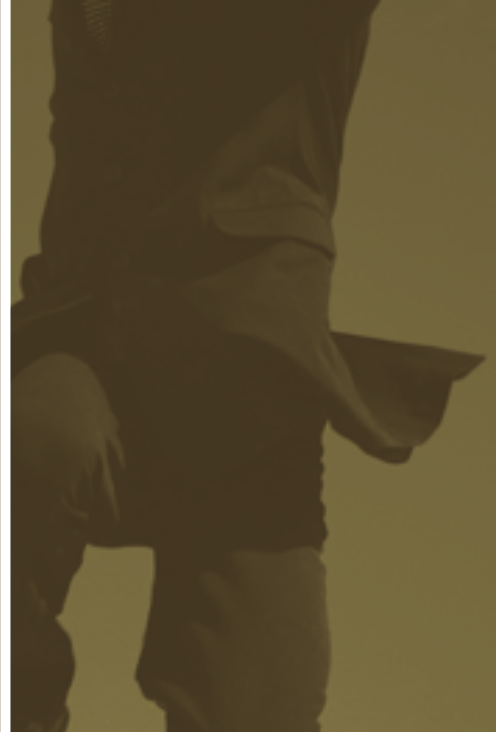


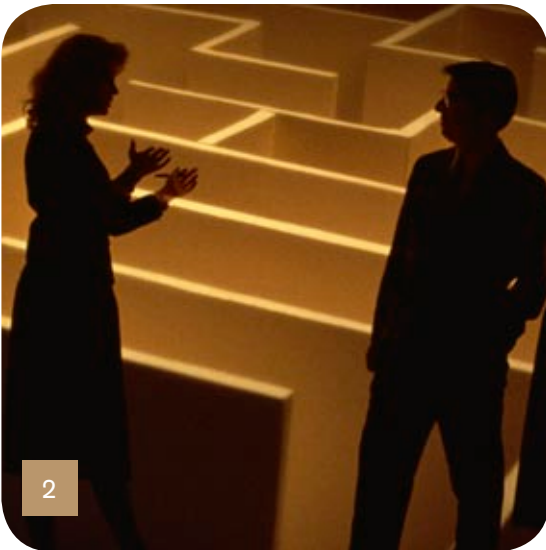
Mastering Project Portfolio Management



an **internet.com** Project Management eBook

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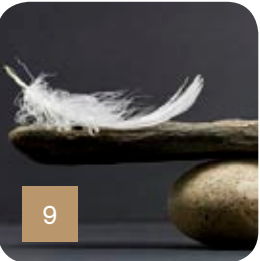
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This content was adapted from Internet.com's Project Manager Planet and CIO Update Web sites. Contributors: Jeff Monteforte and Lisa Erickson-Harris

How to Sell PPM to Your Company

By Jeff Monteforte

Have you ever heard your CEO or CFO complain about the high cost of IT in your company? Are you frustrated by the fact that your company executives make every project a No.1 priority?

Well, you're not alone. In a survey of more than 250 CIOs, nearly half (48 percent) said that the most frustrating aspects of their job can be attributed to three items:

1. Planning IT's direction without a clear business strategy
2. Attempting to set priorities (again related to the lack of a clear business strategy)
3. Overcoming imposed budget constraints (without—you got it—a clear business strategy).

Being a CIO and trying to manage a company's information technology without knowing where the company wants to go is like walking through a maze while wearing a blindfold. You never quite know if you're on the right route and you turn down several pathways that end up taking you in the wrong direction.

Turning It Around

Fixing the rift between IT and the rest of the company cannot be accomplished without the participation of your executives and business unit heads. The discipline of IT Project Portfolio Management (PPM) is the best IT governance practice to begin building the necessary bridges that enable business/IT alignment.

Portfolio management includes the critical ingredients necessary to overcome the perceptions that plague IT organizations. It does this by getting business units more involved in the IT investment planning and decision-making process and

provides the forum for improving communications with the CEO and other business unit heads.

Fish On

So, you've already done your homework and you are convinced that PPM is the way to go, but your CEO and business executives are skeptical and you just can't seem to get the buy-in that you need to move this initiative forward.

What do you do?

First, you need to keep in mind that every person, including your CEO, CFO, or business unit executive, has some form of buyer's resistance. The good news is that this resistance can be overcome and converted into passionate support if you follow this proven method.

When introducing the idea of PPM your objective needs to be two-fold: to overcome their resistance while persuading them to take action.

To do this you'll need a results-oriented approach that addresses the biggest objections to be effective.

The following five-step "sales" approach is designed to overcome each of the major objections in a careful and methodical manner while guiding your executive to the conclusion that PPM is the right solution, right now. The five steps are:

1. Identify the problem (both spoken and unspoken)
2. Provide the solution
3. Show the benefits
4. Make a call to action
5. Close with a warning



Step 1: Identify the Problem

Your first step is to gain the executives' interest by spelling out the problem from their point of view. Your CEO should say to himself, "That's exactly how I feel" when he hears your idea.

The more you can elaborate on the problem the better. You want to present the problem with so much insight that your CEO really feels the pain.

My experience has shown me that business executives consistently have similar concerns. Use the following list as a starting point for identifying the concerns of an executive.

In general, executives perceive that the company...

- Demand for IT projects greatly exceeds IT capacity
- Has strained relationships between business unit heads and IT due to a lack of clarity, common expectations and accountability
- Struggles with prioritizing and justifying IT projects
- Has duplicate projects going on in different parts of the organization causing overlap and waste
- Is frequently redeploying IT resources (which causes further delays)
- Feels that IT projects need to be better aligned with the company's business objectives.

Step 2: Provide the Solution

Now that you've built interest by making them feel pain, it's time to provide the solution. This is the part of the conversation where you boldly stake the claim that PPM can solve the problem.

In each discussion, highlight the powerful impact that PPM can make and use your company's business language when describing this.

Without going into too much detail, share the basic inter-workings of a portfolio management evaluation process. Stress that this discipline ensures incremental investment using a stage-gate project evaluation process.

A stage-gate process has a great deal of appeal to management, because it ensures progressive commitment of funds and resources by restricting investment in the next stage until management is comfortable with the outcome of the current stage.

Step 3: Show the Benefits

In this step you tell your CEO how the company will benefit from PPM.

Keep in mind that you should always look for ways to personalize this message, such as "This will get Charlie off your back every month when he complains that he's not getting his financial planning software."

Whether it's your CEO or the boy in the mailroom, people are not interested in you or your solution as much as they are interested in what it will do for them. The benefits are many, so here are a few that consistently get the attention of executives.

Project portfolio management:

- allows you to repurpose 10 to 30 percent of your discretionary IT funds
- ensures that the highest priority projects get IT resources first
- provides visibility and accountability to the project approval process
- gets business executive management and IT management to speak the same language, share risk, and collaborate in the investment decision-making process
- builds much-needed trust and respect between business units and the IT department
- encourages business leaders to think like a team.

Step 4: Make a Call to Action

Your call-to-action must be action-oriented and explicit. Use phrases such as, "I need you to introduce this process at your next staff meeting" or "To ensure this works, I'm going to need a senior resource from your department. I think Carol would be perfect, but who do you think is right that you can dedicate to this effort?"

The first group that needs to be established is an IT Investment Board comprised of the CEO, CFO, and business unit heads. You'll need your CEO's approval and support for this, so make this your first call to action.

Step 5: Close with a Warning

A good "sales pitch" continues to build emotion right up to the end. The best way to do this is to remind your CEO that "nothing changes, if nothing changes." Paint the picture of what happens if he or she doesn't take advantage of your solution. Remind them just how unpleasant the current state is and that it doesn't have to remain that way.

Again, try to personalize your statements so that the picture you paint appears very graphic in the head of your executive, because you're stirring his emotions and causing his subconscious to say, "I want to change that."

Getting PPM accepted by your executives isn't an impossible task, but it does require a well-thought, well-executed process. Take this five-step approach and make it your own. Customize and personalize the problems and benefits to match your company's specific situation, as well as the audience that you're talking to.

Start the "sales" process by having individual, one-on-one conversations with the key influencers of your organization.

Once you address each person's issues you can expect their support and influence when you present the idea to the entire executive group.

Not only will this make the "big" meeting anti-climatic, but you'll be pleasantly surprised by the positive dialogue that occurs between the executives. ■

Using PPM to Manage Risk

By Lisa Erickson-Harris

It is undeniable that the economy is struggling, and as IT professionals -- key players in the overall business team -- it is important to contribute to the larger picture of the business where sacrifices are being made. Scrutinizing IT investments is one very smart way to operate IT as a business within a business. Project and portfolio management (PPM) solutions and supporting processes are definitely a part of this picture.

When the economy and business climate is tumultuous, businesses need to stay focused. PPM can help to bring that focus to IT and provide the visibility and insight needed to keep important projects and initiatives on track. Without effective project management, many efforts start out in good stead, but fall inevitably to the wayside when a more pressing priorities come along. But a project management program pretty much eliminates excuses as long as the people running the program bring on board all the key stakeholders. Projects get done, efficiencies are created, and innovation plans put into place. In short, PPM helps IT sharpen its priorities and get the job done.

In its simplest of forms, PPM provides visibility for tracking and managing new and existing projects within an organization. It mitigates heavy demands on staff resources with projects and initiatives that compete for the same budget dollars. It's an easy topic to grasp if you merely look at the basic functionality required to manage projects. This "basic" functionality includes projects, schedules, resources allocated, status, and actual versus project budget allocations. PPM tools provide all of these capabilities, but they can do much more. If used well, they can be a CIO's best friend for keeping IT on track with business objectives.

Tools and Solutions

Mature PPM solutions include decision support capabilities, financial tracking and linkages to other IT planning and management tools. Many slices of information are available for the CIO. For instance, with evolved solutions, he or she can get a look at how the IT organization is performing financially, by division, by strategic objective, and by schedule, along with many other criteria. PPM can specifically help with the follow decision categories that are so commonplace for IT executives:



Resource Utilization: Provide a view of how any given resource or group of resources are being used in the environment. This information can be compared with changes in company direction to determine whether or not those resources are being used to the best "value" in the organization in a given timeframe. You can paint what-if scenarios to view the trade-offs of varying project and resource decisions.

Executive Analytics: Visualization tools within PPM solutions make them particularly useful for sharing status and project intersection points with business executives. You can capture timelines, resource shortages, and trade-offs in making one decision versus another when it comes to IT investments. PPM offers a visual tool for executive staff to review resource needs, project health and status.

Risk Mitigation: Mature PPM solutions enable decision-makers to assess risk factors and determine whether or not a project can succeed in its own right and what, if any, are the implications of its failure or success on other important projects in the enterprise.

Quantifiable Metrics for Performance: These metrics are only useful when they are tracked and monitored by a PPM system. Ideally, these metrics will be presented in an automated fashion and demonstrate obvious successes and shortcomings.

Staffing Evaluations: Staffing evaluations demonstrate which IT professionals are able to meet their objectives on time and within budget. Needless to say, this information is not only helpful in ensuring the success of a given project, but can be very valuable when it comes time to do staff reviews.

Vendor Landscape

Enterprise Management Associates has identified more than 30 vendors with PPM offerings. Some of the more active vendors include CA, BMC Software, Compuware, Daptiv, HP, IBM, Innotas, PlanView, Serena, Oracle, and SAP. Products can be purchased using a full license distribution model or, from a handful of the vendors, via software as a service (SaaS).

In the future, PPM will need to integrate with a host of enterprise-class management products. For instance, “service portfolios” represent some or all of the active services available to internal and/or external consumers. But there needs to be a way of representing services in development, and those transitioning into full production environments, to support provisioning, and a host of other operational activities.

Similarly, the properties of resources needed for projects are increasingly being stored in configuration management databases (CMDBs) and the configuration management system (CMS) as defined by the IT Infrastructure Library (ITIL). Herein lies the connection for PPM and more advanced capacity and financial planning, as well as a dotted line to best practices initiatives such as ITIL. Many other management domains will follow a similar logical thread. ■

Making the IT Project Business Case

By Jeff Monteforte

Maybe the most essential component an IT Project Portfolio Management (PPM) practice is the project business case. It is with a business case that the various project ideas can be compared in an apples-to-apples fashion.

Business cases should also be leveraged to support decisions of whether to build or buy a system or product and when to implement it. The first step for most companies is to develop an enterprise-standard business case template that can be used to compare project ideas across all business units and regions.

While a business case provides financial justification for an IT investment decision, it must also evaluate the project idea on other perspectives important to your company. For instance, how does the requested IT project align with your corporate goals or how does the proposed project comply with your company's defined technical architecture?

The development of the business case is itself a "mini-project" and should be governed by the same investment justification process as the "real project." There should be a defined schedule and budget for creation of the business case.

Ideally the business case development process follows a spiral, incremental, and iterative process. There is a significant cost in increasing the quality and reducing the uncertainty (variance) of the benefit and cost metrics for each alternative scenario investigated. This business case development cost needs to be justified against the potential benefits of improving the decision making process.

Making the Case

All experts agree that a successful business case must be correct, unbiased, clear, and efficient. That being said, here are some proven, pragmatic techniques to building a successful business case:

Correctness: Include all meaningful costs (including non-IT business personnel expense) and all meaningful benefits, such as increased revenue, new hire avoidance, or increased throughput.



Be sure to validate all numbers against the best available data sources and any uncertainty and variances in estimated values should be consistently captured and reported. Provide a dedicated section to intangible factors and present and analyze these benefits consistently.

Unbiased: All meaningful alternatives (such as build vs. buy options) should be analyzed and presented in a constant fashion.

If there are political concerns (and usually there are) or there is an obvious organizational comfort with a certain development technology or an approach, these biases, strengths and experiences should be presented.

Clarity: The business case must be easily understood by all project stakeholders including project sponsors, project managers, process owners, and subject matter experts.

Many times the financial analysis of alternatives appear complex to the non-financial stakeholder. Likewise, there is significant complexity in understanding the underlying technology of any large systems investment.

This complexity must be managed and presented in the business case with carefully defined terms, approaches, and results. When in doubt, write to the level of an eighth grader and use business terms while minimizing technical terms.

Efficiency: You can expect reasonable cost in developing a comprehensive and valid business case, but the entire process should be designed to effectively manage the costs of developing the case.

Three keys to efficient business case development are:

- Drive efficiencies with common processes, tools, and appropriately trained and dedicated resources
- Fund business case development (as well as the overall project) in an incremental and iterative manner. Define checkpoints and tollgates for the project that enable sponsor review and redirection of effort and expenses.
- Minimize the calculated financial metrics to those most important to the organization. Recognize which benefits and costs drive the financial model and focus efforts on clarifying these critical cost or benefit drivers.

A Formula for Success

I've made the case that for an effective and convincing business case the benefits and costs should be credible, unbiased, and presented in a format that follows financial, accounting, and statistical standards.

Political and human behavioral aspects of the business case creation are just as important as the technical merits of the business case. While there are many ways to build a project business case, following is a summary of the most effective industry practices:

Apply ROI Analysis to "Large" Projects

ROI analyses should only be done for the large, strategic IT projects — those over a certain dollar amount, certain number of required resource hours, or requiring capital expenditures. In general, the top 10 to 20 percent of all IT projects will represent 80 to 90 percent of the entire discretionary IT budget.

The Business Owns the Benefits

While the project management documentation for capturing all the aspects of an IT project is the responsibility of IT, calculating the ROI for technology projects isn't an IT-only endeavor. The business users should gather the data and work on defining the benefits associated to the project being measured.

Use Multiple Metrics

It is more pragmatic and appropriate to use a simpler ROI measure, such as payback period on IT projects under a certain dollar amount (e.g., \$50,000) and a more rigorous measure, such as net present value in addition to payback period on the large IT projects (e.g., over \$50,000).

This approach to applying ROI scrutiny will help keep the IT project pipeline full and avoid an elongated "benefits analysis" phase on projects that can be implemented quickly (e.g., less than 12 man-months).

Partner with Finance

If the financial measurements attached to an IT project are to be accepted throughout the company, then an authoritative representative from the finance department needs to support the method, as well as the ROI calculation. The IT and business staffers responsible for calculating the ROI metrics need to work closely with the financial organization to achieve the needed support from Finance.

Pragmatic Measurement

If it takes more than a few of weeks to evaluate a project, then the method is too complex. If an investment of 20 to 40 hours from IT and 20 to 40 hours from the business community can not produce a viable ROI analysis then the process needs to be simplified.

Ultimately, the value and the success of a project business case is driven from following an efficient and effective process, ensuring the data is "right" and from making it an inclusive process that involves the sponsoring business and finance personnel.

The final component of success is a clear, crisp presentation that communicates to decision makers an understanding of the range of potential alternatives along with associated benefits, costs and risks of each alternative. If done correctly, the project business case will speak for itself. ■

Rationalizing Software with PPM

By Jeff Monteforte

Traditionally, project portfolio management (PPM) is targeted at directing the demand for requested projects that enable new business services and capabilities. While the management of this investment is critical, because it represents the most significant opportunity for business value, it typically only accounts for about 25 percent of the total IT budget.

The remaining 75 percent of the budget is consumed by operational activities required to maintain existing IT assets that support operations. These operational activities come in a variety of flavors that include maintaining infrastructure, fielding help desk calls, performing bug fixes, etc.

While all of this operational demand should be organized, controlled, and managed within an overall portfolio management strategy, the operational demand I want to focus on in this article is effort required to maintain your business system software.

Software applications, like all IT assets, have their own unique lifecycle, from implementation, to upgrades, to retirement. A full lifecycle approach should be employed to manage software assets in an effort to deliver maximum business value from investments being made on the application.

Evaluating Your Portfolio

If you are familiar with the core concept of PPM then you're well aware there are two fundamental components required to launch any PPM practice: 1) establishing a single repository encompassing all the assets that you want to manage (e.g., software), and 2) having a non-biased and

consistent approach to evaluating each asset and determining its disposition.

Once you determine that rationalizing your software portfolio is necessary and you have executive management's support for such an effort, then I recommend the following six steps:

Understand Business Needs:

Business needs are capabilities that must be provided by the system(s). These requirements are often expressed as business or operational activities that must be supported by the system. A good understanding of the business area's workflow must be developed as part of the business needs definition activity.

Map to Your Technical Architectural Direction:

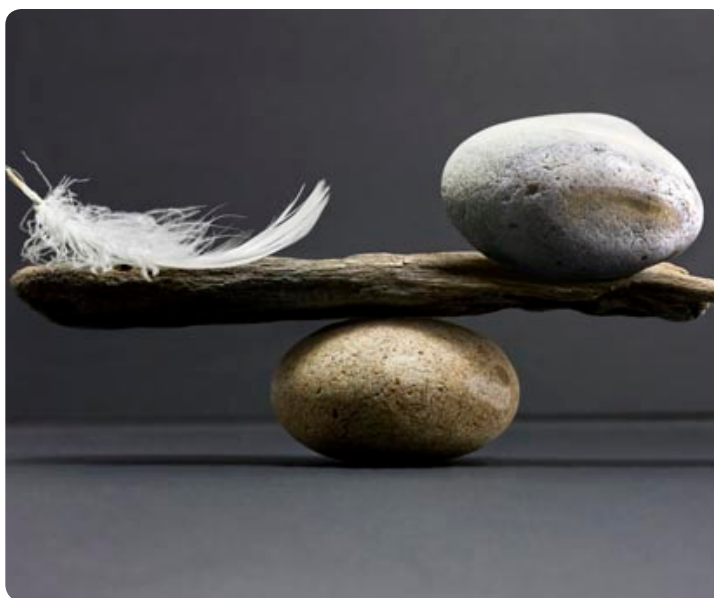
Having a technical architectural blueprint and direction is critical to successful software evaluation and understanding the technical architectural target is required to enable migration from one application to another.

As systems evolve, they must move toward the desired technical environment that best fits the organization and its skill set.

Legacy System and Application Portfolio Analysis:

I like to define the borders of individual software portfolios by grouping the applications needed to satisfy the business needs of a specified business area.

Each of these applications can then be evaluated in a one-by-one fashion within the context of business value (support of the business needs) and technical quality (compliance to the target architecture). The evaluation approach should be consistent whether you're using if for vendor purchased software or custom software.



Each application can be evaluated and charted using the following criteria:

Ability to Support Business	Technical Quality	Recommended Disposition
Low	Low	Replace
Low	High	Redesign
High	High	Maintain
High	Low	Re-engineer

Define the Software Modernization Strategy: After the applications portfolio has been completely evaluated, each replace, redesign, and re-engineer project needs to be prioritized and sequenced such that the envisioned business and technical environments are constructed. These initiatives are then placed on a high-level timeline to illustrate sequencing, interdependence and estimated delivery timeframes.

Estimates Resources: Once the system's evolution plan and migration path is determined, the resources required to execute the plan must be estimated. These estimates, like all estimates in this high-level plan, are high-level, order-of-magnitude approximations.

Resource estimates should be made in four primary categories:

1. Internal IT human resources
2. External IT human resources
3. Business unit human resources
4. Capital expenditures (i.e., hardware and software).

An important item to emphasize is that all estimates (e.g., human resource and capital) need to be presented as simple financial approximations for budgetary planning purposes.

An enormous mistake I consistently witness is the desire for IT personnel to provide estimates that imply a certain degree of exactness, which is impossible to approximate at this early stage.

For example, I see human resource estimates in the form of 7.125 FTEs and capital expenses represented as \$25,927.63. The presence of decimals and fractions send the message of "thorough analysis" and "well-thought-out estimates" to business executives. This form of estimating provides no added value at this phase of planning, but makes revising the estimates after true analysis a difficult and painful task.

Construct "Evolution Program" and Strategy Document:

A final step in the systems evolution planning process is to bring all the pieces of information together into a structured strategy document that describes a comprehensive execution approach that manages all the individually identified projects as a coordinated program.

Keep in mind that beginning a software portfolio management practice is similar to establishing any kind of portfolio management discipline. It's a 20 percent effort working out the nuts and bolts methodology and 80 percent managing the perception and organization change. ■

Using PPM to Align IT

By Jeff Monteforte

I first became involved with trying to “align IT with the business” more than 10 years ago. I was working for a CIO at a major national bank and his top priority was illustrating to the CEO and other bank executives that IT was working on those things the business wanted and that he wasn’t squandering any valuable resources.

This was understandable at the time, since the IT budget was approximately \$200 million and the bank was going through another cycle of cost cutting. Unfortunately, aligning IT to business wasn’t easy. In fact, at the time, I didn’t even know exactly what that meant. Did alignment apply only to the projects we were working on or was it something more?

IT alignment, although it has taken on several different names today, remains on the lips of most IT executives. A simple Google search on “IT Alignment” delivered more than 48 million links.

Today my definition of business/IT alignment is quite straightforward: “Business/IT alignment is the effective and efficient use of IT investments and assets in executing business strategies and achieving business goals.”

Achieving the highest level of alignment requires a trusted relationship between IT and the business, where the function of IT and other business functions adapt their strategies together. Achieving alignment is evolutionary, dynamic, and ongoing.

Sustaining business/IT alignment requires strong support from senior management, a thorough understanding of the business and technical environments, transparent decision-making, good working relationships at multiple levels of the

organization, strong leadership, appropriate prioritization, and last but definitely not least, effective communication.

Similar to the confusion of trying to define business/IT alignment is attempting to define the scope of alignment activities. Many clients initially define the focus of alignment as the project work produced by the IT department. Some of my clients who implement project portfolio management (PPM) define the scope of alignment to include not only the project work, but the resources required by the project work.



While this is often a very good place to begin your alignment efforts, it is not the complete extent of all areas required for a mature and successful alignment of business and IT. Keep in mind the typical company spends more than 75 percent of its IT budget on non-discretionary, “run-the-business” activities, such as application support, operations, and help desk activities.

A singular focus on project work limits your alignment activities to only the discretionary investment spending and thus, on less than 25 percent of all the IT activities occurring.

While PPM enables the alignment of IT projects and new investments with the business goals, it is extending these disciplines across the entire IT portfolio to enable complete business/IT alignment. To clear up any confusion, let’s again take a moment to define the complete IT portfolio.

Similar to a personal financial portfolio, the IT portfolio is comprised of two major sections:

- **Section one:** new investments (these are the discretionary projects that I referred to above).

- **Section two:** existing assets (these include the sub portfolios of hardware, software, and data that reside in your company's production IT environment, as well as the governance processes that manage the IT department and human resources).

Now that your concept of the IT portfolio is broadened, you should be asking, "What portfolio disciplines do I need to concentrate on to improve alignment with the business?" Excellent question, even if I say so myself!

While the disciplines required to manage the various sections and sub-portfolios of the overall IT portfolio are similar, it is a specific sub-set of these activities that are continually used to create and sustain alignment with business objectives.

Regardless of which sub-portfolio you are managing, the portfolio of management disciplines that you must leverage for alignment include:

- Relationship Management
- Opportunity Identification
- Enterprise Architecture Enforcement
- Resource Management
- External IT Oversight
- Prioritization

Relationship Management

The first step in "aligning IT with the business" and ensuring that IT is delivering value is to identify and understand what has value to the company. The secret to understanding this is hidden in your company's business strategies. In other words, the desired value is embedded in the objectives that senior business managers are charged with achieving.

These objectives may come in many forms, including increasing revenue, retaining customers, growing market share, cutting waste, or improving quality. Whatever the objectives are, be aware that in today's business climate, they are frequently not written down and are usually dependent on IT.

Thus, to begin the process of aligning IT to the business, the CIO needs to get the following question answered: "What is this senior business manager really trying to accomplish?" Enter the IT Relationship Manager.

Relationship managers (RMs) are responsible for providing the interface between the IT organization and the strategic business units (SBUs). In doing so, they have a critical role in planning the deployment of IT resources and assets, appropriately identifying new IT solutions, and in the communications of both limitations and capabilities of the IT organization.

Opportunity Identification

OK, let's assume the RM role has a well established track record in your company. At this point, the RM function enables project portfolio analysis, which includes measuring progress and communications control.

IT is beginning to be looked upon by the business as a trusted partner with business leadership in proactively assessing new opportunities. Likewise, the proof that IT planning is in harmony with business needs starts to become evident. Business/IT alignment is progressing from the top down and the interface between IT and the business becomes blurred as projects and activities become joint efforts.

In essence, the RM extends the eyes and ears of the CIO throughout the organization. He or she ensures that the CIO and IT organization never get surprised by what the business is planning. With RMs performing this function, IT can be involved in business decisions that will affect IT before positions become deep-rooted.

RMs can also ensure that business leaders are making informed decisions about the total costs and risks of business initiatives, as well as getting business leaders to explicitly link the requested IT project to the previously discussed business objectives. This is an essential mechanism for evaluating the alignment of IT projects to business goals.

Enterprise Architecture Enforcement

Ensuring the compliance of individual projects with a company's enterprise technical architecture is IT's essential component of business/IT alignment (and project portfolio management for that matter).

As part of the business case analysis within PPM, a structured architecture compliance review should be performed that evaluates the compliance of anticipated technical components and measures the potential impacts of proposed IT projects against a company's defined technical architecture.

When designed correctly, a company's technical architecture provides the blueprint for the appropriate information technologies required to support the current business requirements, as well as the anticipated capabilities identified in business strategies.

Thus, when IT continually deploys engineered solutions based on the technical blueprint, it is deploying solutions that align with business strategies. There's that magic word again: align. Stated differently, ensuring solutions are engineered for IT architectural compliance helps ensure the alignment of IT

projects with known and planned for business objectives. An architectural compliance review is typically targeted for a point in time when high-level business requirements are reasonably understood and the basic direction of the project's architecture is taking shape, but before the project's official kick-off.

The aim is to hold the review as soon as practical, at a stage when there is ample time to identify and correct any major errors or shortcomings. For those interested, my definition of "compliant" is when 80 percent or more of a proposed IT solution's components conform to the company's defined technical architecture specification.

Resource Management

Invariably, there will be more projects on the list than there are IT resources available. At some point, IT resources will be exhausted. What happens to projects for which there are no IT resources available?

Most companies' experience is that their IT resources, in terms of funding, technology, and people are a finite commodity and the demand for IT services is greater than the supply. While companies can (and should) maintain multiple IT project queues, each queue usually experiences a backlog of requested projects. This leads to a common opinion from business leaders that the demand model for IT services is insufficient and simply not working well.

The way in which PPM integrates resource management into the governance of projects is by aligning the IT resources with organizational priorities. It's about applying IT resources against the projects that add the highest business value and have an acceptable business risk. Fundamentally, you map the current allocation of IT resources to the business initiatives that are of the highest priority.

Illustrating the "resource pool" is an effective way to communicate the allocation of IT resources and (more importantly) to shift the discussion from the total amount of IT resources to resources that are available for investment and how best to allocate them. Hmmm, this sounds a lot like alignment to me.

External IT Oversight

To ensure alignment and to maximize IT investment dollars, critical questions should be applied to every proposed project. These questions should be asked from the perspectives of the enterprise and include:

- Have the right projects been identified?
- Is the project valuation (i.e., the business value associated with the project) reasonable?
- Is the risk associated to this project acceptable?

- Can we afford not to implement this solution?
- Is the project ranked by the criteria that are most important to the company today (e.g., revenue, expense reduction, support of high-priority objectives, or regulatory requirement)?
- Is the execution of this project satisfactory or should it be stopped?

These are business decisions, not technology decisions. In addition, they require an executive perspective, not those of IT management or end users.

Industry experience has proven that the organizational entity best equipped to make these decisions is an IT steering committee (sometimes called the IT investment council). This group of senior business executives (e.g., divisional business leaders and senior corporate executives) with a strategic business perspective is charged with guiding the strategic use of

IT within the Enterprise.

The IT steering committee deals with issues such as portfolio management, project reviews, project cancellations, architecture compliance, and other significant project governance issues.

Keep in mind that steering committees usually fail because they are focused on tactical, not strategic issues. It is the CIO's job, as steering committee chairperson, to ensure this does not occur. Moreover, the CIO needs to leverage the support of this group for communicating the alignment strategy (i.e., to explain why some projects were not selected and how they will be accommodated).

Prioritization

We've talked about the importance of being able to explicitly prioritize the IT projects throughout this article. The surprising thing is this activity may be the simplest to understand and execute. I instruct my clients to keep this activity straightforward with the following two-step approach:

- **Step 1:** To determine what is most important, ask the executives that create and execute business strategy (i.e., CEO/COO/CFOs and general managers of lines of businesses). Rank the business strategies by business value not IT value to create a stack-ranked list of what is most important.
- **Step 2:** Use the IT steering committee to gain the perspective of senior business managers on project priorities based on consistent criteria. An excellent set of criteria to begin with is support of business strategies, project risk, and value (e.g., a return-on-investment model appropriate to your company). The final list of IT projects and priorities that drive alignment will result.

The Bottom Line on Alignment

Alignment between IT and the business does not occur on its own and CIOs and senior IT managers cannot make IT “alignment” decisions. In fact, alignment must be planned and continually managed by senior business executives trying to achieve the enterprise strategy.

IT leaders must understand that alignment begins with business strategies and that business strategies frequently change. Because of this, IT must be prepared to constantly adjust to stay in step. I call this continual updating of plans “evergreen” alignment. The vehicle to accomplish this is an IT steering committee or investment council. If it is not in place, it needs to be.

After an initial alignment strategy has been defined, use organization and process to maintain alignment; PPM to govern the flow of project requests through resource allocation; and the steering committee to address enterprise-wide issues and relationship managers to address business unit issues.

These are among the most important steps CIOs can take to increase IT/business communication and planning, and maintain alignment over time.

In addition, the best management method to achieve a high-degree of alignment is to make IT transparent to business leaders. IT decision-making should always include participation from the business and should never leave your senior business management asking, “Why are we doing that?”

Specifically, business executives should not only understand, but influence the decisions around project prioritization and resource management. Again, this is best accomplished through the IT investment council. It is through this council that a steady exchange of information between the IT organization and the business can occur.

Conversely, without continuous feedback, IT activities, decisions, investments, and priorities will drift away from the business and misalignment will exist. ■