

# Four starting points for effective IT project and portfolio management

White paper



# Table of contents

<b>Executive summary</b> . . . . .	3
<b>Symptoms of a serious problem</b> . . . . .	3
Challenges for today's IT project management office (PMO) . . . . .	4
Root causes of project failure . . . . .	4
<b>The HP approach to project and portfolio management</b> . . . . .	5
Better visibility . . . . .	5
More controls . . . . .	5
Greater flexibility . . . . .	5
<b>Four starting points</b> . . . . .	6
Setting your priorities: The maturity map . . . . .	6
#1: Demand consolidation . . . . .	7
#2: Portfolio management . . . . .	8
#3: Project execution . . . . .	9
#4: Resource management . . . . .	10
<b>Customer examples</b> . . . . .	10
Demand consolidation: Xcel Energy . . . . .	10
Portfolio management: leading online auto marketplace . . . . .	11
Project execution: Birlasoft . . . . .	11
Resource management: PAETEC . . . . .	11
<b>Working with HP</b> . . . . .	11
<b>Answers to top five customer questions</b> . . . . .	12
<b>Summary</b> . . . . .	12
<b>For more information</b> . . . . .	12

# No two companies are alike; no two IT organizations are alike; no two PMOs are alike. But if the goal is more effective project and portfolio management, the key business process requirements are the same.

## Executive summary

Traditional IT project management techniques aren't working very well. According to analysts, 70 percent of IT projects fail to meet their goals. Half of IT projects come in over budget. And, even when projects are executed successfully, all too often they still fail to deliver business benefits.

Two-thirds of companies surveyed felt their program/project management practices are "in need of repair," a recent KPMG study reported. But, how do you get started? How do you prioritize which issues to address first? What are the risks and potential rewards? What can you do yourself and where will you need help?

This paper helps you answer those questions. It provides new insights into the root causes of IT project failures and misalignment with business unit expectations, along with possible solutions. It illustrates the path to optimized project and portfolio management from four different starting points, and provides step-by-step advice to help you reach new milestones quickly. It is intended to help you make the transition from managing IT projects to managing business outcomes.

Whatever the type and size of your business, whatever its level of experience with project and portfolio management, you can improve the effectiveness of your practices—at your own pace—without disrupting your current operations or increasing the level of heartburn among your current staff. Here's how.

## Symptoms of a serious problem

Despite significant investment by the IT organization, despite the best efforts of highly trained and talented product managers, technical staff and technology vendors, IT projects consistently fail to meet business objectives.

According to Gartner, 70 percent of projects fail to meet schedule, cost and quality goals, and 50 percent of IT projects are delivered over budget. According to other analyst reports:

- IT projects have a 66 percent failure rate; 52 percent are cancelled; 82 percent are delivered late (CHAOS).
- Fewer than 40 percent met business objectives one year later (KPMG).
- 80 percent of IT organizations are putting processes in place to improve alignment (Forrester).

## Challenges for today's IT project management office (PMO)

The result of unsuccessful IT projects is enormous pressure on the IT PMO. Executive management wants tighter alignment between business objectives and IT projects; technical staff wants better tools and processes for executing projects; project managers want technology that provides more meaningful insights into project status, resource usage and so on.

At the same time, budget constraints continue to tighten, and executive management is hesitant to allocate more resources to internal organizations that appear to be underperforming. Thus, the PMO finds itself in a vicious cycle.

*No two companies are alike; no two IT organizations are alike; no two PMOs are alike. But if the goal is more effective project and portfolio management, the key business process requirements are the same. The PMO must:*

- **Establish the workload.** Capture the demand, evaluate and prioritize the project requests, and select and execute specific projects. In addition, project management processes and operational process controls (as established in ITIL, CoBIT frameworks, etc.) must be applied.
- **Align roles with workloads.** Identify resources and apply them; the PMO must also apply organizational change processes such as the RACI model (Responsible, Accountable, Consulted, Informed).

- **Identify and apply measurements.** Examples include service level management, Six Sigma and balanced scorecard.
- **Achieve compliance.** The PMO must help the organization ensure complete, consistent and ongoing compliance with regulations, such as Sarbanes-Oxley, HIPAA, the Gramm-Leach-Bliley Act (GLBA) and the EU Data Protection Directive.

## Root causes of project failure

A recent Gartner study reported that, "Today's project and service organizations, including IT departments, struggle with project, time, cost and resource management challenges. The struggle is at the aggregate level. Most of these organizations have time-reporting systems and project-scheduling tools, but with such tools these organizations cannot take a step or two away from the trees to see the forest."

The lack of the "big picture" is at the heart of the IT PMO's challenge. There is no consolidated view into all the demand placed on IT, so there is no structured way of prioritizing projects. There is no integration of planning, financial and resource data across the project portfolio, so there is no way to optimize the workflow. There are no enterprise-wide standards or methodologies, so there is no consistent way to measure or monitor success.

Simply put, there is no way to align IT activities with business priorities.

# The HP approach to project and portfolio management

Our position is that effective project and portfolio management requires a focus on business outcomes at the aggregate level, not just success at the project level. Solving the challenges of project and portfolio management does not require more and better project management tools; it requires an integrated, top-down view of all IT activities so management has better visibility, more control and greater flexibility.

## Better visibility

The organization needs complete visibility into everything IT is working on, including project health metrics, non-project work, resource allocations and overall costs. You need the ability to aggregate both strategic and operational projects and see the critical interdependencies among projects. This will enable you to quickly identify which projects have the highest ROI and optimize the project portfolio accordingly.

*The organization needs complete visibility into everything IT is working on, including project health metrics, non-project work, resource allocations and overall costs.*

## More controls

Integrated, top-down project and portfolio management can help you cut costs by automating and enforcing project, program and portfolio processes. An effective solution will provide field-level audit trails for all changes to critical applications and projects, helping you maintain regulatory compliance. Once the PMO becomes more agile, business processes can be adapted more quickly to respond to changing market conditions with an easy-to-configure workflow process engine.

*Integrated, top-down project and portfolio management can help you cut costs by automating and enforcing project, program and portfolio processes.*

## Greater flexibility

A project and portfolio management solution should be flexible enough to allow you to adopt either a top-down or bottom-up project planning approach. It should enable you to accelerate execution and usability with zero-client web-based project management. It should allow you to bring in project plans from Microsoft® Project, Excel, Word and other data sources and gain an aggregate view across strategic and operational projects.

*A project and portfolio management solution should be flexible enough to allow you to adopt either a top-down or bottom-up project planning approach.*

In short, an effective project and portfolio management solution will be flexible enough to allow you to aggregate all your project data into one place regardless of data source. And, it will be flexible enough to enable you to implement standards and methodologies across the enterprise in the way that best maps to your organization's maturity—so you can get started quickly, accelerate adoption and get great results sooner.

**Figure 1.** The maturity map helps you determine where to focus and which steps to take next.



## Four starting points

For most PMOs, there is no question that better project and portfolio management processes are needed. The question is how to get started on the road to optimization. This section offers practical advice about next steps to take from any of the four areas of focus or “starting points.” Your starting point will depend on your company’s particular business issues.

- 1. Demand consolidation.** For many organizations, understanding all of the demand being placed on IT is the essential first step in prioritizing the IT workload and determining the relative business value of various alternatives.
- 2. Portfolio management.** You can’t calibrate the business value of an individual project if you can’t see the big picture. A focus on portfolio management allows you to govern the entire IT portfolio and make apples-to-apples comparisons.
- 3. Project execution.** Delivering complex programs and projects on time and on budget is a major challenge for any organization. Focusing on project execution allows you to see which projects are in trouble at any given time and make decisions about how to get them back on track.
- 4. Resource management.** For some organizations, the top priority is the ability to analyze and compare skill sets, levels of proficiency, availability and projected resource utilization while staffing projects as well as during the initial proposal evaluation process.

## Setting your priorities: The maturity map

For each of the four starting points, this paper can help you determine where you are on the “maturity map” so that you can set your next milestones realistically. In general, there are four phases of maturity:

- **Chaos.** There are no structured processes for any aspect of project and portfolio management. Projects come in the front door, the back door or the side door. Evaluation is based on seat-of-the-pants calculation. Pet projects of top executives get priority regardless of business value. Budgeting is done in a “black box.”
- **Reactive.** Processes are adopted in response to immediate needs. Tools are purchased piecemeal to solve one specific problem.
- **Proactive.** Methodologies are in place and adhered to for the majority of project management tasks; much of the workload is automated but not centralized.
- **Optimized.** An enterprise PMO is in control of the entire project portfolio and projects consistently meet or exceed business expectations.



## #1: Demand consolidation

The first step in consolidating IT demand is to identify a solution that is capable of aggregating and managing all of the diverse demands placed on IT: operational projects, strategic projects, projects that come in through the front door (established processes) and projects that come in through the side door (the CIO's pet project). This gives you the information you need to determine which requests have the highest business priorities and how they match up with your staff and technical resources.

You also need a solution that allows you to bring in existing project plans from Microsoft Project, Excel, Word and other disparate project data sources, and you need to be able to create an aggregate view across all project types.

Once all requests have been captured, requests can be processed based upon your best practices and business rules for that type of request. We call this process of modeling, automating, measuring and enforcing rules as "digitizing" the management process. Every typical IT project, such as bug fixes, upgrades, vacations or routine service requests like provisioning a Blackberry, can be evaluated, prioritized and scheduled based on the digitization of your company's best practices and policies.

With digitized processes in place and a smooth flow of data about projects and resources, you'll have the information and real-time visibility necessary to effectively manage status, service level agreements (SLAs) and trends. Equally important, you'll have audit information that can be critical in meeting compliance requirements.

A demand management solution can further increase its value to the organization if it can provide a basis for chargeback for IT services. Once chargeback policies have been implemented, each department or line of business (LOB) can get a better picture of what it is paying for and what it is receiving in terms of IT services. This capability, in turn, influences behavior. For example, it can cause a department to drop lower-priority requests or escalate strategic projects.

One effective way to capture, track and manage all IT service requests is to deploy the HP service catalog. A service catalog can serve as the single "front door" for all IT service requests for employees, LOB customers, IT personnel and external third parties.

### Checklist: You need a better demand consolidation solution if...

- You're using multiple systems to collect, track and resolve IT service requests.
- You're only tracking strategic projects, not operational demand.
- Requests frequently come in through the back door and are not formally managed.
- There's no consistent prioritization: the squeaky wheel gets the oil.
- The service levels for responding to and completing requests are difficult to track and report.
- There's no audit trail for requests or actions taken.

**Table 1.** Demand consolidation maturity phases

Maturity phase	Does this describe your organization?
Chaos	Operational and strategic projects are separate and reside in many different systems.
Reactive	Operational and strategic projects are centralized into one single instance of the truth.
Proactive	A service catalog is established with standard rates and chargebacks.
Optimized	Quantitative measurement and continuous process improvements are instilled and routine.

## #2: Portfolio management

Many organizations continue to manage the IT project portfolio as a collection of individual projects rather than as a portfolio. To be effective, your portfolio management solution should enable you to govern your entire IT portfolio by evaluating, prioritizing, balancing and approving both new initiatives and your existing portfolio; analyze multiple what-if scenarios; and align with your business strategy and IT resource constraints.

Your project and portfolio management solution should be designed to give you the unified and collaborative environment that is needed to let business and IT stakeholders collaboratively govern the IT portfolio. It should integrate and automate your strategic, financial, functional and technical checkpoints and give you real-time visibility into resources, budgets, costs, programs, projects and overall IT demand. From proposal initiation, justification and review to project initiation, execution, deployment and benefits realization, your project and portfolio management solution should keep all stakeholders involved.

Whatever stage of maturity describes your organization today, and whatever level of portfolio optimization you're striving for, HP Project and Portfolio Management (PPM) Center software can help you take the next step quickly and with minimal risk or disruption to existing processes. Unlike approaches that only offer time-reporting systems and project scheduling tools, we offer top-down planning capabilities that are supported with bottom-up detailed project plans. A top-down planning approach facilitates rapid portfolio decision-making without requiring the creation of detailed, time-consuming project plans. For example, HP PPM Center allows you to create staffing profiles that enable you to accurately determine what resources and budget would be needed to support a new initiative.

HP PPM Center also supports the execution of projects and oversees the project methodology from the bottom up, allowing you to move from a reactive posture to a proactive, "management by exceptions" stance. Details of the day-to-day work of delivering projects bubbles up in real time with exceptions to the project plans clearly called out in the actual information that is presented. This allows project managers, program managers and executive management to clearly see the impact changes will have on their projects and align their decisions with business objectives.

Either way, we offer you the flexibility to make effective portfolio decisions in a process that works best for your organization.

### Checklist: You need a better portfolio management solution if...

- You have no aggregate-level visibility into time, cost, and resource information for project and non-project efforts.
- In-flight projects, strategic projects and operational work are all managed and maintained in different systems of record.
- You are not able to get an objective analysis of the items in the portfolio; there is too much weight given to subjective criteria and "political" considerations.
- You can't do apples-to-apples comparisons of the expected ROI or net present value (NPV) of requested projects in the portfolio.
- Processes are not automated and your staff is frustrated feeding data into the system.

**Table 2.** Portfolio management maturity phases

Maturity phase	Does this describe your organization?
Chaos	Annual planning and budgeting are done in a black box.
Reactive	Annual IT planning cycles are manual and present high-level business cases.
Proactive	Proposal processes are automated and include business prioritization; detailed business cases and approval processes are in place.
Optimized	Portfolio "what-if" analyses are performed at the budget, resource and schedule levels; sophisticated ROI data is available.



### #3: Project execution

The average IT organization is constantly juggling multiple projects, processes and resources. Conflicts are inevitable, and with so many variables, effective management of these diverse entities can be extremely difficult.

Your project and portfolio management solution should enable you to collaboratively manage your programs and/or projects from concept to completion. It should allow you to automate processes for managing scope, risk, quality, issues and schedules, so you can deliver complex projects with the highest quality and capabilities, on time and on budget.

Each week, PMO staff members spend hours or even days compiling status reports from multiple data sources. This “fire drill” required by executive management consumes critical time that could otherwise be used to manage the projects. The project and portfolio management solution should free up staff time by capturing all this information in a single repository and automatically rolling it up in one centralized dashboard. Creating a status report then becomes a small task rather than a looming chore.

In addition to addressing the challenges above, HP PPM Center provides best-practice PMO processes that let you model and enforce corporate PMO standards while keeping stakeholders and team members aligned at every step. It gives you the structure and out-of-the-box processes for managing scope changes, risk, quality, issues, schedules, resources, releases and costs—so you no longer need multiple point tools and procedure manuals. You select which process workflows you want to use out of the box without losing the ability to adapt and extend these processes as your business changes.

#### Checklist: You need a better project execution solution if...

- Your company lacks a real-time status/health view into critical projects.
- IT projects are frequently late and over-budget, creating constant headaches—and the perception that IT “just doesn’t get it.”
- You’re having difficulty keeping your current tools, such as spreadsheets, binders and point tools, up-to-date and in synch.
- Inadequate visibility into resource availability is impacting your staff’s ability to manage projects effectively.
- You are unable to offer management hard data to support your budgetary and resource needs.

**Table 3.** Project execution maturity phases

Maturity phase	Does this describe your organization?
Chaos	Project status reports are manually aggregated; projects are initiated at department levels.
Reactive	An IT PMO is established and a project methodology adopted, supported by manual processes and standard templates.
Proactive	Standards and project methodology are closely adhered to; projects often meet business and technical expectations.
Optimized	An enterprise PMO is established and projects consistently meet or exceed business expectations.

## #4: Resource management

It can be extremely difficult for any organization to match the skill levels and availability of multiple IT professionals with specific project time frames and deadlines.

The project and portfolio management solution should provide visibility into resource availability and utilization across projects and non-project work to allow for better planning, forecasting and scheduling. In addition, it should allow for resource planning and tracking of actuals at multiple levels: the staffing profile level, the project level and the task level.

HP PPM Center effectively delivers this visibility, managing resources from top-down planning through bottom-up execution. It balances your resource supply, giving you full visibility and control over resource demand. It also provides a clear picture of resource supply—including resource roles, skills and level of proficiency at those skills—across the entire organization. And, it captures resource demand from projects and operational activities that drive IT in real time, so that you have visibility into resource requirements and you can make better decisions about where IT staff members should spend their time.

To fulfill demand, you can allocate resources by name, position, role or group and then track the effort against any work item. CIOs and portfolio decision makers get both real-time status displays and immediate access to detailed resource information on which to base decisions.

### Checklist: You need a better resource management solution if...

- You're not sure your staff is always working on the right projects at the right time.
- You can't pinpoint when a skill or resource will become available.
- You don't know how much of your capacity is consumed by strategic projects as opposed to operational activities.
- You're not tracking what tasks people worked on previously.
- It's difficult to determine what training is required for which employees.

## Customer examples

HP PPM Center has been delivering excellent results in customer deployments for years. Below are just a few examples of actual customer experiences.

### Demand consolidation: Xcel Energy

Formed by the merger of New Century Energies of Denver and Northern States Power of Minneapolis, Xcel Energy is the fourth-largest combination electricity and natural gas company in the United States, with five million gas and electric customers in 11 states, 11,000 employees and annual revenue of \$7.9 billion.

To reduce costs and improve corporate performance, Xcel Energy determined it needed to better align IT projects with strategic business initiatives. This required finding a comprehensive way to capture, analyze and prioritize IT demand while providing business units with a clear, easy-to-access view of IT processes, resources, activities and status. Xcel Energy selected HP PPM Center, formerly from Mercury, and rapidly realized impressive results:

- \$8 million saved in stopping non-essential projects
- \$10 million redeployed to higher-value projects
- Strategic spend increased from 37 to 57 percent two years after initial implementation

**Table 4.** Resource management maturity phases

Maturity phase	Does this describe your organization?
Chaos	Ad-hoc resource management; no time tracking
Reactive	Point-in-time, manual resource utilization analysis; time capture done at the project level
Proactive	Real-time visibility into supply and demand for all resource types; time tracked at the phase/milestone level
Optimized	Comprehensive resource balancing at the skill level and level of proficiency across the enterprise; time tracked at the task level

## Portfolio management: Leading online auto marketplace

The company that created the Internet's leading auto-classified marketplace and consumer-information website was looking for a process-focused approach to map to its governance goals. The company wanted more visibility into the change management lifecycle and needed to achieve rapid organizational adoption of its governance processes. With its solution, the company has:

- Reduced the percentage of projects "in the red" or at risk from 50 percent to just 14 percent
- Increased discipline in handling new project requests
- Centralized all project plans and increased visibility into resource allocations
- Enabled IT management to quantify the non-project work the department does
- Resolved conflicts over resources and priorities

## Project execution: Birlasoft

Four years ago, Birlasoft, a global outsourcing company for software development, questioned how it could achieve Six Sigma and CMM Level 5 best practices without having any clear visibility into how well it was managing its processes. Executives decided to convert the company's manual project management processes into digital processes using HP PPM Center. Doing so would allow project managers and developers to conform to best practices as they gathered system requirements, built and tested applications, and deployed and supported them on an ongoing basis. Instituting a standard framework for workflow processes yielded impressive results for Birlasoft:

- Improved their bottom line by reducing costly project overruns, saving more than \$2 million to date
- Reduced project management costs by 67 percent
- Increased customer transparency to projects

## Resource management: PAETEC

One of the fastest-growing telecom companies in the United States, PAETEC Communications began using components of HP PPM Center more than six years ago to gain full visibility and control over its IT activity. Not only did this transparency enhance the trust between IT and the customers it served, but automating business processes improved workflow throughout the company. The results for PAETEC:

- Cut average trouble-ticket handling time almost in half during a one-year period, from 85 hours to 45 hours—even though the number of requests handled per month increased by 11 percent during this time frame
- Avoided a \$1.3 million purchase of separate HRMS software when it used HP Project and Portfolio Management Center software to automate key HR processes
- Cut IT request handling time by 50 percent
- Reduced IT costs to approximately one-half the industry average

## Working with HP

HP offers a flexible range of options to customers who are interested in making the move to more effective project and portfolio management.

Our unique delivery model can help reduce risk, shorten time-to-value and decrease deployment costs. If you decide on a traditional, in-house deployment our HP Services team and partners are available to assist with implementation and full deployment. We also provide a full set of consulting, education and support offerings to help enable success.

If you choose HP Managed Software Solutions, we provide full deployment of your solution as a hosted service through the Internet and provide ongoing expertise to help you get the most from your software. If and when you desire, you can easily migrate your configuration and all your data to your own environment within a few weeks. With both approaches, you benefit from our best practices, which provide you faster time-to-value and lower overall deployment risk.

# Answers to top five customer questions

1. Do I need to implement HP Project and Portfolio Management Center software all at once, or can I purchase and deploy software products as needed?

**Answer:** We give you the flexibility to purchase HP Project and Portfolio Management Center software as your needs dictate and deploy them at your own pace.

2. Will I need to configure HP PPM Center to meet my specific requirements?

**Answer:** This depends on your specific goals. HP PPM Center has been successfully deployed by customers out of the box without configuration. Other customers do choose to take advantage of our highly configurable workflow engine to rapidly roll out processes.

3. Are HP consulting services required for implementation of HP PPM Center?

**Answer:** Yes. You can leverage HP Professional Services or services from our partner community if you choose.

4. Can you provide a more formalized assessment of my organization's readiness to implement HP PPM Center?

**Answer:** Yes. HP or its diverse set of partners can prepare an assessment of your organization's maturity level and determine the right starting point for you.

5. How do I avoid disrupting current operations and processes while I make the move to HP PPM Center?

**Answer:** We have partnered with the very best vendors to offer guidance and support to our customers who are addressing organization change, helping to smooth the path to effective deployment. HP Services can also provide additional assistance in this area.

# Summary

Effective project and portfolio management is an achievable goal. You can start at any of the four areas of focus described in this paper. You can start at any level of organizational maturity. You can start quickly or you can phase in new tools and processes one by one. But, the key is to get started.

Research and plenty of anecdotal evidence has shown that traditional methods of managing projects simply are not working. Not for end users, not for IT staff, not for the company. Until the PMO stops managing projects and starts managing business outcomes, project failure rates will likely remain high. It's time to break the cycle and evaluate new alternatives.

For more information, visit [www.hp.com/go/software](http://www.hp.com/go/software)

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