

WHITE PAPER

# IT Portfolio & Project Management

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## EXECUTIVE SUMMARY

With companies focusing on internal efficiency and better business/technology alignment, IT governance has become critical for enterprises of virtually every size. An important aspect of overall IT Governance is managing the overall portfolio of projects the organization undertakes. Many organizations have historically used basic project management tools and spreadsheets to manage all of their IT projects. However, as information technology becomes further integrated into the business processes of the corporation, it is inefficient to manage a portfolio of projects in this way.

Both CIOs and business executives have been interested in the idea of better IT governance for years, but most corporations have been hesitant to move forward because of the lack of best practices and integrated solutions. There are now well-established standards for Project Portfolio Management (PPM).

Although IT Governance encompasses all activities associated with information technology, for the purpose of focus this paper will address only project and portfolio management. Key topics include how an organization can quickly adopt a company-wide approach to managing the entire portfolio lifecycle from proposal initiation, justification and review, to project execution, deployment and benefit measurement.

According to the Harvard Business School, companies with superior IT Governance have over 20% higher levels of profitability than firms with poor governance, given the same strategic objectives.

## **DISCIPLINE. MEASUREMENT. TRANSPARENCY.**

Information technology is the great enabler, helping companies to successfully compete in today's rapid-fire business world. But in order to fully leverage the power of technology, organizations must manage their IT operations with the same discipline, measurement and transparency as they do with their business. Firms with superior IT Governance have an accurate understanding of what IT skills and assets they possess, what processes and methodologies work, who is accountable for management, implementation and maintenance, and how to accurately measure results. As a result, these firms are more ready to learn from mistakes, as well as have systems and processes in place that allow them to repeat success.

Equally important, effective IT Governance is not just good business: in many cases, it's a legal requirement. Industry and government regulations such as Sarbanes-Oxley and HIPAA mandate that companies demonstrate access to and control over their information and technology assets. IT Governance provides the systematic oversight that this type of compliance demands. An organization must do the right things, the right way. It must assign accountability, and measure the results every step of the way. The organization that can't adapt to an environment that demands accountability can quickly become extinct.

## **DEFINING IT GOVERNANCE**

IT Governance covers both the strategic initiatives that position the company for future competitive advantage as well as the tactical activities that keep the business running day to day. Governance specifies the decision-making authority and accountability that encourage desirable behaviors in the use of IT. Governance is therefore a documented, iterative and ongoing cycle of planning and execution within a framework that keeps IT aligned with the requirements of both the business and the company culture.

Most importantly, Governance encompasses all IT activities. While strategic projects can be extremely important to a company's success, they typically represent only about 20% - 25% of a corporate IT budget. The remainder -- usually 75% - 80% -- supports the firm's often mundane but no less critical "keep-the-lights-on" activities. By effectively implementing IT Governance a company can drive down maintenance costs thereby freeing up resources for new initiatives that improve the business' overall competitiveness.

## **MANAGING COMPLEXITY & CHANGE**

Today, companies are faced with increasingly complex applications, systems and networks. These vital infrastructure elements are constantly changing to meet evolving business needs. If that change isn't planned effectively and executed on time, the business can suffer. IT Governance meets the challenge of change, while forming an essential part of business technology optimization that transforms IT into a business driver within your company and a differentiator against your company's competition.

## **IT PORTFOLIO MANAGEMENT**

A major component of effective IT Governance is the use of IT Project Portfolio Management best practices and tools. Doing what's best for the business as a whole requires a process that balances needs and resources, and uses factual analysis to match and rank those needs against available resources. Portfolio Management integrates strategic, financial, functional, and technical reviews into a unified Governance process that affirmatively answers one of the most important questions in IT today: "Are we working on the right things?" Portfolio Management enables you to achieve the best mix of IT investments by:

- Evaluating, prioritizing, and balancing both new initiatives and your existing projects
- Analyzing different what-if scenarios to balance value against risk
- Ensuring alignment with your business strategy
- Optimizing your use of IT resources

- Governing the entire project portfolio lifecycle
- Capturing real-time IT program and project status
- Providing accurate, up-to-date information for difficult portfolio business decisions

## WHY YOU NEED PORTFOLIO MANAGEMENT

Think about how IT investments are managed in your company; do any of the following scenarios ring true? Expensive projects, which may or may not match the company's objectives, are awarded to business units; weak IT governance structures mean that business executives don't have clear ideas of what they're approving and why; the CIO ends up selling projects that should be generated and sold by business heads; the company doesn't build good business cases for IT projects or it doesn't do them at all; and there are redundant projects. A strong portfolio management discipline can turn this around and do the following:

- Maximize value of IT investments while minimizing the risk
- Improve communication and alignment between IS and business leaders
- Encourage business leaders to take responsibility for projects
- Allow planners to schedule resources more efficiently
- Reduce the number of redundant or overlapping projects and make it easier to kill projects

## KEY STEPS TO SUCCESSFUL PORTFOLIO MANAGEMENT

### 1. Conduct a Project Inventory

Portfolio management begins with gathering a detailed inventory of all the projects in your company, ideally in a single tool, including name, length, estimated cost, business objective, ROI and business benefits. The tool can be as simple as a spreadsheet or as broad as solutions sold specifically for PPM.

### 2. Identify Projects That Match Strategic Objectives

The next step involves establishing a project portfolio process. The heads of business units, in conjunction with the senior IT leader, compile a list of projects during the annual planning cycle and support them with good business cases that show estimated costs, ROI, business benefit and risk assessment. The leadership team vets those projects and sifts out the ones with questionable business value.

A senior-level IT steering committee made up of business executives and IT leader(s) meet to review the project proposals; a good governance structure is central to making this work. **"Portfolio management without governance is an empty concept,"** says Howard Rubin, executive vice president at Meta Group. Putting portfolio management in place can force companies with weak governance structures to improve them.

### 3. Score and Categorize Your Projects

After evaluating projects, most companies will still have more than they can actually do with the resources they have. The prioritization process will allow the company to fund the projects that most closely align with the company's strategic objectives.

Projects are placed into portfolios—multiple portfolios are a good idea in many companies because they allow like projects to be pooled together. In the case of the large tech portfolio, a management team—made up of project sponsors, function managers and product portfolio managers (people with long-term project leadership)—can vet projects and come up with a list for the portfolio team to score.

**89% of companies** are flying blind, with virtually no metrics in place except for finance.

**84% of companies** either do not do business cases for any of their IT projects or do them only on select, key projects.

**84% of companies** are unable to adjust and align their budgets with business needs more than once or twice a year.

SOURCE: "META Group

There is no single method to categorize your IT investment portfolio. One approach is to categorize it as you would your own financial portfolio, balancing riskier, higher reward strategic investments with safer categories, such as infrastructure. Meta Group's Rubin recommends a portfolio divided into three investment categories: running (keeping the lights on), growing (supporting organic growth) and transforming the business (finding new ways of doing business using technology). Those categories can then be cross tabulated with four to five value-focused categories, such as how those investments support revenue growth, reduce costs or grow market share.

Portfolio Management is an especially effective entry point to IT governance for companies where poor alignment between IT and the business is an issue ... where rationalizing the application and infrastructure portfolios and eliminating redundant projects is a priority ... or when merger and acquisition activities are in progress.

Faced with the prospect of merging disparate IT functions, companies often lack the means to objectively compare proposals and projects from different business units. Thus, it can be very difficult to rank projects from across the organization. This often results in redundant or low-value projects consuming valuable IT time, money and personnel while delivering negligible bottom line results.

## IT PROJECT MANAGEMENT AND THE PROJECT MANAGEMENT OFFICE (PMO)

According to research by the Standish Group, the majority of all IT projects are either delivered late, run over budget, or provide far less functionality than originally planned. That's because project managers, and *their* managers, lack access to real-time data that shows them where they are. They also have poor control over the resources assigned to the projects, and lack a documented workflow that helps manage and resolve critical dependencies. A project management methodology is a framework that allows project managers to successfully manage projects of varying sizes. Most organizations, however, don't follow a formal, consistent methodology.



The project management office (PMO) is responsible for building a project management methodology, delivering project management training and coaching, conducting project audits and organization assessments, and providing consolidated project reporting and metrics. A PMO helps project teams quickly gain confidence, manage scope and reduce risk, making it easier to deliver projects on time and on budget.

The centralized PMO project management approach enables involved parties to update project status centrally – keeping project status up to date so stakeholders always know what’s going on. Rather than spend time asking for, collecting, and reading status reports, managers manage the exceptions and add value. Additional projects can be added into the PMO, expanding the governance structure at a manageable rate. However, unless the process for routine day-to-day activities is ultimately incorporated into the PMO structure, an organization will fall short of optimizing overall IT operations, since these “keep-the-lights-on” activities (including IT services, application change management, employee provisioning, etc.) constitute the lion’s share of most corporate IT budgets.

Organizations that have a project management office usually make the PMO responsible for project management methodology—the processes, procedures, templates, best practices, standards, guidelines, and policies that you use to manage projects. The methodology must be adaptable to meet the changing needs of the business, and it must add value to the projects that use it. As new technologies and methods emerge, the methodology should evolve to reflect those improvements. All projects create deliverables/products. At the end of many projects, the deliverable needs to be supported and maintained —sometimes indefinitely.

Project management methodology should therefore be viewed in this light, as an ongoing process: The methodology is deployed into the organization through one or more projects, and the processes, templates, and training that make up the methodology are some of the deliverables that are produced. The support for these deliverables and the methodology can be very simple. For example, the PMO may decide to redesign a template based on feedback from members of the organization, or implement processes in new areas.

Developing a holistic approach to implementation, and then having a successful rollout, is only part of the long-term focus of the PMO. The PMO must continue to support and update the methodology, and make sure it is relevant in the organization. The initial development and the subsequent support of the project management processes are known as methodology management. Three major areas of methodology management are:

- Development
- Support
- Enhancement

## METHODOLOGY DEVELOPMENT

In the past, most companies that wanted a project management methodology developed one from scratch. This wasn’t necessarily difficult, since most of the basic project management processes have been known for some time. However, it could be very time-consuming, especially if it were built at a detailed level.

Today, new methodologies have been introduced into the marketplace. Now, just as with a software package, there are three ways to obtain a project management process.

**Build:** Companies still have the option to build a custom methodology from scratch.

**Buy:** Alternatives can be purchased and brought in-house. Consultants tend to have methodologies, some of which are strictly for internal use, and some of which are for sale to client companies.

**Buy and customize:** The third alternative is to purchase a methodology and then customize it based on needs. You only spend the time required to develop or integrate the purchased organization standards, templates, and processes.

## METHODOLOGY SUPPORT

There is an adage about the deliverables produced by projects: The day you begin to deploy your product is the day you need to be prepared to support it. This is true with project management methodology as well. When you provide templates and training to the first people in your client's organization, you must be prepared to support the people and the products. Examples include:

- Answering questions about the methodology and how to apply it on projects
- Helping people find documents and templates.
- Maintaining the document repository if problems occur
- Providing ongoing training for new and current employees

## METHODOLOGY ENHANCEMENT

The last category of methodology management is the enhancement of the methodology. This includes areas such as:

- Expanding and extending the current processes
- Creating new training and extending the entire project management curriculum
- Enhancing processes and templates to make them more valuable and easier to use

Enhancements don't necessarily imply more processes and templates. It is possible that you could be reducing as well. For example, you may have two status report templates that could be consolidated into one.

One caution is that you do not want to “over-engineer” the project management process. If you do too much extending and have too many methodology requirements, you will start meeting resistance from project managers who think the methodology is getting in the way of delivering projects faster and cheaper. Too many companies make the mistake of developing a project management process, training the staff, and then never providing any long-term support and follow-up. Project management methodology should be thought of as a tangible product that is developed, supported, and enhanced. The PMO is the place where all this happens. The PMO itself must be seen as a long-term entity to make sure your client's project management practices live and are strengthened over time.

## A PMO REQUIRES CULTURE CHANGE

The key to a successful PMO is to recognize that getting people to become better project managers requires them to do things differently, managing projects more actively, consistently, and rigorously. It also requires different behaviors of the people who work on projects and the clients of the projects. Because you are trying to change the way people do their jobs, this effort is an organizational change management initiative. It's all about trying to change the culture.

Driving culture change requires more than simply teaching new skills. The PMO must evaluate all aspects of the organization that drive behaviors. Processes that drive good project management behaviors must be reinforced; processes that are barriers to good project management must be changed or eliminated. Resistance to the change must be expected and overcome.

## CURRENT STATE ASSESSMENT

The first step is a current state assessment that looks at organization culture, enablers, barriers, project success rates, project roles, client attitudes, compensation systems, skill levels, standards, and working environment. You can get the information you need from a cross section of managers, staff, and clients, using interviews, surveys, and focus groups.

While you are looking at the current environment, also ask your people what the future will look like. When you have a good picture of the state of the organization, and how the future state should look, you can create a *gap analysis* that shows how far the organization is from where it needs to be. You'll use this information to create your deployment strategy and approach. Once you reach an agreement on what the future looks like and how to get there, you'll be at a point where you can move forward with the deployment project.

## THE IT “VALUE LADDER” Optimizing People, Processes & Technologies

IT Evolution specializes in helping companies enhance the performance and efficiency of their IT organization. IT Evolution is able to achieve this success by bringing together an experienced team of senior professionals with technology, operations, and business expertise. By integrating this broad range of knowledge, IT Evolution has been able to help build proactive IT organizations for companies that have been unable to generate either sustained or significant business value from their IT operations

To achieve this goal, IT Evolution conducts an initial gap analysis of the client company's IT processes, procedures, personnel and technologies. This assessment identifies the organization's current state then maps it against desired outcomes.

These outcomes are based on the Capability Maturity Model (CMM) developed by the Software Engineering Institute. CMM is the *de facto* standard for improving both technical and business-related processes involved in the management, development, implementation and maintenance of information technology.

IT Evolution's customized CMM approach integrates proven techniques and best practices into an ascending structure of competency that enables a company to appraise its IT organization's maturity and process capabilities, establish priorities, and implement improvement.



