

## Exploring Level 2 of the Program Portfolio Management Maturity Model

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Program and Portfolio Management (PPM) Maturity Level 2 focuses primarily on building reliable approaches to project delivery, often by focusing tactically on project execution and delivery over strategy. Depending on the corporate culture, Level 2 often ends up being either difficult to maintain or incredibly difficult to mature to the next level. While most entrepreneurial companies eventually move forward to Level 3 or back to Level 1, those enterprises with stable/high process cultures find themselves trapped in amber. In fact, based on our research, the average maturity level of current clients is currently 2.0, and has been for the length of time we have been assessing this.

### Key Findings

- Evolving to Level 2 can involve a swing from a "just get it done" environment toward a process-oriented environment. Nevertheless, "stovepiped" systems and inconsistent data still bedevil business processes.
- The variety of approaches taken to project management at Level 1 begin to give way to more-consistent approaches and practices.
- Required changes at Level 2 can be tracked and evaluated in five areas: people, PPM practices and processes, technology, financial management, and relationships.

### Recommendations

- Begin applying PPM principles at this level. Assemble a list of prioritized projects with budgets and start dates.
- Tailor processes to the needs of the organization. Avoid "overprocessing." Even if some process is good, more is not necessarily better.
- View IT staff as generic resources available to support projects, but view them foremost as individuals, and afford them as many opportunities as possible to make unique contributions.
- Establish baselines and demonstrate improvement to offset perceived increases in bureaucracy.
- Consider piloting new approaches to provide proof points to validate the new approaches' efficacy and justify their propagation.

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## ANALYSIS

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### 1.0 Introduction

There is growing interest in evolving an effective approach to creating value through a portfolio of investments delivered through projects and programs.

To do this, every organization needs to:

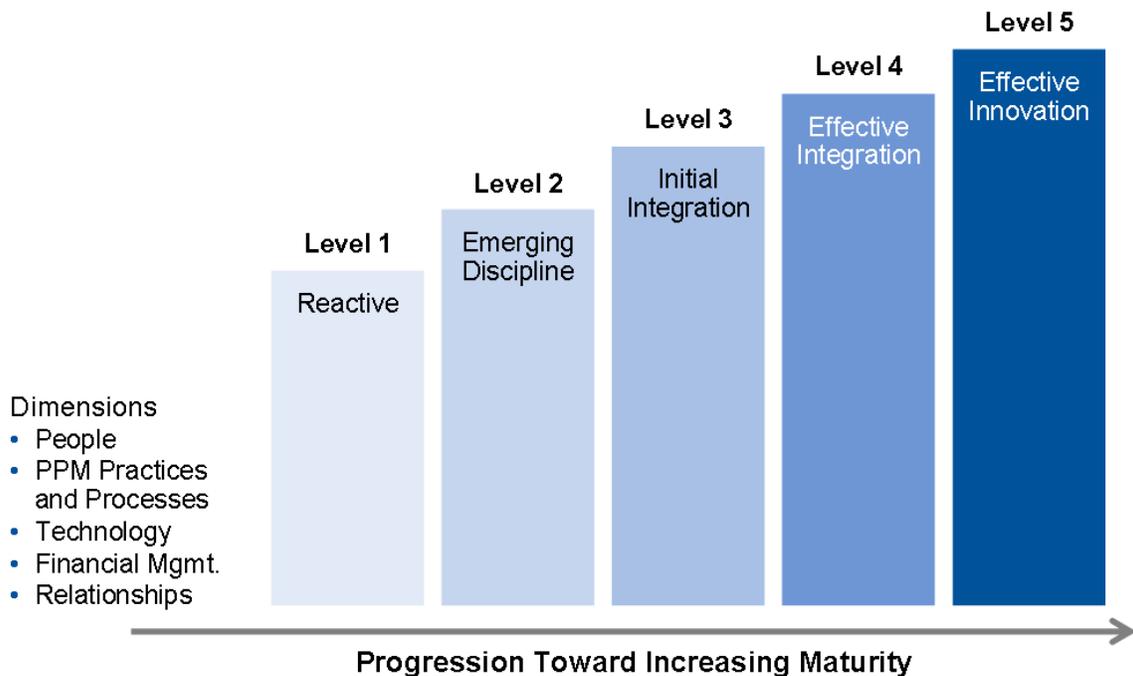
- Objectively assess the maturity of current PPM practices
- Determine the maturity level required to meet its future needs
- Begin moving forward in a logical sequence that enables incremental improvement

If organizations attempt to push such changes too fast or too far, they often encounter cultural conflicts and wholesale rejection by all the concerned parties. The PPM Maturity Model is intended to help senior management avoid such problems by providing a framework that can help facilitate communication with executive management by comparing their organizations' PPM processes and attributes to those in the Gartner model. This can help focus attention on areas where the greatest improvement is needed.

Gartner's PPM Maturity Model has five levels, moving from the least mature Level 1, Reactive, to the rarely achieved Level 5, Effective Innovation (see Figure 1 and "IT Score for Program and Portfolio Management"). This report concentrates on moving into Level 2, and details the characteristics of this Emerging Discipline stage to help PPM leaders determine:

- If they want to move up to this level. Not all organizations need to operate at Level 2, and some may have moved beyond Level 2 without formally designating it as such.
- If they want to stay at this level or move up to an even higher level.

**Figure 1. Five Progressive Levels of the Maturity Model**



Source: Garner (October 2010)

## 2.0 Overview of Level 2 — Emerging Discipline

Level 2 is defined as "Emerging Discipline," because by this point, the organization has decided that the ad hoc approach commonly found at Level 1 is slowing down or even threatening the organization. Depending on how long an organization remained at Level 1, and depending on its culture, Level 2 can be a massive swing from a "just get it done" environment to a process-driven organization. The ad hoc style of project management at Level 1 begins to give way to more-formal project management discipline.

At Level 2, project costs start to be tracked, if only at an elementary level. Further, most organizations at this level have invested in a basic PPM tool. The concept of disciplined teams working on a project is developed, and project collaboration and team workspaces are supported.

Nevertheless, "stovepiped" systems and inconsistent data still bedevil business processes. Financial management tools are generally still rudimentary, with little or no capacity to provide a detailed look into multiple projects or programs or to handle chargeback or allocation systems. Relationships at this level tend to break down outside of core project teams, especially in IT organizations. How severe this breakdown becomes (if it happens) and how long it takes to repair vary by organization and depend on a number of variables, including:

- The culture of the organization
- How much process IT chooses to adopt
- How the rest of the company reacts to the process
- If IT is perceived within the entire organization as just a service provider or as a trusted partner

## 2.1 Five Core Dimensions

Characteristics that define each level are manifested in five dimensions, each of which is critical to a role or a process. These five core dimensions are:

1. **People.** People are the most critical part of any project or program-centric endeavor. The interdependency among people in terms of their availability, their skills, their contribution to the work and their career aspirations are of critical importance. At higher levels of maturity, the leadership ability of the individuals involved in supporting PPM activities becomes critical.
2. **PPM practices and processes.** PPM processes comprise activities such as portfolio management and program as well as classic project management process, such as schedule and risk management. One of the most common practices is the establishment of a "PMO," be it a project management office, program office or portfolio management office.
3. **Technology.** The requirements for technology evolve as the various PPM processes change as they move through the levels of maturity. Additionally, PPM processes often require a unique set of tools to adequately fulfill their business functions. Everything from collaboration tools to project accounting systems will generally be required at some point on the journey upward toward high levels of maturity — and at higher levels of maturity, these technologies will need to interoperate.
4. **Financial management.** Financial systems that might be adequate when projects are paid for as part of a lump sum in the budget (a common Level 1 practice) become completely inadequate when forced to support a more-detailed look at multiple projects and programs. Effective financial management requires chargeback or allocation systems, as well as new mechanisms for tracking value.
5. **Relationships.** Organizations must identify the touchpoints necessary to maintain the processes outlined above. This includes identifying who needs to be informed, who needs to be consulted and whose help is mandatory to ensure that the desired processes work effectively.

Overall PPM maturity, PPM maturity within each core dimension, and the corresponding maturity levels usually do not evolve or advance evenly. Some dimensions progress ahead of others (e.g., Level 2 PPM practices and processes may exist before Level 2 technology to allow the selection and implementation of the appropriate technology to proven processes). As such, the relationships between the previously mentioned dimensions must be addressed.

**Table 1. At a Glance: Characteristics of Level 2**

	<b>Level 2 — Emerging Discipline</b>
People	<ul style="list-style-type: none"> <li>• <b>Project:</b> The project manager role is formalized. Project staffing/resource capacity issues begin to be addressed with formalization around other roles and skills to increase utilization and productivity. The most-common PPM leader role that emerges is the purveyor of methodology and standards, followed by a resource manager, as they both are critical to support effective resource capacity issues.</li> <li>• <b>Program:</b> Little distinction, if any, exists between a project manager and a program manager.</li> <li>• <b>Portfolio:</b> No true portfolio management roles exist.</li> </ul>

	<b>Level 2 — Emerging Discipline</b>
PPM Practices and Processes	<ul style="list-style-type: none"> <li>• <b>Project:</b> Initial PMOs are established. Initial project processes are instituted. Understanding of project-level risk management is becoming more common. An approach to demand management and prioritization is instituted.</li> <li>• <b>Program:</b> Little if any program-specific processes or practices exist.</li> <li>• <b>Portfolio:</b> While something resembling portfolio management may be used during funding cycles, no true portfolio management processes or practices are in place.</li> </ul>
Technology	<ul style="list-style-type: none"> <li>• <b>Project:</b> Automation at the project level occurs, largely with desktop solutions. Project collaboration and team workspaces are occasionally supported.</li> <li>• <b>Program:</b> While existing technology may support programs, process immaturity usually renders this superfluous.</li> <li>• <b>Portfolio:</b> While dashboards (where available) may aggregate data, no formal technology support for portfolio management exists (i.e., no technology spanning projects, programs and portfolios is in place).</li> </ul>
Financial Management	<ul style="list-style-type: none"> <li>• <b>Project:</b> Estimates for costs and benefits are made for each project. Project cost and labor hours are generally captured.</li> <li>• <b>Program:</b> No financial management specific to program management exists.</li> <li>• <b>Portfolio:</b> No true portfolio management capabilities are showing aggregate risk and return against objectives.</li> </ul>
Relationships	<ul style="list-style-type: none"> <li>• <b>Project:</b> Relationships within projects strengthen as a focus on the project as the operating entity emerges. Cross-functional governance committees begin to emerge.</li> <li>• <b>Program:</b> No formal program management relationships are officially sanctioned at Level 2.</li> <li>• <b>Portfolio:</b> No formal relationships exist to support portfolio management.</li> </ul>

Source: Gartner (October 2010)

### 3.0 People at Level 2

Life at Level 2 is often defined by a sense of helplessness in that there is always too much demand and too few resources. The problem stems from a lack of control or understanding over the supply of available resources and the demand for these resources, coupled with an organizational unwillingness to abandon the notion (a holdover from Level 1) that it is possible to schedule every minute of a staff member's day on multiple projects and get everything done on a timely basis. Staff members are generally caught in a situation where project demands and support demands create a chronic "push me, pull you" tension.

As a result of the stress caused by chronic overscheduling, most Level 2 organizations begin to shift away from expecting excellence in their staff and concentrate instead on processes to provide specific instructions on what should be done and how. This can lead to an unhealthy shift toward attracting people who are good at following processes rather than people who are good at delivering results. The organization may begin to invest in formal resource capacity management and make attempts to match demand to supply as it evolves into Level 2. This can allow competent staff to once again have the unbroken time needed to deliver better-quality results in a more timely fashion.

A positive aspect of Level 2 is generally an increase in project team member cohesiveness and job satisfaction, and less burnout. At the project level, individuals' goals and roles are clarified, enabling a sense of control and accomplishment.

Project manager (PM) roles are generally formalized, but the emphasis on maintaining a "weak matrix project environment" commonly found at the lower portion of Level 2 tends to limit the value of most PMs to that of a project specialist (a scheduler or meeting note taker) or a project coordinator (the keeper of the task status report). While there may be some excellent project managers, organizations at Level 2 tend to be emerging from a culture of "heroes," where heroes overshadow good project managers who can get things done without collateral damage. Conversely, heroes — those star performers who thrived at Level 1 — often feel uncomfortable and undervalued in this new environment, which they may view as unjustifiably bureaucratic. Therefore, turnover within the organization tends to increase.

Individual initiative toward obtaining PPM training is generally supported, but there is rarely a recommended training plan or career growth path.

## **4.0 PPM Practices and Processes at Level 2**

Project management practices and processes consume more time and energy for Level 2 PPM leaders than any other area. Consequently, project management processes and practices at the early stages of maturity are quite different from those at the later states. Program and portfolio management processes are usually not addressed at Level 2.

At the beginning of Level 2, the focus is on developing initial guidelines for what constitutes project management. At the later stages of Level 2, there is generally a single and often complex methodology that every project is required to follow. At the later stages of Level 2, organizations generally begin to put some sort of business case approval into place, as well as a process for the project.

Some type of project/program/portfolio office is established to satisfy the need for administration and coordination of diverse project types. Projects are monitored, with defined and updated milestones, schedules, and budgets. Moreover, some process discipline is in place that facilitates repetition of earlier successes on similar tasks. Some decision making regarding who should respond to particular risks enters the review process.

## **5.0 Technology at Level 2**

As project manager roles begin to formalize (see Section 3.0 above) and project teams evolve, so does the need for technology support at Level 2. Project teams, composed of resources in multiple locations and often working for multiple organizations (outsourced or consultant), fuel the push for at least a minimum level of technology support.

At the early stages of Level 2, it becomes critical to be able to monitor and manage a list of projects — without having project data scattered all over individual hard drives. While it is most common to see desktop solutions supporting individual projects (e.g., spreadsheets and project management software), SharePoint or other collaborative platforms usually fill the need for sharing this type of data at this stage.

At the later stages of Level 2, at least some level of resource management beyond a simple worksheet becomes imperative. Many organizations first try to develop this in-house, but off-the-shelf applications are available at reasonable prices. Pressure to address resource constraints will usually tilt the decision toward the licensing of more-formal project management software — either directly or as a service (SaaS). Prescient organizations may recognize that any software will have to support the people, practices and processes, and possibly the financial management dimensions, and factor this future requirement into their current selection; however, this is usually not the case.

## 6.0 Financial Management at Level 2

At the later stages of Level 2, project cost and labor hours are generally captured, but project benefits are still pretty much "guesstimates." While it is possible at this juncture to produce a list of projects, and while some of these lists resemble or are even referred to as project portfolios, no official portfolio management process exists, creating difficulty in making aggregate investment decisions on the basis of overall financial return.

Requirements for some quantification of projected costs and financial benefits to support the business case begin to show up at about this level. However, since most IT projects do not yet have clear financial benefits, this often undermines the validity of a business case and minimizes the value of any benefit estimates included in the business case.

Project managers at this point are not truly able to manage project costs because they generally do not have a high level of sophistication personally, and the organization tends to underinvest either in project accounting systems or in financial management support from elsewhere in the organization. Interest in metrics increases at this maturity level, but the focus is usually on generic "floor" metrics such as "on time, on budget," and the efforts are often time-consuming for the PMO, and provide little real value.

## 7.0 Relationships at Level 2

Relationships between the project team and stakeholders tend to be difficult at this maturity level. The project infrastructure is starting to develop, but the focus is still inward on internal processes and controls — generally, at the expense of stakeholder involvement. Likewise, stakeholders tend to shift responsibility to the project team and decrease the involvement from what was common in Level 1.

One of the prime relationships that emerges at this level is that of the PMO to its governance board. At Level 2, the relationship is generally one of soldier to commander. Orders are given and it's up to the PMO to execute. There is generally too much work and the governance board tends to oversee individual projects and not the portfolio.

## 8.0 Improvement Opportunities and Considerations at Level 2

- Tailor commercially available processes to the needs of the organization. Avoid "overprocessing." Even if some process is good, more is not necessarily better. Encourage people to adjust processes to fit the needs of their projects.
- While it is important to view IT staff as skilled resources available to support projects, do not lose sight of the fact that staff members are individual human beings first. Preserve as many opportunities as possible for them to make unique contributions.
- Focus on people, change, relationship and expectation management to buffer the impact of introducing new and unfamiliar processes into a system.
- Understand that the beginning of PPM should happen at this level, with at least a prioritized list of projects being assembled annually, for budget purposes.
- Move toward scheduling project start dates. Just because it's approved doesn't mean it needs to start now.
- Demonstrate successes early and often, leveraging pilots and early adopters.

- Capture baselines before introducing change, and demonstrate improvements after the changes to secure adoption.
- Consider introducing a set of operating principles that align with business needs to foster understanding and consistency, while enabling some sense of autonomy in operational decision making.

## 9.0 Moving Up to Level 3

In general, project work that had been handled at the operating areas at Level 1 has been consolidated into a central organization at Level 2. At Level 3 and Level 4, the trend is toward greater decentralization and federation of project organizations.

Table 2 provides a quick look at the maturity characteristics of Level 3 organizations.

**Table 2. Moving Up — PPM Maturity Model Level 3 at a Glance**

	<b>Level 3 — Initial Integration</b>
People	<ul style="list-style-type: none"> <li>• <b>Project:</b> The concept of disciplined teams working on projects is developed. Specialized PPM leader roles are formalized. Career paths are defined, factoring in skills and capabilities of the individuals.</li> <li>• <b>Program:</b> The role of the program manager exists and is distinct from that of the project manager.</li> <li>• <b>Portfolio:</b> The role of the portfolio manager exists and is distinct from that of the chief methodologist or resource manager.</li> </ul>
PPM Practices and Processes	<ul style="list-style-type: none"> <li>• <b>Project:</b> Projects are approved on a portfolio basis. Project management practices and processes are aligned with enterprise architecture and the software development life cycle.</li> <li>• <b>Program:</b> Programs increasingly are managed in-house. Program management-specific practices and processes, distinct from project management specific practices and processes are instituted.</li> <li>• <b>Portfolio:</b> Portfolio management is instituted, but largely for project approval only.</li> </ul>
Technology	<ul style="list-style-type: none"> <li>• <b>Project:</b> Reporting dashboards that focus on providing actionable information are available.</li> <li>• <b>Program:</b> Technology support for programs and their associated projects exists.</li> <li>• <b>Portfolio:</b> A portfolio management tool is in place.</li> </ul>
Financial Management	<ul style="list-style-type: none"> <li>• <b>Project:</b> Value-based estimates are adopted. Actual costs are captured and forecast. Benefits are identified and related to strategy in the portfolio.</li> <li>• <b>Program:</b> Financial management is applied to programs, distinct but related to projects.</li> <li>• <b>Portfolio:</b> Portfolio value and risk become a consideration.</li> </ul>
Relationships	<ul style="list-style-type: none"> <li>• <b>Project:</b> Cross-functional groups are easily formed, and collaboration is the norm. Project and program staff view themselves as reporting to the project first and their home department second. Relationships with related disciplines (e.g., EA, application development) ally.</li> <li>• <b>Program:</b> Increased integration fosters collaboration across projects and programs.</li> <li>• <b>Portfolio:</b> Alliances with related roles, functions, and disciplines emerge.</li> </ul>

Source: Gartner (October 2010)

## RECOMMENDED READING

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"IT Score for Program and Portfolio Management"

"Size, Maturity Should Determine Project Managers' Relationship to the PMO"

"Who's Who in Project Management and the PMO: An Overview of Roles"

"Toolkit: Establishing a Project Management Community of Practice"

"Getting IT Funding Right"

### **Evidence**

Continuous observation of PPM practices gained through more than 2,000 inquiries conducted by the PPM research team during the past 24 months.

Data gathered from the client interactions and experiences of more than 10 other analysts, consultants and associates in a cross-functional research community dedicated to PPM.

Three-hundred PPM maturity assessments undertaken by user organizations since the original PPM Maturity Model was made available in December 2008.

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