Whether or not your organization is performing well, justifying additional expenditures for technology, infrastructure, or headcount is challenging – project portfolio management (PPM) software is no different. Most organizations agree a small investment in PPM can yield significant returns in the way of accurate planning and forecasting, prioritization for decision making, faster project execution, and optimized resource utilization. However, many find procuring a budget or sponsorship from all stakeholders takes time and coordination. The key is to demonstrate how PPM will make a positive impact to every role in the organization – from team members and project managers to the PMO and CIO.

In this whitepaper, we will uncover the value of PPM for each level in the organization and build a business case that demonstrates return on investment (ROI).

**What is Project Portfolio Management (PPM)?**
Centralized management of processes, methods, and technology to manage current and proposed projects from a planning and execution perspective. Best of breed PPM solutions will focus on taking a top-down approach with emphasis on resource management.
Common Project Management Office Goals:

1. Strategic driver for organizational excellence
2. Define and maintain project management standards, metrics, and governance
3. On-time and on-budget project execution
4. Project portfolio planning and prioritization
5. Cross functional reporting and communication of key initiatives

Starting Point: Defining Your PMO’s Charter

Before putting together a business case for a PPM solution, it is essential for your organization to take a step back and look at the purpose of your Project Management Office (PMO). In most organizations, the PMO responsible for prioritization, process, delivery, and governance of business critical projects and initiatives. The PMO’s specific role varies by organization, as culture, politics, business needs, and maturity are factors in determining the overall structure. Some organizations may not have a formal PMO or are just getting one started, but often times the function and capabilities exist within the business, and eventually become a standalone organization. The charter evolves over time as the PMO must adapt to environmental changes due to market shifts, business direction, internal re-organizations, or competition.

The first step is getting agreement and driving to a consensus on what the organization needs from the PMO. Identifying the common goals will facilitate tying the specific benefits of PPM back to stakeholders. The PPM solution will become the backbone of everything that is related to projects, applications, and resources – and it has the power to enable every level of the organization. The key is to communicate how each role, as an individual or a group, stands to benefit from PPM.

We will begin by looking at each functional area and level of an organization, identifying their specific desired outcomes, the current reality or perceptions, and how a PPM solution will help break down barriers between current and desired states.

What Roles Stand to Benefit from PPM?

- CIO / IT MANAGEMENT
- HEAD OF PMO (MANAGER / DIRECTOR)
- PROJECT MANAGERS & TEAM MEMBERS
CIO and IT Management

Although the charter of the PMO has been agreed upon, CIOs and IT Managers should have desired outcomes that are specific to their role. The requirements for these roles are changing; IT must have a seat at the business and strategy table and should have the following at the forefront of their minds:

- Aligning with business strategy
- Creating a “value center”
- Saving money and reducing IT expenditure
- Becoming a business leader, not just a technology leader

Unfortunately, there is a gap between these desired outcomes and the current reality or perceptions of this group from the viewpoint of other business executives. For example, only 13% of business executives view IT as a business leader – resulting in 56% viewing IT as a cost center. IT is still being viewed as a service or delivery team, rather than a strategic business contributor. The line of business (LOB) has similar opinions with 54% viewing IT as an obstacle to their mission – more like an office of “no” or where good ideas get killed or delayed.

**Current Perception of CIOs and IT Management**

- Only 13% of business executives view IT as a business leader
- 56% of business executives view IT as a cost or service center
- 74% of CIOs say it’s challenging to balance business innovation and operational excellence
- 54% of LOB executives view IT as an obstacle to their mission

These perceptions should not come as a surprise as many are rooted in historical contexts – past experiences, lack of clarity or communication, and inability to demonstrate the alignment of IT work to what the business cares about. On top of this, CIOs say it is challenging for them to balance innovation and operational excellence, which directly affects the “cost center” versus “value center” perception. IT is expected to keep the business running and ensure operations are smooth, so more often than not, operational excellence takes up a majority of the mindshare, budget, and resources – making it difficult to focus on innovation.

**Process or PPM solution? Which comes first?**

One of the most common struggles for organizations is to decide whether they should first develop a process or implement a PPM solution. A best practices approach suggests to do both simultaneously so that each compliments one another. For example, you would not want to develop a process that is not trackable or measurable in a PPM solution and you certainly would not want to implement a PPM solution that will not grow with your organization’s process and maturity.
Top PPM objectives:

- Roadmap of projects to hit company goals
- Governance and standardization
- Optimization of resources
- Consider constraints: customer, executive, strategic, & budget

While these perceptions sound discouraging, this creates an opportunity for forward-thinking CIOs and IT managers to make a change. A PPM solution will help close the gap between the negative perceptions and the desired outcomes outlined above.

Let's start with the numbers first. PPM will save you money, but it is natural to only focus on the costs of licensing, implementing, and training, without thinking of the hard benefits. Organizations tend to focus on the purchase order (PO) or contract value and not the actual value to the bottom line of the business. For example, most organizations would agree that their resources have the ability to increase their efficiency by a nominal 5%. This number is realistic and with PPM it becomes easily achievable.

A 150-resource organization would save approximately $1,000,000 with a 5% increase in efficiency. The value of the dollars saved is substantial, but the real impact is compounded because the freed up resources can be redeployed to higher-value, strategic work – resulting in focused efforts, faster time-to-market, and more engaged team members. PPM enables utilizing the right resources for the right work because it will provide visibility into what your work are currently working on by skillset, role, or individual name. You will be empowered to make decisions based on accurate, real-time resource data and not impulse.

Increasing resource efficiency has significant impact throughout the organization beyond the cost savings. For example, the organization will experience improved speed of delivery. CIOs who have adopted portfolio management have seen a 4x increase in speed of implementation of projects and initiatives. This increase in delivery speed directly supports improving the perception that IT is an obstacle.

What PPM Can Do For CIOs & IT Management

SAVES MONEY

5% efficiency increase for 150 resources

results in over $1,000,000 of annual savings

Source: Innotas

4x increase in speed of implementation

Source: PMI Thought Leadership Series Report

5x increase in projects that are “very well aligned” with overall business strategy

Source: PMI Thought Leadership Series Report
Furthermore, a 5x increase in projects that are “very well aligned” with the overall business strategy is typically seen when implementing portfolio management practices. Having alignment with the LOB directly supports the CIO’s effort into becoming more of a “value center.” With a PPM system, organizations can confidently focus resources on work with the highest business value, but more importantly have reports and dashboards that can clearly communicate how IT is supporting business stakeholders.

Project portfolio management is a critical component for CIOs looking to make a bigger business impact and overcoming the negative perceptions that have historically plagued the industry and resulted in reduced tenures for IT executives.

Head of the PMO

For the PMO, a PPM solution will bring forth a separate set of benefits. Whether the PMO is led by a manager, director, or a senior member of the project management organization, the desired results likely include:

- Project and resource prioritization; supporting the work demand
- Increasing organizational agility
- Accurate planning and forecasting
- Elevating value perception of PMO through communication and collaboration

Achieving these goals begins with effective prioritization of incoming work demand. Demand for new IT projects is not showing any signs of a slowdown, with 74% of organizations expecting increased demand for new projects. PMOs cannot say “yes” to everything because the organization does not have enough resources to get it all done, especially considering 70% of organizations report a shortage of resources to manage project demands. More importantly, not all requests are worth investing in. It is equally important for the PMO to justify saying “no” to low value work – ensuring the PMO is making the right business decisions to achieve organizational goals.

PMOs that accept all incoming work demand will struggle to meet their commitments due to their inability to prioritize or accurately forecast what can or cannot be completed on-time and on-budget. The problem is compounded because requests continue to flow, and if the projects are not re-prioritized, the organization runs the risk of investing in low priority work prior to high priority work sitting in the backlog. This on-going cycle perpetuates why management continuously calls the existence of the PMO into question. PMOs must have the proper scoring and ranking capabilities to facilitate valuable conversations with key stakeholders to enable better decision making – specifically around prioritizing projects and resources. Without these capabilities, PMOs will continue to be perceived as project completers and not drivers of business value.

Decisions will be made based on the information currently available to the organization, but when the environment changes, the PMO should strive to have organizational agility. Adapting to changes is critical as nothing in today’s business world is static – priorities change, resources move (or get moved), and business needs evolve to
stay competitive. PMOs should constantly look for ways to increase accuracy of their forecasts; their forecasts are commitments to the organization for delivering key initiatives. Organizations with portfolio management have 6x higher strategic adaptability and realize 4x higher ROI from their strategic initiatives (Source: PMI Thought Leadership Series Report) – ensuring they are more likely to be aligned with business objectives than those without portfolio management. Maintaining business alignment directly impacts ROI of strategic investments. Which is why it is not surprising that organizations with portfolio management report higher ROI from strategic initiatives. This is significant because we know the lack of perceived value is the top reason why existence of the PMO is called into question.

While it may seem challenging for organizations to achieve all of their PMO’s objectives, implementing a PPM solution will increase the chances of success. Whether the PMO needs to improve prioritization, increase agility, or simply communicate the business value of their efforts, portfolio management empowers PMOs to make better decisions, stay aligned with the business and most importantly maintain accurate forecasts.

Project Managers

The value of portfolio management to CIOs, IT executives, and PMO management is quite clear, but many times the internal challenge is getting buy-in from the end users – project managers and project team members. Just like the other areas of the organization, the specific goals of these individuals should be accounted for:

- Project success with on-time and on-budget delivery
- Meet desired outcomes of projects
- Proactive communication and reporting
- Justify resource requests

Many times this level in the organization may not have exposure to the prioritization and alignment of projects and resources to business goals – they are focused on project execution and delivery. Often, project managers are handed a project with a set of resources and expected to execute under all circumstances; even when resources get pulled or assigned to additional projects, the project must reach completion. More advanced organizations are thinking about project outcomes over project outputs, focusing on the impact of the executed work over execution, but commonly project success is measured by on-time and on-budget delivery. However, even with this focus, the industry-wide success rate of projects is only 62% – demonstrating an improvement opportunity. The primary reason for project failure is poor resourcing. This includes inadequate staffing, over-allocation, and mismatched skillsets for the assigned project or task. Requesting additional resources or reallocation of team members is challenging if a project manager does not have data to justify the change. The result is the organizational expectation that the team should execute and deliver under these suboptimal circumstances.

Similarly, another critical expectation from this group is accurate communication and reporting of projects. This may include project health, risks, schedule updates, or some other key performance indicators (KPIs) agreed upon by the organization. Over 80% of business executives agree that project management teams should report on project status as one of their primary objectives. No surprise, as stakeholders and project managers agree reporting should be one of the focus areas for the role. However, it is not happening – only 33% of business executives feel project managers are doing status reporting well. This demonstrates a large gap between desired outcomes and the organization’s perception.

A PPM solution will close gaps and help drive improved project success. Organizations that develop high maturity of portfolio management will see over 70% of their projects on-time, as compared to 41% of those with lower maturity. Results are similar when looking at budgets, with organizations experiencing 74% of their projects on-
budget, as compared to 46% of those with low-maturity portfolio management practices. So, what does it take to become “high maturity?” The answer is not much. Implementing the basic capabilities of a PPM solution – reporting, dashboards, resource capacity and demand, and prioritization – will make a large impact for most organizations, especially those who rely on spreadsheets for portfolio management capabilities. Cloud PPM solution providers like Innotas can get organizations through their initial PPM implementation within 90 days, accelerating portfolio management maturity. The ultimate result for organizations with PPM is increased project success rates – one of the primary goals for project managers and business leaders alike.

The Cost of Not Implementing PPM

We have discussed the current realities and perceptions of the project management function by analyzing the different organizational roles. The bottom line is every organization can improve and increase their likelihood of meeting desired outcomes. Implementing best practices with a PPM solution is critical for driving organizational improvements, more specifically, organizations will experience several benefits:

- Enabling visibility to plan and align the project portfolio with business goals, resulting in higher value contribution
- Elevating credibility with stakeholders through better accuracy and forecasting
- Increasing project success and execution rates

The positive impact of PPM on an organization far outweighs the cost of licensing and implementing a solution. The results will include enhanced credibility, data-driven decision making, more strategic conversations, and increased tenures of the PMO and CIO. As an organization looks to justify making an investment into a PPM solution, the question that should be asked is “what is the cost of NOT implementing PPM?”

For more information, visit Innotas.com

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PMI Pulse of the Profession, 2015
ESI international – Global State of the PMO, 2015
Gartner, “PMO/Business Disconnect Presents Risks and Opportunities for PMO Managers and Senior PPM Leaders”
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