



GET YOUR HEAD AROUND PROJECT PORTFOLIO MANAGEMENT



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► An introduction to project portfolio management

Fortune magazine has reported that nine out of ten corporate strategies devised on the executive level are never implemented.

Gartner estimates that 75% of all IT projects are considered to be failures by those responsible for initiating them – i.e. they did not do what was agreed, missed deadlines and/or came in over budget. Indeed half of the projects exceeded budget by 200%.

A Standish Group study found that 31% of projects were cancelled outright and that the performance of 53% of all projects was so worrying that they were challenged.

Although these are US examples, there is no evidence to suggest Europe or the UK is significantly better. Think Millennium Dome, Channel Tunnel, scrapping of ID cards and, more recently, the Airbus A380 coming in at £1billion over budget.

So a management tool to significantly improve these statistics makes a lot of sense. But in addition, it has to deliver the 'holy grail' of business management: tangible cost savings and/or Return on Investment (ROI). It's a tall order and involves complex systems, however as with most things it's less daunting when broken down into its bite- sized chunks.

Enter our introduction to Project Portfolio Management.



Michael McCullen,
Managing Director,
Asta Development

► What is project portfolio management?

As its name implies, Project Portfolio Management (PPM) groups projects so they can be managed like a portfolio, as an investor would manage his shares, bonds and mutual funds. To paraphrase the Encarta dictionary, PPM is an approach to the management of a group of projects that treats them as investments.

Return on investment is the most important measure of project success from a PPM viewpoint. If a project can't justify the resources required to run it on the basis of ROI, well-run portfolio management will turn off the resources and shut down the project.

► Who needs PPM?

PPM is essential for many different organisations or departments within larger organisations. For example, small and medium size enterprises (SMEs) that have no formal portfolio management systems in place or corporates and public sector organisations that may have some project management systems in one or more departments.

As PPM is about optimising processes and resources, you should think not only IT, but all functions in a business that want to manage and automate multiple projects – i.e. marketing, HR, training, PR and customer service.

In terms of which management roles need PPM, it comes down to the structure of the organisation and who has budgetary control over the project portfolio. Usually this is the IT Manager, CFO or CIO. Portfolios help these people do their jobs, enabling management to evaluate the return on investment of each project and each business initiative.

► What does PPM do?

It addresses a number of organisational and departmental challenges:

Portfolio Management

Assessing priorities:

- Which projects do we do when?
- Which projects do we do first/which will deliver the greatest benefit to the business?
- Have we got the people and money to do all these projects?
- Which do we scrap?

Resource Management

Optimising resources:

- Who do we need to work on upcoming projects?
- Do they have the right skills?
- Are they available?

Project Finance Management

Assessing the financial impact:

- Is overall project spending within budget?
- Can we get advance warning of likely project overspends?
- Are project income and expenses recorded consistently?

Project Processes

Developing an integrated system:

- How many different IT programmes are used to manage projects and resources?
- Do we have published standards for approving new projects?
- Are there formal project control processes in place?

Project reporting

Improving decision making:

- Is project status being updated regularly?
- How much effort is this taking?
- Is timesheet reporting integrated with the main project plan?
- Are senior managers getting the visibility they need in order to act decisively?

► Benefits of PPM

Jeanette Cabanis-Brewin of Project Management Solutions, Inc., explains the PPM benefits succinctly – realism, rationality and visibility. These benefits together deliver cost savings which are important for every organisation. The key is utilising resources effectively and choosing the right projects at the right time – which are the most beneficial to the company in terms of revenue and profitability.

1. **Realism** – company initiatives are often unfeasible. Boardroom decisions often mean unrealistic targets, deadlines, and budgets for project management. PPM aligns what an organisation wants to do with the resources (the money, hours, people, time, and equipment) required to get it done.
2. **Rationality** - establish budgets (£s and human resources), and define start and finish dates for these initiatives. Future projects or programs are also forecasted and added to the organisation's potential portfolio of work. Also count heads - for some companies, the scarcest resource isn't money but project managers.
3. **Visibility** - improved resource tracking in project portfolio management software helps the portfolio manager. In fact, without a system for knowing what each person in the pool of potential project personnel is capable of, and when they will be available, you cannot really be said to manage a portfolio.



► Conclusion

Overall PPM is a powerful, far-reaching aid to business decision-making for those in budgetary control of multiple projects – with the emphasis squarely on cost-saving. It supports many different functions within an organisation, enabling them to optimise their processes and resources.

► PPM Resources

[Why Projects Fail – Mastering the Monster](#), www.itarchitect.co.uk

[Project Portfolio Management is your friend](#) – Jeanette Cabanis-Brewin,
<http://www.developer.com/mgmt/article.php/3099031>

[Project Portfolio Management: A Primer \(part 1\)](#) – Frank Winters,
www.ganttthead.com

[Slow and Steady](#) – Pat Sweet, www.evaluationcentre.com

[Beneath the Buzz: Portfolio Management](#) – www.cio.com

If you want to learn more about Asta Development and our Project Portfolio Management Solutions go to www.teamplan.co.uk

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