

Financial Management

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Pressure to reduce or maintain budgets is driving sharper scrutiny of discretionary spending, and increases the importance of effectively identifying and delivering project portfolios that best align with an organization's business strategy and that maximize return on investment (ROI). This additional scrutiny reinforces the importance of adopting best-practice financial management processes to improve cost and benefit estimating, and effectively tracking cost performance to ensure that each project is delivered within budget and that the portfolio realizes the forecasted benefits. In addition, providing project accounting views can be a challenge when financial data is spread across multiple line-of-business (LOB) systems.

Key challenges that organizations face when trying to improve their financial management processes include the following:

- **Standardizing cost and benefit estimates.** Accurately capturing realistic cost and benefit estimates for projects early in their life cycle helps executives effectively select portfolios that maximize ROI under varying budget constraints. Cost and benefit estimates are a key variable used in portfolio selection and also are used to measure financial performance during project execution.
- **Project accounting and change management.** Projects selected to be included in the portfolio need to provide accurate cost accounting throughout the entire project life cycle. Changes in scope or in execution of the project will have an effect on the overall project cost and related benefits when the project is completed.
- **Financial visibility and insights.** Executives need reports and views that allow them to assess financial performance across the project life cycle. Effective analysis of financial data for projects or the entire portfolio requires a powerful, flexible, and easy-to-use reporting system.
- **Integration with LOB systems.** Organizations need to be able to quickly and easily obtain accurate financial data from appropriate LOB systems. Whether that information is payroll or expense data from an accounting system, planning data from a business case, or actual project costs, the ability to integrate the data into one view for management and oversight is critical to ensuring that accurate financial information is available when needed.

The Microsoft® Enterprise Project Management (EPM) Solution helps organizations meet these challenges by providing comprehensive financial management capabilities throughout the life cycle of a project, from capturing cost and benefit estimates in a business case, through effectively tracking costs during project execution. Microsoft® Project Server 2010 is flexible and extensible, which helps to ensure that the toolset can be configured to meet an organization's specific needs. Project management offices (PMOs) can use custom fields to standardize the collection of cost data or take advantage of Excel 2010 Web App or Microsoft InfoPath® Forms Services to embed powerful financial estimate Web parts within the Project Server 2010 business case infrastructure. Budget and cost resources help managers effectively track project financials and manage change throughout the project life cycle.

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The Project Server 2010 comprehensive application programming interface (API), Project Server Interface (PSI), ensures that organizations can effectively integrate with financial systems to consolidate data and drive project accounting views and reports. Organizations can also take advantage of Project partner add-in products that further extend the Project Server 2010 financial management capabilities.

The powerful reporting infrastructure in Project Server 2010 gives PMOs the flexibility they need to easily create project-level reports and quickly configure dashboards to provide executives with manageable views that communicate the complete financial picture. The best-in-class portfolio selection analytics included in Project Server 2010 provide executives with decision-support tools, which help them effectively allocate funds and continuously optimize the portfolio to ensure that it delivers the biggest bang for the buck and optimally aligns with business strategy.

Capture Cost and Benefit Estimates

The flexible business case infrastructure of Project Server 2010 helps standardize the collection of cost and benefit data for each request to assess an initiative's financial value. PMOs can simply add custom fields to an online business case form—a Project Detail Page, or PDP; see the [Demand Management](#) section—to capture multi-year cost and benefit values, or embed detailed cost and benefit templates within the business case using Excel Web App or InfoPath Forms Services Web parts (see Figure 1). After capturing the data, analysts can build formulas to derive metrics—ROI, Internal Rate of Return (IRR), and so on—to better understand and communicate a project's financial value.

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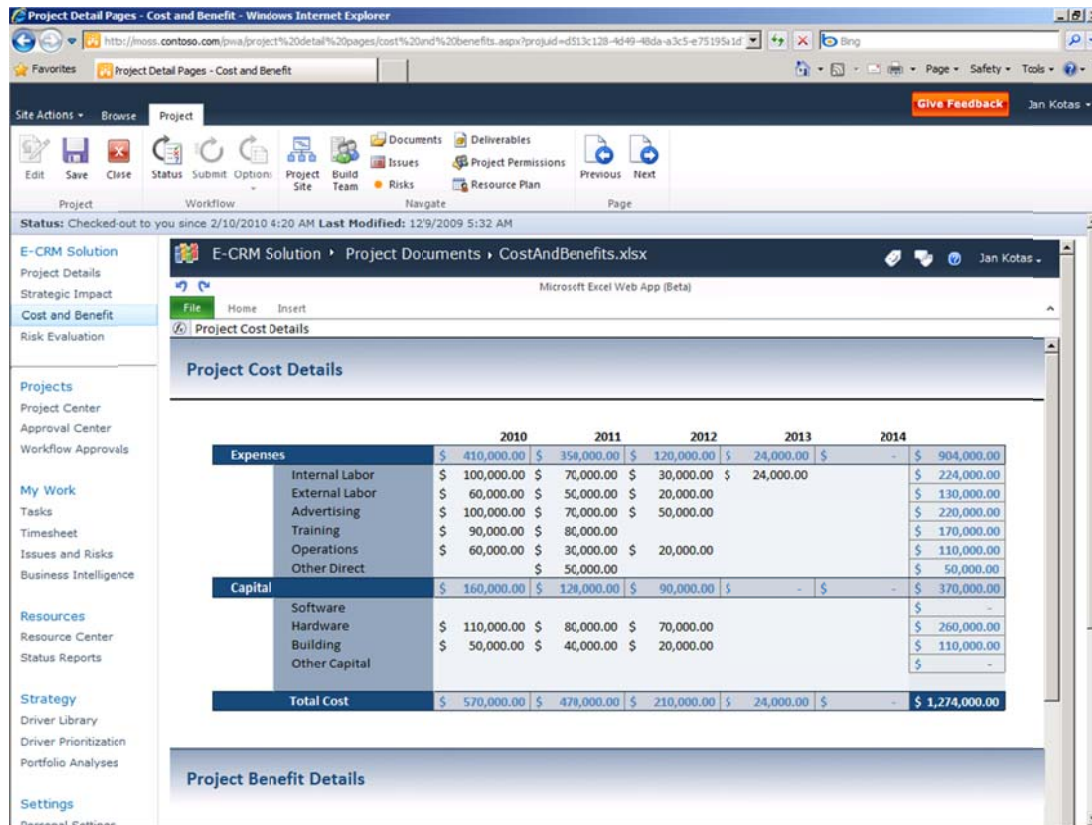


Figure 1. Project Server 2010 – An Excel Web App Web part embedded in a project business case

Accurately capturing cost and benefit estimates is critical, because this data is one of the primary variables used to assess and select competing initiatives, measure financial performance against baseline in the execution phase, and analyze whether the initiative realized the forecasted benefits when the work is completed.

Cost Constraint Analysis and Portfolio Selection

For most organizations, scarcity is a reality. This means that the number of project requests often exceeds the organization’s budget and resource constraints. In uncertain economic times, the importance of determining the right projects to undertake becomes even more critical. Project Server 2010 includes a portfolio optimization engine that helps analysts model various scenarios to identify the optimal project portfolio. Using portfolio selection techniques, analysts can run what-if analyses under a variety of cost constraints to recommend project portfolios that deliver the maximum ROI, and that best align with the organization’s business strategy (see Figure 2). For more information about optimizing portfolio selection, see the [Portfolio Selection and Analytics](#) section.

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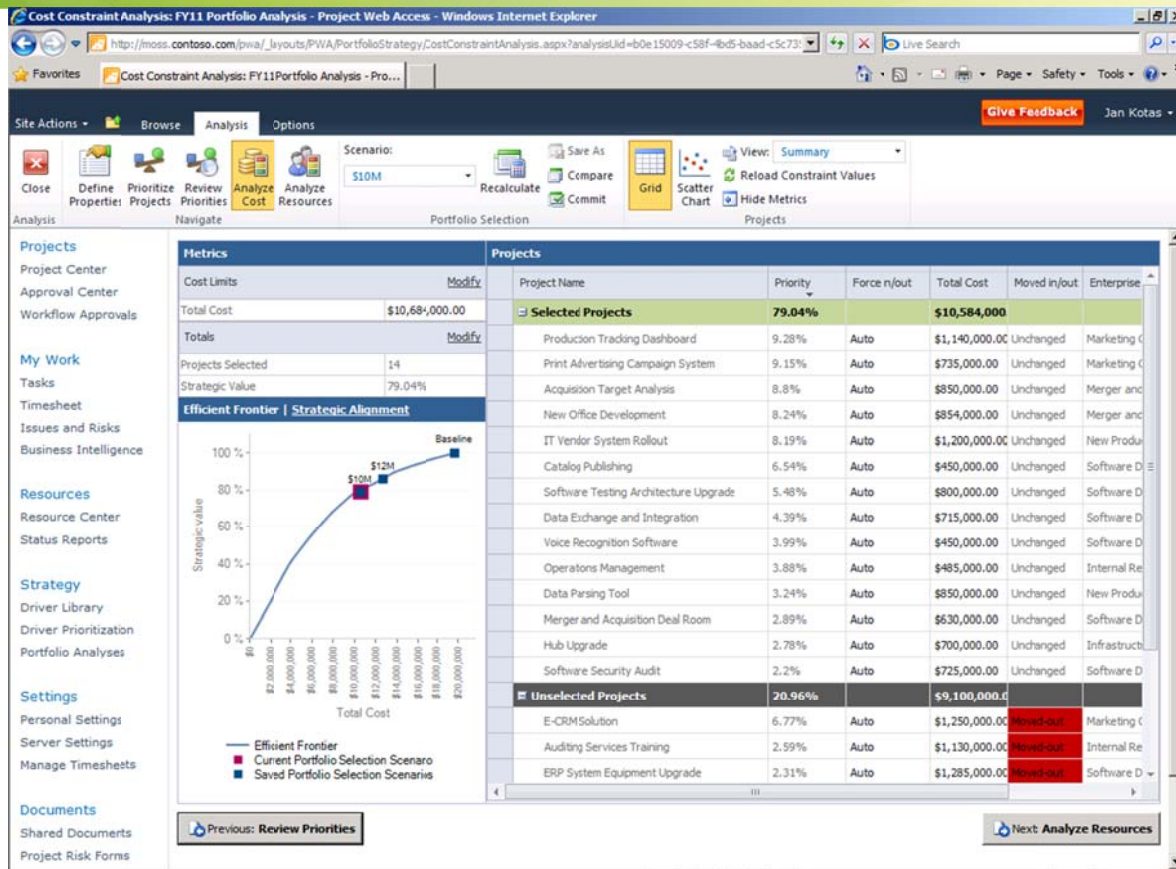


Figure 2. Project Server 2010 – Cost Constraint Analysis view

Track and Report Financial Performance

The Project Server 2010 governance workflow controls a project throughout its lifecycle, and plays a key role in supporting budget review and approval cycles. Microsoft® Project Professional 2010 helps organizations manage and effectively track financial data using Budget Resources, Cost Resources, and multiple billing rates for a resource:

- Budget Resources helps project managers record the approved project budget at the project-summary level; this provides a baseline for comparing actual costs against, and proactively managing, expenses.
- Cost Resources helps managers capture non-work costs associated with a project: equipment, materials, travel, training, contractor costs, and so on.
- Each resource can have multiple billing rates that can be used to dynamically calculate the cost of the resource based on the amount of work. In addition, resources also can be explicitly tied to cost centers.

Project managers can establish project baselines and use Earned Value Management (EVM) metrics to control changes, analyze project performance, and manage expectations. Project Professional 2010

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includes calculations for standard EVM metrics, such as cost and schedule performance indices, based on planning and actual cost, in addition to schedule fields. Project Professional 2010 gives the organization the tools it needs to capture the original intent of project costs in a baseline that can be modified by using change management techniques.

Project Server 2010, built on Microsoft® SharePoint® Server 2010, takes advantage of the Microsoft Business Intelligence (BI) platform to provide an easy-to-use and flexible reporting infrastructure to drive transparency in project financial performance. Taking advantage of these powerful capabilities, managers can build project-level reports, and PMOs can design dashboards to ensure that executives have all the information they need to stay in control and to support funding decisions (see Figure 3).

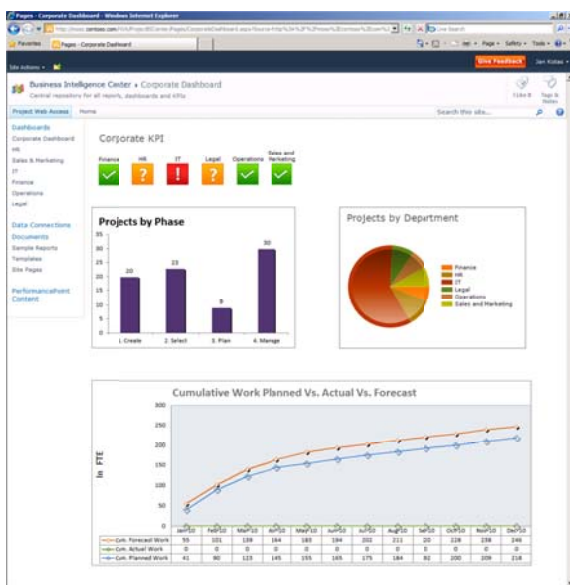


Figure 3. Project Server 2010 – Configurable dashboards

To support performance tracking, key performance indicators (KPIs) can be defined by using custom fields that provide an overview of financial performance, in addition to specific data at various phases of a project life cycle (see Figure 4).

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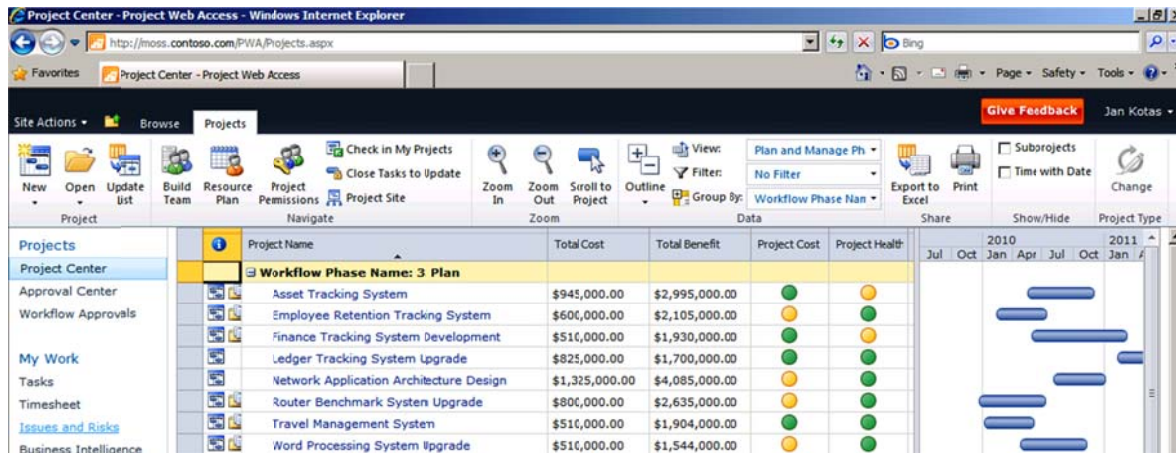


Figure 4. Project Server 2010 – Project Center view with KPIs

Integration with Financial Systems

Organizations need to be able to obtain accurate financial data from the appropriate LOB systems that are the source of record for financial information. The comprehensive Project Server 2010 API, PSI, ensures that organizations can automate the collection of financial data from LOB applications to drive project accounting views and reports.

Organizations can also take advantage of Microsoft independent software vendor (ISV) partner add-in solutions that offer certified integration with familiar Enterprise Resource Planning (ERP) systems, such as those offered by SAP. By effectively integrating the EPM Solution with financial management systems, PMOs can ensure data integrity from the project accounting perspective and allow full reconciliation of costs and expenses. The integration supports bidirectional data transfer, ensuring that project managers and financial analysts or accountants can effectively share data while working in their productivity tools of choice.

Additional Resources

Additional Resources

For expanded help, step-by-step guides, and video training on how to get the most of Project Server 2010 and the Microsoft EPM Solution, visit [Microsoft Project](#).

To learn more about Project 2010 and the Microsoft EPM Solution, refer to the following list of related links:

Product information

[MSDN Project 2010 Beta](#)

[Project 2010 Blog](#)

[Project Team Blog](#)

Interactive content - Videos & Sessions & Webcast

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