Evolving the PMO:

	Portfolio		
	Program	Management	Office
	Project		

Presentation to the 2015 SIU-E PM Symposium

November 20, 2015

Welcome!

- Personal career evolution
  - Dean Farmer, MMS, PMP:

	1980's	1990's	2000's	2010's
Strategy				✔
Portfolio			✔	✔
Program		✔	✔	✔
Project	✔	✔	✔	✔

  - Angela Triplett, PMP:

	1980's	1990's	2000's	2010's
Strategy				
Portfolio			✔	✔
Program			✔	✔
Project	✔	✔	✔	✔

…but enough about us…

...what about you?

a. How many are Project Managers?

b. How many are Program Managers?

c. How about PMO leads/heads?

d. Any Project* Portfolio Managers?

*There's a story behind this…

The story: A rose by any other name?

- There is a difference between:

Portfolio Management		Project Portfolio Management
Allocation of investments across a mix of **financial instruments** (debt, equity) in an attempt to **maximize return** given an individual/institution's investment goals and constraints	**v.**	Allocation of investments across a mix of **activities** (projects/programs, operational) with an objective of **supporting an organization's priorities** (strategic, operational) and constraints

- Both involve balancing investments across competing priorities…determining tradeoffs…in order to optimize outcomes

- Today's presentation focuses Project Portfolio Management[*]

    *but I can't guarantee that I won't refer to it as Portfolio Management

Level-set: What is Portfolio Management?

a. The "Next Big Thing"?

b. The next step in the evolution of the PMO

c. The latest PMI certification?

d. All of the above (…and more…)

Today's topics

- The objectives
- The environment
- The construct
- The function
- The business case
- Evolving

The objectives

A difference in objectives
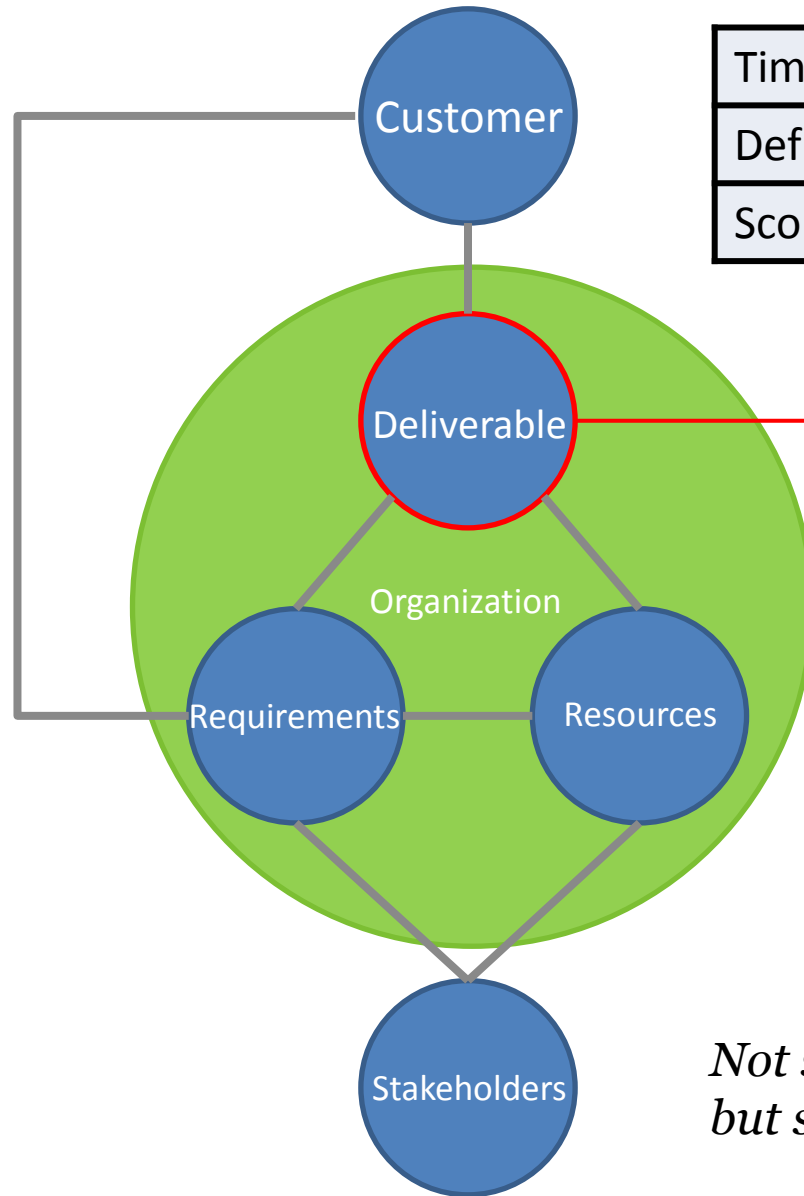
Doing the right things *Doing things in the right way*

Strategy	Projects/Programs	Operations
*Determining the **goals and the approach to achieve them***	*Efficiently **delivering change***	*Efficiently **executing business-as-usual processes***

Portfolio

***Delivering business value** through optimizing investments and activities*

Doing the right things in the right way

The environment

The project environment

Time horizon	Short/mid term
Definition	High, finite
Scope	Narrow

Focused on **deliverable**

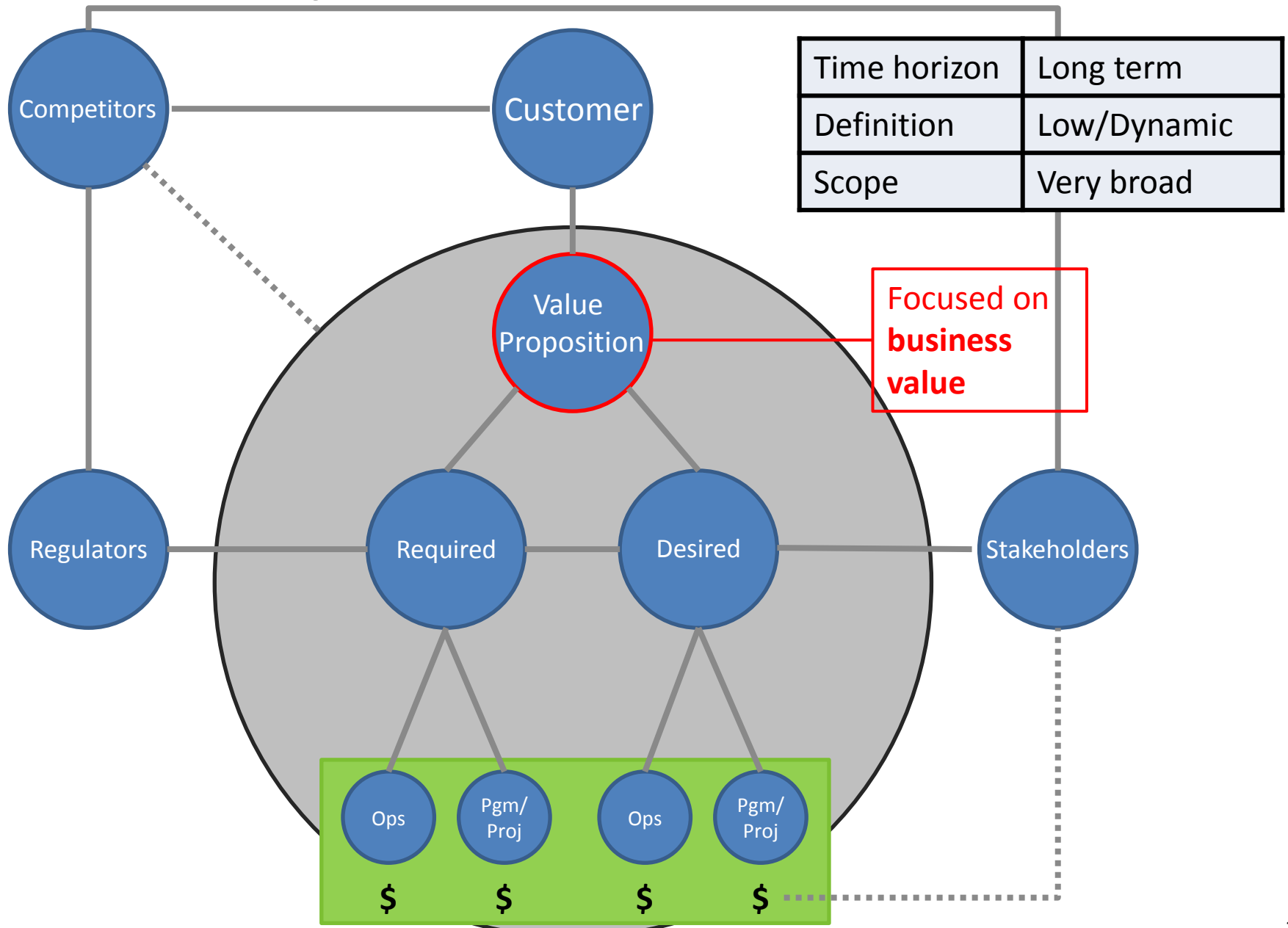*Not simple (never simple…), but simpler in comparison to…*

The program environment

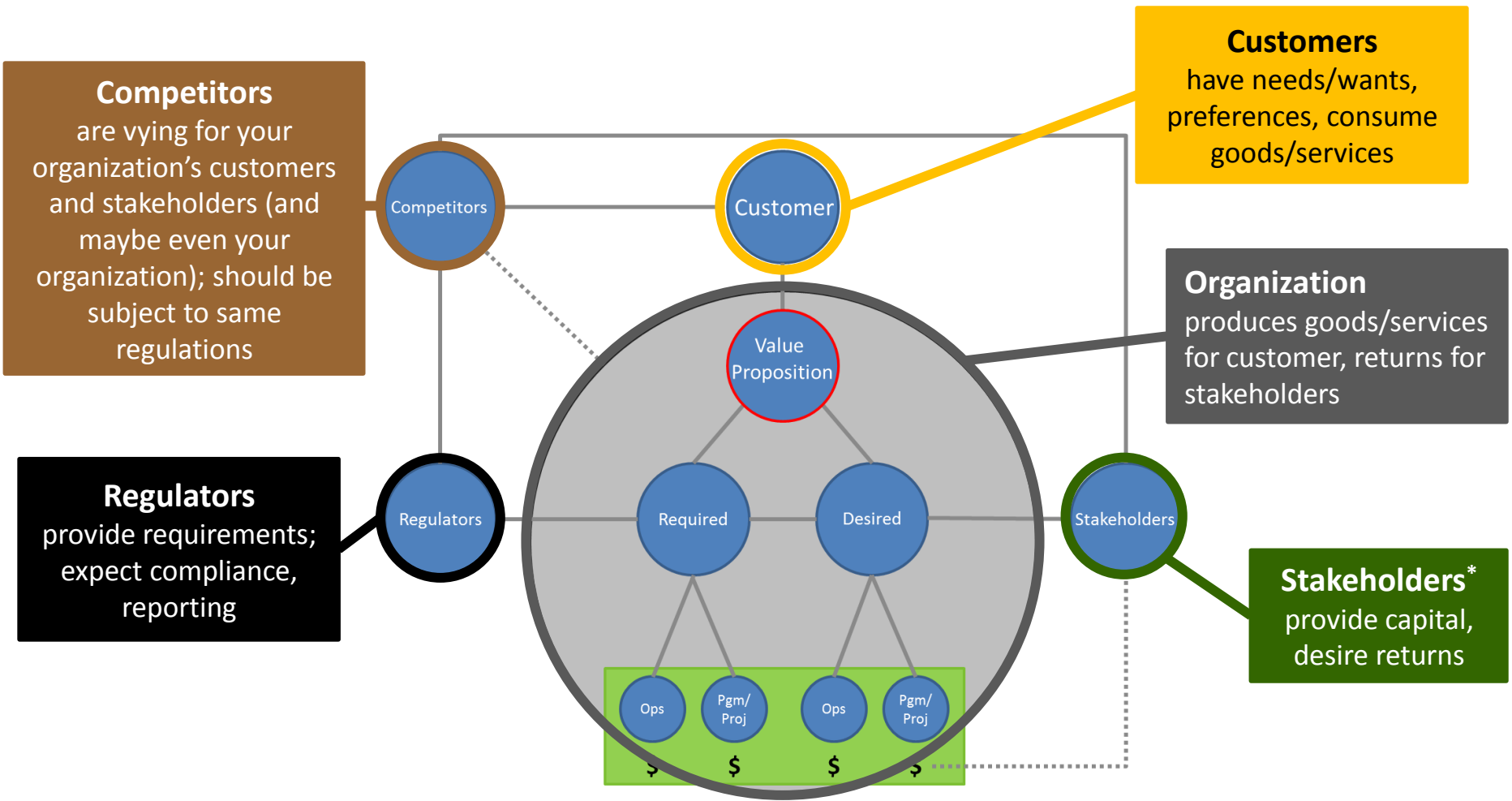| Time horizon	Mid/long term
Definition	Moderate, finite
Scope	Broad(er)

Focused on **deliverables**

More players, more complexity, but still not as complicated as...
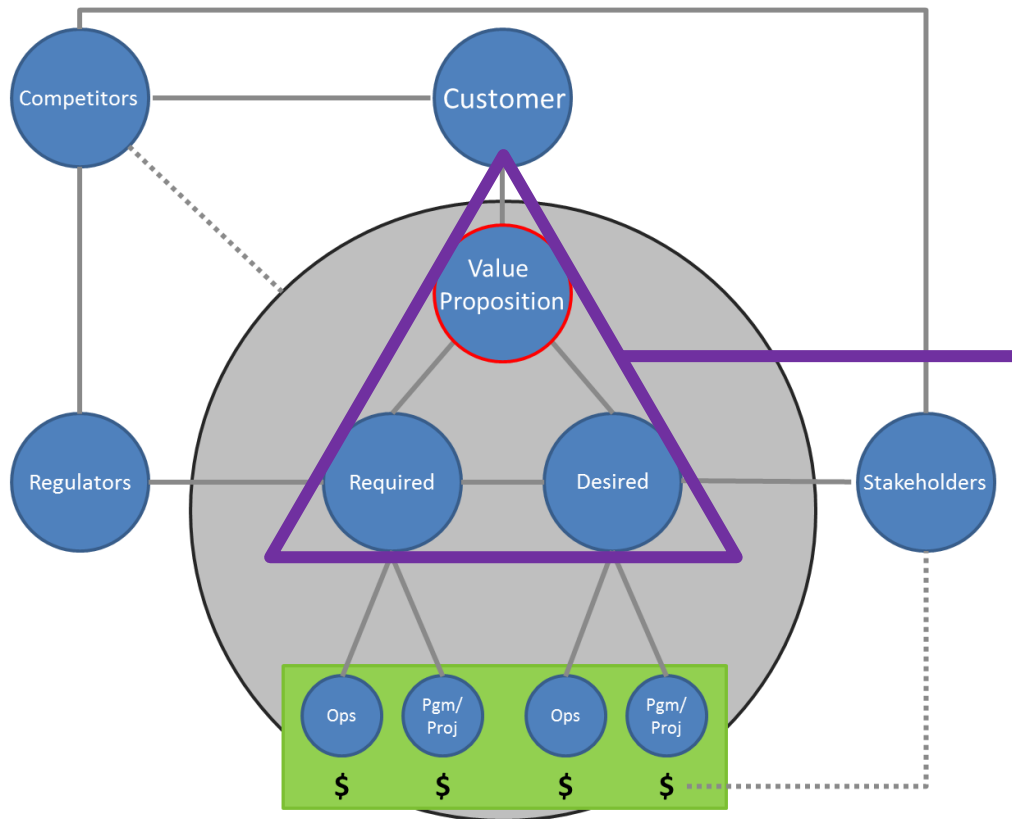
The portfolio environment

Time horizon	Long term
Definition	Low/Dynamic
Scope	Very broad

Competitors

Customer

Value Proposition

Focused on **business value**

Regulators

Required

Desired

Stakeholders

Ops

Pgm/ Proj

Ops

Pgm/ Proj

$ $ $ $

The portfolio environment

Competitors
are vying for your organization's customers and stakeholders (and maybe even your organization); should be subject to same regulations

Customers
have needs/wants, preferences, consume goods/services

Organization
produces goods/services for customer, returns for stakeholders

Regulators
provide requirements; expect compliance, reporting

Stakeholders*
provide capital, desire returns

*external stakeholders

The portfolio environment

The organization must balance the ins and outs to create:

Goals & objectives – in order **to deliver value** what the organization will:
- Continue doing
- Do more/less of…or stop doing
- Start doing

Strategy - **means of attaining goals** which describes how the organization will:
- Respond to changes in environment
- Capitalize on opportunities
- Minimize impact of threats
- Manage resources effectively
- Manage stakeholder value
- Reinforce focus on critical activities

Priorities – identifying **what the organization wants to focus on** first

Metrics – In the form of KPIs, Balanced Scorecards, etc., allowing the organization to monitor the outcome of activities in the portfolio and **track progress** toward goals

The portfolio environment
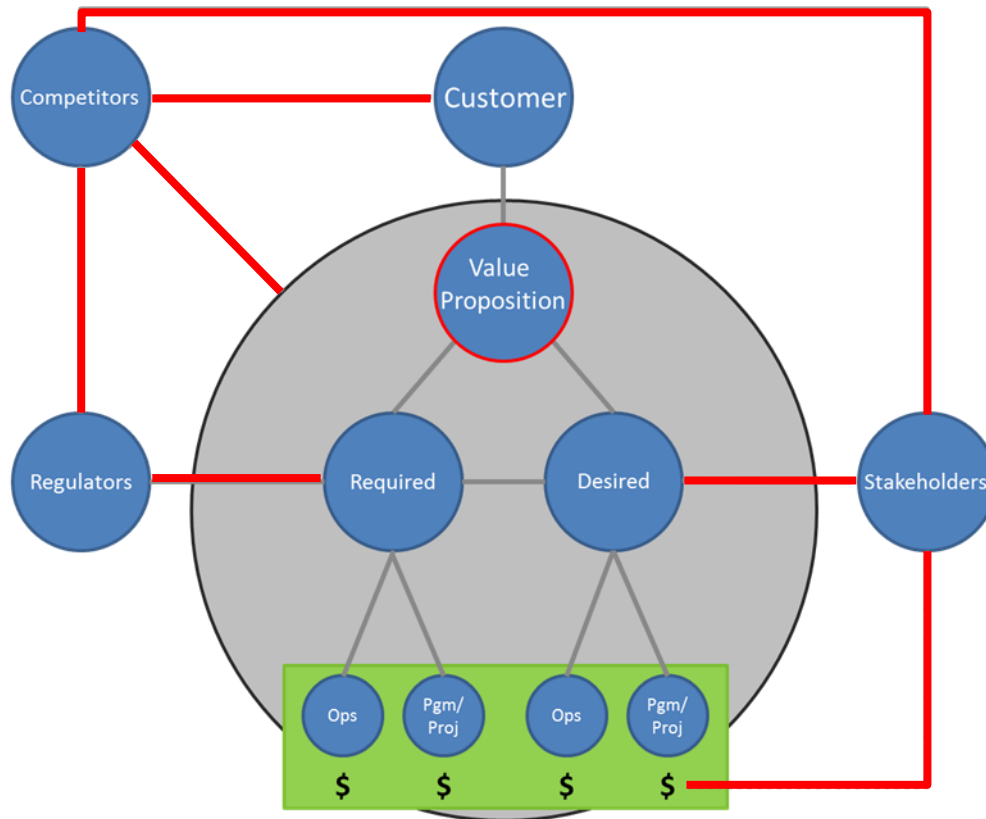
Dynamics

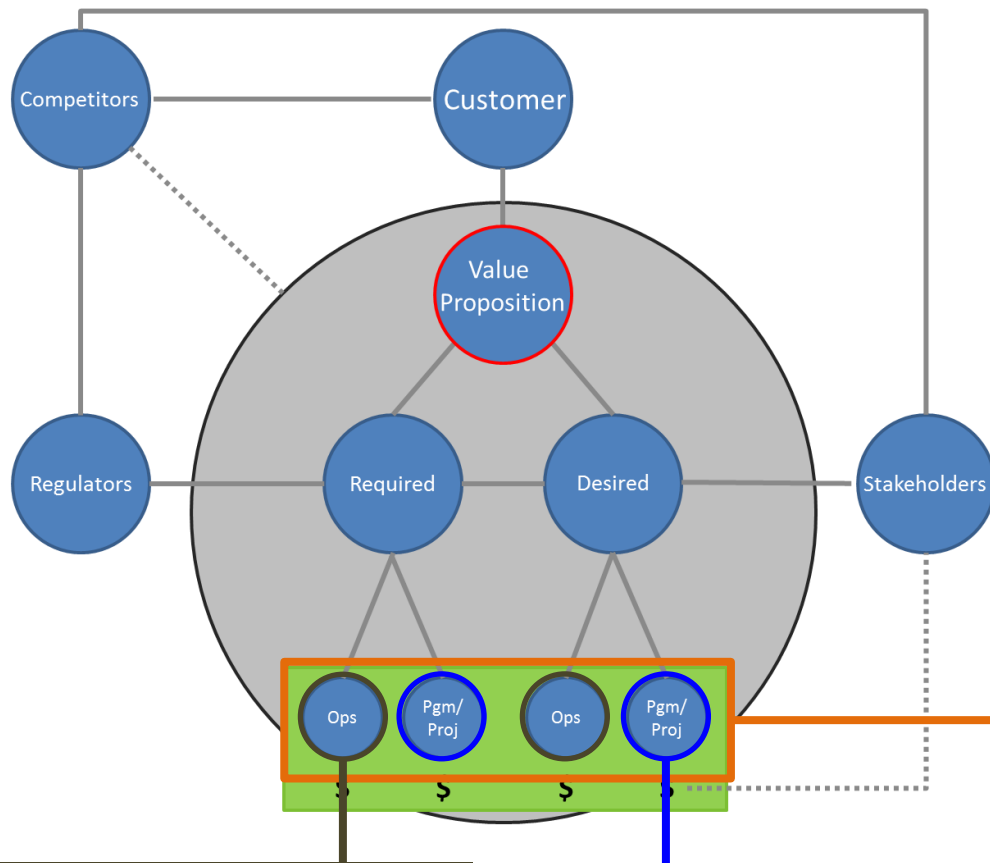Project requirements can (and do) change, but the portfolio environment is **always** in flux

• Many more players, each that can at any time, change their mind, change their direction…requiring change to the portfolio to stay on course (or establishing a new destination)

• Change management is a program/project management *function*, in portfolio management, it is a ***way of life***

The construct
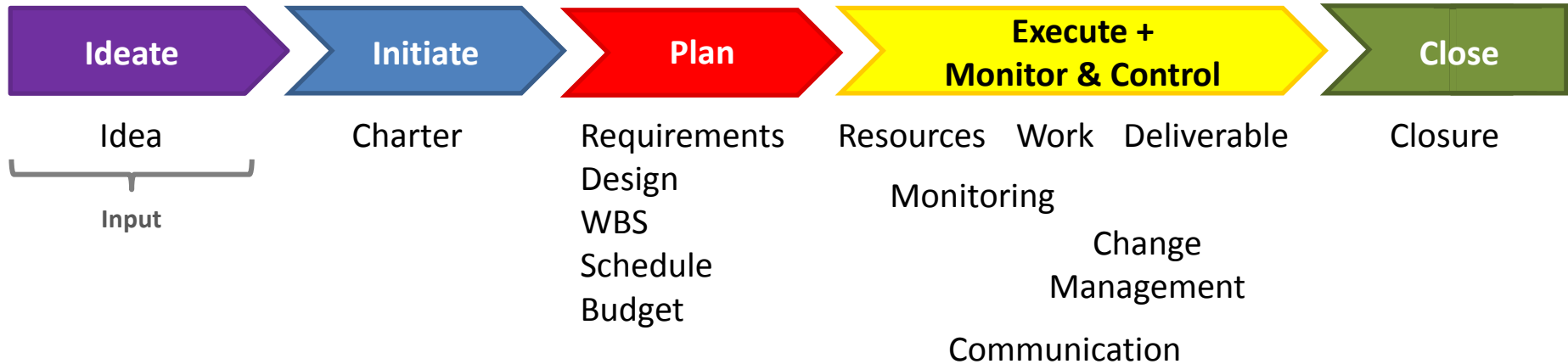
The portfolio & components

A collection of programs, projects, and operations managed as a group to achieve the organization's strategic objectives through delivery of business value

- Portfolios include both **operational activities** (here-and-now, someone's "day job") and **change initiatives** (future-focused, program and project environment)

- Portfolios **can be subdivided** in order to group components that are related to a single objective

- Portfolios **are long duration** due to the linkage to longer-term business goals and success

- Portfolios **are fluid**—strategy may need to change in reaction (or in anticipation) of changes in the environment, internal or external

- Portfolios **bridge the gap** between strategy and business value realization

Operations focus on the performance of a particular function (i.e., somebody's "day job")
- Foreign (hostile?) territory for many Program/Project Managers

Projects and programs focus on delivery of specific change
- Managing scope/quality, schedule, and cost

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The function

The Project Management span

Ideate	Initiate	Plan	Execute + Monitor & Control	Close

Ideate — Idea

Input

Initiate — Charter

Plan
Requirements
Design
WBS
Schedule
Budget

Execute + Monitor & Control
Resources   Work   Deliverable
Monitoring
Change Management
Communication

Close — Closure

Finite (beginning, middle, end) versus…

The Portfolio Management cycle

...continuous/long-term

• Goals & Objectives
• Strategy
• Priorities
• Portfolio components

• Prioritization
• Sequencing
• Balancing

• Release
• Oversight
• Change management
• Communication
• Benefit realization

Influences

Environment

Impacts

Define

Align

Control
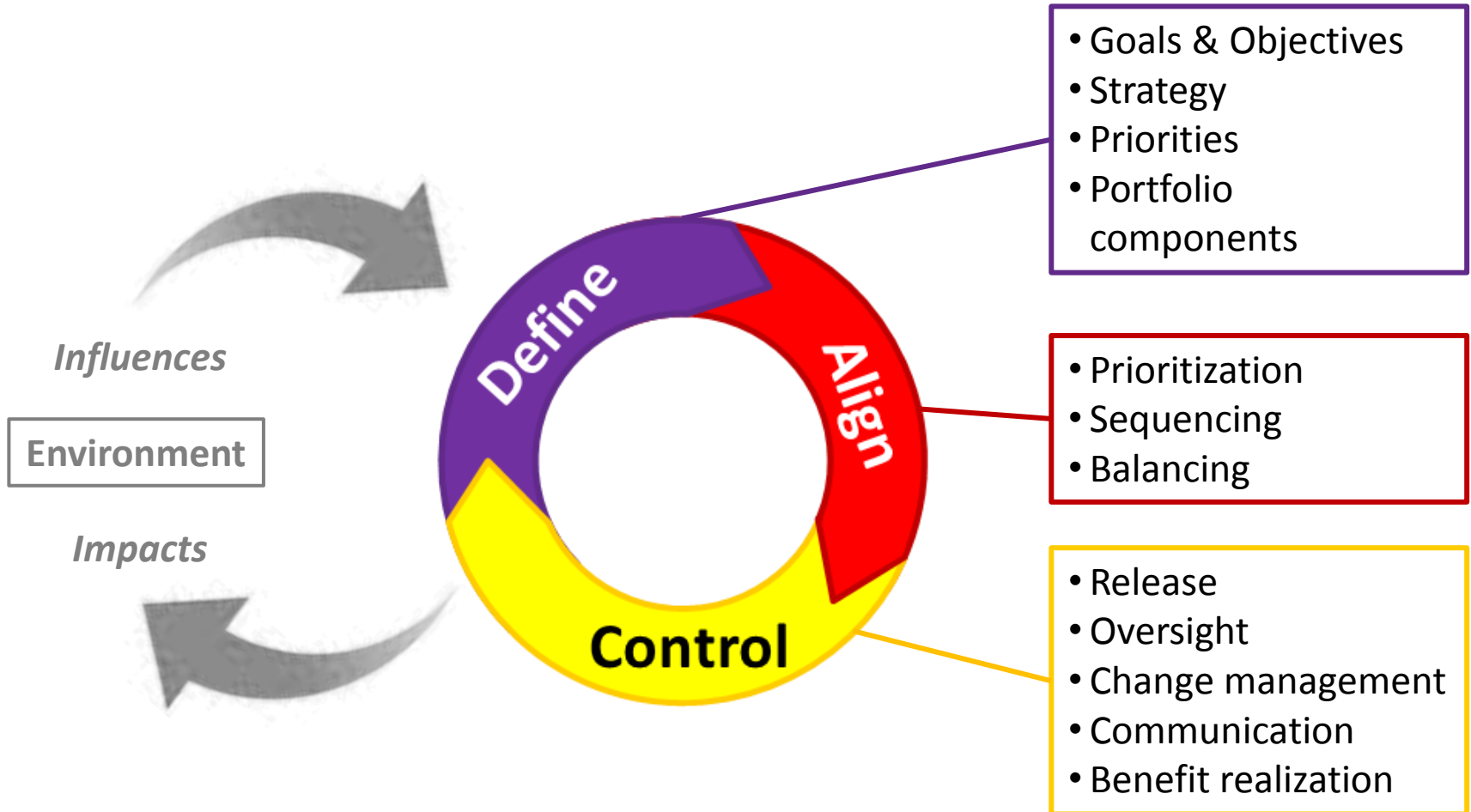
The Portfolio Management cycle

- Goals
- Strategy
- Priorities
- Portfolio components

- **Goals, Strategy, and Priorities:** The input for the project portfolio
  - Understanding the where the Organization is going, how it intends to get there, and where the journey starts

- **Portfolio Components:**
  - Portfolios **may not contain 100% of the work** going on in an organization… especially BAU/Operations
    - Optimizing investment includes deciding what not to do, so **the more comprehensive, the better**
  - Components of the Portfolio (or Sub-portfolios) can be identified in several ways:
    - **Top down**: Decompose strategy into priorities, into capabilities that achieve the priorities, into programs and projects that deliver the capabilities…similar to a Work Breakdown Structure
    - **Bottom up**: Take projects/activities that you already have/know of and map them to the priorities
    - Sometimes **a mix of both** (especially in light of Operational components)

The Portfolio Management cycle

- Prioritization
- Sequencing
- Balancing

- **Prioritization:** Components within a portfolio are **rated/evaluated relative to one another**
  - **Rate each component** based on its benefits
    - Requires a consistent and rigorous approach to building and evaluating the **business case** for efforts
  - Measures may include degree of support to the strategic priorities, as well as impact on client experience, financials, risk mitigation, etc.
    - Agreement on "line-of-sight" may be good enough...**not an exact science**

- **Sequencing:** Delivering business value involves enhancing existing/developing new capabilities, products, and services...long-term prospects...so **build and view the portfolio as multi-year in nature**
  - Describe the end-state, then "tell the story" of where development/enhancement starts (in year 1), where it progresses in year 2, year 3, etc.

- **Balancing:** Portfolio Management can include **tradeoff decisions** to invest less in operational work (status quo) in order to invest more in program/project work (change)
  - Selecting the mix of work (both Operations/BAU and change) that best supports achievement of the organization's goals, balancing short-term against long-term, run against grow against transform

The Portfolio Management cycle

Define
Align
Control

- Release
- Oversight
- Change management
- Communication
- Benefit realization

- **Release:** This is **a critical control point**…regardless of original plans, ensure that it still makes sense to start a project in light of subsequent decisions and developments

- **Oversight & Change Management:** Focus on risks, issues, and changes with impact across the portfolio
  - Shouldn't be a duplication of work done at the program/project levels

- **Communication:** The **audience is the Organizations's senior business leaders**
  - **Focus on broad, business-impacting topics** relevant to the audience
  - **Use business English**…eliminate jargon, acronyms, etc.

- Measuring/reporting should focus on **business value delivery**, but two phases of performance come into play
  - **Performance/outlook during** program/project execution
    - Is the project on track to deliver the agreed-upon scope/quality within schedule and budget?
    - Is the project on track to deliver the expected business value?
  - **Benefits realized after** project delivery
    - Measurable value lags delivery of change, usually after the project/program work has finished (and teams have disbanded and moved)
    - Strong justification for a standing Project Portfolio Management Office…to measure benefits over the longer term

The Portfolio Management cycle

Define / **Align** / **Control**

- Oversight
- Change management
- Benefit realization

+

- Prioritization
- Sequencing
- Investment
- Balancing

- **Oversight & Change Management - Rebalancing:**
  - **The dynamic nature of the project portfolio environment requires periodic rebalancing of components…**
    - …to **leverage an emerging opportunity** by moving resources from other components
    - …to **recover an "off track" component** by moving resources from other components
    - …to **halt an "off track" component** by moving resources to other components
  - **Rebalancing the components/investment is an executive activity**
    - PPMO facilitates (not making the decision, but making sure the decision gets made)
    - Decision making involves a broad set of business executives and leaders

The business case

The business case

- ## Why implement project portfolio management?
  - **Customer satisfaction and revenue growth** through strategic investment alignment and focus on delivery of value
  - **Cost reduction** through deliberate evaluation, prioritization, and monitoring/rebalancing of project portfolio investments

- ## According to a 2012 study by the Project Management Institute[1]:

| Average % of projects…	No/Ineffective Portfolio Management	Effective Portfolio Management	% Improvement
…on time	50%	68%	36%
…within budget	54%	64%	19%
…meeting goals	65%	77%	18%
…meeting/exceeding ROI targets	48%	62%	29%

[1]2012, Project Management Institute, Inc., *Pulse of the Profession: Portfolio Management In-depth Report*, Nov. 2012, PMI.org/pulse

Evolving

From project/program to portfolio

- There is no single prescription to move an organization into project portfolio management…but there are suggestions to get the right:

❶ Sponsorship

| **❷ People** | **❸ Processes** | **❹ Tools** |

❺ Self-preparation
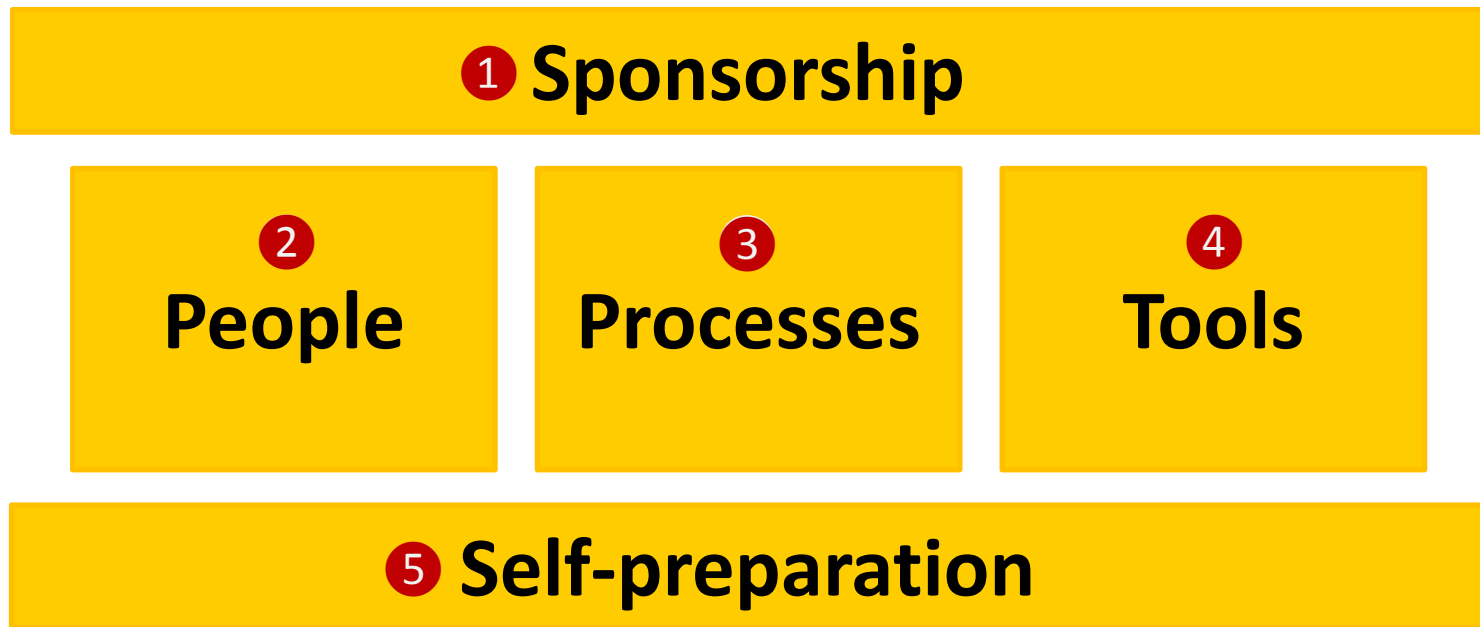
Ultimately leading to successful project portfolio management implementation

❶ Sponsorship

- Get senior executive **buy-in** (not just approval)
  - Implementing Project Portfolio Management can't be done by the PMO/project organization by itself
  - Driving a portfolio from strategy…especially including operations in the portfolio…will require senior business executive championing
  - Making this change requires deliberate organizational change management
- So…

❶ Sponsorship *(continued)*

- …**educate** senior business executives on the value of project portfolio **management…build awareness and desire**:
  - Promote the benefits of project portfolio management that they'll connect with
    - **Provides "all in", multi-year view** of both operations and change activities…how the Organization will evolve
    - Explicitly **links activities the organization's strategy** and business goals
    - Facilitates **sound investment decision-making**
    - **Focuses on maximizing return** on all elements in the portfolio

❷ People

- Dedicate resources to a "Project Portfolio Management Office"
  - **Be inclusive** (it is a "**team sport**", including strategy, finance, and project delivery functions)…but avoid the temptation to overpopulate
    - *WARNING!* Can be misperceived or mischaracterized as bureaucratic
  - **Monitor and evaluate** to ensure effectiveness, efficiency… and acceptance
  - Build long-term strategy to **reinforce the value** of the structure

③ Processes

- Establish business governance for the portfolio
  - Bearing in mind the portfolio's…
    - scope (operations & change across the Organization),
    - nature (long-term), and
    - objective (support of the Organization's goals),
  - …it needs to be led/governed by **senior business leaders, responsible for portfolio oversight** and, ultimately, **accountable for business value delivery**

④ Tools

- Develop/implement tools and processes/routines
  - Not the same as program or project **management—don't expect to reuse existing reports, forums, etc.**
    - Project **pipeline**/backlog list
    - Project **business case** template
    - **Rating/prioritization tools**
    - **Dependency tracking**
    - **Multi-year project portfolio roadmap**
    - **Consistent Program/Project management** practices
    - **Key Performance Indicators/dashboards**
    - **Value-focused reporting**

5 Self-preparation

- Shift both your **mindset and skillset**
  - Get ready for **many more dynamics**…and unknowns—not a challenge to be overcome, just a way of life and something to be embraced
  - Build your **business acumen**—check your project nomenclature at the door and learn to speak in the "native tongue" of your business leaders
  - Be a **partner**, not an outsider—portfolios involve functional managers as well as project and program managers…learn to work with them all
  - **Don't get attached** to projects and programs—if they aren't on track to provide the intended benefits, your job will be to redirect resources to something that can