

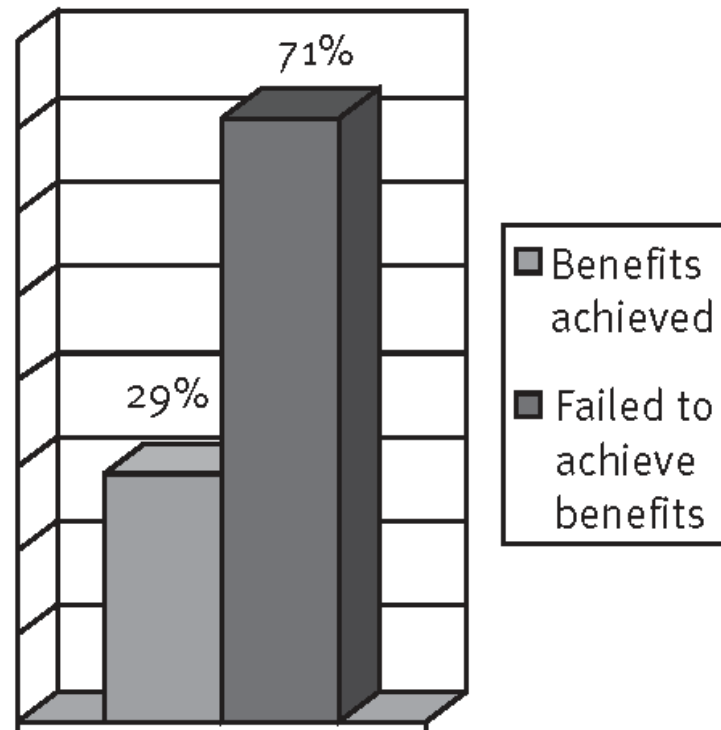
Chapter 4

The IM/IT Portfolio Management Office

Learning Objectives

- Identify some of the primary causes of IM/IT project failures.
- Describe the main differences between IM/IT project management, IM/IT program management, and IM/IT portfolio management.
- Describe the five key processes of project management.
- Understand how project metrics and portfolio dashboards can facilitate IM/IT governance.
- Describe the major roles and functions of the portfolio management office.
- Identify the actions/changes that are necessary within an organization to reach the synchronized stage discussed by Jeffery and Leliveld (2004).

IM/IT Project Success Rate



Source: Hayes (2004).

Causes of Project Failure

- Ineffective execution
 - #1 cause
- Ineffective planning

Definitions

- **Project**

- A temporary effort to create a unique product, service, or result (PMI 2004)

- **Project management**

- The planning, organizing, directing, and controlling of company resources for a relatively short-term objective that has been established to complete specific goals and objectives (Kerzner 2003)

Definitions

- **Program**
 - A group of related, often interdependent projects.
- **Portfolio**
 - A collection of programs and projects.

Definitions

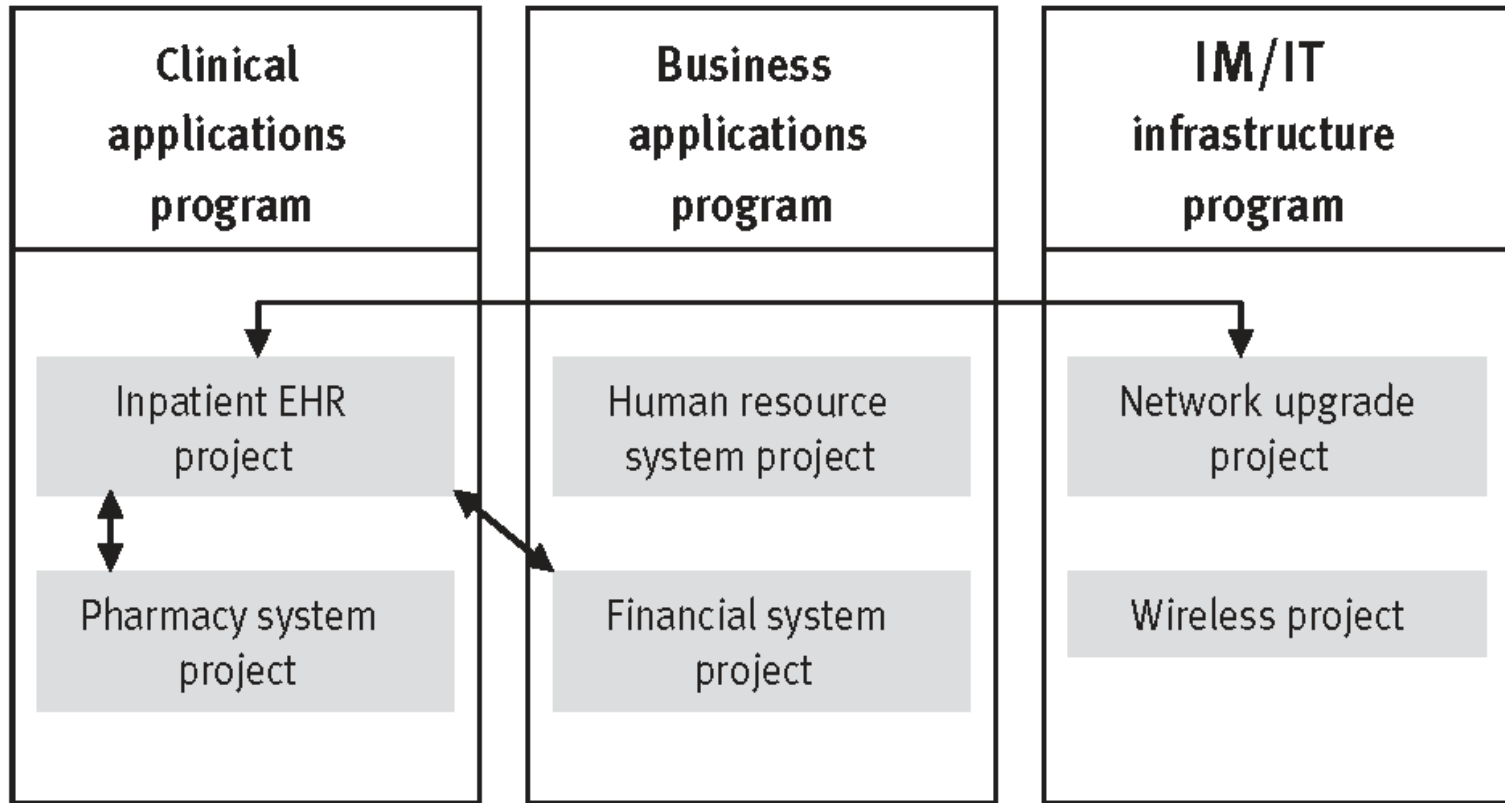
- **Portfolio Management**

- Encompasses managing the collections of programs and projects in a portfolio, including
 - weighing the value of each project, or potential project, against desired organizational strategic business and clinical objectives
 - monitoring active projects for adherence to specified objectives and desired outcomes
 - balancing the portfolio among the other investments of the organization
 - assuring the efficient use of resources
 - balancing return on investment with risk (Kaplan 2005)

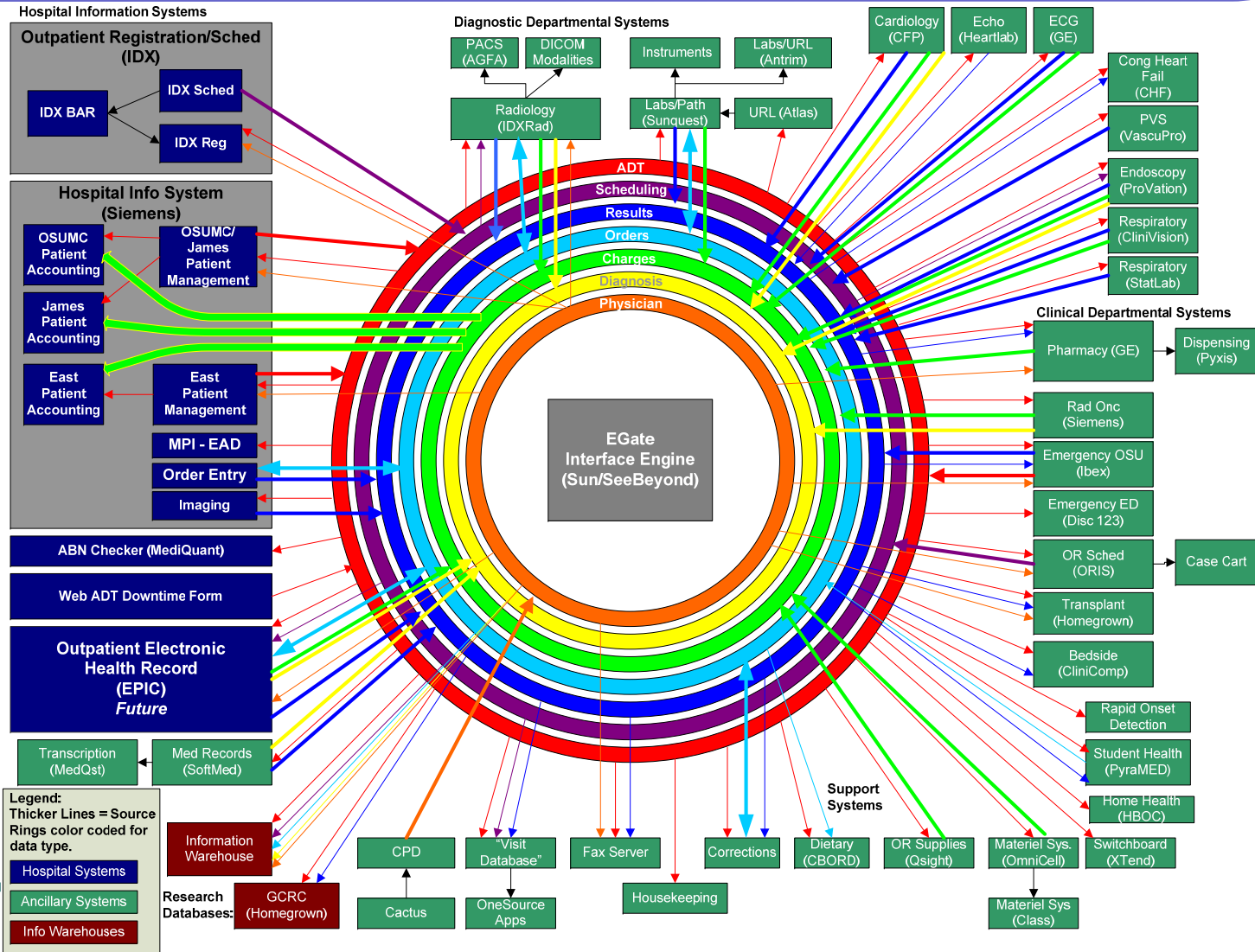
Definitions

- **Portfolio management office (PMO)**
 - A centralized organization dedicated to improving the practice and outcomes of projects via holistic management of all projects.
 - Additionally, the term “portfolio management office” specifically refers to the activity of providing investment decision support capabilities to an organization’s overall IM/IT governance structure/processes (Jeffery and Leliveld 2004)

IM/IT Portfolio



Sample of Typical Hospital Application Interfaces



Examples of IM/IT Projects that Did Not Follow an IM/IT Portfolio Management Approach

IM/IT Project

Project Outcome

New pharmacy system: The pharmacy director sponsored a new “best of breed” pharmacy system project

The pharmacy system project was expertly managed and implemented on time and within budget. However, only after the system was implemented did the pharmacist realize that this new proprietary best-of-breed system could not be reliably interfaced with the hospital’s preexisting EHR system, which had a built-in computer physician order entry capability. As such, when a provider entered an order for a pharmaceutical into the EHR system, that order must be printed out in the pharmacy and then reentered into the new pharmacy system. From a pure project management standpoint, the project was successful, but from an enterprise portfolio standpoint, an inefficient, labor-intensive workflow was created to overcome the lack of integration that this silo-based project management approach created.

Examples of IM/IT Projects that Did Not Follow an IM/IT Portfolio Management Approach

Voice over Internet protocol (VoIP) project: A telecommunications director sponsored a switch to digital phone service

The telecommunications director of a large metropolitan hospital system wanted to save millions of dollars annually by switching from a traditional telephone service model to a VoIP model, whereby the hospital system's existing computer network would be used to provide digital phone service. However, the project did not consider the robustness of the existing computer network, which had single points of failure in many of its buildings. The digital phone service was implemented, and soon thereafter, anytime a network outage occurred to one of the buildings, all phone service for the building was affected. More than an inconvenience, these outages eroded consumer trust and market appeal. Using contingency funds, the hospital system scrambled to redesign its computer network to provide the level of redundancy and reliability needed to ensure digital phone service. Had a portfolio management approach been taken for this project, computer network inadequacies could have been identified up front and computer network upgrades could have been built into the project plan.

5 Key Processes of Project Management

- **Project initiation**
 - Defining and authorizing a project
- **Project planning**
 - Defining the objectives, scope, and plan of action to achieve the desired outcomes
- **Project execution**
 - Actions to complete the work that was defined in the project planning process
- **Project monitoring and controlling**
 - Measurements designed to assess how well a project is being executed to budget and deliverables as well as to alert project managers to potential corrective actions that may be necessary
- **Project closing**
 - Actions to formally terminate all activities associated with the project, either by delivering a finished product or by ceasing effort on a cancelled project. (PMI 2004)

Project Management Knowledge Areas

- Initiation and integration
- Scope management
- Time management
- Cost management
- Quality management
- Human resources management
- Communications management
- Risk management
- Procurement management (PMI 2004)

What Individuals Must Know (PMI 2004)

- **Initiation and integration**
 - Develop project charter
 - Develop scope statement
 - Develop project plan
 - Direct and manage execution
 - Monitor and control project work
 - Direct integrated change control
 - Close project

What Individuals Must Know (PMI 2004)

- **Scope management**
 - Enact scope planning
 - Develop scope definition
 - Create work breakdown structure
 - Verify scope
 - Control scope

What Individuals Must Know (PMI 2004)

- Time management
 - Define activity
 - Sequence activity
 - Estimate activity resources
 - Estimate activity duration
 - Develop schedule
 - Control schedule

What Individuals Must Know (PMI 2004)

- Cost management
 - Estimate costs
 - Budget costs
 - Control costs
- Quality management
 - Develop quality plan
 - Assure quality
 - Control quality

What Individuals Must Know (PMI 2004)

- **Human resources management**
 - Develop human resources plan
 - Acquire project team
 - Develop project team
 - Manage project team
- **Communications management**
 - Develop communications plan
 - Distribute information
 - Report on performance
 - Manage stakeholders

What Individuals Must Know (PMI 2004)

- Risk management
 - Develop risk management plan
 - Identify risks
 - Complete qualitative risk analysis
 - Complete quantitative risk analysis
 - Develop risk response plan
 - Control and monitor risk

What Individuals Must Know (PMI 2004)

- **Procurement management**
 - Plan purchase/acquisition
 - Plan contracting
 - Request seller response (requests for proposals)
 - Select seller
 - Contract administration
 - Close contract

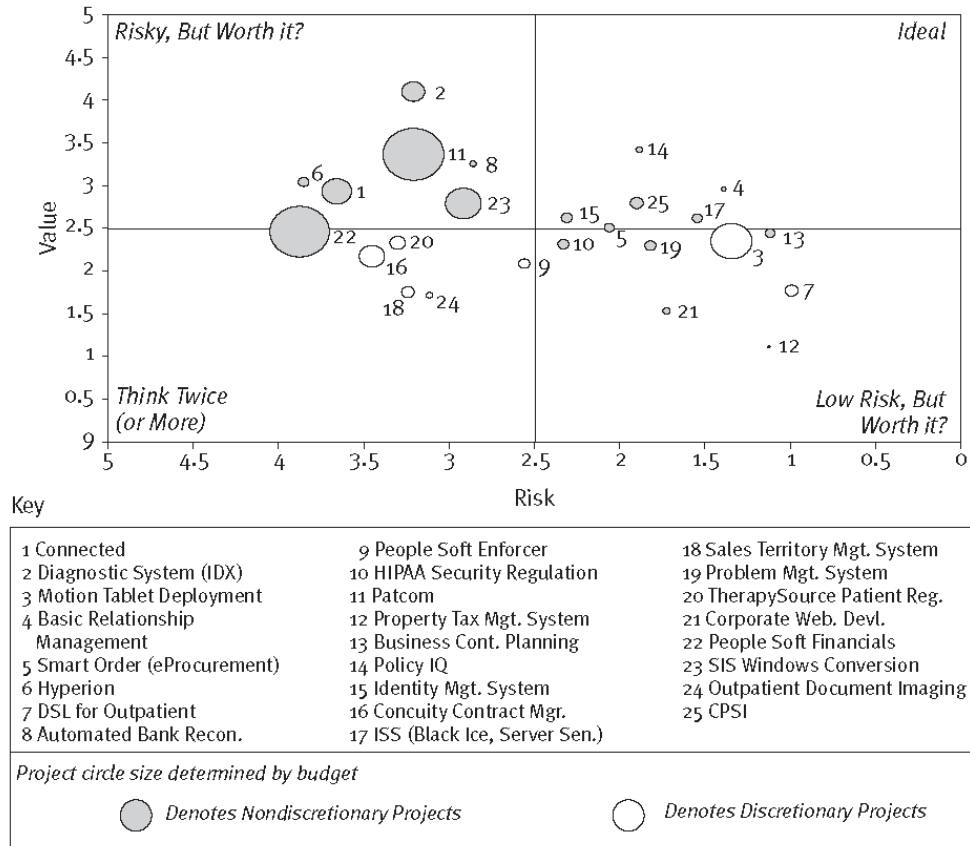
Project Management Key Features

- Individual project management features
 - Ability to create project plans that show interdependencies of tasks
 - Ability to display the “critical path” of a project
- Program management features
 - Ability to identify/display interdependencies and critical paths for separate, yet interrelated, projects

Project Management Key Features

- **Portfolio management features**
 - Ability to guide IM/IT investment decisions
 - Ability to display an organization's entire portfolio of current and envisioned projects against strategically important dimensions (such as value or risk)

Illustrative IM/IT Portfolio



Source: Carpenter (2005). Used with permission.

PM Tools



Some Typical PMO Functions

- Providing regular communications to project stakeholders and the rest of the organization regarding progress on projects, programs of projects, and even the entire portfolio of projects
- Providing authoritative management and oversight of all projects within the portfolio
- Providing the staff function to support the IM/IT governance of the organization to include accomplishing portfolio analyses as requested by the IM/IT governance entities of an organization and providing recommendations for IM/IT investments
- Creating metrics and dashboards to facilitate transparency

Stages of PMO Maturity (Jeffery and Leliveld 2004)

- **Ad-hoc stage**
 - No formal project management capability at all
 - Projects are managed informally and inconsistently
- **Defined stage**
 - Central management of projects
 - Applications and infrastructure are well defined and documented

Stages of PMO Maturity (Jeffery and Leliveld 2004)

- **Managed**
 - Projects rationalized based on key strategic criteria
 - Investment decisions employ financial metrics
 - Annual reviews with business unit leadership on IM/IT portfolio alignment
- **Synchronized**
 - Transparency created via portfolio dashboards that communicate status and value
 - Consistently conduct post project benefits realization assessments

The Case for Professional Project Management and the PMO

“Three out of four successful \$500,000-plus projects will be planned and tracked with project office support; while three out of four failed projects will not” (Gartner research note; Light et al. 2005)