

Assess Your Company's IT Project Portfolio Management Capability

Nearly half of the CFOs surveyed in a 2003 study by CFO Publishing Corporation cited weak or no alignment between IT and business groups. This perception is in spite of the fact that IT departments have made substantial efforts and invested significant amounts of resources to try and get their spending and projects aligned with company goals. However, the success of the "project selection" approach is truly an unknown for most companies despite a renewed interest and investment in training. This research study illustrates that managing the project initiation process is as critical to project success and overall perception as any other critical success factor.

You may believe that you have the proper policies and procedures in place to manage the un-ending flow of project requests from your user community. Yet, it is only through the careful examination of your company's project selection and prioritization processes that allow you to determine if you have the right system in place and if this system is being executed properly in your organization.

In an effort to resolve this gap between IT departments and business groups, CIOs have been turning to the practice known Project Portfolio Management. Project Portfolio Management is specifically about aligning projects, technology investment funds and the associated IT resources with organizational priorities. While there is no "one right way" to manage IT project selection and prioritization, there are fundamental items that make up every successful IT Project Portfolio Management practice.

Pieces of the Puzzle

Project Portfolio Management represents an orderly and continual discipline with many interdependent activities. The first step of a Project Portfolio Management assessment is determining where to begin, what to produce, and how to produce it. An effective approach is to decompose the evaluation effort into the following seven essential areas:

1. Business partnership
2. Portfolio structure
3. Project screening
4. Investment analysis
5. Project selection & prioritization
6. Portfolio monitoring & communication
7. Benefits realization

This decomposition provides an excellent framework to specify and communicate the gaps, risks, constraints, opportunities, and resulting recommendations identified.

Do You Need This?

Similar to a physician trying to determine what ailment to treat, fixing your project selection and prioritization process begins by identifying all of the symptoms and working backwards from there. For instance, do projects in your organization tend to miss deadlines and exceed the budget? If so, this "symptom" is most likely just one issue from a series of interrelated issues, such as:

- projects that experience "false starts" *that then causes...*
- continuous redeploying resources due to changing organizational priorities.... *that then causes...*
- missed project deadlines... *that then cause ...*
- large backlog of requested IT projects... *that then causes...*
- strained relationships between business units and IT... *that then causes...*
- a lack of shared participation and a lack of shared accountability.... *that then causes...*
- wasted time and money.

Where All Roads Lead

Problematic IT project environments, such as the one described above, tend to stem from the root cause of your organization's struggle to properly and succinctly prioritize projects and the resources needed to deliver them.

Yes, I Need This. What Do I Do Next?


A quick "self test" can help you identify how well, or how poorly, your company manages the essential process of IT investment. Likewise, a good self-test exposes your areas of largest concern. Use the downloadable self-test as an aid to identifying your overall Project Portfolio Management needs.

Project Portfolio Management Assessment Tool

Use the following examination to gauge the completeness and the proficiency your IT investment process. Read and answer each question as it pertains to your company's method for project selection and prioritization. Any question you are unable to answer positively represents a potential gap and risk in your company's IT investment management process that merits examination.

When you're finished responding, count and total the number of questions answered 'Yes', as well as 'No'. Refer to the 'Scoring Guidelines' to see how your project portfolio management practice ranks.

No.	Self-assessment Question	Yes	No
1	The Information Technology Department is included as an active participant of the corporate strategic planning process.		
2	The company is able to adjust and align IT investment budgets and projects with business needs at least four times a year (quarterly).		
3	There is obvious and absolute alignment between the business strategy and the selection and execution of IT projects throughout the company.		
4	Senior business executives have clear insight into the selection, prioritization, budgeting, resource allocation and scheduling of IT projects.		
5	Senior business executives are provided a single source of information for the company's IT projects and technical resources.		
6	There is documented evidence that the organization consistently selects and invests in the IT projects that have the greatest business return and support current company priorities.		
7	The organization continually measures and manages the IT budget for the optimal mix of discretionary and non-discretionary spending.		
8	The organization consistently uses clearly defined financial methodologies to develop reliable ROI estimates for all significant IT funding proposals.		
9	The organization develops thorough business cases prior to approving and funding significant IT projects.		
10	The IT organization is good at articulating IT decisions in business terms.		
11	There is evidence that the company consistently rejects inadequate IT funding proposals and IT project requests.		
12	The organization uses a clearly defined process for evaluating a proposed IT solution against the company's defined technical architecture and leverages existing technology assets.		

No.	Self-assessment Question	Yes	No
13	Senior business leaders, along with IT, equally share in the responsibility of successfully delivering the IT-related projects with the greatest business return.		
14	The organization has clearly defined procedures, roles and responsibilities for monitoring IT projects and determining corrective measures, as necessary, for unhealthy or failing projects.		
15	Business executives are given visibility into accurate, relevant, and actionable project-related information that enables the re-alignment of projects, resources and IT funds when market conditions and business strategies change.		
16	The organization utilizes multiple project initiation approaches for the timely execution and delivery of IT projects of varying size, complexity, and risk.		
17	The organization utilizes an explicit and clearly understood end-to-end approach for strategic IT planning through IT project selection, execution, and business value measurement.		
Total the number of questions answered 'Yes', as well as the total answered 'No' and record your score in the box provided. 			

Scoring Guidelines

To score your IT investment capability, give yourself a point for every question that you answered 'YES'. Use the guidelines below to get a general synopsis of the strengths and weaknesses of your investment process. The guidelines can be used as a benchmarking aid to compare your organizational methods with industry best practices. Additionally, any question answered 'No' provides insight into the gaps that exist with your project initiation process and need attention.

Points Description

0 - 4 Poor (Ad-hoc)

Your method for evaluating and prioritizing IT projects is uncoordinated and unpredictable. Basic disciplines of screening and governance are missing from the project initiation process. The decision making process appears random to your business clients. Because of this lack of clarity, business executives are going directly to senior executive management getting their project ideas sanctioned and funded. More than likely, there isn't a central database of all projects and you have redundant projects occurring in different parts of your organization. You are forced to respond to multiple 'Number 1 priorities' coming from different parts of the company. If you feel that identifying the potential business value that IT projects provide is difficult, then measuring that value is virtually impossible using the existing process.

5 - 10 Fair (Defined, but reactive)

While you may be using standard methods for evaluating, selecting and prioritizing project ideas, your process is not being executed in a consistent manner. Your organization likely has a central project management office in place that maintains a central database of projects, but the IT project investment process is not linked to budgeting cycles. In all likelihood, project selection decisions are being made at a departmental level. Oversight and governance of the investment process needs to be coordinated between business executives and the CIO at the enterprise-level. The organization may be producing rough estimates of cost and benefits, but using financial metrics to make investment decisions are basic at best.

11 - 15 Good (Process-based)

Your IT project portfolio management process is solid, promotes collaboration with business groups and provides transparency in the investment decision process. The fundamental methods of evaluating, selecting and prioritizing IT project ideas are well-defined and are being consistently executed and managed. Your organization has been successful in establishing a central portfolio of projects, as well as linking the portfolio to a central budget oversight process. Comprehensive business cases and multiple financial metrics are, most likely, being used consistently to make investment decisions. You're ready to move to the next level where sobering questions dominate and measuring business value becomes a priority.

16 - 17 Excellent (Customer-focused)

Wow! You're in a class all your own. You have successfully synchronized the IT investment process with business planning cycles and your business clients are fully sharing in the accountability of delivering and utilizing IT-enabled solutions. The IT portfolio now looks at all IT spending. The disciplines used to evaluate new IT investments have been extended to manage the lifecycles and investment in existing IT assets, such as hardware, software and information. Oversight of the project selection process is being managed at the highest levels of the organization, where frequent reviews occur to eliminate underperforming projects and the IT portfolio is continually balanced to support changing business goals. The process of measuring realized business benefits after a solution has been deployed is commonplace and feedback from business users is pursued and used to evolve the decision-making process.