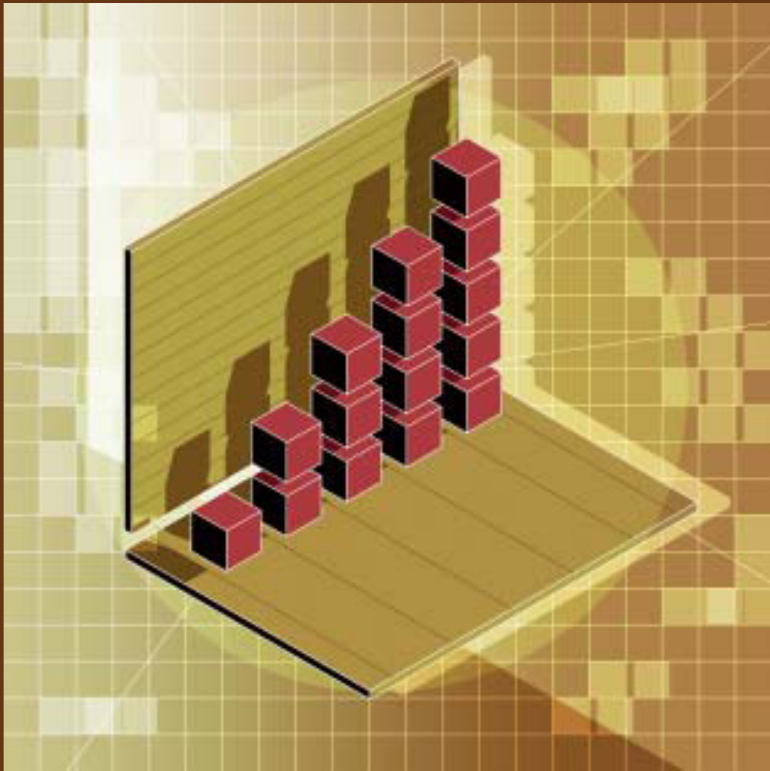Chapter 4

PM SOLUTIONS'
Project Portfolio Management Maturity Model

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CHAPTER 4

Project Portfolio Management Maturity Model

Organized by Level of Maturity

<u>LEVEL 1</u>
Initial Process

Although there is a recognition that there are project portfolio management processes, there are no established practices or standards, and individual project managers are not held to specific accountability by any process standards. Documentation is loose and ad hoc. Projects are funded despite absence of critical information that demonstrates expected and achieved improvements in program, business, or mission performance.

Portfolio Governance

- There is no portfolio governance process in place.
- The evaluation of projects does not consider alignment with the organization's vision, strategy, or objectives.

Level 1 continued

Project Opportunity Assessment

▪ Ad hoc or no standard process exists for identifying project opportunities or initiating projects.

▪ Roles and responsibilities are not aligned with identifying and managing project opportunities.

▪ A list of project opportunities is not available or maintained.

▪ Ad hoc or no processes are used for establishing the business value of projects.

Project Prioritization and Selection

▪ Ad hoc or no processes are used for prioritizing potential and active work.

▪ Projects are funded despite absence of critical information that demonstrates expected and achieved improvements in program, business, or mission performance.

Portfolio and Project Communications Management

▪ There is no acknowledged division or organization-wide portfolio with a list of approved projects.

▪ Portfolio-based information (e.g. status, project categories, etc.) is not defined.

▪ Portfolio information is not readily available and/or not communicated to the organization.

Portfolio Performance Management

- Ad hoc or no standard process exists for managing the current portfolio of projects.

- Ad hoc or no standard processes are used for reviewing the portfolio with the sponsor organization.

- Project reviews of high-risk/high-value projects are not conducted.

- Portfolio management controls are unstructured, ill timed, and inconsistent. Management rarely reviews project performance data.

- Organization rarely has an up-to-date and complete inventory of assets.

- Organization rarely evaluates project outcomes or identifies lessons learned.

Portfolio Resource Management

- Resources are assigned to projects on an availability basis using ad hoc processes.

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LEVEL 2

Structured Process and Standards

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Project portfolio management processes exist in the organization, but they are not considered an organizational standard. Documentation exists on these basic processes. Management supports the implementation of project portfolio management, but there is neither consistent understanding,

Level 2 continued

involvement, nor organizational mandate to comply for all projects or project portfolios. Business value and prioritization levels are reviewed at the divisional level for larger, more visible projects. Information available for managing the project portfolio is often a mix between summary-level data and detail-level data.

Portfolio Governance

▪ There is a process for creating and defining division portfolio review boards.

▪ Each portfolio review board is created and defined with board membership integrating both project management and business knowledge.

▪ Each portfolio review board operates according to written policies and procedures in the organization-specific project portfolio management process guide.

▪ Each project investment or proposal is considered by a portfolio review board based upon the alignment criteria.

▪ Strategic alignment may be considered in the evaluation of projects, but no strategic criteria have been developed.

Project Opportunity Assessment

▪ Basic processes exist for identifying project opportunities.

▪ Roles and responsibilities for identifying project opportunities and initiating projects are defined.

- A project request form, project charter or equivalent is used to identify and initiate projects.
- Key stakeholders and near-term business needs have been designated for each project.
- The Project Manager communicates with each of the key stakeholders using the standard, periodic reports.

Project Prioritization and Selection

- A standard process at the organization level exists for defining business value. The process includes the development of a business case (or equivalent document) whose detail may be proportionate to the level of investment.
- Roles and responsibilities are defined for establishing business value.
- Potential and active projects are prioritized using a simple prioritization scheme (1, 2, 3, etc.) and sorted at the organizational level.
- Prioritization may also be applied to different project categories.
- The prioritization scheme is based on high-level subjective factors.
- Business value and prioritization levels are reviewed by management, sponsor, and other related stakeholders.

Portfolio and Project Communications Management

- A list of active and pending projects is maintained for each division, and is updated periodically.

Level 2 continued

- A defined process and cycle is used for reviewing and updating the portfolio of projects within each division.

- Cross-divisional projects apply project management processes according to corporate standards.

- Project status is communicated to the division that has responsibility for the project.

- Each project contains: descriptive information; owner and sponsor information; timing and estimated resources; and high-level status information (e.g. potential, active, hold, cancelled, completed, next milestone, etc.).

- Each project is categorized to ensure that investments are balanced to meet the enterprise's goals and objectives (e.g.; by program, functional area, strategic vs. tactical, etc.).

- A basic process exists for aggregating project data to build a portfolio "snapshot" for the division.

- Portfolio information is communicated across and down the division through meetings and other communication processes.

Portfolio Performance Management

- Portfolio information is reviewed periodically with the sponsor organization.

- A defined process is used for analyzing and reporting on the portfolio, including reporting tools (graphs, charts, presentations, etc.). The process involves multiple levels within the organization including senior management,

steering committees, project management office, and other stakeholders.

- High- risk/high-value projects are easily identified and typically conduct project reviews to apprise executive management of current issues.

- There is a project oversight process in which the organization monitors all projects relative to cost and schedule expectations.

- Each project's up-to-date cost and schedule data are provided to the appropriate portfolio review board .

- Using established criteria, the portfolio review board oversees each project's performance on a periodic basis by comparing actual cost and schedule data to expectations.

- The portfolio review board directs special reviews of projects that have not met predetermined performance standards.

- The portfolio review board ensures that corrective actions were developed and tracked.

Portfolio Resource Management

- Resources are identified according to their skill set and availability.

- Each division has captured the skill sets of its resources and manages their time availability in a collaborative fashion for project matrix management.

- Project prioritization is established at division-level, but there are guidelines for managing project priorities with limited resources in a cross-divisional and collaborative fashion.

Organizational Standards and Institutionalized Process

All project portfolio management processes are in place and established as organizational standards. Nearly all projects and project portfolios use these processes with minimal exception—management has institutionalized the processes and standards with formal documentation existing on all processes and standards. Senior management is regularly involved in input and approval of key decisions and documents and in key project portfolio issues. The project portfolio management processes are typically automated. Each project and project portfolio is evaluated and managed in light of organizational strategy and business value.

Portfolio Governance

- Division portfolio review boards consolidate and report to an enterprise-wide portfolio review board.

- Criteria for aligning project investment decision-making authority are established and maintained.

- Specific strategic criteria, such as alignment with business strategy, customer need and satisfaction, and competitive advantage, have been developed and projects are evaluated against these criteria to establish their acceptance in the portfolio.

Project Opportunity Assessment

- A documented, organization-wide process is used for identifying and tracking project opportunities.

- Formal communication is provided back to each requester identifying the current status of a project opportunity or initiated project.

- An organization-wide process and documents are used to define business value of a project. The process includes a standard business case that is integrated with project management processes, financial and accounting practices, and other business processes.

- Roles and responsibilities are clearly defined for establishing business value.

- A formal project initiation process is used and maintained by the enterprise. Included in the project initiation process are formal approval processes.

- There is a process for examining the fundamental cost, benefit, schedule, and risk characteristics of each project before they are funded and combined with other projects into a portfolio.

- Each portfolio review board ensures that the cost-benefit-schedule-risk data and other required data are validated for each project within its span of control.

Project Prioritization and Selection

- Roles and responsibilities are clearly defined for prioritizing the portfolio of projects.

- A flexible prioritization scheme exists for ranking the portfolio of work based on agreed upon criteria. The prioritization scheme is supportive in aligning project strategy with business strategy and business unit/functional goals.

Level 3 continued

- The organization uses a structured process to develop new project proposals.

- Executives analyze and prioritize new project proposals according to established selection criteria.

- Executives make funding decisions for new project proposals according to an established process.

- Division portfolio review boards assess each of their project investments with respect to the project portfolio selection criteria.

- Each division portfolio review board prioritizes its portfolio of project investments using the portfolio selection criteria.

Portfolio and Project Communications Management

- A process exists for aggregating portfolio level information to the business unit (or organizational level) for review and evaluation of impact to investment balance.

- Detailed information is tracked for each project. Information should include descriptive and performance information, resource estimates (high-level), business value, status, project categorization, and cost and schedule information.

- Risk information may also be tracked for each project/ work opportunity.

- A project list/database is maintained accounting for new projects, completed projects, and changes to the project portfolio organization-wide.

- Organization-wide projects are conducted with standardized project management processes and stakeholders work

together in a collaborative fashion both in terms of accomplishing the current project objectives and anticipating future project and portfolio requirements.

Portfolio Performance Management

- Organizational standards and institutionalized processes exist for analyzing and reporting on the enterprise portfolio (roll-up includes business units, functional units, project categories, etc.).

- The portfolio is actively analyzed (using varied views) and used in making balanced investment.

- Organizational standards involve the use of consistent data fields, common definitions, and standard business rules.

- There is a process that builds upon the project oversight process by adding the elements of project benefit and risk management to the control process activities.

- An organization-wide portfolio review board monitors the performance of the projects in the portfolio by comparing actual cost-benefit-schedule-risk data to expectations.

- Using established criteria, the portfolio review board identifies its projects that have not met predetermined cost-benefit-schedule-risk performance expectations.

- The portfolio review board ensures that project managers develop an action plan to apply the corrective actions identified.

- All projects conduct project reviews to apprise management of current issues.

Level 3 continued

Portfolio Resource Management

- A resource-pool management process exists that captures skills sets, availability and knowledge management across the organization.

- Project priorities are established from the enterprise portfolio review board and division leaders are expected to optimally assign resources based upon resource skills, prioritization, and established project priorities.

- Resources other than people are also contained in the overall resource pool. Equipment, hardware, software licenses, specialty teams (such as testing) are included in this category to ensure that all constraints are tracked.

<p align="center">LEVEL 4</p>

Managed Process

Project portfolios are managed with consideration as to how the portfolio performed in the past and what is expected for the future. Common objectives and metrics are defined for the portfolio and reviewed periodically with senior management to maintain/balance the portfolio. Project portfolio information is integrated with other corporate systems to optimize business decisions. Senior management clearly understands its role in the project portfolio management process and executes it well, managing at the right level, and clearly differentiating management styles and project portfolio management requirements for different sizes/complexities of projects and project portfolios. Project portfolio man-

agement processes, standards, and supporting systems are integrated with other corporate processes and systems.

Portfolio Governance

- Enterprise portfolio review board integrates lessons learned and processes portfolio status into current and future management project decision-making.
- Strategic criteria are being used to both accept the projects into the portfolio and in prioritizing the projects.
- Consideration is given to the various combinations of projects to maximize the value of the projects in relation to the strategic criteria.
- Project review boards review the fit of each project and combination of projects at each project review board meeting to ensure that any changes in vision, strategy, or objectives are evaluated with regard to the portfolio.

Project Opportunity Assessment

- There is a process for conducting post-implementation reviews to learn from past projects and initiatives by comparing actual results to estimates.
- A portfolio review board identifies the projects for which a post-implementation review will be conducted and a post-implementation review is initiated for each designated project.
- Quantitative and qualitative project data are collected, evaluated for reliability, and analyzed during the post-implementation review.

Level 4 continued

▪ Lessons learned and improvement recommendations about the investment process and the individual investment are developed, captured in a written product or knowledge base, and distributed to decision makers.

▪ Project opportunity information is available by search criteria in an enterprise portfolio repository.

Project Prioritization and Selection

▪ Standard models/business prioritization processes are used by management to prioritize projects/work at different levels within the enterprise.

▪ Standard models/business prioritization processes are validated by analyzing historical benefit/cost information and revised as required.

▪ A process exists for periodically updating the prioritization scores and business value of portfolio of work.

▪ There is a process used by decision makers to create and communicate to the organization the criteria used to select and fund projects.

▪ The enterprise portfolio review board approves the core project portfolio selection criteria, including cost-benefit-schedule-risk criteria, based on the organization's mission, goals, strategies, and priorities.

▪ The project portfolio selection criteria are distributed throughout the organization.

- The project portfolio selection criteria are reviewed using cumulative experience and event-driven data and modified, as appropriate.
- There is a process for comparing worthwhile projects and then combining selected projects into a funded enterprise-wide portfolio.
- The portfolio review board assigns project proposals to a portfolio category.
- The portfolio review board examines the mix of proposals and projects across the common portfolio categories and makes selections for funding.
- The portfolio review board approves or modifies the annual cost-benefit-schedule-risk expectations for each of its selected project investments.
- A repository of portfolio development information is established, updated, and maintained.

Portfolio and Project Communications Management

- Project portfolio information is audited to validate the data and assumptions.
- The organization's asset inventory is developed and maintained according to a written procedure, including changes.
- Project investment information is available on demand to decision makers and other affected parties.
- Historical asset inventory records are maintained for future selections and assessments.

Level 4 continued

Portfolio Performance Management

- Common objectives and metrics are defined for the portfolio of work and reviewed periodically with management to maintain/balance the portfolio of projects.

- Portfolio analysis using standard metrics is integrated into management's decision processes.

- There is a process for evaluating portfolio performance and using this information to improve both current project portfolio management processes and future portfolio performance.

- Comprehensive project portfolio performance measurement data are defined and collected using agreed upon methods.

- There is a process for analyzing and managing the succession of identified project investments and assets to their higher-value successors.

- The portfolio review board develops criteria for identifying project investments that may meet succession status.

Portfolio Resource Management

- Enterprise and division resource analysis and reporting occurs on a scheduled basis to ensure that the organization maximizes its potential productivity and effectiveness in realizing the objectives of the projects and financial drivers for the portfolio.

Optimizing Process

Processes are in place and actively used to improve project portfolio management activities. Lessons learned are regularly examined and used to improve project portfolio management processes, standards, and documentation. Management and the organization are focused not only on effectively managing project portfolios but also on continuous improvement. The metrics collected during execution are used not only to understand the performance of projects and project portfolios but also for improving management decision-making capability for the future.

Portfolio Governance

- There is a process used to exploit management decision making to improve the value of project portfolio governance processes.

- Baseline data are collected for the organization's project portfolio governance processes.

- External comparable best-in-class project portfolio governance processes are identified and benchmarked.

- Improvements are made to the organization's project portfolio governance processes.

Project Opportunity Assessment

- There is a process used to exploit management decision making to improve the value of project opportunity assessment processes.

Level 5 continued

- Baseline data are collected for the organization's project opportunity assessment processes.

- External comparable best-in-class project opportunity assessment processes are identified and benchmarked.

- Improvements are made to the organization's project opportunity assessment processes.

Project Prioritization and Selection

- There is a process used to exploit management decision making to improve the value of project prioritization and selection processes.

- Baseline data are collected for the organization's project prioritization and selection processes.

- External comparable best-in-class project prioritization and selection processes are identified and benchmarked.

- Improvements are made to the organization's project prioritization and selection processes.

Portfolio and Project Communications Management

- There is a process used to exploit management decision making to improve the value of portfolio and project communications management processes.

- Baseline data are collected for the organization's portfolio and project communications management processes.

- External comparable best-in-class portfolio and project communications management processes are identified and benchmarked.

- Improvements are made to the organization's portfolio and project communications management processes.

Portfolio Performance Management

- There is a process used to exploit management decision making to improve the value of project portfolio performance management processes.

- Baseline data are collected for the organization's project portfolio performance management processes.

- External comparable best-in-class project portfolio performance management processes are identified and benchmarked.

- Improvements are made to the organization's project portfolio performance management processes.

- Reports are developed on trends at all levels of the organization's portfolio. Aggregate performance data trends are analyzed.

- Portfolio process and portfolio improvement recommendations are developed and implemented.

- Project investments are periodically analyzed for succession and appropriate investments are identified as succession candidates.

- The interdependency of each investment with other investments in the project portfolio is analyzed.

- The portfolio review board makes a succession decision for each candidate project investment.

Level 5 continued

Portfolio Resource Management

- There is a process used to exploit management decision making to improve the value of project portfolio resource management processes.

- Baseline data are collected for the organization's project portfolio resource management processes.

- External comparable best-in-class project portfolio resource management processes are identified and benchmarked.

- Improvements are made to the organization's project portfolio resource management processes.