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THE BUSINESS CASE FOR PROJECT PORTFOLIO MANAGEMENT

Understanding the role of projects in business and the challenges for successful project delivery



PPM Master Class Part 1

The Business Case for Project Portfolio Management

KEY FACTS:

- TO BUILD THE FRAMEWORK OF YOUR BUSINESS CASE IT IS IMPORTANT TO UNDERSTAND MANY OF THE INEFFICIENCIES THAT EXIST WITHIN BUSINESS TODAY.
- A KEY FACTOR TO CONSIDER WHEN BUILDING A BUSINESS CASE FOR PPM IS HOW YOU ARE GOING TO MEASURE PROJECT SUCCESS, AND HOW YOU WILL SELL THE SUCCESS PPM BRINGS TO THE EXECUTIVE TEAM.
- THROUGHOUT THIS WHITEPAPER YOU WILL GAIN HELPFUL INSIGHT AND ADVICE INTO HOW TO BUILD AN EFFECTIVE PROJECT PORTFOLIO MANAGEMENT BUSINESS CASE.

Understanding the role of projects in business and the challenges for successful project delivery

In the first part of the PPM Master Class we explore the origins of Project Portfolio Management and how it has come to its fore in recent years. We will discuss the inefficiencies when managing projects and programs, and the many demands that are now placed upon the project orientated business. Finally we will look at the key challenges for successful project delivery and how Project Portfolio Management will enable the business to view their projects as strategic investments. Throughout this whitepaper you will gain helpful insight and advice into how to build an effective Project Portfolio Management Business Case.

How is Project Portfolio Management Evolving

Project Portfolio Management has its roots embedded within the Project Management and Professional Services Automation (PSA) markets and draws heavily on their key disciplines and methods. Most PPM systems we see today have developed from project management software tools or PSA solutions. However, Project Portfolio Management also borrows from the financial and investment community, as a means of managing, prioritizing and balancing projects as business investments.

Although, PPM was initially adopted within IT departments, in recent years it has become a mainstream feature throughout the business as a whole and offers all businesses, independent of shape, size or focus a simple framework to select, prioritize and deliver projects and programs.

Today, there are several variants of PPM including:

- IT Project Portfolio Management
- Product Portfolio Management
- Annual Service Planning
- Business Portfolio Management

Whichever variant relates closest to your organization, the key emphasis of Project Portfolio Management is to achieve an overall balanced investment in projects.

KEY FACTS:

- PROJECTS SHOULD NO LONGER BE VIEWED AS 'ONE-OFF' ISOLATED ENTITIES, BUT AS A CORE FACET OF THE BUSINESS, DRIVING THE FUTURE PROFITABILITY OF THE BUSINESS.

Measuring project success

A key factor to consider when building a business case for Project Portfolio Management is how you are going to measure project success, and how you will sell the success PPM brings to the executive team. Quite often businesses are guilty of a limited view when it comes to measuring project success, by focusing on:

- When will the project be finished?
- How much has the project cost?
- Is the project to specification?

However, it is important that executives realize that projects form the future profitability and ultimately the success of their organization. Consequently there is growing interest on the part of business leaders into how projects are performing and impacting the bottom line.

Typical questions are now focused on understanding:

- Do we have the right balance of projects to ensure we can deliver our strategy?
- Are they delivering against corporate objectives?
- What is the ROI/ROO?
- Do we have the right mix of low, medium and high risk project investments?
- What resources do we need to complete the portfolio as planned?
- What are the alternative scenarios if the strategy changes?
- What is the status of each project and program?

It is important that you consider each of these when building your PPM business case, and detail the associated improvements, as these are the factors that are going to most influence the investment decisions.

The Portfolio Definition Process

In today's economy there needs to be a realization that projects represent a significant investment for an organization and attention needs to be much more focused on the value of those projects to the business and how they are the key vehicle in achieving the overall business strategy.

Projects should no longer be viewed as 'one-off' isolated entities, but as a core facet of the business, driving the future profitability of the business. In fact, the effectiveness of an organizations project management process can make or break the bottom-line of the business. Certainly a key point for any business case.

KEY FACTS:

- TO BUILD THE FRAMEWORK OF YOUR BUSINESS CASE IT IS IMPORTANT TO UNDERSTAND MANY OF THE INEFFICIENCIES THAT EXIST WITHIN BUSINESS TODAY.

Bearing this in mind, stakeholders need to demand greater accountability in the way projects are selected, managed and delivered. Coupling this with the increasing complexity of managing multidimensional project environments, projects must become subjected to high levels of rigour and accountability.

What is today's view of projects

Projects represent a significant investment for the organization

- No longer 'one-off' isolated distractions
- Projects are typically wide & diverse in nature
- Subjected to a high level of rigour & accountability
- Key vehicle to realizing business strategy
- Projects form the future profitability
- Projects make or break the businesses bottom-line

Inefficiencies in business today

To build the framework of your business case it is important to understand many of the inefficiencies that exist within business today. The purpose of a project is to advance one or more business objectives. However, there are typically many problems facing businesses when trying to achieve this. These issues can form a strong basis for the need to invest in Project Portfolio Management. For example:

No real-time view of project information:

- Project data is out of date or inaccurate and there is no formal system of collating project data
- Organizations rely on multiple versions of complex spreadsheets which are prone to error

Limited visibility and control over the businesses capability:

- Difficulty re-prioritizing resources for any new business
- Inability to dynamically model scenarios based on up-to-date information
- No real-time view of resource capability

KEY FACTS:

- A KEY CONSIDERATION WHEN ORGANIZING YOUR BUSINESS FOR PPM IS WHICH TOOL SET TO ADOPT.

Lack of control over projects:

- Little or no understanding of the business value of individual projects
- Projects being executed in isolation to the business
- Limited ability to make course correction to failing projects
- Little or no method of reporting project health and status
- No consistent method of project planning
- Fragmented planning and resource processes
- Project centric approach to the project delivery process

Of course, your own organization could experience any mix of these issues, but they all provide a sound basis for seeking greater project visibility and control.

Another key area to focus on when building a business case for PPM is the challenges associated with delivering projects on time and on budget. Project delivery within an enterprise environment involves the ability to successfully execute key project components seamlessly, as a natural extension of the business rather than as separate, alien and conflicting entities.

Project Portfolio Management seeks to address this issue by enabling the business to align resources and project investments with corporate objectives, Project Portfolio Management is the tool that brings together the strategic and the operational.

Project Portfolio Management Tool Set Considerations

A key consideration when organizing your business for PPM is which tool set to adopt. Internal systems and standalone applications such as MS Excel and client based project planning applications fail to deliver real time information which is key to providing quick and accurate data for informed decision making. Throughout this section we will focus on:

- What is Project Portfolio Management software
- What are the Unique selling points (USP's) of PPM systems over home-grown or standalone systems
- The Benefits of Software as a Service (SaaS)
- What features and capabilities you should expect in a Project Portfolio Management Solution

KEY FACTS:

- THERE ARE A NUMBER OF BEST PRACTICE CONSIDERATIONS THAT SHOULD BE ADHERED TO WHEN SELECTING A PPM TOOL, FROM BOTH A PROCESS AND APPLICATION TOOL-SET VIEW POINT.

What is a PPM software tool?

There are many software tools on the market that can assist the business in implementing Project Portfolio Management. Unlike Project Management Tools which typically manage the project delivery process, a PPM tool supports the business decisions behind project delivery and hard-wires the project governance process.

The tool set is critical to automating the processes, making them more effective and efficient by reducing human error and tedious administration.

In essence a PPM tool looks to empower the business with information on how the projects are impacting the strategy. However, they still support the project delivery process by distilling strategic decisions down to the project level. Project Portfolio Management software is also extremely efficient and effective at reducing human error which improves data quality and in turn aids project governance and decision making.

PPM best practice considerations

There are a number of best practice considerations that should be adhered to when selecting a PPM tool, from both a process and application tool-set view point. These are important considerations when it comes to creating your business case as these can directly effect the return on investment you receive from any implementation:

- The tool is there to support the 'people and process'
- Selection is a rigorous process – make available the time, resource and money
- Do not delegate selection to purely technical people
- Embed the tool-set selection into a Proof of Benefit (PoB)
- Be open minded about changes to the way you manage projects
- Agree early wins

From an application perspective, key considerations include:

- Avoid 'rip and replace'
- Web based solutions/SaaS Solution
- Ease of Data Import/Data conversion
- Reporting capabilities
- Interface ease of use
- Configurability vs. Customization
- Hierarchical capability

KEY FACTS:

- IN ORDER TO SUCCESSFULLY BUILD YOUR BUSINESS CASE FOR PROJECT PORTFOLIO MANAGEMENT, IT IS IMPORTANT TO WORK WITH AN EXPERIENCE CONSULTANT OR VENDOR.

- Security features
- Integration capabilities

Software as a Service

With today's advances in web technologies, Software as a Service (SaaS) based Project Portfolio Management software makes PPM far more accessible to more organizations by lowering the total costs of ownership, reducing IT infrastructure barriers and by increasing the speed of deployment. The key advantages of choosing a SaaS model are:

- Provides a low cost of entry to build a business case and gain executive level buy-in
- It allows the business to build a PPM process and embed competency without being bogged down in protracted software installation cycles
- It allows the business to work around IT resource and budget constraints
- The application can be tested in a proof-of-concept or pilot
- Eliminates the need for specialized IT infrastructure & hardware
- Reduces the need for extras in -house IT resources
- Easy on demand scaling up and down of users
- Flexible licensing and billing

For small businesses and start-ups, the biggest advantage is the low cost of entry and in most cases, an extremely short setup time.

Working with the vendor

In order to successfully build your business case for Project Portfolio Management, it is important to work with an experience consultant or vendor. This will help you understand some of the key considerations which will affect the speed and effectiveness of deploying PPM. Key considerations include:

- Technical groundwork: Make an assessment of your existing technical environment
- Collaborative deployment planning: It is essential that you work with the vendor in developing a road map and key acceptance criteria
- Role based user model: The vendor team should work with you to define each role in your organization
- Trial installation and configuration: The vendor should install the PPM tool-set within a trial environment allowing for familiarization, configuration and testing

- Roll-out: This should be phased and seamless and should not negatively impact business-as-usual activities
- Tool administration: The vendor should work closely with your technical team to develop a road map
- Follow-up & Account management: The vendor should follow up with your end users to obtain feedback on performance

Exploring Project Portfolio Management functionality

Whatever the make up or type of business you work for, you should ensure your business case includes a breakdown of the features and functionality you aim to deploy. This will provide clarity throughout the process and make it easy to assess acceptance and any potential role. It will also form the basis of the tool selection criteria. Common capabilities include:

Role Based Dashboards

- Drill down & drill up capabilities across all business levels
- Executive, Portfolio and Program dashboards
- Project, Resource, Personal/Team dashboards
- Out-of-the-box & configurable dashboards

Portfolio Management

- Governance, Strategy alignment & Milestone tracking
- Portfolio inventory/registry & ideas management
- Portfolio selection, prioritisation & evaluation
- Real-time RAG status & reporting
- 'What if' scenario modelling

Resource Management

- Capability planning
- Supply & demand management
- Resource scheduling & team management

KEY FACTS:

- THE NEED FOR PPM COMES FROM UNDERSTANDING HOW THE BUSINESS OPERATES, THE PROJECT MANAGEMENT MATURITY LEVEL AND THE PROCESSES USED

Program Management

For larger organizations Program Management functionality is also vital. The program management capability needs to be designed to support the PMO and provide it with intelligence regarding all projects.

Core functionality should at a minimum be focused on:

- Drill-up/down & consolidate multi project interdependencies
- Inventory information, including project scope, priorities, requirements
- Project scheduling, planning & life cycle management
- Deliverables, milestones, activities, work packages & tasks
- Upstream and downstream reporting of consolidated project activity
- Real-time indicator & RAG status on all projects
- Tracking budgets, revenue & project costs
- Timesheet management
- Budget & financial management
- Ideas & scope management
- Procurement & contractor management
- Risk management
- Workflow management & process control
- Document management

Business as usual vs. Project Centric Activities

The need for PPM comes from understanding how the business operates, the project management maturity level and the processes used.

The overall objective of any PPM process is to balance project investment with expenditure across the business so that the enterprise can quickly make decisions around trusted information. Therefore a key component of developing the initial business case for PPM is to provide a breakdown of “Business-As-Usual activities” (BAU) activity against “Project Centric activities”. By doing so, this will allow key sponsors to understand strategic alignment issues and those projects that provide value to the corporate strategy and objectives. The management’s goal should be to break up the investment into pots of tactical spend to ensure spend is correctly directed into initiatives with strategic value, stake holder value and shareholder value. 9

KEY FACTS:

- PPM SHOULD BE DELIVERED INTO THE BUSINESSES AS A CHANGE MANAGEMENT PROJECT.

Selling PPM as a Change Management Project

PPM should be delivered into the businesses as a change management project. The business case needs to explain how the scope of the proposed PPM project fits within the existing business strategies and develop a compelling case for change, in terms of the existing and future needs of the organization. The business case then needs to balance costs, benefits and the risks of delivering PPM. It needs details of proposed commercial arrangements, a cost/benefit analysis (ideally) including analysis of 'soft' benefits that cannot be quantified in financial terms.

The business case also needs to address 'achievability'. It needs to set out the actions which will be undertaken to support the achievement of intended outcomes including procurement activity such as the purchase of consultancy and software. This is supported with a plan for achieving the desired outcome, with key milestones, dependencies; roles, contingencies, risks, skills and experience required.

Therefore the typical business case will take the following form:

- Strategic Objectives and Scope
- Benefits Realization
- Resources Required
- Technology
- Labor/Skills
- Infrastructure
- Cultural Impact
- Revenues/Savings
- Capital and Operating costs
- Timescales
- Appraisal
- Investment Criteria
- Funding Options
- Sensitivities to uncertainty
- Risks

Building a simple Return on Investment Model

Throughout the development of the business case for PPM it is important to establish the potential return on investment (ROI) and return on the opportunity (ROO). Below we look at some of the key project and program management tasks that can be optimized through the use of PPM. These are generally tasks that can be categorized by a reduction in effort or headcount bought about by the deployment of PPM.

KEY FACTS:

- THROUGHOUT THE DEVELOPMENT OF THE BUSINESS CASE FOR PPM IT IS IMPORTANT TO ESTABLISH THE POTENTIAL RETURN ON INVESTMENT (ROI) AND RETURN ON THE OPPORTUNITY (ROO).

Project and Program Management Tasks

- Project Status Reporting data
- Production and formatting of data for regular PSR reports
- Task based project management
- Assigning & maintaining timelines for task based staffing, planning & control
- Resourcing
- Manually searching via word of mouth
- Milestone Reporting
- Recording and Reporting milestones
- Project Management
- Effort associated with FTE reports and allocation meetings
- Change Management
- Analysis of MS Project
- Cost Management
- Contractor Negotiations/Procurement
- Time Management
- Expense Management

Project Delivery Staff Effort and Potential Savings

- Time Recording
- Expense Management
- Reduction in margin of error
- Milestone Achievement Reporting
- Work Scheduling, prioritization/reprioritization
- Weekly Progress and Assignment Meetings
- Change Management
- Use, modification or analysis of MS Project
- Cross Training required when not allocated to correct tasks
- General Project Delivery Work
- Time on the bench

KEY FACTS:

- FOR MANY ORGANIZATIONS IT IS VERY DIFFICULT TO QUANTIFY THE ACTUAL COST SAVINGS PPM WILL BRING ABOUT.

Calculating the Return on Opportunity

For many organizations it is very difficult to quantify the actual cost savings PPM will bring about. In these circumstances we recommend analyzing the Return on Opportunity that PPM will bring – for example if we save time – how best can we re-utilize it – it we could reduce headcount – how can we better deploy these resources. The following provides common examples of the potential ROO of deploying PPM software:

Project/Program Management Tasks

- People, Process Improvement & Productivity
- Allocate the right people to the right job - improving team and individual motivation
- Develop a consistent approach with less errors
- Drive more efficient business processes
- Free up resource to bring in other deserving projects/initiatives
- Bring forward revenue/cash/benefit
- Reduce repetition through project alignment

Profitability

- Embark on strategically aligned projects
- Drive better governance – puts resource management on a professional basis
- Improve quality of data and decision-making
- Reduce risk of embarking on work that the organization doesn't have the capacity to deliver

Performance

- Support priority changes quickly and effectively
- Manage pro-actively not re-actively
- Promote good practice and consistency
- Extend the planning horizon to assist in strategic reviews
- Improve data accuracy
- Manage Corporate Planning as a “business as usual” activity
- Enable changes to the operating model and speed up the resource allocation process

Partner Satisfaction

- Increase customer confidence and satisfaction by greater accuracy in deliverables
- Collaborate with predictable results, increasing in customer trust and support
- Manage vendors more efficiently enabling predictability in planning and partnering
- Improve communication so that third parties know where they stand

Power of Information

- Increase accuracy of management information enabling and supporting better decision-making
- Improve view of organization areas and identify people that are not busy more easily
- Drive accountability, improving confidence in data and decision-making
- Encourage openness, visibility and communication of decisions

KEY FACTS:

- THE DEVELOPMENT OF ANY BUSINESS CASE NEEDS TO ADDRESS THESE POTENTIAL BENEFITS AND CALCULATE THEIR ROI.

In Summary

In summary there are a number of benefits to deploying Project Portfolio Management. The development of any business case needs to address these potential benefits and calculate their ROI. Although each individual organization will benefit in different ways - dependent on existing processes, project management maturity levels and the existence of a PMO, as a guide we recommend that your business case focuses on the following benefits:

- People, Process Improvement & Productivity
- Improved visibility of resource allocation
- Improve team and individual motivation
- Drive more efficient business processes
- Free up resource to bring in other deserving projects/initiatives
- Bring forward revenue/cash/benefit
- Reduce repetition through project alignment
- Embark on strategically aligned projects
- Drive better governance - puts resource management on a professional basis
- Improve quality of data and decision-making
- Support priority changes quickly and effectively
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- Extend the planning horizon to assist in strategic reviews
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- Manage Corporate Planning as a “business as usual” activity
- Enable changes to the operating model and speed up the resource allocation process
- Customer/Partner Satisfaction
- Increase customer confidence and satisfaction by greater accuracy in deliverables
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- Manage vendors more efficiently enabling predictability in planning and partnering
- Improve communication so that third parties know where they stand
- Increase accuracy of management information enabling and supporting better decision-making
- Improve view of organization areas and identify people that are not busy more easily
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- Encourage openness, visibility and communication of decisions



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KeyedIn Solutions is focused on helping organizations simplify processes, improve performance and drive results. The company's Cloud-based software systems not only offer greater flexibility, but effectively scale as business needs dictate and can be implemented quickly, delivering a measurable ROI months, or even years ahead of on-premise systems. And KeyedIn offers a true SaaS model, making its solutions affordable for every budget.

KeyedIn Manufacturing is an ERP system that helps custom manufacturers work smarter so they can increase productivity and bring new products to market quickly, for a distinct competitive advantage. KeyedIn Projects, the company's project management suite, helps businesses and professional services organizations improve everything from project initiation to execution by managing programs based on top-line strategy and delivering profitable projects to the bottom line. And when new solutions need to be developed quickly, KeyedIn clients turn to KeyedIn Flex, the company's rapid application development (RAD) platform for affordable applications designed just for them.

When businesses need results fast, they look to the Cloud – and turn to KeyedIn Solutions. You should too. Keep up with us at www.keyedin.com



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KIPR_AE_WP_BUSCASE_0313