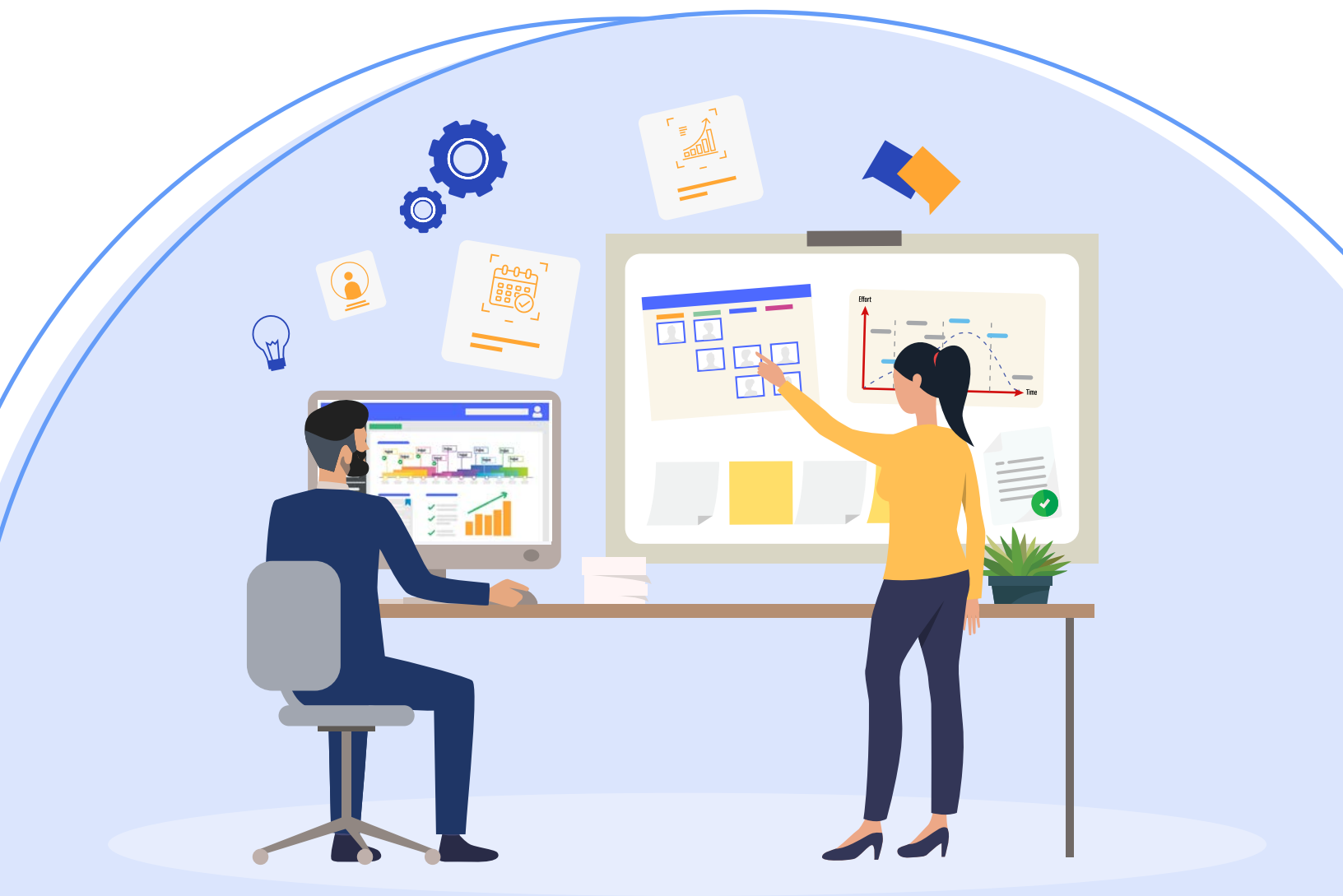


# 3 Core PMO Priorities for Stronger Project Portfolios



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# Introduction

According to a recent PMI *Pulse of the Profession*, 68% of businesses have made significant changes toward digital transformation in the 2020s, in order to gain a competitive advantage in the ever-changing marketplace.<sup>1</sup> This sharp trend toward innovation is further highlighted by McKinsey, who reported in a 2020 survey that the global offering of digital products has increased at a rate of six years in North America, seven years in Europe, and 10+ years in APAC.<sup>2</sup>

With that in mind, it goes without saying that organizations are not slowing down on digital transformation anytime soon. Likewise, Project Management Offices (**PMOs**) will continue to play a key role in ensuring their organizations' digital projects provide a high return on investment.

To do so, PMOs must keep the following priorities front and center:

- 1 optimizing project selection by ensuring business alignment
- 2 reducing project cycle time by improving resource management
- 3 increasing productivity by eliminating project waste

Read on to further discover the importance of these three areas of Project Portfolio Management (**PPM**) and receive actionable tips for improving your organization's digital readiness.

# Project Selection

A PMI survey revealed that, on average, **“organizations waste 9.9 percent of every dollar”** by failing to successfully implement and align with business strategy. Further, project leaders reported that nearly one third of projects failed to meet their goals, 43% exceeded planned budgets, and almost half were completed behind schedule.<sup>3</sup>

The constant in many of these projects? Disengagement from executive sponsors.

Since project selection kicks off the project lifecycle, it is here that PMOs and project management professionals hold the most leverage in the potential of their project investments. In other words, flawless execution and delivery don't matter if you're working on the wrong projects.

To understand where you need to go, it is critical to first understand both where you are and how you got here. **In the following pages, we will explore:**

- ▶ common causes of business alignment challenges
- ▶ the importance of a more holistic approach to project selection
- ▶ a framework of processes and tools for improved business alignment
- ▶ how to leverage this framework in the workplace

## Causes of Strategically Unaligned Projects

### Root Causes of Business Alignment Challenges

#### Continuous business priority changes and technology disruptions

29% of executives report being **“extremely concerned”** about the speed of technological change and how it impacts business strategies, priorities, budgets, market conditions, and the competitive landscape.<sup>4</sup> Nearly half of executives expect to invest heavily in technological advancements in the next 3-5 years.<sup>5</sup>

#### Lack of clarity on business objectives

In 2022, project leaders said between 28-35% of their organization’s completed projects didn’t meet the original goals or business intent.<sup>6</sup> This is roughly the same as it was four years prior, when 35% of organizations reported weak alignment between projects and strategy.<sup>3</sup>

#### Miscommunication with stakeholders

84% of executives **“believe they are effectively prioritizing and funding the right initiatives,”** compared to just 55% of PMO leaders.<sup>3</sup> This disparity demonstrates a clear need for more engaged collaboration between project leaders and their sponsors.

As these issues continue to compound, the ability for project priorities to stay in sync decays and leads to lost productivity, which we will discuss in a later section. This in turn can lead to many issues, from lowered morale to major financial losses.<sup>3</sup> (See graphic on next page.)

\$ wastage, least to most	Region	Amount wasted due to poor project performance*
1	China	7.6% or \$76M per \$1B
2	Canada	7.7% or \$77M per \$1B
3	India	8.1% or \$81M per \$1B
4	Middle East	8.5% or \$85M per \$1B
5	Asia Pacific	8.6% or \$86M per \$1B
6	Latin America	10.2% or \$102M per \$1B
6	U.S.	10.2% or \$102M per \$1B
7	U.K.	10.8% or \$108M per \$1B
8	EMEA (Europe, Middle East and Africa)	11.7% or \$117M per \$1B
9	Brazil	12.2% or \$122M per \$1B
10	Europe	12.7% or \$127M per \$1B
11	Australia	13.9% or \$139M per \$1B

\*Figures are U.S. dollar amounts, but represent a percentage that applies to any currency.  
*Pulse of the Profession 2018*<sup>3</sup>

## A New Approach

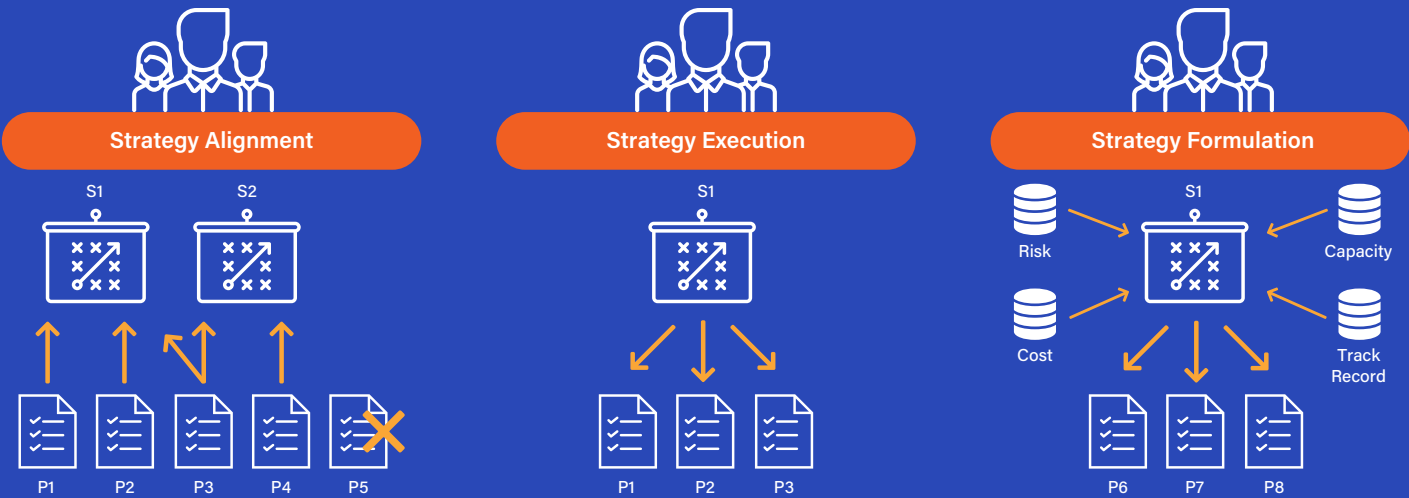
While there is nothing that you can do to throttle the pace of business change, there is plenty that can be done to **better communicate business objectives and improve project delivery value**. These measures will in turn improve productivity, limit business initiative failures, and buoy project team morale.

Typically, the communication of business objectives and priorities from business leaders to project teams, and the incorporation of this information into their project selection process, follows either a formal/structured process or a less formal and repeatable process. Either way, the focus tends to be bottom-up alignment using basic project evaluation tools and spreadsheets.

To achieve maximum productivity and project success rates that translate directly into business success, organizations need a more holistic approach. This should include PMO governance, a better partnership with business (e.g. champions and sponsors) to drive project priorities from the top down, and portfolio management tools.

### A Vision for Business Alignment

For most organizations business alignment is a bottom-up process, where an identified project idea or proposal is aligned with an existing strategy.



The term “**Strategy Alignment**” can be used to describe this process, which answers the question, “**What strategy does this project align with?**”

Strategy alignment contrasts with the term “**Strategy Execution,**” which is more of a top down process, that answers the question, “**What projects do we need to create to execute this strategy?**” Companies at a higher maturity level will have a higher percentage of projects which are born out of the strategy.

The next step is “**Strategy Formulation.**” It answers the question, “**What strategies should we pursue given what we know about our project capacity and projections, talent pool, and an assessment of our track record and risks associated with executing similar initiatives?**” Only the PMO can answer that question.

## Solution Requirements

To improve business alignment, you will need some new processes and/or tools. Let's refer to this as a **Project Selection Solution Framework**. Here is a full description of the three key components of a project selection framework that drives business alignment:



### PMO or EPMO Governance

Among organizations that have a PMO, half have an EPMO (enterprise PMO). Those that align their EPMO with strategy report 38% more projects meet their original goals and business intent, and 33% fewer projects are deemed failures. Most organizations (82%) have established a formal PMO, so if you haven't yet, you are in a dwindling minority.<sup>7</sup> The connection between PMOs and business alignment success stems from the typical PMO's sense of purpose and mission. Meeting business goals and intent (i.e. business alignment) has become a primary project success driver, alongside on-time, on-budget delivery.



### Executive Sponsorship

Support from actively engaged executive sponsors continues to be the top driver of whether projects meet their original goals and business intent. 38% of projects still go without actively engaged sponsors.<sup>3</sup> As a result, organizations should make executive sponsorship a key project selection criterion.





## Project Selection & Portfolio Management Automation

PPM tools provide demand functionality that can be used to select and prioritize business-aligned projects as part of a standardized bottom-up process. Portfolio and program management functionality can be used to evaluate and optimize strategic initiatives, programs, and investments from a more top-down perspective.

### Implementing Your Project Selection Solution Framework

#### Build or expand the role of the PMO

Make business alignment a core competency as part of the broader role of establishing and monitoring success metrics. Integrate emerging Benefits Realization Management techniques oriented to strategy delivery as the key success metric.

Focus talent management efforts on strategic and business management skills, in addition to technical and leadership skills.

#### Build executive sponsorship skills

Provide training for executive sponsors to reinforce understanding of their role throughout the project lifecycle.

Cultivate a project environment that nurtures collaboration between business and project teams and is built on a foundation of transparency, trust, and recognition of mutual value.

#### Automate project selection and portfolio management

Leverage demand management (project selection and approval workflow) to institutionalize business alignment as the gating criteria in project evaluation and prioritization schemes.

Organize and manage portfolios by aligned strategic initiatives and utilize functionality to optimize investment and risk considerations.

# Project Cycle Time

Statistics show that just 55% of projects succeed in meeting schedules.<sup>1</sup> Consequently, companies see not only delayed time to market, but losses in revenue, savings, customer satisfaction, and market share. These results are particularly detrimental given the previously mentioned boom in digital transformation and new product innovation in recent years.

A root cause of schedule failures is not having the right resources available at the right time. In fact, **“poor resource management”** has remained one of the top challenges reported by project management professionals every year since 2016 in Wellington’s **“State of Project Management”** Annual Reports. It is not surprising then that improving resource planning and forecasting should be a top PMO priority.

## In the following pages, we will explore:

- ▶ common causes of delayed projects
- ▶ the importance of a more holistic approach to resource management
- ▶ a framework of processes and tools for more consistent time to market
- ▶ how to leverage this framework in the workplace

## Causes of Delayed Projects

### Root Causes of Delayed Projects

#### Continuous changes to business priorities and conditions

This includes frequent adjustments to strategies and priorities, budgets, market conditions, the competitive landscape, and your talent pool, all of which can affect project success and cycle times.

#### Operating in data silos

The proliferation of data silos impedes workflows that depend on project data visibility and real-time access. Data centralization (e.g. a cloud repository) maximizes project execution speed and data visibility by allowing integration and automation of workflows across functional silos.

#### Inability to efficiently utilize resources

Resource management is a challenge for most organizations, and none will claim to have perfected this process. In fact, project leaders reported resource management as the second most challenging PPM process to embed.<sup>7</sup>

It is clear to see how the proliferation of these types of issues negatively impacts project teams' ability to stay on task and schedule. If you need more convincing, a recent survey showed less than half (45%) of project management professionals said their organization has a **"track record of project success."**<sup>7</sup>

## A New Approach

Projects are the agent of change in an organization. You can't implement a strategic initiative, deliver a new service internally, or bring a new product to market without a program that consists of a collection of interdependent projects.

A 10-15% decrease in project cycle time has a multiplying effect on projects that aim to reduce operational costs or support revenue generation. In other words, as reduced cycle times enable every project in the pipeline to start and end earlier, these financial benefits accrue earlier and compound.

An approach which focuses on improving resource visibility, allocation, and utilization will have the most impact on strategies to minimize project cycle times.

## Solution Requirements

To minimize project cycle time, you will need some new processes and/or tools. Let's refer to this as a **Project Cycle Time Improvement Framework**.

There are three key components:



### Project Selection

It is important not to underestimate the importance of project selection in determining project cycle time outcomes. In addition to business value, project execution risk (i.e. the risks and consequences of completing projects late and over-budget) should be a major consideration in determining which projects to pursue and a formalized part of the demand management process and project prioritization model. Fortunately, most organizations are competent in risk management and take it seriously. In fact, 64% of project managers say they always or mostly conduct risk management.<sup>7</sup>



## Resource Management

This is the most important focus area to drive your project cycle time improvement initiative because this is where there is the greatest room for improvement. In 2021, PPM & PMO Consultancy company Wellingtone reported that only 34% of organizations **“mostly or always complete projects on time,”** while 62% simultaneously believed their project work would increase in the future.<sup>7</sup> This combination of underperforming project cycles and increased workload is obviously not sustainable.

A PMI survey from the same year corroborates this connection, revealing that nearly 10% of a company’s resources are wasted by poorly performing projects. Imagine the cycle time impact of having 10% more resources.<sup>1</sup>

To sum up, if you don’t have the right resources with the right skills available for your highest value projects and they are not working at the maximum utilization rate achievable, the other project cycle time levers (such as Workflow Optimization discussed next) will not be impactful.



## Workflow Optimization

At the center of your workflow optimization strategy should be a centralized knowledge base of best practices, tools, templates, and lessons learned. Luckily, many project management tools on the market automate the structured core project management processes to ensure they are executed in an efficient and repeatable way.

These tools offer opportunities for standardizing and streamlining proposals, approvals, and project workflows; quickly generating and sharing executive level dashboards and

reports; and setting and receiving automated alerts and notifications. In addition, many integrate tools for unstructured communication and information sharing (e.g. context sensitive threaded discussions and chat).

## Implementing Your Project Cycle Time Improvement Framework

As indicated above, you should focus this initiative on your resource management process and tools strategy. You can then focus on integrating this process with upstream demand management processes and downstream project execution processes. Here are the key steps to implementing your solution strategy.

Step  
**1**

Evaluate your resource management maturity level to determine not only the desired level of process sophistication, but what is achievable given your cultural context.

Step  
**2**

Treat this initiative like any other strategic project (e.g. select a “champion,” define the project goal and success metrics, identify stakeholders and gain buy-in, etc.).

Step  
**3**

Build an achievable execution plan with a quick-win mentality to demonstrate value and gain project momentum. For most organizations, the starting point and “low-hanging fruit” is gaining basic visibility to your resources (i.e. who are they, where are they, what are they good at, and what are they working on right now).

Step  
**4**

Keep the big picture in mind. Your resource management strategy should not only address immediate-term metrics for on-time project completion, but ongoing needs for an agile workforce/talent pool to flexibly address constant changes to business priorities and market conditions. The ability to forecast resource and capacity needs will be key.

# Productivity and Project Waste

90% of all office work is considered waste, according to 2019 research and business writer Paul A. Akers' book, *2 Second Lean*.<sup>8</sup> You may be wondering, how can this be? First, it is important to understand what is meant by **"project waste"** and, in turn, **"value-added work."**

According to the *Lean Project Management Foundation*, project waste includes **"activities and steps whose costs outweigh the benefits,"** and it can occur at all levels of the project workflow.<sup>9</sup> PMI concurs, calling waste any task that **"does not advance the completion of a deliverable."**<sup>10</sup> Project waste goes hand in hand quite clearly with both poor resource management and poor project selection, and is pervasive in most enterprises.

**In the following pages, we will explore:**

- ▶ common causes of project waste
- ▶ the importance of a more holistic approach to value-added work
- ▶ a framework of processes and tools for improved productivity
- ▶ how to leverage this framework in the workplace

## Causes of Project Waste

### Root Causes of Project Waste

#### **Lack of a formal/centralized repository for project-related information**

Your project managers and team members spend one day or more each month generating reports through manual data collection, aggregation, formatting, and distribution. Similarly, about 50% of project managers report they do not **“have access to real-time project KPIs.”**<sup>7</sup>

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#### **Offline reporting processes**

This includes the manual collection, reconciliation, and formatting of data for various reports and project reviews. These distributed processes result in a higher likelihood of data being inaccurate, redundant, missing, unavailable, unknown, and/or out-of-date.

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#### **Lack of automation for simple, high-volume tasks**

This includes timesheet administration, task assignment communications, and project activity completion tracking.

As any PMO knows, these pain points won't go away overnight. In fact, not having a central source of project information, a lack of automation, and lost project time and cost are frequently cited as top challenges leading to the purchase of project management software.

Without the tools for executing basic project activities and tasks that deliver no or little value, teams become less motivated. And with only 20% of global employees engaged at work, lowered morale is not a risk businesses can take.<sup>11</sup>

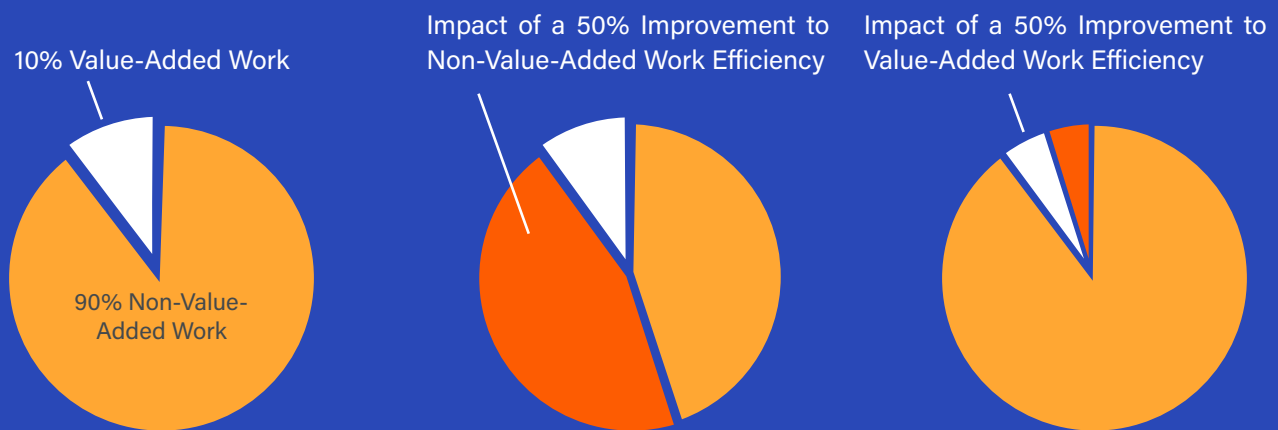


## A New Approach

Non-value-added work represents a much larger percentage of project resource consumption than value-added work. Improving productivity for non-value-added tasks versus value-added tasks yields a much greater impact on overall project productivity.

This diagram illustrates the relative impact of a 50% improvement on non-value-added work versus 50% improvement on value-added. This is a scenario where 90% of project work is made up of non-value-added work. If you focus only on the 10%, simple math tells you that you are constrained to single-digit productivity improvements only.

### Improving Non-Value-Added Work (“Project Waste”) Can Accelerate Overall Project Delivery Efficiency



Note: For the purposes of this analysis, project waste does not include resources expended on projects that have been deemed failures. To address this critical source of waste, improvements need to be made in the project selection process. Project selection effort is accounted for in the “value-added work” category.

## Solution Requirements

To minimize project waste, you will need some new processes and/or tools. Let's refer to this as a **Project Waste Elimination Framework**.

There are three key components:



### Centralized Data and Knowledge Base

This is a centralized repository and proverbial **“single version of truth”** and system of record for project data and documents (including best practices, templates, and reports). It replaces distributed Excel spreadsheets and other desktop applications to ensure consistent data visibility and integrity. And, because all information is stored in a single place, project waste associated with searching for information is virtually eliminated.



### Centralized Reports & Dashboards

Once you have your data centralized, it's relatively straightforward to define and generate standard reports and dashboards and share securely to appropriate stakeholders. Reports can be trusted since access to the system is controlled, information is entered directly, and data roll-ups/aggregations are calculated by the system. Reports conform to a standardized format, so they can be more readily digested and leveraged for decision making.



## Simple Task/Workflow Automation

Basic project tracking functionality of most tools automates common non-value-added task like timesheet administration, task assignment communication, completion tracking and approvals, and associated alerts and notification.

## Implementing Your Project Waste Elimination Framework

### Build and operationalize your centralized repository

Establish a centrally administered project data and knowledge repository in the cloud as your system of record and eliminate rogue offline data silos.

Define all information types (structured, unstructured) and categories (resources, financials, projects, programs, portfolios) needed to run your projects.

Generate reports and clarify ownership for collecting and entering information into the system including which data will be entered manually and which data will be entered via automation/integration.

### Define standard reports and dashboards

Evaluate out-of-the-box reports delivered as part of project tracking tools to determine if they will meet your needs for formal project reviews, status reports, etc.

Configure or build custom reports as appropriate.

### Define workflows for automation

Identify and document existing workflows and define improvements.

If possible, adapt and leverage best-practice workflow/ approval processes and templates.

# Conclusion

When it comes to organizational success, projects are vehicles for strategy, and therefore must be considered investments. With rapid transformation and innovation happening in every industry across the globe, it is critical that these investments pay off.

For PMOs and project leaders, this means prioritizing project selection, project cycle time, and productivity, by aligning with strategy, better managing resources, and eliminating project waste. We have presented frameworks for improvement in all three areas which, if implemented, could positively impact C-level goals like profitable growth every day in the following ways:

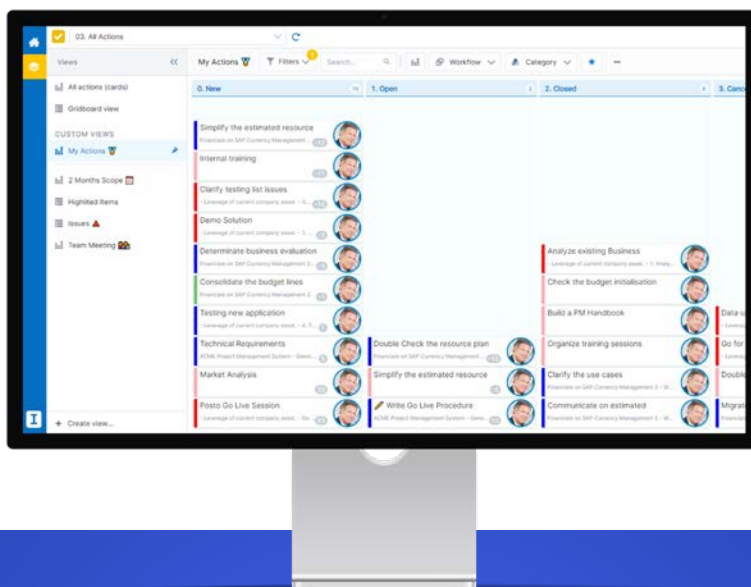
- 1 Strategic initiatives, which are dependent on projects to operationalize required business changes, succeed.
- 2 Executives are confident in the company's ability to execute now and be competitive for the foreseeable future, which sets up a positive dynamic for future project sponsorship.
- 3 Business stakeholders and PMO leaders make project-related decisions with significantly increased confidence due to data reliability improvements.
- 4 Project managers and team members have more time to complete value-added work.
- 5 Team morale is at an all-time high because resources are used efficiently, and they are supported with impactful processes and tools. **"Burn out"** is anticipated and avoided due to better utilization visibility and minimized grunt work.

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With capabilities in managing, reporting, and executing on strategic initiatives, Sciforma's enterprise-wide solution helps ePMOs, executives, and functional work teams improve strategy and program execution, ensure visibility and accountability on business priorities, and optimize resource utilization across portfolios. The company stands out from its competitors by providing the optimal balance of usability and robust functionality for solving challenges with strategic communication, planning, tracking, execution, and more.



Would you like to know more about our solution?

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