

# Way 33: IS future benefits

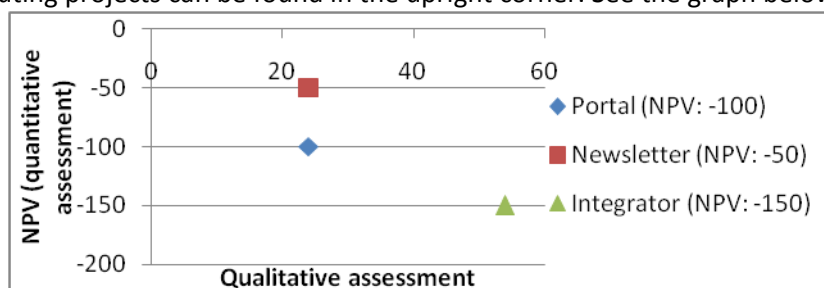
This tool can be used to define the overall benefits the IS/IT project portfolio can leverage. You should use it if you want to know what future benefits you project portfolio holds.

## Steps

1. **Determine the (average) Net Present Value** of the project, which takes the **quantitative benefits** into consideration. This can be done by calculating the NPV for each scenario of the project ([NPV Calculator](#)). To fix the equation, you should multiple each scenario NPV by the chance that the scenario occurs and sum all scenario NPVs to get the average NPV. *The formula:  $NPV_{avg} = \sum NPVi * Chance_i$* . The outcome of the NPV will be negative if you have costs (financial data) and benefits which lack financial data. The NPV calculation, can't take qualitative data (qualitative benefits) as input, so the result will automatically be negative. For more info on uses and abuses of the Net Present Value rule, [look into](#) (Ross, 1995).
2. **Determine the qualitative benefits** of the project. To make the non quantifiables measurable, we use a [Multi Criteria Analysis \(Wikipedia\)](#), or an MCA, a method to judge options based on several criteria. These should be formulated [S.M.A.R.T.](#) and should together reflect meeting the objectives and/or contributions to the company. Each of the criteria should be assigned a weight on a common scale to show the importance of the criterion in relation to the others (scale 0..1, sum of weights: 1). Finally, use the criteria to rate each project on a common scale and multiply these with the weights. See the table below for an MCA example.

Criteria (weight)	Preparation						Total (Values * Weight)
	Communication	Unification	Knowledge creation	for the future	Students opinion	Employees opinion	
Projects	0.15	0.2	0.1	0.15	0.2	0.2	1
Portal	50	30	10	10	30	10	24
Newsletter	50	40	10	10	20	10	24
Integrator	80	80	40	40	40	40	54

3. **Combining the NPV with the qualitative benefits** of the projects. The total can be presented in a pair, the sum of qualitative and the sum of the quantitative benefits. To compare the findings, we can plot them in a graph (qualitative on x-axis, NPV on y-axis). The best contributing projects can be found in the upright corner. See the graph below for an example.



4. Do the previous steps **for all projects in the portfolio**, to be able to compare and judge them.

Ross, S. A. (1995). Uses, Abuses, and Alternatives to the Net-Present-Value Rule. [Article]. *FM: The Journal of the Financial Management Association*, 24(3), 96-102.