

## Exploring Level 3 of the Program Portfolio Management Maturity Model

Lars Mieritz, Donna Fitzgerald, Robert A. Handler

At Level 3, the value of increased PPM maturity becomes apparent as both project performance and customer satisfaction tend to improve. The right mix of people, processes and tools begins to gel, and the basic project management and project-centered financial management are in place. However, companies can only remain at Level 3 with significant discipline and with leadership focused on continuous improvement.

### Key Findings

- At Level 3, the PPM leader role is formalized, and the trend toward increasing specialization emerges, with titles such as program manager, portfolio manager or methodology director.
- A useful competency for a PPM function at Level 3 is the ability to think holistically — focusing on the whole and not the parts, or how change in one area will affect others.
- Developing a critical mass of buy-in and support is key to successfully arriving at Level 3.
- Maturity Model Level 3 sets out a more-defined PPM function with improved integration with other related areas, such as enterprise architecture and solution delivery.

### Recommendations

- Focus on creating transparency within projects and throughout the portfolio. The goal at this level is to foster shared understanding of the bigger picture, providing management insight into what investments are being made, what the benefits are and what the risks are.
- Choose tools carefully, factoring in collaboration and portfolio management needs. Organizations often purchase tools designed specifically to support their different project areas, but integration will be key.
- Move away from prioritizing projects and toward portfolio management. Understand what the organization's business needs and priorities are along with its tolerance for risk, rather than just what individual business units want.

- Develop and maintain strong corporate officer-level sponsorship to support significant organizational change.

## TABLE OF CONTENTS

---

Analysis .....	4
Introduction.....	4
Overview of Level 3 — Initial Integration .....	5
Five Core Dimensions .....	5
People at Level 3 .....	7
PPM Practices and Processes at Level 3 .....	7
Technology at Level 3.....	8
Financial Management at Level 3.....	8
Relationships at Level 3.....	8
Improvement Opportunities and Considerations at Level 3 .....	9
Moving Up to Level 4 .....	9
Recommended Reading.....	10

## LIST OF TABLES

---

Table 1. At a Glance: Characteristics of Level 3.....	6
Table 2. Moving Up — PPM Maturity Model Level 4 at a Glance.....	9

## LIST OF FIGURES

---

Figure 1. Five Progressive Levels of the PPM Maturity Model .....	5
-------------------------------------------------------------------	---

## ANALYSIS

---

### 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:

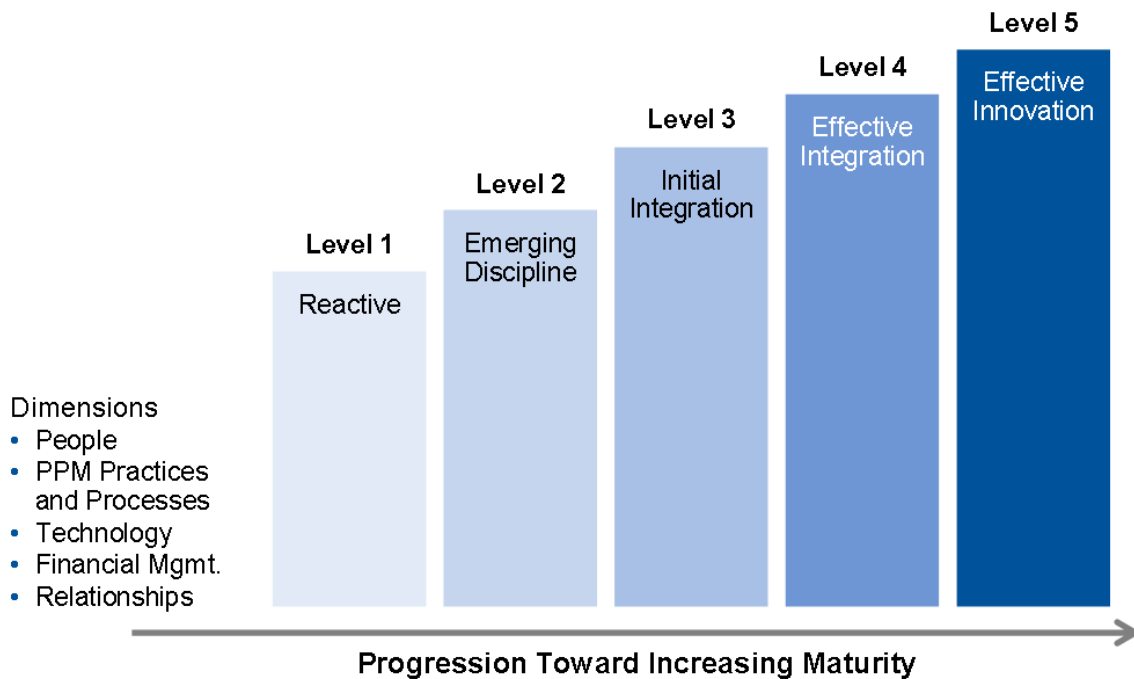
- Objectively assess the maturity of current PPM practices.
- Determine the maturity level required to meet its future needs.
- Begin moving forward in a logical sequence that allows for incremental improvement.

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 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 "ITScore for Program and Portfolio Management"). This research concentrates on Level 3, and details the characteristics of this "initial integration" stage to help PPM leaders determine:

- Whether they want to move up to this level, and if so, how to approach it. Not all organizations need to operate at Level 3, and some may have moved beyond Level 3 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 PPM Maturity Model**



Source: Gartner (November 2010)

## Overview of Level 3 — Initial Integration

The most useful competency for a PPM function at Level 3 is the ability to think holistically, focusing on the whole and not just the parts. This entails being able to understand how a change in one area will affect others, how changes should be made, and in what order to achieve maximum results — beyond the single project level. Level 3 concentrates on just enough of everything to get things working. It's not perfection, but it is the beginning of a state of conscious competence.

One of the most-significant changes taking place at Level 3 is the creation of true joint decision making about projects and programs by the organization as a whole. The goal at this level is to provide a portfolio perspective so the entire management structure of the organization can understand what investments are being made, what the benefits are and what the known risks are. This need for transparent decision making creates a situation where there is a need for tools to provide visibility and support analysis; there is also a need for a reliable delivery mechanism and for some level of financial accountability. The reason this level is known as initial integration is that, while there is a need for everything to begin to work in harmony, Level 3 tends to lack sophistication.

## 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, 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 process, 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 — 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 (for example, Level 3 PPM practices and processes may exist before Level 3 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 (see Table 1).

**Table 1. At a Glance: Characteristics of Level 3**

	<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 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>

	<b>Level 3 — Initial Integration</b>
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 considerations.</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 (for example, enterprise architecture and 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 (November 2010)

## People at Level 3

The concept of disciplined teams working on projects is developed as Level 3 is defined as the level at which projects are no longer treated as "extra work" that needs to be done on top of operational work; projects and programs begin to be more organized individually and collectively, and the people must support this change.

At this level, the PPM leader role is formalized, and the trend toward increasing specialization evolves with titles such as program manager, portfolio manager or methodology director. The personality profile of the PPM leader begins to change. The job focus shifts from ensuring compliance to facilitating communication and collaboration to drive better results.

Individuals who might have left the project organization at Level 2 (heroes) begin returning, often serving as the basis for the emerging role of program manager, which has now begun to move increasingly in-house, whereas previously, it had been provided externally.

Training is sanctioned, often with courses being offered in-house (such as project management and program management). These courses are also offered to executives and to extended stakeholders to ensure that everyone knows how to participate.

## PPM Practices and Processes at Level 3

The differences between project management and program management begin to be formally defined in many organizations, and the appropriate methods have been established and communicated. People accept that programs require more-sophisticated management skills as the greater number of moving parts in a program necessitate continued reassessment of what gets done and when.

Project/program teams, as well as stakeholders and sponsors, are committed and involved in the projects, cognizant of their roles and responsibilities. Individual projects are now viewed as having unique risk profiles. Project and program managers develop appropriate mitigation strategies to eliminate risk where appropriate, rather than just work around events once they happen.

Although the rules of how to manage a project have finally been codified, increased segmentation of projects by type is beginning to show the need for either more than one method or prescriptive guidance on how to alter the adopted method. Formal governance processes are evolving, and appropriate integration points with other functions — ranging from corporate strategy to enterprise architecture — are put into place. The portfolio becomes the center of attention. Approvals, scope changes and risk mitigation strategies are all examined against competing priorities in the portfolio to ensure the investments continue to make sense.

## **Technology at Level 3**

At Level 3, the choice of having some form of PPM tool that supports project collaboration and portfolio management becomes a threshold condition. Additionally, management wants to see a dashboard of the project portfolio in order to improve its investment management capabilities. At Level 3, organizations often purchase tools designed specifically to support their different project areas (product development, IT, facilities and so on), but the larger the organization, the more common the desire to choose one system to support the entire enterprise (a threshold condition of Level 4).

Often, the difference between the toolset required at Level 3 and Level 2 is that, at Level 3, the need for the various tools or functions they support to be integrated becomes obvious. Consistent adoption and use of tools also become important as the data is aggregated and used for portfolio decision making.

## **Financial Management at Level 3**

Project cost and labor hours are captured, with program/project managers tracking costs and spending rates against budgets. A more-robust estimation of benefit is developed for each project as part of a business case. Financial models used in business cases in other parts of the organization are often applied here at Level 3. The project portfolio has at least a cost and a benefit number to aid in prioritization at the portfolio level. There is the beginning of some attempts to do real portfolio analysis, and real-time changes are beginning to be incorporated into the portfolio. The new project pipeline is addressed on at least a quarterly basis, although project cancellation, or lack thereof, is often still a problem. Metrics are used to actually track and influence performance tailored to the needs of the organization.

## **Relationships at Level 3**

Program managers are chosen from the business, based on their knowledge of the program and their pre-existing relationships with the various stakeholder groups.

The business analyst's role — often included in projects and programs at Level 2 — has now been aligned to focus on business process improvement. The goal is no longer limited to documenting requirements. The new role is to ensure that the way work gets done is actually easier and more productive than in the past, which should improve organizational productivity without increasing the workload (work smarter, not harder).

Potential impacts on other business units are formally assessed prior to the start of any project or program to avoid either "shifting the burden" (see Note 1) or potentially ignoring an entire impacted stakeholder group.

The relationship between the PMO and the governance board begins to shift from execution of projects to execution of the portfolio. In order to do this, the PMO generally takes on a larger role with regard to supporting the analysis of the portfolio and ensuring that the projects selected to be included in the portfolio can actually be appropriately resourced.



## Improvement Opportunities and Considerations at Level 3

- Face reality. Acknowledge that, just because "it's always been done this way," is no excuse for continuing to pursue a path that isn't actually delivering value.
- Stop spending time slicing resources. By properly sequencing work and focusing on what delivers tangible value, rather than just what people requesting resources think they want, it's possible to get significantly more real work done.
- Move from prioritizing projects to portfolio management. Understand what the organization is really investing in, why and what the business needs to thrive, rather than just what individual business units want.
- Focus on scalable processes for projects, increase the emphasis on program management, and adopt multiproject or bottom-up program management techniques to improve the management of similar and related projects.
- Drive synergies through shared practices, use of common language/terms and sharing of lessons learned.
- Drive buy-in and support from stakeholders to support changes.

## Moving Up to Level 4

As noted earlier, Level 3 is called "initial integration," and while there is a need for everything to begin to work in harmony, Level 3 tends to lack sophistication. The move to Level 4, called "effective integration," should bring greater competence at integration. Also, at Level 3 and Level 4, there is a trend toward greater decentralization and federation of project organizations. The transition from Level 3 to Level 4 finds organizations choosing between a variety of approaches to improve performance. Industry volatility, relationships with the business and available funding all have a significant influence on how this transition is made (see Table 2).

**Table 2. Moving Up — PPM Maturity Model Level 4 at a Glance**

	<b>Level 4: Effective Integration</b>
People	<p><b>Project:</b> A network of PPM leaders is emerging. Companywide centers of excellence improve workload management. Project assignments are made based on the specific skills and capabilities of the individual.</p> <p><b>Program:</b> The role of the program manager exists internally.</p> <p><b>Portfolio:</b> The role of the portfolio manager exists internally. Senior leaders and key stakeholders actively participate in the governance and management of the portfolio through formal structures.</p>
PPM Practices and Processes	<p><b>Project:</b> Related projects are managed as programs. The portfolio is actively maintained. Multiple methods exist and are used by all project managers.</p> <p><b>Program:</b> Increased use of program management methods, often with multiple program management methods available for various scenarios or profiles.</p> <p><b>Portfolio:</b> Increases sophistication in portfolio practices (such as modeling and portfolio triggers).</p>
Technology	<p><b>Project:</b> A single PPM repository of reporting data is available for the enterprise in order to support a project-capable organization.</p> <p><b>Program:</b> Technology supports programs with the ability to enable underlying projects as well.</p> <p><b>Portfolio:</b> Technology supports portfolio modeling.</p>

	<b>Level 4: Effective Integration</b>
Financial Management	<p><b>Project:</b> Project budgets are meaningful, and such techniques as monthly estimates to complete are beginning to be common.</p> <p><b>Program:</b> Programs operate in much the same manner as operating divisions, having the right to adjust their funding between projects without exceeding their stated budget.</p> <p><b>Portfolio:</b> The portfolio is modeled and appropriately optimized, factoring in risk. Benefit realization is tracked. Greater reliability in the portfolio is driven by greater reliability in its underlying projects, programs and supporting processes.</p>
Relationships	<p><b>Project:</b> The organization has adopted a project-centered view that supports enterprisewide teams, promoting collaboration and sharing. No more "us vs. them."</p> <p><b>Program:</b> Program management is an enabler to enterprisewide teams.</p> <p><b>Portfolio:</b> Synergy develops between the portfolio and the stakeholders involved with its management as it becomes a tool for success, as opposed to a system to go around.</p>

Source: Gartner (November 2010)

## RECOMMENDED READING

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

"ITScore for Program and Portfolio Management"

"The 'Pretty Good' PMO at Maturity Level 3"

"Adopting Product Planning and Release Management for M&E Work: A Critical Step in Better Project Resource Management"

"PMO Best Practices: Knowing When to Create Bottom-up Programs"

## 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
- 300 PPM maturity assessments undertaken by user organizations since the original PPM Maturity Model was made available in December 2008

## Note 1

### Shifting the Burden

The concept behind "shifting the burden" is to make decisions on the basis that, if the work can be shifted somewhere else (rather than eliminated), then a net benefit to the system has occurred. Our favorite story about this came from a client that canceled trash collection as part of its janitorial contract because it implemented a policy under which employees could empty their own trash. Since that worked so well, it was on its way to canceling snow removal in its parking lots (planning to give employees snow shovels to dig out their own cars) when it realized the claims for back injuries might outpace the supposed benefits.

## REGIONAL HEADQUARTERS

---

### **Corporate Headquarters**

56 Top Gallant Road  
Stamford, CT 06902-7700  
U.S.A.  
+1 203 964 0096

### **European Headquarters**

Tamesis  
The Glanty  
Egham  
Surrey, TW20 9AW  
UNITED KINGDOM  
+44 1784 431611

### **Asia/Pacific Headquarters**

Gartner Australasia Pty. Ltd.  
Level 9, 141 Walker Street  
North Sydney  
New South Wales 2060  
AUSTRALIA  
+61 2 9459 4600

### **Japan Headquarters**

Gartner Japan Ltd.  
Aobadai Hills, 6F  
7-7, Aobadai, 4-chome  
Meguro-ku, Tokyo 153-0042  
JAPAN  
+81 3 3481 3670

### **Latin America Headquarters**

Gartner do Brazil  
Av. das Nações Unidas, 12551  
9º andar—World Trade Center  
04578-903—São Paulo SP  
BRAZIL  
+55 11 3443 1509