

Project Portfolio Management Drives More Effective IT Governance

By Keith Carlson

When economic conditions get tough, CIOs must focus on two simple priorities: how to produce value and how to cut cost. Pushed by economic and competitive pressures, IT organizations need to organize their project and application lists as an aggregate collection of expense buckets that they then attempt to balance against priorities, budgets, and available resources.

This process is often referred to as IT Governance or Project Portfolio Management (PPM). Regardless of what you call it, it's recognized by successful CIOs like Mykolas Rambus at Forbes as a business imperative to effectively navigate both lean and growth times. Says Rambus, "PPM is an essential function in how we create value for our organization; with PPM we're better able to ensure our IT organization is working on the most important things for Forbes that either save money or make money."

IT governance is all about ensuring that IT produces the maximum possible value for the business. That means aligning IT with business, optimizing resources, and mitigating risk. While Project and Portfolio Management (PPM) alone is not enough to meet all the requirements of IT governance, it is one of the most critical ingredients for a successful IT Governance strategy that both produces value and manages risk.

The aim of PPM is to measure available resources, such as time and money, against all the proposed projects, and apply a consistent methodology to align them with the goals of the business. PPM drives more effective IT governance because it enables organizations to:

- Prioritize the IT portfolio of projects and applications according to business objectives and expected benefits
- Respond to changing conditions and new opportunities by being able to rapidly reallocate resources with a full understanding of the impact
- Know exactly what projects people are working on, enabling them to make clear business decisions on what the priorities are and how well resources are utilized
- Ensure that projects are delivered on time, on budget, and on quality

It's a fact that companies can get lost trying to implement overly complex IT governance, and unfortunately, in the process, end up creating large bureaucracies and complex metrics that contribute little value to the organization. Many companies have made rapid progress in their IT governance initiatives by starting with a PPM implementation focused on a simple and pragmatic approach. These companies have been able to make measurable impact on the business while implementing reasonable controls, adding layers of further sophistication only when and where they were really needed.

"When we implemented our IT Governance process, we were actively working on 20 projects, and we identified 60 additional projects that our three business units wanted us to accomplish. So we needed to establish an effective prioritization process," said Jerry Hodge, Sr. Director of Information Services, Hamilton Beach Brands. "With Innotas (www.innotas.com) on-demand PPM as the core of our IT Governance process, we have complete visibility into all of our active and potential projects, and we can easily prioritize them and focus on the projects that add the most value to the business."

If you're thinking about leveraging PPM to help drive your IT governance strategy, first evaluate four key areas:

- Alignment – assess whether you're focusing on projects that provide the best value for the organization
- Value – prioritizing the IT portfolio is an on-going process – standardized approval and review processes can provide baselines so you can adjust to shifting priorities
- Resource Optimization – keeping the right resources focused on the projects that have the biggest impact is paramount; PPM provides visibility into how time is actually spent vs. ROI

- Risk Mitigation – risks and unknowns associated with each project may be very different and should be factored in the prioritization process for better planning

Alignment – A Single IT System of Record

Are we doing the right things? Is what we are doing going to produce the best value for the organization?

These are fairly basic questions, but answering them with confidence requires IT to take several steps toward creating a single IT system of record.

First, take an inventory of all current projects and applications. After taking a project inventory, companies often discover they are working on twice the number of projects they thought were in their project inventory. Then, create a standardized business case for project requests -- developing consistent metrics for expected value, cost, and risk allows an apples-to-apples comparison.

Finally, understand business objectives: know the organization's priorities, how they are measured and how those projects contribute to those objectives.

Value

Is enabling a new proposed service more important than any of the projects we are already doing? What would be the impact of merging with Company Y. What do we have to put on the back burner to get that done?

Effective IT governance requires that IT leaders look for great ideas and quickly assess how these ideas score against what is already on the plate and on the waiting list. This needs to be done in partnership with the business.

A simple stage-gate approach supported by a PPM solution is critical to implementing a standard process with established review and approval steps to filter out ideas that may be good, but do not match the objectives of the business.

Then the fun begins -- sorting out where in the stack of priorities a new proposal belongs based on priority, budget, and resource availability.

Resource Optimization

Do we have the resources with the right skills to get this project done? When will they be available? What kind of people do we need to hire based on future plans? Should we outsource part of a project? In the end it all boils down to people - getting and keeping the right people, and focusing them on the projects that allow them to make the best use of their time and have the biggest impact on the business.

PPM provides a clear understanding of where time is actually spent. Think of the typical scenario in which somebody from a business unit complains that IT is not doing enough for that particular business unit.

That conversation will take a dramatically different tone when IT is able to show a PPM dashboard based on real-time data illustrating what percentage of allotted IT resources are spent on repair/fix projects, versus projects that actually drive value to the organization.

Risk Mitigation

Great idea, but do we have the infrastructure to pull it off? We can build it, but will they come? How reliable is the new vendor we need for this project?

Two projects may have the same potential value and both may be well-aligned with business objectives, but the risks and unknowns associated with each may be very different and should be factored in the prioritization process and made clearly visible to the stakeholders. It is also important to plan for the potential risks involved in a project and have a mitigation plan ready.

Then there are the operational risks: monitoring the execution of the project to ensure that it is on schedule, making sure that all planned resources are still available and not impacted by delays in other projects; tracking spending against budget; and closely managing requests for scope change.

Finally, the part nobody wants to talk about: did the project actually produce the value to the business that was expected? This is the ultimate risk from a business perspective, and tracking it results in much better future business cases and planning.

IT Governance for Business Value and Compliance

Lots of companies have successfully implemented IT governance strategies without overwhelming the people involved or bringing IT to a standstill.

Moreover, it's possible to both ensure that IT produces the best value for the business and that IT meets internal and regulatory compliance requirements. By making Project Portfolio Management a key element of your IT governance strategy you will provide the right level of visibility and processes for managing the IT portfolio, its resources, and risks.

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