

## PM WORLD TODAY – PM ADVISORY – JANUARY 2010

### How to be Ready for the Recovery!

**By Curt Finch**  
*CEO of Journyx, Inc.*

CNN recently published an article about the aftermath of the recession, claiming that the economy is “finally back in gear.” What does this mean for businesses like yours? Projects that were sidelined for the past year or two could come off the bench, and there might be more money to go around. Great news, right? It depends on how ready you are to make the most of this new opportunity. Are you confident that you will be able to put the right people on these projects and make the right decisions about how to spend this money?

Successful project execution requires quality data on who is available and qualified to do the work, when specific tasks will be completed, and which projects are in danger and why. Without this data, project managers are often scrambling to keep tabs on everything and address problems before it is too late. Here are a few questions you need to ask to be sure that you are getting the data you need and putting it to good use in your organization.

#### **1. Where Are We Profitable?**

Now that money is not as tight as it was last year, how can you be sure that you are investing it in the right projects rather than wasting it on projects that will bring in a minimal ROI? It is easy when you have the right data. Believe it or not, simple project time data can tell you which of your past projects were successful and which were failures, how many people worked on these projects and how much time they spent, and which of your clients are profitable and which ones are not. Without this information in hand, you cannot ensure success.

The only way to understand project profitability is to understand true project cost, which mainly comes from the cost of labor. Tracking time to projects and tasks is therefore an inescapable requirement for measuring ROI. Once you know how much employee time you are investing in a particular client or project, you will be able to determine true ROI with accuracy. (Be sure to add labor rates to the data, since one employee's time is more expensive than that of another.) In order to improve your calculations even further, you can also come up with a process for allocating indirect costs such as rent, electricity, legal fees, etc.

Let's use the example of a company that had 100 projects in progress before the recession hit. They had a budget of \$1 million, but it was cut in half, forcing them to shelve half of their projects. With the recovery, they are given the green light to resume half of the projects that were cut (or a quarter of the overall projects planned before the recession). Which projects do they choose? Someone's 'pet project'? A project that will mean the least amount of stress for the project manager? This can often happen, but will not guarantee success for the company.

Rather, if the team members were tracking their time on these projects before they were postponed, project managers can see right away which projects were on schedule and budget and which ones were not. If the projects had not yet been started, perhaps the project manager could look at past projects that are similar in scope, budget or other factors. Which projects have the best chance of bringing in the right ROI?

If, however, team members were not tracking their time, don't worry – it is never too late to start. After all, it can help you avoid getting into this situation the next time around. Once you understand your company's profitability level on a per-customer and per-project basis, you know exactly where your profits are coming from and will be able to focus resources more effectively. There is no reason to waste time and money on projects that are just not profitable enough.

## ***2. Who is Available to Do the Work?***

Once you decide which projects to schedule, you need to be sure to execute them successfully, which requires, among other things, effective resource management. First, project managers must have constant visibility into resource allocation. Projects cannot succeed unless the right people are available to work on them. Allocation data enables project managers to make informed decisions about who can handle the workload and who cannot, which also helps to prevent worker burnout. Project managers must also be able to search for resources by skill, location and other criteria. Projects require specific types of workers for each task and having insight into not only who is available but what they can offer is crucial.

Remember the company we used in a previous example? Let's say that the project manager has isolated the 25 most profitable projects and is about to schedule them. Before doing so, however, he/she looks at resource availability and realizes that while Project A requires 10 developers, most of them are already allocated to other projects or are out on vacation. In reality, there are only 6 developers available to work on Project A at this time. Can Project A succeed on time and on budget? Of course not. If the project manager had

gone ahead and scheduled Project A without this knowledge, it would have been a complete failure.

### ***3. How Are Our Projects Going?***

As mentioned before, once assigned to a project, team members must track their time by task. This provides hard data that helps project managers to understand costs and estimate future projects with increased accuracy. It also gives them the advantage of identifying problems early on and addressing them in a timely fashion.

Project managers cannot keep projects on track if they do not have key information such as how many hours remain for particular tasks. Also, management is constantly asking project managers to provide status information so that they can make critical strategic decisions. This is extremely important because according to experts, this economic recovery will take time. A recent article from the Wharton School at the University of Pennsylvania notes, "Most financial experts at Wharton and elsewhere insist that the much-talked about recovery is not here yet, despite some of the first hopeful data in months -- and they remain concerned that the recovery will be weaker and take longer to gain momentum than past slowdowns."<sup>i</sup> In other words, things are looking up, but it is still necessary for companies to stay on top of their game and use hard data in calculating the best strategy rather than simple guesswork.

Consider if the company previously mentioned starts to move ahead with the 25 projects. As the project manager tracks Project B, he/she realizes that 15% of the allocated budget has been spent and only 5% of the project work has been completed. Can you imagine if this project manager did not have this data, and only found out later on that the project was over budget? This is just one example of how real time data enables project managers to fix problems before they start.

### ***The Time is Now***

Project failure is expensive and can end in disaster regardless of the economic climate. Just because the recession is over does not mean that we can all take a deep breath and relax. Rather, businesses need to take this opportunity to weed out the unprofitable work and improve project management processes for increased profits and success.

**About the Author:*****Curt Finch****Author*

**Curt Finch** is the CEO of Journyx (<http://pr.journyx.com>), a provider of Web-based software located in Austin, Texas, that tracks time and project accounting solutions to guide customers to per-person, per-project profitability. Journyx has thousands of customers worldwide and is the first and only company to establish Per Person/Per Project Profitability (P5), a proprietary process that enables customers to gather and analyze information to discover profit opportunities. In 1997, Curt created the world's first Internet-based timesheet application - the foundation for the current Journyx product offering. Curt is an avid speaker and author, and recently published the book "All Your Money Won't Another Minute Buy: Valuing Time as a Business Resource". Curt authors a project management blog at [www.project-management-blog.com](http://www.project-management-blog.com), and you can follow him on Twitter at <http://www.twitter.com/clf99>.

---

<sup>i</sup> <http://knowledge.wharton.upenn.edu/article.cfm?articleid=2261>