

“Pragmatic and Actionable”

Overview of Winning Program, Project and Portfolio Management Best Practices and their Impact on Enterprise and IT Governance

(Based on Current and Emerging Industry Best Practices Case Studies)

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Objectives

- **Illustrate the value and importance of linking Project Management to Enterprise and IT Governance best practices**
- **Provide an overview of the best practice principles and practices for effectively managing enterprise wide and limited scope programs and projects.**
- **Improve organizational alignment, maturity and profitability through the implementation of PM, Enterprise and IT Governance best practices.**

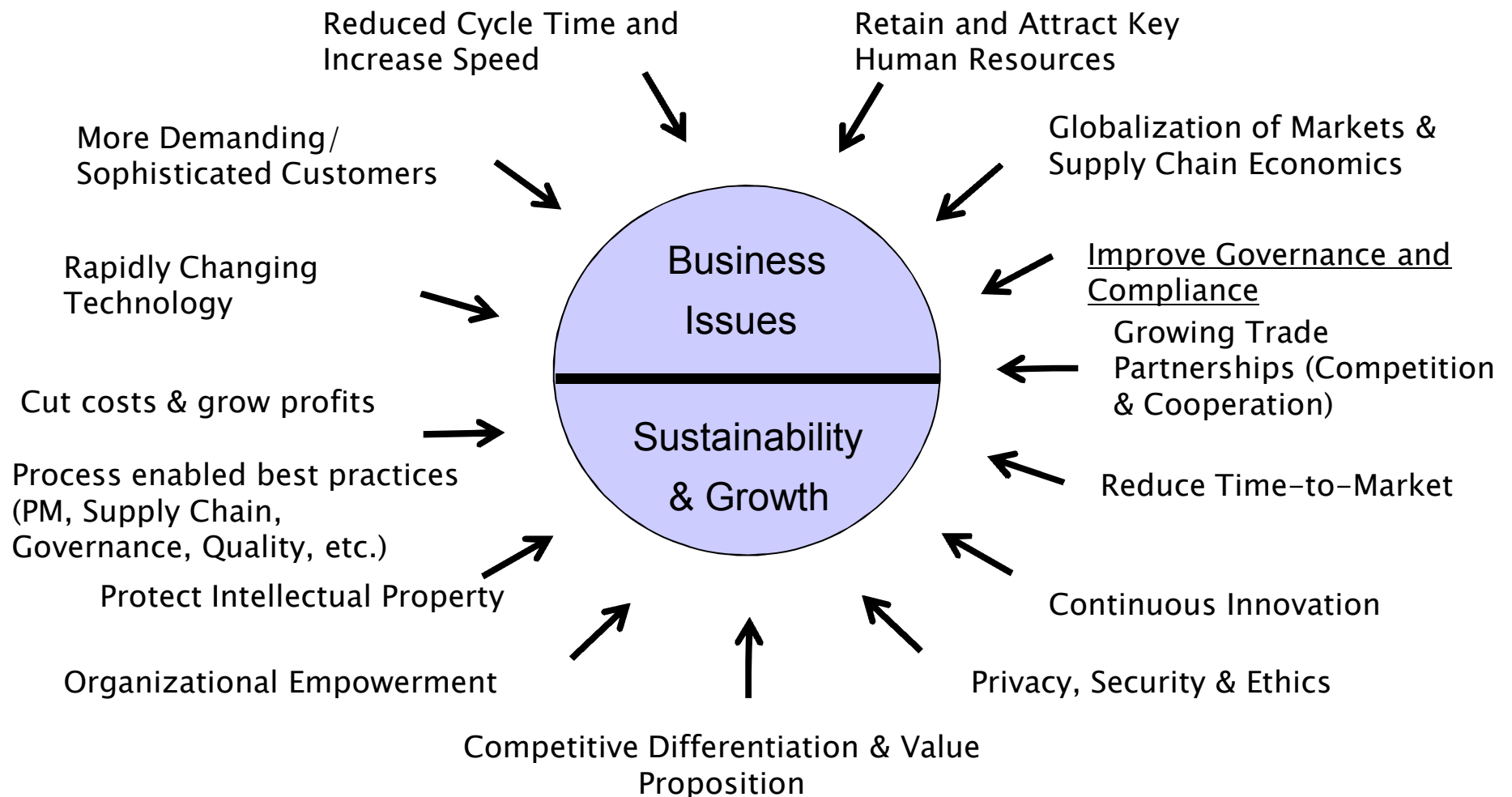


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- 30+ years of diversified domestic/international executive, management and consulting experience with Fortune 500 and smaller organizations in general management, marketing, planning, operations, program and project management, strategic sourcing, product development and Commercialization and CIO.
- Dr. Selig is the Associate Dean, Business Development and Outreach at University of Bridgeport. He is also the Managing Partner of GPS Group, Inc. a marketing and technology consulting and management development firm.
- Select clients include: ATMI, Air Products and Chemicals, Bank General of Luxembourg, Bristol-Myers Squibb, Cigna, Columbia University Graduate School of Business, Connecticut Hospital Association, Cendant, Computer Associates, ESPN, GE Aircraft Engines, GSA's Federal Technology Services, Fuji Film, IAOP, Johnson and Johnson, JPMorgan Chase, KeySpan Energy, Enzon Pharma, Sprint-Nextel, Purdue Pharma, Starwood Hotels and Resorts, Syracuse University, and others.
- Dr. Selig worked for the Marketing Corporation of America, Verizon, Continental Group, Standard Kollsman Industries, CBS and AT&T in executive, management and professional positions.
- He has written three (3) books and has authored over 60 published articles in journals and conference proceedings. He is currently co-authoring his fourth book. He is a dynamic and popular speaker at industry and corporate conferences. He holds a Top Secret Clearance with the Federal Government.
- Dr. Selig has been a Board member of Telco Research, BIS Group, LTD. and AGS, Inc. Earned degrees from City, Columbia and Pace Universities in Economics, Engineering and Business.

Today's Business Challenges - The pace of change is accelerating



Some Realities about superior IT Governance (which includes PM)

“Firms with superior IT governance had 20% higher profits than firms with poor Governance given the same strategic objectives.”

Dr. Peter Weill, Director of the Center for Information Systems Research (CISR), MIT (Based on a study of 250 enterprises in 23 countries)

“Over 75% of businesses today have ineffective or non-existent IT Governance. Most enterprises should “blow up” their existing governance models and start from scratch.”

Susan Dallas, Gartner

The Scope and Definition of Enterprise (Corporate) Governance

“ Enterprise governance constitutes the entire accountability framework of the organization.”

International Federation of Accountants (IFAC)

Definition – Enterprise Governance

Enterprise governance is the set of responsibilities and practices exercised by the Board and Executive Management with the goal of providing strategic direction, ensuring that plans, projects and objectives are achieved, assessing that risks are proactively managed and assuring that the enterprise’s resources are used responsibly.”

The Board's Role in IT Governance

“ IT Governance is the responsibility of the Board of Directors and executive management.

It is an integral part of enterprise governance and consists of the leadership and organizational structures and processes that ensure that the organization's IT sustains and extends the organizations strategies and objectives.”

IT Governance Institute Board Briefing, Second Edition, 2003

It's the alligators you don't see that will get you.

Enterprise versus Business versus IT Governance

<i>Enterprise Governance (Board)</i>	<i>Business Governance (CEO)</i>	<i>IT Governance (CIO)</i>
Separation of Ownership & Management of Business	Direction, Management & Control of the Business	Direction, Management & Control of IT
<ul style="list-style-type: none"> • Clear Oversight Roles of Board • Shareholder Rights • Counsel, Advise and Challenge CEO • Financial Accountability • Approve Strategic Direction • Comply with Laws and Regulations • Recruit, Develop and Motivate CEO and Other Senior Executives • Strengthen Governance Policies and Practices • Monitor and Manage Evolving Issues and Risks • +++ 	<ul style="list-style-type: none"> • Develop and Communicate Business Strategy and Plans • Fund the Strategy (Capital and Expense Budgets) • Management Control and Review of Business Operations • Performance Management, Metrics and Controls • Talent Selection, Motivation, Alignment and Rewards • Manage Corporate Wide Initiatives – M&A, Innovation, NPD through PM, etc. • Risk Management, Business Continuity and Disaster Recovery • +++ 	<ul style="list-style-type: none"> • Develop and Communicate IT Strategy and Plans • Align & Integrate IT with Business Plans • Effective Management and Utilization of IT Assets and Resources • Value Deliver and Demand Management Aligned with Business (<u>Portfolio Investment Management</u>) • Effective Execution Management (<u>Project Management</u>, IT Service Management, Security, Privacy, etc.) • Risk, Change & Performance Management • +++

Definition and Objectives of IT Governance






Governance formalizes and clarifies oversight, accountability and decision rights.

- Align IT investments and priorities as an integral component of the business based on value delivery to the organization.
- Establish and clarify accountability and decision rights (RACI)
- Manage, evaluate, prioritize, fund, measure and monitor requests for IT services and the resulting projects and deliverables, in a more consistent and repeatable, yet flexible and scalable manner
- Manage risks, threats and contingencies proactively
- Improve level of maturity and effectiveness of IT/Business demand management, VOC, performance management, project management, compliance, security and overall customer satisfaction

Integrated Business/IT Alignment, Execution (PM) and Governance Framework

- Grounded in Industry Best Practice Research
- Consists of five (5) critical IT governance imperatives & their major components (which leverage best practice models) address the following areas and are parallel to enterprise and business governance best practices.
 - Business Strategy, Plan and Objectives (Demand Management)
 - IT Strategy, Plan and Objectives (Demand Management)
 - IT Plan Execution (Execution Management) – Program/Project Management (PMI, PRINCE 2) , IT Service Management (ITIL), Security, etc.
 - Performance Management, Metrics and Management Controls (Execution Management and Compliance & COBIT®)
 - Vendor Management and Outsourcing Management (Execution Management)
 - People Development and Continuous Process Improvement

Integrated IT/Business Alignment, Execution & Governance Roadmap

Areas of Work	Description/Components	Deliverables/ References
Business Strategy/Plan/ Objectives (Demand Management & Alignment) 	<ul style="list-style-type: none"> • Strategic Business Plan – Vision, Objectives, Financials, Operations, SWOT, Imperatives (Must Do's), Initiatives (Alternatives that Support Imperatives), etc. • Capital Planning/Expense Planning & Budgeting • Business Performance Management (Key Metrics) • Executive and Other Steering & Review Councils; Organization Structure 	<ul style="list-style-type: none"> • Plan Document • Financials • Balanced Scorecard Metrics • BCG; Porter; Hamel; Kaplan and Norton
IT Strategy, /Plan, Objectives, Portfolio Investment Management and Approvals (Demand Management & Alignment) 	<ul style="list-style-type: none"> • IT Plan is aligned with the Business Plan – IT Capital/Expense Budget • IT portfolio investment, rationalization, selection, prioritization, funding and approval (Portfolio Management Model (for New, Change Programs and Projects and/or Operational and Infrastructure Functions) • Fund development and infrastructure initiatives • IT Performance Management (Define Metrics and Measurement Criteria) 	<ul style="list-style-type: none"> • IT Strategic/Tactical Plan/Metrics • Portfolio Mgt. Model (Investment Criteria); ITIM • Engagement Model - Roles • Business Rules & Authorization • McFarlan, Cash; Luftman; Popper; Selig
IT Plan Execution & Delivery (Resource Management) 	<ul style="list-style-type: none"> • Tactical, Project and Operating Plans (Project Plans and Budgets) • Policies, Standards, Guidelines & Processes (e.g. Management Control, Enterprise Architecture, Security, PMO, ITIL, etc.) • Processes (PMO, Help Desk, Security, Administrative SOPs, Workflows, ITIL, etc.) • Financial, program, project, application, maintenance and operational accountability 	<ul style="list-style-type: none"> • Assess Implications of PMMM, PMBOK, CMMI, ITIL, SDLC, CoBit, Security (ISO 17799), Prince2 Frameworks on Company's Processes • Infrastructure & Operational Integrity, Continuity & Security • Risk Management
Performance Management, Controls, Risk, Compliance and Vendor Management 	<ul style="list-style-type: none"> • Manage and measure plans, budgets programs, projects, operations & risks • Define and track critical success factors and key performance indicators (KPI) • Compare plans to actuals and take appropriate corrective actions • Outsourcing and Vendor Selection, Tracking, Measurement & Management 	<ul style="list-style-type: none"> • Balanced Scorecard & KPIs • Performance Management • RFI, RFQ, RFP and Contract Management; • Sarbanes-Oxley ++ Compliance • Management Controls/Cobit
People Development & Continuous Process Improvement 	<ul style="list-style-type: none"> • Human capital development • Organizational, Project & Operational Maturity Models and Standards • Managing Change and Transformation (e.g. culture, interoperability) • Training and Certification (e.g. Individual and Organization) 	<ul style="list-style-type: none"> • Adopt Current and Emerging Industry and Government Best Practices Standards & Guidelines • PCMM; OMB 300; ISO; ITIM • Career Development and Certification

Key Project Investment Process Areas are Portfolio Investment Management, Business Case Development and Execution Management

Portfolio Investment Management

- Define investment criteria to evaluate, prioritize and authorize investments
- Manage, monitor and govern the overall project portfolio performance
- Analyze the alternatives
- Assign clear accountability, ownership and decision rights

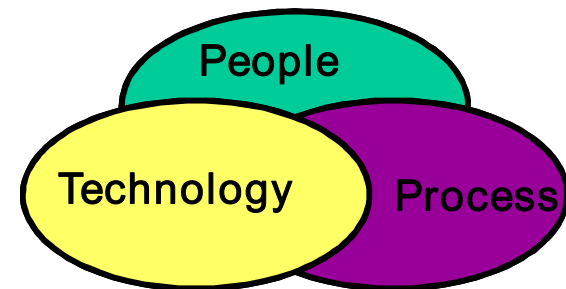
Business Case Development

- Opportunity or Problem Drivers
- Objectives
- Assumptions
- Costs/Benefits
- Risk, financial returns, strategic, alignment or other (compliance) scores

Execution Management

- Program/Project Management – define accountability and RACI
- Service Management and Delivery
- Business Process Enabled Changes
- Benefits Realization and Key Metrics (Balanced Scorecard)

- **Leadership, Organization, Decision Rights and Metrics** – defines the organization structure, roles and responsibilities, decision rights, a shared vision and meaningful metrics.
- **Flexible and Scalable Processes** – the IT governance model places heavy emphasis on the importance of process implementation and improvement.
- **Enabling Technology** – Leverage leading tools that support the key IT governance components.



How Much Project Management & Governance Is Required?

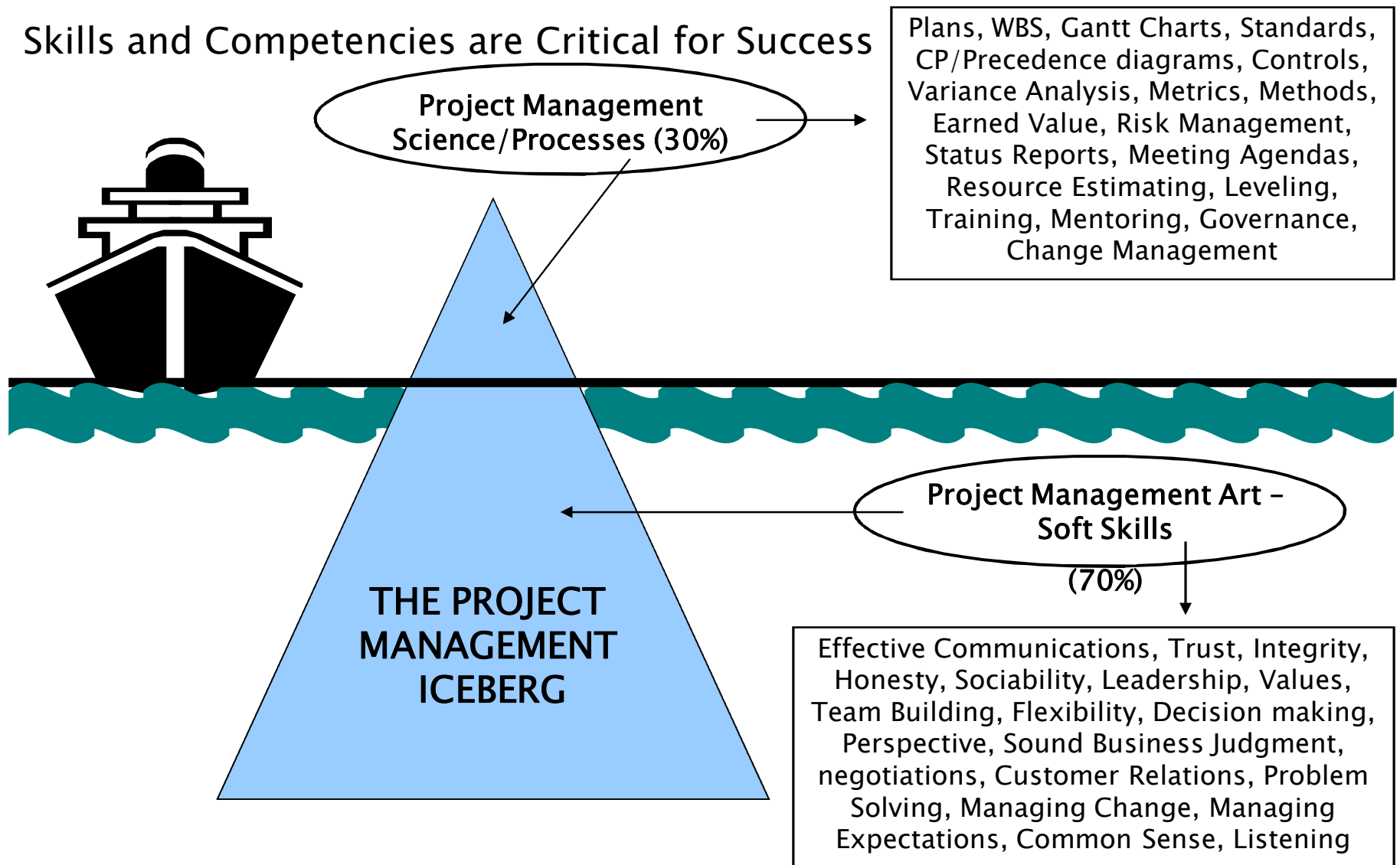
Depends on:

- ◆ Degree of visibility & strategic value
- ◆ \$ value (one time and recurring costs)
- ◆ Complexity, scope and size
- ◆ Duration
- ◆ Number of interfaces & integration requirements
- ◆ Degree of risk
- ◆ Speed of required implementation
- ◆ Senior management philosophy & level of organizational level of maturity targeted
- ◆ Number of organizations, departments, locations and resources involved
- ◆ Executive management &/or customer requirements
- ◆ Degree of in-sourcing versus outsourcing; domestic versus international
- ◆ Regulatory and compliance requirements

Companies need several flavors of PM/Governance to manage fast track and complex projects and initiatives

A flexible, consistent and scalable PM and IT Governance process which addresses requirements, scope, risk, issues, change and deliverables on an iterative basis is essential for success.

Essential Skills for Program/Project Management – People and Inter-personal Skills and Competencies are Critical for Success



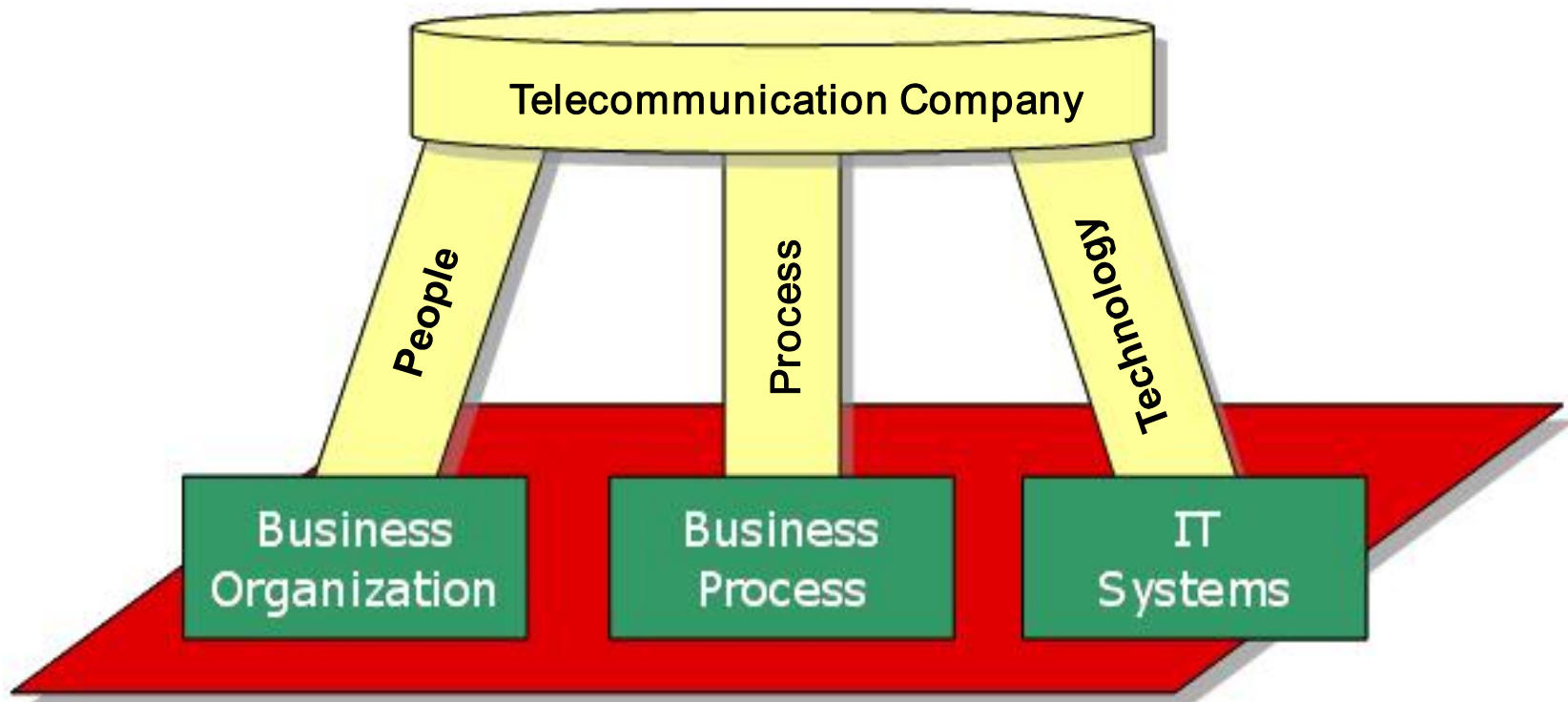
Key Learnings for Achieving Program/Project Management Success

- **Project Managers must Focus on Five Dimensions of Project Success** – on time, within budget, within scope, with acceptable quality and to the customer's satisfaction
- **Project Managers Must Transmit a Sense of Urgency to Their Team** – regular status meetings, reviews and follow-up are critical
- **Project Life Cycle with Go/No Go Gates Minimize Rework, Optimize Quality & Minimize the Impact of Troubled Projects**
- **Projects Require Clear Approvals and a Well Defined Charter** – defines project authority, scope, boundaries and budget
- **Deliverables Should be Based on Incremental Results Rather Than One Big Deliverable** – Encourage frequent and incremental reviews and communications with customer to recalibrate and reduce rework (80 hour rule)

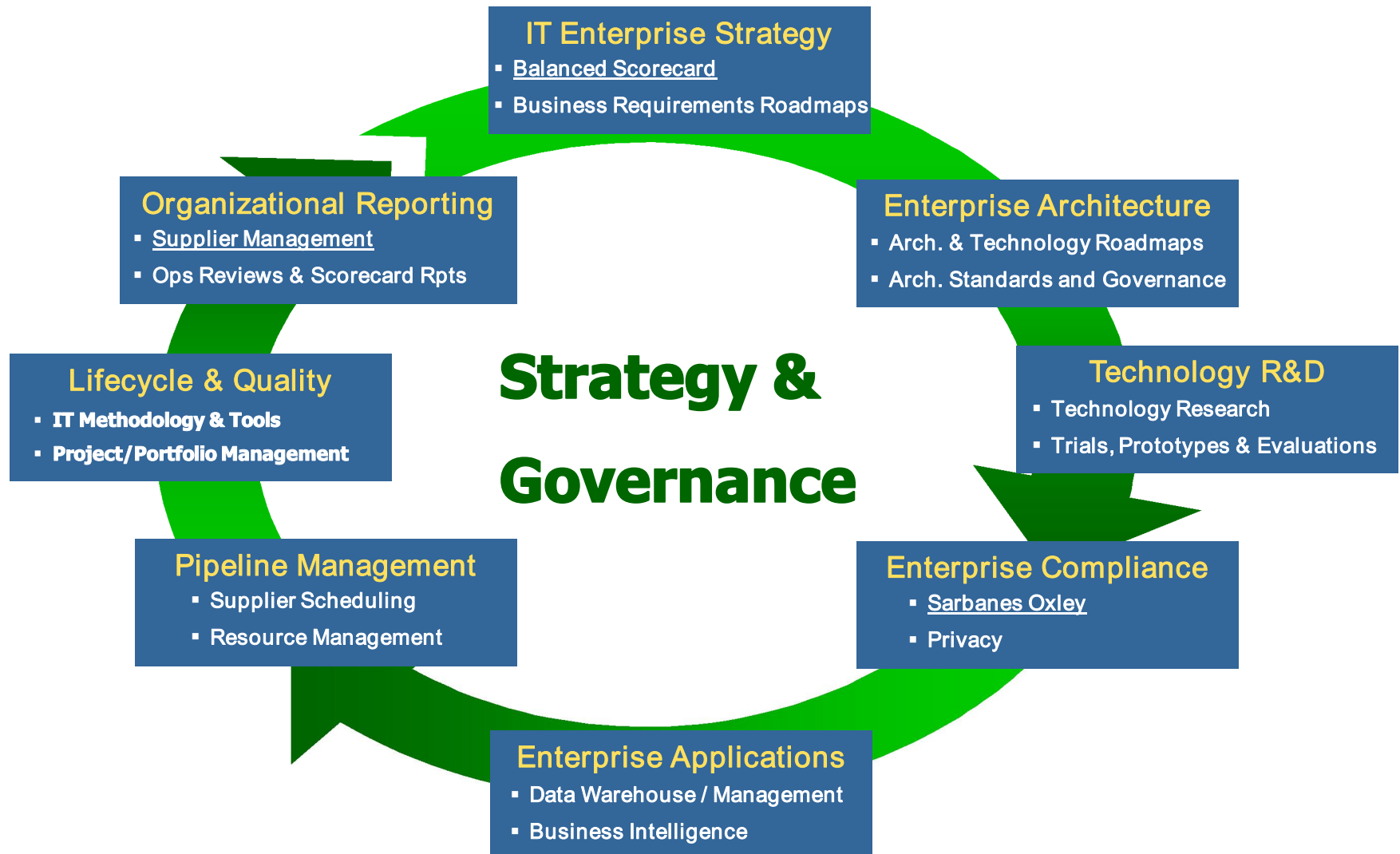
Key Learnings for Achieving Program/Project Management Success (Cont'd)

- **Project Managers Must Fight to Do Things Right – it's OK to say No sometimes**
- **Project Sponsors and Constituents Must be Active Participants and Owners – builds relationships, communications and commitment**
- **Project Managers Should Acquire the Best People, Be their Advocate and Protect them from outside disruptions**

Mission: Run IT Like a Business

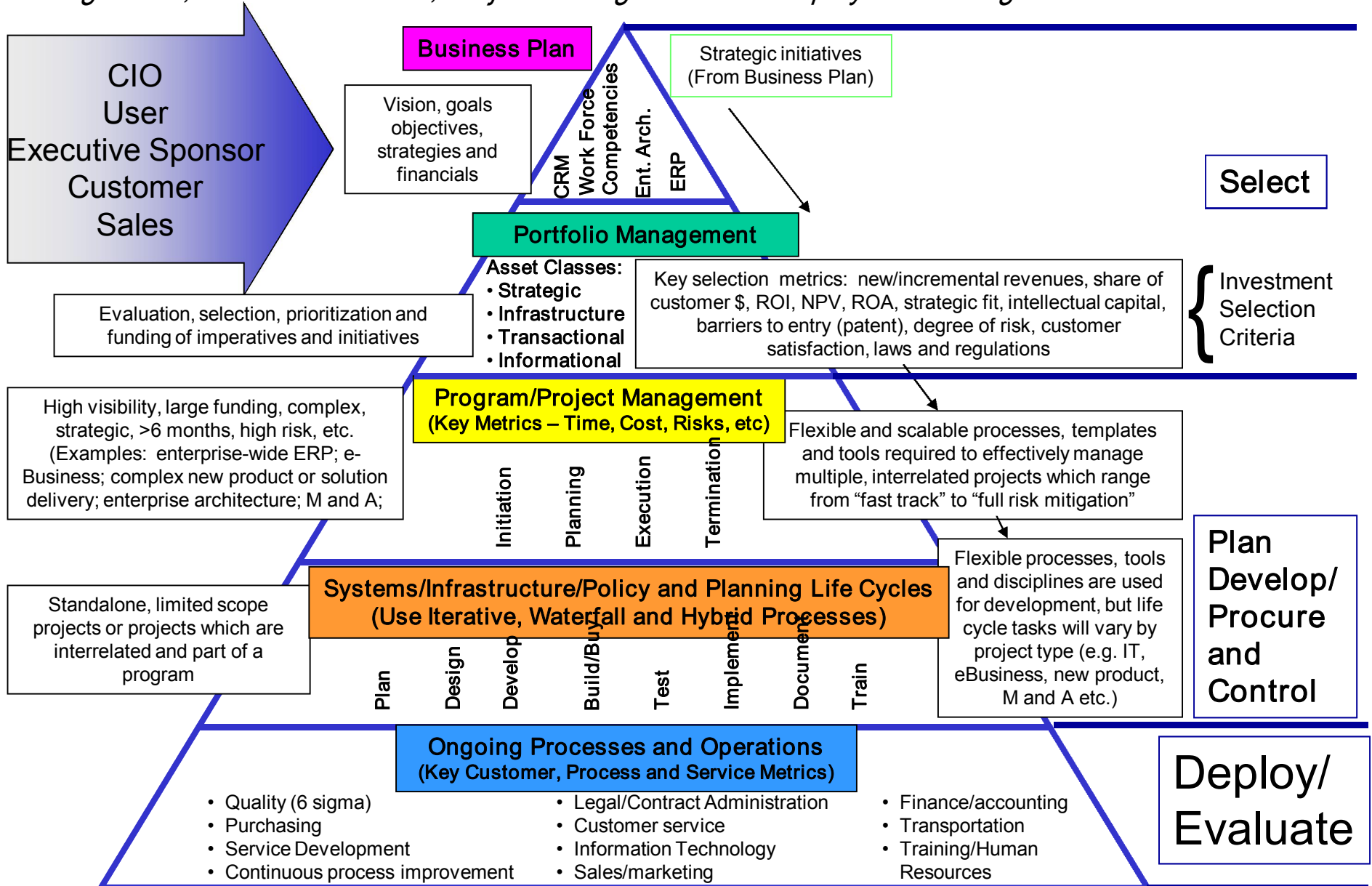


IT Governance - How It Works – Telecommunication Company (Illustrative Example)



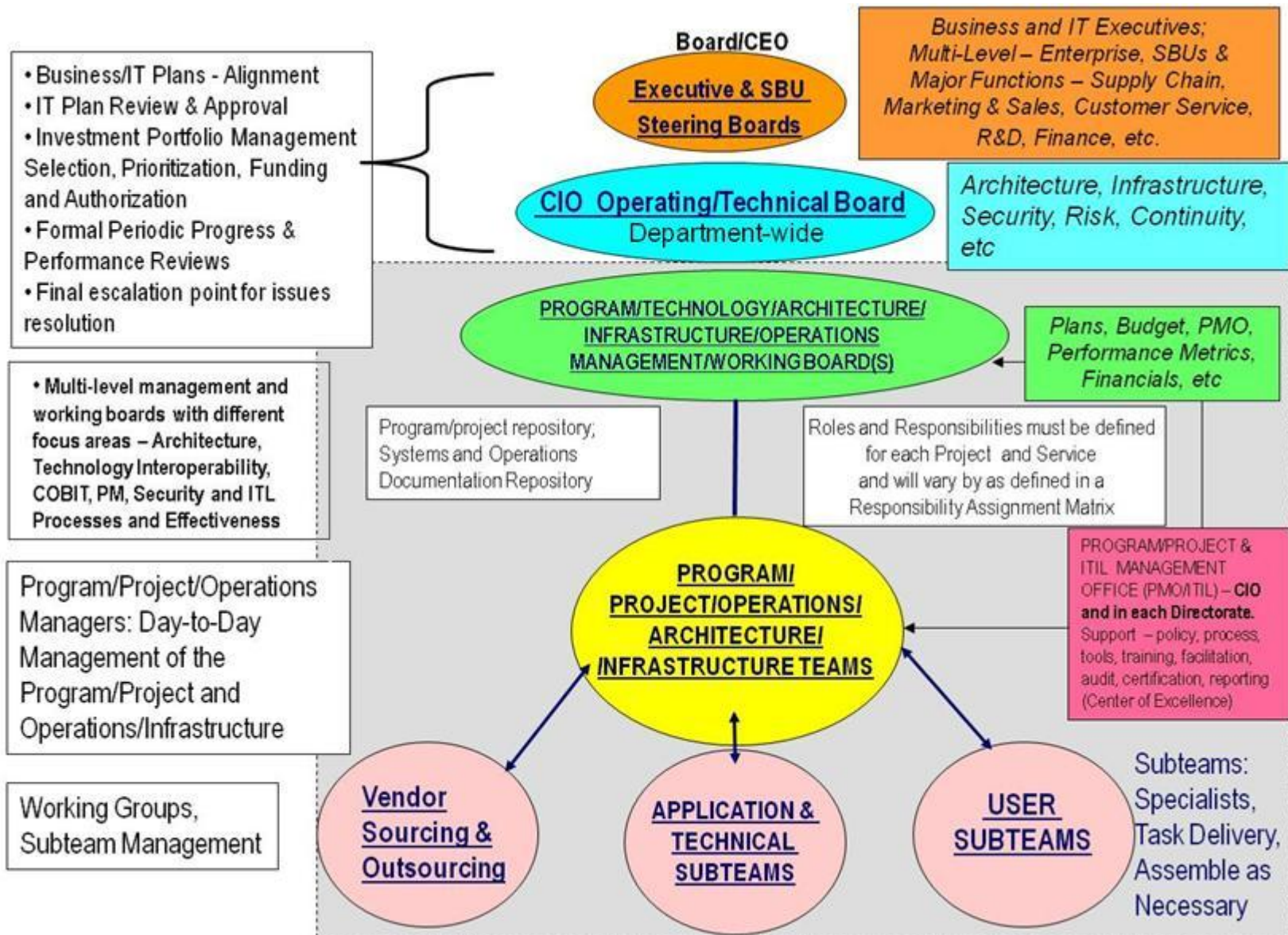
From Project Demand Management to Operationalization

Strategic Plan, Portfolio Selection, Project Management and Deployment Triangle



Business/IT Steering and Governance Boards, Working Committees and Roles

(Illustrative Example – Federal Government Agency)



What Key Performance Indicators Should be Tracked?

- Costs (Reduction/Avoidance/Containment)
- Revenues (New Incremental Increase)
- Customer Satisfaction
- Reliability, Availability & Scalability
- Quality & Productivity
- Business Transformation via Technology
- Program/Project Management Outcomes
- Business & IT Relationship & Engagement Management – Level of Executive and Business Function or Process Owners Commitment & Involvement with IT (Steering, Working and/or Project Committees)
- Time and Speed

You get what you measure, so it is critical to measure the right things.

CSFs & KPIs for the Business, IT and PM – Based on the Balanced Scorecard

What CSFs & KPIs Should Be Tracked for IT? Remember, You Get What you Measure, so it is Important to Measure the Right Performance and Predictive Attributes as Identified in the Balanced Scorecard.

• Critical Success Factor (CSFs)

Categories:

- Financial*
- Customer*
- Employee
- Process Innovation*
- Program/Project Management
- Service Management
- Learning & Growth*

(*Original Balanced Scorecard Components)

• Key Performance

Indicators (KPIs):

- Financial – ROI, ROE,ROA, IT \$/Employee
- Customer – Internal & External;
- Performance – Team & Individual
- Program/Project Performance
- Service reliability & responsiveness
- Measure Current/Future State Change

• Attributes:

- Performance (Historic)
 - ✓ Time & Schedule
 - ✓ Cost – Reduction, Containment & Avoidance
 - ✓ Profitability – Direct or Indirect
 - ✓ Responsiveness
 - ✓ Quality
 - ✓ Availability
 - ✓ Capacity
 - ✓ Reliability
- Predictive (Future)
 - ✓ Maturity Level – 1 to 5
 - ✓ Capability/Skills
 - ✓ Alignment Criteria
 - ✓ Key Issues/risks
 - ✓ Process innovation
 - ✓ Use of Technology & Absorbption Factor

Reality Check – Do the CSFs and KPIs...

- Translate into specific actions?
- Help align business and IT?
- Provide leverage to institute change?
- Manage end-to-end results across silos?
- Drive performance and process improvements?
- Allow for benchmarking to compare best practice performance?
- Enhance your ability to compete in the future?
- Drive learning and innovation?
- Predictors of Future Poor Performance?

Steps in Making the PM and IT Governance Real and Sustainable

- **Must have a corporate mandate from the top - the Board and the Executive Leadership Team are committed to implementing and sustaining a robust Governance environment**
- **Must have dedicated and available resources - identify Executive Champion and Multi-Disciplinary Team**
- **Do Homework – Educate yourself on past, current and emerging best practices**
- **Market the benefits and communicate the PM and Governance value proposition to the organization**
- **Develop a tailored PPPM framework and roadmap for your organization based on current and emerging industry best practices**
- **Assess the “current state” of the PM and Governance maturity level (decompose into its major components), using a leading industry best practice framework such as CMMI**

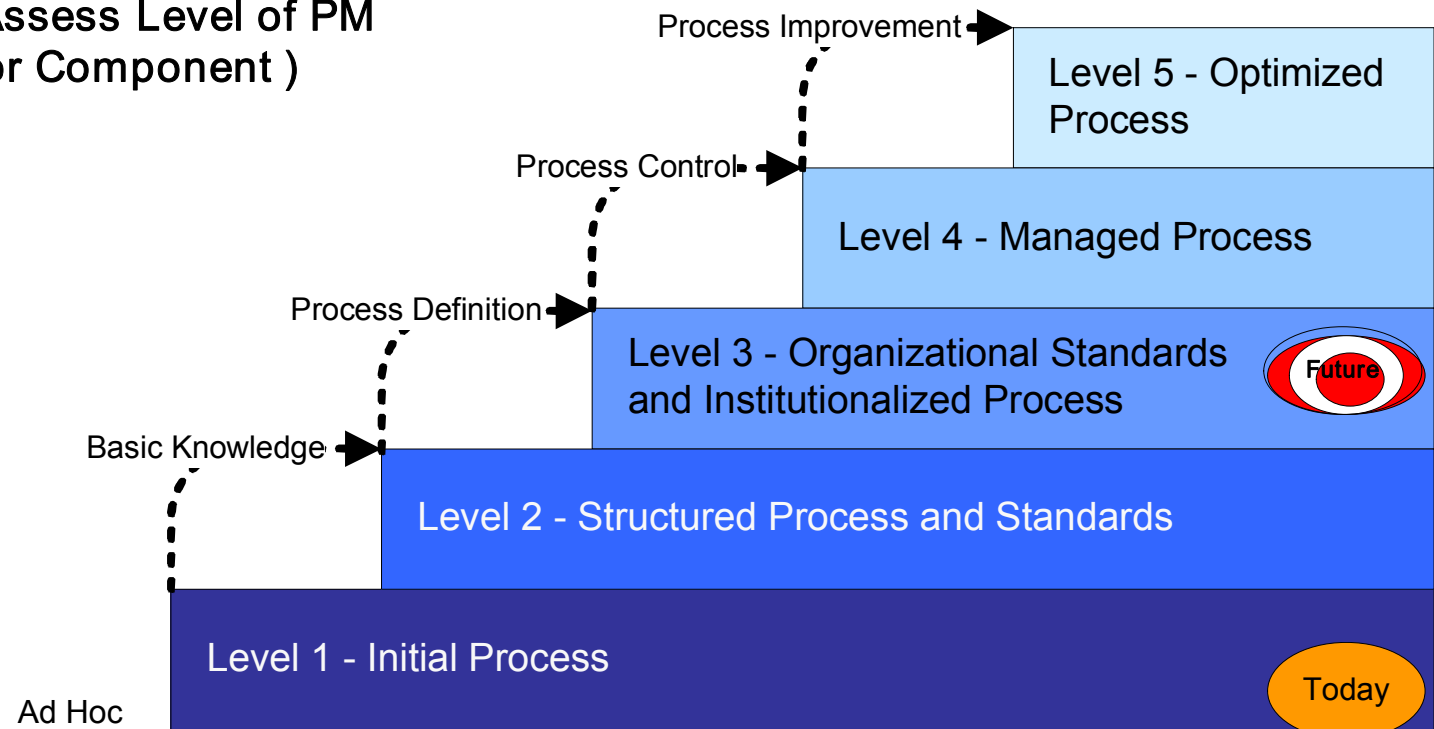
Steps in Making the PM and IT Governance Real and Sustainable (Cont'd)

- **Develop a “future state” IT governance blueprint (where you want to be) & keep it in focus**
- **Decompose the initiative into well defined work packages & assign an owner and champion to each process component**
- **Develop an action plan, identify deliverables, establish priorities, milestones & allocate resources**
- **Sponsor organizational and individual certifications in the IT Governance component areas, where they are available (e.g. PMP, Prince 2, Outsourcing, etc.)**
- **Identify enabling technologies to support the initiatives**
- **Establish a “Web Portal” to access PM and Governance policies, processes, information and communication wins**
- **Plan for and sustain continuous process improvements and link to a reward structure.**

High Level Assessment of Current Level of PPPM Maturity and Future Targeted State

Illustrates an Organization's Current and Future Targeted State of IT Governance Maturity. All Organizations Require a Roadmap and Plan to Move Up to Higher Levels of Maturity and Effectiveness

**CMMI Model* or Equivalent
Can Be Used to Assess Level of PM
Maturity (By Major Component)**



* CMMI = Capability Maturity Model Integrated (Developed by software engineering institute at Carnegie Mellon University)

IT Governance and PM Maturity – Self Assessment Model

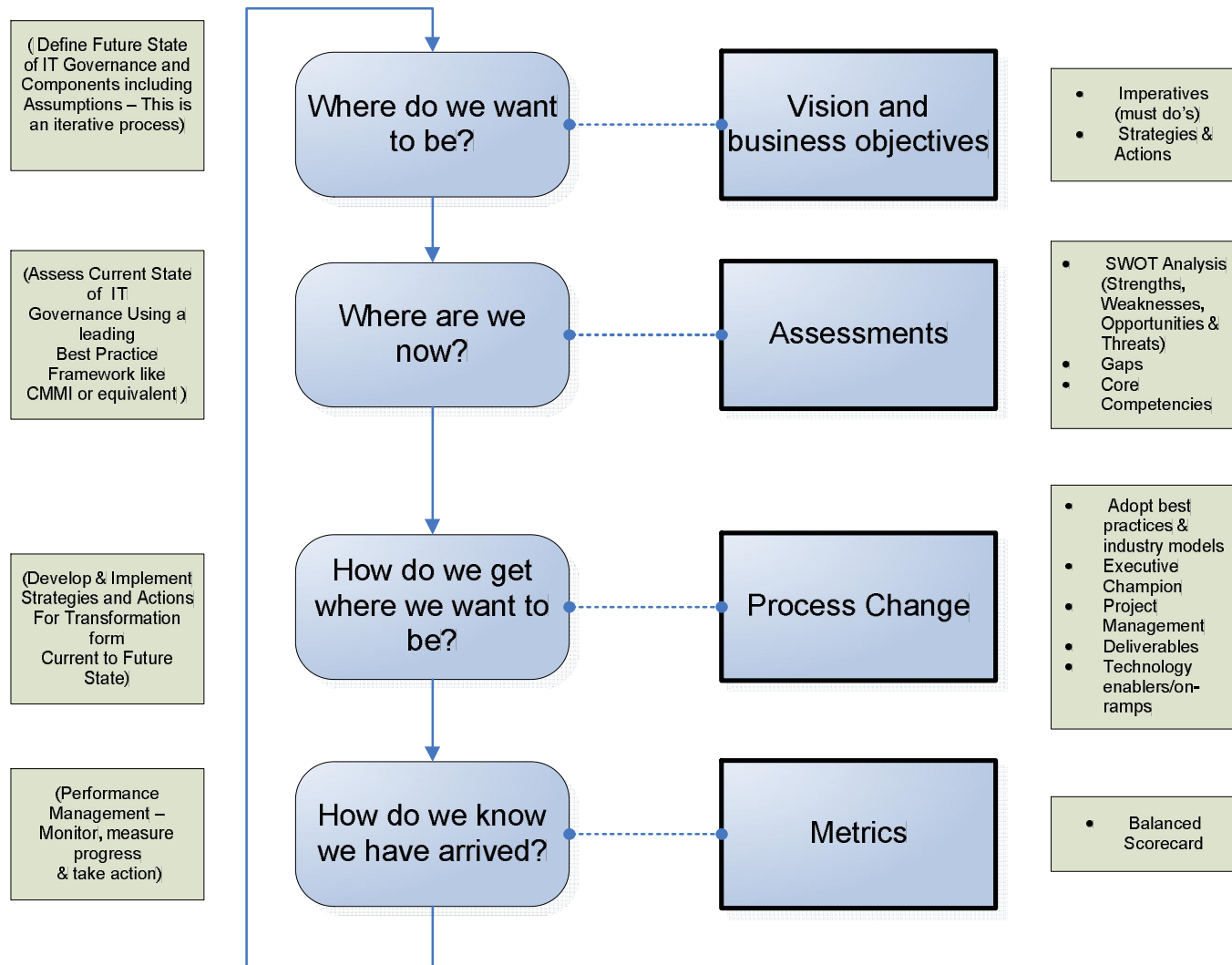
The template can be used to assess the level of IT Governance and its major component, process, maturity and effectiveness (1=low; 5=high).

Additional IT Governance components from COBIT, ISO 17799 or others may be added across the horizontal axis as required.

Maturity	Attributes	Values																	
Level 5	<ul style="list-style-type: none"> Optimized process 																		
	<ul style="list-style-type: none"> Metrics driven process improvements 																		
Level 4	<ul style="list-style-type: none"> Process managed and used by all 																		
Level 3	<ul style="list-style-type: none"> Enterprise wide process and standards 																		
Level 2	<ul style="list-style-type: none"> Basic Process 																		
	<ul style="list-style-type: none"> Basic Knowledge 																		
Level 1	<ul style="list-style-type: none"> Ad hoc 																		
	<ul style="list-style-type: none"> No established practices or processes 																		
Major IT Governance Components } <ul style="list-style-type: none"> Business Plan IT Plan Portfolio Investment Management Other Program/Project Management Resource Management Risk Management ITSM + ITIL Vendor Management Enterprise Architecture Other Critical Success Factors/CSFs Key Performance Indicators MBO's and incentives tied to CSFs Controls and Audit (COBIT) Other Continuous Process Improvement Knowledge Management Education, Training and Learning Other 																			
		Demand Management and Alignment				Execution Management						Performance Management and Controls					People Development and Learning		

Current & Future State Transformation Flow

PPPM Process Improvement Flow - In order to develop and/or improve a governance process (business or IT), an organization must assess its current & future IT governance state and develop a plan to transform IT.



Lessons Learned

- **PM and Governance represent a journey, are complex, multi-dimensional and never complete.**
- **However, there are principles (e.g. planning, investment portfolio management, steering and governance boards, flexible and scalable process, etc.) that if implemented and sustained will help to achieve a more effective and mature PM and Governance environment and a more profitable organization.**

Critical Success Factors

- Business leaders must champion the initiative and stay committed to it.
- Clearly define the roles and responsibilities for PM and governance, authority and decision rights (no ambiguity) for the customer, Executive Management, IT, PM and other constituencies.
- Use enabling technology to support the initiative.
- Create a PM and Governance Center of Excellence to develop and support education, training, process development.

It is hard work and there is no magic, but the rewards are worthwhile !

CASE STUDIES

AXA Equitable Case Study – Portfolio Investment Management, Business/ IT Alignment and PMO Handoff (Illustrative Example)

Background:

In 1999, AXA USA decided to increase its investment in IT significantly. AXA USA employed 10,000 people with about 500 in the IT organization and is a division of French based AXA Financial Services.

Issue: How to choose among a large number of investment initiatives based on a sound, objective and consistent portfolio investment selection process and methodology?

Solution:

- Established business/IT Portfolio Investment and Governance Executive Committee consisting of CEO and direct reports:
 - Determined IT spend levels for corporate and business units.
 - Reviewed and approved major IT projects with investment of \$500,000 and higher.
- Developed a Project Portfolio Investment Review Process consisting of two filters:
 - **Filter 1 - Business and IT Strategy Alignment**
 - **Filter 2 – IT Project Business Case**
 - **PMO handoff - Handoff for development and implementation**

AXA Equitable Case Study – Portfolio Investment Management, Business/ IT Alignment and PMO Handoff (Illustrative Example)

Solution (Cont'd.):

Filter 1 – Business and IT Strategy Alignment:

1. Identify and weigh key business strategy objectives (i.e. illustrative examples):
 - Increase revenue by 25%.
 - Reduce expense base by 30%.
 - Improve customer satisfaction by 15%.
 - Reduce time to market for new products by 20%
2. Key business objectives were plotted on an X-Y chart against corresponding IT projects ranked by five levels of potential impact – 1) Extreme 2) Strong 3) Moderate 4) Low 5) None.
3. All IT projects ranked as 1) Extreme 2) Strategy and 3) Moderate were listed on a “**Strategic Alignment Initiatives Master List**”, which represented preliminary approval for further consideration & provided input for Filter 2.
4. A “**Pool of Money**” was allocated for IT projects in two classes:
 - Business as usual (Mandatory projects to keep the lights on)
 - Discretionary projects

AXA Equitable Case Study – Portfolio Investment Management, Business/IT Alignment and PMO Handoff (Illustrative Example)

Solution (Cont'd.):

Filter 2 – IT Project Business Case:

1. A **business case** was developed for each project on the “Strategic Alignment Initiatives Master List” using a consistent set of evaluation criteria (e.g. ROI, Risk, Strategic fit, Competitive Advantage, Payback, Legal, Environmentally Sound, etc.)
2. A “**Priority List**” of approved IT Projects was developed using a combination of factors (from Filters 1 and 2).
3. The “Pool of Money” was allocated to the Priority Project List until the funds were fully allocated (the remaining unfunded projects were postponed, recycled or cancelled.)

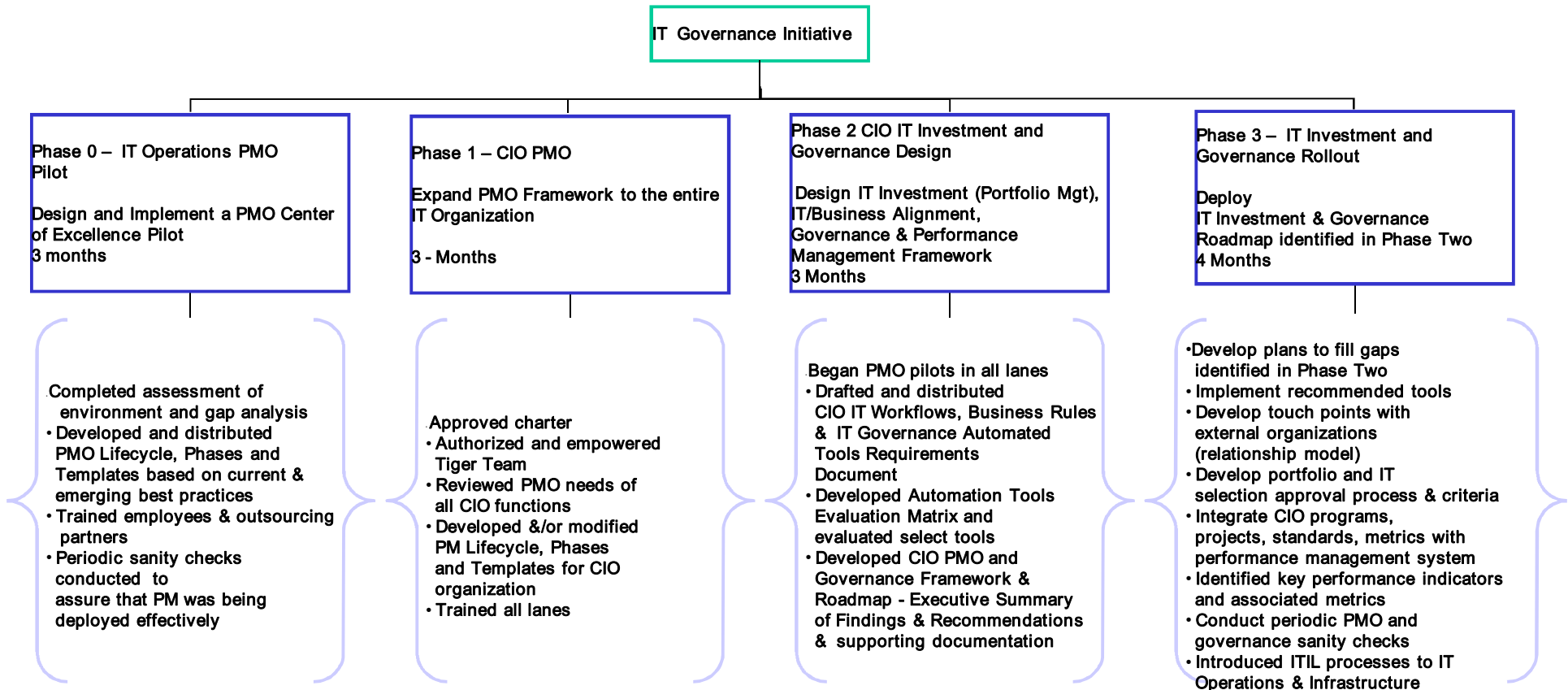
PMO Handoff:

All funded projects were handed off to the PMO for development and/or implementation.

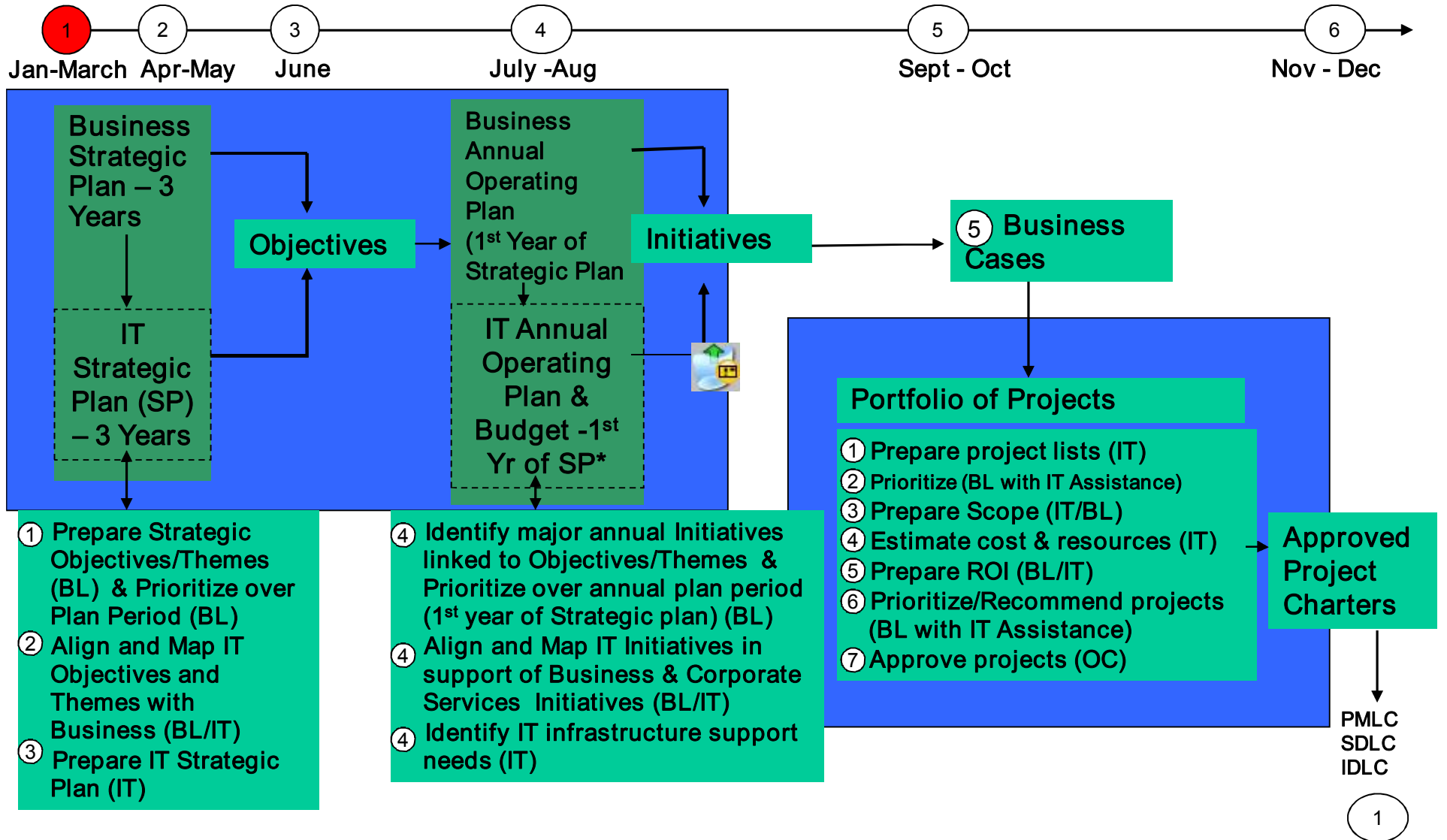
Federal Government Agency – Case Study – PM and IT Governance Phases

Executing PPPM and IT Governance

Phases used to transition the organization to a higher level of maturity by starting with a PMO and transitioning to a more effective IT governance environment.



Business/IT Alignment Plan Process resulting in Funded Projects – Case Study (Illustrative Example for a Manufacturing Co.)



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Legend:

BL – Business Leaders

IT – IT Leaders

EC – Executive Committee

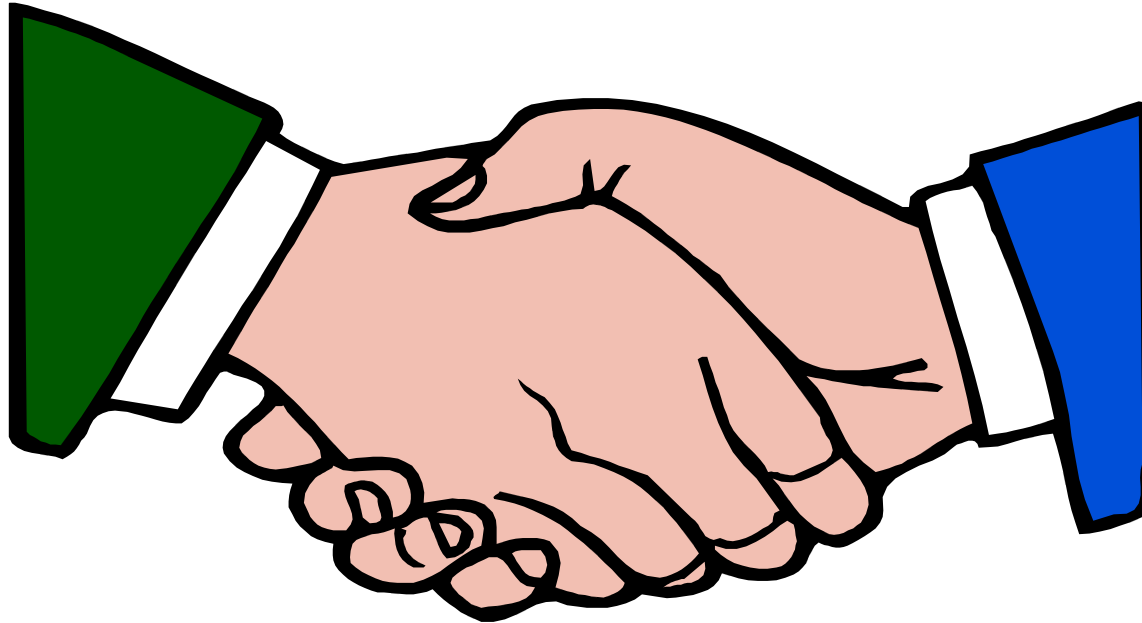
PMLC – Project Management Life Cycle

SDLC – Systems Development Life Cycle

IDLC – Infrastructure Development Life Cycle

SP – Strategic Plan

Thank You!



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