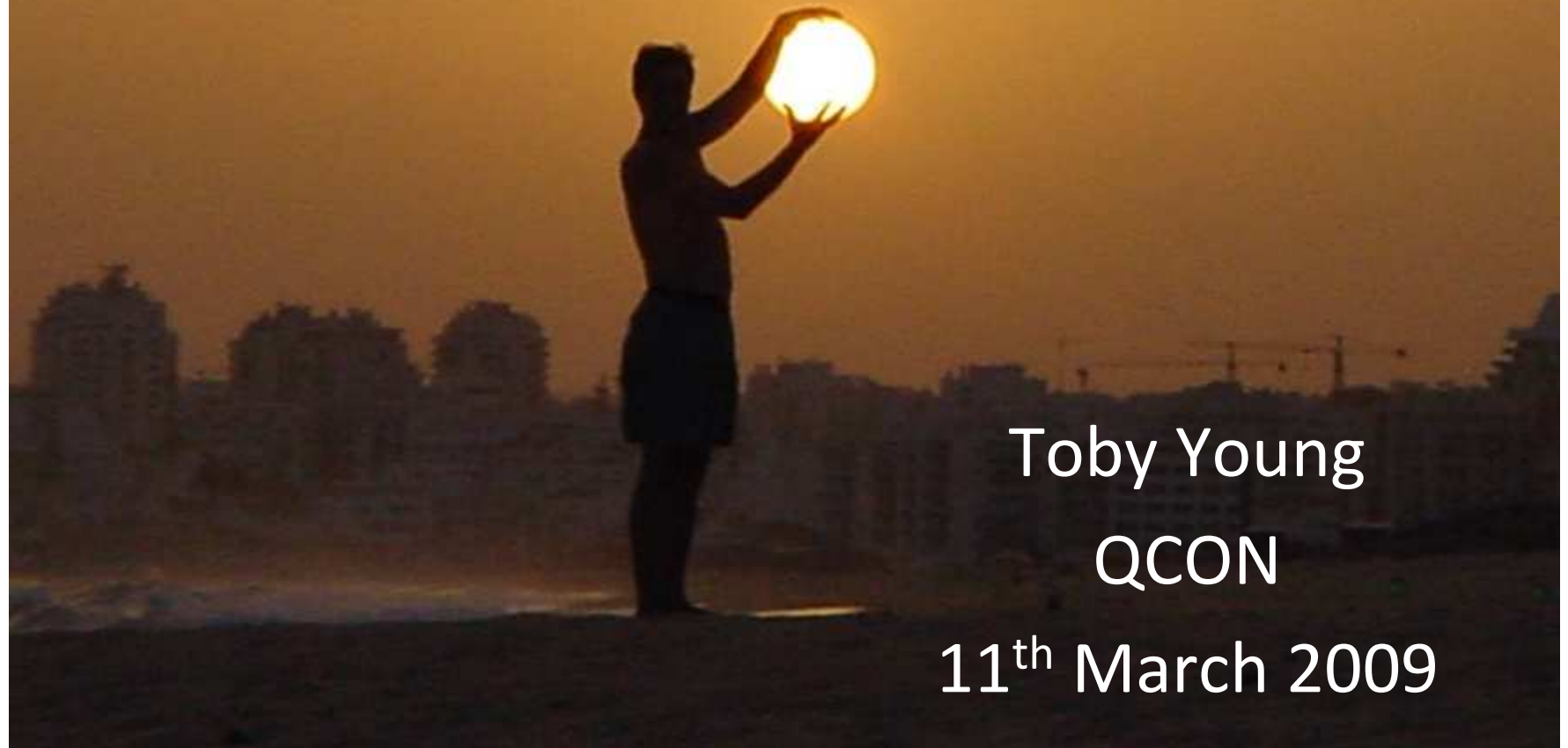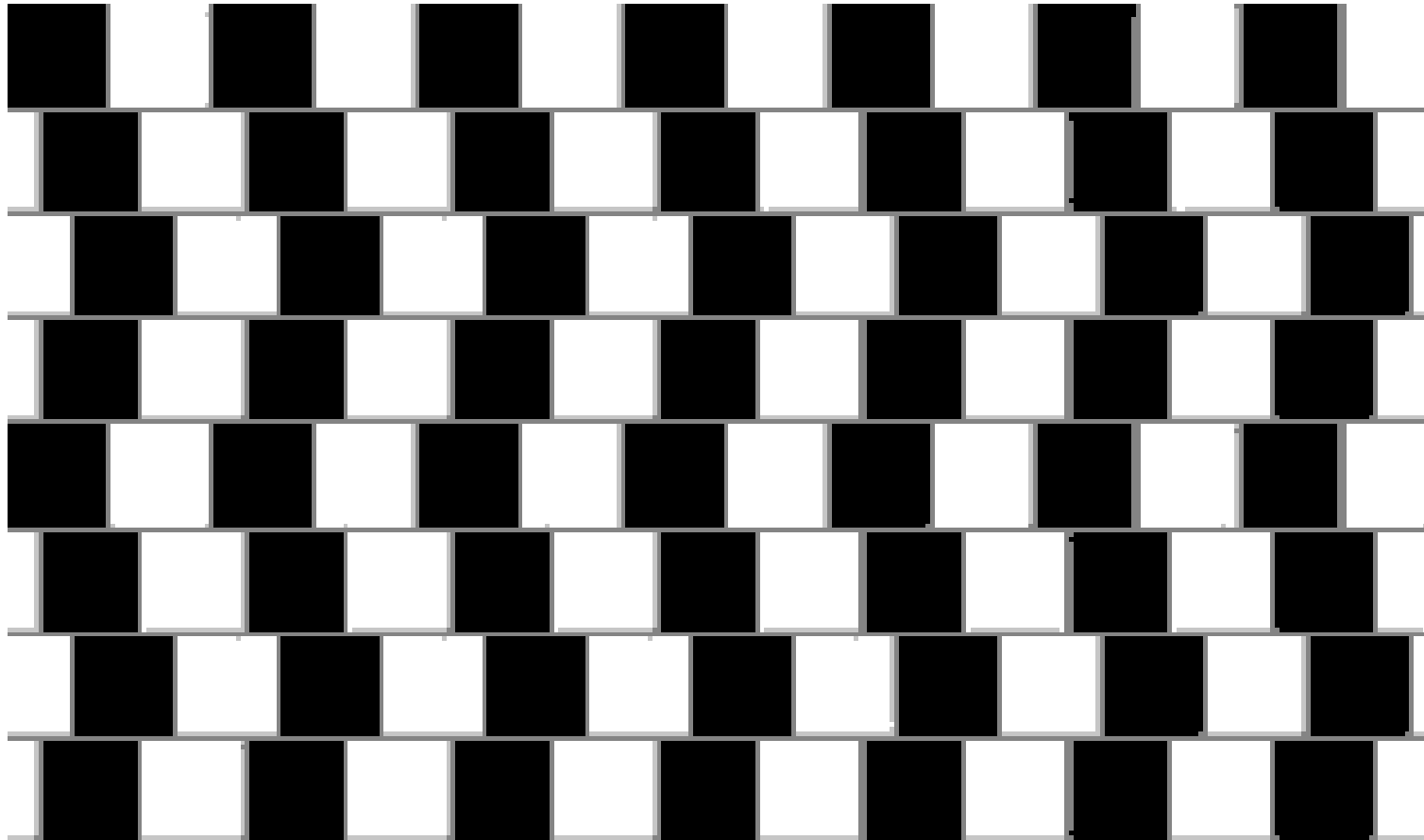# A Perception Index
(And its square peg adaptor)

Toby Young

QCON

11th March 2009

A Perception What?

- A lean method to prioritise IT projects and investments across multiple areas in a business.

- Prioritise using 'Perceived business value' as the key driver.

We need to measure value…

- Should we invest in this project?

- How does this opportunity compare with others that are competing for limited resources?

- After the project is complete, did we get what we expected?

ROI , IRR, NPV are...

- Lots of work
- Can be pretty complex
- Based on a Plan
- Assumptions
- Set in Stone!

Typical Results

- Go Forth
- Go Back
- Go Away
- Just Go

Where's the Value?

- Too Far
- Too Random
- Too Long
- Too Unpredictable

- Are we measuring the right thing?

Perception

- Gut feeling, Intuition, Faith

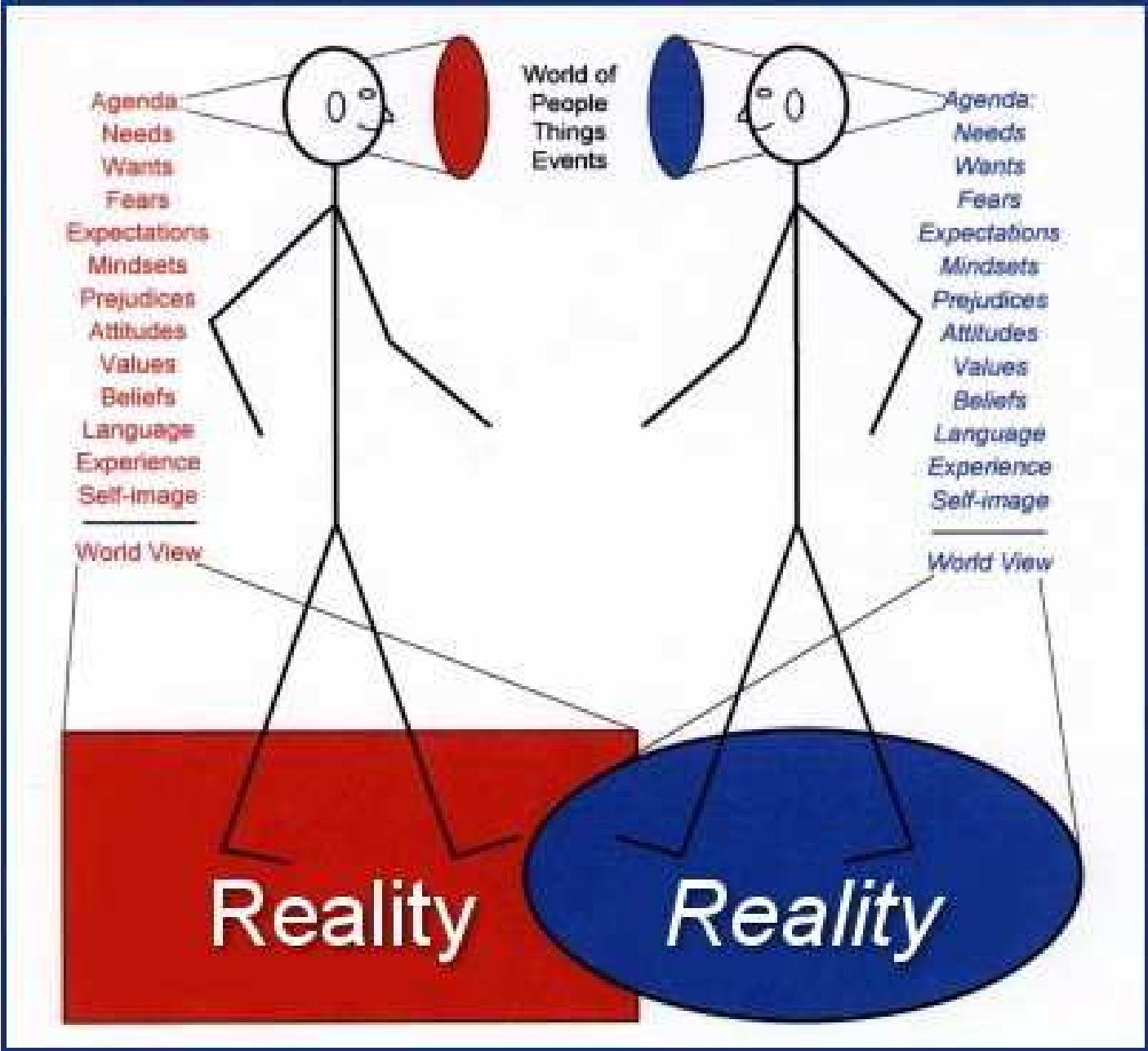 Doremus Communications and The Economist Group 2006

- 50% of CEOs, CFOs and CIOs said they "regularly spend money on projects they believe in whether an ROI case exists or not."

- 44% do not require an ROI analysis if they strongly believe in the project, using "faith in their own intuition" as the standard.

What Drives Perception of Value?

- Every Business is Different
- Time changes everything
- Stake holders have different perceptions

Old Indian saying…

"When a pickpocket meets a saint, all he sees are pockets"

Agenda:
Needs
Wants
Fears
Expectations
Mindsets
Prejudices
Attitudes
Values
Beliefs
Language
Experience
Self-image

World View

World of
People
Things
Events

Agenda:
Needs
Wants
Fears
Expectations
Mindsets
Prejudices
Attitudes
Values
Beliefs
Language
Experience
Self-image

World View

Reality

Reality

10

YELLOW BLUE ORANGE
BLACK RED GREEN
PURPLE YELLOW RED
ORANGE GREEN BLACK
BLUE RED PURPLE GREEN
BLUE ORANGE

Perception Index

- "A Maverick Approach to the Business Value of IT" Audrey L. Apfel, Gartner Report, (29 April 2008)
- "Fact or Fiction? A Sensemaking Perspective on the Reality Behind Executives' Perceptions of IT Business Value" by Paul P. Tallon and Kenneth L. Kraemer (2006).

Building A Perception Index

- Create a set of key value drivers
- Score and weight these drivers
- Identify the projects to prioritise
- Rate each project against the drivers
- Normalise with 'Size' to create an 'Index'
- Organise and Publish the Index

KT decision process

K.T. (Kepner-Tregoe) Decision Analysis				
Objectives		**Option 1**	**Option 2**	**Option n**
Musts:				
a)		yes	yes	
b)		yes	yes	
c)		yes	yes	
Wants:	**Weighting**	**Rating**	**Rating**	**Rating**
a)	10	3	1	
b)	20	5	4	
c)	10	6	5	
d)	30	7	3	
e)	15	3	10	
f)	10	4	7	
g)	5	1	3	
SUM Product:		490	465	

Know the Business

- Mission statement
- Business Goals
- Success Criteria
- Stake holders
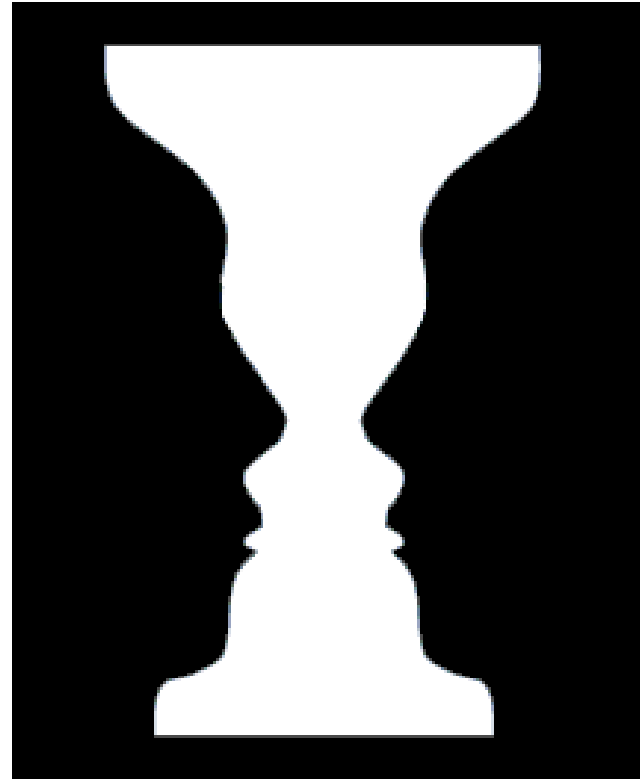
Key Value Drivers

- Business opportunity
- Process improvement
- Risk mitigation

Scoring

- Make Scoring Specific and Repeatable
- Make it Real
- Get Consensus

Revenue	
1	1M
2	5M
3	10M
...	
10	>100M

Partner Acquisition	
1	10%
2	20%
3	50%
...	
10	500%

New Customers	
1	1k
2	2k
3	3k
...	
10	>10k

Execution Latency	
1	10ms
2	8ms
3	4ms
...	
10	<1ms

Weighting

- Weight the Value Drivers
- Weighting is for NOW
- Get Consensus
- Play a Weighting Game

Driver	Weight
Business Opportunity	50
Process Improvement	30
Risk mitigation	20

Where are all those Project?

- Scope
- Level

- Top Down
- Bottom Up

- Overloaded?
 Cluster…Platform or Business Process

Top Down

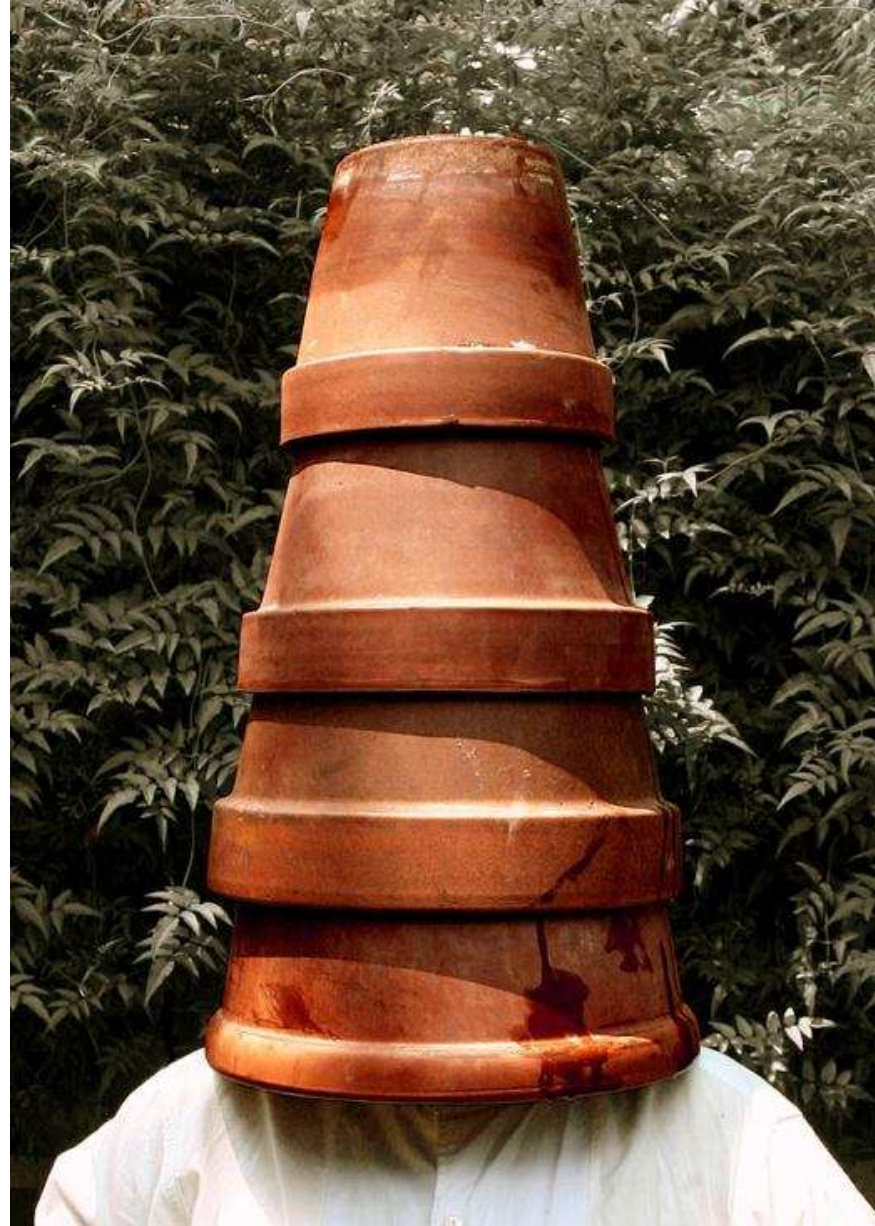- Stake holders
- Identify the 'Alpha' individuals

- Points of Pain
- Areas of Growth

Working out what people perceive

- Open Questions
- Stupid Questions
- Negative Questions
- Assume Nothing
- Ask the Questions Again
- Why?
- I don't Know, what I don't Know
- Listen, Confirm

Bottom Up

Technical Integrity

Tolerate | Invest

Eliminate | Migrate

Business Value
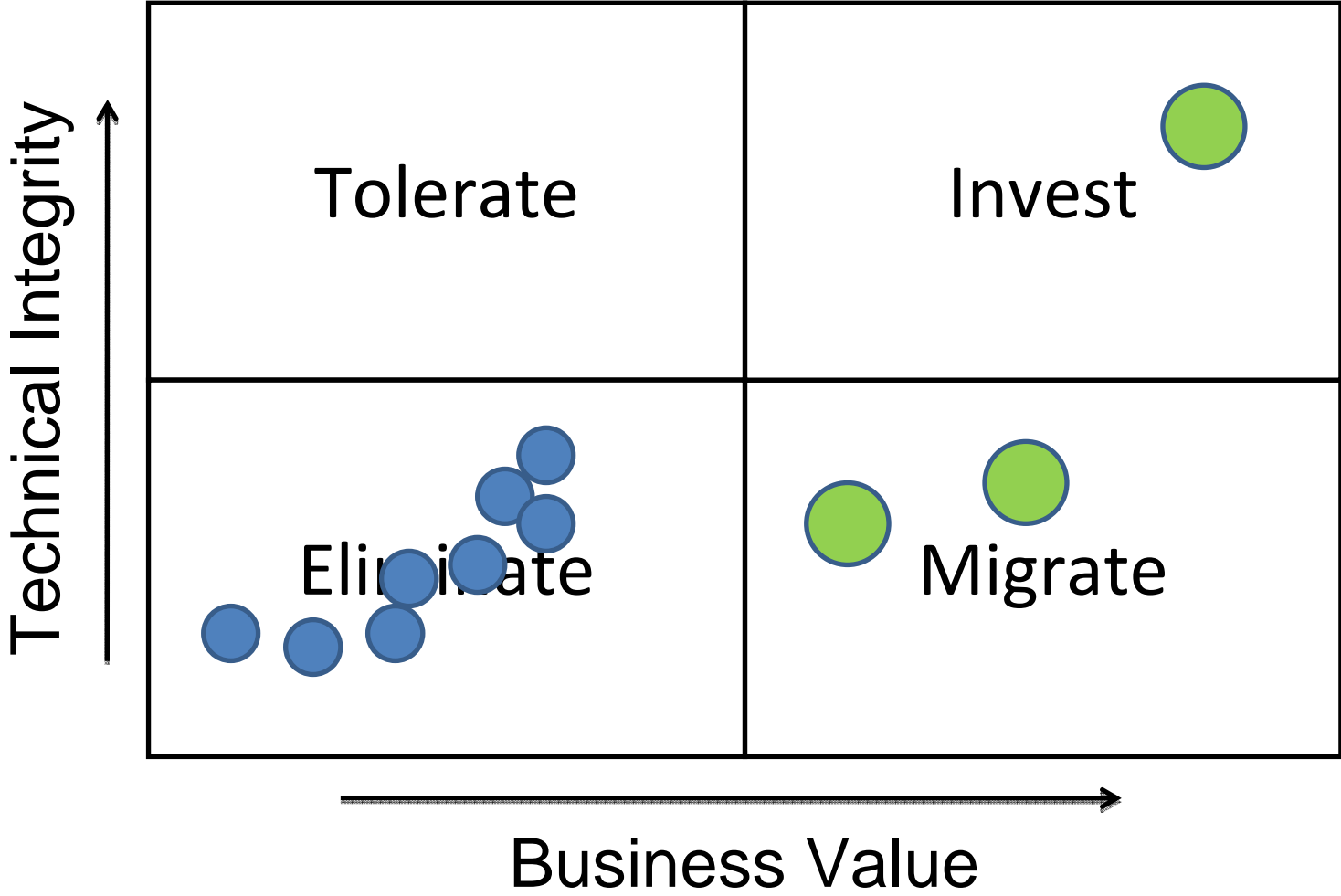
Cost Up, Agility Down

- Very important to establish what not to do

- *92% of cost on operations and upgrading, only 8% on new stuff.*

- "I'm not going to rearrange the furniture on the deck of the Titanic."
  The Oxford Dictionary of Quotations (5th Ed. 1999), page 533, Washington Post, 16 May 1976, by Rogers Morton, American public relations officer

- NB…don't Capex development!

Conceptualise

- Current state of business that is driving the need for the initiative
- Majors problems or needs set which should be addressed
- A definition of what success will look like
- Specific identification of what the delivered value or benefits will be
- Potential operational impact and which areas will be touched by the change
- Potential obstacles or risks that might threaten completion or success

Score Card

Perception Index Score Card		
Project A		
Value Perspective	**Weightings**	**Rate**
Business Opportunity	50	3
Process Improvement	20	5
Risk Mitigation	30	6
Total Score		430
Size		130
Index (=Score/Size)		**3.3**

Sizing

- Include all parties
- Have a Planning Game
- T Shirt Sizes, Fibonacci, KT set, cost unit
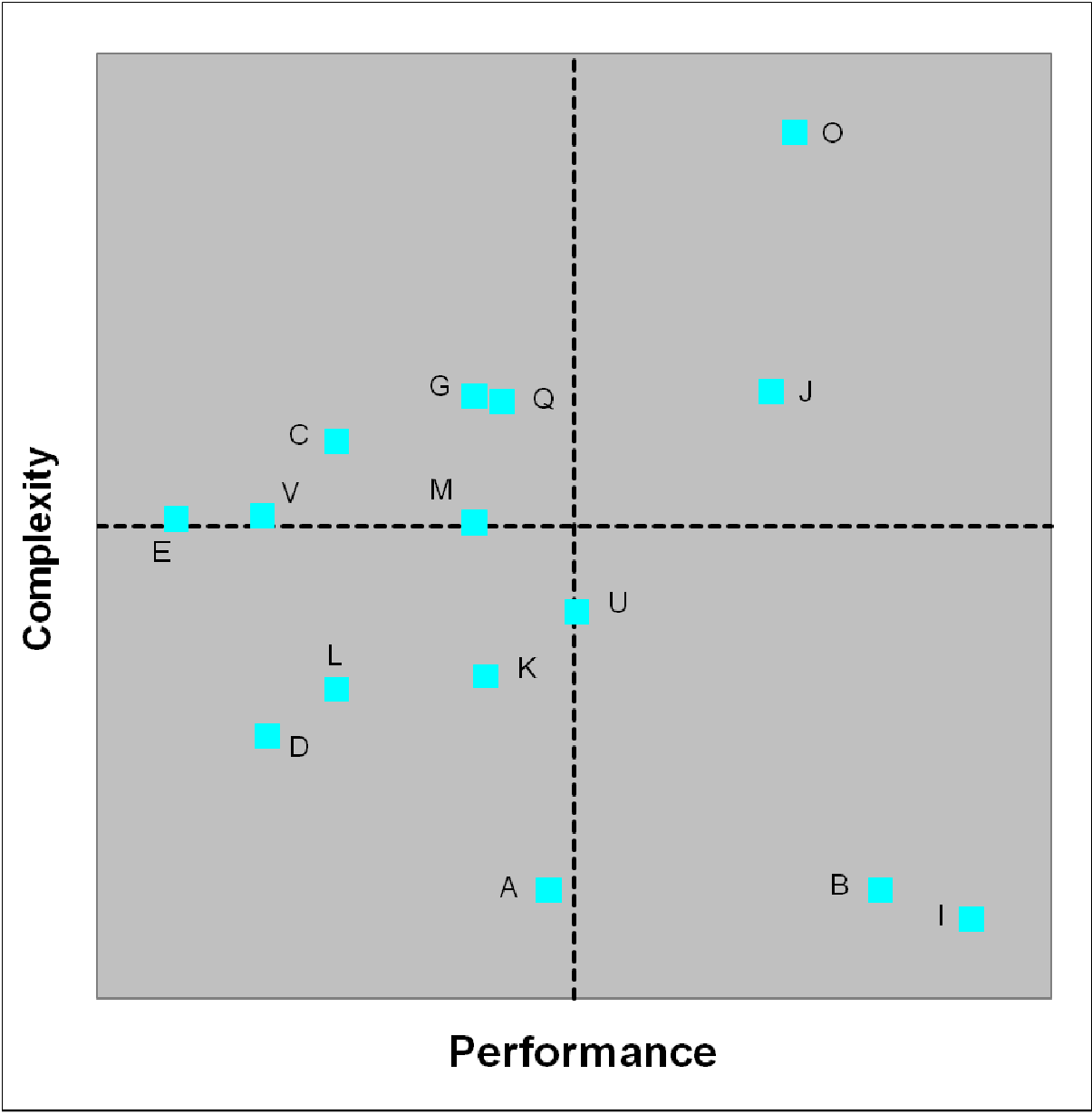- Be consistent

Sizing Example

Complexity

- Instrument Types
- Price Tracking
- Trading Rules
- Credit
- Publishing
- API provision
- Analytics
- Settlement
- Invoicing
- STP
- Logging

Performance

- # Instruments
- # Orders
- # Users
- Distribution
- Latency SLA
- Execution SLA

Complexity (vertical axis label)

Performance (horizontal axis label)

Data points: O, G, Q, J, C, V, E, M, U, L, K, D, A, B, I

Score Card

Perception Index					
		Projects			
Value Perspective	Wgt	A	B	C	D
Business Opportunity	50	3	5	5	8
Process Improvement	20	3	5	3	1
Risk Mitigation	30	1	2	1	4
Total		240	410	340	540
Size		130	100	45	250
Index		**1.8**	**4.1**	**7.6**	**2.2**

What's in the results

- Visualise
- Areas, Clusters
- Pareto
- Balance between tactical and strategic
- Constraints and dependences
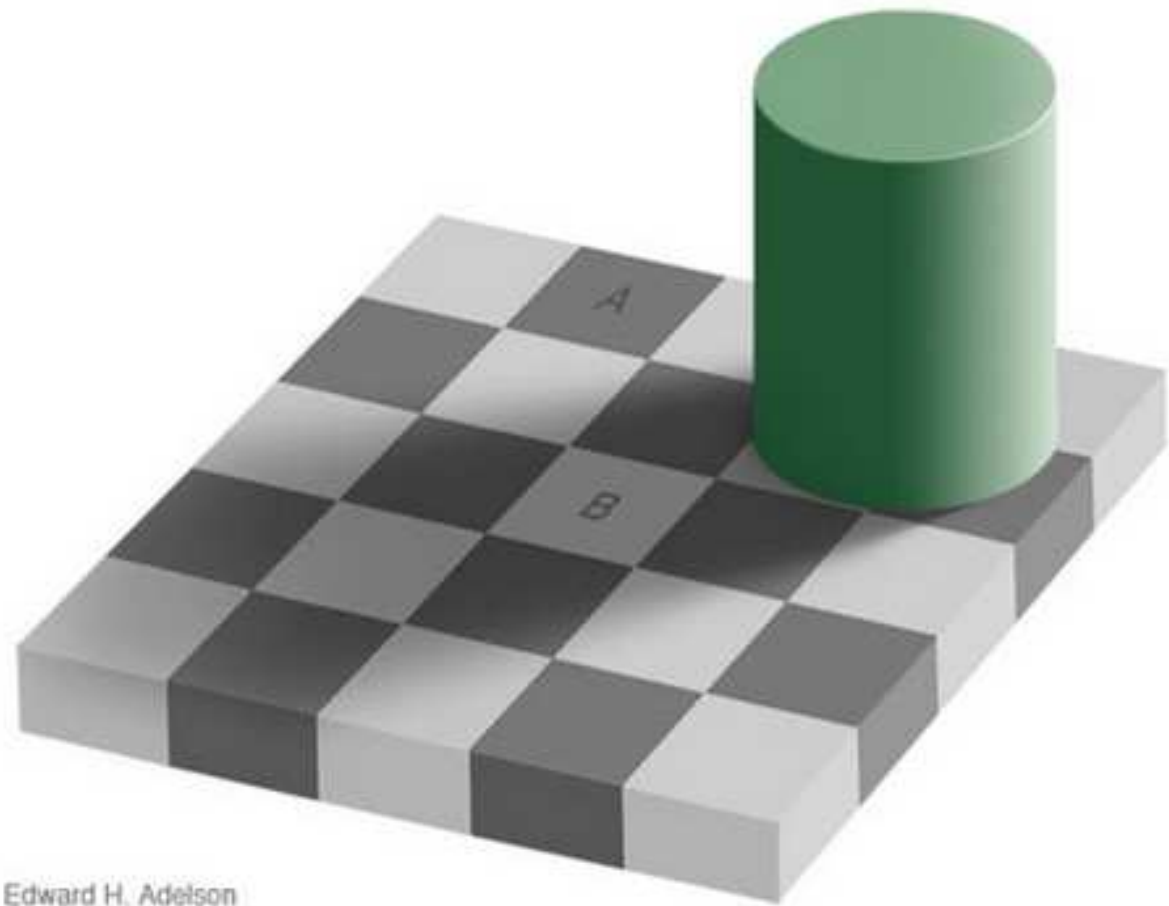
Make it Transparent
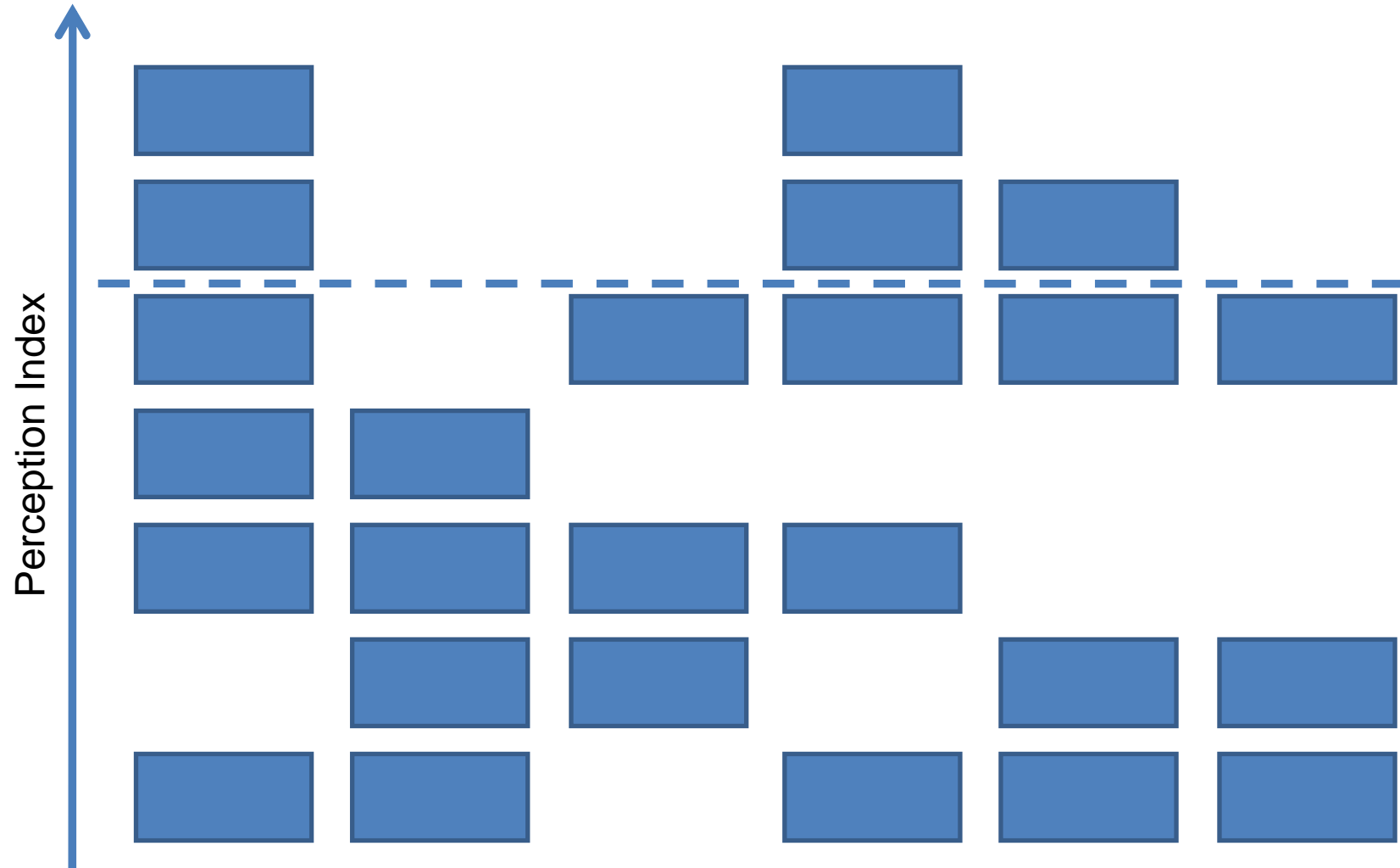
Life Cycle of Perception

- Review the weightings
- Review the driver scoring/project rating
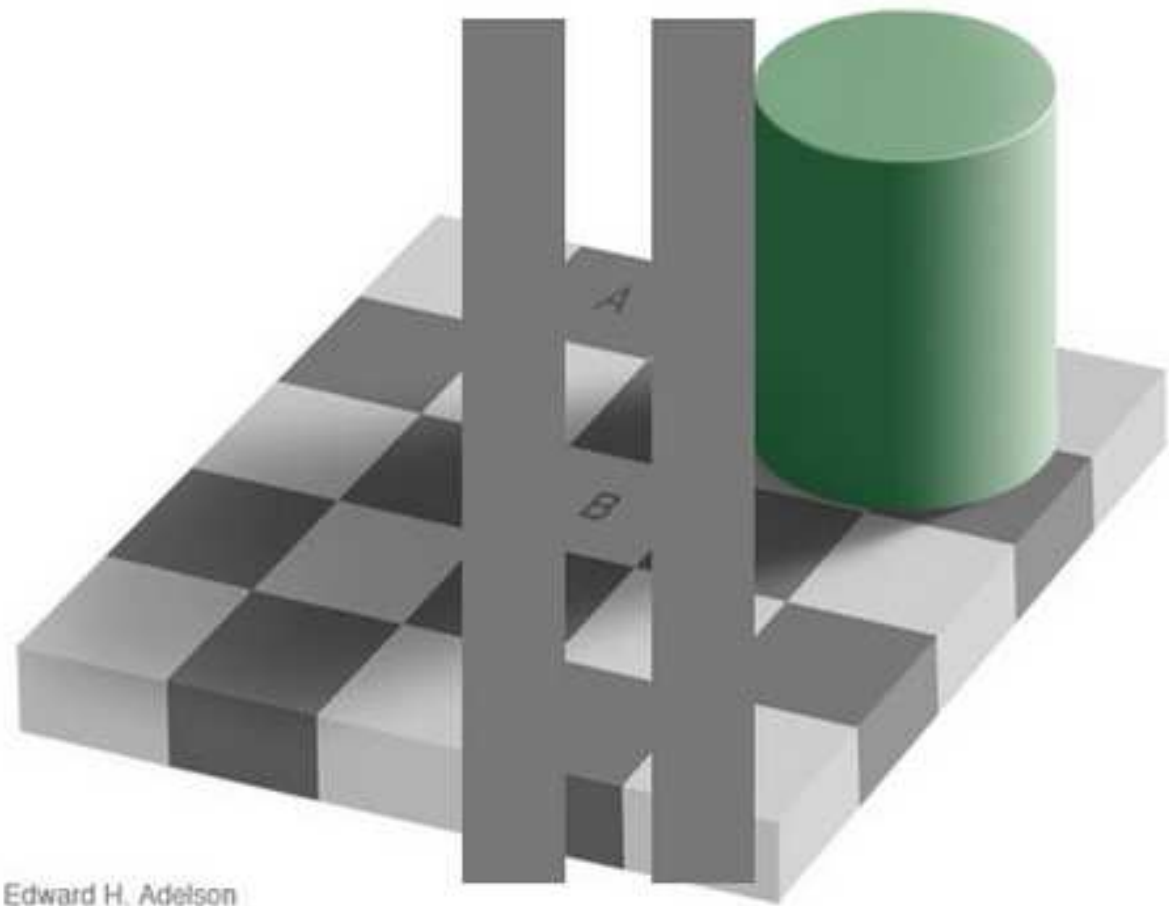- Review the sizing
- Review the business value drivers

- Track Perceived Value Delivered
- Retrospective to re-rate

Track

- Planning
- Tracking
- Retrospective
- Track Costs
- Track Revenue Delivered
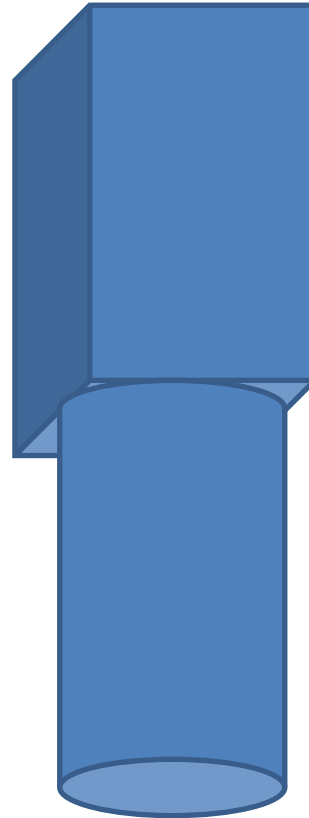- Track Perceived Value Delivered

Edward H. Adelson

Edward H. Adelson

Square Peg Adaptor

- Perception Index

- Strict Financial Management

Square Peg Adaptor

- Add the Perception Index to current 'Project Proposal' Type documentation

- Do more work to Size the top projects

- Understand specific points of Cost Saving or Revenue Creation, as part of the success criteria.

- At Worst...do the ROI for the key Projects

Traditional Budget and Build

- Cost it
- Budget for it
- Build it (hopefully within cost)
- Test it (if you have time)
- Figure out what 'it' actually is now and whether its any use.

Agile Budgeting

- Budget for a time-box
- List lots of useful features
- Pick the most [business] rewarding and [technically] riskiest features that will fit in the time-box
- Deliver what you can in the time-box
- Test if the business objectives have been reached
- If they have stop
- Perception Index says carry on?...repeat from the start

Summary

A Perception Index is...

- A stake holder owned set of business value drivers scored and weighted by their current importance.

- A set of projects rated against these drivers and normalised by size to create an index.

- Made available to all to visualise and prioritise the work that will add the most business value

...and may be a little more than that...

Q & A