Top-Down vs Bottoms-Up:

Contrasting Real World Perspectives of Resource & Portfolio Management from the Executive Office to the Project Office

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“Would you please Elaborate on ‘Then something bad happened’”
“As information gets passed up an organization hierarchy, from people who do analysis to mid-level managers to high-level leadership, key explanations and supporting information is filtered out. In this context, it is easy to understand how a senior manager might read this [Boeing Corp. slide on foam impact analysis] PowerPoint slide and not realize that it addresses a life-threatening situation.”

From COLUMBIA Accident Investigation Board
PowerPoint Disappoints

- PowerPoint & Disconnected Project Management Tools are a vicious cycle
  - Baseline systems atrophy when the data gets fixed in the chart
  - Updating charts becomes the de facto process rather than maintaining the baseline system

- PowerPoint prone to error and lacks objectivity
  - Hard to enforce presentation standards and consistently trend data for “look ahead” indicators
  - Currency of information always questionable
  - People make mistakes

- PowerPoint & Disconnected Project Management Tools masks data deficiencies that should call into question the maturity of underlying PM Processes
Program Management Framework for Portfolio Governance

**Program Process Capabilities**
- 1: Program Management Involvement in Proposal
- 2: Program Planning
- 3: Performance Management
- 4: Sub-Contract Management
- 5: Follow-On Business Development
- 6: Earned Value Management
- 7: Scope/Requirements Management
- 8: Schedule Management
- 9: Financial Management
- 10: Risk Management

**Program Enablers**
- 11: Organization
- 12: Customer Partnership
- 13: Program Review Process
- 14: Configuration Data Management

**Company/Corporate Enablers**
- 15: PM Process Management
- 16: PM Development and Succession

*Source: Booz Allen & Hamilton Program Management Process Maturity Model*
Industry PMO Example: Average Project Performance

Composite World Class: Average performance, BA&H Industry Benchmark
Industry Portfolio Example: Composite results depicting PM Process variability between Portfolio Projects
SAP xRPM Increases Portfolio Value to Business by:
- Improving Allocation of Resources Between Projects and Services
- Freeing up Resources from Operations for Strategic Projects
- Clearly Documenting What Services are Delivered at What Cost

*Consensure analysis of SAP xRPM implementation for IT Portfolio Mgmt at large US pharma*
SAP xRPM Increases Effectiveness and Value to the Business Through …
- Eliminating redundant projects
- Canceling, and not starting, projects not in alignment or that fail to deliver on agreed business/IT metrics
- Redirecting Resources to Priority Projects in Need

*Consensus analysis of SAP xRPM implementation for IT Portfolio Mgmt at large US pharma
Pain Points for the Project Office

- **Inconsistent Project Results** (success, budget, schedule)
  - Projects late or over budget?
  - Want to improve project success rate?
  - Lack process maturity across portfolio

- **Lack of Visibility into Projects or Operations**
  - Do you have to call someone to get a status?
  - Do you have current information in the format you want it at your fingertips?
  - How is your organization doing against its objectives?

- **Lack of Alignment with Strategic Objectives**
  - Can you quickly react to changes in strategy or budgets?
  - Unnecessary or no longer needed projects never cancelled?
  - Annual planning a one time process – and is it too difficult? (“Excel Hell”)

- **Constrained Resources and Budgets**
  - Difficulty in forecasting bottlenecks?
  - Have the right mix of internal/external resources assigned to the right work?
  - Don't know what everyone is working on?
Executive Office Prerequisites for effective Portfolio Governance

- Consistent presentation of project performance
  - Facilitate executive portfolio apples-to-apples view

- Wide spectrum of project adaptability and scalability
  - Comprehensive solution for both IT and the Enterprise

- Organic – grown from existing enterprise planning and resource management infrastructure
  - “no artificial data sweeteners”

- Drive program management best practices
  - “Make it easier to do right”
  - Cleanse and strengthen baseline systems
  - Improved timeliness and resulting management value
  - Increased Data Validity and “Look Ahead” indicators

- Discretionary Perspective and Portfolio Data Security

- Supplier & Partner inclusive
Formidable Challenges for the Enterprise

- Wide spectrum of projects representing disconnected islands or “fiefdoms” of performance data
- Lack of business process integration
  - Business applications are not connected
  - Processes are inefficient and plagued by human issues
- Hard to change the way people work
  - Expensive to re-train end users
  - Risk averse culture resistant to IT and process change
- Legacy tools deeply rooted within many organizations
  - Significant resistance to application & systems improvements within portfolio’s executing programs/projects
- Standalone/disconnected Portfolio Management Solutions are a Red Herring
  - Holistic System perspective is key to Portfolio Management Success
  - Portfolio Management Solution must build upon existing Enterprise Resource Planning, Financial and HR systems infrastructure to have credibility and durability
“Top-Down vs. Bottoms-up” Planning & Execution Perspectives
A Holistic Perspective for Portfolio Governance

Rolling-Wave Budgeting and Strategic Resource Planning (“Top-Down”)
Drivers: Resources, Budget, Time-phased Funding, Critical-Milestones, Staffing, Sub-contractor and supplier relations, Enterprise Strategic Objectives

Portfolio Optimization and Enterprise Resource Planning

Point of Management Responsibility and Performance Review
Drivers: WBS, Accounting/resource charge# assigned, accountability for project performance assigned, team membership defined, individual time & cost tracking

KPI Definition, Project Performance Monitoring and Portfolio Benchmarking

Demand Drive Project Identification and Execution Performance (“Bottoms-up”)
Drivers: Tasks, resources, skills, labor rates, hours, integrated planning baselines and actuals

Limitless and irregular in depth, detail and process maturity
Goals for Effective Portfolio Management Solutions

“Raise the performance bar” across the Enterprise project portfolio
- Define and institute “look ahead” KPIs and indicators to identify emerging performance issues in both the Demand and Supply process areas to enable proactive involvement from the office of the CIO (or CxO as appropriate)
- Look at trends within the portfolio to propagate positive actions and minimize problems across multiple programs

Institute a process of continuous portfolio assessment integrating processes related to status reporting, Portfolio Governance, process maturity, PM resource management and reporting in Balanced Scorecard form

Improve the maturity of project management processes across the Portfolio
- Focus project teams on improving weak areas
- Spread lessons learned and best practices
- Mentor individual PM skill development
Portfolio Assessment Methodology: Benchmarking

- Create a performance and opportunity baseline along several dimensions
  - Help prioritize the impact of selected best practice areas on critical improvement dimensions — Schedule, Cost/ROI, Quality
  - Determine “best-in-class” performance standards for each area
  - Identify capability gaps
  - Define the improvement priorities based on enterprise business objectives

- Uncover best practices — both internal and external — and provide a process for embedding them in key business processes and institutionalizing them across the enterprise

- Provide clear, consistent maturity growth path for existing Enterprise projects and minimal process maturity expectations for new project starts
Enterprise Project Performance Metrics

Requirements
- Tracking to closure by milestone all requirement
- Definition and approval of Deliverable Expectation Documents for Fixed Price/Deliverable efforts

Schedule Performance
- Critical path analysis
- Float to Major Milestones and projected Deliverable schedule variances
- Schedule Maturity Analysis

Performance Management (e.g. earned value)
- CPI & SPI performance trend data
- Statistical performance forecast & program Estimate or Variance at Complete (EAC) and TCPI to EAC

Risk Management
- Continuous assessment of risk consequence and likelihoods
- Detailed review of Mitigation and Contingency planning for “red” risk items

Customer Satisfaction & Quality of Delivery
- Need to institute regular PM-completed assessment for assessing client satisfaction
- PM needs to meet regularly with client to receive feedback. Assessment should be completed as needed and minimally monthly by the PM following these client meetings

Financial and Staffing Status
- Profitability Analysis for Project
- Retention and Project Vacancy Status and Trends
Enterprise Portfolio Metrics

- Resource Optimization
  - Demand, Allocation, Availability and Actual Work
  - Soft vs. Hardbooking of Resources

- Risk vs Expected Commercial Value/ROI Analysis of Portfolio Projects

- Cost, Schedule, Technical & Scope Risk within Portfolio

- Project Process Maturity vs Organizational and Industry Benchmarks

- Alignment of Portfolio Projects to Enterprise Strategic Objective Realization

- Custom portfolio KPIs related to strategic objectives
Portfolio Management Audiences

- **Enterprise Leadership**
  - Replace current powerpoint/excel and email based reporting processes
  - Consistent presentation of status and performance across the entire Enterprise Portfolio
  - Evaluate Risk vs Return and Process Maturity in support of Governance and Enterprise improvement initiatives

- **Enterprise Project Managers**
  - Better insight into Project dependencies
  - Better insight into Enterprise resource and skill availability to support projects

- **Suppliers & Sub-Contractors**
  - Better visibility into commitment and need dates of project dependencies
  - Appropriate visibility only to published information within their project

- **Enterprise Customers**
  - Appropriate visibility only to published information within their project
  - Visibility into realization of strategic objectives
The Role of Portfolio Management: 
*Link Execution to Strategy*

- Codify business strategy, link to routine activities
- Rationalize portfolio, Prioritize initiatives, Aggregate information
- Broker human and financial resources allocation

**Portfolio Management (SAP xRPM)**

Activity-based process for making trade-offs for all allocations of resources
Means of balancing resources for projects and on-going activities
Value-driven, information-based approach for aligning resources to strategy
Forecast Resource Demand, Match to Supply

**DON'T REPLICATE:**
- Employee table
- Organizational Structure
- Skills Catalog, Experience
- Employee master data

**DO:**
- Enable strategic staffing/sourcing
- Prioritize resource assignment
- Enforce assignment policies
- Support internal/external resources
- Understand dependencies

- "Factory" calendar
- Holidays, Vacations
- Growth/Attrition
- Full/part time
- Source (internal/external)
- Skills Catalog
- Job Type
- Organization Structure
- Approvals / Workflow

**Strategic Buckets**
- Project / service inventory
- Prioritization
- Resource demand
- Role classification
- Skills required
- Resource assignment

**SAP Resource & Portfolio Management (xRPM)**
- Direct Link to SAP FI-CO
- Track Capital, Expenses accurately, easily
- Top-down planning, bottom-up roll-up
- Support “Organization” as well as “Project” planning
- Baseline planning, rolling forecasts, actuals

**Budget (plan, forecast, actual)**

**Resource & Portfolio Mgmt**

- Enable strategic staffing/sourcing
- Prioritize resource assignment
- Enforce assignment policies
- Support internal/external resources
- Understand dependencies

**Resource Supply**

- Java Developers

**Resource Demand**

- Hard trabajadores

**THE BEST-RUN BUSINESSES RUN SAP**
Strategic and Operational Portfolio Management

Managing activities and resources to enable Organizations to best deliver on commitments that align with strategy, support business goals, and maximize value

Portfolio Management Lifecycle

- **Selection**
- **Planning**
- **Initiating**
- **Execution**
- **Controlling**
- **Closure**

Project Management*:

- Prioritization, Alignment ... which activities best align
- Support Top-Down/Bottom-Up Annual Planning
- How do you balance resource commitments across Projects and Operations in different areas of your business
- How to better monitor portfolio performance and identify troubled initiatives sooner
- How do you enforce/audit corp policies & governance
- What is the best blend of internal/external resources

*From PMBOK

THE BEST-RUN BUSINESSES RUN SAP
Flexible Portfolio Hierarchies

The overall structure of a portfolio is reflected in the hierarchy of strategic buckets. This allows a flexible categorization of portfolios.

Strategic: Top-Down
Tactical: Bottom-Up
Gain Visibility into Projects, Operations, Resources...

Portal Dashboards, Analytics

Gain complete transparency into all projects and operations – immediately. Centrally view key performance metrics, burn rate, resource allocation and readily add your own specific KPIs.
Considerations

- Program Management is NOT a Real Time System
  - Data is ALWAYS published & released – usually a weekly cycle
  - Critical to relate both the published date & status date of performance data to ensure composite picture is not out of synch

- Personalization vs. Customization
  - Better to rely on intelligent commercial components than custom drawn UIs and screens wherever possible
  - Make the right architecture choices early on – they are the hardest to change later

- Primary Concerns Accuracy & Objectivity of Performance Data
  - “Apples to Apples” across portfolio projects and operational concerns
  - Look ahead/trend indicators and performance always in relation to baseline plan
  - Discretionary controls or portfolio views of significant importance

- Extremely important not only to have Executive sponsorship but that the Portfolio Management initiative be championed as an Enterprise Business Process Improvement

- Portfolio Management System must grow to replace legacy reporting systems as the de facto measuring stick for Enterprise Projects, eliminating redundant systems and reaffirming control mechanisms
The Office of the CIO is Evolving from Technology Management Office to an Enterprise Transformation Project Office

CIOs are seeking to build credibility with the Enterprise as to the central role of IT in Transforming the Core Business Processes of the Enterprise

This is fundamentally a Program Portfolio and Project Management Challenge, as credibility is directly influenced by project performance

As a result, the importance of effective IT Governance for Enterprise Portfolio Management has become a critical focus for the CIO

Resource & Portfolio Management (xRPM) at its Core is focused on delivering value to this challenge and should be at the center of virtually any Platform initiative as organizations evolve to ESA
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