DEVELOPING THE PROJECT PORTFOLIO MANAGEMENT PROCESS AND MATURITY STEP BY STEP

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1 ABSTRACT

This paper describes five PPM maturity levels and the general prerequisites each of these levels. The main point is to describe the different PM roles and their significance when it comes to achieving each of these maturity levels. The paper emphasizes specially the roles of project owner and Project Management Office. Paper gives some ideas how to develop these roles and how to manage the change towards a Project Oriented Organisation.

2 RECOGNIZE THE VALUE OF YOUR PROJECT PORTFOLIO

The value of projects to the company should be estimated and management should really be aware of it. This is important to awake the management and start to develop any new models. In a company that is delivering projects to its external customers (delivery projects) the value is well considered. But in the case of internal project portfolio, it usually isn't.

First the value can be measured by estimating the significance of strategic change, need of developing new products and processes etc. Practically the value of projects can be measured by dividing all working processes to project work and non-project work and estimating the amount of resource allocation to both processes. Figure 1. shows what a typical situation is. In most companies the amount of resources allocated to project work but not managed in a proper way is surprisingly big and this should be better noticed by management.

Depending on the value of projects, the management should set the development objectives and estimate the amount of development effort.
Tasks and endeavors that should be managed using PM and PPM processes:

No harmonized models:

- "Projects"
  - Small unique assignments
  - "recurring" processes

Projects

- Small and medium sized projects
- Small unique assignments
- "recurring" processes

Problem area!

- A
  - Projects
  - C
  - Small unique assignments
  - "recurring" processes

The blocks describe the distribution of worktime of personnel in a company that has many projects.

Figure 1: Typical situation in the middle. Management attention is focused into the big projects only and a huge amount of medium and small size projects are leaving without. Solution on the right is based on the use of project complexity classification, which is setting a right level of management effort when it comes to a single project. However PPM system should consider all projects.

3 DEVELOPING THE PPM MODEL AND METHODOLOGIES

A method of keeping a database of all on-going projects creates the foundation for PPM. This alone brings a challenge. Many line managers would have to start a two-week investigation when being asked which projects are going on in their organisation.

The first level of portfolio management maturity is reached when this aspect is in order.

Many would possibly have to start a new investigation when being asked: “What is the status of these projects?” or “Is our portfolio in balance when it comes to strategic objectives and risks?” The second level of maturity is reached when the reporting is working on regular basis. There is still a long way to go to the stage where projects are systematically evaluated, visible decisions are taken in gates, attention is paid to resources and the strategically most important projects are carried out without delay. When the reporting also covers forecasts of projects’ real benefits and their evaluation continues till the projects are finished, only then can we start talking about advanced PPM (See Figure 2).
The basic prerequisites to achieve each of these levels are the following (without emphasizing roles yet):

**Level 1**
- Decision point model (stage gate model)
- Clear definition of a project

**Level 2**
- Harmonized Project Model and complexity classification of projects
- Quality of status reporting should be good enough

**Level 3**
- High quality planning procedures and competence.
- PM and PPM software tools
- Hour reporting

**Level 4**
- Owner’s responsibility on achieving the business benefits and total success of the project should be emphasized
- PPM Board and strategic level PMO should be established

**Level 5**
- Measuring the final business benefits of projects
- Reward systems should be based on final business benefits of projects, too

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**Five steps and PPM maturity model**

- The business benefits of all projects are evaluated afterwards and this causes continuous development
- Project selections and prioritization is done transparently and through systematic procedures
- Resource needs are planned for all projects (e.g. Procedures to solve resource conflicts)
- Awareness of the status and balance of all projects (Reporting System)
- Awareness of Ongoing Projects (Project Database)

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*Figure 2: Maturity levels and steps to develop PPM based on ABC Project Model™. Knowing the development steps and key elements of a PPM system helps management to set objectives and time schedule for development work*
4 THE MOST IMPORTANT PM ROLES LEVEL BY LEVEL

Level 1 – Project Owner

Project owner is the most critical PM role when an organization starts to develop its PM culture. Our experiences with our customers has shown, that if nothing else is happening but the project owners has been clearly recognized and these owners understand their role and responsibilities, it is already causing a clear improvement when it comes to effectiveness of project work and business results.

If the owners exist, the basic information of all projects is available and there is always somebody who is responsible and aware about the “go/no go” decisions of any project. This only can make the stage-gate model to function. To get the owner role to work, effective training is needed. Training should emphasize mainly changing attitudes and giving a basic knowledge of PM principles.

Level 2 – Project Management Office (PMO)

In order to get reliable information (see an example in figure 3) about the project portfolio a harmonized PM Model is needed. Developing and updating this model is one of the most important responsibilities of a PMO. Another important responsibility is of course to administrate the portfolio. If nobody is doing this it is impossible to give current and reliable information to management.

Many organizations have withdrawn or delayed to establish a PMO. One reason has been the cost of extra resources. In this case the business case of PMO should be pointed out better. In most cases the reason has just been the lack of competent resources. PMO manager and personnel should have a real good competence of PM. This means, that PMO personnel should participate a PM Master (=advanced) level training course. Of course it is important that they have experience in project work, too.

Strategic report

![Strategic report chart]

Figure 3: The important role of PMO is to provide information about the planned and actual portfolio to the management
Level 3 – Project Manager

It may be a surprise for most of the readers that project manager role doesn’t appear before this level. Of course Project Manager is perhaps the most critical role from the single project point of view, but when it comes to PPM “the order” is not the same.

Achieving the level 3 means, that the allocation of resources is continuously known. This cannot happen if the organization doesn’t have enough competent project managers with good skills of making WBS, time scheduling, work amount estimations, rolling wave planning or using PM software etc. However the use of project complexity classification helps here. Small non complex projects are not requiring the same level of planning as the complex one. But still the predefined procedures are needed and all Project Managers should work according to these procedures.

Level 4 – PPM Board

You need the role of PPM Board already on the lower levels. However achieving the level 4 requires much more work effort by management. In case that PPM board is the same as Management Group, PPM issues should be clearly separated in the agenda or these should be handled in separate meetings.

The most important task of the PPM board is to select the right projects and make prioritization. To do this, they must be aware of available resources (level 3 needed!). The critical competence of PPM Board members is just a normal business competence. Of course they should know well the PM and PPM model of the company and definitions and terminology of PM. Actually the training should again emphasize changing attitudes. We recommend that during the deployment of new PM and PPM model in the organization the PPM Board Members should participate the same trainings as other personnel.

Level 5 – New organization model

No special role is named here anymore. In the future the best effectiveness will be achieved if all these roles have been merged as a part of the whole organizational structure. In this case we can talk about real Project Oriented Company. Figure 4 shows how the PM Culture is developing towards a Project Oriented Company.

Developing PM Culture

![Figure 4: Development of PM Culture](source: “The Portfolio Management Standard”, PMI, 2006 and Valense Ltd. & Michel Thiery, 2007 (Adjusted)
5 CONCLUSIONS

The main prerequisites for each maturity level of PPM are the following. Companies should take care of these necessary actions before dreaming of any remarkable improvements to PPM itself:

- **Step 1**: Implement a harmonized project management model with necessary and transparent decision points (gates, toll gates). At the same time make sure that each project has an owner (sponsor) who is carrying the ultimate responsibility for the project success.

- **Step 2**: Establish a Project Management Office (PMO) with necessary resources and ensure that each project is managed and reported according to the same main framework.

- **Step 3**: Ensure that each project is planned and their resource plans are updated and of proper quality. Develop the competence of project managers accordingly.

- **Step 4**: Organize a Project Portfolio Management Board, which is putting enough management effort on PPM, emphasizing mostly the initial decision points of projects and using systematic and transparent procedures. PMO should be organized as a strategic level unit, too.

- **Step 5**: Organize the PMO so, that it has enough resources to support post-project appraisals and to develop both the strategic and PPM processes further to ensure continuous organizational learning.

When implementing a PPM system, the question is actually of the need for changes in an organisation’s management culture. The time allocated to management should be reconsidered, in middle management in particular. This will not happen unless the evaluation and reward systems in organisations are changed in order to pay attention to the successes in project work as well. The more important strategic change and development are to organisations, the more crucial these issues will become. This requires that a strong project culture is developed at all levels of the organisation.

When developing the PM culture, the PPM maturity levels may help the organisation to progress step by step. But before developing PPM, the organisational competence and processes of individual projects should be on a certain level. A generic project model for individual projects should be implemented and clear classification criteria for project types and complexity levels should be defined.
REFERENCES

[10] Project Institute Finland ltd, ABC Project Model™ ver. 2.0