

# Project Portfolio Management



A BENCHMARK OF  
CURRENT BEST PRACTICES

# Executive Summary

Organizations are only moderately satisfied with their current project portfolio management methods, and only a few of them would rate their method as excellent. In particular, the methods are not easy to use. These conclusions are among the results of a survey of sixty-four project management practitioners by the Center for Business Practices, the research arm of the consulting and training organization, PM Solutions.

The CBP surveyed senior practitioners with knowledge of their organizations' project management practices and business results. The survey, *Project Portfolio Management: A Benchmark of Current Business Practices*, was designed to better understand a variety of issues in today's rapidly changing business environment.

According to the research, top performing organizations are consistently better in all phases of PPM (inventory, analysis, planning, tracking, review). Areas where top performers are particularly better than poor performers include having a central repository to capture project information, having information available on resources, optimizing the project portfolio, planning from a portfolio perspective, actively balancing resource capacity and demand, and actually making changes based on optimizing the portfolio.

Some other results of the research include:

- More than half of the respondents have a PPM process in place (64.1%).
- Organizations' PPM practices are immature. More than half (60.9%) of organizations are at level one or two (on a scale of 1-5) in PPM maturity.
- For those organizations that have no PPM process in place, the biggest challenge to implementing effective PPM is lack of executive support (65.2%),
- There is no standard practice for who (what organizational unit) is responsible for performing PPM.
- A significant number of organizations do not have enough resources in place to make their project portfolios achievable.

*Project Portfolio Management: A Benchmark of Current Business Practices* is the first survey to provide benchmark data on a wide variety of portfolio management issues. The findings are helpful in gauging the value of project portfolio management and what practices, in general, are most effective.

# Research Approach

This survey on the state of project portfolio management practices was developed by the Center for Business Practices to better understand a variety of issues of importance to project management practitioners. The survey provides benchmark data on the following topics:

- Who is responsible for PPM in the organization?
- How long has PPM been practiced?
- How mature are the PPM processes?
- What processes are in place in each of the PPM phases (inventory, analysis, planning, tracking, and review & re-planning)?
- What methods are used to prioritize and select projects?
- How often is the portfolio reviewed?
- How well is the portfolio performing?
- How satisfied is the organization with its PPM process?
- What benefits accrue from PPM?
- What challenges does the organization face in implementing effective PPM and how do they plan to overcome them?

Members of the Center for Business Practices Research Consortium were invited to participate in this web-based Project Portfolio Management survey. The CBP Consortium is a benchmarking group comprising more than 350 senior practitioners with knowledge of their organizations' project management practices and their organizations' business results.

Responses were received by 2 May 2003. Sixty-four members responded. Twenty-two responding organizations do not have project portfolio management processes in place and therefore did not respond to questions 5-23. The responses to all questions are presented in total.

For analytical purposes, the responses were also cross-tabulated to show how Top Performers responded versus Poor Performers. Performance is measured based on the seven metrics in survey question 19, How well is your project portfolio performing? The top 20 percent of organizations, measured by their portfolio performance on this set of metrics, were singled out, and their responses were compared to the bottom 20 percent. Thus "Top Performers" means the 20 percent of organizations whose portfolios perform the best in terms of the seven metrics in question 19 and "Poor Performers" means the 20 percent of organizations who performed the worst in terms of those metrics.

# Observations

## Observations about All Organizations

More than half of the respondents have a PPM process in place (64.1%).

Organizations that have no PPM process in place are much more likely to be small in size (21.7% with sales under \$10 million; 21.7% with sales over \$3 billion) compared with organizations that have PPM processes in place (10.9% with sales under \$10 million; 35.9% with sales over \$3 billion).

Organizations' PPM practices are immature. More than half (60.9%) of organizations are at level one or two (on a scale of 1-5) in PPM maturity.

For those organizations that have no PPM process in place, the biggest challenge to implementing effective PPM is lack of executive support (65.2%), but not well developed project management processes (52.0%) and lack of broad organizational support (52.2%) were also issues. For those with PPM in place, the biggest challenge is in collecting project metrics (65.8%). Lack of broad organizational support (44.7%) and lack of information on resources (50.0%) were also major issues.

## Observations about Organizations with PPM Processes in Place

Almost all (97.5%) organizations rate PPM important to the organization.

PPM is practiced at both the business unit and enterprise levels in most organizations (52.5%). Where PPM is practiced at the business unit level only, it's most office practiced in information technology (27.5%).

In general, PPM is new to organizations. More than half (53.8%) of the organizations have been practicing PPM for less than two years. At the same time, almost a quarter (23.1%) of the organizations have been practicing PPM for more than five years, indicating that many organizations have had time to improve their PPM practices.

Most organizations (85.0%) have developed their PPM processes themselves (rather than hiring consultants or implementing PPM software).

There is no standard practice for who (what organizational unit) is responsible for performing PPM.

Organizations are fairly strong in their portfolio inventory practices. Most organizations have an inventory of their projects, with documented schedules and budgets. They are particularly weak, however, when it comes to calculating risk levels. And many organizations do not have information about available resources documented.

In analyzing their portfolios, organizations are strong in mapping their projects to business strategy, but fairly weak in modeling alternative portfolios and optimizing their portfolios.

A significant number of organizations do not have enough resources in place to make their project portfolios achievable.

Most organizations monitor and report project performance.

Organizations use a wide variety of methods for selecting and prioritizing projects. Ranking was the method used by a majority of organizations (71.8%), but organizations used a mix of comparative, financial, strategic planning, optimization and software-specific methods. Microsoft Project 2002 Enterprise is the most-used software for PPM (23.1%) followed by Primavera Teampay (17.9%).

Organizations usually review their portfolios monthly (34.2%) or quarterly (36.8%).

In determining how well project portfolios are performing, respondents say their projects are generally aligned with the organizations' business objectives. Their portfolios, however, rate lowest in having the right number of projects and having data available to effectively evaluate the projects. Many organizations also have issues with projects done on time.

Organizations are only moderately satisfied with their current PPM methods and very few would rate their method as excellent. In particular, the methods are not easy to use. For many organizations PPM is not truly used to make go/kill decisions.

The primary benefits that PPM offers organizations is in better aligning projects to business strategy and working on the right projects. Many organizations agree that PPM has led to increased cost savings. But many organizations have not seen the benefit of eliminating project redundancies or killing poor projects. The least beneficial aspect is in allocating resources optimally.

Most organizations do not know their return on investment for implementing PPM. Of those that do, most (20.6%) see an ROI of 5%-25%.

### **Observations on Top Performers versus Poor Performers**

Top Performers have been practicing PPM much longer than Poor Performers and they are at a much higher level of PPM maturity.

Top Performers are consistently better at all phases of PPM (inventory, analysis, planning, tracking, review). Areas where Top Performers are particularly better than poor performers include having a central repository to capture project information, having information available on resources, optimizing the project portfolio, planning from a portfolio perspective, actively balancing resource capacity and demand, and actually making changes based on optimizing the portfolio.

Top Performers use ranking methods for project selection/prioritization more than Poor Performers. Also a significant number of Top Performers use Microsoft Project 2002 Enterprise. Top Performers also use a wider variety of selection/prioritization methods and, in particular, use on strategic planning methods as their dominant PPM method much more than Poor Performers.

Top Performers consistently use PPM to make Go/Kill decisions far more often than Poor Performers.

Top Performers were far more likely to know the ROI of PPM than Poor Performers (not one Poor Performer knew its ROI).

Top Performers were far more likely to have executive support and a business case for PPM than Poor Performers.

Note:

The Center for Business Practices is now PM Solutions Research