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OPTIMIZE PROJECT SELECTION QUALITY

Addressing Business Alignment Challenges

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Introduction

According to one PMI survey, project team members believe that over 60% of their projects are not aligned with the business [1].

What are the implications for business performance?

- Optimizing project selection is one of the top critical success factors for PMOs and project management professionals because it happens at the beginning of the project lifecycle and that's where most of the leverage is in your project investments. You can execute and deliver on your projects flawlessly, but if you're working on the wrong projects, none of that matters.
- Business alignment is the most important criteria for project selection. If 60% of projects are deemed unaligned, it's fair to conclude that a large portion of those project investments are wasted.

As a result, you have decided to explore an initiative to improve project selection quality by focusing on business alignment. Now what?

A DAY IN YOUR CURRENT LIFE

To understand where you need to go, it's best to understand first where you are and how you got here. The primary root causes of business alignment challenges for most companies derive from a history of:

CONTINUOUS BUSINESS PRIORITY CHANGES AND TECHNOLOGY DISRUPTIONS.

This includes the impact of digitalization and frequent adjustments to business strategies, priorities, budgets, market conditions, and the competitive landscape. As changes in these areas keep accelerating, the ability for project priorities to stay in sync decays. **Changing priorities was cited as the number one cause of project failure** according to a study by the Project Management Institute [2].

LACK OF CLARITY ON BUSINESS OBJECTIVES.

37% of project team members admit they are unclear on the business objectives of their projects [3]. It should come as no surprise then that 78% of project team members say that their project requirements are usually or always out of sync with the business [4].

POOR TRACK RECORD OF DELIVERING BUSINESS VALUE.

The average large IT project delivers 56% less value than expected [5] and **only 34% of respondents say IT projects almost always deliver value to the business [6].**

A DAY IN YOUR CURRENT LIFE

Do these resulting scenarios sound familiar? They can lead to the following outcomes:

LOST PRODUCTIVITY.

This results from resources working on the wrong projects or projects that get “killed” in midstream due to change in business priorities.

FAILED BUSINESS INITIATIVES.

Projects provide the necessary change agent to achieve everything from mission-critical business transformation initiatives to tactical process improvement programs. Obviously, there is a high correlation between a poor track record of delivering business value and failed business initiatives.

LOW PROJECT TEAM MORALE.

Project teams want to work on meaningful projects. If teams don’t have a clear line of sight between their work and impact on strategic objectives, morale will suffer. This may further exacerbate productivity headwinds.

WHY IS A NEW APPROACH **REQUIRED?**

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 with modern project selection and portfolio management tools.

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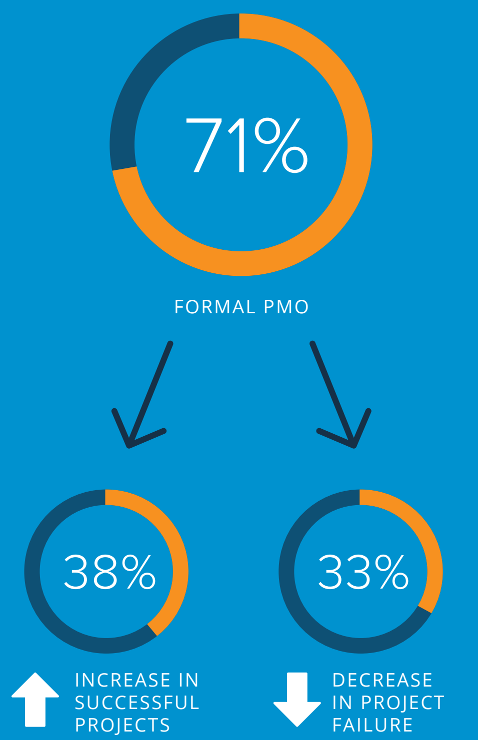
SOLUTION REQUIREMENTS



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. And those that align their EPMO to strategy, report 38 percent more projects meet their original goals and business intent and 33 percent fewer projects are deemed failures. Most organizations (71%) have established a formal PMO [7], so if you haven't yet you are in a dwindling minority. The connection between PMOs and business alignment success stems from the typical PMO's sense of purpose and mission. 79% of PMOs see the primary role they fill as establishing and monitoring success metrics [8]. 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 [9]. 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.

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IMPLEMENTING YOUR PROJECT SELECTION SOLUTION FRAMEWORK

The key steps to implement your business-aligned framework and to leverage the three components.

STEP 1 BUILD OR EXPAND THE ROLE OF THE PMO.

- Make business alignment a core competence 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.

STEP 2

BUILD EXECUTIVE SPONSORSHIP SKILLS

- Provide training for executive sponsors to-reinforce understanding of their role throughout the project lifecycle. PMO directors are clearly underestimating the importance of this to senior executives, with only 28% of them viewing this as a high or somewhat high priority compared to 63% for senior executives in a recent study [10].

- 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.

STEP 3

AUTOMATE PROJECT SELECTION AND PORTFOLIO MANAGEMENT

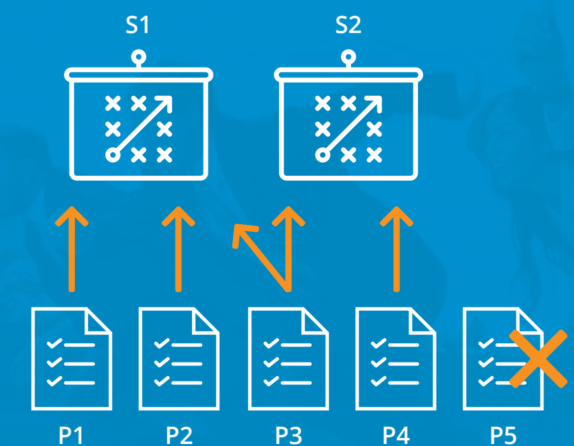
- Leverage demand management (project selection and approval workflow) to institutionalize business alignment as the gating criteria in project evaluation and prioritization schemes.

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

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.

STRATEGY ALIGNMENT

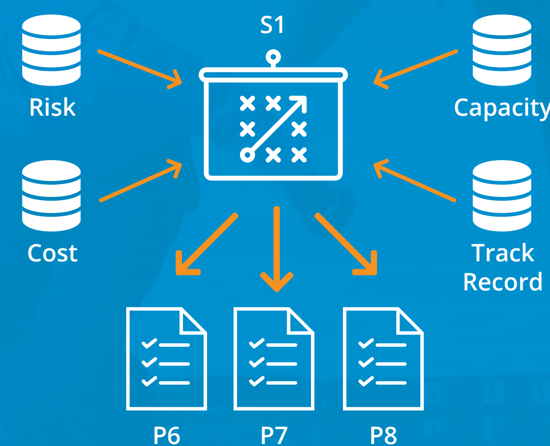


The term "strategy alignment" can be used to describe this process which answers the question **"what strategy does this project align with?"**

STRATEGY EXECUTION

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.

STRATEGY FORMULATION



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 those question.

CONCLUSION

Business executives may have a strong grasp of the potential rewards for a proposed strategic initiative, but the “go/no-go” decision should be informed by better information and projections on financial impact, opportunity costs (what else could we do with our resources?), and execution risks. Since the PMO is the exclusive keeper of this business intelligence, this is an exciting vision for PMO leadership because it means they will finally have a seat at the table where the C-level strategies are defined.

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Project & Portfolio Management Software

Ready for the next step?

Begin with a Project Efficiency Self-Assessment:

Explore our other available Solution Framework eBooks:

Sources:

[1] Project Management Institute: Pulse of the Profession 2014 – The High Cost of Low Performance

[2][3][7][8][9][10] Project Management Institute: Pule of the Profession 2017 – Success Rates Rise: Transforming the Hight Cost of Low Performance

[5] Project Management Institute: Pulse of the Profession 2015: Capturing the Value of Project Management 2015

[4] Geneca: Doomed from the Start? Why a Majority of Business and IT Teams Anticipate Their Software Development Projects Will Fail

[6] InformationWeek: Enterprise Project Management Survey 2014

Contact

www.sciforma.com
Phone: 1-800-533-9876
sales@sciforma.com

About Sciforma

Sciforma is one of the largest providers of Portfolio & Project Management software, delivering solutions to more than a quarter-million users worldwide since 1982. The company offers flexible and easy-to-use multi-platform project management and project portfolio management software solutions. Businesses that have multiple projects from multiple clients (including internal customers) need to be able to prioritize efforts that will bring the best results to the company. The configurable Sciforma PPM solution provides project managers and executives the ability to analyze investments, plan capacity, manage risks, and control expenses better.