Agenda

- Introduction and Overview
- Out of the Box Clarity Capabilities
- Leading Practices
- Alternatives to Traditional Capitalization and Agile Considerations
- Agile Example

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Extensive PPM consulting and industry experience where has led or assisted leaders through various strategic and transformation initiatives at all scales.

With more than fifteen years of experience, has broad industry exposure spanning technology, financial services, retail, utilities, and pharmaceuticals; specializing in large scale, enterprise-wide strategic transformations.

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Project Portfolio Management (PPM) thought-leader and systems architect / group manager who has delivered solutions that put people at the center of process ecosystems via adoption-centric design, and proven value delivery methodologies.

This has included the enablement of executive success through customer-facing consulting and internal IT leadership roles, mainly focused on SaaS PPM, Agile (SAFe), ITIL, and Organizational Change Management (OCM) outcomes-based initiatives.

Additionally, a contributing author of the book *Realize PPM* (2020), an active blogger, professional Twitter account manager and has presented / actively participate in many industry events, including Global PMI, Gartner Summit and Magic Quadrant white papers, etc.

Overview

- Most organizations that use Clarity have some requirements for tracking capital vs. operating work.

- We have seen many ways for calculating capitalization, and want to share the most common methods, and discuss innovative ways (in light of Agile processes) that are being implement within the industry.

Capital vs. Operating Expenses

- Capital Expenses (CAPX) represent an investment in the business:
  - Cannot be fully deducted in the period when they are incurred.
  - They are amortized or depreciated over the life of the asset.
  - Ex: Buying machinery

- Operating Expenses (OPEX) represent expenses incurred during the course of regular business operations:
  - Fully deducted in the period they are incurred.
  - Ex: Rent, utilities, leasing equipment

- NOTE: Guidance for Project Managers Usually Provided by the Finance Team

Key Considerations for Capitalized Labor

- Material Threshold:
  - Not all software development should be capitalized. Each company will establish thresholds that investments must exceed in order to qualify. This is a function of the size of a company. Smaller companies might capitalize $100,000 of development, larger companies might wait until costs exceed $500,000.

- Consistent Application:
  - Once a threshold or policy is established, the company should apply that policy consistently over time.

- Capitalize only the "Application Development Stage":
  - There are three main stages of internal software development: preliminary work, development, post-implementation. According to SOP 98-1, only the development stage can be capitalized.

Out of the Box Clarity Capabilities

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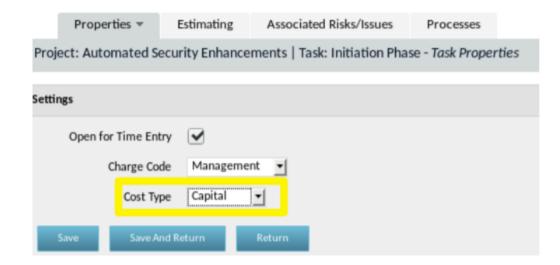# Clarity Out of the Box Clarity Capabilities

- Cost Type field is leveraged at the Project and Task.

- It is set at the Project for all Tasks.

- The Task Cost Type will override the Project if different.

- Out of the Box reporting shows breakout of costs.

- The Cost Type field is also supported for forecasting in the Cost and Budget Plans.

Clarity Out of the Box Clarity Capabilities

- Project:

Financial

Company Name			Financial Status	Open
Affiliated Project			Cost Type	Operating
Billing Currency	USD		Type	Standard
Department	Shared Services		WIP Class	CLASS1
Location	New York		Investment Class	INTERNAL
Charge Code	Management		Set Planned Cost Dates	(Sets financial plan dates the same as schedule dates)

- Task:

Properties ▾   Estimating   Associated Risks/Issues   Processes

Project: Automated Security Enhancements | Task: Initiation Phase - *Task Properties*

Settings

Open for Time Entry ☑

Charge Code   Management

Cost Type   Capital

Save   Save And Return   Return

Clarity Out of the Box Clarity Capabilities

- Capitalization by Investment:

Financial Capitalization

Investment	Currency	Start Date	Finish Date	Planned	Capital Planned	Capital Actual	Capital Planned Remaining	Capital % Spent	Operating Planned	Operating Actual	Operating Planned Remaining	Operating % Spent
4G Upgrade Readiness	USD	11/1/17	2/14/18	162,240.00	0.00	0.00	0.00	0.00	162,240.00	0.00	162,240.00	0.00
Altus Online Order Application	USD	3/1/17	2/28/19	221,984.00	110,992.00	0.00	110,992.00	0.00	110,992.00	0.00	110,992.00	0.00
Automated Security Enhancements	USD	11/1/17	2/16/18	418,720.00	209,360.00	0.00	209,360.00	0.00	209,360.00	0.00	209,360.00	0.00
BrightStor Storage Resource Manager for MS Exchange	USD	5/1/17	4/30/19	84,540.00	42,270.00	0.00	42,270.00	0.00	42,270.00	0.00	42,270.00	0.00
BYOD Management	USD	1/1/18	7/4/18	1,029,060.00	686,040.00	0.00	686,040.00	0.00	343,020.00	0.00	343,020.00	0.00
Call Contact Center Application	USD	7/1/17	6/30/19	131,544.00	0.00	0.00	0.00	0.00	131,544.00	0.00	131,544.00	0.00
Change Mgt for Internal Portal	USD	12/4/17	3/21/18	726,400.00	363,200.00	0.00	363,200.00	0.00	363,200.00	0.00	363,200.00	0.00
Client Services Datamart	USD	10/1/17	1/24/18	182,240.00	91,120.00	0.00	91,120.00	0.00	91,120.00	0.00	91,120.00	0.00
Compliance Audit - Security	USD	12/1/17	4/30/18	400,000.00	0.00	0.00	0.00	0.00	400,000.00	0.00	400,000.00	0.00
Credit Card Security Improvements	USD	11/1/17	2/23/18	1,354,000.00	677,000.00	0.00	677,000.00	0.00	677,000.00	0.00	677,000.00	0.00
CSS OnLine Retirement Application	USD	6/1/17	5/31/19	169,456.00	84,728.00	0.00	84,728.00	0.00	84,728.00	0.00	84,728.00	0.00
Data Warehouse Performance Tuning	USD	10/1/17	2/13/18	380,160.00	190,080.00	0.00	190,080.00	0.00	190,080.00	0.00	190,080.00	0.00
eBusiness Mobile Network	USD	6/3/17	5/21/18	1,177,920.00	785,280.00	0.00	785,280.00	0.00	392,640.00	0.00	392,640.00	0.00
eCommerce Portal	USD	8/1/17	3/11/18	771,495.66	385,747.83	0.00	385,747.83	0.00	385,747.83	0.00	385,747.83	0.00
Email	USD	3/1/17	2/28/19	225,504.00	0.00	0.00	0.00	0.00	225,504.00	0.00	225,504.00	0.00
Email SAN Storage Implementation	USD	11/1/17	2/23/18	284,800.00	142,400.00	0.00	142,400.00	0.00	142,400.00	0.00	142,400.00	0.00
Employee Benefits Admin Application	USD	4/1/17	3/30/19	590,784.00	295,392.00	0.00	295,392.00	0.00	295,392.00	0.00	295,392.00	0.00
Employee Benefits Enrollment Application	USD	8/1/17	7/31/19	91,872.00	0.00	0.00	0.00	0.00	91,872.00	0.00	91,872.00	0.00
eTrust SiteMinder Apache Web Plug-In	USD	7/1/17	6/30/19	20,000.00	0.00	0.00	0.00	0.00	20,000.00	0.00	20,000.00	0.00

Leading Practices

Leading Practices

- Setting Capitalization Flags on Tasks:
  - Set CAPEX/OPEX within the template.
  - Do not have PMs set the Cost Type – try to automate this vs. having finance set it on new tasks.

- Automation:
  - Automated Capitalization feed to finance through a direct interface, a portlet for them to extract, or a process that sends an excel file via excel.
  - Eliminate all manual intervention.

- Simple:
  - Try to keep capitalization as simple as possible – the simpler the better. Adjusting hours, multiple rates, finance having to update cost type – all complicate.

Alternatives to Traditional Capitalization and Agile Considerations

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Alternatives to Traditional Capitalization

- Moved to Simplified Capitalization by Role % :
  - We set a % capitalization by role and drive capital hours using capitalized roles on capitalized projects with the % of their time.
  - This option works for agile and waterfall projects.

- Option 2 - Use Task Level Fields for Capitalization:
  - We create an object in Clarity for phases and whether they are capitalizable.
  - We have PMs update the phase on every task – required field.
  - We create a mapping of the phase to MSP (has to be a text field that is exactly entered in MSP).
  - Still have an issue with Agile – they do not have tasks that represent just one phase – a user story time has requirements, design, dev, test, etc.

Agile Considerations

- Agile projects do not have a breakdown of work by phase – just user story. This means we have to use % capitalization at some level.

- How do you Capitalize for Agile?

- Common methods for capitalizing Agile projects are:
  - Have time entered separately based on CAPEX vs. OPEX.
  - Capitalize using role % or % of all agile work.

Agile Example

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- Date Started = **Today's Date**
- Date Completed = **Today's Date**
- Hours Completed = **1 PDU per hour of class time**
- Training classes = **Technical**
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