PPM: A Catalyst for Innovation

commissioned by CA Technologies

By Andy Jordan, PMP, gantthead Research Analyst
Executive Summary

Project Portfolio Management is more than just a way to control projects. It can provide a framework to link corporate goals to successful attainment of those objectives, and it can drive significant improvements to the selection of work, the way that work is executed and the organizational environment. In this white paper, we explore how to harness the power of PPM to innovate all aspects of project execution. Someone recently said to me that Project Portfolio Management (PPM) was a great asset to their organization because it allowed them to control all projects and programs from a single place. I agreed that indeed a single management and control function was helpful, and asked how this individual was leveraging their PPM function to improve project execution performance. Their response – “Well I just told you, we control things from a single place. What more do you want?”

What more do I want? Well, quite a lot actually.

If you are only using PPM as a way to control the volume of projects that are underway then you are not coming close to maximizing the potential of the function. In this white paper I want to look at how PPM can help you to improve all of the following in addition to simple control:

- Project selection and approval
- Project execution (risk management, change management, estimating, etc.)
- Project process and methodology
- Project team morale
- Organizational performance (customer satisfaction, goal achievement, financial performance, etc.)

It’s not rocket science, rather it’s about integrating PPM into the entire project execution process from proposal review to benefits realization, adopting an evolutionary approach to the way that projects are managed, and providing the right support infrastructure (organizational and technological).
Life cycle integration

Let’s start by looking at how PPM needs to be integrated with the organization as a whole. It isn’t simply higher level, centralized project management, rather it is about ensuring that programs and projects align with the strategic priorities of the organization – that what is ultimately delivered contributes to the achievement of corporate goals.

That means being involved before projects start – having a voice at the table from as early as the idea generation and testing. For many organizations projects are initiated almost by accident – someone identifies a problem that needs to be solved, or an opportunity to do things better and that leads to a more formal proposal that then enters the project selection process. That approach works, but PPM can make it much easier for innovation to be driven into project inception.

Good ideas happen all the time, not just in the weeks leading up to the annual planning exercises or when senior leadership makes everyone sit in a room to come up with them! PPM can provide ways for organizations to capture those ideas when they occur and provide a standardized approach to quantifying costs and benefits, etc. This can be as simple as:

- A template for idea capture and analysis. This should include guidelines for challenging assumptions and ensuring that ideas are challenged and consider both positive and negative elements. This will ultimately lead to better decision making as the business case moves forward and avoids the risk of “selling” an idea by only presenting the favorable aspects.
- A location for ideas to be stored, shared and reviewed. By using PPM tools to share these ideas we move away from an arbitrary review period and create opportunities for discussion and enhancement of the idea throughout the year.
- Integration with the project review and selection process. The ability for the best ideas to evolve into formal business cases that ultimately become candidates for inclusion in the project portfolio.

Once we reach the annual planning process, it’s vital for PPM to be engaged in the review of the business cases and the ultimate approval of projects. At the most basic level this provides the portfolio management function with an understanding of what each initiative is expected to contribute, but more significantly it allows for the portfolio to be structured in a way that ensures the maximum benefit can be achieved from the available resources. This will include:

- Structuring projects and programs to leverage common areas, avoid duplication of effort, etc.
- Identify ways to deliver additional progress toward corporate objectives for minimal additional effort
- Avoiding over-allocation of limited resources (or ensuring that cost of additional resources are factored into the business case)
- Aligning new initiatives with already planned/in-progress work
- Scheduling of work to maximize effectiveness

Of course PPM still has a major role to play in delivering centralized project command and control, but unlike the view of the person that I mentioned in the introduction, this is only part of what they do during project execution.

An organization is a fluid thing – it is constantly shifting and evolving. The priorities when projects were approved will change due to changing circumstances, the actual deliverables of earlier projects, etc. Portfolio management should be constantly reviewing the projected benefits from current projects and the organizational goals and priorities to ensure that they remain aligned with expectations, driving change into the project portfolio where needed to ensure that what will be delivered is what is needed – there’s no point in delivering a project that meets the needs that an organization used to have!

Portfolio Management also needs to remain involved beyond the completion of individual projects to ensure that the benefits realization is effectively managed. The goals and objectives that were established during the project approval and portfolio definition work still have to be physically delivered, and traditional project management does not address this effectively – the work is complete and the people on the project move on to the next piece of work.

PPM can tie the actual benefits achieved (cost savings, revenue growth, etc.) back to the expected gains that were included in the business case and identify any deltas from what was expected and what was achieved. These deltas may in turn drive additional work to address any shortfall, leverage any unexpected additional benefits, etc.
So far in this section we have focused on a “downward” view – portfolio management focused on projects. However, PPM should also be focused upward (sponsors, executives, etc.) and outward (customers). The solution to a disconnect between corporate goals and expected project deliverables is not always solved by driving change into projects. PPM needs to identify where expectations are unrealistic, where stakeholders are proving to be a barrier to success, where customers are creating additional cost and uncertainty, etc. More importantly, it needs to manage these challenges to ensure that the projects have the best possible chance of being successful.

The theme that is clear here is that PPM is about constant measurement and adjustment in order to ensure that the overall goal of projects that deliver incremental gains toward the corporate objectives is met. At the same time, portfolio management itself should be looking to continuously evolve and improve – and that’s what we will look at next.

Culture and cycle of improvement

We said in the previous section that an organization is evolving and changing, and that means that the way that the organization operates should also be evolving. PPM should be constantly looking for ways to improve the quality of project execution, and that is more than simply conducting a project post-mortem.

Every time there is a delta between what is delivered and what is expected, whether that is in benefits realization or project estimation, there should be a root-cause analysis conducted in order to understand where the failing occurred. In some cases it may be a failure of process execution, in which case there are opportunities to improve the quality of training and communication that is given; and in some cases it will be a shortfall in the process itself. Every one of these events should drive evolutionary change into the way that the portfolio is being managed in order to deliver improved processes as soon as possible and to avoid the need for major process transformations.

This approach implies that the PPM function has the ability to drive change into all project related functions whether they are directly part of PPM itself, within the PMO, at a program level or at the project level.

Portfolio management also needs to create a culture of continuous process improvement within all project areas. While ignoring process is never a good thing, neither is blindly following process when there is a better way. PMO, program and project resources need to be encouraged to challenge the way that things are done in order to drive incremental effectiveness improvements into the way that projects are executed. It shouldn’t matter whether the idea comes from the most experienced program manager or the least experienced team member, there needs to be processes in place to capture and assess ideas and communicate changes.

These “bottom up” types of change can be among the most effective improvements because not only do they come from the frontline, they can be implemented in a proactive way – avoiding the problems that might otherwise occur. By the very nature of them, changes driven by root-cause analyses are retroactive – they are only occurring because something has gone wrong.

Not all portfolio management changes are driven from the areas below the portfolio. The portfolio manager should also be looking for ways to improve the way that they perform their function. Can they streamline communications, improve resource utilization, reduce stakeholder disruptiveness, etc.?

The most important aspect of the improvement cycle is the measuring of actual gains. Regardless of where the idea originated, if a project execution process has been changed then it needs to have tangible objectives for the improvement that is expected. If that improvement is not being achieved then there needs to be a willingness to refine or reverse the change. This is another reason for gradual evolution of the approach – if only one or two aspects of the process are changing, then it’s a lot easier to identify the impact of those changes than if a suite of 100 changes were all implemented at the same time.

The importance of this constant incremental improvement cannot be overstated. If the framework for how things are done is fixed then the efficiencies and effectiveness improvements that can be achieved will be limited by the rigidity of that framework. Dramatic improvement – the type that gives you a distinct advantage over your competitors or delivers measurable gains to the bottom line – requires an open culture of innovation.
Project execution is a perfect environment for innovation to be successful because of the ability to analyze results and implement change into the next phase or next project – there can be a short path from opportunity to implementation. PPM is the key to success here, a combination of the visibility that we talked about in the lifecycle integration section with the culture of evolution that we talked about here can deliver dramatic benefits through a series of frequent incremental innovations.

**Support infrastructure**

For all of this to succeed, PPM needs to exist within a strong support infrastructure. It can’t exist in a vacuum but has to be an integral part of the way that the organization operates. If the attitude of an organization is that PPM is nothing more than centralized project control and reporting, then none of these advantages can be achieved.

PPM is not a silver bullet; it takes time and commitment to succeed. The organization needs to be prepared to accept a cultural change that has the PPM function as:

- A key contributor to the project review and selection process
- The owner of the management of benefits realization
- Responsible for alignment of approved initiatives with corporate objectives
- Driver of changes to the project execution process

This can’t be a lip service commitment – it requires real change, and that can be difficult for executives to accept if they traditionally see project-related functions as simply an execution role rather than a driver of decisions.

A PPM function will take several years to develop fully refined processes and to have created an environment of trust and respect that allows for the open communication of ideas for improvement. It won’t take that long for the benefits to begin to appear, but the organization needs to be prepared to make the investment of time in the approach rather than expect dramatic improvements within the first 12 months – you simply can’t change culture that quickly, at least not in a way that will stick.

Support has to be active – stakeholders have to publicly support the message of PPM. If the sponsor of an individual project is negative about the PPM function in a conversation with their project manager, then it will undermine the entire process. There has to be an understanding that concerns will be raised in the right way and that public support to the process is important to success.

There also needs to be more tangible support. PPM is a wide-ranging concept that impacts all aspects of the project execution organization and it is not simply good ideas and conversations. The organization needs to be prepared to invest in tools that will support the PM function.

The ability to quickly communicate and share across the organization requires a toolset that allows all project resources to collaborate and communicate effectively without requiring a steep learning curve on the use of new tools.

The portfolio manager needs access to a reliable, comprehensive data set that allows for analysis at the portfolio, program and project levels and yet does not require excessive time to be spent on data capture by project managers. Additionally, the tool needs to include reports and analysis functions that can turn data into actionable management information. Only in this way can PPM drive change and ensure effectiveness.

**Making it happen**

These changes won’t occur overnight. In the same way that improvement will happen over time as a process of continuous innovation, so the implementation of a comprehensive PPM function within an organization needs to be gradually rolled out. We can’t forget that the projects won’t stop just because we want to implement PPM – they still need to be completed and they have aggressive targets.
Where an organization starts with an implementation will depend on their unique circumstances, but the recognition that a cultural shift is required is fundamental and has to happen early. Until this happens the benefits that are achieved will never be as significant as they could otherwise be.

Like any other project, a PPM deployment needs to be well planned and executed against realistic goals. Starting with areas where the organization can achieve the biggest return for the investment will not only deliver tangible results, it will help to reinforce the cultural change and will assist in justifying the time and money required to implement the methodology change and supporting infrastructure.

Andy Jordan is President of Roffensian Consulting Inc., an Ontario, Canada-based management consulting firm with a strong emphasis on organizational transformation, portfolio management and PMOs. Andy has a track record of success managing business critical projects, programs and portfolios in Europe and North America in industries as diverse as investment banking, software development, call centers, telecommunications and corporate education. He has built/rebuilt a number of PMOs throughout his career with a focus on the development of people and teams alongside the implementation of process and methodology. Andy is a prolific writer for both gantthead.com and ProjectsatWork.com on a number of project, leadership and communications related topics.