

Maximizing the Value of Your Organization's Project Portfolio

Telelogic, an IBM Company

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Introduction

Portfolio management is about evaluating, selecting, prioritizing, funding and managing an organization's projects with the goal of maximizing the value that is delivered to customers and the organization itself. Ultimately, it is about taking the things your organizations delivers and treating them as investments. The greatest challenge of portfolio management is that the organization needs to focus its efforts on the projects that provide the greatest value to its customers and itself. Many organizations that have tried a bottom-up approach to project portfolio management have run into problems because of the time, resources and cultural change required to create and update the highly-detailed project plans that form the basis for this approach.

Organizations have achieved much more success with a top-down approach that is based on the organization's strategy and allocates specific "buckets" of funds to achieve various strategic goals. A top-down approach is simpler to implement because it begins by taking a high level view of project activity. Thus, it takes less time and resources to implement and can begin to deliver benefits years before a bottom-up approach. The top-down approach is based on a strong linkage from the high-level strategy down to the individual plans so it can easily consolidate information to provide superior visibility and aid decision making. A critical requirement for success with a top-down approach to portfolio management is ensuring that the portfolio management system used is flexible enough to adapt to change in the organization, such as by being able to support a wide range of different project management models. It's also important that the portfolio management system is able to mature with the organization as it grows.

Simplifying the Implementation Process

The bottom-up approach often meets resistance from harried project teams. This is because they often have difficulty finding time to keep their detailed project and resource utilization plans updated — which is required by this approach. At the same time, project teams want to implement a bottom-up approach because it puts them in control of the portfolio. On the other hand, the top-down approach can be implemented incrementally while requiring much less time on the part of the entire organization and gets them to a point where they can see benefits much more quickly. In the initial phase of the implementation, for example, the Telelogic Focal Point™ project portfolio management system can deliver a dashboard to top management that provides a high level view of how project plans align with strategic objectives. As the implementation grows, Focal Point can be rolled out to the entire project management office. Ease of implementation is enhanced by a simple, intuitive Web-based interface that eliminates the need for resource-intensive training, enabling the organization to spend more time learning and executing the process that they are implementing.

As a case in point, the Danish Ministry of Finance wanted a simple and easy method to enable managers to accurately prioritize the organization's portfolio of e-government and e-invoicing projects. The organization reviewed a number of project portfolio management tools but found them to be too large, too complex, and primarily focused on long-term, financially comprehensive projects. These tools were not a good fit for the agency's portfolio which typically involves fewer project participants and shorter time frames. The Ministry of Finance selected Focal Point because it provides a simple method to prioritize projects and it can be implemented quickly with limited organizational effort with minimal training. "Life has become a lot easier for the project managers and the quick and efficient roll-out of Focal Point was a problem-free process for most of them," said Henrik Jeberg, CIO for the Danish Ministry of Finance. The availability of up-to-date information also improves decision-making. "Management now has much better project status information to support crucial portfolio decisions," Jeberg says.

The City of Copenhagen Department of Finance set a goal to improve internal information management in city government. Management wanted an easily-accessible overview of the entire project portfolio and the ability to prioritize projects on a strategic level. To ensure that the solution did not interfere with the busy daily work of employees, management decided to implement Focal Point in a two-phase process. The first phase focused on providing management with simple status reports and on easy and flexible support of the product model. This phase took only two months to implement. "Based on previous experiences with IT systems in the City of Copenhagen, the implementation of Focal Point can be characterized as painless," says Kasper Schmidt, Manager in the Department for Finance. Focal Point has also substantially contributed to the control of projects in the city: "Today we have higher quality in our projects and we have great expectations on becoming better in the future," Kasper Schmidt notes.

Consolidating Project Information to Improve Decision-Making

A critical requirement of project portfolio management is its ability to easily capture, define, select and manage project information throughout the organization. Ideas, requirements and feature requests exist in a variety of formats. It's critical to capture and manage this disparate collection of information in a central repository. Focal Point uses simple forms that prompt users for the specific information they need. Users with a large quantity of information can import it from a spreadsheet or other standard documents. Focal Point simplifies prioritization with a unique feature that utilizes pair-wise comparisons to create a sensible list of priorities, even for intangible criteria such as customer value. Once the stakeholders have ranked the projects, the results can be rolled into a summary view to help make product decisions that maximize the value delivered to the organization and customers. Focal Point also provides continual feedback while projects are ongoing to ensure that everything is on track.

Swedbank, one of the largest banking groups in Scandinavia, previously relied upon a project portfolio management tool that focused exclusively on administering project proposals and establishing a common repository — without offering support for decision-making, measuring value or maximizing return on investment. Focal Point allows Swedbank to collect and monitor information such as business value, strategic value and risk. Focal Point automatically calculates business metrics such as net present value, return on investment, and nominal accumulated cost and value in relation to the bank's requirements and business goals. "We can now manage projects through their lifecycles, leveraging reliable estimates for both value and cost," said Bertil Lundberg, Senior Vice President of IT Control at Swedbank. "Differences between the actual value delivered by the projects and estimates are measured and compared in order to create a learning organization and provide better input for decisions."

Similarly, Focal Point has provided the City of Copenhagen with an easily accessible overview of the entire project portfolio and the ability to prioritize projects on a strategic level. At the same time, managers can quickly access information on the implementation and progress of individual projects. By implementing Focal Point the organization gained the ability to quickly create weekly status reports across the organization. The goal is to document an improved strategic direction for all projects so that the city can be more attentive to new pitfalls and altered conditions that will influence the project. "The distance between management and our employees has simply been shortened," Schmidt says, referring to the feedback the project managers get from management at the regular status meetings.

Maintaining Flexibility

Rather than forcing the adoption of a particular workflow, a project portfolio management solution should be flexible enough to adapt as the organization changes. It should have processes in place so that as it matures it is flexible enough to scale as the organization grows. Focal Point's flexibility enables organizations to select the phased development process, or any other project management process that they choose. Furthermore, organizations can change and evolve their processes while maintaining consistency. For example, it is easy to add new data types and links as the organization expands the reach of the application.

A large international transport provider took advantage of Focal Point's flexibility by leveraging the tool environment in a special way. The company began with a small implementation involving only 30 top management users and today it has 1500 users throughout the project management team. Focal Point supports users in departments across the organization with widely varying project management processes. For example, some departments manage large numbers of small projects while others have just a few big projects that may last for up to two years. The departments whose projects are large tend to have complex processes with many milestones and checkpoints designed to keep the projects on track over their long lifespan. On the other hand, departments with smaller projects use a much simpler workflow that primarily tracks the final launch date and budget for the project. Focal Point can be easily configured to meet any of these dif-

ferent requirements while providing a uniform user interface and consistent data consolidation for top management visibility and decision-making.

Here again, the City of Copenhagen benefitted from using Focal Point. They configured the tool to support their own custom project model, which consists of a project template and a method of controlling the project throughout the lifecycle. Focal Point supports, one-to-one, the organization's existing project management processes without any customization or lengthy implementation process. The City of Copenhagen began by configuring Focal Point to support top management by providing overviews of project priorities, statuses and budgets. Later, the city decided to expand the implementation to support day-to-day project management functions like milestone management and task management. The second phase of the project supports detailed project control for project managers and participants while integrating the product model. The tool's flexibility made it easy to reconfigure to support this additional functionality.

Focusing on Maximizing Value Rather than Efficiency

If you ask a project driven organization how they measure success, the old mantra of “on-time, on-budget” will be among the many repeated responses. Unfortunately, not many projects can claim to do even that much. Lost in the discussion is whether or not any value was delivered – and did it meet customer requirements. The percentage of projects that can lay claim to delivering the right scope, on time and on budget is shocking. Why aren't more organizations focused on delivering value rather than just focusing on project team efficiency?

In a 2007 CIO Magazine State of the CIO report they highlight that the number one priority for CIO's is aligning IT and business goals, , and many are able to do this by showing which projects support which parts of the business. What is missing is the ability to provide visibility to the value of those projects. The CIO Magazine report shows that many CIO's recognize this, and subsequently from 2006 to 2007, measuring IT value and communicating jumped from the 12th highest priority to number six.

There is a danger in any project driven organization to focus on the efficiency of the development process to the detriment of delivering value to customers and the organization itself. While completing projects on-time and on-budget is important, it is even more important to deliver value to the customers and the organization itself by contributing to strategic objectives. Six keys to becoming value-driven are at the heart of project portfolio management:

- **Assessment:** Assessment involves gaining an understand of what your market values today and what it is going to value tomorrow
- **Alignment:** The goals of a new project should aligned to the overall goals of the business

- **Achievability:** Projects should be evaluated against alternatives and only those that are achievable should be given the human and financial resources needed to make them successful
- **Accessibility:** The people involved in the project lifecycle should have access to information that helps them determine the value of the project portfolio
- **Agility:** Organizations need to be able to quickly determine the business value of alternate courses of action in order to agilely react to a dynamic environment
- **Accountability:** Each part of the organization should be held accountable for delivering value to customers and the organization itself

Conclusion

The success or failure of an organization is most often measured by its ability to generate value for customers and the organization itself from its project portfolio. A top-down approach to project portfolio management enables organizations to easily and continuously evaluate their projects based on their contribution to the organization's strategic goals. Focal Point makes it simple for organizations to implement a top-down approach to project portfolio management that can be rolled out incrementally while minimizing organizational upheaval. Focal Point efficiently consolidates project information throughout the organization to provide instant visibility into the relative value of the product and project portfolio. Finally, Focal Point offers the flexibility to be configured to match a wide range of different processes so that organizations and departments can utilize a workflow that best suits their needs that can evolve as their needs change.

About Telelogic

Telelogic®, an IBM company, is a leading global provider of solutions for automating and supporting best practices across the enterprise—from the powerful modeling of business processes and enterprise architectures to the requirements-driven development of advanced systems and software. Telelogic's solutions enable organizations to align products, systems, and software development lifecycles with business objectives and customer needs to dramatically improve quality and predictability, while significantly reducing time-to-market and overall costs.

To better enable our customers' drive towards an automated lifecycle process, Telelogic supports an open architecture and the use of standardized languages. As an industry leader and technology visionary, Telelogic is actively involved in shaping the future of enterprise architecture, application lifecycle management, and customer needs management by participating in industry organizations such as INCOSE, OMG, The Open Group, Eclipse, ETSI, ITU-T, the TeleManagement Forum and AUTOSAR.

Headquartered in Malmö, Sweden, with U.S. headquarters in Irvine, California, Telelogic has operations in 22 countries worldwide. Customers include Airbus, Alcatel, BAE SYSTEMS, BMW, Boeing, DaimlerChrysler, Deutsche Bank, Ericsson, General Electric, General Motors, Lockheed Martin, Motorola, NEC, Philips, Samsung, Siemens, Sprint, Thales and Vodafone.

For more information, please visit: www.telelogic.com.

Global Headquarters

P.O. Box 4128, SE-203 12
Malmö, Sweden
P: + 46 40 650 00 00
F: + 46 40 650 65 55

Americas Headquarters

9401 Jeronimo Road
Irvine, CA 92618 USA
P: + 1 949 830 8022
F: + 1 949 830 8023

Offices across Europe, America, Asia and Australia.
Distributors worldwide.

info@telelogic.com
www.telelogic.com