Exploring Level 5 of the Program Portfolio Management Maturity Model

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At Level 5, the mechanics of PPM are mastered, freeing up more resources for innovation. Culture and leadership promote collaboration, innovation and change as the norm.

Key Findings

- At Level 5, many traditional boundaries and barriers have been eliminated, and the organization becomes much more fluid.

- An enterprise PMO (EPMO) oversees the evolution of strategy execution, enabling the work of other PMOs throughout the organization.

- Opportunities for PPM leaders improve, as career paths open up in a variety of functional areas — areas that now put PPM experience into their career development plans.

- Financial data is available to, from, and for every program and project manager that quantifies the realization of benefits.

Recommendations

- Ensure culture is ready for Level 5 before embarking on attainment.

- Ensure that the caliber of PPM professionals can and will support Level 5.

- Enable adaptability by clarifying and communicating objectives, along with codifying rules of engagement that support Level 5.

- Understand the system of systems, including the relationship of projects to programs, to the organization and to its environment.

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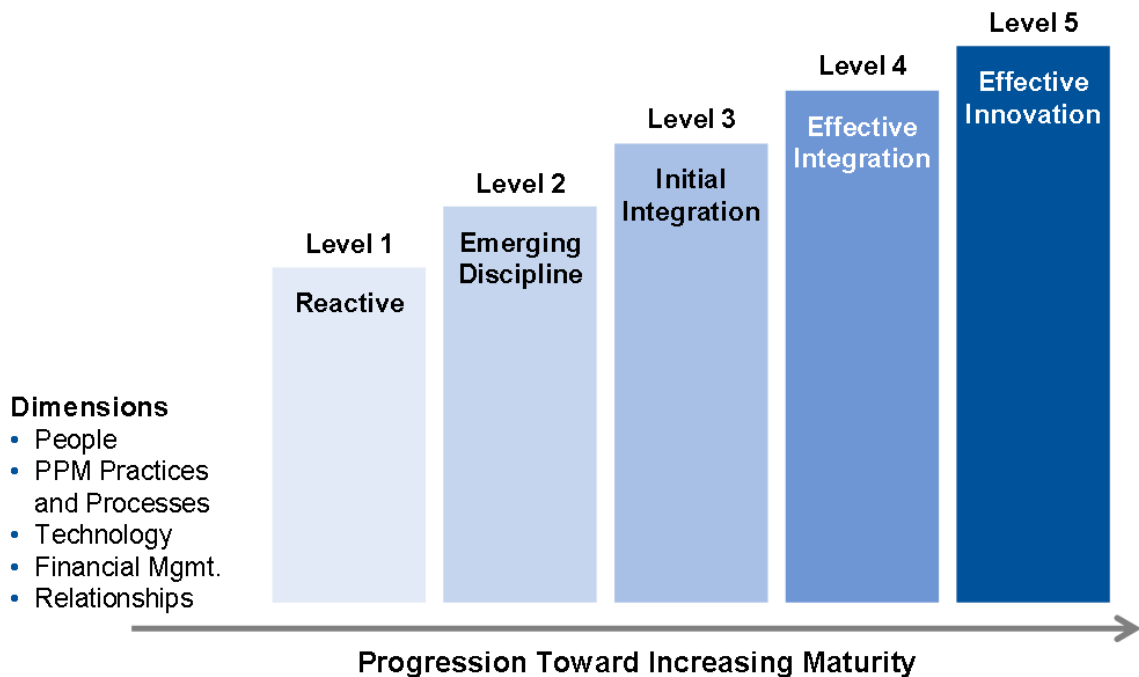
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Introduction

There is growing interest in building an increasingly effective approach to portfolio management and the supporting disciplines of PPM. To do this, every organization needs to:

- Objectively assess the maturity of its current practices.

- Determine the maturity level required to meet its future needs.

- Begin moving forward in a logical sequence that allows for 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 facilitate communication with executive management — offering a way to compare 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). This research concentrates on this highest level — the effective innovation stage — to help PPM leaders determine whether they want to move up to this level, and if so, how to approach it.

Figure 1. Five Progressive Levels of the PPM Maturity Model

Source: Gartner (November 2010)

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Overview of Level 5 — Effective Innovation

Level 5 has a touch of Camelot attached to it. It is a dream and a goal that occasionally becomes a reality. The hallmarks of Level 5 from a PPM perspective have to do with a complete change in how organizations function. Innovation is no longer an afterthought. Innovation becomes a continuous process everywhere in the organization. To accomplish this, the organization begins to split into two conjoined halves. Like the brain, the operational side of the organization begins to embrace fully the concept of "change operations," while the development side of the organization turns to more exploratory and classically innovative initiatives (see Note 1).

At this level, PPM leaders exist in all areas of the company. The organization has reduced or eliminated many of the traditional organizational boundaries and has become much more fluid. Accepted specialization (program, portfolio and strategy) supports maximum performance. Portfolios exist for all project work throughout the enterprise. An EPMO oversees strategy execution. Other PMOs exist as necessary throughout the organization. Technology supports a robust knowledge management system, and resource management is enabled for all project resources. Team compositions change and adapt to each initiative, and work is structured and executed in a way that maximizes the odds of getting things done right.

Five Core Dimensions

Characteristics that define each level are manifested in five dimensions, each of which is unique 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, skills, contribution to the work and 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 management, as well as classic project management process, such as risk and resource management. One of the most-common practices is the establishment of a "PMO," be it a project management office, program management 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.

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 generally do not evolve or advance evenly. Some dimensions progress ahead of others (for

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example, Level 5 PPM practices and processes may exist before Level 5 technology to allow the selection and implementation of the appropriate technology to proven processes). Level 5 is truly about effective innovation. As such, the relationships between the previously mentioned dimensions must be harmonized, minimally up to Level 4 (see Table 1).

Table 1. At a Glance — Characteristics of Level 5

	Level 5: Effective Innovation
People	**Project:** Project managers exist throughout the organization, and project management is considered a core capability designed to support allowing individuals to manage projects in their particular area of competency. Self-selection and self-direction are encouraged as enabling behaviors. Periodic training is expected. **Program:** Programs are considered the primary way to execute strategy and make changes, and program management experience is considered a key element of career development on the way to senior management positions. Innovation and out-of-the-box thinking are encouraged in the program management role. **Portfolio:** Portfolio managers exist within the organization and support optimal results. Portfolio managers support innovation and ideation, and play a key role in ensuring that all projects and programs are presented in a manner such that they can be fairly evaluated and prioritized.
PPM Practices and Processes	**Project:** Practical, low-overhead approaches to project management have been adopted toward project management to make it accessible to the entire company. **Program:** Common program management processes and methods evolve in a cycle of continuous improvement, with rapid dissemination of these processes and methods throughout the program management community. While best practices are applied to familiar programs, adaptive approaches exist for less structured programs, with program managers knowing which to apply and when. More-sophisticated analytical approaches (such as agent-based modeling and simulation) are available and applied when appropriate. **Portfolio:** Portfolios exist for all project work throughout the enterprise, harmonized by a consistent enterprise approach to portfolio management. The EPMO oversees strategy execution. One or more innovation or discovery portfolios exist, replete with supporting processes for innovation, ideation, investment management and dissemination. Sophisticated practices, such as simulation and agent-based modeling, are used when appropriate.
Technology	**Project:** Technology supports a robust knowledge management system, and resource management is enabled for ALL project resources. Collaboration technologies support communities that may allow external input. Agent-based modeling, simulation and predictive technologies are available to projects. **Program:** Ideation, open innovation platforms, agent-based modeling and simulation technologies are available to programs. **Portfolio:** Open innovation platforms contribute to the portfolio. Ideation technology exists. Predictive markets provide insight into portfolio decisions. Agent-based modeling and simulation technologies are applied at the portfolio level.

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	Level 5: Effective Innovation
Financial Management	**Project:** Full life cycle costs and benefits are tracked with feedback to improve financial management. Creative financial management methods exist to support creative projects where estimated costs, schedule and benefits are a poor determinant of success. **Program:** Full life cycle costs and benefits are tracked with feedback to improve financial management. Programs have dedicated financial management staff. Creative financial management methods exist to support creative programs where estimated costs, schedules and benefits are a poor determinant of success. **Portfolio:** Portfolio resources are consciously allocated to innovation and exploration. Portfolio liquidity is high, with the ability to shift resources, investment allocations and strategies to respond to market conditions or opportunities.
Relationships	**Project:** Social responsibility aspects are considered, along with the impact to the organization itself. Superb communication skills are considered a core competency of project managers. Team diversity is managed to deliver optimal results. Project communities are common. **Program:** Social responsibility aspects are considered, along with the impact to the organization itself. Superb communication skills are considered a core competency of program managers. Team diversity is managed to deliver optimal results. Program communities are common. **Portfolio:** Social responsibility aspects are considered, along with the impact to the organization itself. Dynamic tension of explore/exploit is accepted. Social network analysis is openly applied to portfolio optimization.

Source: Gartner (November 2010)

People at Level 5

Level 5 is more a state of performance than anything else, and it is completely dependent on the convergence of disciplined people with the right skills and abilities, in the right "marketplace," with a commitment to achieve innovative excellence.

PPM leaders can move between career opportunities in a variety of functional areas, depending on their backgrounds and inclination. Other functional areas view PPM experience as critical to career paths and advancement.

At Level 5, the mechanical issues about project assignments and workload balancing have been dealt with, and the organization can now shift its focus to enable individuals to exercise more control of their assignments and career development. Individuals can bid on assignments and link their career development plans to automatically alert them to potential project assignments. Each individual receives formal training and resources every year to ensure skill development. Innovation is fostered by a program that enables individuals to propose new ideas and receive funding through a dedicated innovation fund.

PPM Practices and Processes at Level 5

The EPMO or strategy execution office is accountable for cross-functional or enterprisewide projects and programs from inception to post-implementation; others may share in the responsibility as well. An organizationwide portfolio approach to planning programs and projects ensures that users and IT resources are best used to support strategic initiatives.

Investments in strategy can be tracked through the various portfolios in the organization, and benefits are rigorously identified and tracked. While organization change management and

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strategic communication are both core competencies of the EPMO, they are empowered by a culture that promotes collaboration and camaraderie.

A program management center of excellence is formed to ensure that the most important programs get the right resources, as well as to vet and disseminate best practices.

Technology at Level 5

Enterprisewide ideation tools become critical at Level 5 to support the goal of effective innovation. Techniques such as those used for predictive markets offer considerable early indications of value to help close the gap of making the right investments in the right strategic initiatives at the right time. As well, advanced analytic and simulation tools are available and used properly when needed.

Financial Management at Level 5

Full financial data is available to enable every program and project. Large programs have their own financial staff to ensure that costs, forecasts and budgets are tracked on a program basis.

Managerial financial reports are available that quantify and track benefits realization. Various approaches to quantifying benefits realization exist for various situations (for example, tangible versus intangible, known versus unknown and predictable versus unpredictable). These approaches are applied appropriately. Additionally, rolling forecasts feed portfolios, providing more-timely and accurate aggregate information.

Relationships at Level 5

The formal communication plan includes a clear, easy-to-understand description of the end result, and employs a number of techniques, such as story-telling and blogging, as well as formal structured communication to ensure that the outbound message is tailored to the appropriate audience. Also at Level 5, the organization embraces the concept that communication is a two-way process. Outbound communication to individuals impacted by a project or program must also have a mechanism that enables the organization to receive — and act upon — inbound communications as to what's working and what's not.

There is an expanded notion of value and cost, and the organization is cognizant of the need to incorporate social responsibility into decision making about programs and projects. The organization has also begun to embrace a more-collaborative view of its environment and is looking at how its decisions affect its partners and supply chain.

The relationship of the PMO and the governance process changes once again at this level. The somewhat monolithic structure of the PMO tends to break down into its component parts, with the "project capability office" taking responsibility for methods and practices, the EPMO taking responsibility for ensuring that strategy is executed, and smaller PMOs overseeing the portfolio that is directly governed by their own business units. The key determinant of whether all of these organizations are functioning at Level 5 is that they are, in fact, integrated and can work seamlessly with each other without relying on centralization.

Summary

Level 5 can only be reached based on the desire and capabilities of the senior management team, coupled with the support of the organization and its culture. It is the confluence of the right team at the right time in the right "market." The steps necessary to get to Level 4 have been mastered, freeing up resources to focus on higher order needs, much the way lower levels in Maslow's hierarchy of needs must be satisfied before self-actualization can occur. This

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organization is risk-tolerant and is designed to fail fast to be assured of reaching the pinnacle of the "fitness landscape."

Organizations should aspire to Level 5 only if they aspire to peak performance in every way. For some enterprises, any other goal would be anathema to their corporate culture. For others, a solid Level 3 is good enough.

RECOMMENDED READING

Some documents may not be available as part of your current Gartner subscription.

"ITScore Overview for Program and Portfolio Management"

"Understanding the Role of Company Culture in PPM Maturity-Level Progression"

"Realizing the Benefits of Project and Portfolio Management"

"Defining Terms: Program and Portfolio Management"

"Tracking Innovation: On the Edge of Chaos: PPM in a Complex World"

Evidence

- In "IT Key Metrics Data 2010: Key Applications Measures: Project Measures," the range of "transform" projects in Figure 1 is 12% for pharmaceuticals and 33% for insurance; however, this is common practice, not best practice. Practitioners of best practice consciously decide how much risk and reward to embrace.

- 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 have been undertaken by user organizations since the original PPM maturity model was made available in December 2008.

Note 1
Change Operations

The concept of change operations isn't limited to Level 5. What appears to be locked at Level 5 is the functioning split between the exploit side of the organization (which is where change operations pertains) and the explore side of the organization, where classic projects and programs are still the optimum ways to get things done. This form of organization is classically known as the "the ambidextrous organization." For more information, see "Ambidextrous Organization," O'Reilly and Tushman, Harvard Business Review, April 2004.

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