

Project Portfolio Management(PPM) in a digital world

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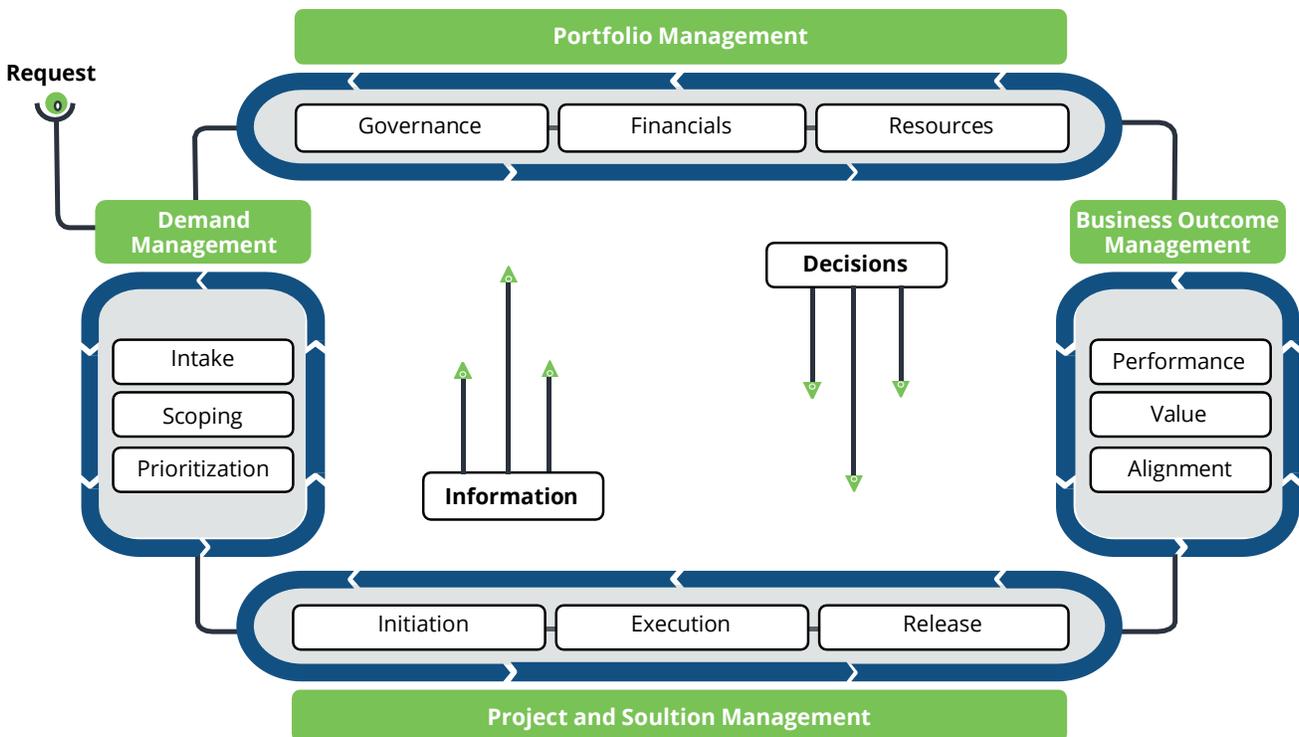
The observation that “every business is a technology business” is today almost a statement of the obvious. Nevertheless, the impact of the digital revolution on every aspect of the modern organization has been substantial. Perhaps one of most profound shifts has been the blurring of boundaries between the technology function and those areas traditionally considered more central to “the business,” such as strategy and operations. This change has pushed chief information Officers (CIOs), as well as business executives, out of their respective silos, forcing them to broaden their skills, capabilities, and understanding, as well as those of the teams they oversee.

PPM’s digital evolution

Project Portfolio Management (PPM), like most other disciplines, has evolved as a result of the new digital reality. Today it can be seen as comprising four core capabilities (figure 1).

- Portfolio management: Continuously managing the overall portfolio and periodically reassessing and governing the portfolio
- Demand management: Collecting, evaluating, prioritizing, and approving demand, as well as winnowing out nonaligned project or solution ideas
- Project/solution management: Monitoring and controlling project and product progress, as well as resources, risks, issues, financials, scope, and quality
- Business outcome management: Measuring the outcomes of project and solution delivery and comparing those outcomes to the business case promises made in the demand management cycle. Often disregarded or performed poorly or as an afterthought, business outcome management is arguably the most important capability within the PPM framework

Figure 1. Core capabilities for PPM



The blurring of business and technology has had particular significance for PPM, affecting it in some critical ways.

It's not just about IT anymore

While PPM began as a set of tools and approaches in support of the IT organization, business executives, under pressure to deliver results in a more agile and seamless manner, realized that many of PPM's methods could be applied more broadly across the enterprise. As a result, PPM's popularity has grown and it is now used to improve governance in areas as diverse as capital projects, research and development (R&D) efforts, post-merger and acquisition (M&A) integrations, and even Six Sigma initiatives within plants and factories.

Some organizations are even establishing PPM solutions to govern the enterprise portfolio, tasking Enterprise Portfolio Management Offices (EPMOs) with providing governance and visibility into work being conducted across the entire enterprise. EPMOs or their equivalents have adopted PPM tools to establish organization-wide standards and reporting, allowing executives to view the real-time status of a wide range of work activities at both the enterprise and functional level.

The EPMO is essentially an elevation of PPM to a strategic position within the organizational structure that focuses on investment strategy alignment and business outcome performance. The EPMO typically reports to the COO or CFO to ensure alignment of overall business strategy with portfolio investment strategy. As the EPMO takes on greater strategic importance, there is a move from a centralized model to a federated one, as well as movement from a command-and-control model toward a service-based model. In the first case, portfolio rollup continues to be important. In the latter case, the knowledge, skills, and abilities of the EPMO staff are aligned to support the strategic service focus.

It's not only about being on time or on budget, it's about business outcomes

The move toward PPM at the enterprise level shows just how the growing proximity of IT and the business leads to cross-fertilization of valuable practices, with the business adopting and adapting PPM tools and approaches developed primarily within IT. Likewise, PPM is shifting how it measures success, taking a page from the business side to go beyond merely tracking on-time or on-budget delivery and instead focusing on business outcomes. Achieving business outcomes is the result of maximizing performance, value, and alignment.

- Performance: Realizing stakeholders' expectations through the reliable, cost-effective delivery of project solutions
- Value: Attaining a quantitative and qualitative return on an organization's project investment

- Alignment: Demonstrating how the investment, and the resulting product or service, supports the strategy and capabilities required for the enterprise to operate and thrive

It is important not to confuse project performance indicators (for example, delivering a project on time, on budget) with business outcomes. Performance is just one dimension of business outcomes. Tying the definition of success to value creation and strategy alignment is relatively new for traditional PPM, but it is fast becoming the norm.

Portfolios are about more than projects

What, exactly, do we mean when we talk about a portfolio? In fact, thinking in terms of a portfolio of projects is fast becoming too restrictive and needs to be reframed. What PPM is increasingly overseeing is multiple ways of delivering and managing work. In other words, rather than envisioning its remit as a series of projects delivered independently over time, each with a beginning and an end, PPM has started to think in terms of products for which solutions are continually delivered to modify and enhance the product over time. Nevertheless, not every workstream is a product or business solution, so PPM needs to be able to adapt to different types of work: A portfolio can, and should, include projects, products, services, and any other investment that realizes business outcomes and generates organizational value.

Agile delivery is becoming the norm

Perhaps one of the biggest impacts of digitization is the increase in expectations regarding the speed at which things get done—whether it's closing the books or delivering a new product. This in turn has put pressure on organizations to find new ways of working more efficiently and effectively. When it comes to delivery speed, it's the business that is looking to PPM for ideas.

Traditionally, PPM organizations used a waterfall, or, sequential approach to executing projects, with business involvement occurring at the project's outset for requirements-gathering and at the end, during testing and rollout. But as IT and the business have become more closely intertwined, this started to change. Using agile methods and cross-functional teams, PPM began turning to a more iterative approach focused on fine-tuning its deliverables to the needs of the business.

With the success of agile in delivering projects more rapidly and more in line with customer needs, business executives have taken note. We are increasingly seeing the use of agile methods outside of IT, particularly where there is a benefit to understanding the user or customer experience and continually improving the product. Despite the emphasis on agile, other forms of delivering work are not going away. Organizations need to be able to operate in multiple modes—waterfall, agile, and hybrid formats—in order to accommodate different situations.

Looking ahead: PPM of the future

Like other disciplines, digital forces are changing the nature of PPM and forcing it to adapt. Understanding and planning for these digital forces and trends is critical to ensuring PPM continues to deliver business value. As digital continues to affect PPM, newly emerging trends that are likely to grow and expand include the use of robotic process automation (RPA) and the changing nature of work.

RPA uses software robots (also known as bots) to automate processes otherwise performed by a human. These processes can either be initiated by a human or by some other process trigger with human involvement. This technology promises to radically change how PPM professionals perform their responsibilities and interact with the technology solution. Additionally, further automation of PPM processes through artificial intelligence (AI) will continue to change the roles and work performed in PPM. For example, we may see automatic monitoring of project status and sprint velocity to identify potential slippage or other issues. AI applications might also include automated review of software code for quality prior to closing sprint development cycles or automated measurement of business outcomes post-project and solution delivery.

As digital and other factors change the nature of work, the workforce, and the workplace, organizations are focusing on managing their talent while striving for operational excellence and continuous innovation. This means maintaining an appropriate talent pool with the right skills and capacity to deliver the technology vision and agenda, as well as developing leaders of the future. In order to deliver on their priorities, leaders must not only strategically develop their talent but also leverage partners. This will continue to lead to

closer interactions with partners, vendors, and sometimes even competitors, with the goal of achieving joint value creation. Digital disruption has resulted in profound changes to organizations and continues to do so. As the disciplines of technology and business have become more closely interconnected, each has profited from the practices and priorities of the other. Businesses are learning from agile methods that have roots in technology and PPM, while PPM has shifted its focus to business outcomes. The movement to execute PPM across organizations consistently and simply, however, is not changing. Neither is the core question "Am I doing the right things?" What is changing is the question "Am I doing the right things right?" As PPM continues its course in the digital age, mastering new technologies and ways of working will be central to answering that latter question in the affirmative.

