

WHITE PAPER



THE BUSINESS BENEFITS OF PROJECT PORTFOLIO MANAGEMENT



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An Eleco plc Company



1 INTRODUCTION

Project Portfolio Management is a term being used with increasing frequency in the area of project and resource management. Essentially it means grouping projects so they can be managed as a portfolio, as an investor would manage his shares, bonds and mutual funds.

Portfolio management is the management of a number of projects that do not necessarily share a common objective, yet may use a common resource pool. Project Managers are still managing individual projects but, rather than seeing them in isolation, each project is considered in the context of the portfolio of projects undertaken by the team, department or organisation as a whole.

2 DOES PROJECT PORTFOLIO MANAGEMENT REALLY MAKE A DIFFERENCE?

There are many theories as to the benefits of Project Portfolio Management (PPM) however they are exactly that, theories.

In order to discover what are the REAL benefits of PPM, Asta Development conducted an industry-wide survey into what actually matters to the people managing multiple projects, costs and resources on a daily basis.

This study provides a true insight into the opinions of people in business and industry. We are confident that this industry-wide perspective will be of use to promote PPM and improve work practices within departments and organisations.

This White Paper outlines the four most important benefits of PPM, as well as the three that are relatively least important. It also includes discussion on the likely reasons for this evaluation and recommends four key ways to improve business performance through PPM.

3 RESEARCH METHODOLOGY

22 possible benefits of PPM were gathered from delegates at a series of workshops carried out in spring/ summer 2006.

A questionnaire was compiled which asked respondents to rank each of the suggested benefits on a scale of 1 (not at all important) to 5 (highly important).

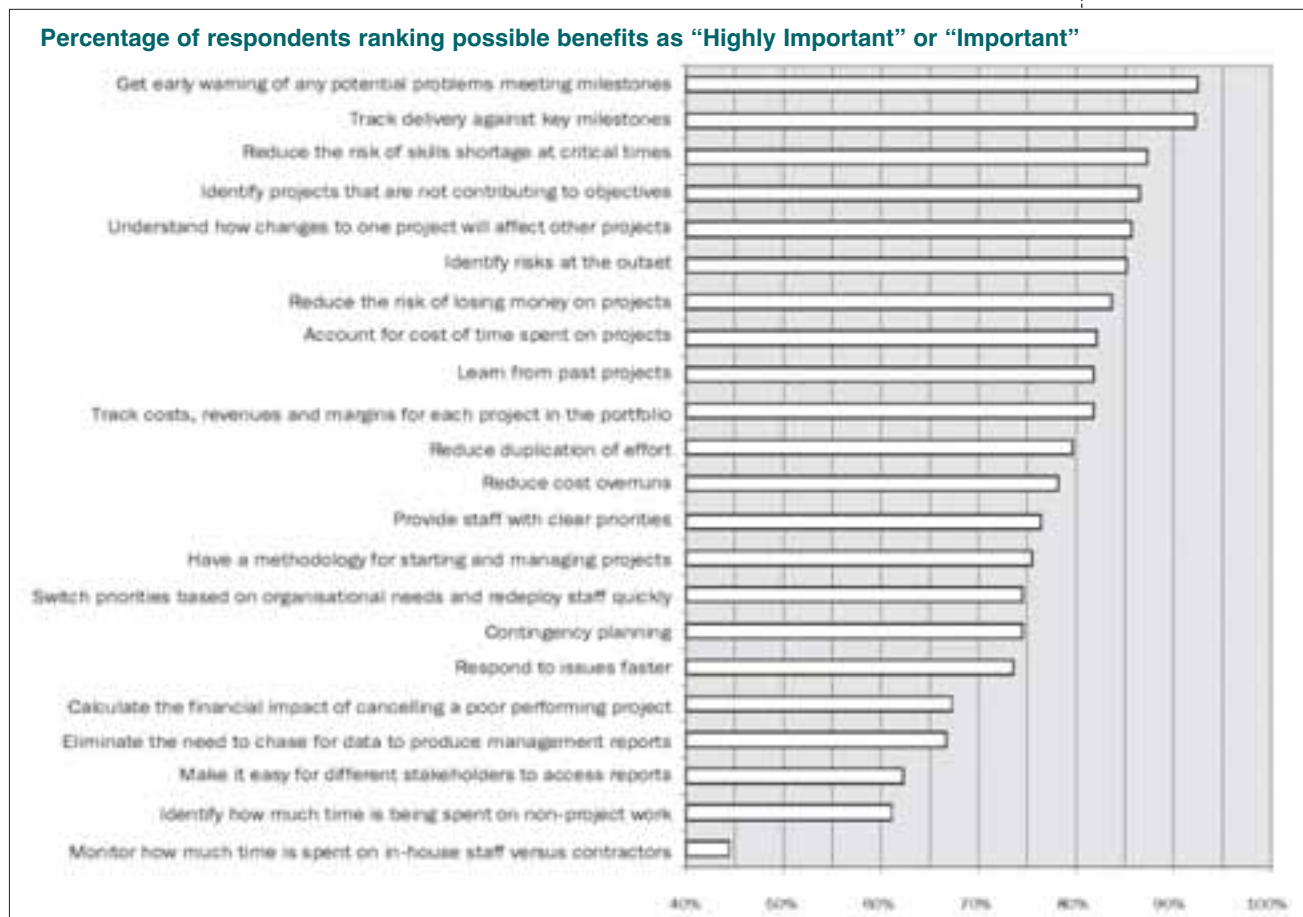
Respondents were people involved in project portfolio management across a range of sectors, including software development, corporate IT and business services. They were given the option of answering anonymously if they desired.

4 THE RESULTS

4.1 THE KEY BUSINESS BENEFITS OF PROJECT PORTFOLIO MANAGEMENT

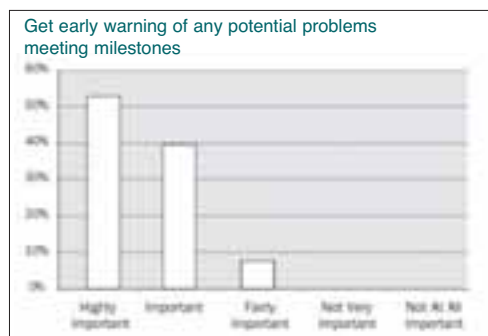
A key result of the survey is that PPM is perceived to offer very many business benefits to organisations. PPM really does make a significant difference.

So what are the main benefits? From the survey, a number of factors emerged as being the most significant advantages of the portfolio approach.



THE FOLLOWING EMERGED AS THE MOST SIGNIFICANT:

4.1.1 IMPROVED ABILITY TO DELIVER



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The most important benefit of PPM is that it improves organisations' ability to deliver projects, which is fundamentally the day-to-day objective of all those involved in project management.

The two key pillars of this are getting early warning of potential problems in meeting milestones and tracking delivery against key milestones. Milestones are used to provide focus for each stage of the project and progress is measured against them. Project milestones are key to delivering projects and consequently are at the very forefront of Project Managers' minds.

By adopting PPM, managers can look in just one place to see progress against all milestones across the entire project portfolio. This enables them to consider the full implications of issues as and when they arise. Managers can then adjust priorities and staffing across the portfolio of projects to ensure that milestones are achieved on time.

4.1.2 FORWARD PLANNING OF RESOURCES

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Having the right people at the right time is essential to the timely success of all projects. This is borne out by the very high importance given to being able to reduce the risk of skills shortages at critical times.

PPM enables organisations to allocate resources not just within projects but also across a range of projects. Managers can see which skills are required for which tasks and then can make adjustments to ensure that all resources are allocated to best meet the requirements of the portfolio of projects.

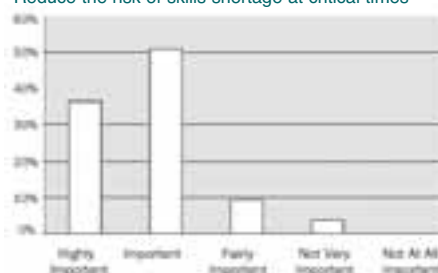
Working in this way helps avoid scenarios such as a more skilled person being under-used on one project while another project is suffering from a shortage of that skill. Tasks can also be rescheduled to give a continuous, steady workload, rather than having peaks (very high workload) and troughs (resources underused due to lack of work).

4.1.3 IDENTIFYING PROJECTS THAT ARE NOT CONTRIBUTING TO OBJECTIVES

A key benefit of PPM is that it enables organisations to identify projects that are not contributing to objectives. By analysing and comparing projects both individually and in relation to each other, PPM makes it much easier to see clearly which projects are not contributing and, conversely, which are making the greatest contribution to objectives.

Resources can then be allocated to ensure that they focus on the projects that are of greatest benefit to the company, and that they are not wasted on poor-performing projects. It also enables managers to focus more easily on problem areas and address the issues behind them.

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Reduce the risk of skills shortage at critical times



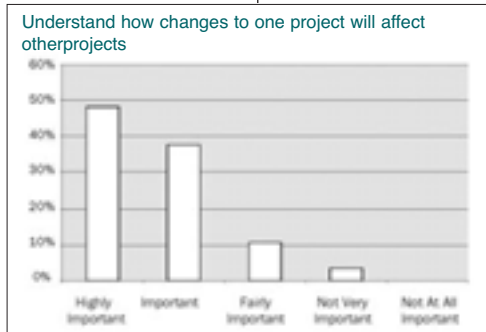
Identify projects that are not contributing to objectives



4.1.4 UNDERSTANDING CONSEQUENCES

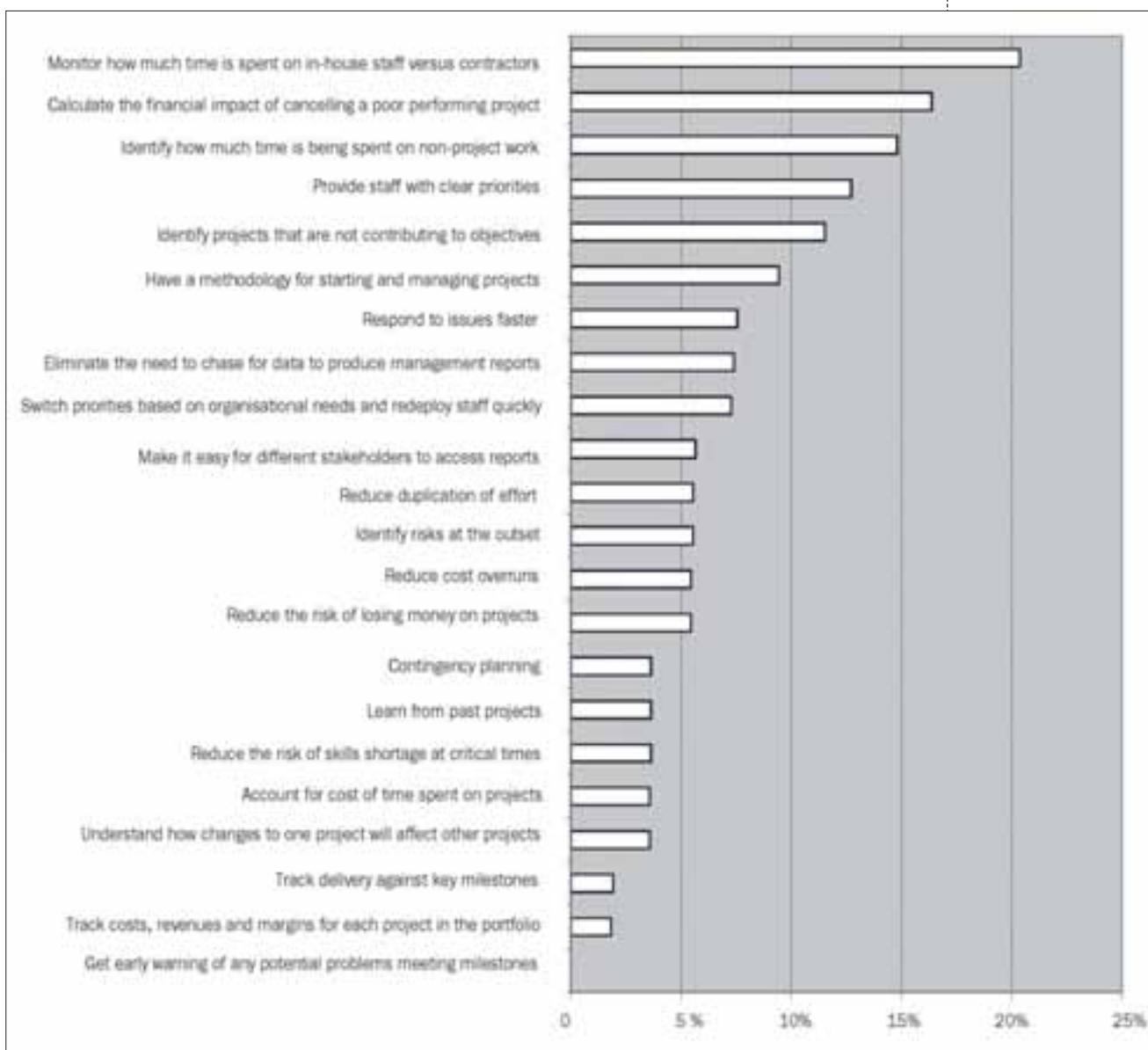
For those involved in PPM, the ability to understand how changes to one project will affect other projects is of great importance.

Using a portfolio perspective enables companies to see the true consequences of making changes to projects, whether in terms of resources, timescales, costs, priorities or requirements. This leads to fully-informed decision-making based on the big picture, rather than the micro view, which in turn improves overall performance.



4.2 BENEFITS THAT ARE RELATIVELY LESS IMPORTANT

Percentage of respondents ranking possible benefits as “Not At All Important” or “Not Very Important”



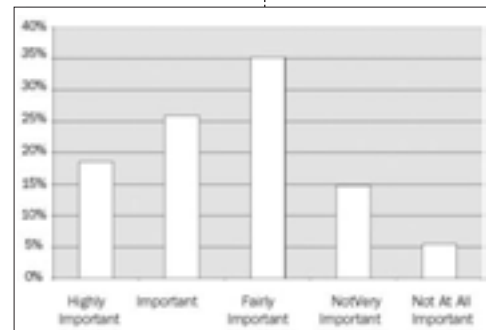
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The research revealed that a number of proposed benefits of PPM are considered less important by those involved in managing projects and resources on a day-to-day basis. It should be noted that these benefits are still considered important by many of the respondents, however they are relatively less important than others already mentioned.

4.2.2 BALANCING STAFF VERSUS CONTRACTORS

As we have seen, Project Portfolio Managers are most focused on delivering projects. Who does the work is of much less importance, as long as the project is completed on time and on budget. As a result, monitoring and comparing time spent by in-house staff versus contractors is not deemed one of the most significant benefits of PPM.

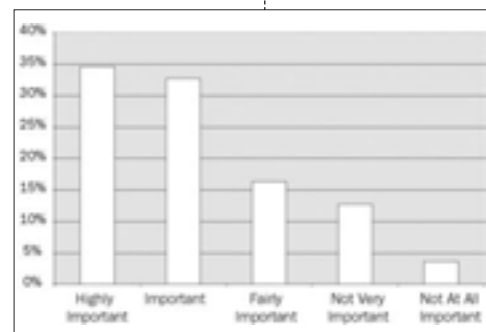
It should be noted that this is still widely considered to be a benefit and it may be that its importance varies between different types of organisation.



4.2.2 UNDERSTANDING THE FINANCIAL IMPACT OF CANCELLING POOR-PERFORMING PROJECTS

Each project has a number of objectives of which some are financial. Adopting a PPM approach enables organisations to see the full impact rather than just the financial impact of changes to projects, such as cancelling poor-performing projects. Non-financial impacts of changes could include extra resource availability and opportunities to reschedule other projects.

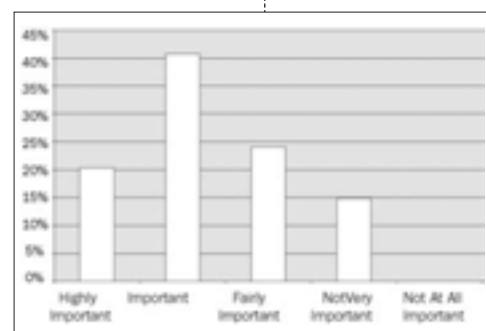
However it is surprising that this benefit ranked relatively low in the survey. A likely reason is that it reflects a failure by many to properly measure project success throughout the project lifecycle and face up to the difficult task of killing off failing projects.



4.2.3 IDENTIFYING NON-PROJECT WORK

Each individual spends some time on non-project work, such as meetings, holidays and sickness. However Project Portfolio Managers focus on ensuring that tasks are completed on time by the right people. It is of less important to them if time is spent on non-project work as well.

It could also be that many organisations have not yet mastered the basics of PPM and hence identifying non-working time is seen as unimportant at this stage. It will grow in importance once a system is in place and therefore is linked to the maturity of the organisation in terms of PPM capability.



5 FOUR WAYS TO IMPROVE BUSINESS PERFORMANCE

The results of this study have four key implications for organisations who have either already implemented PPM or who would benefit from this approach.

5.1 INCREASE PROJECT SUCCESS BY RAISING THE PROFILE OF MILESTONES

Companies should increase awareness of milestones and also the importance of achieving them both with senior management as well as team members. Progress against milestones should be monitored and full support should be given to project changes that will enable milestones to be achieved.

This can be done by ensuring project plans are automatically updated with tasks and progress and by regular progress report reviews by management.

It is recommended that organisations have one central view of all projects against key milestones, rather than on a number of ad hoc and/ or standalone systems as this greatly improves project and milestone visibility.

5.2 TAKE ACTION ON PROJECTS THAT ARE NOT CONTRIBUTING TO OBJECTIVES

When projects are considered individually it is hard to see which are making the most contribution to the company and, conversely, which projects are not adding as much as they should.

Organisations need to regularly review their whole portfolio of projects to understand how they are performing relative to each other against the key objectives of the organisation. Using this information, action should be taken to either improve the performance of poorly-performing projects or redeploy resources so they are used on the projects that are contributing most to the company.

5.3 CONSIDER THE IMPLICATION OF CHANGES FOR THE WHOLE PORTFOLIO OF PROJECTS

Rather than looking at what changes on a project will mean to just that project, organisations should consider the knock-on effects for all projects in the portfolio. This enables organisations to ensure that they are always aware of the macro situation and so can ensure they maximise results for the company as a whole.

While day-to-day, hands-on micro management of projects is still important – detail is essential! – decisions should be made with a wider perspective so that when changes are made to one project, managers are aware of any knock-on effects. This enables them to ensure they do not unwittingly jeopardise other projects in the portfolio.

5.4 PLAN RESOURCE REQUIREMENTS ACROSS THE PORTFOLIO OF PROJECTS

Skilled staff are the biggest asset of organisations and, to ensure both that their skills are used to best effect and also that they are used to maximum capacity, resource allocation needs to be considered across the whole portfolio of projects, rather than on a project-by-project basis.

Managers need to forward plan resource requirements as early as possible in order to identify gaps and address them in good time, such as by recruitment or staff training. They can also ensure that skill levels are in line with business needs and reduce unnecessary overheads.



6 IMPLEMENTING PROJECT PORTFOLIO MANAGEMENT

There are three key stages to the successful implementation of PPM:

1. Identify the need for PPM;
2. Implement the resources required to deliver PPM;
3. Manage the change in culture and work practices.

The results of the study show the real benefits that PPM provides, enabling organisations to identify if they have a requirement to improve in these areas.

An appropriate PPM software solution should be considered to provide everyone involved with the tools they need to optimise performance. Organisations should also look to work with suppliers who specialise in this area and have experience managing the changes required.

6.1 PROJECT PORTFOLIO MANAGEMENT SOFTWARE SOLUTIONS

Software solutions are a powerful way to deliver PPM as they bring together the many elements of both individual projects and portfolios of projects in order to facilitate effective project and resource management.

Software providers can also help with the change management issues that can arise when introducing PPM as outsiders with experience across different organisations can often be good facilitators of change.

Implementing a new PPM software solution or enlisting the help of a consultant does of course incur costs. However these costs should be considered in relation to the many benefits of PPM and the improved efficiencies and profitability that it offers in the medium and long term. Implementation can take place quickly so that benefits are realised swiftly.

6.2 ASTA TEAMPLAN

Asta Teamplan is a PPM software solution from Asta Development that provides organisations with the tools they need for successful PPM. It has been designed to meet the needs of small and medium sized companies and departments within larger organisations, and is used successfully across a wide range of industries from software development to consultancies and corporate IT.

As a vendor, Asta has been involved in many successful implementations in the past and can call upon this valuable experience to help other clients. For more information on Asta Teamplan, please visit www.teamplan.co.uk or call 01844 261700



7 CONCLUSION

Experience in the field shows that PPM really does deliver a wide range of benefits to organisations and all those involved in this area are overwhelmingly positive about the difference that it makes.

By implementing the recommendations outlined in section five, organisations will see the benefits of PPM in the areas where it has been shown to make the greatest contribution.

Implementing an appropriate software solution and consulting with vendors with experience of this area is an effective way to provide staff – Senior Managers, Project Managers, Team Members – with the support they need to deliver effective PPM on a daily basis.

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