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PROJECT AND PORTFOLIO MANAGEMENT STRATEGIES GAIN FAVOR WITH CIOs

PPM strategies extend promise to help CIOs do the right IT projects at the right time for the business -- and keep them on budget.

Project and Portfolio Management Promises To Help CIOs Do the Right IT Projects at the Right Time for the Business

By

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A solution known as Project and Portfolio Management (PPM) is helping CIOs improve the quality of engagement between IT and its business customers, resulting in a more efficient enterprise.

In fact, some industry analysts forecast total PPM sales to grow by more than 10 percent over the next few years, exceeding \$1 billion by the end of this year. “Project and Portfolio Management has emerged as a critical new discipline that appears to be paying off,” says Steve Romero, IT Governance Evangelist at Islandia, New York-based CA. “As people focus more and more on governance and on stewardship of key enterprise resources over time, they need a way to keep track of and see what’s going on. That is what PPM brings to the table.”

PPM is best understood as an integrated approach to strategic planning and project management. It helps executives gather and analyze information about IT investments—everything from deadlines to goals to key financial data—in a standardized manner. Having all of this information assembled in one repository lets the organization engage in “apples-to-apples” comparisons. Doing so in a single software program makes it all more accessible in real time. Also, PPM provides the analytical tools to make fact-based decisions about a portfolio of possible projects. What’s more, PPM as a discipline provides an opportunity for organizations to establish key metrics that are specifically designed to connect technical performance characteristics to business outcomes and provides senior IT executives with a way to talk to their line-of-business peers in a much more business-oriented way.

That’s an important gain, says Dennis Gaughan, Research Director at AMR Research, because historically, IT executives have taken knocks for being unable to converse effectively with business peers and customers. “They tend to gravitate to the bits and bytes discussion, and [they] lose [their] audience fairly quickly,” he says. “Project and Portfolio Management forces IT professionals to look at every investment in a much more business-oriented way.”

...Strategic Agenda

By measuring how a project contributes to a specific set of enterprise objectives, PPM helps executives establish a framework for ensuring that IT/business alignment takes place. These objectives can include growing market share, reducing process costs, and accelerating the product/service development process. Once the strategic portfolio decisions are made in concert with business customers, IT can use PPM to manage the successful delivery of the resulting projects, ensuring that the right tactical steps are taken and properly managed.

Getting Started with PPM

PPM implementations typically begin with a comprehensive effort to take stock of all projects in a detailed manner. The IT team needs to capture various levels of information in a way that can be analyzed and compared. PPM experts say this information should include:

- The business objectives that will be advanced by the project
- The key technical elements of the project
- The key human resources allocated to the project
- A detailed breakdown of all the costs associated with the project
- Due dates for completion
- Key milestones on the way to Completion
- Each project's priority, based on its impact on business objectives

Finally, it is important to understand that PPM is an ongoing process, not just a series of periodic events.

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Another reason why PPM has emerged as a useful methodology is that it provides CIOs with a rational, objective process for making decisions. Today's CIOs face more opportunities to pursue proposed projects than they have human, financial and technical resources to support them. With PPM, they can make decisions that best support the business.

PPM represents a major change from practices used in the past to select and field major projects. Formerly, many organizations, lacking objective data and a clear estimate of the impact that projects can have on both IT resources and the business units that they support, had three alternatives: Go with their gut, establish oversimplified models based on basic cost/benefit analyses, or develop ad hoc criteria for project assessments. All three options are equally unproductive, say industry watchers.

By contrast, PPM initiatives look at IT assets from both tangible — servers, software and networks — and intangible perspectives — process support, collaboration and risk. In this way, PPM creates a context for understanding all key IT assets. It does so in much the same way that investment analysts create a prioritized list of investment opportunities, considering not only cost and benefit, but also investment risk. Whether investors trade commodities like grain futures or equities such as high-tech stocks, the metrics of success or failure are identical. The same is essentially true for IT.

...Setting Goals

The portfolio management aspect of PPM is about establishing criteria and processes for doing the right things; the project management component is about doing those things right. This powerful combination means IT is working on the highest value initiatives and delivering them with control and predictability.

It's because of this aspect that PPM can both reveal and specify parameters that are critical to justifying the investment. These can include budget items, timelines and business-impact analyses. Once this information is in place and available, project managers can take over, making sure that steps are taken to implement the project within its budget and timeline. This is also when project managers will collaborate with business-unit leaders, as they need to be involved and engaged to ensure that their requirements are satisfied.

Also, because a common context is created, visibility into the status and health of projects is enhanced. All appropriate parties can log in whenever they want to see how individual projects are progressing, regardless of where the participants are located either geographically or organizationally. This lets key personnel identify roadblocks that can take initiatives off track.

"Without this visibility, you miss a real opportunity to ensure that you've got the right people on the right projects and in the right locations," says Tom Pettet, New Operating Environments Program Manager at consulting firm Capgemini. "These key variables can't be maximized until we've got that corporate view of everything that's going on."

PPM also can act as a continuous-process feedback loop that IT can use to collect and prioritize technology-related demand, allocate capital and human resources, and provide reporting capabilities. This creates an environment in which both IT and business unit leaders share ownership for pitching, launching and managing projects successfully. That's also a big break with past practices. In the past, business-unit leaders would commonly "throw" requests for new capabilities to the CIO and have IT go off and do it, explains Gail Meadus, Solution Strategist at CA, adding, "But now with PPM, there's a change in the dynamics. It's more of a partnership."

PPM offers a mechanism by which IT has the ability to effectively negotiate with the business in terms of what IT can and cannot undertake, Meadus continues. "So instead of taking everything that comes in over that wall, IT now has critical information that's timely and real," she says. "It enables IT to go to the business and say, 'You've given me \$100,000, which allows me to fulfill these key initiatives, but now you're asking for additional effort. I don't have the bandwidth from a finance perspective that can translate into a headcount effort for us to undertake the work. As a result, we need to understand whether we should reprioritize these commitments or if you're willing to provide additional funding.'" This also helps transform the CIO's role from that of a gatekeeper who says "no" to every inbound request to that of a facilitator who can help business leaders make the right investment decisions.

...Moving Target

PPM also provides an ongoing picture of a company's investment situation over time. Unlike traditional practices of engaging in periodic reviews and assessments of key investments in technology, PPM can offer a nearly real-time picture of whether decisions made months ago still make sense. PPM can also provide a framework for determining both the costs and benefits of staying the course, making adjustments, or ending a particular project to reallocate resources to projects that more effectively contribute to key mission objectives.

This capability can be especially useful for organizations in highly competitive, highly regulated industries. For such organizations, competitive and regulatory changes can have profound, sudden implications, in turn creating new and urgent requirements for their IT departments.

For example, consider a company in the middle of a merger or acquisition. Perhaps the organization began the year with a view that revamping the entire enterprise resource planning (ERP) system would advance the corporate agenda. The organization's CIO may have to quickly reconsider priorities if a strategic decision to acquire a new company means that the IT department will inherit one or more ERP solutions from multiple vendors. "That happens all the time," says Helge Scheil, Corporate Senior VP and General Manager of Products at CA. "Decisions that seemed smart — in fact, were smart — a few months ago suddenly don't look so good in light of new, unforeseen events." In these situations, Scheil adds, CIOs need to be agile and thoughtful. "You have to be able to ask good questions and get back high-quality answers quickly," he adds.

Furthermore, the CIO of the acquiring company would need to gather in-house intelligence combining data from both the company and the acquisition target. PPM solutions can help by providing information in real time to assess the assets and figure out what impact, if any, the acquisition would likely have on IT projects. PPM can also show the CIO how much it would cost to reallocate capital to include the acquisition target in the IT project's scope and plan.

Even better, by leveraging PPM, IT leaders can make changes or course corrections as events occur. They don't need to wait for the next annual or semi-annual strategic planning session. "It's like having one hand on a compass — portfolio management and analysis—and the other on the rudder — project management and monitoring — at all times," says Capgemini's Pettet. "By integrating functions that have traditionally been stovepiped, companies can be more agile and responsive to changing market developments."

PPM can also provide CIOs with the information needed to manage constant change. Making midstream corrections to a project can be disorienting to an organization, even when executives understand the factors that make such corrections necessary. PPM helps IT executives explain how they affect a project and what the end result of such

changes might be. “Anytime you manage change, it’s important to let people understand the realities,” says Scheil of CA. “This way, rather than just saying, ‘You’ve been reassigned from that project to this one,’ you can explain the reasons why.”

...Instant Visibility

PPM also offers another benefit: instant visibility into the end result of a completed project. This visibility is an important aid in calculating the return on investment (ROI) of an IT project. Ironically, this calculation can be more difficult to make when a project succeeds than when it fails. It is fairly easy to place a cost on a project that goes poorly. For example, if the benefits of an IT project are delayed, it is fairly easy for the CIO to calculate the project’s penalty. By contrast, a successful project can be relatively easy to conceptualize, but difficult to quantify.

This is where PPM can also help. Once the CIO has a solid project management methodology, projects will be completed on time and become defect-free. As a result, the project team can be disbanded quickly, which also means the CIO’s post-launch support costs drop sharply. Over time, the cost of projects and the overall burden to the business during the project’s lifecycle are both reduced significantly. The business’s level of satisfaction with the CIO’s performance is increased just as significantly, too.

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Vendor Perspective:
CA Clarity PPM

The PPM category is taking off with some analysts projecting that the market will cross the billion-dollar mark in annual spending before the end of the decade.

A solution from CA called CA Clarity™ Project and Portfolio Manager — provides a single system of record with real-time views into an organization's comprehensive IT portfolio. This includes the broad array of services, projects, assets, and associated resources and costs. Through executive dashboards, CA Clarity PPM gives executives access to real-time information to make fact-based investment decisions while ensuring better alignment with business objectives, according to Carl Landers, VP of Product Marketing at CA.

It also addresses a blind spot that has existed in the way IT organizations manage their operations. For quite some time, solutions have existed to manage aspects of IT operations — like security monitoring, support calls into the service desk and asset tracking of specific hardware and software. It has been difficult, however, to aggregate this information with budget and resource commitments to get a clear idea of the big picture. Senior managers see their projects as if they were sitting too close to an old-fashioned television screen: It's all dots, and they can't discern what's on the screen.

“For CIOs, what we're really capturing and managing with CA Clarity PPM is the complete picture of all IT commitments,” says Landers. This is because CA Clarity can gather information from all of the disparate solutions around an enterprise and combine it with financial and resource information. The result is a detailed, comprehensive view of the information that technology and business unit leaders need to make good IT decisions.

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