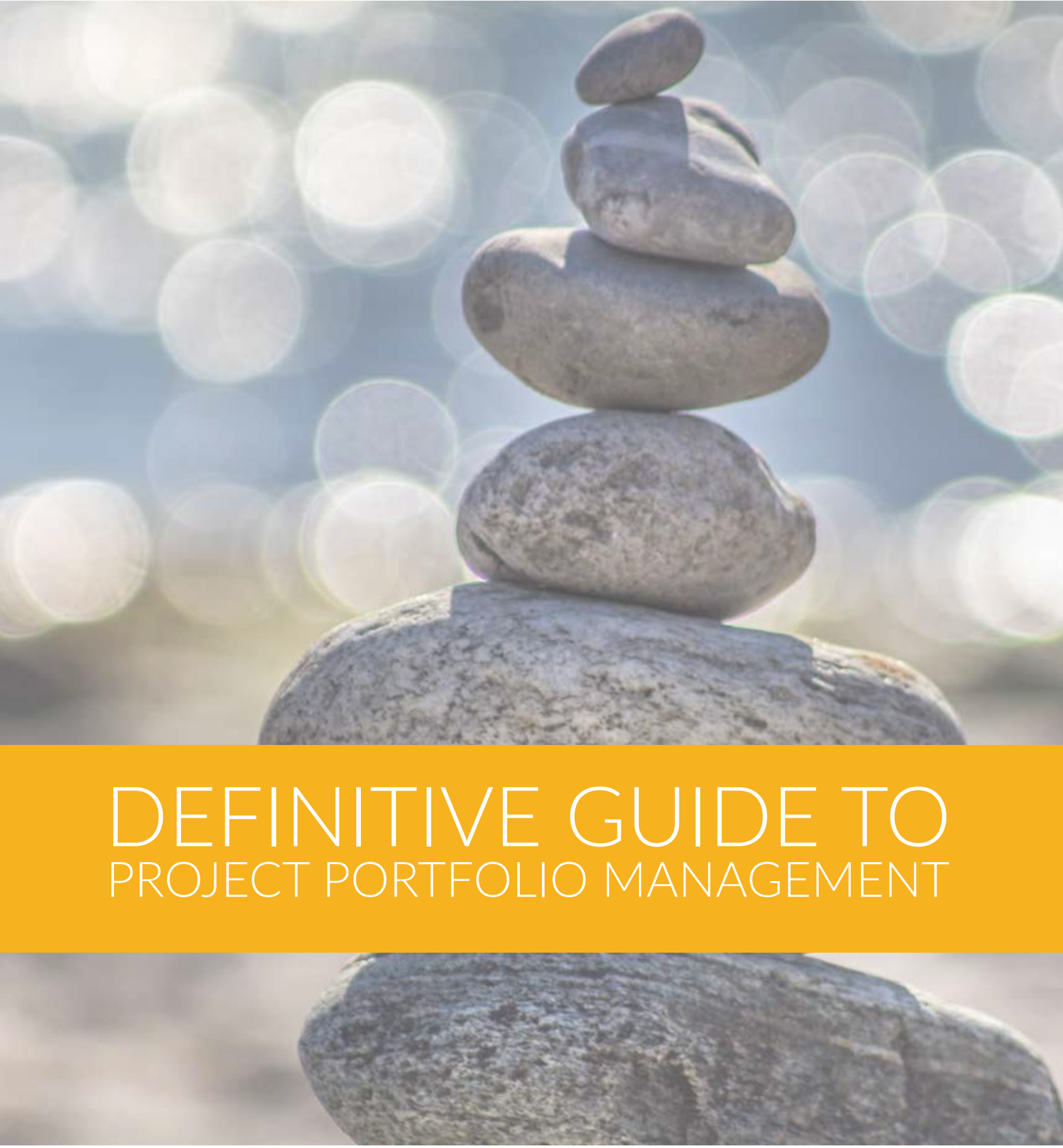

DEFINITIVE GUIDE TO
PROJECT PORTFOLIO MANAGEMENT

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WHAT IS PROJECT PORTFOLIO MANAGEMENT (PPM)?

Project Portfolio Management (PPM) is the centralized management of the processes, methods, and technologies used by project managers and project management offices (PMOs) to analyze and collectively manage current or proposed projects based on numerous key characteristics.

Project Portfolio Management ensures that an organization can leverage its project selection and execution success. It refers to the centralized management of one or more project portfolios to achieve strategic objectives. Portfolio management is a way to bridge the gap between strategy and implementation.

This guide will discuss the components of the Project Portfolio Management process and the benefits. Project Portfolio Management software will put these best practices into action.

ORGANIZATIONS USING A PPM PROCESS ARE:

44%

MORE LIKELY TO COMPLETE PROJECTS ON-TIME OR EARLY

38%

MORE LIKELY TO COMPLETE PROJECTS ON BUDGET

52%

MORE LIKELY TO HIT EXPECTED ROI

CONTENT

1 | PROJECT PRIORITIZATION

The most important part of your project portfolio management process is funding the "right" projects. This includes putting a process in place for your stakeholders to propose projects and to capture key details about the initiative. This is the "project intake" process.

Your PPM process should support a means to score each proposed project – this provides quantitative measurements of the expected benefits, cost and complexity.

Projects can be graded according to their strategic alignment with your organization's overall objectives. Thus the "big picture" is maintained even while considering the smallest projects for approval.

The project intake process supports project selection. You may decide to cancel a low scoring project at this stage in your PPM process. Or, you may employ the concept of "project prioritization" – ranking all possible projects by their score; launching those that budget and resources allow.

IMPLEMENTING AN EFFECTIVE PROJECT PRIORITIZATION METHODOLOGY

Project Prioritization is the first component of a Project Portfolio Management process. It allows your organization to focus on those projects that deliver the most value.

By identifying the best projects for business goals, time, money, and resources can be effectively deployed. Your project prioritization framework should be "data driven" to be objective and scalable. It should support the concepts of Governance and Transparency.

A robust methodology is desirable to support any number of definitions of "value". For some, value is determined by increasing revenue. For others, value means reducing cost. A third measure of value could be a project that meets a qualitative goal such as "going green".

The IT project prioritization process consists of the following steps (even if you are not in IT, these steps are still relevant):

A. Project Intake

B. Project Scoring

C. Strategic Alignment

D. Project Selection

A PPM solution will contain a project prioritization template to capture or create data for each of step of the process.

A robust project prioritization process will allow you to answer:

- Who submitted this project and what is its purpose?
- How do I compare these projects?
- Which strategic goal does this project support?
- Why was my project not approved?
- If I have limited resources, do I cancel any of my projects? Which projects?
- Do I hire additional resources for my project backlog?

PROJECT PRIORITIZATION STEPS

A. PROJECT INTAKE

- Definition: The project intake process are the steps taken/followed for submitting an initiative for evaluation.
- Data Gathered: A project intake form allows you to capture project name, business goal, priority and requested due date.
- How To Implement: Project Portfolio Management tools typically include an intake form template that you can customize to gather the appropriate information.

B. PROJECT SCORING

- Definition: A scoring model is used to quantify a project's various components.
- Data Gathered: Risk, reward, complexity, cost, revenue and strategic alignment.
- How To Implement: Project Portfolio Management tools include a weighted scoring model which will let you create a project scorecard to view results.

C. STRATEGIC ALIGNMENT

- Definition: How well a project aligns with organizational goals.
- Data Gathered: Score vs. goal.
- How To Implement: Aligning projects to business strategy should be included in your Project Portfolio Management software scoring model.

D. PROJECT SELECTION

- Definition: Determining if/when a project proceeds to the next stage in the PPM process.
- Data Gathered: Active, canceled, submitter and project score.
- How To Implement: Your project selection criteria should include the elements described above. You can then determine your organizational risk/reward baseline.

2 | RESOURCE MANAGEMENT

Resource Management is efficiently and effectively using your organization's budget, inventory, personnel and information technology (IT). In this section, the term "resource" refers to personnel.

Once initiatives are prioritized or selected, the next step in your Project Portfolio Management process is to assign resources to projects.

PPM enables you to determine resource allocation using a top-down approach – either at the portfolio or organizational level. You can effectively perform tasks such as assigning resource availability, aligning skills to projects, and resource leveling.

Increased visibility enables proactive management of resource schedules, which allows you to identify potential issues weeks or months in advance.

There are 3 important ways that Project Portfolio Management optimizes deployment of personnel:

A. Resource Scheduling
B. Skills Management
C. Resource Leveling

RESOURCE MANAGEMENT STEPS

A. RESOURCE SCHEDULING

Resource scheduling is the process of assigning a person to a project, and is typically a built-in capability of a Project Portfolio Management tool.

Visualize utilization and assignment across the entire portfolio viewing resources by project and by resource. This aggregate view helps you identify key projects, skills, people and timelines.

You can perform "what-if?" analysis by assigning individuals to projects that are not yet active.

Determine the optimal deployment of resources by:

- Identifying high value projects (by their score)
- Identifying projects that are not yet active (workflow status)
- Assigning resources

In order to implement a robust scheduling process, begin with a list of all resources ("roster") and a list of all upcoming and current projects. Create a detailed project management plan or a work breakdown structure to identify the exact times and dates that personnel need to be assigned to the initiative.

B. SKILLS MANAGEMENT

Skills management is matching your team's skills with your project's requirements. Understanding the skills required for a given task or milestone is a necessity. A list of required skills should be gathered during the project intake process.

A Project Portfolio Management software provides such a roster with the personnel available to work on projects. Roster data will include a mini CV of the individual and their skills. This matches resources to projects so that proper talents are best applied.

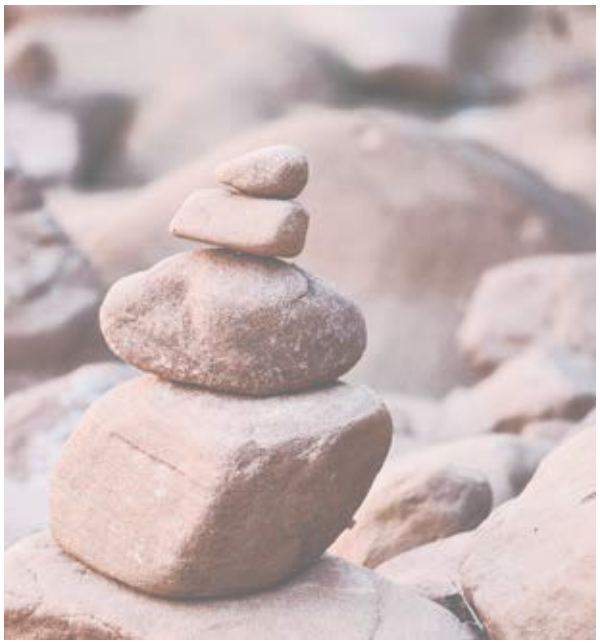
RESOURCE MANAGEMENT STEPS CONTINUED

C. RESOURCE LEVELING

Resource Leveling methods adjust project timelines and fine-tune utilization of personnel. Resource leveling allows the maneuvering of personnel among many projects by considering utilization/load and skills while looking ahead for future scheduling needs. Resource leveling is necessary because timelines change, resources become unavailable, and new projects begin that overlap with current dates.

Methods of leveling enable you to reassign a portion of the work based on skillset and adjusts deadlines to accommodate the schedule of key personnel.

A PPM solution removes the manual effort and mental angst of Resource Leveling via a spreadsheet.



3 | PROJECT MANAGEMENT

The PPM process should provide an aggregate portfolio view of all project plans for big picture analysis. Project Portfolio Management software should also offer visibility into data at the project level.

Good project level management allows the editing of individual project plans and visualization of work breakdown structure for each initiative.

Project level management within the overall PPM process effectively handles problems and identifies patterns with issue tracking to ensure timeliness of portfolio goals.

A Project Management Portfolio Management process should provision for the following capabilities:

A. Project Lifecycle

B. Project Plans

C. Work Breakdown Structure

D. Issue Tracking

E. Timesheets

Because Project Management workflow classifies and tracks projects, it allows you to answer:

- How many initiatives have been requested for funding?
- How many projects are waiting for scoring?
- How many projects are active?
- Which projects have been archived?

PROJECT MANAGEMENT STEPS

A. PROJECT LIFECYCLE

A Project Portfolio Management process organizes initiatives offering an understanding of project status.

The project lifecycle process enables you to manage proposed initiatives, gather information, manage active projects and review your completed projects.

A project management process that uses project lifecycles allows you to answer questions such as:

- How many active projects do we have?
- When was this project placed on hold?
- Who proposed the most initiatives this year?
- Is my project done yet?

B. PROJECT PLANS

Your PPM solution should aggregate and track project management plans across the portfolio and allow individual project plans to be displayed and updated.

Project planning as part of the project portfolio management process supports the ability to create mock-up plans for initiatives that are still in the planning/ non-active stage. This allows you to assign resources and timelines and perform "what-if" analysis against the entire portfolio.

PROJECT MANAGEMENT STEPS CONTINUED

C. WORK BREAKDOWN STRUCTURE

PPM solutions need to able to store data at a low level of granularity to ensure that the information presented is both accurate to the entire organization and relevant to Project Managers.

The Work Breakdown Structure further itemizes the project plan into tasks, milestones, timelines and resources necessary to complete the project.

This provides the information needed to answer questions such as:

- Which tasks or milestones are due this week?
- Who is responsible for Task A?
- What is the on-time rate for milestones on projects with this PM?
- Is my project done yet?

D. ISSUE TRACKING

All projects have issues – some are more disruptive than others in terms of preventing projects from being completed on time, on budget, and delivering business value. The project issue tracking process:

- Identifies issues
- Quantifies the issue's impact on the project
- Assigns the issue to an owner
- Provides updates on the issue
- Assigns timelines for resolution
- Notifies stakeholders

Project Portfolio Management software supports the tracking process and manages issues across the entire project portfolio. The project issue log enables you to identify trends, know the resources that can be assigned to resolve issue and understand the impact of an issue on the portfolio.

PROJECT MANAGEMENT STEPS CONTINUED

E. TIMESHEETS

Tracking resource utilization at the project level and at the task level is managed via timesheets in a PPM solution.

Having timesheet data answers project level questions such as:

- Who worked on Project A last week?
- How many hours did we allocate for Task A vs. how many hours were actually spent?
- Did we exceed our project budget?

Timesheet data answers questions across the entire portfolio as well:

- What is the average amount of time we spend performing repetitive Task A?
- How much money have we spent doing Task B? Should we outsource this?
- Who is our fastest coder?

4 | PROJECT REPORTING

An effective Project Portfolio Management process generates volumes of data about every aspect of projects within the portfolio. Your PPM software should make this information available via on-demand dashboards and push notifications.

Gathering and analyzing project data over time and across the portfolio supports hindsight analysis – the measure of how well a project did in meeting its goals. Affect future project success with a clear understanding of past performance.

Project Portfolio Reporting provides the right information to the right people:

- Stakeholders
- IT executives – CIO, VP IT, Director of IT
- PMO staff and PPM Directors
- Project Managers

Project Portfolio Reporting includes:

A. Metadata
B. Metrics and KPIs
C. Dashboards
D. Hindsight Analysis
E. Project Budgets
F. Project Scoring
G. User Access

Project Portfolio Management software stores a large amount of information that can be used to answer important questions such as:

- Are we going to meet our strategic goals? Why not?
- What is the ROI on our portfolio?
- Should we invest more money into capital projects?
- Which department requested the most projects?

PROJECT REPORTING STEPS

A. METADATA

Project Portfolio Management captures and stores data in several ways throughout the project lifecycle:

- Quantitative and qualitative data via project intake forms (start date, PM name, business goal)
- Data imported from other systems (PM, accounting, HR)
- Calculated or derived data (scoring, variances, % complete)
- Organization-specific metadata

Metadata improves reporting by making information more accessible to non-project management roles – especially those outside of the IT department. With metadata, create centrally managed hierarchies and apply the proper "tag"' to projects. Some examples include:

- Department (IT, sales, finance)
- Location (HQ, factory A, office B)
- Business Goal (increase revenue, reduce expenses, customer satisfaction)

Aligning reporting with corporate goals allows your stakeholders on-demand insight into initiatives supporting Governance, Transparency and corporate strategy.

B. METRICS AND KPIS

A comprehensive reporting platform records data for the metrics established for any given project or portfolio.

Once metrics are defined, auditing data ensures the collection of information at the proper level of granularity and frequency.

KPIs (Key Performance Indicators) should provide users with an immediate understanding of how the portfolio is performing.

A list of important KPIs and Metrics for measuring the success of projects and portfolios follows on page 17.

IMPORTANT PROJECT KPIs AND METRICS

OPERATIONAL EFFICIENCY: These metrics pertain to resource utilization and team performance and include:

- Resource Allocation
- Project Effort
- Project Churn

EXECUTION KPIS: These metrics illuminate project implementation and impact once projects are deployed for assessment and include:

- Project Success Rate
- Budget Variance

BUSINESS VALUE DELIVERED KPIS: These metrics are used for measuring the expected value of projects:

- Customer Satisfaction
- Business Value Realized

STRATEGIC ALIGNMENT KPIs: Measure whether or not projects are parallel to an organization's objectives, target and unit investments.

- Percentage Of Projects Aligned With Objectives
- Investment Class Targets
- Business Unit Investment Targets

PROJECT REPORTING STEPS CONTINUED

C. DASHBOARDS

The purpose of a dashboard is to indicate HOW the portfolio is performing, with more comprehensive reports and analysis used to understand WHY. Brevity and focus are preferred over detail and complexity.

Dashboards effectively present KPIs and metrics to a wide audience. Web-based dashboards support the on-demand requirements of large and diverse sets of stakeholders.

Your PPM solution needs to allow you to create meaningful dashboards by grouping metrics based on the information they describe (resource utilization) or their relevance to a role (CIO dashboard).

Project Portfolio Management software allows the customization of dashboards to the individual user.

Common elements of PPM dashboards include:

- KPIs
- RAG reports (Red Amber Green reports)
- Gantt charts

D. HINDSIGHT ANALYSIS

Hindsight Analysis provides the ability to analyze data across many projects and time periods. Project Portfolio Management software gathers data from the moment the project is requested for consideration until long after it has been completed or deployed.

Hindsight Analysis illuminates:

- Whether the project fell short, met or exceeded expectations
- Whether similar projects should be funded in the future
- Accuracy of the risk/reward measurement via established scoring processes

PROJECT REPORTING STEPS CONTINUED

E. PROJECT BUDGET REPORTING

Analyzing budget vs. actual spending provides timely insight that can be applied to concurrent projects.

Anticipated expenses are collected in the early stages of the project lifecycle and compared to actuals as data becomes available. Project Portfolio Management software incorporates these data collection processes into the project workflow.

F. PROJECT SCORING REPORTING

Project Scoring can help you determine whether projects are meeting corporate standards for approval.

Project Scoring reports allow for comparison to other projects in terms of risk/reward. Project Portfolio Management software should offer a variety of presentations to transform the scoring data into actionable insight.

G. USER ACCESS

Reports and dashboards should be available to individuals across your organization.

Distinguish user types (stakeholders & executives, PPM/PMO staff, and Project managers) and their differing needs for information (on-demand, event-driven notifications, scheduled).

A PPM solution should provide a secure, robust platform for the reporting needs of your organization.

IN CONCLUSION

Project Prioritization, Resource Management, Project Management and Project Portfolio Reporting are the essential pillars for an effective Project Portfolio Management process. This guide offers an outline of the best practices for project portfolio management regardless of industry and project portfolio size.

Projectric uses these best practices to help organizations harmonize strategy with implementation. Illuminate YOUR portfolio with Projectric – Project Portfolio Management (PPM) simplified.

THE WHAT AND WHY OF PROJECTRIC

At Projectric, our mission is to make happy teams and successful projects through better business decisions. It is our goal to cure resource management headaches, to simplify reporting and to streamline the process of high-level decision making for project portfolio managers.

We are committed to creating an intuitive and adept software that your organization is excited to use. By continually appraising customer and marketing feedback, we make timely product updates. It is important to us that our PPM tool delivers on the strategic goal of a shared vision between IT and Finance.

We are a trusted partner for organizations that need to consolidate their portfolio of projects by priority, perform meaningful analysis, forecast outcomes, collaborate in a centralized resource and adapt quickly to changing business needs.

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