P&PM Dispatch: Metrics that Matter and Metrics that Don’t

by Reinier Stomp and Preston Schaub

As we highlighted in one of our earlier posts, effective pipeline and portfolio management is about visibility and actionable information. Although it may sound simple, providing decision makers with actionable information from numerous projects across an entire project portfolio can be daunting. In fact, it’s nearly impossible without accurately tracking the right metrics on a day-to-day operational project level.

Project metrics are the key drivers behind accurate portfolio information. For instance, a proper risk vs. reward analysis of the project portfolio requires visibility into a number of metrics, including various risk indicators and potential revenue calculations. Not only do these metrics need to be defined, they also need to be tracked for each individual project. This in itself presents a challenge; set up too many metrics and collection requirements and you may end up overwhelming the organization and limiting the potential.

The key is to start small. For instance, what point is there in tracking each project’s estimated market size down to the second decimal point in an early project stage when the market has not been defined? Instead, at this stage it makes more sense to track a consistent score across aspects such as technical feasibility and development efforts needed.

During the later development stages, this easy-to-track information will no longer be sufficient. To justify larger development budgets, decision makers need more precise and accurate information. For example, when evaluating potential revenue streams as a project launch approaches, absolute revenue numbers should be corrected for cannibalization on the current product. You might even want to analyze how interest rates and currency changes affect the projects potential revenues.

The exact level of detail for tracking metrics depends on the type of project and varies by industry. When implementing a portfolio and pipeline management (PPM) system or deciding which metrics to track, three questions need to be answered:

1. Which metrics do we need to track to make gate decisions?
2. Which metrics do we need to create our portfolio views?
3. What number of metrics can we define without stalling our organizations innovation efforts?

What’s your view? How many metrics do you track on a day-to-day basis?

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