

THE VALUE OF **PROJECT PORTFOLIO MANAGEMENT**



TRANSFORMING YOUR
STRATEGY EXECUTION CULTURE

GERALD J. LEONARD

PMP, MCTS, CQIA, ITIL, COBIT

President/CEO at Principles of Execution, LLC

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The Value of Project Portfolio Management: Transforming Your Strategy Execution Culture

“All plans are useless, but the act of planning is essential.” - Napoleon

The Value of Project Portfolio Management

In today's society, there are many constraints on the resources and projects available to a company, as well as the questionable return on investment (ROI) that these projects will provide for a business. To help insure that these limited resources are assigned to the proper project, the overall strategy of your company must be known, and the resources must be allocated optimally across all of the projects within a company. The best way to ensure that your company goals and expectations are met is to transform your strategy execution culture. Project Portfolio Management has the potential to help your projects deliver on their expected value.

When your company wants to ensure that the programs work, you cannot look at these projects as isolated events; instead, you must look at the entire portfolio. Even though these projects may have separate objectives, as a group, all of the projects must contribute something to the overall objective of your company. Project portfolio management is how your business translates its strategic vision for the company, and what projects will help the business achieve the greatest potential ROI.

Understanding Portfolio Management and Governance

- Portfolio Management is a capability that enables organizations to analyze, select and manage a collection of project investments that are aligned with your company's goals and objectives within a data driven decision making framework.
- Portfolio Management also coordinates the acceptance, approval, postponement, rejection or cancellation of a project which will not realize the proposed benefits or the corporation's strategic outcomes.
- Governance is the process of putting policies, procedures and processes in place to guide organizational operational activities and changes.
- Governance warrants the achievement of an organization's objectives by strategically aligning daily activities, setting direction, providing guidance on decision making and monitoring performance.



Project Portfolio Management Benefits

There are many benefits associated with project portfolio management. Once your company adopts this strategy, some of the benefits that you could potentially start to receive – or notice – include:

- Positive impact on project performance, as well as the company's overall portfolio.
- An increase in the effectiveness and efficiency within your organization's project management.
- A better executive engagement within your company or organization.



Even with benefits such as these, more than 84 percent of companies do not use a business case. It is also true that 83 percent of businesses and organizations only adjust their budgets once or twice annually. Because of this, approximately 67 percent of IT organizations are not able to keep up with the current market trends, which is extremely important when operating a business or company. When the trends change, so should your company's products or services. Without project portfolio management services, it becomes impossible to adjust to the market changes, which could cause your productivity to decrease, as well as the efficiency of your overall business portfolio. You cannot reduce waste and increase your company's value when your organization has no way to eliminate those projects that are no longer working or in demand.

Avoid Making Mistakes

There are so many mistakes that a company can potentially make, pertaining to project portfolio management. It is your job to make sure your business avoids those mistakes – also referred to as “deadly sins.” The most common mistakes that companies make include:



- Narrowly Defining the Portfolio
- Investment Decisions Are Like New Year's Resolutions
- Decibel-Driven versus Data-Driven Decision Making
- Too Many Metrics, Not Enough Time
- One-Size-Fits-All Portfolio Management

Placing the Right Person on the Right Project

Half of the battle for exceptional project portfolio management is selecting the right projects for your company's portfolio. The other half consists of placing the right people with the right project. If you do not have the right talent to execute those projects, they are sure to fail. Remember that in order to increase the value of your company's portfolio, you will need to have the people in place that can deliver your organization's high standard of excellence.

It is a good idea to treat the talent pool within your company as a portfolio itself. You would need to leverage most of the same portfolio management skills in order to balance the risk on the human resources' side of your business. In order to do this, you could divide the projects within your company into various categories. These categories could be based on the size of the project, as well as the project's complexity. Each of your project managers will then lead based on their appropriate skill level. This strategy will help with the overall performance of each manager, because they will be enticed to do well, knowing that they have the potential to move up the "ladder."

Allow your project managers to be promoted to another category once they have:

- Led their lower-level projects effectively and efficiently.
- Completed necessary development courses within your organization.
- Performed well on the annual competence checks that your company implements.

When you are evaluating the project portfolio for your company, you will need to ensure that the managers within your organization are highly-skilled; the project managers should also be aligned with the goals of your business, and they should have the ability to identify any gaps that may exist. The evaluations that you perform each year should allow you to determine if the project manager and his/her group:

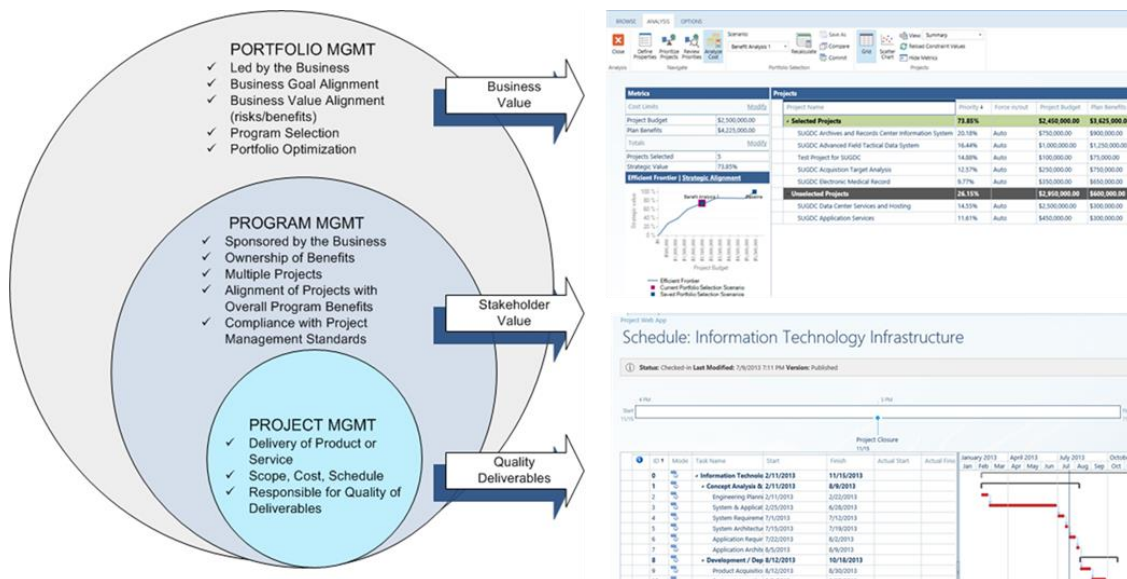
- Have the skill to deliver on current projects.
- Need to receive further training in order to improve on future projects.
- Should be outsourced.



Sometimes you will need to look at the schedules of these groups and make sure that their schedules are not being overburdened. This requires you to look across the portfolio. You do not want to overburden your resources, which often results in leaving some idle – neither is good for business.

Finding the Balance of a Portfolio

Remember that your company's portfolio is not a static entity. Every accomplishment or failure, or each addition, and every change made to your project portfolio will shift the balance of the portfolio. This is why it is important for your organization to keep control and balance of the company's portfolio. In order to achieve this, business executives and your project managers must access the portfolio on a regular basis; this allows your organization to identify what projects are struggling early-on. When you do so, your company has the time to fix those projects that are not working; you can also eliminate those projects that are no longer in alignment with your company's strategy.



With project portfolio management, you will need to find the answers to a few questions, including:

- Are all of the projects we are working on achievable, profitable, and viable?
- Have our project managers analyzed the anticipated benefits and potential risks pertaining to each project?
- Have we optimized the cost of the project, in addition to the time and quality of each project?
- Has the project scope been defined?



- Have we created a method to measure and reward success?

These questions must be answered for proper project management; however, to balance out the portfolio, you will need to fill in the gaps with project portfolio management, which means keeping track of all projects, minimizing waste, and boosting your resource productivity. Remember that even when this is complete, the projects will not be truly effective unless they are balanced perfectly. When you give a project more than you have – in terms of time and resources – you almost always end up with bad timing, pertaining to other projects.

Your company will need to bring balance to your business forces, in order to optimize the chances of success at the project and portfolio level. Your company cannot have proper project management without balance, which means that your project managers must know how to find the balance. The simple way to find the balance is to find the lack of efficiency pertaining to your business management; this has an amplified impact on the overall productivity of your company. When you focus on one side of the business, the other side will be impaired. Therefore, the point of balance is dependant on whether your program management and project portfolio management are both efficient. If constraints do not afford you the time for both of these points, it is time to consider an expansion.

Understanding the PortfolioStat Mandate

In 2012, a memorandum was released to all federal agencies from the Federal CIO; this memorandum called for these federal agencies to implement a formal PortfolioStat process (i.e. Project Portfolio Management Process). The mandate for PortfolioStat also requires that the federal agencies improve their services and drive down costs for commodity IT by pulling their purchase power across the entire organization.

It is important that you and your managers understand what PortfolioStat is, and why it is important for your business to comply with the laws and regulations pertaining to this requirement.

PortfolioStat is:

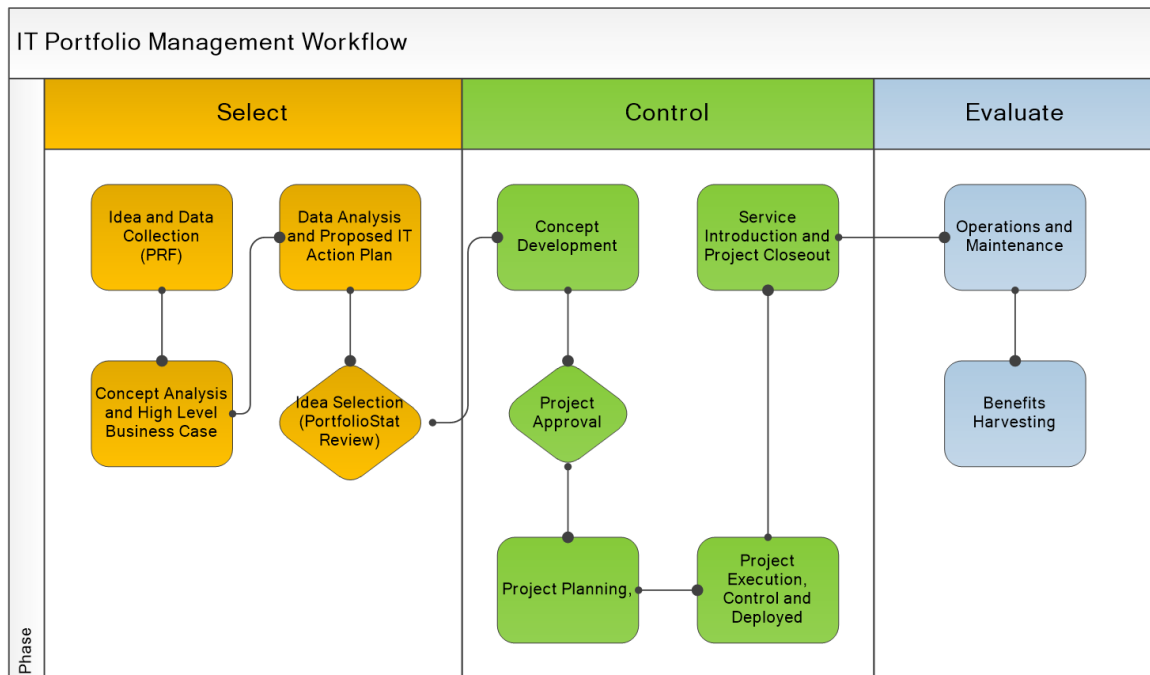
- A requirement from the Federal CIO for all Government Agency CIO's to lead an annual IT Portfolio Investment review session with the goals of eliminating duplication of commodity IT services and move to a shared solution paradigm and assess the maturity of the agency's portfolio management processes.
- PortfolioStat will help implement the Shared First Initiative and the requirements set forth in the Executive Order 13589 (Promoting Efficient Spending), six which targets employee IT devices as a primary area for eliminating waste and duplication.

Some of the major goals associated with the PortfolioStat mandate include:



- Reducing duplication of Commodity IT services
- Establishing a Commodity IT investment baseline
- Developing a plan for the consolidation of Commodity IT

The areas that should be addressed within the PortfolioStat mandate are Commodity IT, IT Governance, Information Security, and Program Management.



How Do You Develop A Successful Project Portfolio Management Practice?

In order to have a successful organization, your business will need to keep up with the key industry trends. One of the key trends includes developing project portfolio management knowledge, skills and abilities. The top five success factors that are critical in maintaining a great portfolio are:

- Staffing
- Planning Realistically
- Maintaining Top-Level Support
- Defining Your Organization's Benefits
- Managing Change Effectively

Staff your organization (team) with the people who are skilled in their profession. Be sure to create a career path for individuals that work in project-related jobs. There should



always be a path for progression; this means that you are staffing your organization with the appropriate team, and it gives your employees an incentive to work effectively and efficiently.

	Core Competence	Potential Salary Range	Organizational Influence	Position or Titles
9	Certified OPM3® Professional Services Consultant	\$180K +	C-Level	Trusted Advisor / Consultant
8	Portfolio Management Professional (PfMP)	\$165 - \$185K	C-Level	Strategic Thought Leader
7	Project Portfolio Manager – non PfMP	\$160 - \$175K	Managing Directors / VPs / C-Level	Thought Leader / Investment Advisor
6	Program Management Professional (PgMP)	\$140 – \$160K	Business Units / Divisions / PMO Director	Principal Advisor to Directors
5	Program Manager – non PgMP	\$125 - \$140K	Business Units / Divisions / PMO Director	Principal Advisor to Directors
4	Project Management Professional (PMP)	\$115 - \$125K	Department / PMO Manager	PMO Manager
3	Project Manager – non PMP	\$80 - \$115K	Department	PMO Support
2	Certified Associate in Project Management (CAPM)	\$65 - \$80K	PM or PMO Assistant	PM Assistant
1	Project Coordinator	\$50 - \$65K	PM or PMO Assistant	PM Assistant

***Salary ranges provided below are based on research from the Indeed job site.*

Create a plan, and make sure that plan is realistic. Be sure your project managers are skilled at drawing up plans – this is critical. Your team leaders should possess a high level of organizational project management maturity. Your project managers should show how they excel at producing realistic plans; if not, they should be able to show improvement in this area somehow.

Top-level support for the projects within your organization should be guaranteed. Top-level support is a key factor pertaining to successful project portfolio management. Your managers should be doing what they were hired to do, as should the team members. If your top-level executives are not involved within the projects in some capacity, this could decrease the probability of success for your company's portfolio.

If the benefits pertaining to your project are not clear and concise, you will not have a successful portfolio. Outcomes are a result of the projects. You are more likely to spend time on the unnecessary projects if you do not have the benefits outlined for each project, as well as the details as to how these benefits contribute to the success of your organization. Trends may change over the years, but the measurement of an organization's success will still depend on the measurement of benefits.

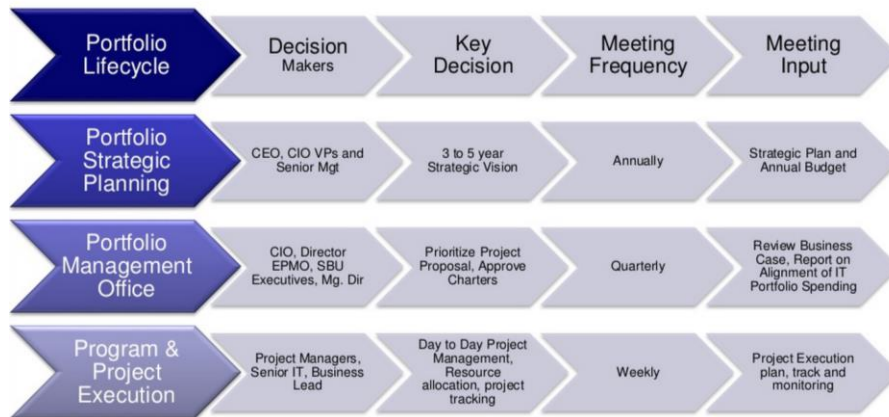
Change that does not work is generally worthless. If you deliver on a project and return to the practices that you used a year prior, what was the point of change? Remember that even if your organization does use change and risk management techniques, your team may be using them incorrectly. This is why you need to hire the right individuals for the right project.



Governance Design and Framework

Your organization's governance is exercised within the framework of your business. This type of structure allows the project manager and other team members to arrive at the same expectations for not only the projects that they are working on, but the overall portfolio lifecycle process for the organization.

PPM Governance Decision Process



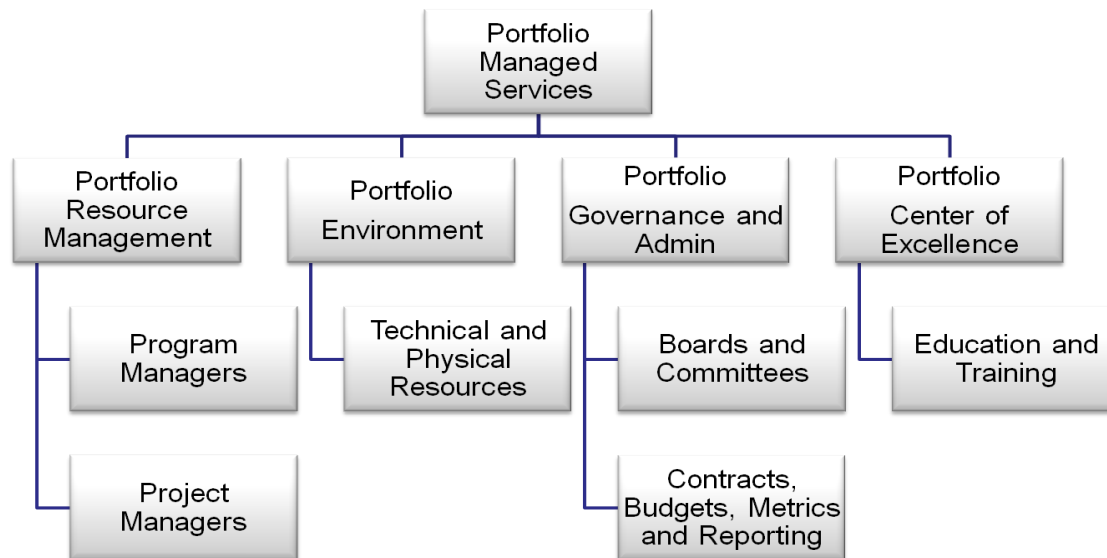
Designing a chart is great for organizations; this allows team members, as well as top-level executives to know who is working on the project, who reports to whom, and who is responsible for which duty. For example, a project management officer will generally report to a program manager. These charts also detail who is responsible for the decision-making of each project. The things and individuals that are not included in the decision-making process should also be clear based off of your chart. Proper governance design and framework will provide the answers to significant questions; it provides information with clarity.

Governance design and framework should include:

- The governance entity's mission statement
- Identification of the roles for each project, as well as an accurate description
- Defined responsibilities
- A chart that details each team member, and what they are responsible for, pertaining to the decision-making process
- Lists and descriptions of all major functions pertaining to the project



Below is an example of how the chart should be set up, as far as an operational model.



Organizations that practice portfolio management and governance are **20%** more profitable in comparison to businesses that do not. Project management and governance can also address various issues and concerns within an organization, including technical and enterprise debt, misaligned organizational behaviors, as well as future technologies and trends.

Be sure that your governance design framework includes the following:

- Enterprise strategy and organization
- IT organization and desirable behavior
- IT governance arrangement
- IT Governance mechanisms
- IT metrics and accountabilities
- Business performance goals

The main focus is to eliminate any weaknesses that may be in your governance. This will help you design and restructure the governance in order for it to be more effective.



Knowing Where to Start and What Questions To Ask

A study conducted by PMI's Pulse of Profession found that 62% of the projects at organizations that were considered highly-effective in portfolio management had either met or exceeded their expected RIO. This was a 29% increase when compared to the organizations that were considered to have minimally effective portfolio management.

Where Should You Start?



In order for you to meet or exceed expectations, you will need to know where to begin. There are eight basic stages that pertain to project portfolio management:

- Developing an IT Portfolio Management game plan
- Planning the IT Portfolio
- Creating the IT Portfolio
- Assessing the IT Portfolio
- Balancing the IT Portfolio
- Communicating the IT Portfolio
- Developing and evolving IT Portfolio Government Organization
- Assessing the IT Portfolio Management processes and execution strategy.

Before you begin the planning stages for your portfolio, you will need to ask your managers some questions. Those questions include:



- What are your organization's strategic objectives?
- Are there any projects competing for your resources that could potentially keep your organization from accomplishing your strategic objectives?
- Does your organization have the right resources available for projects? Is the right team in place?
- What is the root cause of your project's issues?
- How are projects done within the organization?
- Can your business get more projects done with the same resources? How?
- How do you meet project expectations, on-time, within budget/scope, and without compromising the satisfaction of your internal and external clients/customers?

When your business understands the value of project portfolio management, you can truly understand what it is, and why it is important if your organization wants to balance risk and opportunity within your entire portfolio. This is extremely critical because portfolio management is what gives companies that critical edge necessary to improve their delivery, as well as identify and drive more value from your company's strategic project investments.



Portfolio Management Office Envisioning Worksheet

This worksheet is used to define the parameters of the portfolio management office and to facilitate the implementation of the Portfolio Management Office in your organization.

IDENTIFICATION

Portfolio Manager: *Enter your name*

Date: *Today's Date*

PMO Vision:

What is the vision for your PMO organization?

PMO Mission:

What is the mission of your organization's PMO?

PMO Goals and Objectives:

What are your PMO's goals and objectives?

PMO Charter:

What is your PMO charter to accomplish?



IDENTIFICATION

Portfolio Manager: *Enter your name*

Date: *Today's Date*

PMO Strategies:

How will the PMO accomplish its vision, mission goals and objectives?

What tools will you implement?

What principles or standards will guide your team?

What governance boards will you establish?

What key focus areas do you want the PMO to be known for?



About Gerald J. Leonard



Gerald J. Leonard is currently the President & CEO of Principles of Execution (PofEx), a Strategic Project Portfolio Management and IT Governance consulting firm based in the Metro Washington, DC area. He attended Central State University in Ohio where he received his Bachelor in Music degree, and later earned a Masters in Music for classical bass from the Cincinnati Conservatory of Music. After graduation Gerald moved to New York City where he worked as a professional bassist and studied with the late David Walters, distinguished professor of double bass at both the Juilliard and Manhattan

schools of music.

While living in Manhattan Gerald worked as a full-time minister for the New York City Church of Christ and also managed time to fulfill numerous music engagements. After resigning from his ministry position he was able to devote more time to his music career and spend more quality time with his family.

Several years later Gerald began his Information Technology career, focusing initially on network computing and project management. During the last 18 years he has worked as an IT Project Management consultant and earned his PMP, MCSE, MCTS, CQIA, COBIT Foundation, and ITIL foundation certifications. He has also acquired certifications in Project Management and Business Intelligence from the University of California, Berkeley, Theory of Constraints Portfolio Management Technical Expert from the Goldratt Institute, Hoshin Kanri with Karen Roberts, as well as an Executive Leadership Certification from Cornell University.



In his leisure time Gerald loves to play golf and, occasionally, playing his upright bass on special occasions.

What clients and colleagues have said...?

*In his presentation, **he demonstrated a deep knowledge of portfolio management and responded with confidence to attendee questions.** From my perspective as the event planner, coordinating with Gerald was exceptionally easy. Gerald was very professional and communicated clearly and frequently throughout the entire process.*

Lance Holland, PMP
Enterprise Project Manager for ICS Nett, Inc

His preparation and speaking skills were "top notch" and very well-received by attendees.

*Gerald has the unique ability to take a subject such as Portfolio Management and **simplify it and make it understandable** to a diverse group of professionals in various job fields.*

I look forward to working with Gerald in the future on other PMI alliance endeavors

Keith Rosenbaum
Alliance Programs Administrator at Project Management Institute

Gerald approached the challenging issues we were facing from a holistic point of view and focused his attention on asking probing questions so that he and his firm could understand our real issues without trying to provide a cookie cutter solution.

Ibrahim El-Araby, PMP, PMOC, CSSBB
Project Manager at EBA Engineering

*Gerald had the very challenging task of introducing a program management and governance capability at a large law firm. **He approached this challenge with skill and dexterity, delivering a world class capability providing insights and intelligence into the project portfolio.***

Stephen Ray
Chief Technology Officer at Cobb Systems Group



"Gerald's insight, personal experience and clear explanations helps his audience understand the complex concepts of Portfolio Management and enlighten their understanding that PPM is more about changing organizational culture than a technical implementation"

Michael Wharton, Project MVP
Project/SharePoint Server Consultant and SME

*"I have no doubt that anyone taking Leonard's Portfolio Management course will receive huge benefit. The material is organized logically, and sequenced in a way that compels understanding and learning throughout. The concepts are presented with clarity and precision. **Tools for decision making and managing are imbedded in all aspects of Portfolio Management. No one involved in managing a portfolio of projects should miss the opportunity to learn from an expert.**"*

Gerald Kendall, PMP, Author, Advanced Project Portfolio Management & the PMO."

"Gerald Leonard has taken a bold first step into an area long neglected. He breaks portfolio management down into manageable chunks and brings clarity to a practice the desperately needs it. Gerald's work examines the totality of portfolio perspectives, from the executive suite to the project manager, and acknowledges the roles of the disparate players across the enterprise. His materials thoughtfully examine not only the theory of portfolio management, but also the practical day-to-day of ensuring consistency of strategy and approach. Definitely worth your consideration."

Carl Pritchard, PMP, PMI-RMP, EVP, author of 7 Project Management texts and the U.S. Correspondent for Project Manager Today (UK).



Project Portfolio Management

A Comprehensive Overview of Project Portfolio Management Principles, Concepts and Techniques
By Gerald J. Leonard

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