A Maturity Model for Portfolio Management

Finding the Approach For Your Organization

Janet Burns, PMP, CSM
JB Worldwide Consulting
Most organizations have a steady stream of projects they need to execute on to meet organizational goals. Project Portfolio Management (PPM) aids in codifying those goals, and measuring progress to ensure they are met. More tools are available these days to facilitate the implementation of PPM, but the focus on the steps to take is very dependent on existing processes, skills, and priorities of the organization.

- Learn how to gauge the culture of your organization and tailor a portfolio management process accordingly
- Review some examples of common (and “not so common”) building blocks for an effective portfolio process
- See how the PMI Program Management and Portfolio Management standards can be tools to inform and promote your portfolio management processes
- Leave the presentation with a tool to tailor a PPM maturity model for your organization to implement PPM in a successful manner
Presentation Agenda

- A little background
- Definitions
- Why a tailored Maturity Model for PPM?
- What does the model look like?
- How to use it
- Implementation examples
- PMI’s standards for Portfolio and Program Management
- Q & A
A little Background
aka my biggest lessons learned 😊

- I’ve been in the PMO business for many years, way before PPM (at least the standard for PPM) was born – here’s what I’ve learned:
  - Experience at NYT
    - Had journalism experience before that – don’t bury the lede (lead)
  - No 2 PMO’s are the same
  - You have to adapt to the culture of the organization
  - No 2 cultures are the same
will tell you now what my main message is……

• I’ve been in the PMO business for many years, way before PPM (at least the standard for PPM) was born – here’s what I’ve learned:

• Experience at NYT
  • Had journalism experience before that – don’t bury the lede (lead)

• You have to create your own maturity model! You can’t fit into someone else image of who you should be
Existing Reality:

Standards and measures that may be rigid, complicated, and overwhelming given the audience and characteristics of the organization
Some cultures are not always process-friendly

Typical Characteristics
• Relationships are key
• More verbal than written communications
• Few formal policies
• Lots of hallway meetings
• Projects, and departments are known by people’s names

Typical organization types
• Creative organizations
• Small companies
• Entrepreneurial organizations
• Family run organizations
• Non-profits
• Academic organizations
• Action Plans for Leaders
• 1. Executive commitment: challenging, but true
• 2. Mature project management in place
• 3. Determine strategic alignment of programs and projects
• 4. Show progress against strategic objectives quickly; don’t wait until delivery
“I feel a recipe is only a theme, which an intelligent cook can play each time with a variation”

Madam Benoit

“You never change something by fighting the existing reality. To change something, build a new model that makes the existing model obsolete”

Buckminster Fuller
Existing Reality:

Standards and measures that may be rigid, complicated, and overwhelming given the audience and characteristics of the organization.
A New Model:

Get creative with the existing reality by:

- Focusing on a few key points
- Turning it around
- Adding some different ingredients
- Translating it to a familiar language
- Take baby steps
Observations and conclusions drawn from the study include the following: The greatest benefits of project portfolio management are that organizations better align their projects to business strategy (rating 3.9 on a scale of 1-5) and that they now work on the right projects (rating 3.5). The more mature the organization, the more benefits the organization realized due to their project portfolio management practices. In particular, the rating of benefits improved in moving in maturity from Level 1 to Level 2 to Level 3 as follows:

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocating resources optimally</td>
<td>2.7</td>
<td>3.1</td>
<td>3.6</td>
</tr>
<tr>
<td>Killing poor projects</td>
<td>2.8</td>
<td>2.9</td>
<td>3.5</td>
</tr>
<tr>
<td>Spending in the right areas</td>
<td>3.1</td>
<td>3.5</td>
<td>3.8</td>
</tr>
<tr>
<td>Working on the right projects</td>
<td>3.4</td>
<td>3.5</td>
<td>3.6</td>
</tr>
<tr>
<td>Eliminating project redundancies</td>
<td>3.1</td>
<td>3.2</td>
<td>3.4</td>
</tr>
<tr>
<td>Increased cost savings</td>
<td>3.3</td>
<td>3.4</td>
<td>3.6</td>
</tr>
<tr>
<td>Better aligning projects to strategy</td>
<td>3.7</td>
<td>4.1</td>
<td>4.2</td>
</tr>
<tr>
<td>Increased profits</td>
<td>3.2</td>
<td>3.4</td>
<td>3.8</td>
</tr>
<tr>
<td>Managing gaps in portfolio</td>
<td>2.8</td>
<td>3.4</td>
<td>3.6</td>
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</tbody>
</table>

Survey results
Project portfolio management asks the following questions:

- Are we doing the right things?
- Are we doing them the right way?
- Are we doing them well?
- Are we getting the benefits?
At the *initial* level, processes are disorganized, even chaotic. Success is likely to depend on individual efforts, and is not considered to be repeatable, because processes would not be sufficiently defined and documented to allow them to be replicated.

At the *repeatable* level, basic project management techniques are established, and successes could be repeated, because the requisite processes would have been made established, defined, and documented.

At the *defined* level, an organization has developed its own standard software process through greater attention to documentation, standardization, and integration.

At the *managed* level, an organization monitors and controls its own processes through data collection and analysis.

At the *optimizing* level, processes are constantly being improved through monitoring feedback from current processes and introducing innovative processes to better serve the organization's particular needs.
What’s a Maturity Model?

- **Maturity** is a measurement of the ability of an organization for continuous improvement in a particular discipline - a **model** helps create a measure for that improvement.

- The higher the maturity, the higher will be the chances that incidents or errors will lead to improvements either in the quality or in the use of the resources of the discipline as implemented by the organization.

- Most **maturity models** assess qualitatively people/culture, processes/structures, and objects/technology.
WE USE A NUMBER OF COMPLEX MEASURES IN DETERMINING OUR INVESTMENT DECISIONS.
<table>
<thead>
<tr>
<th>Maturity Components</th>
<th>Maturity Level 1 Initial Process</th>
<th>Maturity Level 2 Structured Process and Standards</th>
<th>Maturity Level 3 Organizational Standards and Institutionalized Process</th>
<th>Maturity Level 4 Managed Process</th>
<th>Maturity Level 5 Optimizing Process</th>
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<tr>
<td>Project Initiation</td>
<td>• Just happens, new project initiation process is undocumented and inconsistent</td>
<td>Basic process exists to identify &amp; initiate project opportunities – could be an e-mail Business needs identified</td>
<td>Organization wide complete process followed to identify, track &amp; communicate new projects Formalized approvals &amp; evaluations against standards</td>
<td>Post-implementation review process introduced to compare estimate vs. actuals Lessons learned lead to improvement recommendations</td>
<td>PM engaged in proactive identification of projects Baseline data collected, benchmarked &amp; leads to process improvements</td>
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<td>Prioritization and Selection</td>
<td>• Just happens, project selection process is undocumented and inconsistent</td>
<td>Project evaluated on business value at local level Simple prioritization scheme based on high level subjective factors</td>
<td>Boards follow flexible prioritization scheme Organization aware of process</td>
<td>Cost vs. benefit outcomes validated against historical information Criteria routinely reviewed &amp; updated to reflect business drivers</td>
<td>Baseline data collected, benchmarked &amp; leads to process improvements</td>
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<td>Portfolio Information Management</td>
<td>Project information exists independently &amp; inconsistently No consolidated list of projects in the portfolio Project communication not uniform</td>
<td>Project lists are created and communicated Project are categorized Process exists to aggregate &amp; communicate project data</td>
<td>Aggregated &amp; used to identify imbalance More project information captured and kept current</td>
<td>Information audited &amp; validated</td>
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<td>Portfolio Performance Management</td>
<td>Projects are not categorized in portfolios No portfolio performance measurement</td>
<td>Periodic reviews with sponsoring organizations Analysis &amp; reporting processes include cost &amp; schedule variances as reported by Project Managers Go/No go decisions &amp; corrective actions implemented</td>
<td>Project metrics regularly analyzed according to defined process Consider root causes for poorly performing projects Use of portfolio analysis tools</td>
<td>Use of portfolio analysis tools Trends reported at multiple levels Controlled proactive investment actions taken</td>
<td>Baseline data collected, benchmarked &amp; leads to process improvements Portfolio analysis process integrated into management decision process</td>
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<td>Ad hoc resource management occurs at the project level</td>
<td>Defined process to identify resource needs for projects Not performed on portfolio level</td>
<td>Resource balance decisions made on highest priority projects Project time reporting occurs</td>
<td>Resource repository with skills inventory exists Resource projections based on capacity &amp; estimate vs. actuals for project</td>
<td>Proactive resource utilization across the organization through what if forecasting Baseline data collected, benchmarked &amp; leads to process improvements</td>
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<td>Not performed on portfolio level</td>
<td>Process exists to create portfolio review boards Board integrates project management &amp; business knowledge – relates projects to strategies</td>
<td>Process exists to coordinate activities of multiple boards Alignment criteria established &amp; maintained Process applies to all investment proposal/projects</td>
<td>Groups deliberate, define priorities &amp; provide direction on maximizing strategic objectives Lessons learned lead to process improvement</td>
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PMI Standards for Portfolio and Project Management
Organization relies on projects and programs in order to achieve their strategic intent.

- Strategic intent and prioritization provide direction for determining the financial resources that should be applied to the portfolio.
- The strategic intent is mapped onto a set of portfolio components (including their resource allocation).
- Each program and project is defined by its contribution to the portfolio’s strategic intent. Once defined they can then be managed in accordance with the PMBOK and other related standards.
Portfolio Relationships

- Portfolio
  - Programs
    - Projects
  - Projects
  - Programs
    - Other Work
    - Projects
### Projects, Programs and Portfolios according to PMI

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>PROGRAMS</th>
<th>PORTFOLIOS</th>
</tr>
</thead>
<tbody>
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<td>Projects have a narrow scope with specific deliverables.</td>
<td>Programs have a wide scope that may have to change to meet the benefit expectations of the organization.</td>
<td>Portfolios have a business scope that changes with the strategic goals of the organization.</td>
</tr>
<tr>
<td>The project manager tries to keep change to a minimum.</td>
<td>Program managers have to expect change and even embrace it.</td>
<td>Portfolio managers continually monitor changes in the broad environment.</td>
</tr>
<tr>
<td>Success is measured by budget, on time, and products delivered to specification.</td>
<td>Success is measured in terms of Return On Investment (ROI), new capabilities, and benefit delivery.</td>
<td>Success is measured in terms of aggregate performance of portfolio components.</td>
</tr>
<tr>
<td>Leadership style focuses on task delivery and directive in order to meet the success criteria.</td>
<td>Leadership style focuses on managing relationships, and conflict resolution. Program manager’s need to facilitate and manage the political aspects of the stakeholder management.</td>
<td>Leadership style focuses on adding value to portfolio decision-making.</td>
</tr>
<tr>
<td>Project managers manage technicians, specialists, etc.</td>
<td>Program managers manage project managers.</td>
<td>Portfolio managers may manage or coordinate portfolio management staff.</td>
</tr>
<tr>
<td>Project managers are team players who motivate using their knowledge and skills.</td>
<td>Program managers are leaders providing vision and leadership.</td>
<td>Portfolio managers are leaders providing insight and synthesis.</td>
</tr>
<tr>
<td>Project managers conduct detailed planning to manage the delivery of products of the project.</td>
<td>Program managers create high-level plans providing guidance to projects where detailed plans are created.</td>
<td>Portfolio managers create and maintain necessary process and communication relative to the aggregate portfolio.</td>
</tr>
<tr>
<td>Project managers monitor and controls tasks and the work of producing the projects products.</td>
<td>Program managers monitor projects and ongoing work through governance structures.</td>
<td>Portfolio managers monitor aggregate performance and value indicators.</td>
</tr>
</tbody>
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Presentation Agenda

- A little background
- Why a tailored Maturity Model for PPM?
- What does the model look like?
- How to use it
- Implementation examples
- PMI’s standards for Portfolio and Program Management
- Q & A
Workshop Goals

- Exposure to lots of PMO Best (and a few “Worst”) Practices
- Learn from each other
- Take away some “nuggets”
- Draft your PMO artifacts
  - Charter
  - WBS
  - Roadmap
  - Improvement Plan
My Intro

• In the PM field for 20+ years
• First heard the term PMO in 1996 when I was asked to be a PM Coach for an organization and researched the topic (at the library!)
• Hired to start up a PMO for the NY Times in 1998 – began in the Shared Services Center but moved to an Enterprise level by 2004
• Left NY Times in 2005 to start up a corporate PMO for MTV in 2005
• Started as an independent consultant in 2007 – since then, in addition to training, leading projects and software implementations, I have worked to start up/improve PMO for 20+ clients in the following fields:
  • Financial Services
  • Utility Companies
  • Entertainment
  • Construction
  • City, Federal and State
The Current State: PMO vs EPMO

In the past few years, the development of EPMOs has steadily increased.

PMOs have historically evolved from program management offices (y2k, ERP implementations) or PMOs set up in one department, often IT.

As the need for more standardization across the enterprise has been recognized, so has the need for Enterprise PMOs – the EPMO.
What’s the Difference?

PMO
• ___________________
• ___________________
• ___________________
• ___________________
• ___________________
• ___________________

EPMO
• ___________________
• ___________________
• ___________________
• ___________________
• ___________________
• ___________________
The Current State of the PMO

PMI – 2017 Pulse of the Profession

PMO Potency

More organizations are discovering the value of project management offices (PMOs).

- 71% of organizations have a PMO—up from 68% in 2016 and 61% in 2007.

But there’s still a confidence gap between project leaders and the C-suite.

- 54% of PMO directors say their organizations fully understand the value of project management.

- 83% of executive leaders say their organizations fully understand the value of project management.

Success Rates Rise

Transforming the high cost of low performance

- 38% more projects meet their original goals and business intent at organizations with an enterprise-wide PMO highly aligned with organizational strategy.

- 33% fewer projects fail at organizations with a highly aligned enterprise-wide PMO.
The Current State of the PMO

Summary Findings

- A majority of firms (85%) have a PMO in place.
- PMOs are a strategic resource. Most report to a VP or higher; 49% directly to the C-level.
- There is a direct correlation between the age of the PMO and its capability.
- PMOs are now more likely to engage in tasks that impact strategic planning, governance, and portfolio management.
- More than half of PMOs use contracted resources to manage projects/programs.
- PMOs in high-performing firms are far more likely to have a training program in place.
- PMO staffs are highly experienced (10 years) and almost half (45%) have PMPs.
- There is a direct correlation between PMO capability and the value it contributes to the organization.
When asked which project management practices were most effective in helping the organization meet its goals, respondents most frequently answered:

- providing standard methodology for managing projects (56%),
- having responsibility for process and project reporting and tracking (38%),
- ensuring that similar projects are executed in a similar way (37%),
- having the funding and information needed to speed up or slow down project delivery (29%),
- providing a process for resource allocation and capacity management (27%).
The Current State - Conclusions

• PMOs are growing in number
• More evidence of the positive impact of PMOs, especially EPMOs
• Still much variation in the application of the PMO
• Overall, project performance is improving – but how much can be attributed to PMOs?
No matter which approach you use, follow the iterative approach

Start small and target the highest priority needs. Just like an iterative development project, as you gain success and buy-in, you can add on to the services your PMO offers. You will also have the ability to be more agile and respond to change if you approach this process incrementally. As project performance changes, so will the PMO have to adjust.
You have to work within the culture

“You never change something by fighting the existing reality. To change something, build a new model that makes the existing model obsolete”

Buckminster Fuller
Change Management – an approach every PMO lead needs to understand

The first step is to recognize that setting up and growing a PMO is a **culture change**

- You are introducing new ways of doing things that will make people uncomfortable
  - Accountability/Transparency
  - Documentation
  - Additional work
  - A different style
Is Change Inevitable?

“Change is inevitable - except from a vending machine.
~Robert C. Gallagher
From Strategy to Projects
The Change Process
A simple explanation to make change stick

- PERCEIVED NEED FOR CHANGE
- SHARED VISION FOR THE FUTURE
- THE RIGHT NEXT STEP

MUST BE GREATER THAN THE RESISTANCE TO CHANGE
3 Models to consider

- Kurt Lewin
  - Unfreeze, Change, Refreeze
  - Force Field Analysis

- William Bridges
  - Transition vs. Change

- Prosci Research
  - ADKAR
Kurt Lewin Change Theory

- Consists of three distinct and vital stages:
  - “Unfreezing”
  - “Moving to a new level or changing”
  - “Refreezing”
Lewin’s Change Process

PRESENT STATE

TRANSITION STATE

DESIRED STATE

UNFREEZING
(PAIN)

REFREEZING
(REMEDY)
Driving Forces are forces that push in a direction that causes change to occur.
They cause a shift in the equilibrium towards change.
Restraining forces are forces that counter driving forces. They oppose change.
Restraining forces cause a shift in the equilibrium which opposes change.
Equilibrium is a state of being where driving forces equal restraining forces and no change occurs.
Equilibrium can be raised or lowered by changes that occur between the driving and restraining forces.
A Typical PMO Force Field Analysis

To implement a PMO to improve project performance and create standard repeatable processes

<table>
<thead>
<tr>
<th><strong>Positive Forces (⁺)</strong></th>
<th><strong>Negative Forces (⁻)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chaos reigns and is uncomfortable</td>
<td>Resistance to changing old ways</td>
</tr>
<tr>
<td>Senior management is visibly supportive</td>
<td>Organization is successful – why change?</td>
</tr>
<tr>
<td>Some processes exist which can be reused</td>
<td>Middle management does not buy in to the process</td>
</tr>
<tr>
<td>Project performance is acknowledged as</td>
<td>PMO perceived as process police</td>
</tr>
<tr>
<td>needing improvement</td>
<td>New processes viewed as more work</td>
</tr>
<tr>
<td>Good working relationships among</td>
<td>Roles and responsibilities are unclear and inconsistent among project managers</td>
</tr>
<tr>
<td>employees</td>
<td>Little to no automated tools available to leverage</td>
</tr>
<tr>
<td>Outside competition is better at project</td>
<td></td>
</tr>
<tr>
<td>management</td>
<td></td>
</tr>
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<td>Project management is more highly</td>
<td></td>
</tr>
<tr>
<td>visible as a profession</td>
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Managing Change
Module 1: Introduction
Announcements

Welcome!

- Schedule
- Breaks
- Restrooms and phones
- Participant Notebook

Cell phones and beepers – turn to vibrate or off
Introductions

- Instructor
- Participants
Workshop Objectives

At the end of this workshop, you will be able to:

- Understand how to determine where to place resources where they matter reducing wasteful spending
- Recognize troubled projects before they become failures
- Manage project mix and overall portfolio quality
- Understand how to collect and present the essential information needed to continually align and balance your portfolio of projects
- Assess your project portfolio performance using earned value analysis
Agenda

- A Brief Introduction to Project Portfolio Management
- Components of Effective Project Portfolio Management
- Monitoring Portfolio Performance
- Outputs of Performance Management
- Portfolio Management Tools
Ground Rule

In order to promote the most open exchange of information, a non-attribution policy will be observed

Translated for non-lawyers means “What’s said in this room, Stays in this room”
Module 2: A Brief Introduction to Project Portfolio Management
What is Project Portfolio Management?

“Project portfolio management is a set of business practices that brings the world of projects into tight integration with other business operations.”

Harvey Levine, Project Portfolio Management

“Project Portfolio Management organizes a series of projects into a single portfolio consisting of reports that capture project objectives, costs, timelines, accomplishments, resources, risks and other critical factors.”

Computerworld
What is Project Portfolio Management? (cont’d)

“Portfolio management...includes identifying, prioritizing, authoring, managing, and controlling projects, programs, and other related work, to achieve strategic business objectives.

Portfolio management focuses on ensuring that projects and programs are reviewed to prioritize resource allocation, and that the management of the portfolio is consistent with and aligned to organizational strategies.”

PMBOK®, Fourth Edition
Benefits of Project Portfolio Management

- Increased cost savings
- More effective budget allocation
- Improved project alignment with overall business strategy
- More effective use of project management tools
- Regular portfolio reviews and adjustments produce higher returns
Growth of Project Portfolio Management

- PPM is a set of processes typically with dedicated roles and responsibilities
- Should be top down to align with cascading goals and objectives
- Frequently based on asset allocation models that view projects as part of the pie
- PPM bridges the gap between traditional business planning and project management and is normally divided into two discrete sets of activities
  - Project selection and prioritization
  - Maintaining the project pipeline
Discussion: Pearls of Wisdom

What are some of your pearls of wisdom that you have found to be helpful managing or participating in portfolio management?
Components of Effective PPM

- Portfolio Communications Management
- Portfolio Governance
- Portfolio Performance Management
- Portfolio Opportunity Assessment
- Portfolio Resource Management
- Portfolio Prioritization and Selection
Module 3: Building the Portfolio
Portfolio Governance

Governance

... the act or manner or function of governing

— Oxford Dictionary

Governance

Governing

The exercise of authority, direction and control ... to guide and direct

— Readers Digest

Encyclopedia Dictionary

Governance in the PPM environment should be comprehensive

Structure

- Policies
- Standards
- Processes
- Methods
- Tools

People

- Roles
- Responsibilities
- Forums
Leadership Commitment to PPM

• “Governance requires active design and involvement from senior executives, requiring them to take the lead in allocating resources and supporting the overall process.”

— Peter Weill, Project Portfolio Management
PPM Governance Considerations

Portfolios can exist at several levels in the organization

• Typically, the leadership position at which strategy, operations and budget intersect is a key position
  • Will vary in each organization
  • Portfolio leaders have titles like COO, CIO, VP Operations

• Leadership team at every level should have a portfolio charter or guidance

• PPM does not require the establishment of new functional descriptions—consolidates and focuses the existing organization

• Project Offices/EPO play a key role in supporting the project portfolio management
Discussion: Leadership

• Does your leadership team understand PPM?
• Do they support it?
• What techniques have you found to be helpful in building leadership support or deepening leadership commitment?
Portfolio Opportunity Assessment

- Baseline portfolio area of order for monitoring and controlling
- Each project opportunity is reviewed against established, consistent criteria
Portfolio Opportunity Assessment

Portfolio opportunity assessment should follow a consistent, defined path

1. Identify projects that match strategic objectives or identify customer requested projects
2. Prioritize
   - Categorize
   - Score
   - Review
3. Create the initial project inventory
4. Communicate
Define your portfolio priority scheme

- Priorities establish which project, sub-project, activity or task has dominance over the other in during conflict
- The criteria for determining dominance should be defined by the leadership team
- Without priorities, each project manager in the portfolio believes their project is number one
- Priorities should be consistently applied across the portfolios and adjusted as the priorities change
- Most project and portfolio software have prioritization schemes
Portfolio Selection Criteria

Selection criteria are used to evaluate projects

- Consistent criteria and cost ranges should be defined for each category
- Criteria at a minimum consists of three parts
  - The criteria
  - Scoring method
  - Importance weighting
- The leadership team, assisted by the portfolio team identifies the criteria, scales and measure
- The criteria may vary between portfolios may should not vary within a portfolio
- Ensure the criteria selected are viable measures for all projects within the portfolio
Possible Selection Criteria Examples

Possible selection criteria might be:

• Align with strategic vision
• Aggregate risk
• Return on investment
• Market growth
• Technical potential for success
• Impact on customer satisfaction
• Resource availability
• Others...
The Beginning Portfolio Inventory

![Portfolio Inventory Dashboard](image-url)

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<th>Projects</th>
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</table>

![More Details](image-url)

- **Actions:**
  - Sequence Projects
  - Session Settings
  - Save Session
  - Reset Projects
  - Resource Demand
  - Commit All Projects

![FTE Details](image-url)
The organization must have processes in place to allow them to effectively assign appropriate resources (number and skills) to successfully execute the projects in the portfolio and meet business needs. Key is understanding:

- Resource requirements for the projects in the portfolio
- Resource capacity — skills and availability
Portfolio Resource Management

Practices include:

• Resource-pool management process to capture skill sets, availability, and knowledge management across the organization

• Resources assignments based upon resource skills, availability, and established project priorities

• Resource analysis for forecasting future resource requirements
Module 4: Monitoring the Portfolio
Portfolio Performance Management

The focus of portfolio monitoring is to obtain goal-centered feedback to assist in managing portfolio performance.

The right data should:

• Inform
• Forewarn
• Guide

“A system left unattended does not maintain its level of excellence, it begins immediately to degrade”

— Lloyd Dobyns
Discussion: Monitoring Challenges

What are some of your monitoring challenges?
Monitoring Challenges

Common challenges to monitoring portfolios

- Inadequate attention to key project metrics
- Attempting to achieve process “perfection”
- Too much focus on detailed project management at the cost of achieving a comprehensive project portfolio
- Lack of executive leadership
- Choosing the easy metrics instead of metrics
- Not choosing a mix of metrics
Monitoring Basics

Simple but important questions concerning portfolio monitoring are:

- Who monitors?
- What do they monitor?
- Where do they monitor?
- When do they monitor?
- How do they monitor?
Monitoring Responsibilities (Who)

**Portfolio Level**
- Strategic Management Team, Portfolio Management Team, Individual Senior Leaders

**Program Level**
- Program Management Teams, Pipeline Management Teams, Individual Program Managers

**Project Level**
- Project Sponsors, Project Team, Individual Project Managers

The teams and individuals above are normally supported by several different support teams (PMOs, IRBs, etc) as well as key individuals, QA, Finance, etc.)
Types of Metrics: Qualitative

- Qualitative (discrete or continuous) metrics are category data (car type), bi-normal data (pass/fail) and count data (number of team members)
  - Effective for summing up large amounts of data
  - Can show trends
  - Subject to “I think, I feel”
Types of Metrics: Quantitative

- Quantitative metrics more precisely describes numerical figures to represent something in a statement. It exists in range of magnitudes can be measured
  - Effective for analysis
  - Less likely to be misinterpreted
Data Collection Methods (How)

- Portfolio managers need a feedback mechanism to manage their portfolios and guide the projects within the portfolio
- A number of different formats are used to obtain feedback from the project
  - Initiative reviews
  - Portfolio health checks
  - Project audit
Initiative Reviews

Initiative reviews are normally conducted when the project is first proposed but is included here because it is the foundation of key metrics

- Key tracking data is defined and agreed upon (key project objectives)
- Metrics become basis for audits and reviews
- Initiative reviews become the basis of periodic portfolio validation and adjustment activities
- Initiative reviews enable effective ROI analysis

“Despite widespread recognition of the front end’s importance, there has been limited systematic examination directed at improving its effectiveness.”

The goal of assessing a portfolio is to determine whether the portfolio is meeting its business and/or strategic objectives.

The assessment process should incorporate both the short and the long term view and should examine both:
- Tactical perspective: Health and performance of individual portfolio projects
- Strategic perspective: Overall portfolio business results
Portfolio Health Check

Portfolio evaluation for business value, health, efficiency (best mix) and effectiveness (right mix). Key questions:

• **Business Value**
  • Are the projects producing expected business benefits and supporting the portfolios goals?
  • Are there low value investments that are dragging the portfolio down?

• **Health**
  • Are there unhealthy investments in the portfolio?
  • What is the trend for the portfolio as a whole?
Portfolio Health Check (cont.)

Key portfolio questions:

• **Efficiency**
  • Are the projects prioritized to balance risk vs. value to the portfolio?
  • Are there any duplicate investments in the portfolio?
  • Are enough appropriate resources available to implement the current and forecasted projects effectively?

• **Effectiveness**
  • Do we have the right mix of projects to meet the customer or market needs?
Project-Level Data

To accurately understand their portfolios, managers need consolidated and/or aggregated project-level data

- Quantitative data – financials, defects, market share, etc.
- Qualitative data – Stakeholder commitment, client satisfaction, traffic lights, etc.
- Data should be reconciled and validated for accuracy
- Data should then be aggregated for a portfolio-level view (top down)
Project Audits — Bottom Up

Project audits are planned as part of the project’s activities

• Conducted by established team or authority
• Audits are typically aligned with the project life cycle in use
• Each audit should have:
  • Defined purpose (Concept approval, Design approval, etc.)
  • Template
  • Guidelines for conducting the review
• Decision at each audit:
  • Close
  • Rework
  • Continue
Project Audits — Outcomes

- Outputs of the project audits include:
  - Best practices
  - Suggested modifications to project management methodology
  - Improvements to standard processes
  - Problems, issues
  - Risk events undetected on previous projects

“The purpose of inspection is to gain information for improvement”

*W.E. Deming*
Earned Value Management

Earned Value Analysis is a key tool used to manage projects and portfolios. Specifically, earned value shows:

- **Current State**
  - Cost variance
  - Cost performance index
  - Schedule variance
  - Schedule performance index
  - Estimate at complete

- **Projected State**
  - To complete performance index
  - Estimate to complete
  - Variance at complete
Discussion: Projects

• Why is it so difficult to kill a project?
• What techniques can overcome these difficulties?
Where to Measure

Portfolio Management Team

Stage

Stage

Stage

Stage
Metric Mapping

Good technique for portfolios with long lead deliverables

• May be necessary if customer wants more frequent reviews

• Reviews the triple constraint items
  • Time
  • Cost
  • Scope

• Could also include the other PMBOK® elements (risk, quality, etc.)

• Interim metrics should be consistently applied and coordinated with the business units
Metric Mapping

Portfolio Management Team

Stage Stage Stage Stage

Interim Metrics
Module 5: Outputs of Performance Management
Portfolio Communications Management

Deals with the processes for collecting, and sharing information on each project in the portfolio as well as aggregating and summarizing this information, enabling the organization to:

• Make effective decisions
• Understand each project’s value to the portfolio
• Balance this value with resource constraints
Portfolio Communications Management

Key practices include:

- Project database accounts for active and pending projects as well as changes to the project portfolio
- Consistent, detailed information is tracked for each project
  - Description
  - Performance/status
  - Resource estimates
  - Business value/risk
  - Project categorization
  - Cost and schedule information
- Defined process for reviewing and updating the portfolio
- Portfolio information is shared with appropriate stakeholders across the organization
The Dashboard

Project dashboards help to aggregate or distill large amounts of project data into easy to read formats

- Can be off the shelf ready or customized
- Portfolio Management Team should define what info will be on the dashboard
- There can be multiple levels of dashboards
- In many cases, the dashboards are compatible with project tracking software
The Dashboard
Portfolio Adjustment

The goals of portfolio adjustment are:

- Maximizing the performance of existing assets
- Drive continuous improvement
- Adjust to changing strategic and tactical circumstances
- Keep portfolio investments effective
Low-Value Investments

Projects in the portfolio do not remain static, they are in a constant state of change and influenced by many portfolio factors. Low performing projects:

• Have often been the subject of many changes and the accumulated effect is a troubled project

• May be redundant as a result of changes in strategic objectives

• Could result from changes within the competitive or regulatory environment

• Are often a major portion of your first inventory analysis

When a low-value investment falls below a predetermined threshold it should be considered for elimination — consider the benefits of repositioning the resources to other key projects in the portfolio
Unhealthy Investments

As projects are evaluated, some will be discovered to be unhealthy

- A project can be unhealthy for a host of reasons
- Unhealthy investments should be reviewed individually to identify root causes
- Root causes for all unhealthy projects should be captured for continuous portfolio improvement

*Investment decisions (continue, fix, increase funding, reduce funding, etc.) for unhealthy projects is different for each project*
Duplicate Investments

Duplicate investments occur as duplicate processes or duplicate goals (clusters on investment map) for many reasons, including:

- Poor management
- Planned redundancy
- Poor communications
- Mergers
- Acquisitions
- Others?

Duplicate investments should be eliminated or combined where appropriate
Strong Investments

Strong investments are those that make good business sense. They are still right for the organizations and in some cases their business benefit has grown. Strong investments:

- Are combinations of strategic viability, project health, and deliverable value
- May also be key compliance or regulatory project and key to business viability

*Strong investments may benefit from added resources*
Module 6: Project Portfolio Management Tools
Portfolio Management Tools

• This discussion is not:
  • Dedicated to help you decide which is the best suite for you
  • A demo, sales pitch, for any particular software

• This discussion is:
  • An opportunity to share knowledge
  • An overview of how technology can help with the unique needs of portfolio management
Portfolio Management Tools (cont.)

The unique needs of portfolio management:

• Requires top-down view
• Typically high-value projects
• Requires unique displays for:
  • Analysis
  • Summarization
  • Ability to work with other systems to collect data
• Requires simulation ability not typically available with standard project management software
• Others?
Gartner’s Magic Quadrant of EPM Tools
The are different categories of software used by portfolio teams

- **Business Analysis:** SAS, Oracle, etc.
  - Scoring, competitive analysis, trends interdependencies, benchmark analysis

- **Portfolio Management:** Primavera (Prosight), CA-Clarity (Niku), Planisware, MS Project Enterprise
  - Web enabled, simulation, stage gate built in, Optimizer, decision support, prioritization, etc.

- **Project/Program Planning tools:** MS Project, Open WorkBench, Primavera Project Planner, etc.
  - More organizational experience, excellent project management capability, enterprise versions have more portfolio capabilities
Sample Portfolio Display
Sample Portfolio Display
Sample Portfolio Display
PM/DMAIC Roadmap

**Define Opportunities**
- Team Charter
- Process Maps
- Quick Wins
- Critical Customer Requirements
- Resource Availability

**Measure Performance**
- Input, Process and Output Indicators
- Operational Definitions
- Data Collection Plan
- Baseline Performance

**Analyze Opportunity**
- Data Analysis
- Detailed Process Maps
- Validated Root Causes

**Improve Performance**
- Solutions
- Process Maps and Documentation
- Pilot Results
- Implementation Milestones
- Improvement Impacts and Benefits
- Change Maps

**Control Performance**
- Process Control Systems
- Standards and Procedures
- Training
- Change Implementation Plans
- Replication Opportunities

**Project Phases**
- Define Opportunities
- Measure Performance
- Analyze Opportunity
- Improve Performance
- Control Performance

**Typical Six Sigma Deliverables**
- Updated Charter
- RACI Chart
- Status report
- Project plan
- Project schedule
- Milestone chart
- Risk log
- Project proposal/justification
- Project budget
- Implementation plan and schedule
- Performance reports
- Final Project Report
- Lessons Learned

5/18/2018
Learning Objectives

Understand the strategic application of your project portfolio and how to communicate and sell it throughout your organization

Learn to tailor a PPM maturity model to your organization and how to achieve higher payback from your current PPM processes

Learn tips and techniques from case studies and existing standards to leverage your existing PPM processes for strategic objectives
Presentation Agenda

- The Headline
- What have we done so far in the PPM arena?
- What’s missing?
- Ideas for leveraging your PPM processes, including:
  - Implementation examples
  - Overview of PMI’s standards for Portfolio and Program Management
- Q & A
“You never change something by fighting the existing reality. To change something, build a new model that makes the existing model obsolete”

Buckminster Fuller, inventor

Or, put another way…
“I feel a recipe is only a theme, which an intelligent cook can play each time with a variation”

Jehane Benoît, culinary author
PPM Progress to Date

• Lists of key projects, organized and prioritized using various criteria:
  • Resource Utilization
  • Overall costs
  • Financial performance
  • Organizational goal alignment
  • Performance measurements (triple constraint)
PPM Progress to Date…cont

- Processes, governance structures, and training to capture portfolio data – PMO driven or not:
  - Standard templates for reporting from the PM’s
  - PPM software implementations
  - Integration with existing processes, i.e., capital planning
PPM Progress to Date...cont

- Reports, graphs, and other manifestations of the data analysis
So What’s Missing?

Let’s explore some possible next steps....
Next Steps – Idea # 1
Expand your portfolio horizons

Move out from your unit to:
Business unit
Division
Program
Enterprise

Wherever you can get support and a following, especially if it will take you to new strategic heights
Next Steps – Idea # 2
Expand your portfolio horizons

Kick it up a notch!

Add:
• Earned Value measurements
• Risk assessments
• Weighting to your prioritization criteria

*Take advantage of the opportunity to educate and incorporate these disciplines into your projects*
Next Steps – Idea # 3
Use your portfolio to connect to, communicate, or create a corporate strategy

Pretend! If there’s no corporate strategy, imagine one! Chances are there is a strategy that has not been communicated yet.

PMI standards will be especially helpful to sell this idea
An Organization Context for Project Portfolio Management

The Standard for Portfolio Management, Project Management Institute, Inc. 2006
<table>
<thead>
<tr>
<th>PROJECT</th>
<th>PROGRAMS</th>
<th>PORTFOLIOS</th>
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<tbody>
<tr>
<td>Projects have a narrow scope with specific deliverables.</td>
<td>Programs have a wide scope that may have to change to meet the benefit expectations of the organization.</td>
<td>Portfolios have a business scope that changes with the strategic goals of the organization.</td>
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<td>The project manager tries to keep change to a minimum.</td>
<td>Program managers have to expect change and even embrace it.</td>
<td>Portfolio managers continually monitor changes in the broad environment.</td>
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<tr>
<td>Success is measured by budget, on time, and products delivered to specification.</td>
<td>Success is measured in terms of Return On Investment (ROI), new capabilities, and benefit delivery.</td>
<td>Success is measured in terms of aggregate performance of portfolio components.</td>
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<td>Leadership style focuses on task delivery and directive in order to meet the success criteria.</td>
<td>Leadership style focuses on managing relationships, and conflict resolution. Program manager’s need to facilitate and manage the political aspects of the stakeholder management.</td>
<td>Leadership style focuses on adding value to portfolio decision-making.</td>
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<tr>
<td>Project managers manage technicians, specialists, etc.</td>
<td>Program managers manage project managers.</td>
<td>Portfolio managers may manage or coordinate portfolio management staff.</td>
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<tr>
<td>Project managers are team players who motivate using their knowledge and skills.</td>
<td>Program managers are leaders providing vision and leadership.</td>
<td>Portfolio managers are leaders providing insight and synthesis.</td>
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<td>Project managers conduct detailed planning to manage the delivery of products of the project.</td>
<td>Program managers create high-level plans providing guidance to projects where detailed plans are created.</td>
<td>Portfolio managers create and maintain necessary process and communication relative to the aggregate portfolio.</td>
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<td>Project managers monitor and controls tasks and the work of producing the projects products.</td>
<td>Program managers monitor projects and ongoing work through governance structures.</td>
<td>Portfolio managers monitor aggregate performance and value indicators.</td>
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Next Steps – Idea # 4
Influence organizational change
Create incentives to achieve portfolio objectives

Functional vs. projectized organizations - Use your portfolio as a tool to break the silos
Next Steps – Idea # 5
Connect the dots between projects, programs and strategies

Think Linkedin or MySpace

Showing the relationships can get a lot of discussion going and generate interest for more
Next Steps – Idea # 6
Create new portfolios of project requests, unfunded mandates, etc.

Many things consume lots of time and energy and are never measured
Next Steps – Idea # 7 Morph it!

Think outside the box to stretch your PPM efforts:
- Create simple, agile portfolios
- Change presentation styles and details
- PR – Promote what you want to repeat
And now a recipe for measuring your progress with Project Portfolio Management....
## Sample PPM Maturity Model

<table>
<thead>
<tr>
<th>Maturity Components</th>
<th>Level 1 Ad hoc</th>
<th>Level 2 Standards</th>
<th>Level 3 Measurement</th>
<th>Level 4 Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating and populating a portfolio</td>
<td>□ Ad hoc – “hallway conversations” create projects</td>
<td>□ Basic process exists to identify projects within a unit</td>
<td>□ Different layers of the portfolio exist, i.e., active and pending projects</td>
<td>□ Portfolio process is propagated throughout the enterprise</td>
</tr>
<tr>
<td></td>
<td></td>
<td>□ Business needs identified but not quantified</td>
<td>□ Easy to identify different project sizes</td>
<td>□ PMO engaged in proactive identification of projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td>□ Process for distinguishing projects vs. tasks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Choosing the right projects</td>
<td>□ Project selection process is undocumented and inconsistent</td>
<td>□ Simple prioritization scheme exists based on consistent criteria</td>
<td>□ Criteria routinely reviewed &amp; updated</td>
<td>□ Models used by management at various levels</td>
</tr>
<tr>
<td></td>
<td>□ Project information exists independently &amp; inconsistently</td>
<td>□ Projects evaluated on business value at local level or above</td>
<td>□ Projects scored regularly</td>
<td>□ Cost vs. benefit outcomes validated against historical information</td>
</tr>
<tr>
<td></td>
<td>□ Portfolio references and communication may exist informally in some areas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Project information exists independently &amp; inconsistently</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance and prioritize the portfolio</td>
<td>□ Project information exists independently &amp; inconsistently</td>
<td>□ Process exists to keep project inventory current with high level information</td>
<td>□ Aggregated &amp; used to identify imbalance</td>
<td>□ Information audited &amp; validated</td>
</tr>
<tr>
<td></td>
<td>□ Portfolio references and communication may exist informally in some areas</td>
<td>□ Project are categorized</td>
<td>□ More project information captured and kept current</td>
<td></td>
</tr>
<tr>
<td></td>
<td>□ Process exists to aggregate &amp; communicate project data</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resource Management</td>
<td>□ Ad hoc resource management occurs at the project and portfolio level</td>
<td>□ Defined process to identify resource needs for projects at department level (top down approach)</td>
<td>□ Resource allocation decisions made on highest priority projects</td>
<td>□ Enterprise-wide resource repository with skills inventory exists</td>
</tr>
<tr>
<td></td>
<td>□ Ad hoc resource management occurs at the project and portfolio level</td>
<td>□ Resources are listed and assigned at tracked and identified by project</td>
<td>□ Time tracking process implemented</td>
<td>□ Proactive resource utilization occurs through regular forecasting</td>
</tr>
<tr>
<td></td>
<td>□ Unstructured &amp; uncoordinated controls per project</td>
<td>□ Resource projections based on capacity &amp; estimate vs. actuals for project &amp; production work</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manage the performance of the portfolio</td>
<td>□ No portfolio performance measurement</td>
<td>□ Periodic reviews with sponsoring organizations</td>
<td>□ Project metrics regularly analyzed according to defined process</td>
<td>□ Portfolio analysis process integrated into management decision process</td>
</tr>
<tr>
<td></td>
<td>□ Unstructured &amp; uncoordinated controls per project</td>
<td>□ Analysis &amp; reporting processes include cost &amp; schedule variances</td>
<td>□ Analysis considers cost/benefit, schedule &amp; risk variances within the portfolio and of the portfolio itself</td>
<td>□ Trends reported at multiple levels</td>
</tr>
<tr>
<td></td>
<td>□ No portfolio performance measurement</td>
<td>□ Use of portfolio analysis tools</td>
<td>□ Use of portfolio analysis tools</td>
<td></td>
</tr>
</tbody>
</table>
Learning Objectives

Understand the strategic application of your project portfolio and how to communicate and sell it throughout your organization

Learn to tailor a PPM maturity model to your organization and how to achieve higher payback from your current PPM processes

Learn tips and techniques from case studies and existing standards to leverage your existing PPM processes for strategic objectives