

Project Portfolio Management Overview

SIUE PM Symposium

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Daugherty BUSINESS SOLUTIONS

EXPERIENCE BEYOND.

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What is a Portfolio?

- *A portfolio is a collection of projects or programs and other work that are grouped together to facilitate effective management of that work to **meet strategic business objectives.****

*The Standard for Portfolio Management – Second Edition

Portfolio Management and Organizational Strategy



Portfolio vs. Program Management

- Program Management: *The centralized, coordinated management of a group of related projects to achieve strategic objectives and benefits*
- Portfolio Management: *The coordinated management of portfolio components (projects and programs) to achieve specific organizational objectives*

Programs have a distinct end and beginning; a Portfolio is ongoing.

Responsibilities of Portfolio Manager

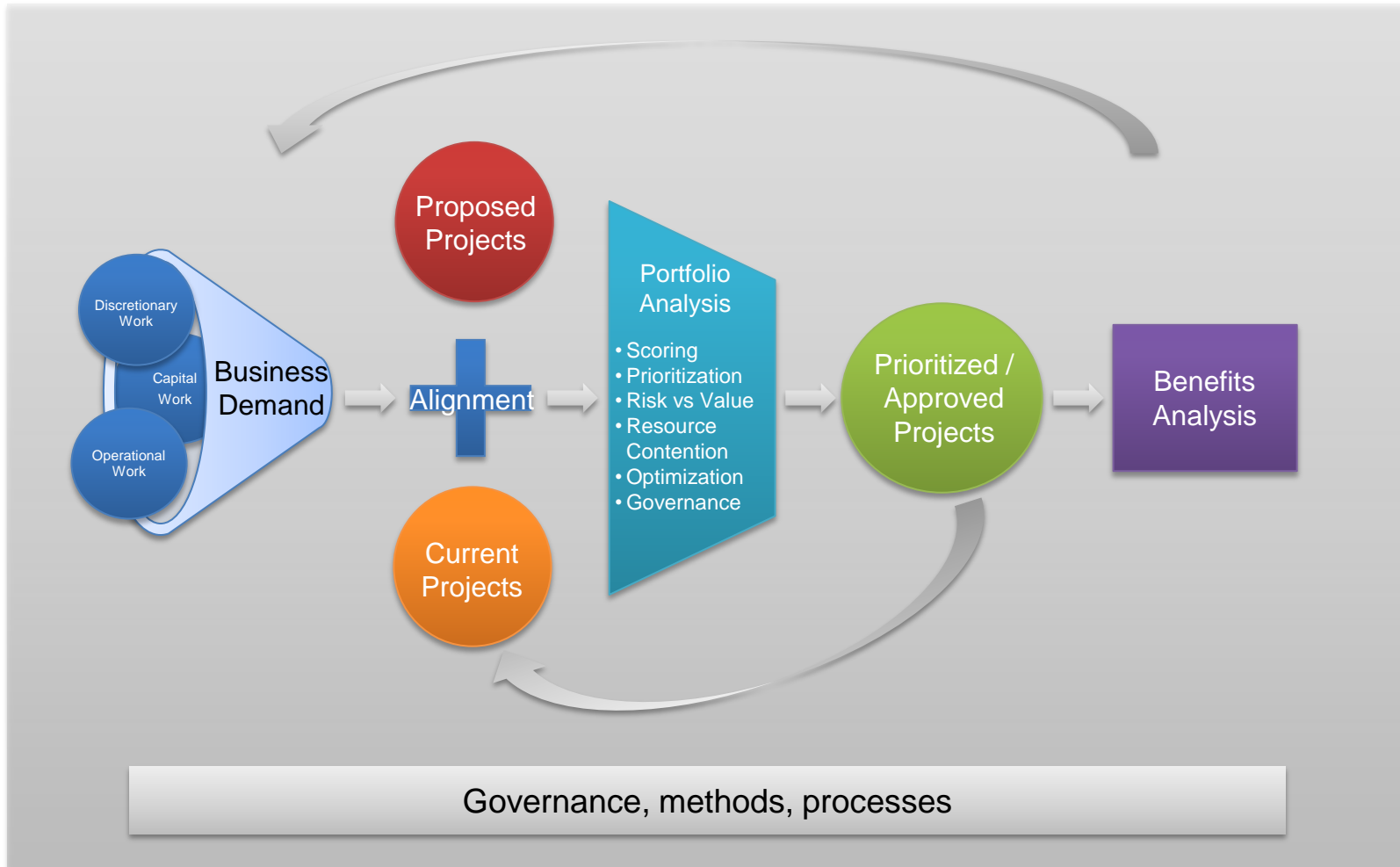
- Establishing and/or maintaining a framework and methodology for portfolio management within the organization
- Establishing and/or maintaining relevant portfolio management processes
- Guiding the selection, prioritization, and balancing of the portfolio to ensure the components align with strategic goals and organizational priorities
- Establishing and maintaining appropriate infrastructure and systems to support portfolio management processes
- Continuously reviewing, reallocating, reprioritizing

Portfolio Manager – Required Skill Sets

- Understanding of organization's strategic direction and objectives
- Strong financial and analytical skills
- Strong leadership skills
- Ability to communicate at multiple levels – executive leadership, program/program managers, organizational partners
- Ability to articulate a clear direction and bring people along on the journey

Project Portfolio Management (PPM)

PPM includes several key components, which companies execute to widely varying degrees of sophistication.



Establishing Clear Portfolio Objectives

- Key Success Measures
 - Time-to-money
 - Development cost
 - Gross profit margin
 - Profitability index
 - Time targets
- Metrics allow managers to tailor actions to target problems
- Metrics allow stakeholders to more easily monitor portfolio performance
- Metric Solution Set needs to be designed for a specific portfolio



What will you use to measure the success of this portfolio?

What gets measured receives attention and gets improved

Portfolio Planning Challenges

Common Issues

Emotion,
Not Facts



General
Chaos



Black Hole



Ignorance



Timeline / Outcomes

A Few Days

- No (or assumed) business case
- Informal/no prioritization; possible that wrong projects executed
- Knee-jerk resource movements
- Poor investment
- No questions asked or allowed

Undisclosed

- Unknown delivery schedule
- Unknown resource commitments / contentions
- Budget overruns, contracts signed w/o funding

Months / Years / Never

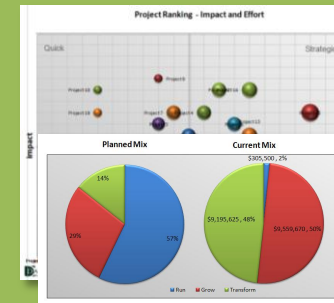
- Request never seen again

Months / Years / Never

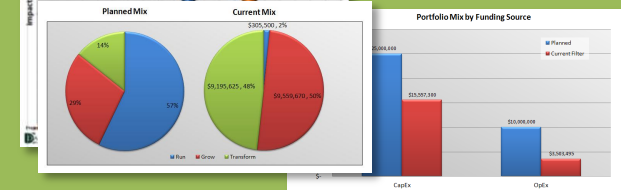
- Ignore it, maybe it will go away
- Escalate to loudest advocate
- Black hole, or general chaos

Goal

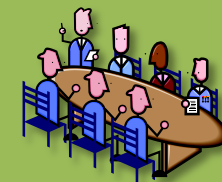
Clear project
business cases



Objective portfolio
analysis



Transparent, defensible
decision making

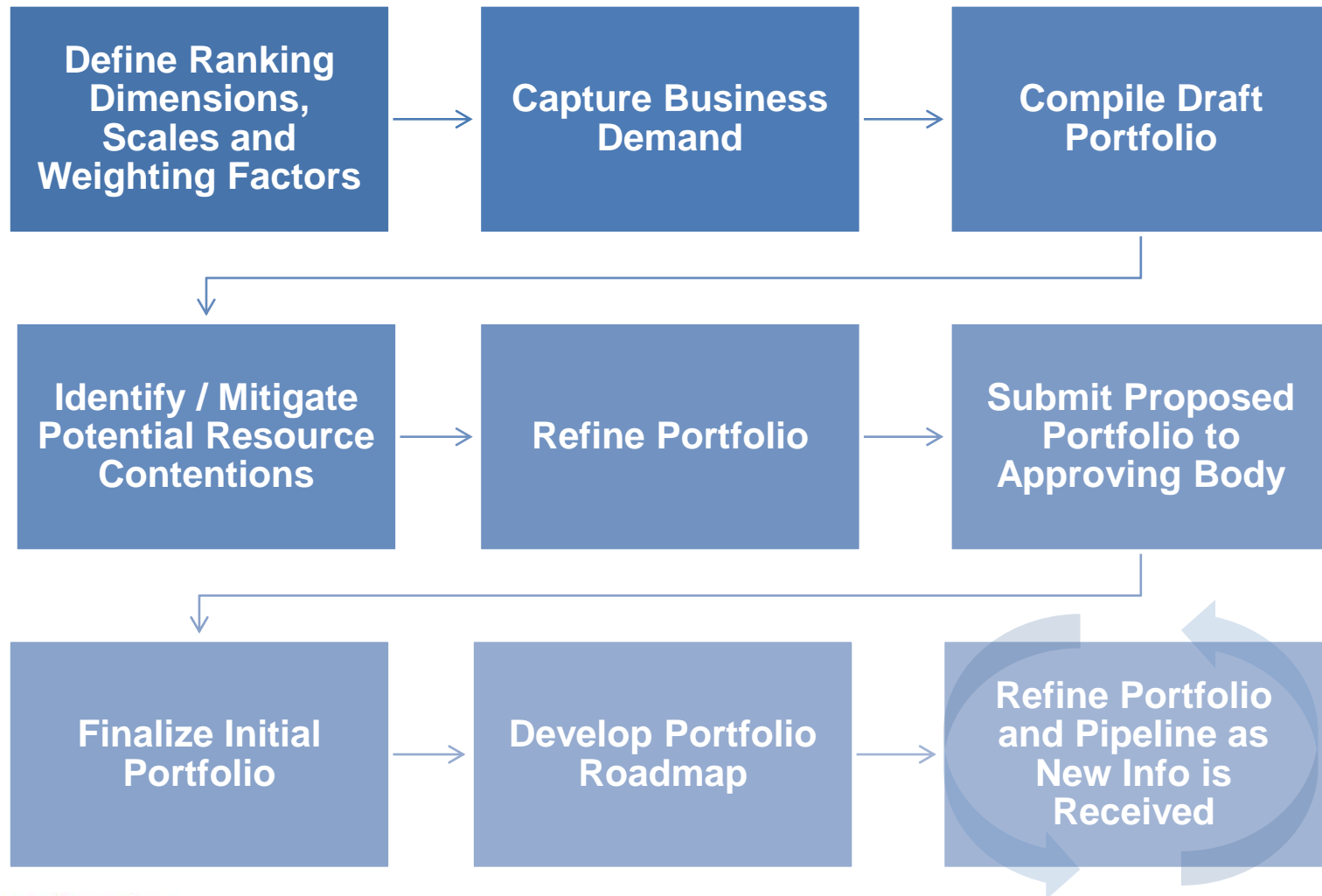


Optimized portfolio
through ongoing
execution analysis
and rebalancing



Portfolio Planning Approach

A structured approach enables developing a complete multi-year roadmap.



Portfolio Planning Tools

A formal portfolio planning approach, based on leading practices, will improve a company's ability to align development initiatives to business objectives and to rationalize / prioritize resources.

- **Strategic alignment:** aligns development initiatives and their related spend to overall corporate / organization strategic objectives
- **Objectivity:** enables decision making based on more objective criteria--reducing some of the emotion commonly associated with hard tradeoffs
- **Demand management:** highlights potential resource contentions early so they can be mitigated
- **Mix alignment:** provides investment mix insights (e.g., using Gartner *Run / Grow / Transform* definitions) to identify differences between current and desired mix
- **Planning effectiveness:** increases planning effectiveness and schedule / budget / resource predictability
- **Spend analysis:** identifies potential opportunities for savings or deferral on lower-value initiatives—including those that are inflight
- **Decision support:** informs scope / schedule / budget trade-off decisions, particularly in less clear-cut scenarios
- **Process rigor:** develops an objective, efficient and repeatable process to use for future planning

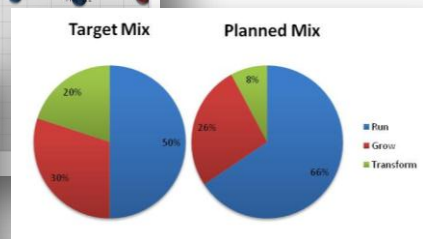
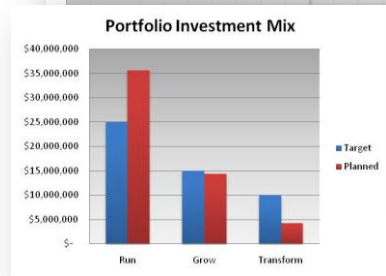
Executing on Portfolio Planning

Using a portfolio planning model is a dynamic approach to portfolio planning that uses objective and agreed-upon measures to enable real-time decision making.

What these models do:

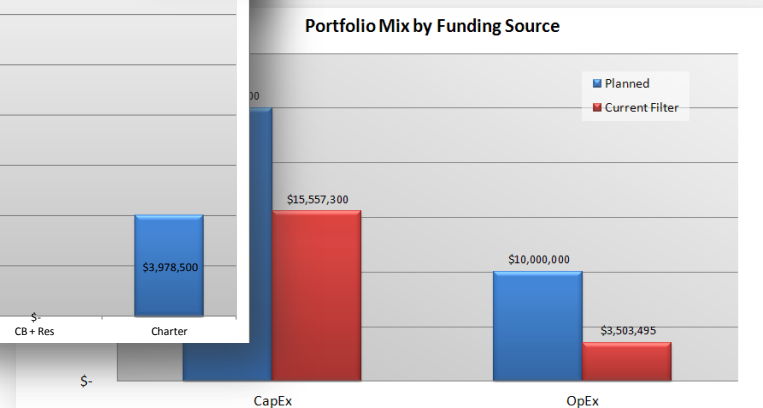
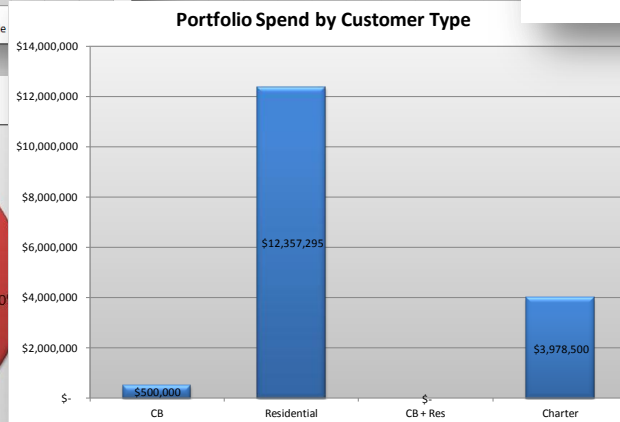
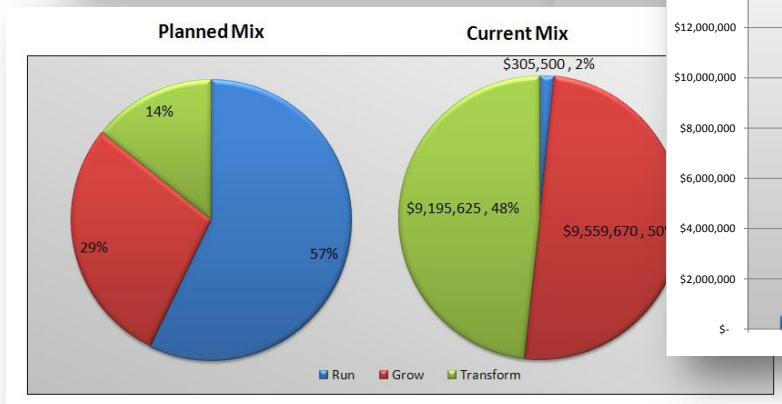
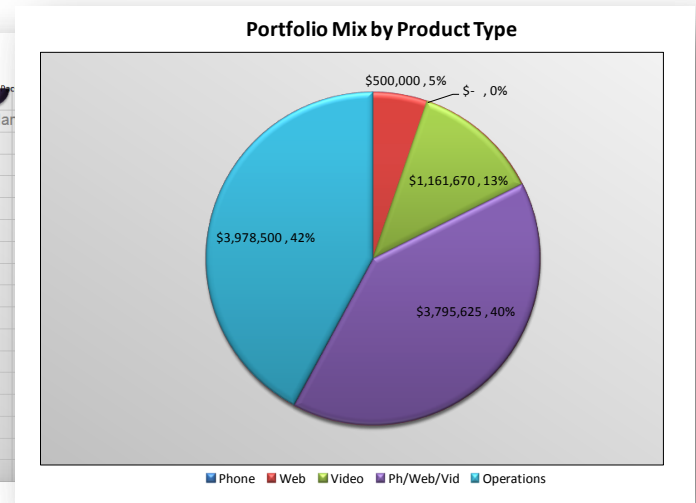
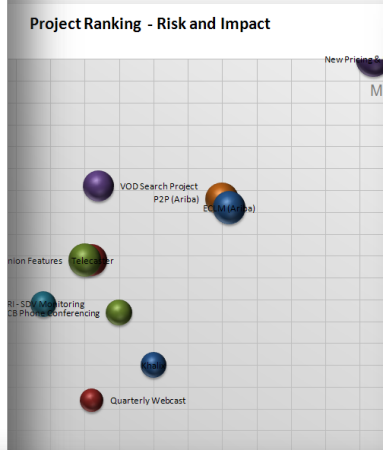
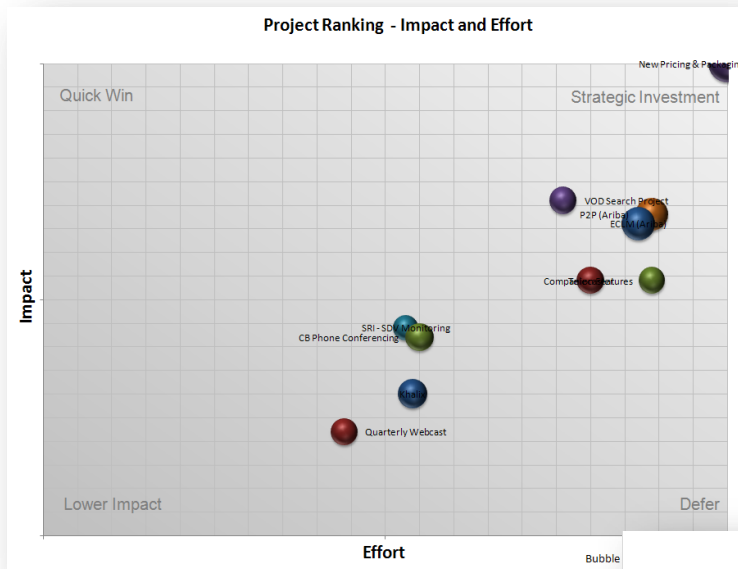
- Objectively assess each program or project on a limited number of dimensions and attributes
 - Each dimension is composed of a limited number of key measures
 - Weighting factors used, if needed, to highlight distinctions between programs/projects
 - Project ratings are revised, as needed, in real time to keep model current
- Provide a dashboard that visualizes key distinctions among projects
- Use structured data about each project that enables comparing projects in a variety of ways

Project Group	ID	Project Name	Budgeted Project Size	Type	Impact				Effort				Risk				Type
					Strategic Value	Operational Value	Customer Value	Financial Value	Strategic Value	Operational Value	Customer Value	Financial Value	Strategic Value	Operational Value	Customer Value	Financial Value	
Group 1	1	Project 1	\$1,500,000	Run	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	Not Recommended
	2	Project 2	\$1,500,000	Grow	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	Not Recommended
	3	Project 3	\$750,000	Transform	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	Strategic
	4	Project 4	\$3,000,000	Run	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	Strategic
Group 2	5	Project 5	\$900,000	Grow	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	Quick Win
	6	Project 6	\$900,000	Run	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	Strategic
	7	Project 7	\$6,000,000	Run	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	Strategic
	8	Project 8	\$2,500,000	Transform	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	Quick Win
Group 3	9	Project 9	\$900,000	Run	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	Quick Win
	10	Project 10	\$1,700,000	Grow	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	Quick Win
	11	Project 11	\$6,000,000	Run	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	Strategic
	12	Project 12	\$3,700,000	Run	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	Strategic
	13	Project 13	\$1,000,000	Transform	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	Strategic
	14	Project 14	\$4,400,000	Grow	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	Strategic
	15	Project 15	\$1,700,000	Run	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	Strategic
	16	Project 16	\$900,000	Run	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	Strategic
	17	Project 17	\$900,000	Run	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	Not Recommended
	18	Project 18	\$3,900,000	Run	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	Not Recommended
	19	Project 19	\$2,700,000	Run	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	Quick Win
	20	Project 20	\$6,000,000	Run	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	Not Recommended
21	Project 21	\$3,700,000	Run	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	Not Recommended	
22	Project 22	\$750,000	Run	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	Strategic	



Visualizing Portfolio Components

Using a relatively small number of inputs yields various ways to aid decision making by visualizing and summarizing the results.



Visualizing Portfolio Strategic Mix

Evaluating potential initiatives against a desired investment mix—before investment decisions are made—can help direct focus on strategic objectives.

Run (Keep the lights on)

- Supports or improves essential, non-differentiated business functions that do not directly produce revenue. Includes compliance projects.

Grow (Generate more revenue and profit in core business)

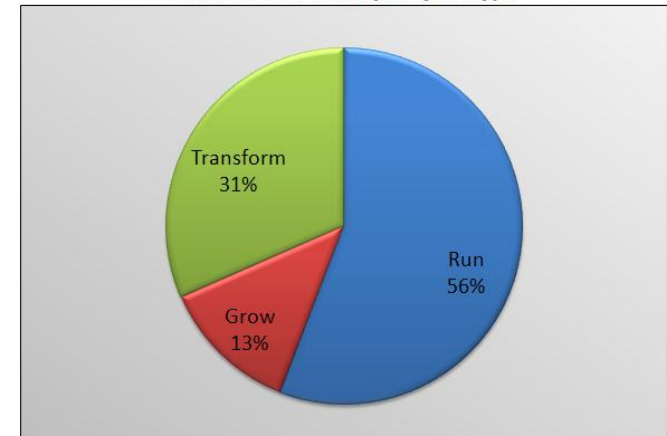
- Enhances, extends or differentiates existing business capabilities related to products, services or markets.

Transform (Revolutionize)

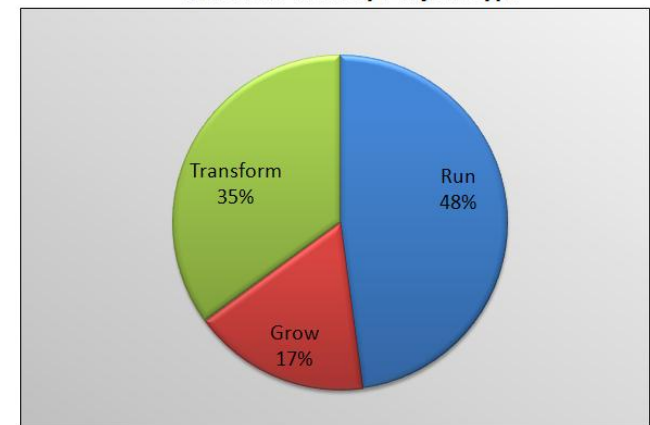
- Potentially moves the business into entirely new markets or industries.

Source: Gartner

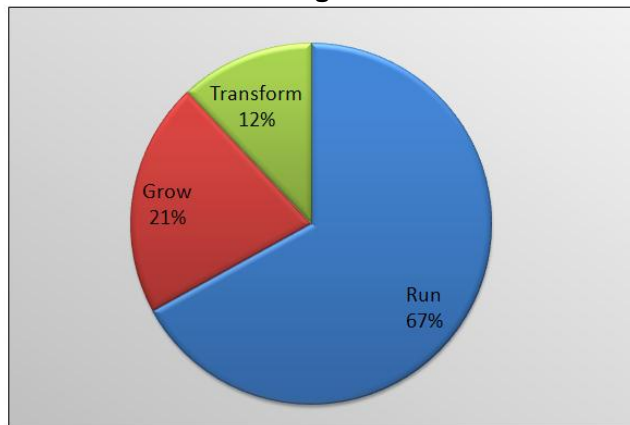
Portfolio Subtotal by Project Type



Portfolio Total by Project Type



Target

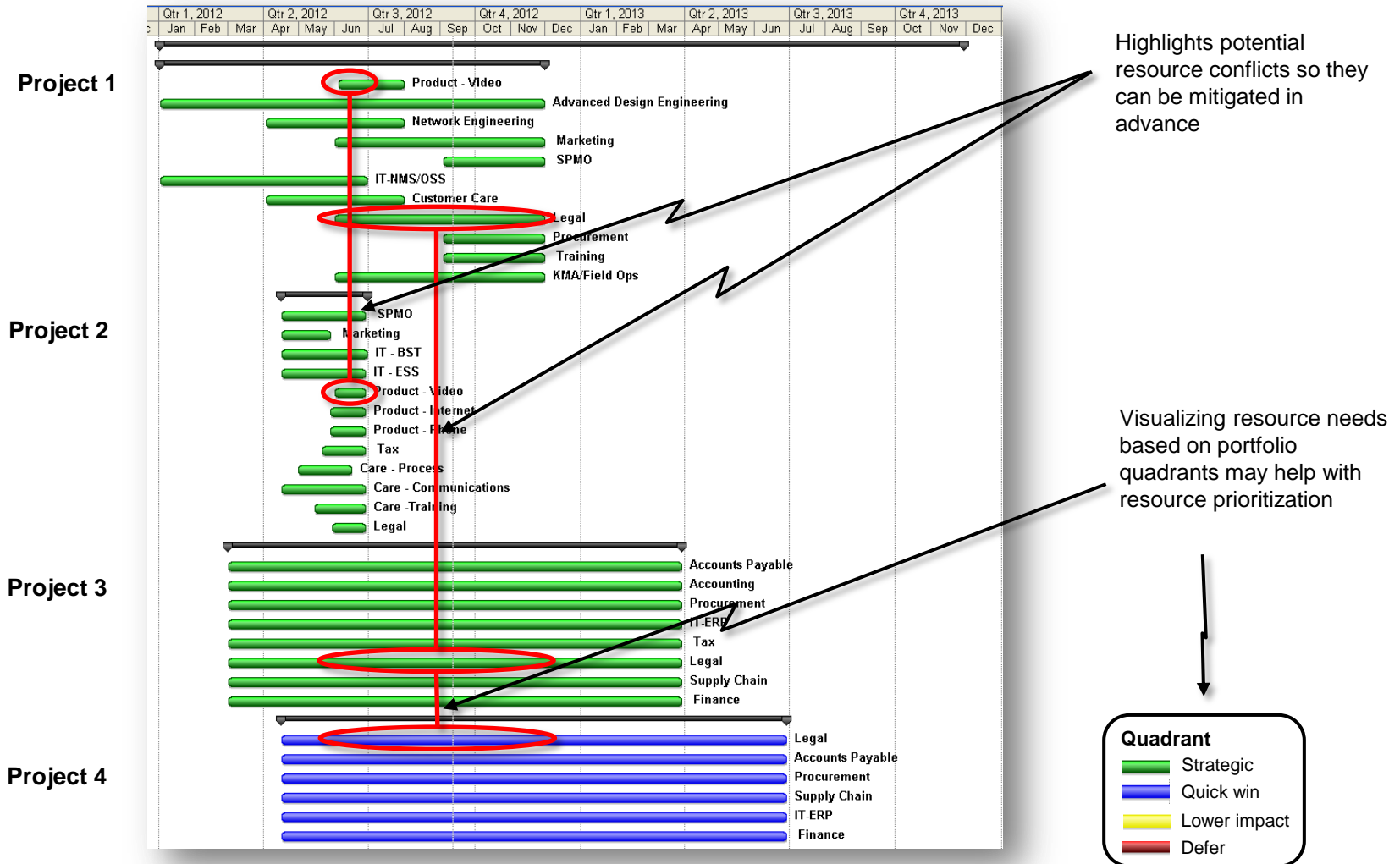


Compare



Visualizing Resource Needs

A key benefit of upfront portfolio planning is early identification of potential resource conflicts.



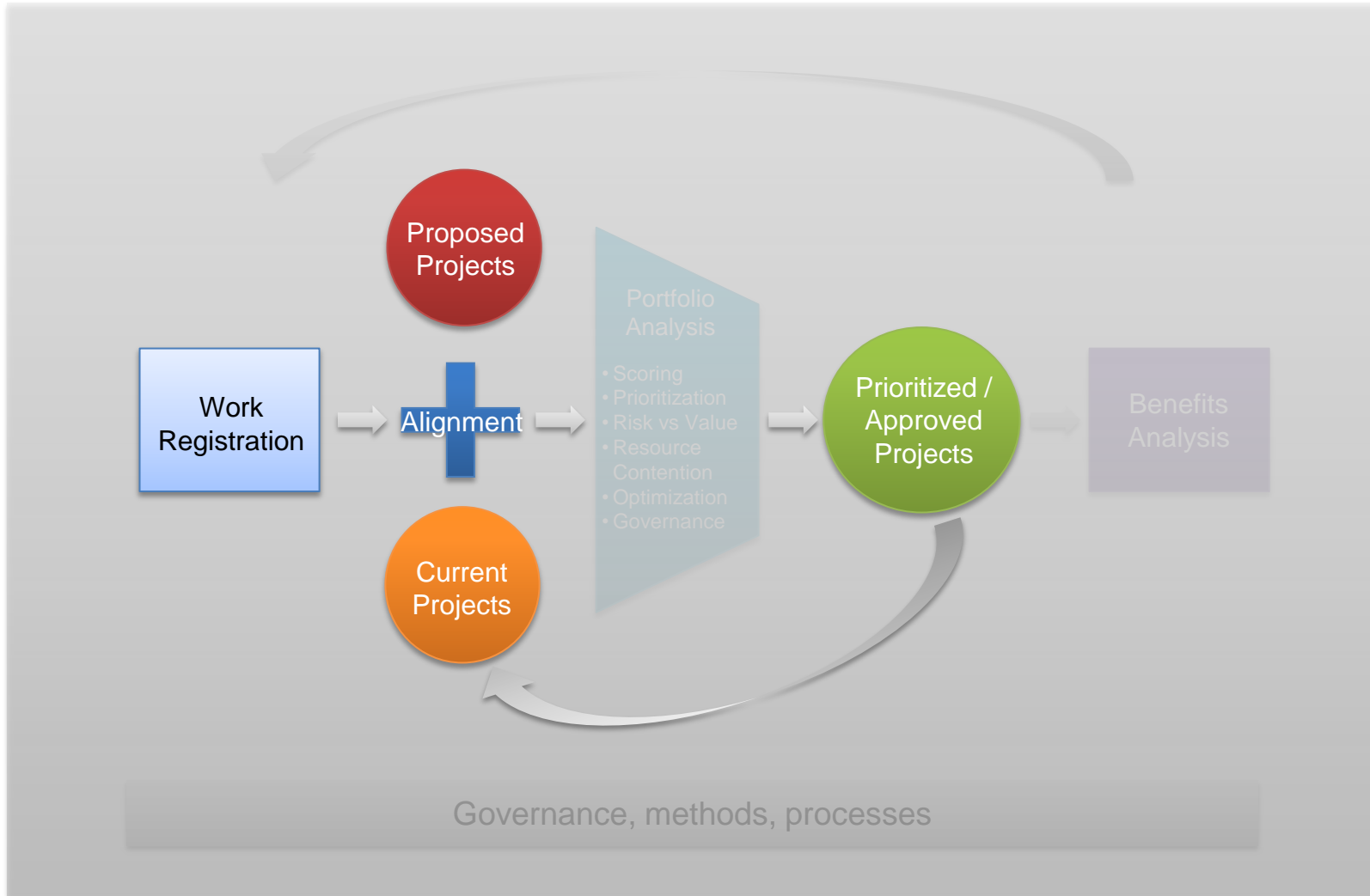
Portfolio Planning Leading Practices

To be most effective, portfolio planning and management requires following a few key guidelines.

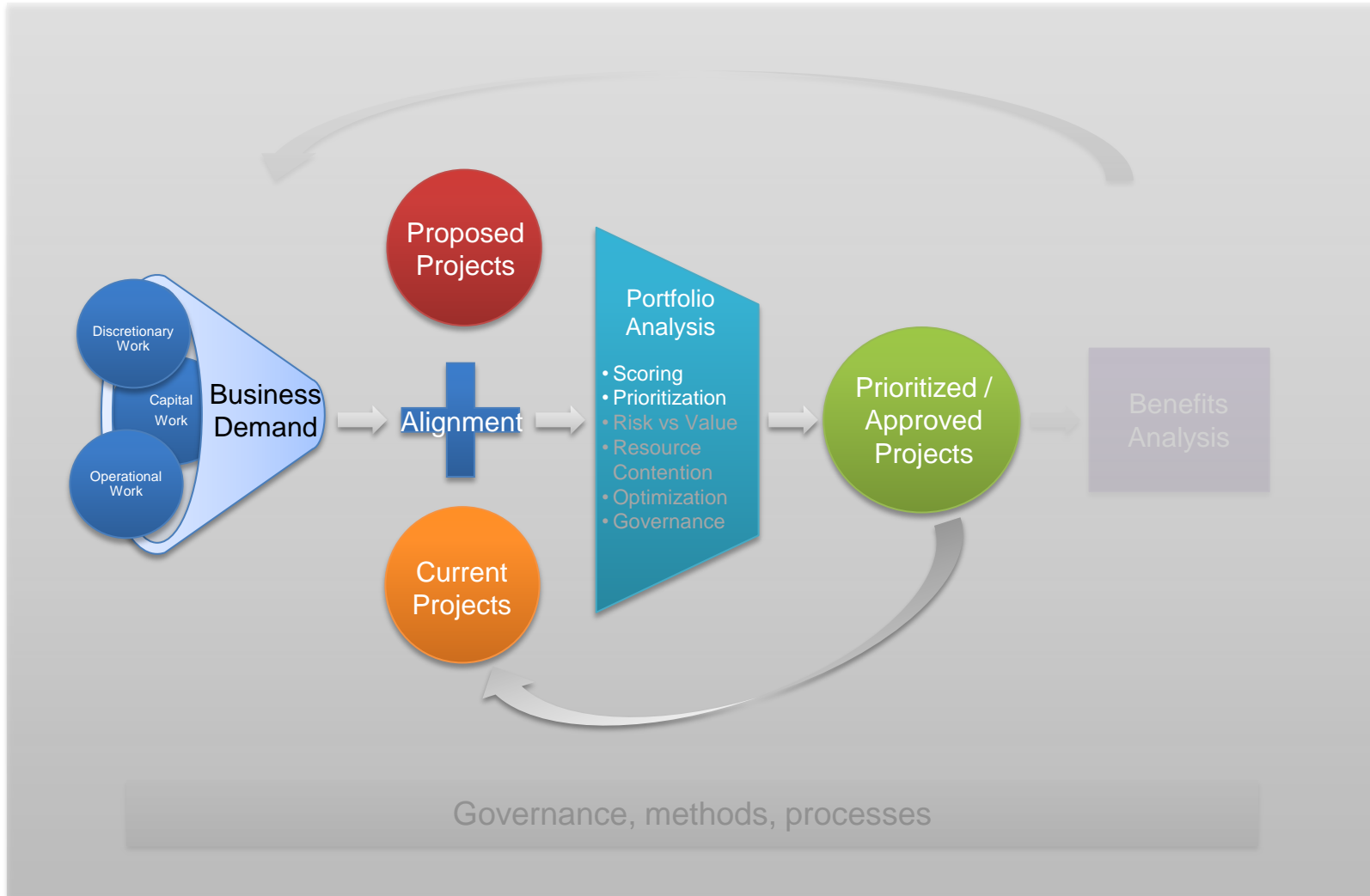
- First gain executive agreement and commitment, including on the dimensions and measures
- Use objectives measures whenever possible; this will reduce interpretation errors
- Use the model to *enable* decision making, not to replace it
- Evaluate projects in periodic batches to better evaluate across the portfolio
- Include major initiatives for context and completeness, even if they are foregone conclusions
- Use the dashboard to look for broad distinctions; for projects that are closely grouped, additional discussion and analysis outside the model is warranted
 - Use the dashboard as guidance; don't rely on hard, numerical scores
- Focus on *relative* positioning, not *absolute* positioning
- Use a small group of project-independent resources to score projects
 - Makes scoring more consistent
 - Reduces potential scoring bias

Appendix

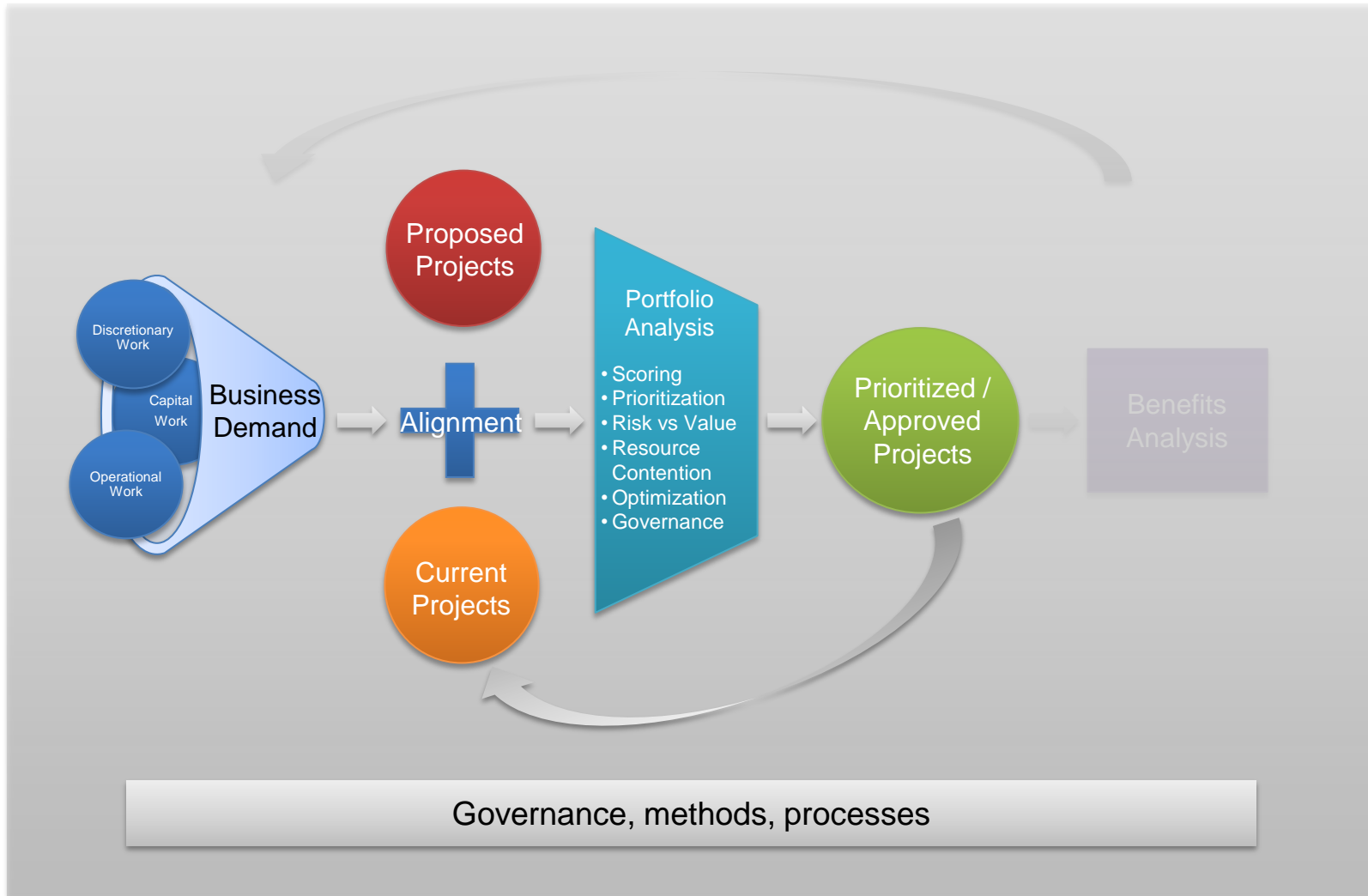
PPM Maturity - Basic



PPM Maturity - Emerging



PPM Maturity - Mature



PPM Maturity - Leading

