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Article Description:

Metrics are such an important part of gauging project success that they're almost second nature to a good project manager. But the metrics that track the progress of individual projects may not be the right ones to measure how well the portfolio of those projects aligns with organizational strategy. This article will identify and detail must-have metrics tailored for effective portfolio management.

Background Questions:

1. Please give me your full name, job title and credentials as you would like them to appear in print.
    a. Michael Boyle, Managing Director Procurro Solutions, PMP, ITIL-F, CBAP

2. Where are you based?
    a. Vienna, Austria

3. Tell me a little about your portfolio management credentials. For instance, do you currently or have you previously managed a project portfolio? If so, please briefly describe for me the portfolio (e.g., its size, makeup, etc.), just to give me an idea of your experience.
    a. My experience tied to Portfolio Management has come from two distinct angles; Project Management and Service Management. One of my most recent positions has been tied to Application Portfolio Management, which had put me primarily as one of the main stakeholders within the project portfolio. Tough decisions need to me made throughout lifecycle, and one of the most difficult is tied to discontinuing a project because it either does not reflect enterprise goals (direction) or has become no longer financially viable (ROI no longer valid)

Interview Questions

1. First of all, let's define our terms: What is "portfolio management" to you, and what's its value?
    - Portfolio Management is a framework for me, which should ensure that all actions within an organization are tied to the strategic goals, their quantification via objectives, the organization required for us to move forward with our plans and the tasks necessary to support the goals and objectives. The position and exact duties of a Portfolio Manager is directly tied to the corporate culture and its' corresponding form. Let me give you some examples. Within a projectized organization, a Project Portfolio Manager is a

natural fit. Within a service management model, applications and processes come more to the forefront. Both deploy the same framework, but the structures will most likely look different.

2. Generally speaking, how important are metrics to portfolio management? Are metrics just as important to a portfolio of projects as they are to individual projects? Why or why not? Please explain.
    - Metrics are extremely important to both portfolio management and to the individual projects. It is clearly the most efficient way for us to ascertain 'where we stand'

3. Are the metrics for portfolios the same as those for projects? Or are they different? Similarly, do portfolio and project metrics have the same or different objectives? Please describe the major differences and/or similarities.
    - Metrics within both scenarios are important, but the actual metrics per-se are inherently different. Here I see a clear correlation between metrics and communication. As a Project Manager, you need to communicate with all stakeholders, but the type, frequency and dimensions will be based on the recipient group. I believe that project metrics are completely different than portfolio metrics. A project's metrics need to cover primarily the elements of the 'triple constraint' (Scope – Cost – Time), whereas the portfolio metrics need to answer the main question whether the individual projects still match and continue to contribute to the Enterprise goals. Can the project metrics influence the portfolio metrics? Clearly. For example, a certain project is approved due to the specific return of investment. If there are massive cost overruns in that particular project, can one say the ROI is still valid? It lies clearly within the responsibility of the Portfolio Manager either to make such decisions, or to make such a suggestion to the board.

4. The article will describe a series of portfolio metrics. In particular, we're interested in the following metrics (please see Question 5 if you have other/different metrics you recommend). If you aren't familiar with any of these (or don't use/recommend them), feel free to skip them.

    Percent Resource Utilization:

    - What is this metric is and what does it tell you?
        1. For me, this metric can take two different dimensions, depending on the organizational form. Within a projectized organization, the way these metrics are set up are relatively clear. That being said, I see differences between waterfall and agile, with agile the easiest to keep track of. Within a matrix organization, one needs to measure both project and line activity – not so easy.

    - Why is this metric valuable?

1. One always needs to know how incremental and outsourced costs are being managed, and the results could very well effect how you pursue the cost management of both of these domains moving forward.

- How should this metric be calculated/collected?
    1. As mentioned, it depends to a large part on the organizational setup. Matrix: Line and project work per employee. Projectized waterfall: project work per employee. Agile: per team, as it makes no sense to break it down even further due to the structure. How often? There is no sold rule, but I would say monthly.

- How frequently should this metric be tracked/reported?
    1. tracked monthly, reported quarterly

- Who benefits most from this metric (e.g., the portfolio manager, the project manager, executive stakeholders, project sponsors, etc.)?
    1. I think the Portfolio Manager. The Project Manager only cares once she has budgeting problems. The project sponsors care primarily about the results. The figures coming out of this exercise are too detailed for executive stakeholders. They will be looking for a recommendation from the portfolio manager, regardless.

- What tips can you offer for successfully implementing this metric and effectively using the information it provides? In other words: If I track this, what do I do with it?
    1. I have never worked in an organization where there have not been resource capacity problems. In addition, I have only worked win matrix organizations. The figures you get from this metric should help you in overall scheduling and, on a higher level, indicating whether you effectively deploy your resources properly towards your enterprise goals. Lastly, you don’t want to go to the board with problems but rather examples of problems you were able to solve…

- Are there any disclaimers you’d attach to this metric? For instance, words of caution about collecting/interpreting/using it? Or reasons *not* to use it?
    1. Good question, especially for someone who works in Europe. In certain countries, one has to be extremely careful about such data. First of all, in certain countries, you clearly need permission to collect such data. Secondly, the trade unions and workers councils will want to know <u>what</u> you do with this data. Heaven heal you in case they find out you were not upright. In a number of larger organizations, a workers council member is part of the board – no chance to hide!

Business Value Realized:

- What is this metric is and what does it tell you?

    1. This metric allows an organization to measure to what degree a project is supporting the enterprise goals. This indicator tells me how valuable the project is.

- Why is this metric valuable?
    1. We live in a dynamic environment, where the priorities are changing constantly. The agility of an organization can be measured by the quickness once change internal focus to match the current situation.

- How should this metric be calculated/collected?
    1. We have enterprise objectives so that we can clearly measure how close we are to reaching our goals. I have never worked for an organization where the organizational goals have been prioritized but clearly see the advantage in such a method. Calculation should be based on
        - Objective priority
        - % that a project fulfills this objective
        - Cost and schedule variance

    Collection would be based on the project management reports. The first element is static, the second most likely – but not necessarily. For example, with the subtraction or addition of projects, the objective fulfillment quotient clearly changes. The third is completely dynamic.

- How frequently should this metric be tracked/reported?
    1. Tracking is based on the project managers' reports. Reporting is quarterly, or ad hoc if/then required.

- Who benefits most from this metric (e.g., the portfolio manager, the project manager, executive stakeholders, project sponsors, etc.)?
    1. The pressure with this metric is clearly on the project manager and the sponsor. I would say the portfolio manager and the executive sponsors benefit equally, with an edge to the portfolio manager as it is another vehicle to show her worth within the organization

- What tips can you offer for successfully implementing this metric and effectively using the information it provides? In other words: If I track this, what do I do with it?
    1. Diplomacy, pure and simple. I've seen many a 'creative' project status report in my time. On the one hand, the project management organization needs to know you needs business and that you have support. On the other hand, you never want to alienate anyone within your organization. Emotional intelligence to the rescue…

- Are there any disclaimers you'd attach to this metric? For instance, words of caution about collecting/interpreting/using it? Or reasons *not* to use it?

    1. I think I covered the ‘hot’ points directly above.

Project Success Rate:

- What is this metric is and what does it tell you?
    1. This one is easy; in budget, in scope, on time

- Why is this metric valuable?
    1. Is the project delivering?

- How should this metric be calculated/collected?
    1. Through traditional earned value methods within the agree-upon project reporting

- How frequently should this metric be tracked/reported?
    1. in the same frequency as the agree-upon project reporting schedule

- Who benefits most from this metric (e.g., the portfolio manager, the project manager, executive stakeholders, project sponsors, etc.)?
    1. Depends on how successful the project is. I would say, generally speaking, the project sponsor benefits the most from accurate information at this level.

- What tips can you offer for successfully implementing this metric and effectively using the information it provides? In other words: If I track this, what do I do with it?
    1. The only tip I can give is that an organization should see that such data is not used as a political and propaganda media. I’m afraid I have seen this more often in my career than I would like to admit.

- Are there any disclaimers you’d attach to this metric? For instance, words of caution about collecting/interpreting/using it? Or reasons *not* to use it?
    1. none

Alignment with Strategic Objectives:

- What is this metric is and what does it tell you?
    1. Not sure where this differentiates from the business value. In essence, you can say I have already answered this within my answer tied to business value.

- Why is this metric valuable?

- How should this metric be calculated/collected?

- How frequently should this metric be tracked/reported?

- Who benefits most from this metric (e.g., the portfolio manager, the project manager, executive stakeholders, project sponsors, etc.)?

- What tips can you offer for successfully implementing this metric and effectively using the information it provides? In other words: If I track this, what do I do with it?

- Are there any disclaimers you'd attach to this metric? For instance, words of caution about collecting/interpreting/using it? Or reasons *not* to use it?

Risk Appetite:

- What is this metric is and what does it tell you?
    1. I had to read up on this one but clearly understand it. The intention is for executive management to have information at their disposal to determine the risk vs. reward of a certain proposal.

- Why is this metric valuable?
    1. To be able to measure such elements must infer that the organization has a very high CMMI. Every meaningful effort to quantify is worth pursuing.

- How should this metric be calculated/collected?
    1. I see two elements within this construct
        - Project risk: Here one can deploy the traditional elements with project management such as risk quantification and qualification, the proper use of a risk register, etc.
        - Objective risk: Here I think we deploy again traditional methods when making a decision to deploy project, including opportunity cost, alternatives, ROI, et all. These same methods can/should be used for objectives.

- How frequently should this metric be tracked/reported?
    1. The pure project-related elements should be collected within the agreed-upon schedule. The objective risk elements should be reviewed within the same schedule as that of the strategy meetings.

- Who benefits most from this metric (e.g., the portfolio manager, the project manager, executive stakeholders, project sponsors, etc.)?
    1. Clearly executive stakeholders, and secondly the portfolio manager, as it allows her to use the results as a barometer of where the board finds itself.

- What tips can you offer for successfully implementing this metric and effectively using the information it provides? In other words: If I track this, what do I do with it?
    1. There are metrics which require clear action, and there are others which should be seen as being indicators. I feel it is a misstate to look for too much scientific meaning of the organizational risk metrics

- Are there any disclaimers you'd attach to this metric? For instance, words of caution about collecting/interpreting/using it? Or reasons *not* to use it?
    1. I have never worked in an organization that would ever know what to do with risk appetite metrics…

5. Are there other metrics, aside from the above, that you use and/or recommend? If so, please list and describe them using the same format as above.
    - I believe we are still in the beginning stages of such concepts. That being said, I see great potential of allowing for cross-departmental metric setting. The goals and objectives are the same. The organization is established to reach these goals. I would welcome such an approach, and no, I have never seen it. Agile comes the closest to meeting this model, but agile clearly does not work in every business model….in spite of what the *lean people* will tell you

6. What didn't I ask about that you think is important to this topic? Any final thoughts or conclusions? Closing advice or commentary?

The focus should always be on the goals > objective > organization > task model, and this concept should be the ultimate litmus test to see whether your meeting your target. Implicitidly, we are back to metrics….