

Completing Projects Faster at a **LOWER** Cost

Avoid the typical scenarios that unnecessarily increase project costs.

Gary C. Hinkle - President, Auxilium, Inc.

When businesses have plenty of cash and clearly see the ROI of completing projects more quickly, it's easy to throw money at certain projects. During a recession this is a tougher decision because funds are more limited and business leaders must spend more cautiously.

Wouldn't it be nice to get projects completed faster and at a lower cost? This might seem far-fetched but the reality is that most organizations have the potential to achieve faster cycle times while reducing their spending on projects.

This was discovered by Preston Smith and Don Reinertsen during the research for their book *Developing Products in Half the Time, New Rules, New Tools*. The situation gets worse for many companies during a recession because spending cuts often hinder productivity and increase project cycle times.

Figure 1 shows the relationship between spending and cycle time. The curve represents the lowest possible cost to achieve specific project completion time. On the far right is the worst possible circumstance – very slow completion time and very high cost. The curve assumes that a team is actively working and that the costs continue to accumulate until the project is completed.

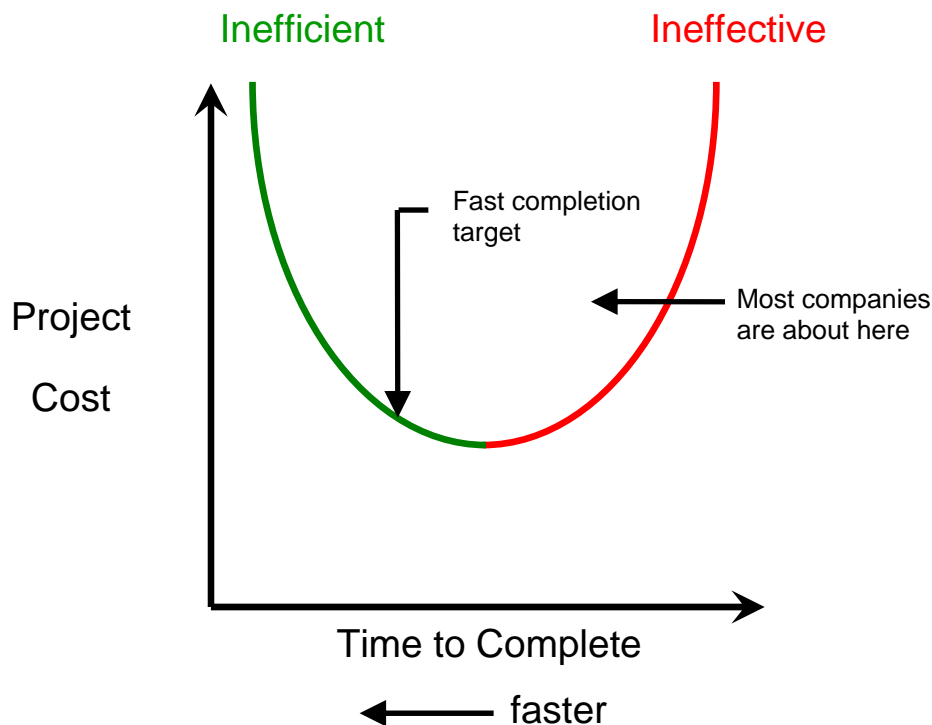


Figure 1 – Opportunity to Improve Cycles Times while Reducing Costs

As we move toward the left on the curve, cycle time is reduced along with spending. Most companies are somewhere on the right side of the graph, above the curve, with opportunity to improve cycle time while reducing cost.

To achieve the fastest cycle times, efficiencies must be given up – which is desirable when the ROI is favorable. Unfortunately, it's easy to spend much more than is necessary to achieve fast cycle times. When funds are available to speed up a project, usually this means hiring more people, perhaps getting better tools, investing in training, etc. Figure 2 shows the typical path when funds are available for accelerating projects.

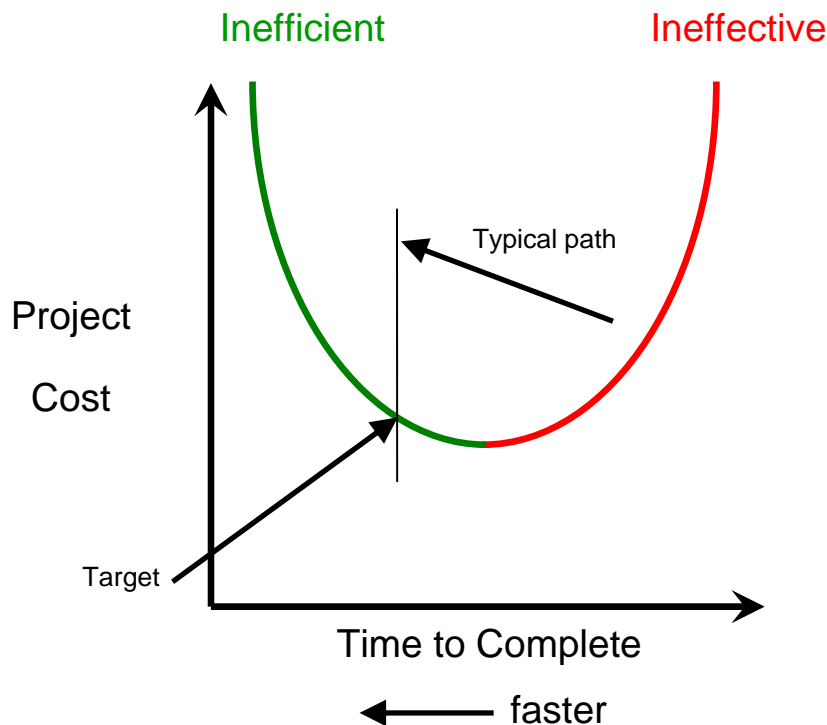


Figure 2 – Typical Results when Project Funding Increases

Clearly, the target on the curve is more profitable than the point way above the curve, so why isn't this the typical path? Because *only a small percentage of managers know how to achieve the ideal results.*

When cost-cutting actions in a company impact a project, the situation often looks like Figure 3. Cycle time is increased and spending also increases because people are allocated to the project longer, low morale impacts productivity, people are juggling more work (a major productivity killer!), the team doesn't have the resources they need, etc.

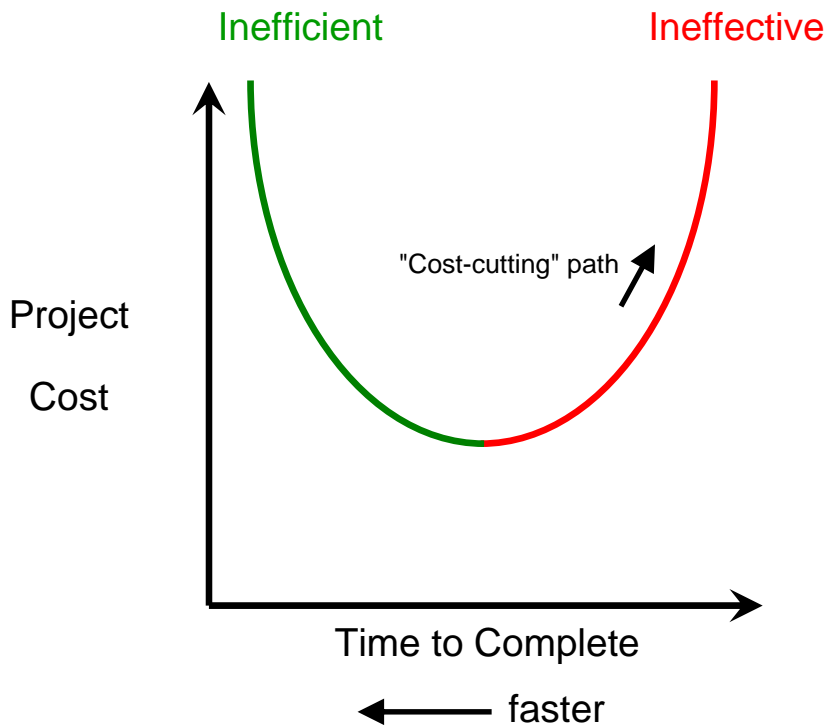


Figure 3 – Cost-Reduction Actions can Increase Project Costs

The best possible results are achieved by eliminating wasteful activities and implementing rapid development methodology. Outcomes must first be defined in terms of measurable financial gains and the ideal target for completion time. Is the objective to reduce the cycle time with reduced spending, the same level of spending, or slightly increased spending? How far to the left of the curve makes sense for your project?

Other questions must also be answered:

- What is the cost of delay?
- What are the bottlenecks that affect cycle time?
- What deficiencies in the development process impact cycle time and cost?
- Are you using the best lifecycle model to achieve rapid completion time?
- Who is actively ensuring maximum efficiency for the given cycle time goals?
- Do your risk management practices enable your team to achieve best-case results?

If these are not easy questions to answer and resolve, investing in the assessment and solutions for both short-term and long-term results is well worth the money. *This is a much better approach than the typical outcomes shown in Figures 2 and 3.*