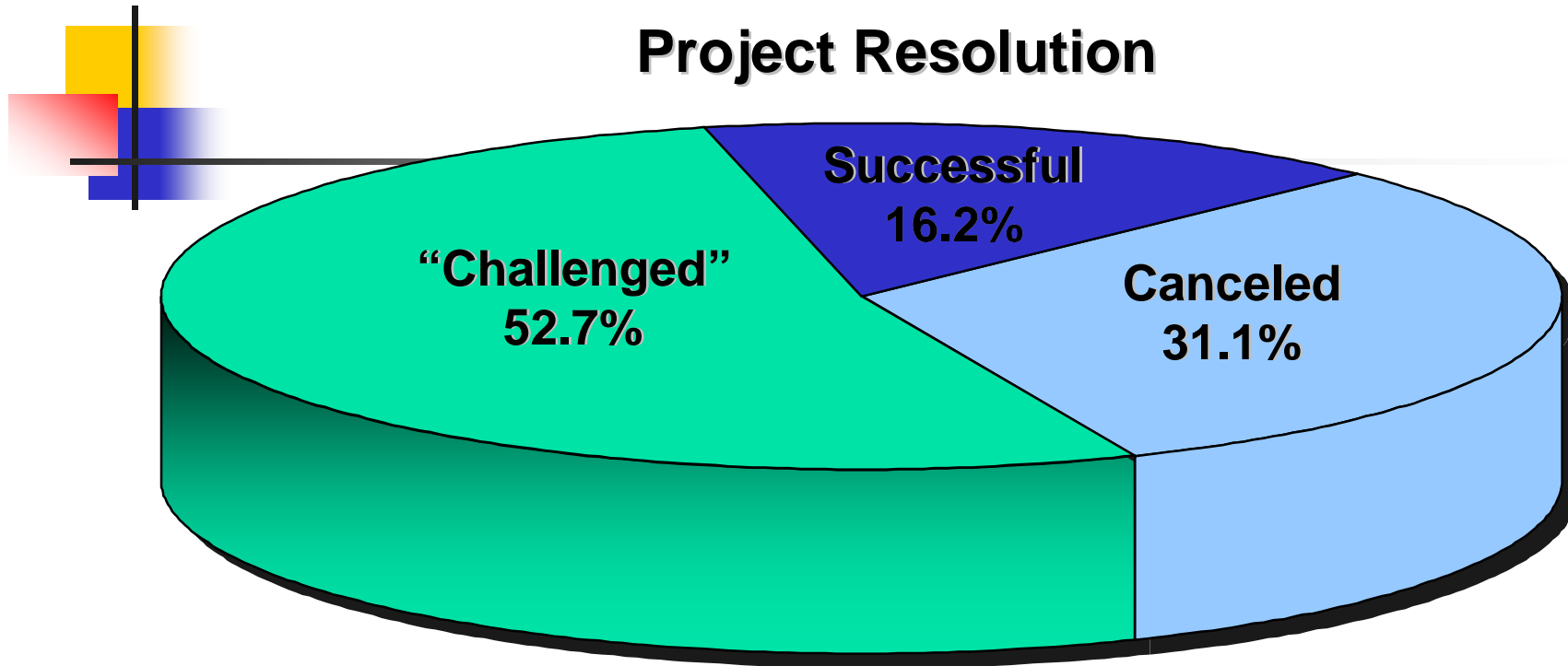




# Kill it Before it Kills You

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# The Failure Syndrome



Source: the Standish Group International, Inc.

- **31.1% of projects will be cancelled before completion**
- **52.7% will be “challenged”**
- **16.2% of overall projects are successful**





# “Successful” Projects

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- Come Within 20% of Budget
- Deliver at Least 85% of Intended Functionality



# “Challenged” Projects

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- On Average Cost 189% of the Original Budget
- Deliver Approximately 75% of Intended Functionality



# Cancelled Projects

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- Typically Cost Over 250% of Original Budget
- Value of Deliverables Insignificant
- Does **NOT** Include Evaluation Projects for Which the Conclusion Was Not to Proceed



# Reasons For Cancellation

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- Changing Requirements (Including Regulatory)
- Business Reorganization
- Failure to Deliver
- Cost Overrun



# Reasons For Cost Overrun

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- Poor Definition of Business Needs
- Inappropriate Technology
- Staffing Issues
- Scope Creep
- Poor Estimation



# Scope Creep

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- “Small” Changes Are Often Not Documented
- By Nature, Scope Creep Happens in Small Increments
- It Is Not Uncommon for Large Projects to Experience “Scope Creep” of 33 Percent to 60 Percent.



# Poor Estimation

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- Estimate Predetermined
- Lack of Access to Financial Information
- Inadequate Estimating Tools



# CMM

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- CMM (Capability Maturity Model) was Developed by the Software Engineering Institute (SEI) at Carnegie Mellon University, a Federally Funded Research and Development Center Sponsored by the U.S. Department of Defense.



# CMM – What Is It

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- A Conceptual Framework for Process Management of Software Development
- Five Levels Are Defined
- It is **NOT** a Set of Procedures



# Five Levels of CMM

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- Level 1 – Initial
- Level 2 – Repeatable
- Level 3 – Defined
- Level 4 – Managed
- Level 5 – Optimized



# CMM – Level 1 Initial

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- This Is Where Most Organizations Are
- The Software Development Process Is “Ad Hoc”
- Each Project Manager Does Their “Own Thing”
- Efforts Are Often “Heroic”



# CMM – Level 2 Repeatable

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- Formal, Documented Software Development Process in Place
- Formal Software Engineering Methods and Techniques Exist
- Management Processes Are in Place to Control Cost, Scheduling and Functionality



# CMM – Level 3 Defined

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- The Process For Software Management and Engineering Is Documented, Standardized, and Integrated Into a Standard Software Process.
- ALL Projects Utilize the Organization's Standard Software Process for Development AND Maintenance



# CMM – Level 4 Managed

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- Detailed Measures of Software Process and Quality Are Collected
- The Software Process Can Be Quantitatively Described



# CMM – Level 5 Optimized

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- Continuous Process Improvement Has Been Implemented



# Gartner Prediction

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“Organizations using rigorous gating criteria to move projects from the requirements-gathering phase to the development phase will save more than 80 percent in wasted development costs on single-project cancellations and more than 25 percent in total organizational costs for canceled projects”



# Where We Are Today

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- According To a Survey By ISFMA Project Management is the Ninth Most Important Reason for Chargeback Related Information
- For CMM Compliance Knowing the “State of The Project” is the Most Important Function of IT Finance



# Why Do You Care?

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- Finance **HAS** a Role in CMM
- Estimation Process Should Be Ongoing
- Actual Cost Information **MUST** be Captured on a Timely Basis



# Improvement Process

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- Earned Value Analysis
- Continuous Estimates
- Post Project Audits



# Earned Value Analysis

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- Can Vary Sharply When Compared To Actual vs. Estimate
- To Calculate Earned Value You Must Know:
  - Original Estimate (Hours and Dollars)
  - Actuals to Date (Hours and Dollars)
  - Estimate to Complete (Hours and Dollars)



# Earned Value Example

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- Project Estimated at \$14 Million
- According to Project Manager Project was "On Budget" (Spending at rate of \$500,000 per month)
- Actual Spent \$6 Million
- Percent Complete 10%
- Result Project Killed



# Continuous Estimates

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- Estimate Should Be Prepared on a Regular Basis – **NOT** Just at the Beginning of a Project
- Any Request for Scope Change Should Require a New Estimate
- Consider Differences Between Employee and Project Manager Estimates



# Post Project Audits

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- Project Plans Must Be Compared to Actuals
- Missed Deliverables Must Be Identified
- Quality Must Be Evaluated



# Learn From Your Mistakes

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- Need to Track Improvement (or Lack Thereof) Over Time
- Most Successful Organizations Tie Improvement to Performance Reviews



# Reasons Your Associates Will Say You Do Not Need CMM

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- “Process Is Bureaucracy”
- “This Is Going to Stifle My Creativity”
- “Process Is Impractical in This Job”
- “We Could Never Implement That Here...”
- “We Have No Idea What the Customer Really Wants”



Thank you

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