



Leverage – Why everyone needs it and so few have it



Leverage

The power to influence people and get what you want





Where to start

- Accept that what you are about to hear is:
 - Nothing new
 - Or unique

- BUT

- Change can generate huge benefits
 - Financial
 - Insight
 - Efficiencies

Budgets, Success, Failures and...

- Millions/Billions/Trillions spent on software and IT projects around the World by Governments and commercial organisations
- Any number of reports from organisations such as the NAO detailing how some of those projects have failed
 - Over budget
 - Over schedule
 - Reduced capability
- But what about the successes?
- Is anyone asking the question as to whether the “successful” projects should have actually cost what they cost?



Of course they have!

- We Trust Our Vendors
- BUT
- If you give a builder £1,000,000 to build you house guess how much he's spending!
- And if you are vague on the requirements?
- Then you are probably getting more than you need



← WANT

GET →





“AGILE!”, I hear you cry

- FROM MY EXPERIENCE (both lived and anecdotal)
- Start with a blank cheque and finish when you finish
- OR
- Pay for access to an amount of resource
- Limited or no justification for budget requirements
- Apparent willingness to continue to fund projects beyond their initial budget allocation



Two approaches

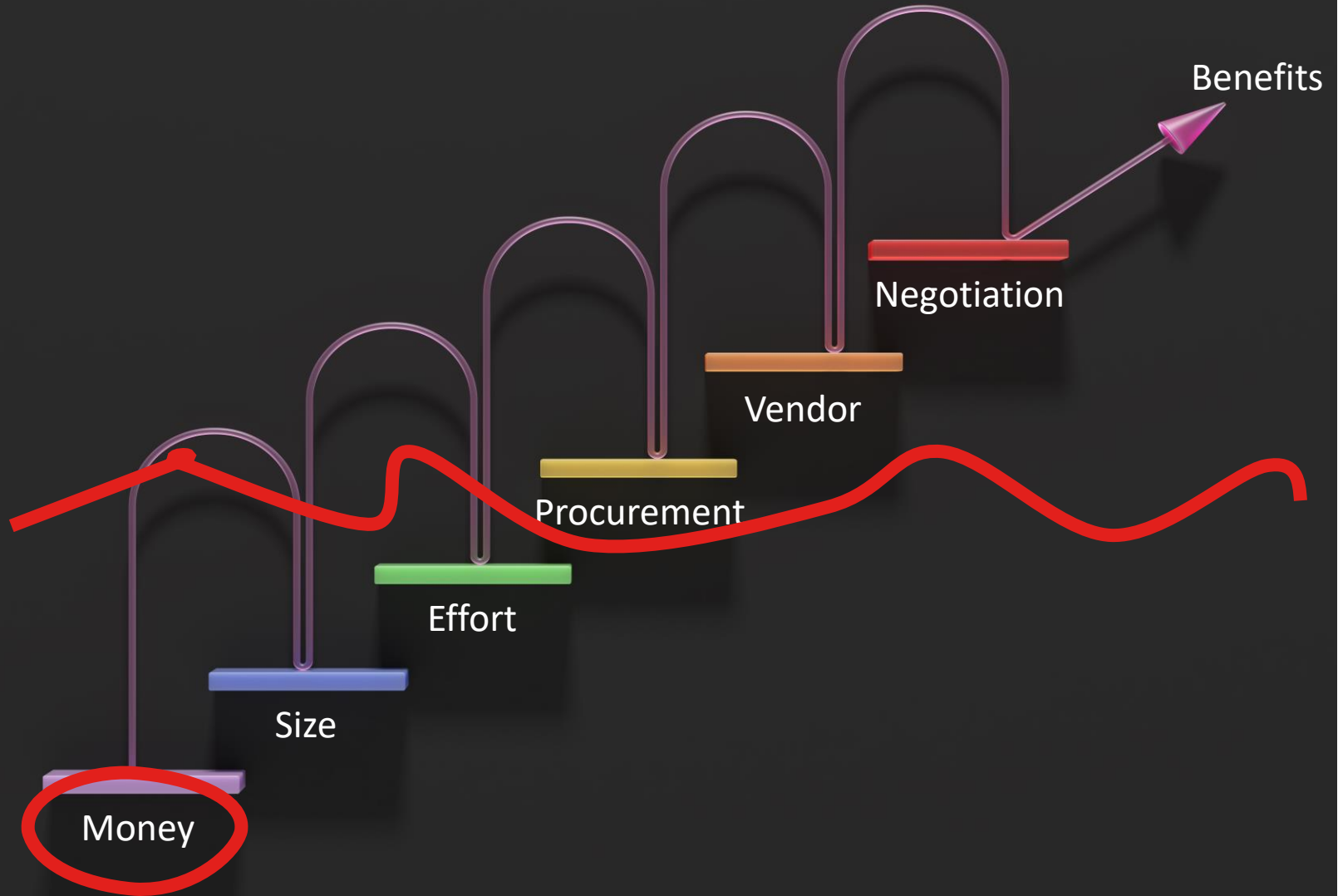
- We Trust Our Vendors
- We Trust Our Approach
- Based on this we, taxpayers and shareholders alike, are spending Millions/Billions/Trillions based primarily on TRUST
- Interesting!

Introducing...

- Should cost analysis
- Manufacturing organisations have been using this technique for decades and have been able to derive significant cost savings from those efforts
- But mention this to procurement executives relating to software or IT projects and you get some very blank looks



The process

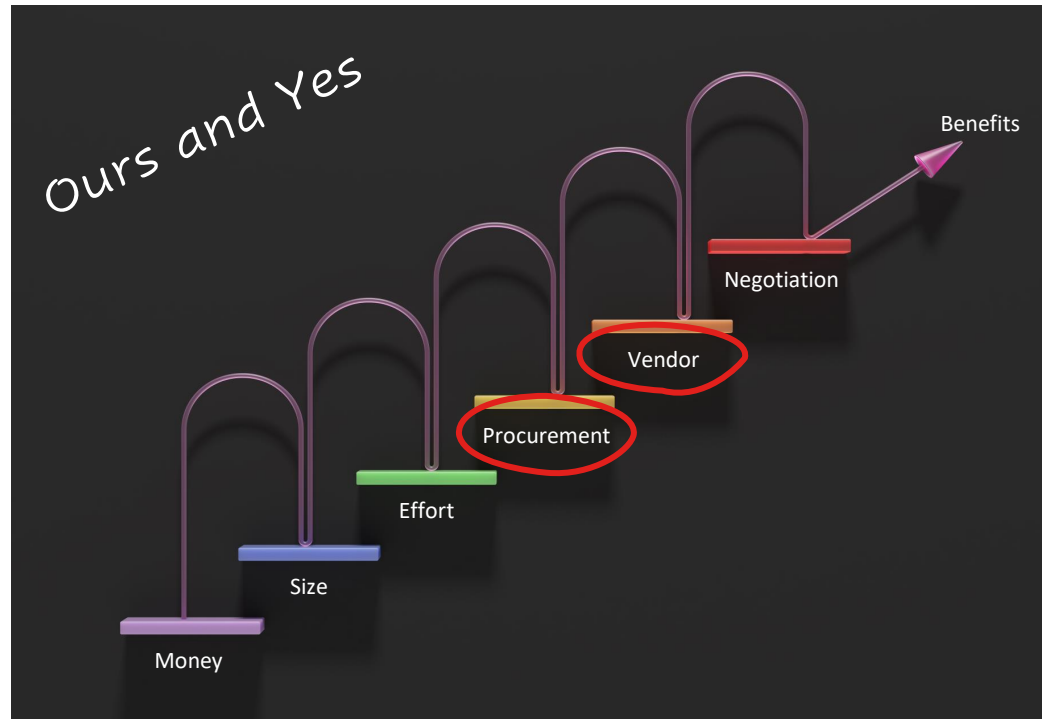


Size and effort estimation

- Yes, they are different!
- Without an indication of size it's very hard to get a robust effort estimate
- Just having a size doesn't mean you have an effort estimate
- Average productivity is a basic measure
 - When was the last time any project was average!
- Benchmarking or Reference Point estimation are a useful start point BUT
 - The underlying assumptions that would be useful for estimation are hidden so what are you actually comparing?
- Commercial estimation tooling is the way forward

Let's talk about money

- For me, these are the big questions
- Depending on the answers the rest of this process either doesn't matter or matter's a great deal
- Who's money is it? And do we care?
- Engage with Procurement
- Engage with the Vendor



Engagement

- Procurement
 - Establish the fact that information from cost engineering/engineering or whoever is responsible for the development of the estimate is to be used directly as part of the procurement process
 - Establish a framework for how vendor responses should be delivered
 - Make sure the vendor knows about this AND what happens with non-compliance
 - Be transparent
- Vendor
 - Respond as requested



= Success

Negotiation

- Be transparent

- Expose what you are basing your negotiating position on

- Focus on effort

- Focus on the big differences

- All this sounds very simple and straight forward.

- And it should be...
 - It's what manufacturing have been doing for years.
 - It's probably what procurement do anyway but without the data behind their position

So, what's the trick?

- Putting all this together
- Most organisations have some pieces in place but only a few, to my knowledge, have the whole puzzle
- The beauty is that this is domain agnostic



And what's the point?

- Financial
 - Leverage in contract negotiations leading to potential cost savings
 - 10% to 45% savings on the cost of the project
 - If you assume savings are the difference between vendor proposal and agreed contract value

- Efficiency
 - Reduction in time to develop the estimate
 - Turn round time in the negotiation phase
 - 30% to 75% reduction in the time taken from the start to the end of negotiations

- Insight
 - Continuous improvement
 - Requirements definition



Estimate with Confidence.

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