TOP 10 REASONS FOR PROJECT PORTFOLIO MANAGEMENT (PPM) FAILURE

By Dennis Wiggins

INTRODUCTION

As organizations strive to become globally competitive while increasing shareholder value, they are forced to continually reduce infrastructure costs to get products into the market cheaper, faster and with higher quality.

In most cases, corporations rely on technology to achieve this objective through the use of positive liquidity from working capital funds. C-level Executives select projects to be approved based on capital metrics such as: payback period, return on investment, net present value, benefit to cost ratio, internal rate of return, etc. The capital metric that will provide the most long term benefit to the organization as documented in the business case, proof of concept, or feasibility studies will probably get approval and funding by the Sponsor.

This is the inception of a Project as it is codependent on four (4) main categories; 1) Strategic Roadmap, 2) PMO Governance, 3) Tactical Execution and 4) Continuous Improvement. This project codependency is only established in “Mature PMO’s” that understand the “Big Picture” and the significance that the Project Management discipline brings to a successful implementation.

Unfortunately, this is not the case as documented in several reports by brand name organizations including PMI (Refer to Appendix).

Most organizations implement projects with a degree of tunnel vision and no consideration for the Strategic Roadmap (i.e. capital metrics) and Continuous Improvement (i.e. productivity improvement) pertinent to policy and work flow procedure for hard and soft dollar corporate savings. The primary focus is on “Tactical Execution” guided by the “PMO Governance” for managing the Sponsors and Stakeholders while the project is in flight.

C-level Executives make their decisions for the Strategic Roadmap based on the above capital metrics. Generally, the Strategic Roadmap is a 5 Year Plan as determined by Senior Executives for technology changes that will assist in accommodating the Voice of the Customer (VOC). This is the premise of how projects are selected for implementation within organizations and the assembly of Project Teams. Rarely, do projects meet the capital metrics as defined in the Pre-Approval document (i.e. Business Case). Upon approval of the Business Case funding is provided by the Sponsor. The Business Case transforms into a Project for “Tactical Execution”.

This is the beginning of the organizational disconnect because in most cases the capital metrics are not bridged to the project while in flight. This should be a mandatory requirement for the; Business Case, Proof of Concept or Feasibility Study to ensure compliance for company objectives as defined during the Strategic Roadmap reviews.
with the C-level Executives. Some organizations perform audits after the project is completed. But, hindsight will always equal 20/20 vision, and this allows for no corrective measures during “Tactical Execution”.

**TOP 10 REASONS FOR PPM FAILURE**

Leaders within the Project Management Office (PMO) are unable to predict with accuracy the current disposition of projects in flight, largely because of lack of application of the following 10 Project Management principles due to the immaturity of the Project Management Office (PMO) within the organization.

1. **WBS 100% RULE VIOLATION:** The Planning Phase is one of the most critical elements of Project Management because it defines the following: Resources, Rates, Time, Dependencies and Costs. Ultimately, the budget is created based on the activities for inclusion in the Project Schedule which has been time phased for capacity planning. If the WBS 100% Rule is not applied properly the project downstream impact will result in large variances (favorable or unfavorable) which are not appropriate use of working capital funds for the governance of the Project Management Office (PMO).

2. **SCOPE CREEP:** Project Managers must clearly manage the extraction of the Scope from the Sponsors and Stakeholders for conversion into activities for the inclusion in the WBS. Again, if these activities are not all-inclusive of the tasks to be performed by the project team, this will result in a downstream impact that will result in large variances (favorable or unfavorable) which are not appropriate use of working capital funds for the governance of the Project Management Office (PMO).

3. **CUMULATIVE UNDERRUN OR OVERRUN:** The accumulation of the project schedule activities underrun and overrun for rate and level of effort are key drivers for the future Forecasts for delivery “On-time” and within “Budget”. The earlier those variances are identified by the Project Manager, the better it will provide analytical time to be proactive by providing corrective measures to the Project Management Office (PMO), resulting in the more efficient use of working capital funds used in Project Portfolio Management (PPM).

4. **INACCURATE FORECASTING:** Project Management implies that the most accurate form of Forecasting is by the Core Project Team, and we do agree. But, an evaluation must be performed to the current run rate of the Core Project Team to prior activities in the project schedule in order to determine the maturity and accuracy of the Core Project Team. It is the Project Managers & Project Management Office (PMO) responsibility to assess the maturity and accuracy of the Core Project Team to determine if a contingency should be applied based on prior performance, which then should be considered an element of Continuous Improvement. Also, the project management methodology (i.e. SPI, CPI and TCPI) is not being applied due to the immaturity of PMO.

5. **NO EARNED VALUE MANAGEMENT (EVM) APPLIED:** Based on the PMP Certification requirements, Project Managers should be applying Earned Value Management (EVM) to projects in flight for the Project Management Office (PMO) because it is Best
Practice. Again, this project management methodology is not consistently being applied to projects in flight, resulting in a project failure rate of 61% as published by KPMG Canada.

6. **RESOURCES RECRUITED BASED ON RATE AS OPPOSED TO EXPERIENCE:** The factor most considered when ascertaining a Project Leader is cost not experience. But, it should be mentioned that a proven experienced project leader is always assessing the current disposition of the project, applying Earned Value Management (EVM) to determine through analytical review if the project is in alignment to budgeted schedule. It is surprising that most organizations take the actual costs and budgeted remaining activities (without assessing prior performance) for determination of the Forecasted cost and delivery schedule. A proven experienced leader would know that this would be an inappropriate Estimate to Complete (ETC) because of lack of project analysis for CPI, SPI and TCPI.

7. **MASKED METRIC REPORTING:** It has become an acceptable practice for projects to submit a “Change Request” to the Steering Committee to reset the metric reporting for projects, and this dilutes project accountability for the inexperienced Project Managers by reducing the metric variances which are reset by the revised budget. Although, a project in some cases is uncharted for an organization, project accountability should be applied on a Project Management Office (PMO) level. It is the responsibility of the Project Management Office (PMO) to internally track the project performance to the “Original Budget” as a learning curve for “Continuous Improvement”, and to identify project activities of large cost underruns and overruns to the budgeted activity amounts. Truthfully, it is not totally clear why Project Management variances are reset (other than approval by Steering Committee for Stakeholder Scope Changes) Vs Financial Accounting which continually calculate the variances to the “Original Budget”.

8. **NO SCALED PROJECT PORTFOLIO MANAGEMENT (PPM):** The problem is the inability to accurately scale a Project Portfolio Management (PPM) for project and programs holistically for the entire PMO portfolio. What is needed is automatic color coding with the ability to bridge to schedule, costs and remaining project work in order to apply Project Management Best Practices. The tool the Balanced Scorecard (#2 of Top 6 – Harvard Business Review Products) is capable, through customization to achieve ALL Project Portfolio Management (PPM) objectives.

9. **PROJECT MANAGEMENT OFFICE (PMO) MATURITY:** Today’s Project Management Offices (PMO’s) not practicing industry Best Practices in Project Management are destined to repeat the same mistakes from prior year with no or limited project improvement results from “low hanging fruit”. PMO Project Managers are forced to repeat the same mistakes. The PMO should embrace and welcome thought leaders in their organization to ascertain the benefits of “Continuous Improvement” through streamlined process improvement and Project Management Professional Development.

10. **LIMITED CONTINUOUS IMPROVEMENT:** All Project Management Offices that are not operating within the acceptable thresholds for projects should be continually reviewing project management processes for inefficiencies. PMO’s should
understand that inefficiencies in a project are amplified by the number of projects in flight. Thereby, reducing productivity improvement for projects in flight and increasing project costs on a portfolio level for ALL projects and programs.

TEAM EXEC BEST PRACTICES - PROJECT PORTFOLIO MANAGEMENT (PPM)

The assessment of the PMO should monitor the disposition of the four (4) main categories as demonstrated in the diagram below, and it should be automated based the maturity level of the PMO acceptable thresholds of performance metrics to determine the color disposition. The performance metrics will roll through the category hierarchy to generate an overall category color (red, green, yellow or blue).

Earned Value Management (EVM) metrics should be automated and applied to projects in flight to determine impact of scope, schedule and cost. These EVM performance metrics should have acceptable thresholds applied as established by the PMO to determine color status as demonstrated in the attached diagram.
*Blue represents reserve status.

Exception reports should be automated and easily generated for all metrics that are Yellow or Red so that corrective measures can be deployed to realign metric with targeted baselined goals and objectives as demonstrated in the diagram below.
Dynamic Project Status Reports should be generated for Sponsors and Stakeholders attached to objects to create drill down functionality to display the problem root cause and corrective measures being deployed by the Project Team. An absorbent amount of time is critiquing words for inclusion in the Project Status Report. Project Managers should disclose with accuracy the disposition of projects as this is the case in a mature PMO. Ultimately, this will free the Project Manager from putting out fires so that he/she can focus on completing future tasks with the project team.

We are highlighting some of the advanced features of how dashboard analytics can be applied to Project Portfolio Management (PPM). Through Project Portfolio Management (PPM), automation of projects can be measured and monitored bridging the four (4) main categories while the project is in flight. This will ensure compliance to corporate objectives for the Strategic Roadmap, PMO Governance, Tactical Execution and
Continuous Improvement while reducing costs, and increasing productivity plus professional development! This is the foundation for a reliable and scale-able Project Portfolio Management (PPM) Tool.

Don't let brand recognition, market share, and polished sales resources fool you into believing their PPM product is the best tool in the industry.

**Does the PPM tool perform Earned Value Management (EVM)?** This is the premise of Project Management. **Does the PPM tool bridge the project while in flight to the Strategic Road & Continuous Improvement?**

All the bells and whistles do not mean anything if it is not facilitating the PMO in delivering the project “On-time” within “Budget” bridged to the Strategic Roadmap by the Tactical Execution which is measured and monitored by PMO Governance driving toward Continuous Improvement, resulting in productivity improvement. This will ultimately increase company market share allowing products to get to market: cheaper, faster and with higher quality.

In most cases the leading edge tools are complex (not user friendly) and overpriced for the value they provide to the PMO! But, uninformed PMO Leaders lack a visionary perspective, and go for security with market place brand recognition, as opposed to tools that will effectively and efficiently get the Project Portfolio Management (PPM) job done in a cost effective manner. No PPM Tool is in the "Utmost Gartner Right Hand Quadrant" because they are still flawed, too complex and too expensive while in some cases deviating from the true project management discipline!

*We believe that the PPM Executive Command Center (PPM - ECC) is truly a leading edge product. Therefore, we offer PMO's the opportunity to test the product accuracy by allowing us to run the project metrics in our tool for the organization "Top 3" projects in flight at the current time. We require NO KNOWLEDGE OF THE PROJECT, only a set of metrics to import so that the Dashboard Analytics can be prepared for the Tactical Execution. If your organization has an interest for the troubled "Top 3" projects please contact us at the below email address to receive this value add service at no cost.*
APPENDIX

The HIGH COST of LOW PERFORMANCE 2014:
https://www.pmi.org/~/media/PDF/Business-Solutions/PMI_Pulse_2014.ashx

GARTNER SURVEY SHOWS WHY PROJECTS FAIL:

Refer to the KPMG Report 2013 which speaks to the rationale of dismantling PMO's because of PMO leadership and direction; it is an overhead cost which should have a primary focus on productivity improvement.

KPMG Canada Project Failure Rate:

Apply the KPMG Canada Project Failure Rate to the Project Management Office (PMO) Portfolio x PMO Actual Threshold (+/-) = $ Burn Rate. This will provide a good estimate for the potential portfolio $ burn rate!
KPMG Canada Project Failure Rate Report Hyperlink: http://www.it-cortex.com/Stat_Failure_Rate.htm

KPMG Project Report 2013 Hyperlink:

Harvard Business Review – Top 6 Product
http://www.dce.harvard.edu/professional/blog/6-tools-every-business-consultant-should-know
About the Author

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Dennis Wiggins has over 2 decades of experience in the information technology industry and is an expert in the Project Management discipline. He demonstrated his experience leading multi-million $ programs and projects in Information Technology. In addition, he led a $250 million IT Portfolio Governance PMO for Bell South contracted through Accenture (Big 4). Leveraging his experience in multiple disciplines, he revamped the Executive IT Portfolio Reporting methodology reducing the cycle for reporting from 4 weeks to 1 week, increasing project management productivity and reducing the dollar burn rate. Also, a lead in the PMO responsible for the domestic and international integration of approximately 75 trading applications in End-to-End (E2E) testing for security transactions for the Front Office, Middle Office and Back Office onto the Barclay’s platform.

He is a recipient of the Project of the Year Award by the PMI Atlanta Chapter for leading the design and development of the PPM Executive Command Center (PPM – ECC). This Project Portfolio Management (PPM) tool was presented at the Institute of Industrial Engineering (IIE) Conference & Expo and was evaluated a 2.9 out 3.0 which is equivalent to a 97% (A+). He understands the “PPM Big Picture” as this tool was designed and developed using the #2 product (Balanced Scorecard) listed in the Harvard Business Review – Top 6 Products providing PMO’s with a fully integrated, dynamic and robust Project Portfolio Management (PPM) solution with dashboards and analytics reporting.

He is a certified graduate of the world renowned General Electric Financial Management Program (GE FMP), Project Management Professional (PMP) and a Lean Six Sigma Black Belt (LSSBB).

Dennis Wiggins is a graduate from the State University at Old Westbury College with a Bachelor of Science in Business Management with a concentration in Finance.

He is the Founder and Chief Executive Officer of Executive Program Management Dashboards (aka Team Exec) providing leading edge training programs, and a value added re-seller providing cost effective industry solutions.

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