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An Oracle White Paper
September 2014

Enterprise Project Portfolio Management: A Must for Project-Based Success

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Executive Overview

To achieve operational excellence while adapting to dynamic economic conditions, project based organizations must plan and execute the right projects to successful completion. But the reality of business is that most processes tend to be fragmented within these organizations. A lack of alignment between disciplines or departments results in poor execution, low predictability of performance, and inconsistent decision making. Instead of disparate systems for project financial management and project execution, a single business management system is needed to manage the project lifecycle from idea to execution, drive project cost control, and provide transparency into business decisions. Just as important this system must allow businesses to innovate through modern, cloud-based, social and mobile PPM applications to deliver project work quickly and efficiently, motivate the team and deliver instant visibility to project stakeholders. This white paper explains the need to bring together a set of disparate business applications as part of an Enterprise Project Portfolio Management process to drive business transparency, profitability and project success.

Introduction

Roughly 25% of the gross domestic product of developed nations is spent on or through projects. That's not hard to believe if you consider the software and systems used, the services purchased, the facilities that supply us, the infrastructure countries depend upon, and, one can make the case, the future of society and the economy, all of which depend on the successful completion of the right projects. Hence, businesses rely on projects to create value, whether it means doing work on behalf of a client, bringing new products to market, or finding ways to improve and automate internal processes. When an organization has projects with milestones and deadlines to be met, people and resources to coordinate, budgets that must be adhered to – especially when priorities on multiple projects seem to always be in conflict with each other – the organization relies on modern Project Portfolio Management (PPM) systems to bring order out of this chaos.

52% of C-level executives globally state failure to successfully execute projects in order to deliver strategic results.

Why good strategies fail Lessons for the C-suite © The Economist Intelligence Unit Limited 2013

What Every Enterprise Wants

At its core, every enterprise looks to hold true to fundamental principles including growth, competitiveness, risk mitigation, and the care and feeding of its resources. Project-based organizations are looking to harness the opportunities modern PPM provides, using modern enterprise-grade applications, married with the simplicity of the cloud, which will drive and accommodate business growth in the new global project-centric workplace. At a tactical and project execution level, organizations also want to:

- Respond quickly to changing project and market conditions
- Deal effectively with the increasing complexity of projects and technology environments
- Deliver ROI, without unnecessary rework or waste
- Course correct or cancel failing projects in a timely manner
- Optimize resource utilization and grow the best project talent
- Replicate successful projects
- Simplify and accelerate project planning and delivery
- Work productively and socially
- Monitor project and task information anywhere, anytime with mobile support
- Fully automate cross-functional business processes
- Optimize project-related cash flows

These would seem basic and achievable on the surface, however, in practice a number of challenges to the successful completion of projects remain.

The Challenges of Enterprises Today

There are a variety of drivers for a single business management system mentioned above. Each has its own inter-play between disparate functional areas and its role in ensuring project success. Some of the more common examples are provided below.

Lack of Alignment

For most organizations, projects occur all over the company. They seem to be frequently more complex, involve people from different lines of business and functional groups, with resources spread throughout the globe. At some level, we have all witnessed symptoms of a lack of alignment within the many functions of an organization. We recognize it even in successful and profitable organizations, and marvel at how much more successful the effort could be if there is more alignment in the organization. Some examples of these symptoms are:

- Projects are approved or cancelled by one function of the organization, but the rationale is unclear to the rest of the organization.

- Projects are bid and won by one team, but the estimates and assumptions for winning the bids are considered unrealistic or unachievable, and therefore are not leveraged nor re-used by the team who has to subsequently carry out the work.

- The way the Financial Accounting office captures budgets, actual costs and committed costs, and how they project cash flows, have little resemblance with what is actually happening on the organization's projects.

- There is no visibility into all the projects that are consuming actual hours, costs and resources within an organization. Although there is an official list of approved projects for the organization, plenty of resources and hours are spent on other, unofficial projects within the various functions of the organizations.

Lack of Predictability

Although lack of predictability may just seem like another symptom of lack of alignment, it is very common even when the functions within an organization are aligned. A lack of predictability is due to a combination of basic human optimism, limited information on project progress, and untimely analysis of the available project information. Some examples of this are:

- Human Resources department has no visibility into the types of skills that will be needed on the potential projects being contemplated by the organization. These projects are set up to be challenged, even before they start.

- Valuable project content or knowledge is lost in disconnected silos as a result of collaborating out of context, because the project team is lacking a single, secure place to work productively together and prioritize all their work, to better respond to multiple demands on their time.

- The official or approved project baseline does not resemble the real project work, such that cost and schedule variances from baseline do not help predict trends and do not trigger the appropriate alarms for corrective action.

- Project metrics and key performance indicators (KPIs) which are critical for meeting or exceeding planned profitability cannot be measured consistently and accurately, or delivered in a timely manner to the audience who needs them.

Reactionary Mode of Operation

With the frequent lack of alignment and lack of predictability, it is easy to understand how many organizations operate in a reactionary mode on a constant basis.

Project organizations often have to scramble in reaction to unexpected events, which may have been prevented with better visibility and streamlined processing across business functions. Resource managers struggle to achieve utilization targets at short notice, project managers constantly react to last-minute surprises, and team members lose precious time searching for that instant message, email thread, or document associated with the work.

With exception-based, social-enabled project management processes and reporting, project teams are immediately notified of potential issues without having to hunt for information, so they can focus on what matters, address broader business trends, and be freed up for more strategic work.

Lack of PPM Governance

The Butler Group defines IT governance as "the creation of a management framework by which an organization maximizes the value that it derives from IT in support of its strategic objective." To an employee, governance appears in the form of defined processes and required management approval chains.

Processes to ensure that approved projects get the funding and valuable skilled resources they need are important so they can achieve their promised value, but the business processes are fragmented within many organizations. It is not only the business processes which are fragmented within organizations. The same holds true for the applications in support of these processes. This results in:

- Funding and resources for non-strategic projects, despite the fact that the projects will not deliver expected returns

- Project budget overruns as insufficiently skilled staff take longer to complete their assigned work

- Skilled resources burn out as they are stretched too thinly across multiple projects

- Leading to…a lack of realization of the above because projects are tracked only in disconnected systems

Of course, executives rarely have a way of knowing how many unapproved projects are taking place, how much the projects have spent, how much money it will take to complete the projects, and when the initiative will finally be complete.

When information resides in a variety of disconnected systems in an organization, the Procurement department, for example, will not know that a project was just delayed, and therefore a key purchase can be delayed for several months to help the organization's cash flow. Or, the accounting clerk processing a progress payment against a contract will not know that the contractor's performance to date does not justify the payment. Aggregating these common occurrences across the number of projects a company is involved in, results in a greater appreciation of the magnitude of the negative impact.

Overcoming the Challenges

Enterprises need to make business and project decisions based on the financial, human capital, and supply chain considerations. With the right processes and systems in place, organizations can improve alignment between their many functional groups to produce accurate and timely answers to these questions:

- Which projects should we fund, and which ones should we cancel?

- Which projects are under-performing and need more management intervention?

- How do we improve profit margins?

- Which are our most critical projects for the upcoming year?

- How do we shift spending toward investments that will drive competitive differentiation?

- What are the project performance issues that may have a material impact on business operations?

- How do we attract, retain and motivate the best employees?

- How do we ensure we meet our utilization targets?

- How do we optimize our project resource assignments?

- How do we deliver projects faster and more productively?

- How can we improve collaboration across project teams?

- What kind of mobile capabilities should we enable for the organization?

The answers to these questions can be difficult, if not impossible, to answer given the discontinuity of information and data that exists across organizations.

To begin to answer the questions from a projects perspective, the project portfolio management system must be tightly coupled to other business systems in the enterprise, including financial and accounting systems, human capital management systems, customer relationship management systems and supply chain management systems, among others.

All projects in the enterprise contain and require critical information such as budgeted cost, planned schedule, resource assignments, progress and performance data; all of which must be made transparent to the right people throughout the enterprise.

Although this information may traditionally reside in disparate and disconnected systems, the success of organizations requires an embracing of an Enterprise Project Portfolio Management (EPPM) philosophy and framework. This will provide the vital information that ultimately drives the absolute alignment between strategy, execution and results needed for organizational profitability.

A Single Integrated Business Management Solution

An Enterprise PPM framework is a business management system bringing together project execution management with project financial management to deliver absolute alignment between strategy, execution, and results for project-driven organizations. It also:

- Allows for the management of the project lifecycle from idea to execution

- Provides end-to-end visibility and control for improved decision making, coordination, and collaboration delivering transparency, visibility and control into business decisions

- Provides a consolidated view of the enterprise project portfolio for an accurate, up-to-date view of project, people and financial performance

To be clear, applications should not just be wired to exchange data periodically; instead they must be wired to react to events in other systems to facilitate effective workflow in the organization. Enterprise Project Portfolio Management allows for the fine-tuning of business processes that weave together all critical project information throughout the organizations in a logical and collaborative way, to ensure governance and, ultimately, business success.

As an example, a project manager is automatically alerted to an increase in non-billable costs for a specific project where costs are billable under the terms of the contract. Seeing this is due to costs which were anticipated from a missing project timecard, the project manager contacts the team member using global employee information. The timecard is submitted and taken as input into the project billing processes, along with progress information from the project execution team who are collaborating in real-time on key tasks and deliverables, with full visibility for the project manager. The customer is billed promptly and accurately, and the financial systems updated, all through a streamlined and integrated business flow.

A similar scenario may involve a request for a resource with particular skills, where the automated process weaves in the human resources system for a view into the best talent available for project work. A project team member rolls off a project, updating her profile to reflect the latest skills and proficiencies she has just acquired; the resource manager is now able to staff the best-fit candidate for the next assignment, so meeting each project's needs using timely and relevant information.

Although the above scenarios can be practiced manually without an integrated EPPM system, the latter is more efficient and effective for "management by exception". An EPPM system can utilize shared information between the relevant systems and only elevate the issues that require the attention and collaboration of the right people, whether they are the project managers, resource managers, suppliers, accountants, subject matter experts, legal advisors, and/or executives.

Monitoring Execution and Compliance

An Enterprise Project Portfolio Management system allows the organization to monitor project status and progress, as well as ensure governance. Based on the business systems which are integrated to share information, the EPPM system ensures processes are followed as designed.

As an example, greater and earlier insight into earned value metrics such as cost and schedule variances provides the opportunity to take proactive corrective action in a more timely fashion. Similarly, a line on a customer contract may require limit controls to permit invoice generation with a warning, or enforce a hard limit. Or perhaps a critical issue impacting the project needs to be escalated in a timely manner, or budgetary controls processes put in place to prevent or approve excessive spending.

These processes are not designed to threaten the success of the project or their manager; they are designed to help organizations manage by exception and spend the right level of energy to proactively resolve issues, before they escalate out of control.

Actionable Business Intelligence

Enterprise Project Portfolio Management ensures role appropriate dashboards that provide insight into relevant information. For example, a project manager's dashboard will contain all his projects' summary information, KPIs such as cost variance, schedule variance, cost to complete, days to complete, etc. A resource manager's dashboard will see different KPIs, such as target and projected utilization for each resource in a pool. The accountant's dashboard may also show projects, but the KPIs may be amounts receivable or payable, days payments are outstanding, and how many invoices have been submitted by supplier.

The system must facilitate a way to act on the KPIs presented in real-time, to retrieve more information when needed, provided that the user has the security access rights for the information being requested. Key capability requirements in this area include:

- Actionable project performance analysis tools that highlight health trends and exceptions and let project managers take immediate corrective action to keep initiatives on track

- Modern, dynamic reporting tools which let resource managers analyze and compare target and actual utilization at all organization levels and take action to match resource supply and demand

- Role-specific work areas for all project participants, with guided processing, embedded analytics and social capabilities, all within the context of the task at hand, to help get work done quickly and productively.

These dashboards deliver the critical benefits of deeper insights and superior intelligence from integrated analytics, improved project performance via actionable recommendations, and full visibility into project resources, work, cost, revenue, billing and profitability – to accelerate project delivery and improve project profitability.

Ensuring Trace-ability

The Enterprise Project Portfolio Management system preserves the relative connections between the previously disconnected business systems, and records changes in the information for trace-ability. This means not only tracking "who", "what" and "when" the project/resource/contract data was changed, but also which processes and systems facilitated the changes. Tracking this information ensures that the various roles do not waste unnecessary time searching for contacts and researching the reasons behind changes.

Capturing Lessons Learned

And finally, the Enterprise Project Portfolio Management allows for the capture of, as well as reuse of, lessons learned. By merging social collaboration with project and task management, the lessons are embedded in the appropriate business context, and can encompass different levels of detail, whether it is a lesson about a particular supplier's expertise, how a project risk or contract type was handled, or a video of instructions to repair a part. A searchable lessons-learned repository, made accessible for each lesson to be leveraged in the right context for future portfolios, projects or contracts, becomes a reality.

Conclusion

A single, integrated management system for Enterprise Project Portfolio Management brings significant business benefits. The organization that successfully implements EPPM will be aligned around strategic corporate objectives, and will be effectively cascading communication to their people, whether the communication is about shifts in strategy, project performance, or resource capacity.

With EPPM, management has the ability to understand exactly what their organization has planned to do, how well they are doing against plan, what they have spent to date, how much progress they have made, what is running behind schedule, what needs to be reworked or rethought, what they ought to pay for the work that has been completed, how well they are meeting their utilization targets, and the schedule needed to execute each project and the ripple effects of being late.

With the right enterprise-wide processes in place and enforced, every project team member can get an accurate, up to the minute picture of what they could do and what they should do, allowing for informed decisions to assure successful on-time, under budget, high quality results.

With the actionable business intelligence inherent in an integrated system, senior managers can look across all the projects within the enterprise, and literally see the future of that organization and its ability to compete and to succeed.

Stakeholders can collaborate intelligently in a fully informed way with any and all of the participants, clients, sponsors, contractors, team members and others who can make a difference to the organization's future.

The same project-based processes that used to be fragmented across disparate systems, now flows smoothly, enabling people to do their jobs that ultimately have an impact on project delivery.

A complete set of integrated cloud-based enterprise applications which organizations can adopt in a modular fashion at their own pace helps equip companies for today's global project world as well as drive future business growth.

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March 2014

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