eBook

Mastering Portfolio Management

Modeling the Most Valuable Project Mix

KEYEDIN®

WHAT'S IN THIS EBOOK?

Introduction:
The Well-Run PMO

A well-run project management office (PMO) brings exponential value to the company. Research that explored the top 25% of project management offices, found that an effective PMO can have a significant business impact, including:

1. 43% improvement in strategic alignment
2. $175K cost savings per project
3. 25% decrease in failed projects

These kinds of results are achieved through a coordinated, controlled, and complete top-down effort that starts with an efficient project intake process, followed by comprehensive portfolio management, where the most valuable mix of projects is compared and prioritized. Failure in this stage of the PMO workflow can result in an ongoing struggle to assign value to your projects; ad-hoc requests taking priority over strategic projects and upsetting the portfolio's balance; and little to no visibility into project cost, effort and completion targets.

According to Info-Tech Research Group and validated by those of us working in this discipline each day, "failure to align projects with strategic goals and resource capacity are the most common causes of portfolio waste across organizations." That's why, with this ebook, we have gathered specific and actionable portfolio management best practices in one place to help your organization better evaluate and advocate the value, impact, and benefits of your project portfolios.

Three Signs of Trouble with Your Project Portfolio Management

If portfolio management in your organization is based on ineffective criteria, your business is at risk of tolerating wasteful pet projects which move up the priority list despite compelling objections; ad hoc projects will be seismic disruptors; and everyone involved, from executive sponsors to administrators, will have a different idea of what qualifies as value to your business.

Here are three signs poor portfolio management might be endangering your PMO and your business:

1. **You have difficulty pinpointing the benefits and value of specific projects within your portfolio for effective prioritization.**
2. **Your resource capacity is unstable and unpredictable because your project mix is volatile and constantly shifting, often based on whichever stakeholder shouts the loudest.**
3. **Your ad hoc projects are grouped into random portfolios and analysis of those portfolios is limited to a handful of standard reports.**

Three Things to Do Today for More Effective Portfolio Management

1. Prioritize Projects Using Business Value as a Guide

Of course, we all want business value (return on investment, strategic impact, and the like) to be the "ultimate yardstick" for whatever we do. As Gartner asserts in its article, IT Score Overview for Program and Portfolio Management, the business case, for an IT architecture project to a marketing app, should be paramount:

> *"A good portfolio process ensures that the right projects and programs are approved. A project's benefits must be*

> *articulated at the beginning with a business case, rather than being desperately retrofitted at the conclusion of the project."*

This is achieved with a project scoring matrix that is flexible and fully configurable to suit the needs of many different customers. Different criteria based on what is valuable to your business are used to generate an overall score. Within each of these criteria, there are different attributes. For example, forecasted revenue, risk, payback period, resource impact, strategic alignment, and more.

Each of these criteria is generating a metric behind it, which then produces an overall score. For instance, using the criteria above, you may determine that for a given portfolio, the amount of revenue being generated is very important to the business, while the risk is slightly less important. Payback period is even less important. But overall, these are the criteria to use to rank and score and prioritize the portfolio of work.

"Separating project sizing from duration helps project team members make better estimates. In the same way, separating business value from funding allows managers to see what output they desire from the organization. If all the projects have a small number of points relative to each other, then no one cares much about the set of projects," asserts consultant and expert Johanna Rothman in her article, Selecting a Ranking Method for Your Project Portfolio.

Rothman also counsels that PMO leaders should openly share and be able to explain scores for risks and rewards to stakeholders and in context with the rest of the portfolio. One last important measure she urges PMOs to include is how well a given project fits in with the organization's missions and values.

2. Model the Most Valuable Mix of Projects

Using a what-if scenario planning feature will allow you to forecast more effectively so that your portfolio is accurately weighted – and includes the most impactful mix of projects –

according to business value.

Your PMO leaders often must prioritize finite resources based on which projects will have the most strategic impact. When new projects arise, investments should be justified according to solid analysis of the new mix's risk/benefit against the rest of the projects in the portfolio. Without effective modeling in advance, it's easy to misunderstand what benefits you can expect from which projects. The burden of this analysis is great without the proper tools and designated resources for effective modeling.

Ideally, modeling movement of the project and its associated demand on resources should be done in a "what-if" environment (i.e., it doesn't impact production data) before you commit to the optimum mix of projects. And for these project mixes – even when there are slight differences in the number of projects and unique start dates – you'll want to be able to create different versions or snapshots of any given portfolio and ultimately, compare one against another.

What-if scenario planning tools and communications delivery for what-if decisions must be in real-time; accessed by the right people from anywhere; and easy to configure or be built-in to the PPM tool. If not, your PMO isn't agile enough to respond to client or business needs. With the right dashboards and collaboration tools, your what-if scenario planning can be as transparent as possible, evidencing to all who work with you that your portfolio management capability is on solid ground.

3. Shore Up Your PMO's Ability to Handle Ad Hoc Projects

Ad hoc review of new projects starts with a solid intake practice (see part one of the series, Mastering Project Intake: The First Step to an Effective PMO). And if your PM tool possesses only hierarchical reporting capabilities in a heavily matrixed portfolio, you'll never be able to confidently manage ad-hoc projects.

An antidote to this limitation should support the ability to create portfolios on the fly, utilizing project metadata to group your projects by any attribute you care to define, such as current status; location; type, technology, or complexity. For example, you could create a user-defined filter to group only projects that target a certain geography, a unique progress status, or even by executive sponsor.

An ability to group ad hoc projects on a fully customized basis is essential to effective portfolio management, because the PMO is not a static organization. Priorities, strategies, resources, etc. change frequently, sometimes daily. Whatever tool or process you use to execute portfolio management, be certain it supports this "portfolio insights" capability. Without it, any changes to the PMO's plans will require a heavy manual reporting effort. With it, dashboards can be personalized to manage any mix of projects and portfolios, boosting internal performance and competitive advantage as you strive to respond to a rapidly changing business environment.

Highest Value Projects:

Powerful Practices from NashTech and Alliance Healthcare

When their portfolio management was in trouble, these two companies turned to KeyedIn Projects to safeguard their success:

NashTech

Portfolio management that takes place in a siloed, paper-based vacuum is destined to fail. Client NashTech, which provides specialist application development and testing for a range of industries, was using paper-based processes to manage its portfolio. Their projects ranged from 50 man-days up to 10,000, including offshore development and fixed price projects, along with ongoing Agile development contracts.

Reports were inconsistent across different parts of the business and decidedly hierarchical and siloed. “We now have a consistent reporting framework that makes it easier to spot issues, and provides a clear understanding of project and resource status,” according to Stan Minter, Delivery Director of NashTech. “We use it to drive our annual budgeting, revenue and recruitment forecasts, making resourcing decisions based on the skills we know we’ll need.

“To manage resources across the whole portfolio, we follow a strict weekly reporting cycle,” he said. “KeyedIn Projects has helped us standardize that, particularly around time booked and productivity. We can track actual time against pre-sales predictions... That gives us the knowledge we need to authorize additional resources.”

Alliance Healthcare

Many healthcare and IT services portfolio managers must insert newly prioritized projects into the mix. Alliance Healthcare, a leading distributor and wholesaler of pharmaceutical, medical and healthcare products, required enhanced portfolio management capabilities for real-time status visibility, most urgently, to obtain accurate project costing. Lack of visibility prevented them from remaining agile in the face of constantly changing customer needs.

“We now understand who has been working on what and how much it is costing… we save a lot of time and can make quick and accurate project (prioritization) decisions,” said an Alliance Healthcare Divisional IT leader. In addition, cost-benefits analyses help the organization prioritize according to business value and forecast appropriately.

Consider KeyedIn® Projects

If your organization stuggles with the portfolio management challenges described in this ebook – including effective and justifiable project prioritization, little visibility into resource capacity, and a constantly changing list of ad hoc projects – it's time to consider KeyedIn Projects.

KeyedIn Projects enables your PMO to be more strategic, more efficient, and deliver greater business impact by allowing you to easily forecast and allocate resources, create and analyze portfolios, gain visibility to all your projects, and discover new insights through dynamic PPM analytics.

Start today by requesting a free product trial or by calling one of our PPM experts at +1-877-932-4402 or +44(0)1274 863300.

[i] State of the PMO 2016

[ii] Westland, Jason. "What We Liked: Project Execution," Max Wideman Blog, Accessed January 9, 2018, http://www.maxwideman.com/papers/life_cycle/execution.htm

[iii] Sharma, Rupen, PMP, "Project Execution Process Group: Put Your Plan to Work," Brightspot PM blog, Accessed January 8, 2018. http://www.brighthubpm.com/project-planning/1674-project-execution-putting-your-plan-to-work/

[iv] "How Well Do You Know the Executing Process Group?" Master of Project Academy, accessed January 2, 2018. https://blog.masterofproject.com/project-execution-process-group/

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