# Ten Steps to Comprehensive Project Portfolio Management – Part 8
## More Tips on Step 10

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This series of papers has been developed from our work in upgrading TenStep's PortfolioStep™.
For more information on TenStep's internal consulting methodology, please visit
http://www.portfoliostep.com/0.0.0PortfolioStepHomepage.htm

In this Part 8 we will cover:

- Benefits Harvesting
- Benefits Realization Management
- The role of Executive Sponsor
- Benefits Reporting
- Portfolio Summary Review
- Portfolio Flexibility
- Changing strategic direction

**Benefits Harvesting**

With today's intense focus on "new" products for the survival of an industry, especially the IT industry, this survival obviously depends on reaping tangible benefits. These may take the form of increased output for a given input, decreased input for a given output, increased sales and services, increased profit margins, and so on. The point is that this all depends on improvements in beneficial outcomes and because survival is at stake, this activity should be "managed". Moreover, it should be managed as a part of, or closely associated with, portfolio management.

Every project represents an investment by its sponsoring organization, and the investment is made with a view to obtaining benefits. In fact, a project can be defined as a unique piece of work designed to deliver beneficial change, so that managing project benefits underpins all aspects of project success. When your products deliver benefits, your clients and customers are much more likely to be satisfied, project sponsors get their return on investment, and project team members can see that their job has been well done.

Conversely, if your projects that deliver enabling products do not ultimately deliver benefits, the would-be beneficiaries are disappointed and the originating project or projects can be listed as a failure. Consequently, managing benefits is receiving close attention these days, and unless you include this within your portfolio responsibility, your mandate will not be complete. This new management area is frequently referred to as "Benefits Realization Management" or "BRM".

**Benefits Realization Management**

Benefits Realization Management (BRM) may be defined broadly as the process of organizing and managing, such that potential benefits arising from investments in change are actually achieved.

Unfortunately, organizations are not very good at measuring the benefits that their portfolios deliver and they especially fall short in comparing those benefits to the money spent to achieve them. Recent surveys, circa 2005, indicated that even amongst large national or international organizations committed to project management excellence, only around 5% achieved high scores for both their approach to, and their deployment of, BRM practices.

All of this means that in a majority of organizations, critical decisions about selecting portfolio work are made without adequate information. If you allow yourself to be one of those, you, or the management that you report to, have to rely on intuition and gut feel that is obviously not founded on solid evidence. In short, you have no way of assessing the quality of your recommendations or decisions without assurance of the careful and deliberate exploitation of the products that deliver the benefits.

In IT, it gets even more complicated. Impacts resulting from changes in one product may have far reaching effects on the validity and functioning of other products and these are sometimes difficult to foresee.

### *Implementing BRM practices*

The following four guidelines are suggested for introducing Benefits Realization Management as an integral part of portfolio management:

1. Create a benefits management structure, mandated by the Executive, that involves Portfolio Management, Project Management and Operations
2. Make sure that Business Cases always include an assessment of resulting benefits as a part of their justification for proceeding
3. Make selection decisions based on the premises described in the Business Cases
4. Refocus the management of projects on the ability of the resulting products to produce the expected benefits.

In order to establish this new mind-set, you will see that it will be necessary to instill the following five practices:

1. Responsibility for benefits harvesting must be clearly assigned to Operations. This makes sense because at this stage of the overall portfolio life cycle, Operations can make or break the success of a product.
2. Portfolio managers, project managers and Operations managers must all work together. That means establishing an integrated community of interested parties as distinct from the traditional "stove-pipe" functional organization. You can use "Roles and Responsibilities" charts to help here, designed on the basis that the product planning, transfer and delivery, and benefit realization are each in the hands of those best able to contribute to achieving ultimate benefits to the organization. And you should list those "hands" by name.
3. All affected stakeholders must have an opportunity to be involved in the planning of product transfer and benefits harvesting from as early as the preparation of the Business Case. This makes sense because unless the clients are fully committed from the outset, their projects are not likely to make it through the portfolio Selection to Activation processes. In fact, this is one of the important jobs of the respective Sponsor.
4. A set of consistent metrics, whether direct or surrogate, must be designed for the portfolio as a whole and applied to all end products of significance. This is necessary to enable comparison of benefit outcomes to the justification asserted in the corresponding Business Case.
5. Ensure that the BRM plan is clearly communicated to all those responsible. Similarly, ensure that any subsequent updates are distributed along with project status reports. You will find this is necessary to ensure that when the product is ready for transfer, the transition will ensue smoothly and without delay in commencement of benefit harvesting.

**The role of Executive Sponsor**

At this point you can see that someone needs to be named responsible for seeing that this whole linkage is properly coordinated and works smoothly because there will be many conflicts of self-interest, resourcing, and timing. Many project management texts advocate for the position of (project) sponsor. However, such a role is typically in the hands of someone from the client department or Business Unit and therefore may not have the necessary authority or independence to resolve these conflicts in the best interests of the whole organization. For this reason, we recommend the establishment of an "Executive Sponsor" role, someone with sufficient seniority and authority to be able to undertake these responsibilities and resolve these conflicts.

From this model of Executive Sponsor responsibilities you can see the linkage between the three corporate groups: Executive (governance), projects, and operations. At a minimum, these critical responsibilities include:

1. Participate in optimum project portfolio selection either directly or linking to the project portfolio selection group
2. Own the project's Business Case that is key to developing the project and driving the project charter
3. Align project outcomes with corporate strategy and the practical needs of the business operations, which is the domain of project management
4. Update the alignment if/when business conditions change, which also impacts project management
5. Ensure metrics are established and used by Operations
6. Link to operations to ensure product benefits are harvested and data fed back to the decision-makers to close the portfolio feedback loop

Thus, the role of Executive Sponsor is not only critical to the success of each project but also critical to successful delivery of beneficial outcomes and for feeding that information back to the Executive and to portfolio management. This is not a trivial task!

***Who should pay?***

Just as the issue of who should pay for the transfer of the care, custody and control of the product to the users is sometimes a contentious issue, so also is the issue of paying for gathering benefits metrics. While Operations should naturally be concerned with the cost of their operations, their focus is relative to their annual operating budgets. Clearly, this is on a much broader scale than individual products, especially if those are IT enablers that contribute incrementally to the overall operational cost picture.

It follows that although the responsibility for collecting benefit metrics falls within the Operations domain, the purpose of those metrics is to benefit the Executive in portfolio decision-making. It would therefore appear that the best approach is for you to establish a part of your portfolio budget for this specific activity.

Once again, close cooperation between the Executive (Sponsor), Project Management and Operations will be necessary to carry out this work. However, if it is your budget, you will be able to control how the money is spent, on what metric gathering activities, when and to what standard. It may be that you even have to provide your own resources where sampling techniques and the analysis of data are involved. This is a good opportunity for recruiting and applying the skills of a Business Analyst.

## Benefits Reporting

The major work of the portfolio Steering Committee is in selecting, prioritizing and authorizing the portfolio components. However, their job does not end there. They should meet regularly to review the status and progress of the various component categories, assess whether any changes in the mix is warranted and, most importantly, review feedback on the benefits being returned to the organization. They must then decide what to do about those areas of the portfolio that are not meeting expectations.

In other words, they must address the issues associated with verifying the extent to which previous portfolio work is producing the expected benefits – and what to do about them if they don't.

### *Measuring business value of completed projects*

In most departments, tracking completed work to determine if the business value is being achieved is a missing step. The client department that sponsored the original project should take the lead in capturing the follow-up benefits metrics. However, the Steering Committee may also need to follow-up to make sure that the right metrics are being captured in the right way. Ideally, the specific metrics to capture are those used to justify the project as stated in its Business Case. For example, if the initiative's Business Case projected a business benefit of increased revenue from the product enabler, the revenue derived from that product should be tracked and reported. Alternatively, if the business value was related to decreased costs, then the relative cost reductions should be tracked and reported.

However, the reality is that you cannot always easily segregate the benefits derived from the products produced from individual projects, because they represent enhancements to existing processes. Or they may be a part of a package of projects (a program) that together produce a set of benefits. In these cases it may be necessary to resort to sampling techniques, and/or conduct "Before and After" surveys.

### *Start small if necessary, but start somewhere*

Gathering metrics is not always easy. Some metrics can be automated, but for many data must be gathered and analyzed manually. Consequently, it is not surprising that many departments skip this area. Alternatively, they make take the easy route and gather numbers that look good but are virtually valueless for purposes of portfolio management. The key is to start small and get better with experience.

Here are some tips for gathering metrics:

- Start by determining the key management aspects of portfolio management that you would like to understand. Of these factors, focus first on the larger ones that provide a sense of how well the production side of portfolio management is being managed. These include measures reflecting how well projects are completing against expectations, how close you are to achieving your portfolio Balance Points and how well you are managing staff capacity.
- When the ideal metrics really are too difficult to collect, find a surrogate measure that will give an approximation. For example, if you cannot directly measure the business value delivered from a particular product, you can at least survey the customers for their perceptions of the product.
- Only gather metrics that cause minimal disruption. Avoid excessive frequency.

## Portfolio Summary Review

The Steering Committee should receive relevant portfolio status information on a regular basis, say monthly or quarterly. If a Project Management Office (PMO) is in place, they may be satisfied with the PMO reports. Long-winded textual diatribes are not necessary. Summary information can be provided graphically, often referred to as a "dashboard".

A portfolio dashboard is a set of metrics collected together and presented graphically to governance bodies on a regular basis and portraying the latest performance status of the part of the organization being observed. It is called a "dashboard" because the charts are often in pie chart form and resemble the dashboard of an automobile. In this case, the dashboard displays portfolio performance figures against objectives and expectations.

### *Portfolio Detailed Review*

A more detailed review could include the following:

- **Component data**: Regular updates on the status of portfolio components, especially at phase-end milestones; current priority; and forecasts of delivery, final costs, and expected benefits.
- **Resource allocation and capacity data**: Financial, human and production capacity for purposes of scheduling next-in-queue projects.
- **Environmental constraints**: Includes constraints such as government regulations, borrowing capacity arising from interest rates, weather, and so on.
- **Selection criteria:** Any changes arising from portfolio optimization calculations; mandated changes in balancing points; or changes in the weightings to be applied to specific selection criteria.
- **Key Performance Indicators:** Any changes in the organization's approach to gathering metrics, especially in the area of benefits realization.
- **Portfolio management criteria**: Changes in details such as diversification; project management objectives tolerances; and risk tolerances generally.
- **Governance standards:** Any changes in corporate policies, whether or not government mandated.
- **Strategic Goals:** Any changes in corporate strategy, perhaps arising from a review of portfolio benefits realization performance, but in any case as they apply to selection and prioritization of portfolio components

Obviously, each Steering Committee member should be particularly familiar with any portfolio work that they are sponsoring and/or portfolio work that is being performed on their behalf.

## Portfolio Flexibility

Business demands are getting tougher and tougher. Organizations must be able to do more with less. The performance level that was good enough this year will not meet the higher expectation level of next year. Staff must always be looking for ways to improve delivery processes, overall service level and ways to leverage their existing assets to improve the level of benefits being derived from portfolio products.

But in addition, the operating environment may be changing:

- Overall business priorities could have changed at the organizational or departmental levels
- Business revenue may not be trending as expected so that may impact scheduled projects – for good or bad
- The organization's Business Planning Process for the following year may have already started before some projects have started in the current year. The new business plan may render some current projects less relevant. This may be reason to postpone a project or even cancel it for the time being.

Essentially, that means that the project's Business Case has changed. Therefore, before projects are started in Step 7, the Steering Committee should insist on revalidation of Business Cases that are no longer current. This review does not have to be in-depth but at least ensure that the assumptions, costs and business benefits are still valid.

It also follows that the Steering Committee should keep project managers informed of general business trends as project managers are often too close to their project work to be sensitive to a changing environment.

**Changing strategic direction**

So far we have only dealt with improving the portfolio internally, that is, alignment of portfolio work with established corporate strategy; maximizing selection; balancing portfolio components; efficiency of production and of product transfer; and so on. What if the organization's environment changes substantially? This may be due to a merger, an acquisition or disposal of a Business Unit, or a redirection following a change at the senior executive level. Or, what if the feedback from Operations demonstrates that the benefits from products produced as a result of existing strategies are simply not coming up to expectations? Clearly, these call for changes in strategy at the Executive level.

Hence, strategic reviews should be held at longer-term intervals, perhaps biannually or annually. A portfolio strategic review could consider any or all of the following:

- The extent to which Benefit Realization Management is working at the Operations level and returning the benefits expected according to the organization's strategic plans
- Impacts of latest business forecasts, portfolio resource utilization, balance points, and capacity constraints on portfolio performance
- Changes to the organization's strategic vision, goals and direction as it applies to its portfolio management as a consequence of this feedback
- Governance standards, and component sponsorship, accountability, and other ownership criteria set according to these standards, especially if revised
- Priority setting, dependencies, scope, expected returns from the latest enabling products, the risks, and financial performance, including retention or deletion of component categories and/or programs in the portfolios
- General changes in the way portfolio components are managed

***Strategic change reporting***

The status of the corporate management practice of its project portfolio management in general is of considerable importance to the future of the organization as a whole. Therefore, a brief summary of the status of the portfolio as a whole should appear in the organization's annual report. This is especially true if there has been a particular change in strategic direction during the reporting period.

Project portfolio management is neither simple nor easy, but it helps if you understand the big picture and where it fits in the overall scheme of management science.