

Portfolio Management A Comparison of Two Different Companies

Challenges of Project Analysis, Selection, Reporting

Warren Krueger
Microsoft Corporation
Email: warren.krueger@microsoft.com

Portfolio Management A Comparison of Two Different Companies Challenges of Project Analysis,
Select...

Objectives

- Understand today's challenges of project analysis, selection, and portfolio reporting
- Look at how two different companies perform Portfolio Management

Objectives

State Of The State

“[Our] research reveals that firms with superior IT Governance had more than 20 percent higher profits than firms with poor governance given the same strategic objectives.”

-MIT Sloan School of Business

“3 out of 4 have little visibility into their entire project portfolio and have, at best, chaotic and non-repeatable processes in place. Often, the information being provided to management is out of sync with what was actually happening on the ground, and if the information is in sync, the issue highlighted has already been resolved – making visibility up the management chain difficult.”

-AMR Research

State Of The State

Today's Challenges

- **Top Down**
 - **Executives often “flying blind” when it comes to prioritizing projects, people and funding...too much time spent fire-fighting, rather than identifying and solving the root cause of problems**
 - **A growing mismatch between stakeholder expectations and project results...despite overall improvement in project performance**

Today's Challenges

Today's Challenges

- **Bottom Up**
 - **Too many marginal projects competing for the limited availability of skilled resources**

Today's Challenges

Project Pipeline Look Like This?



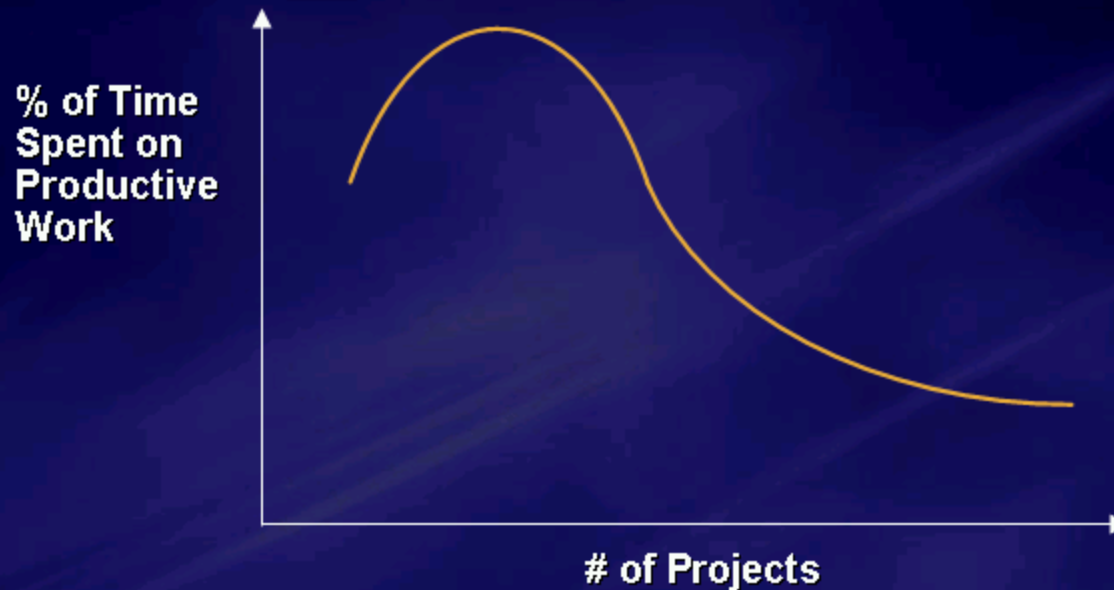
Project Pipeline Look Like This?

Typical Overload Scenario

Active Projects (formal development projects by number)	Resources Required for Completion (months)	Months to Completion (desired)	Implied Development Resource Allocation (months)		
			This year	Next year	Year after that
1	54	8	40	14	0
2	123	24	38	62	23
3	86	12	50	36	0
4	286	20	92	172	22
5	24	4	24	0	0
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26	352	36	48	150	120
27	75	9	62	13	0
28	215	30	40	80	95
29	153	18	60	93	0
30	29	3	29	0	0
All Other Support Activity (customer support, troubleshooting)	—	—	430	430	430
Total Development Requirements	—	—	2783	2956	2178
Available Resources (months)	—	—	960	960	960
Rate of Utilization (percent)	—	—	289.9	307.9	226.9

Typical Overload Scenario

Over Commitment



- **Critical Resource Shared 6 ways = Inefficiency, Frustration, and Burnout**

Over Commitment

Applying Resource to Selected Projects

- **The Two Most Common Problems**
 - **Undertaking more projects than can be completed with the available resource**
 - **Assigning critical resources to work on multiple projects concurrently**
- **Manager's Role**
 - **Must decide between taking a proactive role and help the organization build project delivery capability or continue with "Reactive Juggling"**

Applying Resource to Selected Projects

How Many Projects Were Killed Last Year?

- Many Organizations say None
- Why?
 - Projects aren't Periodically Assessed Against Business Strategy
 - Hard Decisions Take Effort
 - All Projects are "Good" Projects
 - People Hate to Admit Failure

How Many Projects Were Killed Last Year?

How About Portfolio Management?

- Every organization with projects does it
- A process to help us make decisions
 - Is the project right?
 - Is the project priority right?
 - Is the mix of projects right?

How About Portfolio Management?

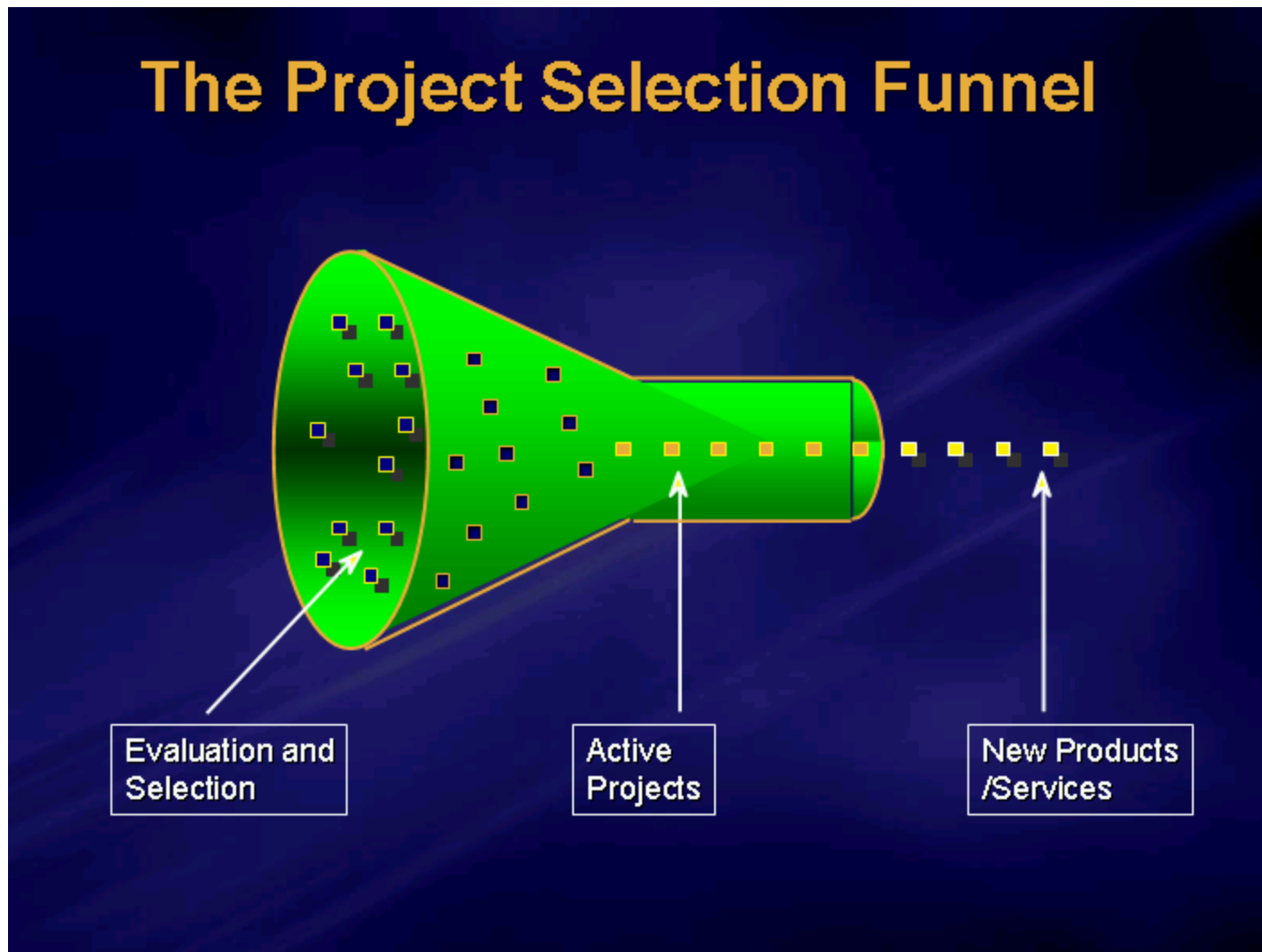
The Importance of Strategy

- Why have a strategy?
 - To make choices



The Importance of Strategy

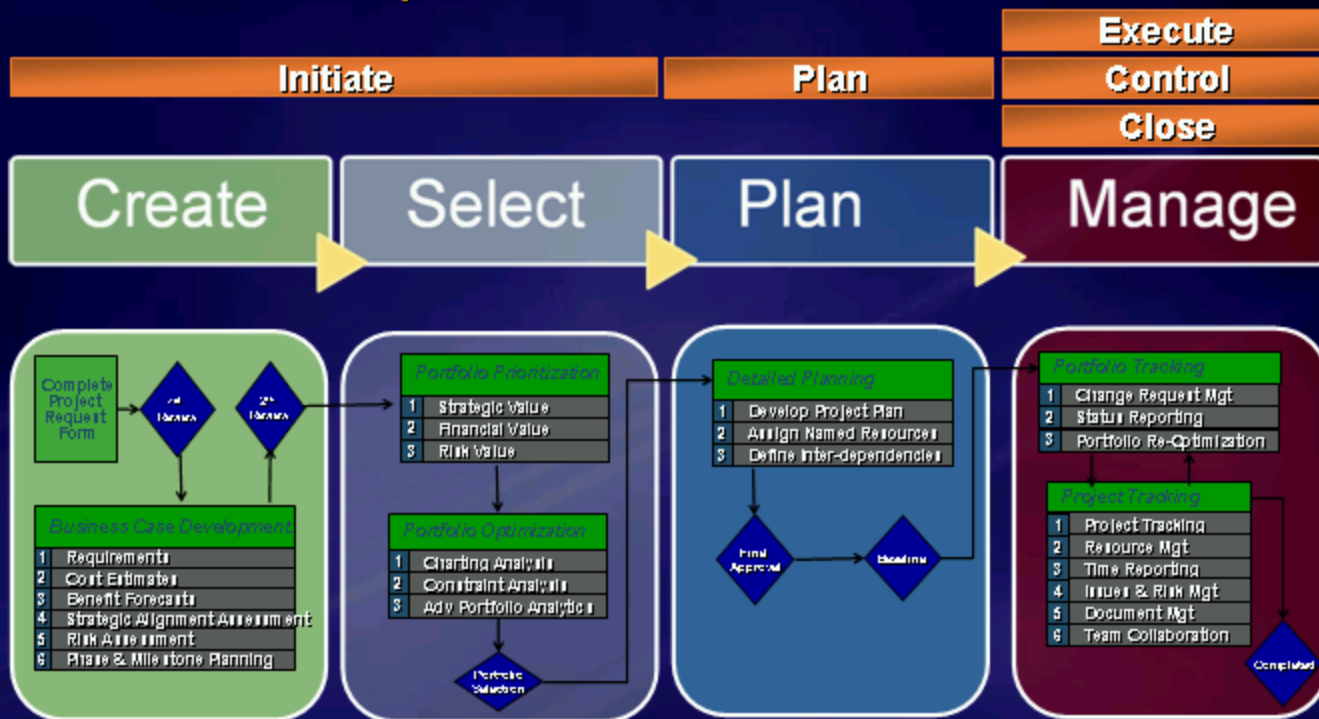
The Project Selection Funnel



The Project Selection Funnel

The Project Lifecycle

A Portfolio Perspective



- A jaded old automotive executive once quipped that a business case was just a way for the organization to rationalize spending the money it was going to spend anyway.

The Project Lifecycle A Portfolio Perspective

Project Selection Comparison

- Both have project funnel concepts

Company "A"

Traditional (Auto Supplier)

- **Select**
- **Screen**
- **Evaluate**
- **Go/No-Go**
- **Assumes**
 - Ideas match companies needs
 - Senior Mgmt. has information to make the right decisions
 - Senior Manager will Consider Resource Requirements/Capacity

Company "B"

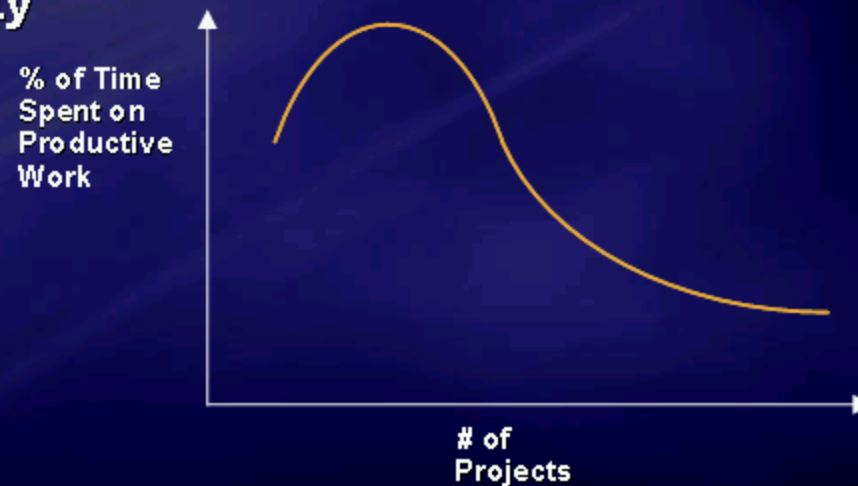
Strategy Based (Medical Devices)

- **Requires**
 - Articulation of Criteria for Correct Projects
 - Setting of Guidelines and Boundaries for Projects
 - Resource Allocation
 - Periodic Review of Portfolio Performance

Project Selection Comparison

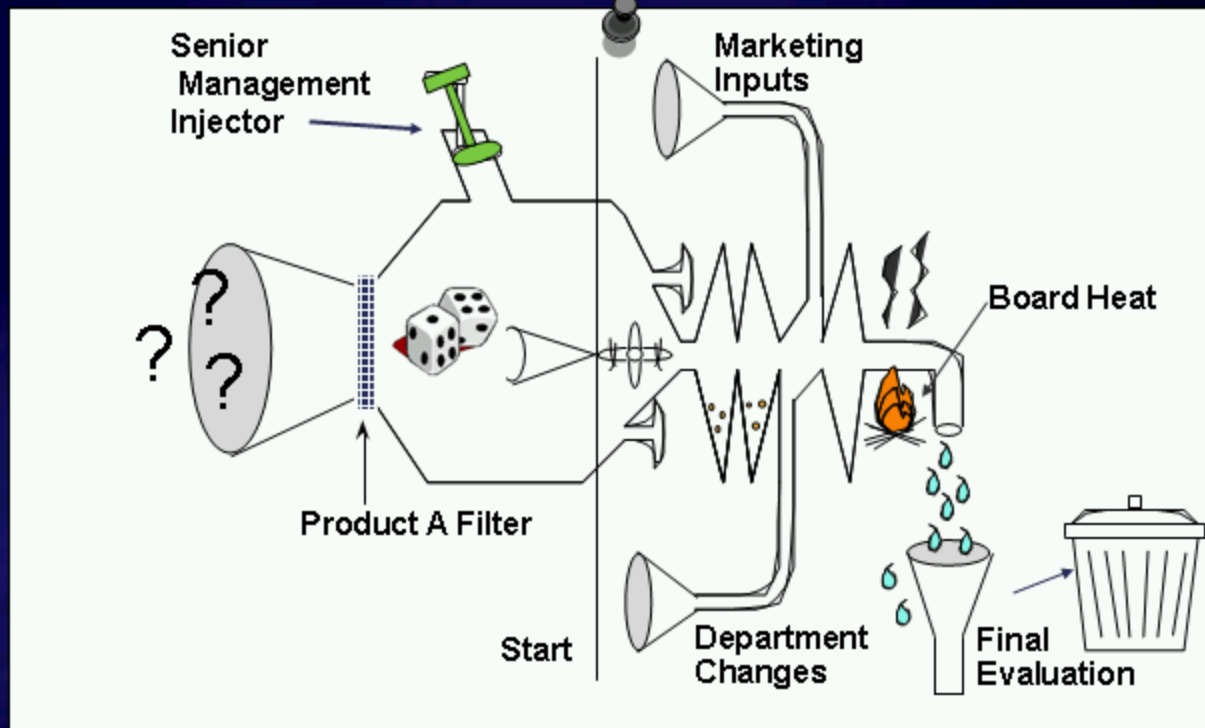
Evidence

- **Traditional vs. Strategy Based**
 - **20-25% longer**
 - **Twice the effort**
 - **Lower quality**



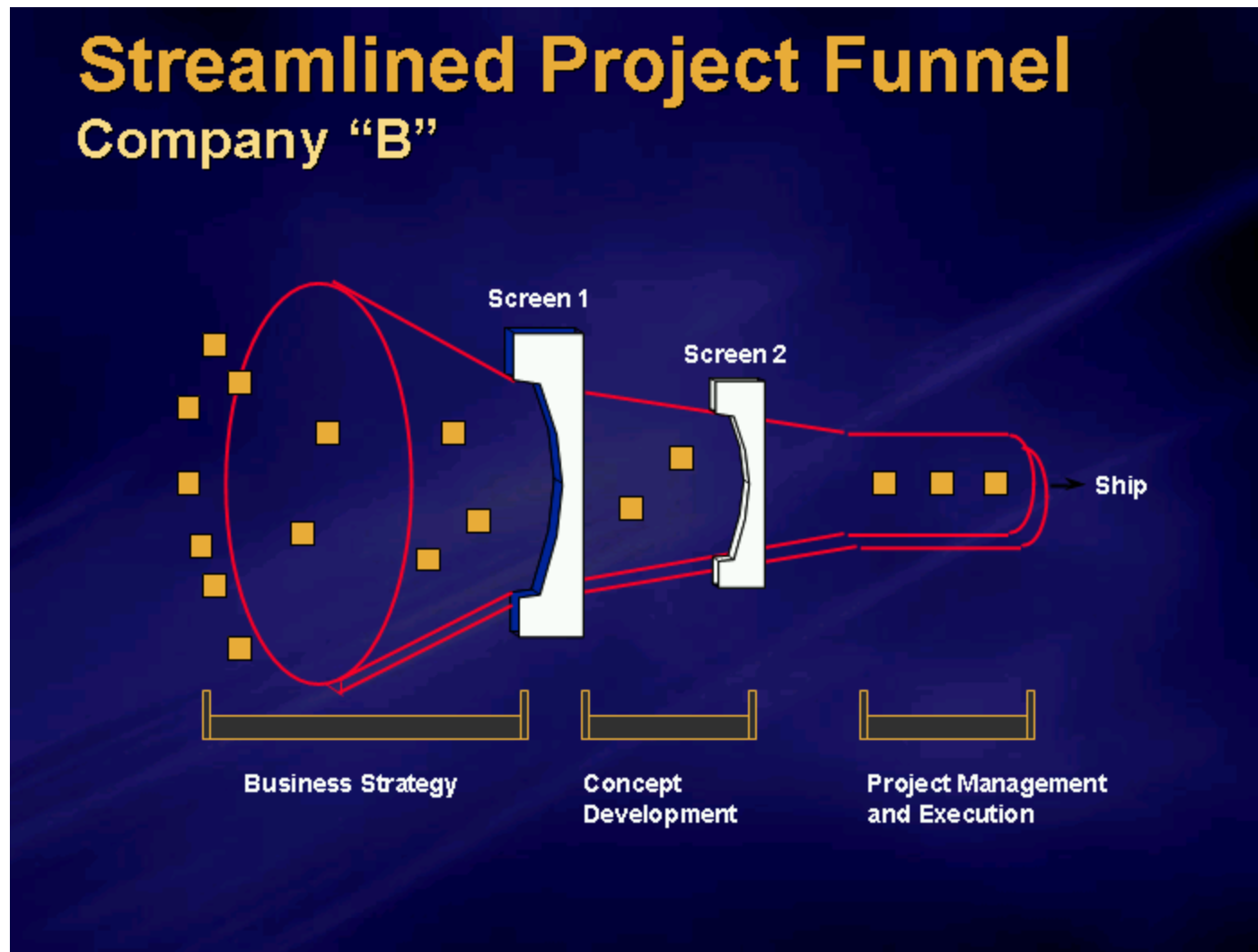
Evidence

Real Funnel: Company "A"

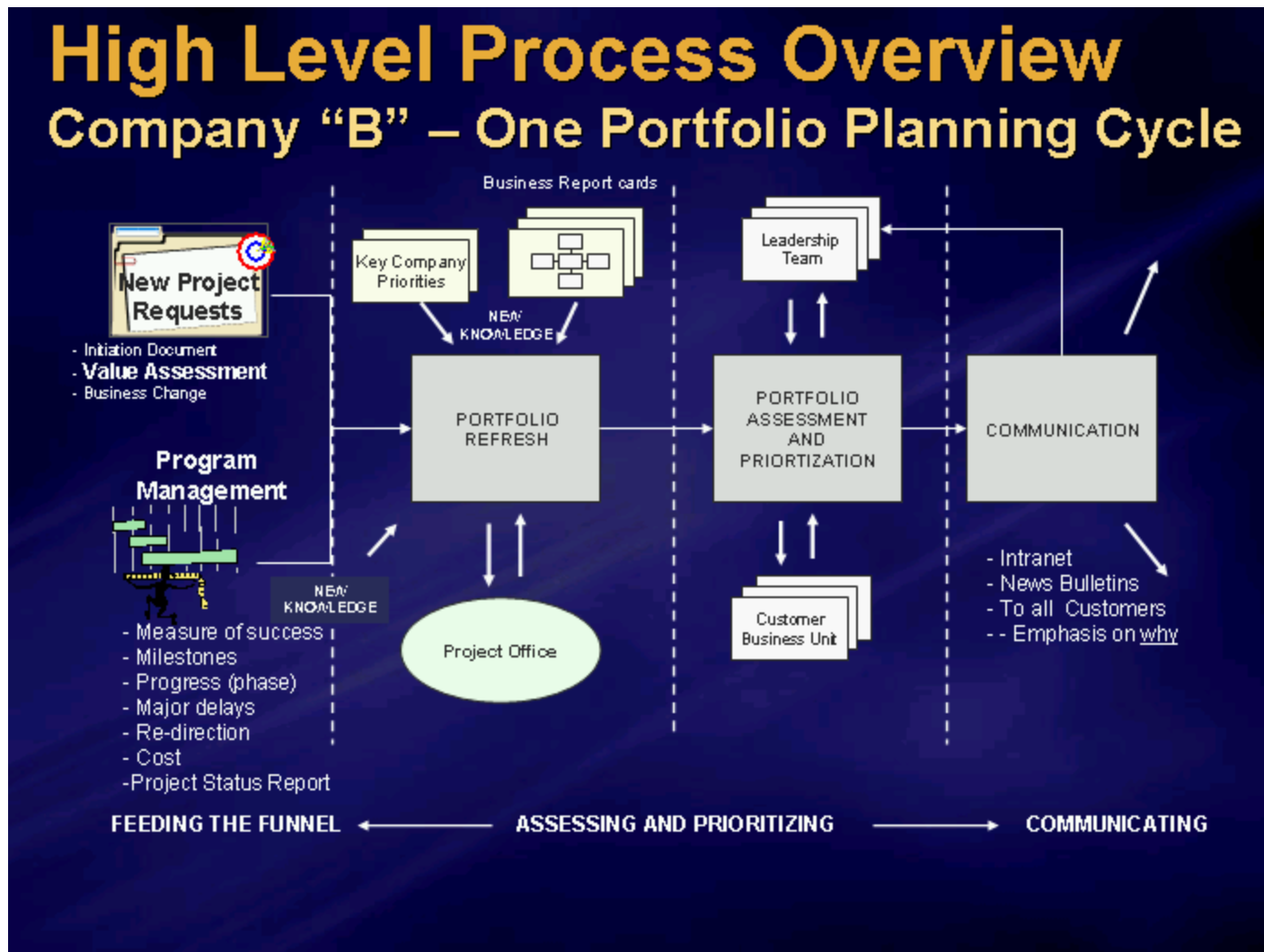


Acknowledgement: Alan MacCormack Harvard Business School

Real Funnel: Company "A"



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Is the Project Right?

Company "B"

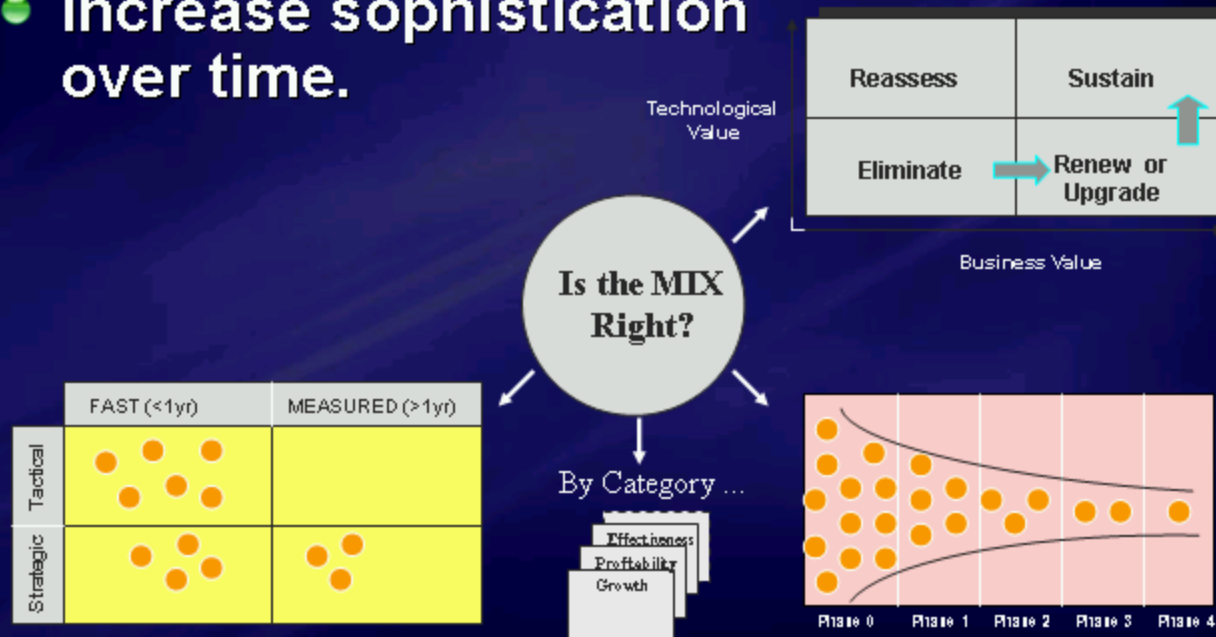
- **Assess Strategic Alignment**
 - **Categorize Project: Strategic, Growth, Competitive Advantage, Profitability, Effectiveness, Company Transformation...**
 - **Business Change**
- **Understand Project Complexity**
 - **High, Medium, Low...**
- **Assess Value for the Company**
 - **Business Value**
 - **Technological Value**
 - **ROI/EVA**



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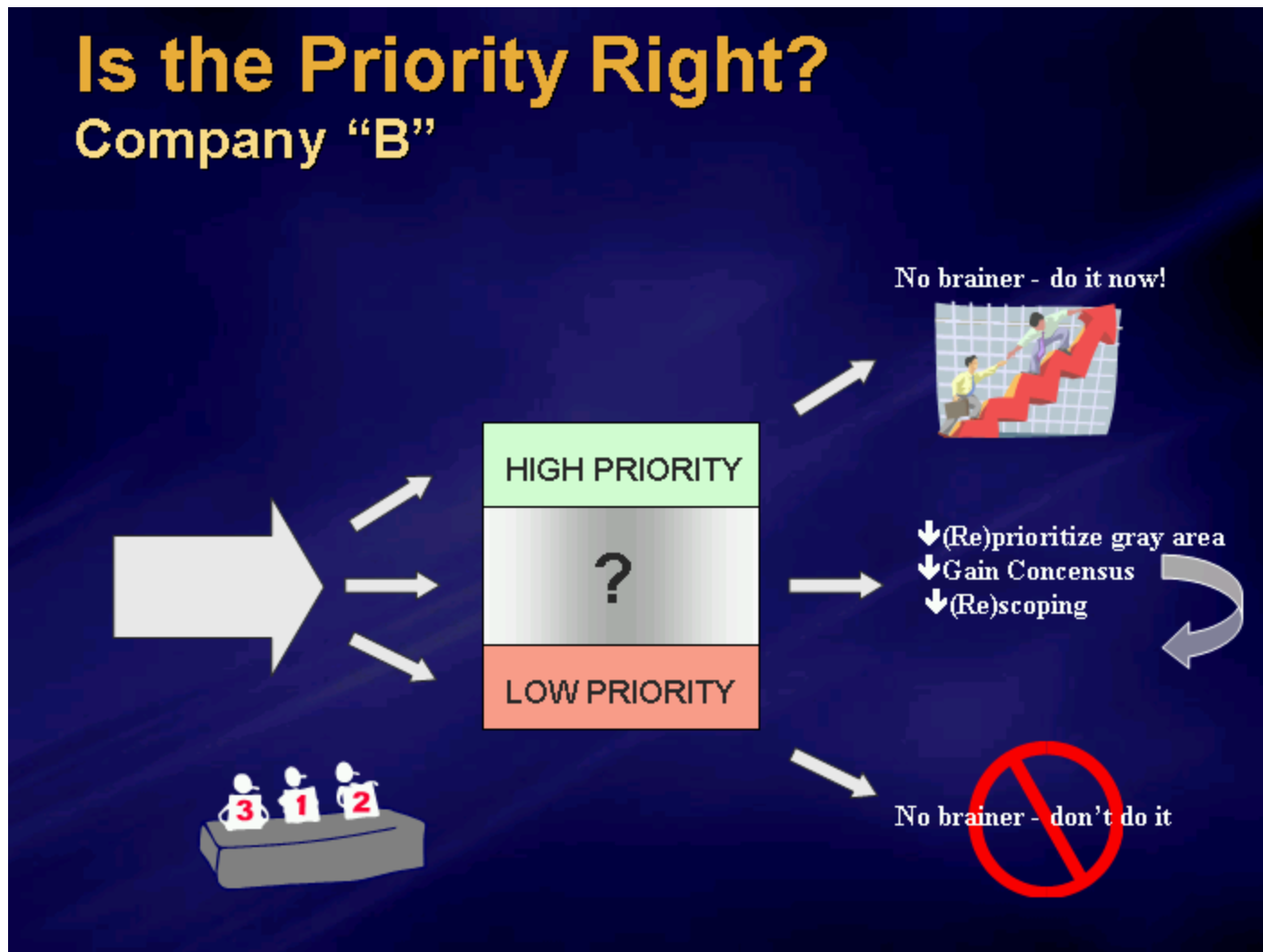
Assessing the Mix Company "B"

- start simple
- increase sophistication over time.



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Is the Priority Right? Company "B"



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Assessing the Project Company “B”

- **Portfolio Management and Prioritization**
 - **Strategy Based**
 - **Creates and Sustains Value**
 - **Evaluates how to best deploy an enterprise’s resources**

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Major Steps

Company “B”

- 1. Assess business value and risk**
- 2. Assess technological value and risk**
- 3. Determine cost/benefit/roi of investment opportunities**
- 4. Prioritize opportunities based on overall value profile**

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Assessing Value and Risk

Company "B"

- **Business value and risk variables**
 - Strategic fit
 - Competitive Advantage
 - Management Information Support
 - Competitive Response
 - Regulatory Impact
 - Project/Organization Risk
 - Cost reduction/performance enhancement (cost/benefit, ROI)



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Assessing Value and Risk

Company "B"

0 The project has NO direct or indirect relationship to achieving the business strategies or plans of the company.

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5 The project directly achieves a stated business strategy or plan of the company.

BUSINESS VALUE SCORECARD

- 1. STRATEGIC FIT
- 2. COMPETITIVE ADVANTAGE
- 3. MANAGEMENT INFORMATION SUPPORT
- 4. COMPETITIVE RESPONSE
- 5. PROJECT/ORGANIZATIONAL RISK

COMPOSITE:

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Scoring Example

Company "B"

Strategic Fit	Value:
• The proposed project has NO direct or indirect relationship to achievement of the company's strategic goals.	0
• The proposed project has no direct or indirect relationship to achievement of the company's strategic goals, but achieves improved operational efficiencies.	1
• The proposed project has no direct relationship to achievement of the company's strategic goals, but is prerequisite to another project that achieves a portion of a strategic goal.	2
• The proposed project has no direct relationship to achievement of the company's strategic goals, but is prerequisite to another project that achieves a strategic goal.	3
• The proposed project directly achieves a portion of a stated company strategic goal	4
• The proposed project directly achieves a stated company strategic goal.	5
Score:	+

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Technological Value and Risk Company "B"

0 The proposed project is unrelated to the blueprint.
:
:
:
5 The proposed project is an integral part of the blue print and is one that is to be implemented first; it is a prerequisite to other proposed projects.

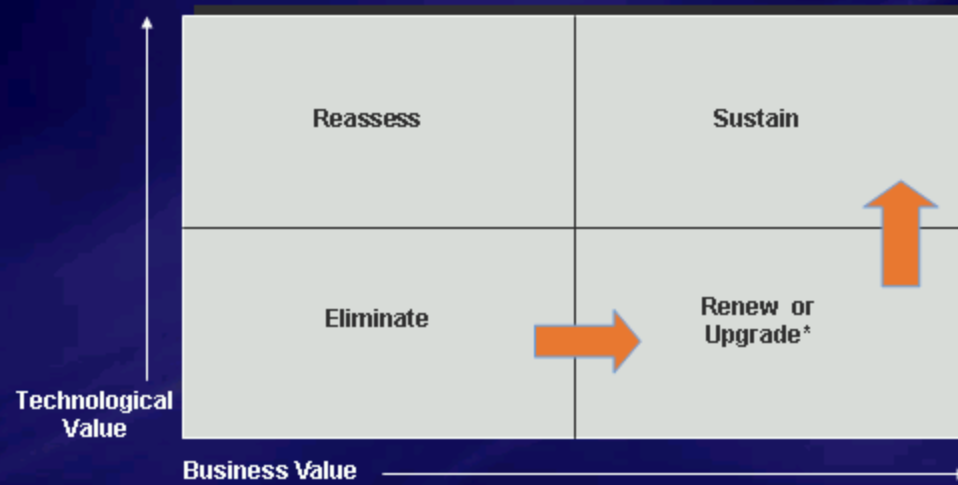
TECHNOLOGICAL VALUE SCORECARD

1. ENTERPRISE ARCHITECTURE	<input type="checkbox"/>
2. DEFINITIONAL CERTAINTY	<input type="checkbox"/>
3. TECHNICAL CERTAINTY	<input type="checkbox"/>
4. INFRASTRUCTURE RISK	<input type="checkbox"/>
COMPOSITE:	

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Value Profile Grid

Company "B"



*High opportunity sector.

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Performance Measurement and Reporting

- Is a strategic tool that institutionalizes change
- Measures progress, not just results
- Provides common language for business interaction
- Provides communication



Performance Measurement and Reporting

Performance Measurement

- Balancing the Equation



Performance Measurement

Developing the Scorecard

- (Re)evaluate existing measures
- Measure effectiveness, not just results
- Establish shared, teamwork oriented measures (one company)
- Create an integrated and balanced measurement set
- Focus externally

Developing the Scorecard

Defining the Measures

SERVICE DELIVERY MEASURES

Customer Process Measures

- Customer Satisfaction Level
- Service Delivery
 - Incident/Problem Reports
 - System Availability
 - System Response Time to Target
 - Network Availability
 - Network Response Time to Target

Project Delivery

- On time
- On budget
- Production Defects Reported

Business Process Targets

BUSINESS MANAGEMENT MEASURES

Associate Process Measures

- Associate Satisfaction level
- Continuing Professional Education hours
- Recruitment Targets attained
- Staffing levels achieved

Financial Process Measures

- Performance to Budget
- IT Balance Sheet
- Asset utilization
- Return on Investments

Defining the Measures

Conclusion

Company “B” Has Shown:

- **Start with a simple process**
- **Use the business strategy to make project selection decisions**
- **Senior leadership must focus and practice on adhering to the process**
- **Mature over time**

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