Canada Project Failure Rate to the Project Management Office (PMO) Portfolio x PMO Actual Threshold (+/-) = \$ Burn Rate. This will provide a good estimate for the potential portfolio \$ burn rate!

KPMG Canada Project Failure Rate Report Hyperlink: [http://www.it-cortex.com/Stat\\_Failure\\_Rate.htm](http://www.it-cortex.com/Stat_Failure_Rate.htm)

KPMG Project Report 2013 Hyperlink:

<https://www.kpmg.com/NZ/en/IssuesAndInsights/ArticlesPublications/Documents/KPMG-Project-Management-Survey-2013.pdf>

Harvard Business Review – Top 6 Product

<http://www.dce.harvard.edu/professional/blog/6-tools-every-business-consultant-should-know>

## About the Author



### **Dennis Wiggins**

Georgia, USA



**Dennis Wiggins** has over 2 decades of experience in the information technology industry and is an expert in the Project Management discipline. He demonstrated his experience leading multi-million \$ programs and projects in Information Technology. In addition, he led a \$250 million IT Portfolio Governance PMO for Bell South contracted through Accenture (Big 4). Leveraging his experience in multiple disciplines, he revamped the Executive IT Portfolio Reporting methodology reducing the cycle for reporting from 4 weeks to 1 week, increasing project management productivity and reducing the dollar burn rate. Also, a lead in the PMO responsible for the domestic and international integration of approximately 75 trading applications in End-to-End (E2E) testing for security transactions for the Front Office, Middle Office and Back Office onto the Barclay's platform.

He is a recipient of the Project of the Year Award by the PMI Atlanta Chapter for leading the design and development of the PPM Executive Command Center (PPM – ECC). This Project Portfolio Management (PPM) tool was presented at the Institute of Industrial Engineering (IIE) Conference & Expo and was evaluated a 2.9 out 3.0 which is equivalent to a 97% (A+). He understands the “PPM Big Picture” as this tool was designed and developed using the #2 product (Balanced Scorecard) listed in the Harvard Business Review – Top 6 Products providing PMO's with a fully integrated, dynamic and robust Project Portfolio Management (PPM) solution with dashboards and analytics reporting.

He is a certified graduate of the world renowned General Electric Financial Management Program (GE FMP), Project Management Professional (PMP) and a Lean Six Sigma Black Belt (LSSBB).

Dennis Wiggins is a graduate from the State University at Old Westbury College with a Bachelor of Science in Business Management with a concentration in Finance.

He is the Founder and Chief Executive Officer of Executive Program Management Dashboards (aka Team Exec) providing leading edge training programs, and a value added re-seller providing cost effective industry solutions.

Company Website: <http://www.exec-pm-dashboards.com/>

Email: [management@exec-pm-dashboards.com](mailto:management@exec-pm-dashboards.com)