Business white paper

Best practices in project and portfolio management

Practical advice for achieving greater value and business benefits

Table of contents

Introduction

Business today encounter numerous questions: “Are we funding the right projects?” “Is our staff working on the highest priority tasks?” “Do we have the right resources in place to meet next year’s goals?” However, getting the answers can be enormously complicated—and that is why companies invest in project and portfolio management (PPM) solutions. Implemented the right way, the right PPM solution can give you the information you need to make better business decisions, lower the total cost of IT, and cut operational risk.

And that leads to another interesting question: “Are we getting maximum value from our PPM investment?”

This paper presents a few examples of best practices for applying HP Project and Portfolio Management Center software in the optimal way to address common PPM business requirements. By following best practices outlined in this paper and the additional best practices compiled by HP Software Professional Services, you can accelerate time-to-value, improve organizational adoption, and increase the effectiveness of core business processes.

The importance of best practices

Best practices are collective wisdom. They are based on real-world experience; they are the result of hundreds or even thousands of deployments worldwide and are based on expertise, not theories. Equally important, they mature and evolve over time. They are continually refined to reflect new customer deployments and new capabilities of the technology, so they give you the benefit of lessons learned.

HP typically groups best practices in three standard categories: **people, process,** and **technology**. The focus of the best practices outlined in this paper is the intersection of process and technology. It is this intersection that translates “process” best practices—which are often perceived as theoretical and idealistic—into practical use. Specifically, this paper looks at some common business objectives in portfolio management and resource management, the core requirements associated with those objectives, and how to best apply HP PPM Center to support them. The examples provided here represent only a small sample of the best practices compiled by and available through HP Software Professional Services.

It is important to differentiate between best practices and “best known methods.” Best practices are solid, tried and tested recommendations, whereas best known methods are simply suggestions based on the latest information available that require further experience and validation. In the context of product-centric best practices, they also often represent acceptable workarounds for capabilities that are not currently supported.

Key concepts in PPM

Whether you have already purchased and installed HP PPM Center or are still evaluating PPM solutions, a quick review of key concepts gives context to the best practices described in this paper.

PPM processes: Comprehensive coverage, lifecycle focus

Effective PPM addresses the full portfolio of business projects throughout their lifecycle; therefore, HP PPM Center supports the full range of PPM activities with software modules tailored to meet the requirements of specific PPM processes. The core HP PPM Center product modules include Portfolio Management, Demand Management, Program Management, Project Management, Financial Management, Resource Management, and Time Management.

Portfolio Management encompasses a broad category of investments in different stages of the lifecycle. The traditional view of a portfolio is very project-oriented; it consists of project proposals (projects that are not yet approved) and projects that are in execution mode.

However, a portfolio should also include investments in activities that maintain normal business operations, which may not be represented by projects at all. For example, the investments in people and IT assets to maintain an application or specific IT business services need to be included. Lower-effort activities, such as minor application enhancements or commodity IT services like providing basic telecommunication services, are good examples of this. On their own, these activities are not significant, but the volumes are routinely very high and this category of investment can represent a significant part of the overall portfolio.

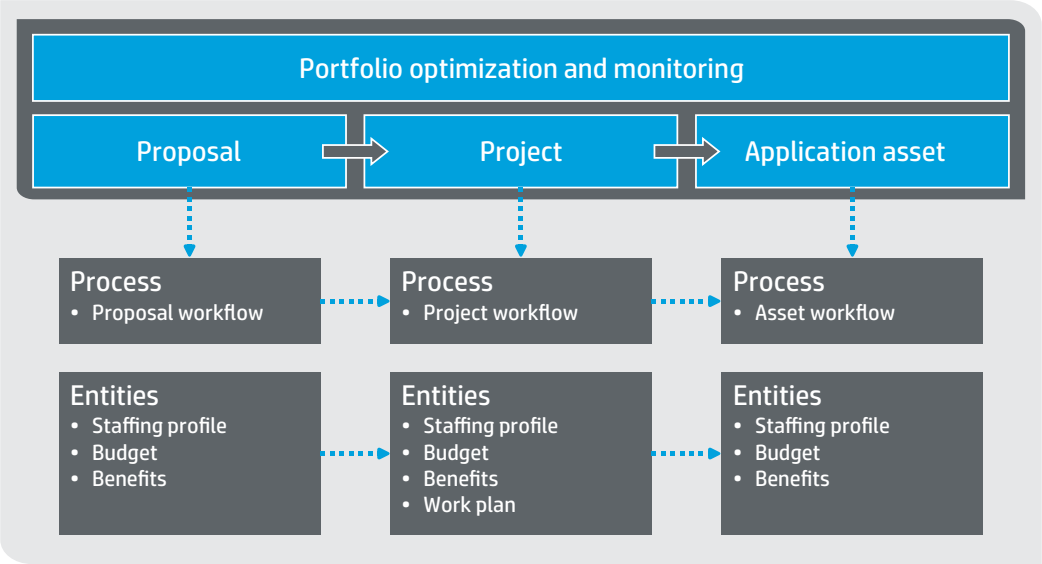
The investment lifecycle is another core process in effective Portfolio Management. An example of this process might be a project proposal for a new real-time configuration and quoting tool for the outside sales force. It starts as a proposal, and if approved becomes a funded project. When that project is completed, it results in a new application that provides an important business service. At that point, the application needs to be maintained until it is eventually retired. With the advent of Information Technology Infrastructure Library v3 (ITIL v3), this lifecycle approach for portfolio management is formalized by the Service Lifecycle process.

Portfolio Management also addresses requirements such as how to automate the proposal evaluation and approval process, how to plan across both project and non-project investments, and how to perform what-if analysis to optimize the portfolio to maximize value, manage risks, and account for constraints on schedule, resources, and financials.

Demand Management aggregates project and non-project work, making it possible to form a true picture of what is being asked of IT. It is this visibility that enables informed analysis of the portfolio.

Program and Project Management focus on planning and execution of programs and projects within the portfolio. Time Management is essential to gain visibility into where people are spending their time, and to enable labor plan vs. actual analysis. It applies to both time tracking for projects and for non-project activities. Financial Management and Resource Management also span across the portfolio.

Figure 1. PPM entities with HP PPM Center.



Information is carried from one phase to another

When implementing these processes there are different levels at which they need to be applied (depending on the requirement), which will be addressed in subsequent sections.

PPM entities: A phased approach to streamlining workflow

To optimize the portfolio, you first need to get control of all the demand that is placed on the organization. As proposals come in, there must be a process for prioritizing and refining them. After all, decisions about any individual proposal cannot be made in a vacuum; proposals need to be compared against current and future demands.

The PPM solution should help you formalize and automate the workflow process as activities progress through the cycle from proposals to approved projects to business assets. Each phase is supported by a relevant workflow. For example, the proposal phase has a workflow that is used to capture, evaluate, and approve the proposal.

HP uses the term "entity" to describe the transaction and supporting data of these workflows. For example, staffing profiles and budgets are entities that are linked to proposals, project, and application asset entities. Staffing profiles capture resource information; and budgets and benefits capture financial data and analysis.

All of these entities capture information through planned and actual values by period. Based on the phase, they establish "approved" values (for instance, the approved budget for the approved project). The information about these entities becomes more detailed as they progress through the phases, and that information is carried from one phase to the next, automatically by the PPM solution.

Portfolio Management best practices

Portfolio Management concerns itself with strategic decision making for both project and non-project investments. Its objective is to maximize business value across these investments within an acceptable level of risk and to do so in a realistic manner that accounts for the constraints on time, resources, and financials.

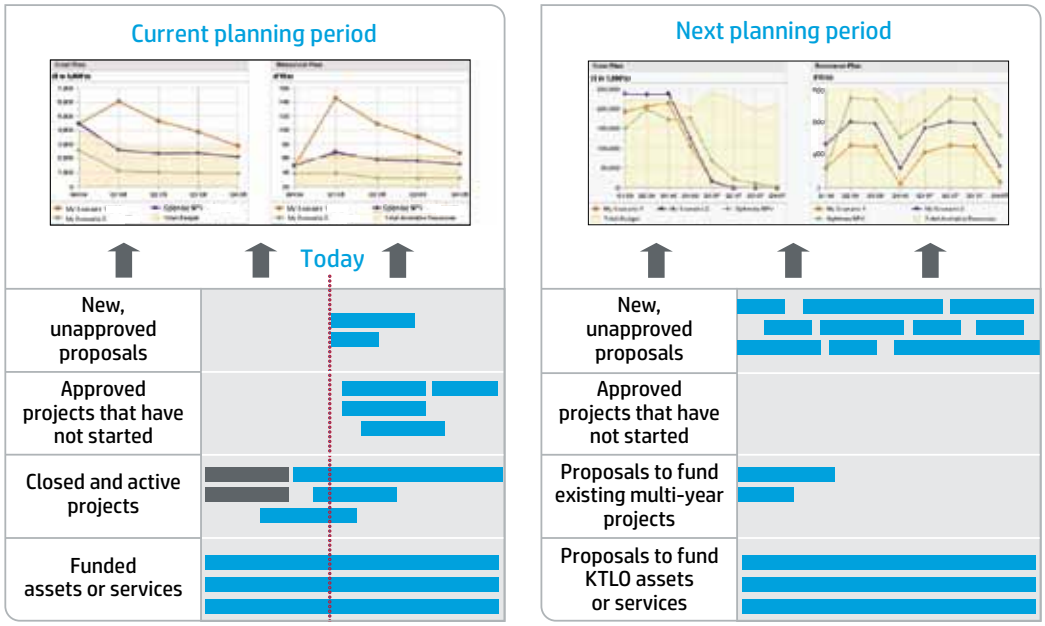
Before best practices come into play, it is important to clarify what type of decisions need to be made. A logical way to organize proposals is to think about them as six different types:

- Strategic projects that enable business **growth**
- Projects that improve operational **efficiency** and reduce costs
- Projects that are necessary for regulatory **compliance**
- Projects that **maintain** normal business operations (keep the lights on, or KTLO)
- Continued funding for large, **existing projects** that cross fiscal years
- **Non-project** work to maintain existing applications and IT services

These can be mapped to standard investment categories or "Project Classes:"

- Innovation
- Growth
- Efficiency
- Operation and maintenance
- Regulatory compliance

Figure 2. Proposal segmentation and analysis. You can quickly see the proposals that are new, approved, closed, active, or funded—both for the running and next periods. The graphs in the top half of figure 2 show the "what-if" analyses.



Note that the proposal to continue funding for a project that crosses fiscal reporting periods can be assigned any of these project classes. This type of proposal is necessary because projects that cross into the next planning period typically should be revisited and explicitly funded or not funded.

The project classes listed earlier represent HP best practices for portfolio categorization. Two HP Portfolio Management best practices that support portfolio categorization include:

Best practice #1—Use proposals as the basis for all funding decisions in annual planning

HP Software Professional Services consultants strongly recommend that HP PPM Center customers use proposals for all funding decisions when performing annual planning. The key reasons: simplicity and consistency. With HP PPM Center, every proposal has a workflow that is designed for an evaluation and approval. **By using proposals in annual planning, you establish a consistent process for control and traceability and more clearly identify new or incremental budget resource requirements. This simplifies reporting because reports can be targeted at the proposal and you can reduce end-user confusion and thereby improve internal adoption rates.**

The alternative approach, which is not recommended, would be to try to compare a set of proposals, projects, and assets together for annual planning. Some projects may cross fiscal boundaries and cost estimates could have easily changed since the previous planning cycle. Similarly, the assumptions around budget and resource requirements to support application assets could also have changed. For these reasons, a proposal is recommended to re-evaluate an ongoing project or application asset—serving as the basis for all funding decisions during annual planning.

Best practice #2—Segment by "current" and "next" planning cycles

HP PPM Center also recognizes the importance of timing when it comes to portfolio planning and makes it simpler to analyze and segment the portfolio according to specific planning cycles.

The best practice recommendation is that customers tag and segment the portfolio by "current" and "next" planning cycles. Figure 2 shows how HP PPM Center allows you to roll up the results of this segmentation and see the status of various activities at a glance. Clearly, making adjustments in the current planning cycle is much more difficult than the future planning cycle because a change in the current planning cycle may mean you need to stop or delay a project and reassign resources, which may trigger a good number of other dependencies. This starting and stopping is sometimes necessary but it introduces costly inefficiencies. No work has started in the future planning cycle so it is much easier to make changes to the plan. Segmentation is necessary to avoid confusion.

HP PPM Center also makes it possible to perform various "what-if" scenarios and view the results graphically, and to apply automated optimization to help you maximize value while respecting the constraints of budgets, resource capacity, and risk.

Resource Management best practices

Resource management is an area of increasing focus as many organizations realize that to adequately handle all IT demand, they must have a way to plan the portfolio realistically and to optimize resource utilization. The objectives of Resources Management include:

- Planning the portfolio more accurately by balancing resource supply and demand
- Predicting and planning for future resource requirements
- Increasing utilization of resources for higher value work
- Improving resource planning accuracy
- Increasing efficiencies in resource management functions
- Reducing project budget and schedule deviations resulting from poor resource management

HP PPM Center offers several new capabilities in this area. The following best practices pertain to just two of these capabilities as they are useful to organizations in a wide range of maturity levels.

Best practice #1—Model resource pools after the organization structure

A core requirement in Resource Management is to be able to define resource supply so that it can be balanced against resource demand. Demand comes in many forms from many places, and with multiple levels of granularity ranging from, "We will need 15 programmers to work on the new Web service," to "Marsha needs Jason to manage her project for six weeks starting December."

On the supply side, HP PPM Center represents resources available through "resource pools," which can be set up as hierarchical structures. Each resource pool has one or more pool managers who can make resource decisions, such as soft booking, or commit resources to assignments for all resources directly in that pool or in "child" resource pools within the hierarchy.

In general, it makes sense to model these resource pools after the actual organizational structure as a baseline, rather than attempt to create a separate structure (for example, put all business analysts into a separate pool). **The key reason: the functional organizational structure almost always represents who can make resource decisions. If there is a resource conflict, the functional manager can resolve it.**

This approach facilitates better maintenance of the resource pools. Functional managers are more likely to make sure that their own resource pools accurately reflect reality if they directly manage them. This approach also establishes clearer accountability for the pool manager when requests are made against that pool.

Variations to the functional organizational structure include scenarios when formal "resource manager" responsibilities are assigned over a pool of resources that have no direct employee-to-manager reporting relationship. This is more common for very large organizations or for resource pools for contingent workers.

The alternative approach of creating role-based resource pools (for example, putting all project managers in a pool regardless of who they report to in the organization) creates confusion unless there is clear responsibility for who needs to accept and broker resource requests against that pool. However, note that role-based resource pools are still quite common with shared services groups (for instance, DBAs) since they are by definition centrally managed and are organized that way in the functional organization model.

Best practice #2—Align commitment process with the maturity level and resource pool design

While HP PPM Center provides a way to implement a very structured approach to requesting and committing resources, this is typically not appropriate for organizations just getting started with resource management. The process for requesting and committing resources should reflect the maturity of your organization and also align with the overall resource pool design. Equally important, r**esource pool design should be done when the organization can capture or maintain quality data with a scalable and sustainable approach.**

If not, the following issues can emerge:

- Resource Management is typically done with a very ad hoc approach and creates organizational challenges when altered significantly.
- Resource Management data typically is fairly dependent on data from external systems (for example, directory services for an organizational structure or an HR database).

To facilitate a successful Resource Management implementation, the organizational change considerations and data quality and maintenance aspects need to be addressed before automating more mature resource management processes. A reasonable place to start is to improve both resource forecasting capabilities and the representation of resource supply in the HP PPM Center. Initially, assignment decisions can be made outside of the system but still recorded in the HP PPM Center. As organizational maturity improves, the request, soft-book, and commit steps can be fully automated in HP PPM Center.

In both scenarios, it is critically important to enable high data quality and to address exceptions appropriately. For example, if a resource is 300 percent committed, it is an exception which has to be acted upon and resolved in a timely manner or users will put no faith in the quality of the information.

Starting points for HP PPM Center

The starting point for your organization will depend on your company's particular business issues. In general, there are four key steps to take on the road to a successful PPM implementation:

Step #1—Demand aggregation: For many organizations, getting a handle on the project and non-project demands being placed on IT is an essential step in prioritizing the IT workload and determining the relative business value of various alternatives. Demand aggregation is all about getting visibility into the work being requested by the business.

Figure 3. Starting points for PPM Center implementation to achieve early strategic impact along with anticipated benefits.

Typical implementation approach: "strategic impact first"

Maturity of implementation →

	Phase 1	Phase 2	Phase 3	Phase 4
Portfolio Management	• Visibility and control over strategic demand • Annual planning	• More detailed proposal process • What-if analysis	• Application assets or services in portfolio • Portfolio optimization	• More agile and comprehensive planning • Scorecards
Program/Project Management	• Visibility into projects with basic health status reporting	• Standard templates • Milestone-level tracking and reporting	• Detailed project management • Integration with quality management	• Greater maturity across enterprise
Time Management		• Time entry for both project and non-project demand	• Refinement of labor cost calculations for tracking and planning	• Time entry compliance across enterprise
Financial Management	• Proposal budgets for annual planning	• Basic benefits estimations to drive ROI and net present value (NPV)	• Leverage cost actuals to drive future planning	• Benefits realization tracking
Resource Management		• Role-based resource demand and supply for planning	• Named resource allocations • Manage assignments	• Support high-level and detailed resource management
Demand Management	• Visibility into strategic demand and application changes	Highly dependent on customer situation and requirements, but usually involves implementation of a service catalog with various automation for request fulfillment		

Step #2—Portfolio management: You cannot calibrate the business value of an individual project if you cannot see the big picture. A focus on portfolio management allows you to govern the entire IT portfolio and make apples-to-apples comparisons and perform what-if analysis. Step #2 is about implementing fundamental portfolio management processes and capabilities once you have established the visibility of step #1.

Step #3—Project execution: Delivering complex programs and projects on time and on budget is a major challenge for any organization. Focusing on project execution allows you to see which projects are in trouble at any given time and make decisions about how to get them back on track. While step #3 could come first, HP has found that getting a handle on aligning the business to the right set of projects first is easier to achieve and drives greater value. One simple explanation for this is that there are far fewer organizational challenges and far few players involved in implementing portfolio management than with enterprise program and project management. The value drivers (for example, positive impact on the bottom line) are also greater when you can put a stop to projects that are non-essential or not aligned to business needs much earlier in the lifecycle.

Step #4—Resource management: For most organizations, resource management is a key challenge and balancing supply vs. demand is vitally important. Having insight into your resources and current allocations will give you the agility needed to make informed trade-offs as change impacts the business. Process maturity needs to be established along with confidence that the data used is accurate. As a result, resource management typically is implemented after some more basic PPM capabilities are implemented.

There are multiple factors that influence the starting point for PPM and there is no one single correct approach, but HP has found a pattern for success in many implementations that is represented by figure 3.

Figure 3 illustrates how HP PPM implementations are typically rolled out in phases, adopted along a continuum of increasing organizational maturity.

For most organizations, Portfolio Management is an excellent starting point because it has proven to make the most immediate business impact and greatest contribution to tangible ROI. It should start with gaining visibility into the portfolio of proposals and projects and implementing some basic level of control over that portfolio. Portfolio Management also includes and addresses the strategic requests and proposals that are captured with the Demand Management module.

In phase 1, for example, a streamlined program or project process is implemented with basic Financial Management to capture proposal and project budget information. Phase 1 provides visibility into project health but does not go as far as implementing detailed and advanced project scheduling and control. It also does not include resource management. Resource management is more appropriate for later phases starting in phase 2. In this phase, just the basic capture of high-level (that is, role-based) resource requirements for proposed investments is necessary. In phase 3, organizations can begin to consider more detailed resource management for named individuals.

HP Software Professional Services has developed a default blueprint that follows this pattern and serves as a baseline that can be tailored to each customer's specific situation. We refer to this approach as "strategic impact first" since by focusing first on Portfolio Management we are able to help customers achieve a rapid ROI on the PPM Center investment, make a strategic impact in the organization, and create momentum for the success of future phases.

Answers to common customer questions

Do I need to implement HP PPM Center software modules all at once?

Answer: HP PPM Center does not need to be a "big bang" deployment. HP gives you the flexibility to purchase HP PPM Center modules as your needs dictate and deploy them at your own pace.

Will I need to configure HP PPM Center to meet my specific requirements?

Answer: This depends on your specific goals. HP PPM Center has been successfully deployed by HP customers out of the box without special configuration. Other customers do choose to take advantage of our highly configurable workflow engine to roll out processes rapidly.

Are HP Consulting Services required for implementation of HP PPM Center?

Answer: Yes. You can leverage HP Software Professional Services or services from the HP partner community if you choose. HP Software Professional Services also provides packaged offerings such as the "Portfolio Management QuickStarts" that enable rapid implementations by providing prebuilt product content and consulting assets that are the vehicle to deliver best practices.

Can HP provide a more formalized assessment of my organization's readiness to implement HP PPM Center?

Answer: Yes. HP has a deep and wide set of capabilities, ranging from strategy to process, as well as product expertise in PPM. HP can assess your organization's maturity and establish the right implementation blueprint. We can also review an existing implementation to identify areas of opportunity, make very specific and actionable recommendations, and mentor you on current best practices.

How do I avoid disrupting current operations and processes while I make the move to HP PPM Center?

Answer: HP has partnered with one of the best vendors to offer guidance and support to our customers who are addressing organization change, thus helping to ease the path to effective deployment. HP Software Professional Services can provide additional assistance in this area.

Working with HP Software Professional Services

HP offers a flexible range of options to customers who are interested in making the move to more effective project and portfolio management and who wish to implement effective IT governance.

- **HP Software Professional Services** provides you with the process, people, and technology experience and expertise you need to streamline your PPM implementation. HP consultants can guide you through the strategy, planning, deployment, installation, and management processes required to create a world-class solution powered by HP PPM Center. HP Software Professional Services provides a variety of services from IT governance to rapid deployments of HP PPM Center with packaged QuickStart offerings that deliver pre-built best practices.
- **HP Software-as-a-Service (SaaS)** for HP PPM Center helps you reduce operating costs and capital expenditures while improving service levels. It enables you to move resources to focus on business outcomes rather than focusing on the management of the software. We provide a ready-to-use service, with multiple environments of PPM to support lifecycle management and a flexible payment plan to help you manage your expenses better. As part of your team, an ITIL- and PPM-certified technical account manager works with you to provide ongoing mentoring and guidance on the best practices. HP SaaS enables enhanced access 24x7 and provides industry-leading availability of 99.9 percent to users worldwide.[1] Customers lower their total cost of ownership (TCO), drive up quality of service and adoption, and improve their value with the HP PPM.
- **Comprehensive training** is available through HP Software and IT Service Management courses. These offerings provide the training you need to realize the full potential of your HP solutions and achieve the highest return on your IT investments. Included in the portfolio of available training is next-generation E-learning that provides highly interactive and high visual learning modules targeted at end users. The End User Training (EUT) products can be delivered and consumed by anyone, anytime and are quickly and easily tailored to the terminology used in your environment.

For more information

For additional details about HP Project and Portfolio Management Center, visit: **hp.com/go/ppm**

[1] As defined in the Service Uptime Commitment of Attachment C of the Service Level Agreement between HP and the customer.

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