Presented by
Rob Hirschmann, Corporate Vice President, Projility
February 2, 2010
Agenda

- Introductions
- What is Project Portfolio Management and who needs it?
- Types of organizations using PPM today
- Building a business case for PPM
- Case study with tangible ROI
- PPM technologies to enhance process automation
- Implementing PPM tools
- Q & A
- Survey
Speaker

Rob Hirschmann, Corporate Vice President, Projility

• 12+ years leading enterprise project and portfolio management rollouts for large organizations
• Background in project portfolio management, business process automation and management
• Principal, Great Lakes and Mid-Atlantic offices
• Supported organizations in public sector, health care, biotechnology, transportation, manufacturing businesses
Core IT Challenges

- Align IT and business goals
- Manage risk
- Control IT costs
- Improve the project management discipline
- Ensure regulatory compliance

“CIOs expressed continued significant pressure to constrain spending increases while simultaneously investing to introduce innovative, customer facing and revenue-generating functionality in an increasingly networked environment.”

— Morgan Stanley, Enterprise Software Industry Overview

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What is PPM

PPM organizes a series of projects into a single portfolio consisting of reports that capture project objectives, costs, timelines, accomplishments, resources, risks and other critical factors. Executives can then regularly review entire portfolios, spread resources appropriately and adjust projects to produce the highest returns.
Who needs PPM today in the enterprise?

Information Technology
- New/active projects
- Potential new work
- Operations and Maintenance efforts, Resource management
- Application portfolio management (APM)
- Goal: add value to the business

New Product Development
- Support for ideation processes
- Decide which investments to make based upon ROI
- Goal: bring products (and enhancements) to market quicker = revenue

Research and Development
- Decide which innovations to invest in
- Show tangible Return on Investment to stakeholders for dollars invested
- Goal: develop innovation that adds business value

Corporate Finance
- Capital Planning processes across the business
- How to invest funds, roll acquisitions together more rapidly
- Goal: track and manage investments through their complete lifecycle, compliance
Business Drivers

Information Technology
- Cut costs
- Cost avoidance (reduce non-strategic projects)

New Product Development
- Get products to market that sell, faster
- Drive innovation in ALL economic environments

Research and Development
- Develop new technologies/methods to enhance competitiveness

Corporate Finance
- Cost management
- Compliance and consistency beyond IT investments
Where is PPM today?

• PPM is new
  – 53.8%< 2 years,
  – 23.1%> 5 years

• Organizations’ PPM practices are immature
  – 60.9% are at level one or two (on a scale of 1-5) in PPM maturity.

• For those that have no PPM process in place, the biggest challenges to implementing PPM are:
  – lack of executive support (65.2%)
  – not well developed project management processes (52.0%)
  – lack of broad organizational support (52.2%)

• For those with PPM in place, the biggest challenges are:
  – Collecting project metrics (65.8%)
  – More organizational support (44.7%)
  – More information on resources (50.0%).
Implementation Issues and Trends

- There is no standard practice for who owns and performs PPM
- Tools and processes are ‘not easy’ to learn and use
- Very few would rate their method as excellent
- Most organizations do not know their ROI for implementing PPM.
  - Of those that do, most (20.6%) see a ROI of 5%-25% in first two years against the total $value of their current portfolio
  - Example: $20mil IT Portfolio, typical 2 year cost savings = $2-3mil
- A significant number of organizations do not have enough resources in place to make their project portfolios achievable
Sources of ROI for PPM

Cost avoidance
Cost reduction
Risk mitigation
Reduced time to market
Project Portfolio Management Lifecycle
Core PPM Processes

Create

- Demand Management

Select

- Portfolio Selection
- Capacity Planning

Plan

- Resource Management
- Financial Management
- Time Reporting

Manage

- Portfolio Reporting
- Project Reporting
- Project Scheduling
- Team Collaboration
- Program Management
Create

*Standardize the collection of all work across the Enterprise*

- Capture all requests, from work orders to strategic projects
- Standardize metrics, valuation criteria and templates
- Control investments through governance workflow
Select

*Invest in project portfolios that align with strategic priorities*

- Objectively prioritize business drivers and drive consensus
- Derive varying priority scores to evaluate competing investments
- Identify portfolios that align with strategy and maximize ROI
- Utilize advanced portfolio analytical techniques to reach the Efficient Frontier
Plan

Finalize project delivery roadmap based on resource availability

- Identify resource gaps across the planning horizon
- Finalize release roadmap and headcount requirements to maximize resource utilization
- Search for team members with availability and assign to project
- Finalize plan and baseline before moving into execution
Manage

Measure and track performance at the project and portfolio level

- Collaborate to effectively deliver selected projects
- Proactively monitor portfolio performance and visualize trends
- Drill down to the project level to assess risks, issues and status
- Track and compare budget, actual and forecast values
- Take corrective actions to improve project performance
Typical ROI

<table>
<thead>
<tr>
<th>ROI:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Time savings: (reports)</td>
<td>reduced data collection labor by half</td>
</tr>
<tr>
<td>✓ Operational excellence:</td>
<td>streamlined and standardized processes</td>
</tr>
<tr>
<td>✓ Optimized resource utilization:</td>
<td>10% improvement</td>
</tr>
<tr>
<td>✓ Development lead time:</td>
<td>cut by 67%</td>
</tr>
<tr>
<td>✓ Abandoned projects:</td>
<td>reduced from 25% to 1%</td>
</tr>
<tr>
<td>✓ Cost reductions due to elimination of redundant or “immortal projects”</td>
<td>significant savings</td>
</tr>
<tr>
<td>✓ Development expense as a percentage of revenues</td>
<td>reduced from 12% to 6%</td>
</tr>
</tbody>
</table>
Client case study

Global outsourcing and professional services firm

- Software development focus
- 4600 employees
- Profitable $1.2bil business unit
- ISO 9001:2000 Quality certified
- Six Sigma processes mapped, CMM
- Quality and compliance became competitive drivers
Client case study

Business Goals

• Gain real-time visibility into business processes
• Provide clients with visibility into their project status
• Improve project manager efficiency
• Reduce the cost/risk of failed projects
• Institute best practice framework to achieve and sustain quality initiatives
Client case study

Key challenges – lack of visibility and controls

1. Manual project management processes (costly)
2. Inefficient resource utilization
3. Poor prioritization of IT portfolio

Tactical

Strategic
## Client case study

<table>
<thead>
<tr>
<th>Tangible value – reduced/avoided cost</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avoidance of IT expense on non-strategic projects</td>
<td>$50,320</td>
<td>$356,400</td>
<td>$627,858</td>
</tr>
<tr>
<td>Reduce IT labor expense through change request reduction</td>
<td>$26,565</td>
<td>$93,275</td>
<td>$557,157</td>
</tr>
<tr>
<td>Reduced IT labor expense due to improved IT staff resourcing/utilization</td>
<td>$880,000</td>
<td>$1,124,000</td>
<td>$1,204,000</td>
</tr>
<tr>
<td>Reduced IT project management cost</td>
<td>$21,876</td>
<td>$109,036</td>
<td>$827,678</td>
</tr>
<tr>
<td><strong>Total tangible benefits</strong></td>
<td><strong>$970,635</strong></td>
<td><strong>$1,620,725</strong></td>
<td><strong>$2,122,390</strong></td>
</tr>
<tr>
<td><strong>Total investment</strong></td>
<td><strong>$550,818</strong></td>
<td><strong>$570,818</strong></td>
<td><strong>$470,818</strong></td>
</tr>
<tr>
<td><strong>Total ROI ($)</strong></td>
<td><strong>$419,816</strong></td>
<td><strong>$1,049,907</strong></td>
<td><strong>$2,651,572</strong></td>
</tr>
</tbody>
</table>
## Client case study

### Intangible business value

<table>
<thead>
<tr>
<th>Driver</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction of IT project change order requests</td>
<td>1%</td>
<td>4%</td>
<td>10%</td>
</tr>
<tr>
<td>Improved Project timeliness</td>
<td>31%</td>
<td>41%</td>
<td>63%</td>
</tr>
<tr>
<td>Improved budget accuracy</td>
<td>1%</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>Improved IT project execution efficiency</td>
<td>4%</td>
<td>9%</td>
<td>19%</td>
</tr>
<tr>
<td>Reduced IT management time spent on project status reporting</td>
<td>6%</td>
<td>25%</td>
<td>56%</td>
</tr>
<tr>
<td>Reduced time to generate IT labor reports</td>
<td>2%</td>
<td>25%</td>
<td>35%</td>
</tr>
<tr>
<td>Increased financial sign-off process for project approvals</td>
<td>20%</td>
<td>30%</td>
<td>53%</td>
</tr>
<tr>
<td>Reduction in IT demand pipeline</td>
<td>0%</td>
<td>17%</td>
<td>49%</td>
</tr>
</tbody>
</table>
Automated tools for PPM
Two different ‘angles’ on tools

**Strategic PPM**

- **It’s Doing the Right Things**
  - Analyzing Investments
  - Modeling Potential Portfolios
  - Establishing and weighting business drivers
  - Making decisions based on objective criteria
  - Measuring ongoing cost/value/ROI against KPIs

**Tactical PPM**

- **...and Doing the Right Things Right**
  - Execution and Monitoring
  - Project scheduling
  - Resource assignment
  - Team collaboration
  - Deliverable tracking
  - Budget predictability
  - Risk Management
  - Performance-based KPIs

**Cost reduction**

**Revenue improvement**

**Improve delivery effectiveness**

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Core PPM Processes

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Manage
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- Project Reporting
- Project Scheduling
- Team Collaboration
- Program Management
Solution components depend upon requirements/needs

- Business drivers prioritization
- Business case: strategic and financial benefits
- Portfolio analysis/optimization
- Resource Capacity Planning/what-if analysis
- Portfolio balancing schedules-skill
- Select portfolio

- Planning/scheduling
- Resource assignment
- Project tracking
- Time reporting
- Resource management
- Status reporting

- Operations tracking: assets, applications, operations, products
- Life cycle analysis
- Life cycle planning
- Life cycle decisions

- Concept
- Execution & Measurement
- Maintenance
PPM for IT

IT PPM example: Formalize the project intake, evaluation, business drivers, and optimization/selection processes
‘Tactical’ PPM for IT

Cross-project portfolio views
Centralized resource management
New Product Development

NPD PPM example: Dashboard-based ‘ideation’ process support and portfolio optimization
Capital Planning for Finance

Finance PPM example: Dashboards aggregating information from multiple systems and business processes
The Tool Market is moving...quickly

According to Gartner Group PPM

• Leaders/visionaries: CA, PlanView, Compuware, Microsoft, Oracle
• Challengers: SAP, Planisware
• Visionaries: Daptive, AtTask, PowerSteering, Innotas, Serena, BMC
• Niche: Cardinis, Atlantic Global, EPK Group
Getting Started with PPM

Stage 1 – Complete project inventory
Stage 2 – Business driver agreement
Stage 3 – Developing a complete investment portfolio
Stage 4 – PPM process improvement
Stage 5 – Alignment with Executive mission
Key components of planning for PPM

1. Define what doesn’t work well today that you believe you can fix
2. Create an IT/business area partnership to jointly cover solution implementation costs and add value
3. Identify key business sponsors who will drive the solution forward
4. Setup an initial PPM steering committee with interested parties to introduce the concept
5. Begin identifying measurements
6. Build a business case justification with estimated ROI based upon best practices
7. Choose tools based upon your real business needs and requirements
   Strategic versus Tactical PPM, drivers/goals, integration considerations
8. Leverage experienced 3rd parties and their qualifications/templates/experiences
9. Don’t underestimate the change required to do PPM
Q & A
Geographical Locations

Business Profile
- Founded in 2005
- Profitable since 2005
- Offices located in Vienna, VA and Milwaukee, WI
- Over 30 Successful Customer Implementations
- 8(a) Small Disadvantaged Business
- GSA Schedule (GS-35F-0666S)
- Top Secret Facility Clearance
- Gartner 2008 and 2009 Magic Quadrant for PPM

Core Competencies
- Project and Program Management
  - Project Portfolio Management Implementation
  - Capital Planning & Investment Control Implementation
  - Earned Value Management Development and Implementation
  - PMO and Portfolio Management Office Development/Staffing
  - Enterprise Project Management Implementation
- Risk Services
- Technology implementation

NAICS Codes
- 518210 – Data Processing, Hosting and Related Services
- 541511 – Custom Computer Programming Services
- 541512 – Computer Systems Design
- 541513 – Computer Facilities Management
- 541611 – Adm. Management & General Management Consulting
- 541614 – Process, Physical Distribution, and Logistics Consulting
- 541618 – Other Management Consulting Services
- 541990 – All Professional, Scientific, and Technical Services
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