

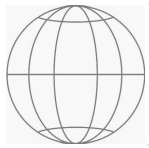
*Portfolio Management (PPM),
Performance Measurement,
and Outcomes Management
Framework – Lessons Learned*

– Chris Veros, MBA, PMP

April 30, 2008



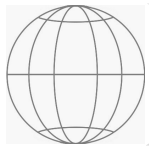
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Context: How Project Management has evolved to date

Until recently, the traditional Project Management Paradigm has been primarily *Control-Focused*:

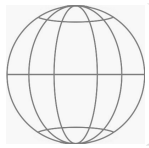
- ✚ Standardize Processes
- ✚ Minimize Variation
- ✚ Limit Change
- ✚ Freeze Scope



Context: How Project Management has evolved to date

- ➊ More formal training, accreditation;
- ➋ More studies, research, statistics;
- ➌ More standards, consistency in the techniques, terminology that projects may use from one to another;

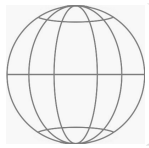
PMs have hence developed a solid knowledge base *dominated by structure* i.e. science-, process-, and engineering- oriented traits.



The Result: The PM Profession has matured, but to what end?

- Studies indicate projects commonly miss meeting targeted objectives:
 - Almost 33% of all (IT) projects will be cancelled before completion.
 - Over 50% of all (IT) projects end-up costing almost 200% of their original estimates.
 - Larger (IT) projects may deliver on less than 50% of the original functionality.

Source: Chaos Report, Standish Group



So Why are the results not better?

- ❖ Has the focus on controls and standards been at the expense of instilling business acumen?
- ❖ Has the focus on minimizing scope and controlling change been at the expense of encouraging innovation, flexibility, and a customer/user-oriented focus on deliverables?
- ❖ Has a chasm been emerging between project management, the executive, and the business owner?
- ❖ What ingredients are missing for achieving greater success?



Pop Quiz

Your executive management has asked you to recommend which project your organization should fund and proceed with...

- Project A

- Cost: \$20M, Duration: 2 years, Payback Period: 3 years

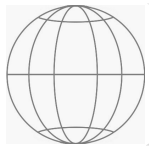
- Project B

- Cost: \$10M, Duration: 4 years, Payback Period: 6 years

- Which do you choose? On what basis? Why?

Once a project gets underway, consider how traditional progress reporting might occur...

...Sometimes progress reporting might resemble...



And team members spoke among themselves about the project deliverable, saying, 'This is a pile of crap, boy does it stink!'

And the team members went unto their team leads, and said, 'This is a pail of dung, and none may abide the odour thereof.'

And the team leads went unto the Project Manager, saying 'This is a container of excrement, and it is very strong, such that none may abide it.'

And the Project Manager went unto his Directors, saying, 'This is a vessel of fertiliser, and none may abide its strength.'

And the Directors spoke among themselves saying one to another, 'This contains that which aids plant growth, and it is very strong.'

And the Directors went to the Executive Directors, saying unto them, 'It promotes growth, and it is very powerful.'

And the Executive Directors went to the Chief Executive Officer, saying unto him, 'This new project deliverable will actively promote the growth and vigour of our enterprise, with powerful effects.'

And the Chief Executive Officer looked upon the project deliverable, and saw that it was good. It was accepted and placed into production.



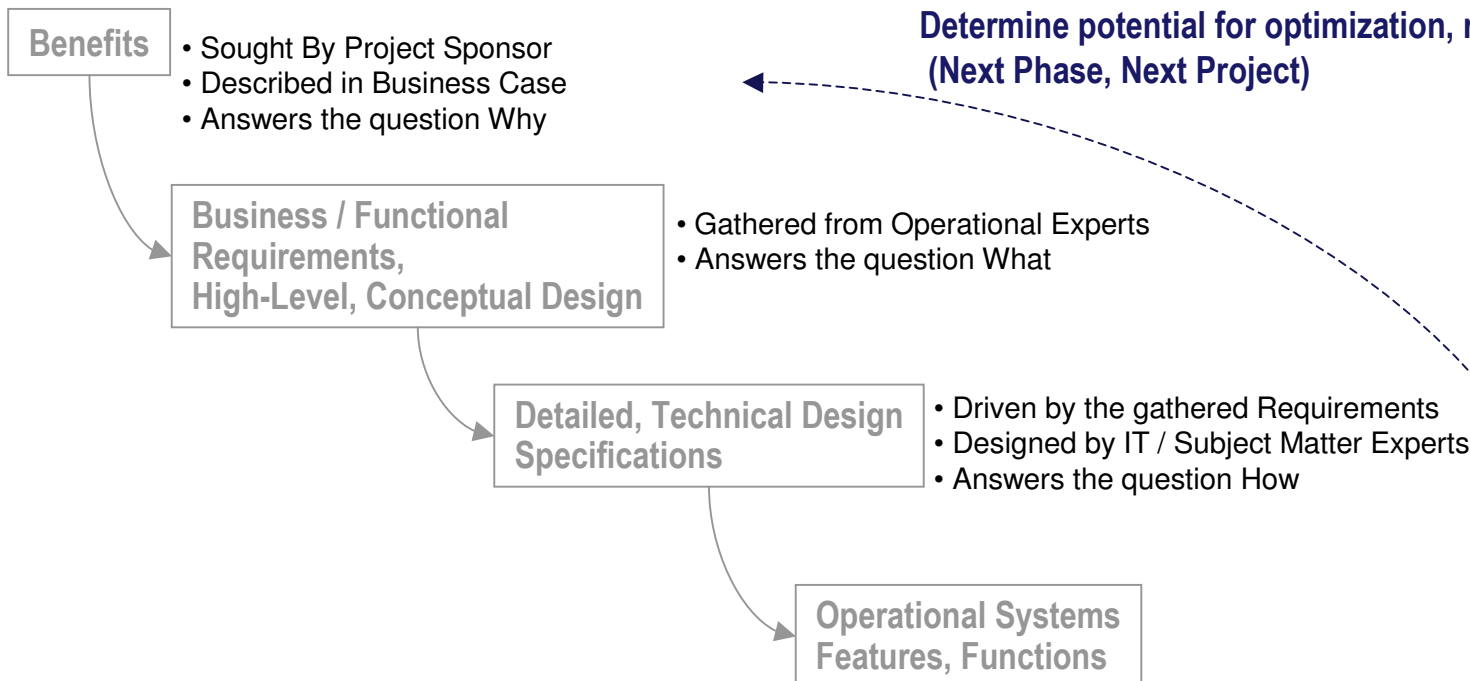
Hence, the rise of PPM and Outcomes Management Frameworks

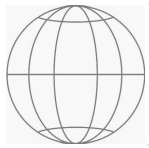
- Focus on value, versus costs of projects;
- Focus on outcomes/benefits realization versus deliverables/outputs;
- Focus on consistent, objective metrics, indicators (KPIs);
- Builds stronger bridge, strengthens alignment between day-to-day management in various organizational groups (i.e. IT, business areas), project management, and overall strategic priorities for the enterprise.



Benefits / Outcomes Life Cycle

Once Operations stabilize, performance is monitored, measured
Determination made as to what benefits are realized
Determine potential for optimization, refinement
(Next Phase, Next Project)



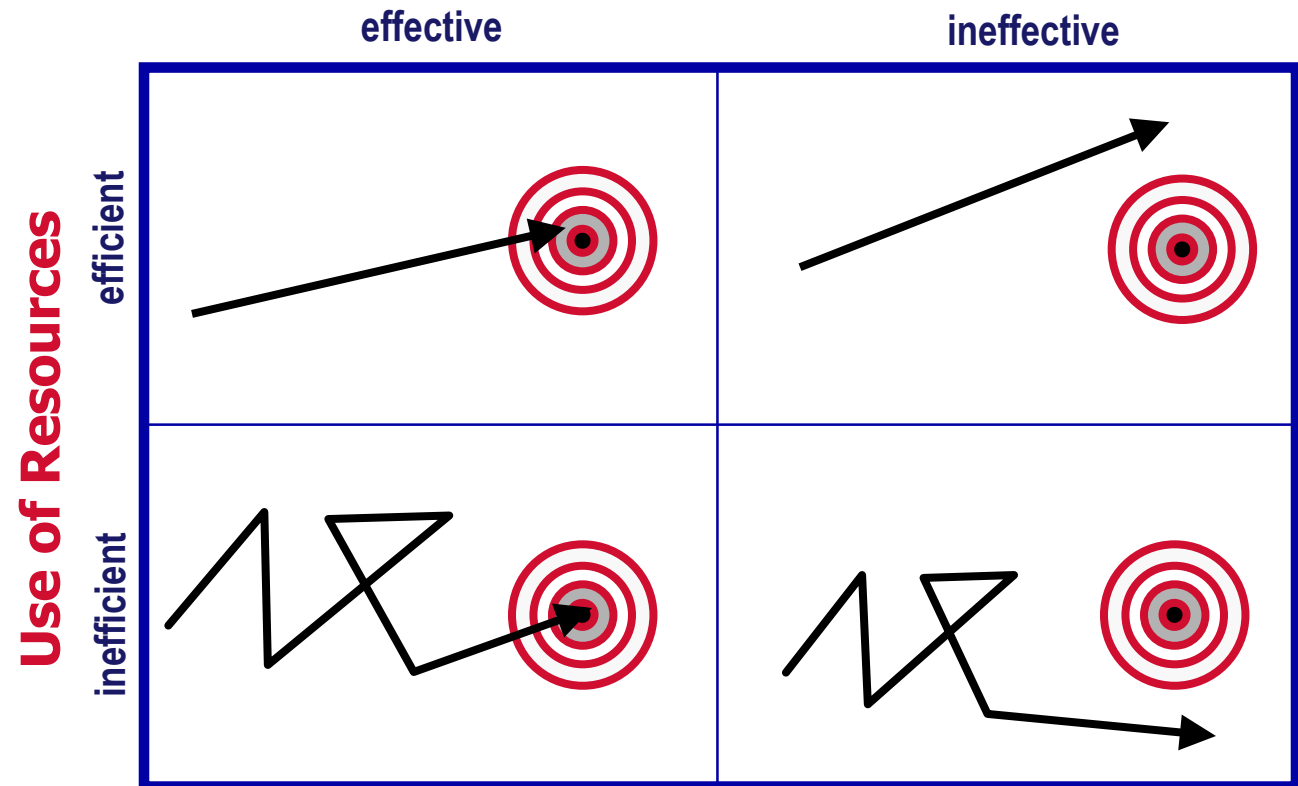


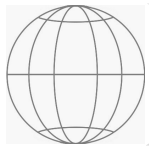
Efficiency vs. Effectiveness

Traditional Project Management has a tendency to focus on managing project efficiency.

PPM re-focuses Project Management to also manage project effectiveness.

Achievement of Objectives

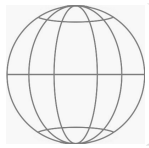




A PPM Implementation Case Study

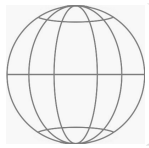
Background and Context:

- ❖ Originally, the plan was structured to spend six months in formally developing and vetting the documentation for the framework;
- ❖ The plan was subsequently updated to emulate a more iterative approach, consistent with the PMI OPM3 Organisational Project Management Maturity Model...



OPM3 Primer/Overview

- A notable distinction of OPM3 is the departure from defining clear levels of capability at various plateaus, as more commonly portrayed in maturity models such as the Software Management Institute's Capability Maturity Model (SEI CMM)
- OPM3 looks at process maturity across various dimensions i.e. project, program, and portfolio management, and in association with the five major project management process groups (Initiation, Planning, Execution, Controlling and Closure).



A PPM Implementation Case Study

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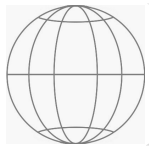
Background and Context:

- ✿ In August 2007, PPM framework development began for/as part of the formation of an enterprise-wide PMO;
- ✿ A draft was presented October 2007;
- ✿ A pilot was commenced of the framework from November 2nd 2007 to January 31st 2008;
- ✿ Eight projects across three programs participated in the pilot; Four projects were part of a major program (\$35M+).

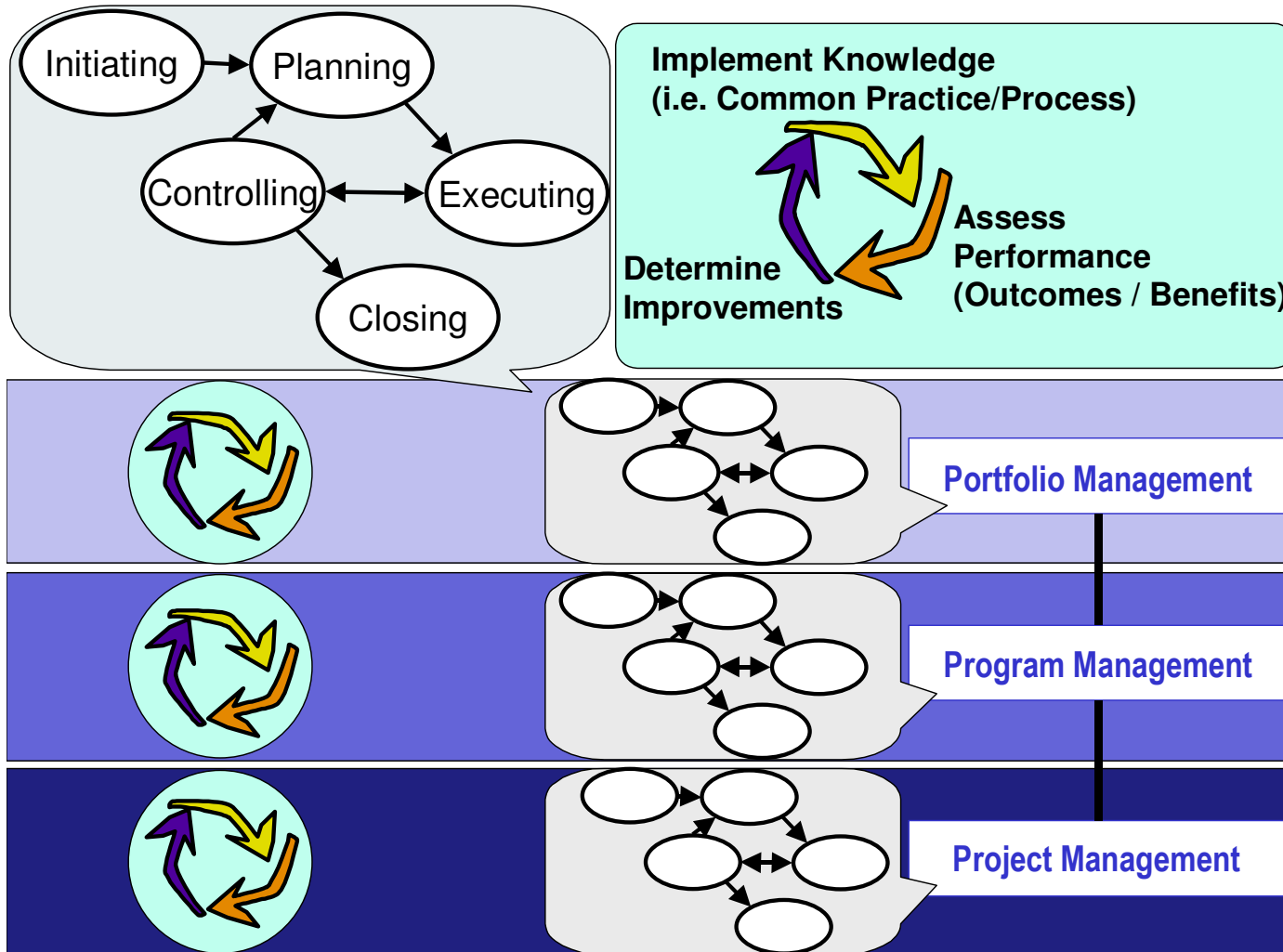


OPM3 Primer/Overview (Continued)

- OPM3 looks at process maturity across various dimensions i.e. project, program, and portfolio management, and in association with the five major project management process groups (Initiation, Planning, Execution, Controlling and Closure).
- The three basic elements fundamental to OPM3 are:
 1. Knowledge
 2. Assessment
 3. Improvement



OPM3 Overview





A PPM Implementation Case Study

(Continued)

Components of the Pilot:

- Project and Program Dashboard Reporting (KPIs, Green/Yellow/Red Indicators);
- A Project Health Check Questionnaire linked to the PM Risk, Issue Management functions;
- A Logic Model for Mapping project benefits to program benefits to departmental priorities in the RPP, and to the Management, Resources, and Results Structure (MRRS) Program Activity Architecture (PAA) Structure.

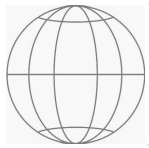


A PPM Implementation Case Study

(Continued)

Key Findings of the Pilot:

- The content and information captured in the framework and dashboard reporting was very complete and relevant – virtually unanimous consensus by the project, and executive management.
- Key cultural challenge is to encourage candour in reporting results, and that *these are not for personnel appraisal purposes.*

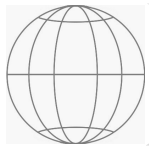


A PPM Implementation Case Study

(Continued)

Key Findings of the Pilot:

- ❖ Some projects had more of a challenge in establishing a baseline than others.
- ❖ There was too much variability in how the framework was administered – perhaps in part because of the draft nature of the framework.

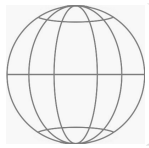


A PPM Implementation Case Study

(Continued)

Key Findings of the Pilot:

- ✿ The PMO was found to therefore be required to take on a secretarial mandate to the CIO and Executive planning committees and play an editorial role in amalgamating planning and reporting as per the framework;
- ✿ Both projects and ongoing operational initiatives need to be included at some level to create a complete 'big picture' view of IT/IM for the CIO and the executive – *"if it has a budget, it should be planning and reporting in accordance with the framework."*



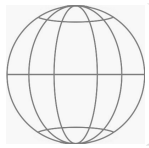
A PPM Implementation Case Study

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Key Findings of the Pilot:

- A major area where the framework required ongoing updating was with respect to *information management* and gaining consistency on nomenclature:

- *When is something green/yellow/red?*
- *When should baseline(s) be updated?*
- *How do we present activities spanning FYs – what dates, budgets do we show and track to?*
- *When should funding be (re)allocated?*
- *Consistent reporting of trends (improving / deteriorating)*



A PPM Implementation Case Study

(Continued)

Next Steps following the Pilot:

- ✿ With the next FY fast approaching, Look at developing a corporate investment map that would summarize all IT/IM initiatives based on key dimensions; The data on these dimensions would be captured as part of the project approval/initiation process and then used to set the initial baseline for the PPM framework:
 - ✦ *Business Benefit to the Enterprise*
 - ✦ *Cost*
 - ✦ *Risk*
 - ✦ *Complexity*
 - ✦ *Organizational Capability*



A Sample Investment Map – in the form of a Bubble Chart

Each project is depicted as a bubble.

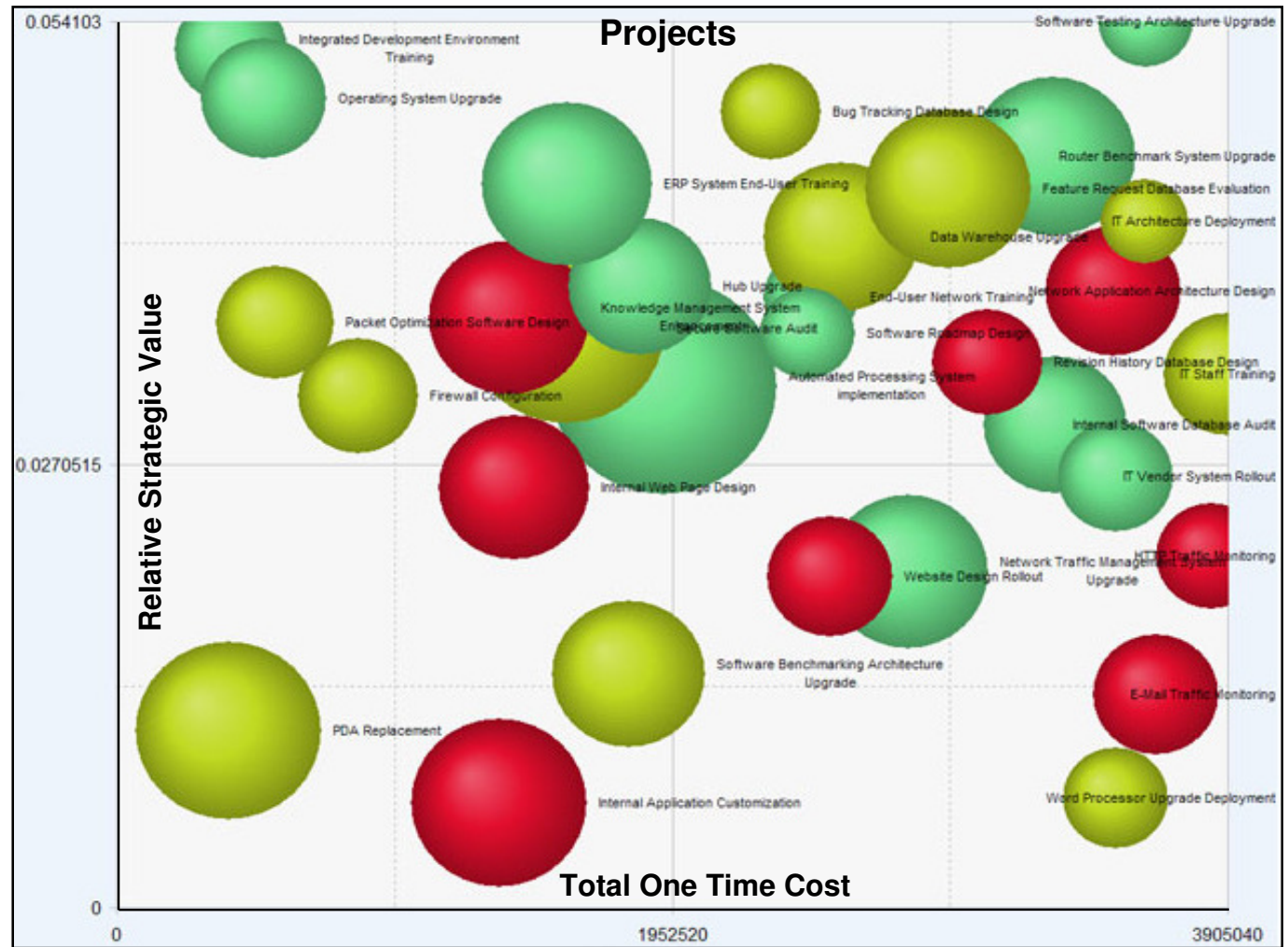
The **X-axis** is depicted as the **total upfront cost**.

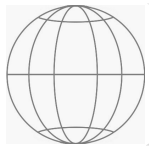
Y-axis measures the **strategic value** of each project from zero to one, using the Analytical Hierarchy Process (AHP) method.

The **size of the bubble** is the **total financially quantifiable benefits**.

The **colour of each bubble** denotes the determined **risk level** for each project (green = low risk, yellow = mid risk, red = high risk).

This is just one example of a map that uses various measures.





Some Predictions for Tomorrow's PM-PPM Paradigm

- The adoption of PM and Outcomes Management / Benefits Realization Frameworks broadens the project management profession;
- Leading organizations are recognizing they must have a more high-evolved species of Project Manager with more **strategic, transformational skills** that manage both **effectiveness** and efficiency;
- Leading organizations will likely gravitate to favour more progressive **Knowledge/Content/Value-Based** management frameworks over traditional Process/Procedures/Controls-Based frameworks.



Questions & Answers, Discussion Session

-Thank You

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