

# PROFESSIONAL DEVELOPMENT DAY

## *Swindlers, con-artists, and Project Managers*

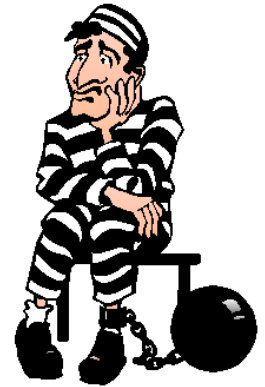


### Four characteristics of any investment

1. The **asset**, which will provide some future benefit to the owner
2. The **price** of the asset
3. The **return** – the future benefit to be gained from the asset
4. **Risk** – the uncertainty regarding the timing and amount of the return

### The project, as an investment

- |                |   |
|----------------|---|
| 1. Asset       | Project scope – the product of the project                    |
| 2. Asset price | Project cost – what you will pay to produce the asset         |
| 3. Return      | The benefit to be derived from the product of the project     |
| 4. Risk        | The uncertainty regarding the timing and amount of the return |



Financial investment characteristics are described in a **prospectus**. Project investment characteristics are described in the **business case**. The business case should periodically be revised at checkpoints that align with project phases and the organization's fiscal planning cycle.

Portfolio management is about balancing risk and return in a context of constrained resources in order to meet investor objectives.

$$ROI = \frac{RETURN}{ASSET PRICE}$$

Project investments face normal investment risk, but ROI is also affected by **project risk**, that is, by the uncertainty regarding project scope, schedule, and cost.

### The effect of project risk on ROI

1. **Schedule** delays cause the return to start later and be of shorter duration, which reduces the ROI
2. **Scope** reductions diminish the value of the return, which reduces the ROI
3. **Cost** overruns increase asset price, which reduces the ROI

Every pressure on your project in terms of scope, schedule and cost has the effect of reducing ROI.

At whatever stage the project is in, the best thing you can do to help the portfolio manager make good decisions is to provide the best possible projections for scope, schedule, and cost because these bear so heavily on ROI.

Good projections for schedule and cost depend entirely on a precise understanding of scope. You can't say how long *it* will take, and how much *it* will cost if you can't first say what *it* is! And you can't say what *it* is until you can say what *it* is supposed to be. And that is articulated in the requirements.

You are the bridge between requirements and ROI, the link between the business analyst and the portfolio manager.