Importance of Project Portfolio Management (PPM) – Approach and Benefits Realization for the Information Services and Products Industry

A structured approach to manage portfolios and execute portfolio projects

Executive Summary

PPM processes govern the various stages of project lifecycle and help effectively manage them. Project Portfolio Management is an approach or set of standard best practices for planning, managing and executing work through the project to deliver the end product(s) or service(s).

Typically, organizations execute/manage the work through projects to deliver products, services or to manage operations. Project(s) helps the organization define and manage the scope, time, and cost to produce the desired outcome.

To achieve operational excellence while adapting to dynamic economic conditions, project-based organizations must plan and execute the right projects to successful completion. Globally, organizations are beginning to adopt PPM best practices for project executions. 80% of global executives believe having project management as a core competency helped them remain competitive during challenging times.

(Reference - www.pmi.org)

Overview

What is PPM?

The general misconception about the term PPM is “PPM is a Software Solution”. However, the fact is Project Management Software Solutions assist with project related data collection, processing and reporting as per the organization's need.

Organizations need to assess their project management practices and define the strategy.
for the organization as well as the detailed project management processes and Standard Operating Procedures (SOPs).

A complete PPM solution includes well defined organization-specific project management business processes and a suitable software solution to capture related data and fulfill reporting needs.

In any organization, processes/guidelines to conceptualize, evaluate, plan, execute, manage and close projects are termed PPM processes. Basically, Project Portfolio Management is an approach or set of standard best practices to execute/manage project lifecycle stages.

The following example depicts the Project Creation business process which is also considered as one of the PPM processes.

Any individual within the organization can request for a project. The project request should be routed for financial and project execution approval. Once the request is approved and a project manager is assigned, project planning begins.

Business processes or activities needed to execute the project can be broadly categorized into Planning, Execution and Closing process groups.

**PLANNING**

Planning processes include project concept/idea recoding/management, feasibility evaluation, Rough Order of Magnitude (ROM) estimation and prioritization. These activities are performed before the projects are requested. Project requests follow the portfolio project selection processes before being approved for project execution.

**EXECUTION**

During project execution, actual work is performed to deliver the desired product or service. Typically, after project execution activities are performed, the project is setup in the PPM tool, project resources are allocated, scheduled work is planned, progress is tracked and project execution is managed. Also, project financials related activities such as budgeting/forecasts, burdening/pricing, cost/revenue accounting, cost allocation/re-categorization and project cost management functions are handled in the accounting software. Point-in-time project performance reports help project managers and stakeholders take appropriate action.

**CLOSING**

Closing activities involve delivering the final outcome of the project and taking closure from the stakeholders. Projects are closed in the PPM tool and capital assets are set up to use. Project Key Performance Indicators (KPIs) are evaluated to determine project performance, and knowledge artifacts are updated.

**Need for PPM Solution**

A lack of standard/consistent project management practices in any organization can lead to chaos. Disparate systems to manage the processes (Planning, Execution and Close) also leads to reconciliations and control issues. Inefficient project financial management causes financial loss and audit discrepancies. Organizations with a clear strategy and well defined objectives coupled with adoption of PPM best practices have realized benefits such as:

- Decreased number of failed projects due to better control and visibility of the project operations
- Demonstrated improvement in productivity and efficiencies through improved processes and cycle time
- Consolidated view of the enterprise project portfolio for efficient project financial performance
- End-to-end visibility and control for improved decision making, coordination, and collaboration
Organizations from industries spanning Information Services to Products, drive their products/services-related work through projects such as develop, enhance, maintain and support products/services.

Managing Portfolios Structure

Typically, organizations face challenges in managing multiple related projects, especially in the areas of visibility in project execution and financial health for those projects.

Portfolio management helps organizations formalize and improve the selection of new product/services development opportunities and ensures they are aligned with corporate strategy.

Cognizant helped a leading multinational publishing and information company structure their portfolios using PeopleSoft Program Management Product capabilities. This whitepaper illustrates this in detail, in subsequent sections.

Portfolio structures are highly specific to the industry and to the organization’s legal/management structure. The organization’s reporting requirements is one of the vital factors considered while designing the portfolio structure.

The Cognizant team analyzed the customer’s existing PPM processes and identified Project Execution, Resource Owning, Project Funding and Project Reporting structures. The portfolio(s) and program(s) were (re)organized to form the portfolio and program hierarchy and efficient portfolio structures, utilizing PeopleSoft tree functionality.

For example, to achieve their strategic objective of new product development to compete effectively in the market could be a Portfolio/Program. All the work required for Product Lifecycle i.e. from product inception to retirement can be handled through various projects.

The following diagram illustrates a typical Portfolio/Program/Project structure.

![Portfolio/Program/Project structure diagram]

Creating a robust portfolio structure and portfolio management framework to manage work through programs/projects is key to successful PPM.

A majority of organizations have often adopted LOB-wise portfolios. Individual departments could also structure their portfolios by the nature of the work performed and objectives to be achieved i.e., Strategic Investment, Modernization Initiatives or Sustain Business, and so on.

Project Prioritization/Selection

Organizations often struggle to evaluate and select projects for execution from the huge list of project requests/wish lists. This is primarily due to the lack of effective Portfolio Project Management Life Cycle processes or best practices adoption.

An effective PPM lifecycle helps organizations with pre-investment planning, project ideation and scoring. Project ideation and assessment helps achieve investment balance, identify dependencies, and sequence the projects within the portfolio. Typically, this is handled outside the system with stakeholder collaboration.
Cognizant helped a leading multinational publishing and information company setup a business process to evaluate and prioritize projects for execution.

With the new process, individual stakeholders within the organization can propose the project idea along with cost benefit analysis. Organizations are required to put these requests through selection criteria such as business priority, organization strategy, funding availability, ROI and so on, before approving and taking up the project for execution.

The following flow diagram illustrates the representative portfolio project prioritization/selection process. The requests from project execution will be passed through these criteria before being picked up for project execution.

**Portfolio Project Management Cycle**

![Portfolio Project Management Cycle Diagram](image)

**Figure 2**

PeopleSoft Program Management enables Program Managers and Project Managers to plan and manage complex programs and projects across an organization by applying common standards and procedures, providing sophisticated tools and analyses, and integrating critical program and project information with other PeopleSoft applications as well as non-PeopleSoft applications.

A self-service project creation solution was implemented for a leading multinational publishing and information company to facilitate the recording of ideas/project requests and prioritization before approval.

Employees within the organization can request for the project based on ideas or needs of the department/organization unit. A self-service project creation request functionality will capture the details of the project, high-level budget and project justification.

Project requests will be reviewed and assigned to the program/portfolio for tracking purposes. These project requests will be approved for execution after review and prioritization by the PMO team.

Approved projects will be executed from the program/portfolio it is assigned to. These projects can be moved to another program or portfolio based on need/approval.
Projects are the fundamental building blocks of the portfolio structure. All the delivery/outcome related work items/activities are driven through projects. Project work is broadly categorized into two groups viz., Project Execution related work and Project Financials related work.

**Portfolio Project Execution Management**

Project Execution Management processes govern the rules and guidelines for organizations to execute projects.

These include managing requirements, creating/managing work breakdown structures, scheduling project work/activities, collaboration on project tasks, staffing resources (labor/material), resolving issues, recording risks, and so on.

Periodic or phase-wise internal/external audits ensure the activities performed during project execution are audit compliant.

Transaction audit tracking on key transactions such as project setup, work breakdown structure, planning dates help identify and track changes, and also help maintain audit trails.

The following flow diagram represents a typical project execution flow. These activities drive the project execution from inception to closure, based on the guidelines laid out by enterprise or department PMO.
How Cognizant helped a leading multinational publishing and information company manage project execution lifecycle using PeopleSoft product capabilities

PeopleSoft Program Management, Project Costing, Resource Management, Time and Expense module functionality provide an integrated solution to manage the project execution lifecycle. Out of Box (OOB) product capabilities to integrate with MS Projects as well as time tracking applications provide better integration opportunities.

Key Challenges and Solutions Implemented

Standardization of Project attributes and Activity/Work Breakdown Structure (WBS) Consistency and accuracy of the project and WBS attribute throughout the PPM processes is key to achieving tighter process control and improving reporting accuracy. Cognizant implemented a template-based project creation solution to standardize the project creation process and attributes to be captured on the project to address the business process requirements.

Improve Staffing Process Efficiency and Profile/Skill Fitment to Overcome Resource Skill Based Staffing Challenges

Cognizant implemented skill based search and matching feature in PeopleSoft Resource Management. Resource matching feature calculates the profile ranking of the resources based on the skills demand against the service request to help the resource manager identify the best fit.

External Consultant/Contractor Onboarding

Typically, organizations hire external resources to fill skills and availability gaps while executing project work. Cognizant implemented a solution by integrating the PeopleSoft Resource Management module with the PeopleSoft Human Resource/Talent Management solution to establish the external consultants/contractor as a project resource.

Project Health, Risk, Issues Management

Project Managers need to have real time view of the project’s financial health, as well as project schedule health to take corrective/preventive measures. Cognizant implemented the dashboard solution to provide Project Managers with a real time and consolidated view of the project’s financials as well as non-financial health i.e., Schedule, Budget, Resource, Issues and Risks Health for the project.

Project/Phase Close Process

Organizations typically require audits to be performed before a project phase/project is closed. The purpose of the audits is to ensure the set processes are followed, required documents and artifacts are completed and both financial and non-financial activities are duly taken care of.

Cognizant Implemented a Workflow Based Project/Project Phase closure solution to make sure project activities are audit complaint before they are marked as complete.

Project Financials Management

Project Financials Management includes how organizations manage/plan Project Cost/Revenue Budget, Project Cost/Revenue Forecast, collect various costs incurred during the project, record open commitments against the project, bill customers, manage revenue, manage Capital in Progress (CIP) cost, and report project financial performance.

This typically involves defining project accounting procedures, capitalization thresholds and criteria, financial reporting structures, project funding/budgeting entities and processes, project cost collection methods/sources, project revenue management processes, project cost allocation and cross charges, cost sharing, and burdening, as applicable.

The following flow diagram illustrates the transactions involved in project financials management business processes.
How Cognizant helped a leading multinational publishing and information company manage its project financials management lifecycle

The solution was implemented with PeopleSoft Project Costing, e-Procurement, Purchasing, Payable, Expenses, General Ledger and Time & Labor module features. Out of the Box product functionalities provide an integrated solution to manage the project financials lifecycle. PeopleSoft provides capabilities to integrate with other scheduling applications such as MS Projects and Primavera.

Key Challenges and Solutions Implemented

Determine the Cost Rate for Internal Employees

Full-time employees get paid through the payroll/salary which includes other benefits such as paid vacations, bonuses, health insurance, and so on. In many countries, employee compensation data is protected under data privacy laws and hence cannot be disclosed. This creates challenges with regard to determining the cost of employees to cost to the project.

Cognizant built an extension to determine the employee cost rate based on the time sheet hours and project allocation percentage without using individual employee's payroll data.

Project Cost/Revenue Budgets and Reforecasts

Project budget plays an essential role in improved financial control and spend tracking. As part of the initial project setup, Project Managers need to define/baseline the project budget.

PeopleSoft Project Costing features enable setting up Cost/Revenue budget with top-down or bottom-up approach providing flexibility to project managers.

Cognizant had also developed Excel based budget upload extensions for customers, for better UI and bulk upload capabilities.

Organizational Resource Sharing/Charge Back

Often within organizations, multiple organizational units such as departments, business units, or line of business, execute, own the resources, or sponsor the projects. Resources working on the project may or may not belong to the organizational unit that owns the project. This leads to a scenario where resource cost/revenue needs to be transferred to/from the project-owning organizational unit.

PeopleSoft Project Costing Module features allow sharing costs and revenue between the organization units. Cognizant has developed a custom solution to address the chargeback solution to augment inter-company invoices for international entities.
Manage Capital in Progress Cost through Projects

Organizations use projects to develop products/service or to create assets required to run the business. These projects or project activity costs are considered as capital costs and need to be treated accordingly.

PeopleSoft Project Costing module provides seamless integration with Asset Management Module to periodically accumulate the capital cost against the tangible/in-tangible assets. This helps organizations move capital expenses from P&L to balance sheet.

Customer Billing and Revenue Management

Typically, IT/Consulting service providers use projects to develop and deliver services to the customers. The cost incurred (labor/non-labor) is typically accumulated against the project and charged to the customers through billing invoices. PeopleSoft Contract, Billing and Receivable module functionality provides the capability to generate customer invoices based on project transactions.

Key Customer Benefits Realized

- Audit tracking and compliance issues resolved
- Application landscape rationalized
- Significant reduction in reconciliation issues
- Improved portfolio visibility and control

Figure 6
Overall PPM Business Processes Improvement

The following diagram illustrates lagging to leading business process evaluation based on the current state of the individual business processes versus post PPM implementation status/ characteristics.

![Diagram of PPM Processes]

Figure 7

Conclusion

Several executives believe that having project management as a core competency has helped them remain competitive. Nearly 60% of senior executives say building a strong project management discipline is amongst top-three priorities for their companies as they look to the future. (A survey by McKinsey & Co.)

Organizations are steadily moving towards a project-driven approach to deliver work within budget and timelines, with measurable objectives. PPM processes are highly specific to the industry and there is no 'One Size Fits All' solution. Well defined PPM processes coupled with the right PPM tools for project data collection/tracking and analytics is key to success. Having robust OOB features and PeopleSoft Product Suite such as PPM Tool has been the solution of choice for several organizations.
About Author

Avinash Korde is a PeopleSoft ERP Lead Consultant with Cognizant’s Oracle Solutions Practice. He has more than 12 years of experience in ERP solution implementation using PeopleSoft Product Suites. Avinash has extensive experience in defining business processes across multiple industries such as Retail, Banking, Information Services, and Healthcare. He provides process, domain, and technology consulting expertise and has extensive experience in business process analysis, solution design, and implementations in the PPM and Financials, and Supply Chain areas. Avinash has been instrumental in designing and implementing PPM solutions for customers across industries. He can be reached at Avinash.Korde@Cognizant.com

About Cognizant

Cognizant (NASDAQ-100: CTSH) is one of the world's leading professional services companies, transforming clients' business, operating and technology models for the digital era. Our unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses. Headquartered in the U.S., Cognizant is ranked 230 on the Fortune 500 and is consistently listed among the most admired companies in the world. Learn how Cognizant helps clients lead with digital at www.cognizant.com or follow us @Cognizant.