White Paper

ITM Platform
PROJECTS ▪ PROGRAMS ▪ PORTFOLIO

Project-Based Management (PBM)

Guide for C-level Executives

Benefits of PBM

For organizations:

- Serve as meeting point for executives and project leaders, providing the link between business vision and execution.
- Manage projects to create and maintain competitive advantages over time.
- Adopt agile portfolio management as the main tool to initiate or cancel projects.

For projects:

- Overcome the limitations of managing projects as individual units.
- Link projects more closely to business goals.
- Provide evidence of progress on projects and their overall contribution to the business.

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Your project portfolio with strategic vision

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Using agile portfolio management as a governance method allows organizations to remove inefficiencies, create competitive advantages and react proactively to market changes.

0. PRESENTATION

This white paper presents Project-Based Management (PBM): a practice based on portfolio management that enables organizations to easily translate strategy into activity. PBM's connection with daily execution creates synergies between senior management and project leaders. PBM overcomes the limitations of managing projects as discrete units.

Projects are, by definition, disparate, temporary, unstable and uncertain. Portfolio management allows businesses to alter or even cancel projects, if they are unprofitable, depending on environment and market evolution.

PBM consists of four areas:

1. **Agile project portfolio management**
2. **A Project Management Office with strategic functions, led by the Board of Directors.**
3. **An expansion of project planning towards their outcomes and benefits**
4. **Skill sets combining technical expertise and business vision.**

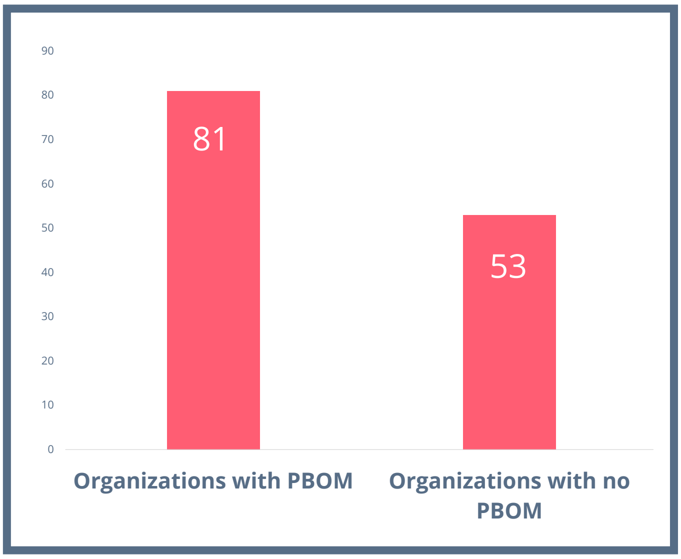
PBM practices overcome project limitations as management units

We hope this White Paper will be helpful for managers of organizations to whom strategic deployment can be challenging.

More specifically, the following pages present a very useful guideline for two kind of profiles:

- Senior Management seeking to develop their strategy by means of projects.
- PMO Officers, portfolio managers, and project managers aiming to develop their career by combining technical specialization and business development.

Image 1: Percentage of organizations whose projects achieve their business objectives [4]



Organizations with multiple projects usually fail to make the connection between organizational management, the purpose of which is to ensure long-term competitiveness, and the delivery of projects, which is linked to short term results.

1. Introduction: Why should I adopt PBM?

There has been enormous development in as technical discipline and professional specialization. It has also spread beyond industries, such as software engineering, constructing and development, where it first originated. However, **many organizations still face significant strategic and mission-related challenges.** The first stems from the struggle to measure the value of the entire portfolio, which it is not necessarily equivalent to the sum of its components.

There is no natural connection between project delivery, linked to the short term, and managing an organization with the vision of ensuring long-term competitiveness. In order to create such a connection, project contributions must be defined beyond the delivery of results according to the usual criteria of time, term and quality.

The value of the portfolio is not equal to the sum of its parts

In other words: **Project Managers and Senior Management must meet at the crossroads of strategy and tactics.** The encounter is described in this White Paper as Project-Based Organizational Management. At this level, projects become a communication driver, targeting decision making at the highest level.

Project-based Management brings together short term and long term goals, inmediate results and sustainability, as well as technical and business visions.

Furthermore, its application in any kind of organization with a high number of projects is compatible with other management styles, such as management by objectives or by values, leading to an holistic approach that unites virtually every aspect of an organization towards a common goal.

Although this is new and uncertain ground for CEOs, project professionals or even for specialized consultants, the chaos that often arises from the lack of synchronization between disparete projects is a solid incentive towards the adoption of the four PBM principles: **agile portfolio management, strategic PMO, benefit realization and a new project leader skillsets.**

Box 1
Differencial factors of Project-based Management (PBM)

- A shared space for collaboration between project managers and executives
- Projects become communication drivers, targeted at the highest decision-making levels
- Investment can be funneled into projects that most contribute to long-term strategic goals

2. Management of Disconnected Projects

A project is successful when it meets deadlines, budgets and delivers what it has promised —but for a manager, this means that perfect projects deliver unsurprising results. At the same time, managing each project separately and without taking into account the big picture entails many challenges for organizational leaders (see **Table 1**). It's essential to see projects as pieces of a complex engine: how they are connected matters to overall performance.

Managing projects as standalone units prevents them from creating added value

Table 1: Project limitations and corresponding management challenges

Feature	Management Challenge
Temporality	Projects exist in the short term to meet long term goals
Instability	Teams break up as the project finishes
Disconnection	Each project runs as a watertight compartment
Uncertainty about the process	Each outcome is different and may modify the status quo
Inefficiency	Projects fail to meet planned times and budgets
Value Creation	Each project risks creating value only for the client

2.1 Creating added value

In this traditional view, projects delivered successfully are profitable, as they deliver outcomes with lower costs and a high customer satisfaction. It is often overlooked that when only the customer can enjoy the result, projects may have limited benefits. It follows that projects that are executed for financial reasons alone may subtract value from the organization. When corporate interests are not considered in decisions regarding which projects must be carried out, the portfolio result is reduced to the disconnected sum of all its parts. In this scenario, there is no added value –one of the main arguments behind managerial distrust of project value [1].

On the contrary, projects with added value have beneficial effects that can be incorporated into the business model of the organization.

In short, there is a need for a business case for each project that connects with laid out strategies. This view should recognize that a the business contribution of a project, far from being a characteristic of the project itself, depends on the entire portfolio, including surrounding projects and established synergies [2].

The value of a project depends on synergies with other portfolio elements.

2.2: Example 1

Project Management at Contents, LLC*

The Board of Directors of a content generation firm starts a new strategic plan with the following goals:

- Rank in the third place worldwide for Spanish and German books
- Increase turnover by a 28% through:
  - Entrance in USA and Mexico
  - Increasing the commercial network in Austria, Germany and Spain.

In addition, this plan considers two big strategic elements under the common idea of centralization:

- Centralize the elements that grant synergies, including content production.
- Unify common processes.

The board delegates the definition of how to meet those goals. Each business manager, along with IT and Systems managers, prepares a different plans. Planning follows two trends:

Group A: Units more used to project management, such as systems, act as usual: they establish project programs and appoint project managers. Their vision is to lay the technological foundations so that work can be centralized.

Group B: Younger units that are more customer-oriented and are used to creating new products choose a more autonomous and informal management. Their work is based on the assumption that centralization will happen once technical foundations are available.

* fictitious company

What happens in 6 months?

Group B units report that new country development is going well: buildings have been rented, staff hired and some Institutional Relations have begun. The increase of commercial networks is going according to plan. Group A, however, is suffering some delays and reports a 30% overall deviation.

What happens in 12 months?

Group B reports costs without incomes because group A didn't share the common resources needed. As a result, small local commandos of content generation are being deployed. The board hasn't measured anything since it didn't have anything to measure in the first place: they are removed from projects and the plan hasn't changed. Nevertheless, they are worried about their main competitor, who has just launched a content suggestion service based on Machine Learning. They ask group B to analyse it, but the response is that they are so fully immersed in the plan that they will only try to figure out what Machine Learning after they're done.

What happens in 18 months?

Group A reports the goals' achievements (production of common contents and common processes), with a total deviation of 35% on time and a deployment cost saving of 40%. However, group B has not adopted any shared resources, having relied on small units of local content generation that are now resisting centralization as a threat to their jobs. Furthermore, since no deviation metrics are available, they reports to the Board that they are doing good.

What happens in 20 months?

In the latest sector ranking, Content LLC falls two positions and is outdone by its competitor, Bookmark, who has revolutionized the market with an algorithmic system that offers content based on the reader's interests.

CBD fires group A managers –they are the only ones who have reported delays and seem responsible for the 10 months delay. When projects are finished, none of the objectives have been achieved in spite of a reasonable deviation: Two new territories have been opened and three commercial networks have been increased, yet productivity remains scarce and synergy elements have not been centralized effectively. To add injury to pain, the company has not reacted to the new trends in content distribution.

A sharp drop on the shares of Contents LLC follows the presentation of the company's results.

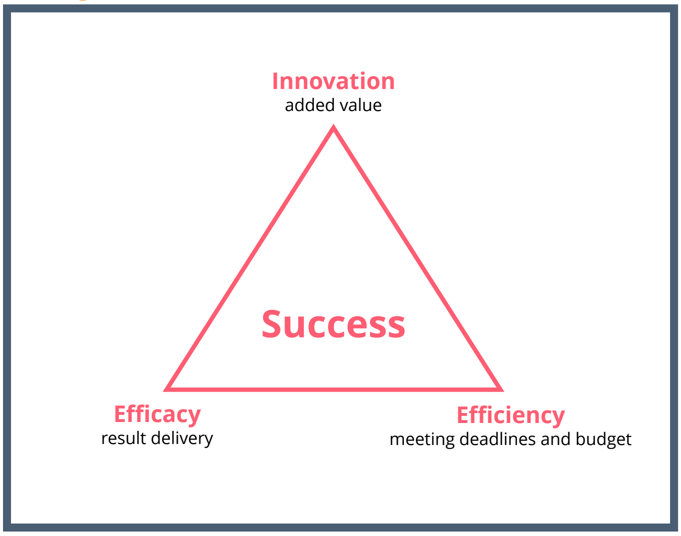
3. Project-based management = strategic management

Project-based management doesn't follow the traditional vision, according to which a project succeeds if it's delivered in the expected time, cost and quality. PBM is successful because complementary projects are coordinated to provide the entire organization with competitive advantages. In order to know if a project has succeeded, innovation indicators have to be added to efficiency and efficacy indicators [3].

According to the Project Management Institute, 81% of organizations coordinating their projects achieve business profits, compared with the 53% of the organizations who treat projects as standalone entities [4]. In the first case, management teams see projects as tools to transform their organizations and maintain competitiveness.

In this perspective, project execution is controlled to ensure that the client's interests coexist with the corporate strategy: it's no longer enough for projects to be in demand and to generate income. Thereby, the overall planning of all projects, in a portfolio creates an additional layer on top of traditional planning, enabling to pursue competitive advantages in addition to the results already foreseen by project managers.

Image 2: Definition of success in the PBM



Box 2:
PBM is strategic because:

- It manages projects to create competitive advantages and to maintain them through time
- It defines success as the efficiency, efficacy and innovation triangle
- It prioritizes projects grouped in common programs that are evaluated continuously.

3.1 PBM vs project challenges

As summed up in **Table 1**, project challenges pose important risks for the organization's global results. In order to solve them, project-based management features day-to-day monitoring with four characteristics:

- **Real time.** Data is continually updated so that evaluations are based on up to the minute info.
- **Simple and practical information.** Information is aggregated and summarized in a clear and simple way, enabling decisions based on reliable data, for example about costs and deadlines.

- **Grouping by programs.** Programs coordinate projects with shared objectives to ensure achievement.
- **Connecting micro and macro levels.** Data is obtained automatically in an aggregated scale, but a zoomed in view is always possible.

Portfolio management solutions have three additional advantages [5]:

- Added clarity about the motivation behind each activity within the organization;
- Capacity to assess trade-offs that will maximize added value;
- Motivation and empowerment of project members, managers and sponsors.

Table2: How does PBM overcome management challenges?

Feature	Management Challenge	PBM
Temporality	Projects exist in the short term to meet goals on the long term	Portfolio evaluation in real time to measure the contribution to objec-tives
Instability	Teams break up as the project finishes	Management and dissemination of learned lessons
Disconnection	Each project works as a watertight compartment	Projects are grouped for better coor-dination (programs)
Uncertainty about the process	Each outcome is different and can modify the status quo	When measuring global goals contribution, results and benefits are assembled.
Inefficiency	Projects do not meet planned times and budgets.	The aggregate portfolio overview in real-time informs decisions to streng-then or abandon projects for greater impact
Value creation	Each project means the risk of creating value only for the client	Each project is an opportunity to create added value

3.2: Example 2
Project management at Booksy360*

Booksy360 launched its strategic program a few months after Contents LLC, and with similar expansion goals. However, besides issuing a strategic framework, the Board acts as a portfolio management committee. Proposals are discussed, projects are approved and execution is monitored.

Strategic objectives are not delegated in a decentralized way. Instead they are monitored by a PMO that reports to the board and is anchored to the strategic management of the portfolio. Projects don't depend on each unit, but on programs associated which each objective. Within each program, progress in meeting the objectives is measured once a month. Then, corrective actions are considered to reinforce underperforming programs.

What happens after 3 months?

An editor warns about a start-up who is using Machine Learning to place content and who, in three months, has snatched three major clients.

What does the PBM do?

The PMO compiles a project proposal and sends it to the committee, along with a clear business model prepared on the basis of several interviews with the editor and other subject matter experts.

At the next portfolio evaluation meeting, the Board acknowledges that the start-up poses a risk of disruption and decides to push the projects of geographic expansion into other countries to the background. In order to counteract the startup's drive, an agile project is launched with the goal of reaching a viable minimum product which is going to be presented two months later.

What happens after 9 months?

The impact is such that expansion projects are cancelled, and a new Machine Learning content project is born. While business goals have not changed, the tactic has.

The change occurred in spite of the opposition of teams involved in the geographic expansion plans. In a non-project-based organization, they would have been successful and the Machine Learning pilot would have lacked the necessary resources.

What happens after 18 months?

As the Machine Learning prototype is tested with customers, it demonstrates its power to generate revenue in online distribution, especially in the customer retention: the number of purchases per costumer is 45% higher. The experience is so positive that available resources are regularly directed to new projects that support this new initiative, including a new app and a new algorithm based on Big Data for the generation of customised offers.

What happens after 2 years?

The Machine Learning project becomes a core component of Bookmark's operations. After many sessions thinking about how to recreate the success, the Board decides to create a corporate

* fictitious company

innovation management team, which designs a process aimed at turning bottom-up proposals into an essential part of the firm's culture.

Management by objectives is compatible and complementary with PBM

3.3 PBM complements management by objectives

Project-based management does not require the entire organization to run projects, nor to take them as the sole criterion for decision-making. Management by objectives, especially, is compatible with project-based management.

Firstly, PBM originates within the objectives of the organization. The pursuit of those objectives is not translated into individual or departmental objectives – instead, it links the results of the projects. This adds more complexity, as a project might be necessary to reach an objective, but not sufficient for it to happen.

The combination is straightforward: it is enough to link both project and team to the objectives. This mechanism informs team members about the importance of the project, which is not only in the delivery, but in the external goal.

Other management models also support an organization-wide project orientation. Regardless of other management criteria, general management must have information sourced from management tools directly connected with the planning, execution and evaluation of the entire project portfolio.

4. Getting down to business

This section introduces the four major PBM components that can be adopted either separately or jointly:

- **Project administration with an agile portfolio**
- **Strategic PMO**
- **Connected project outputs, outcomes, and benefits**
- **New project manager skillset**

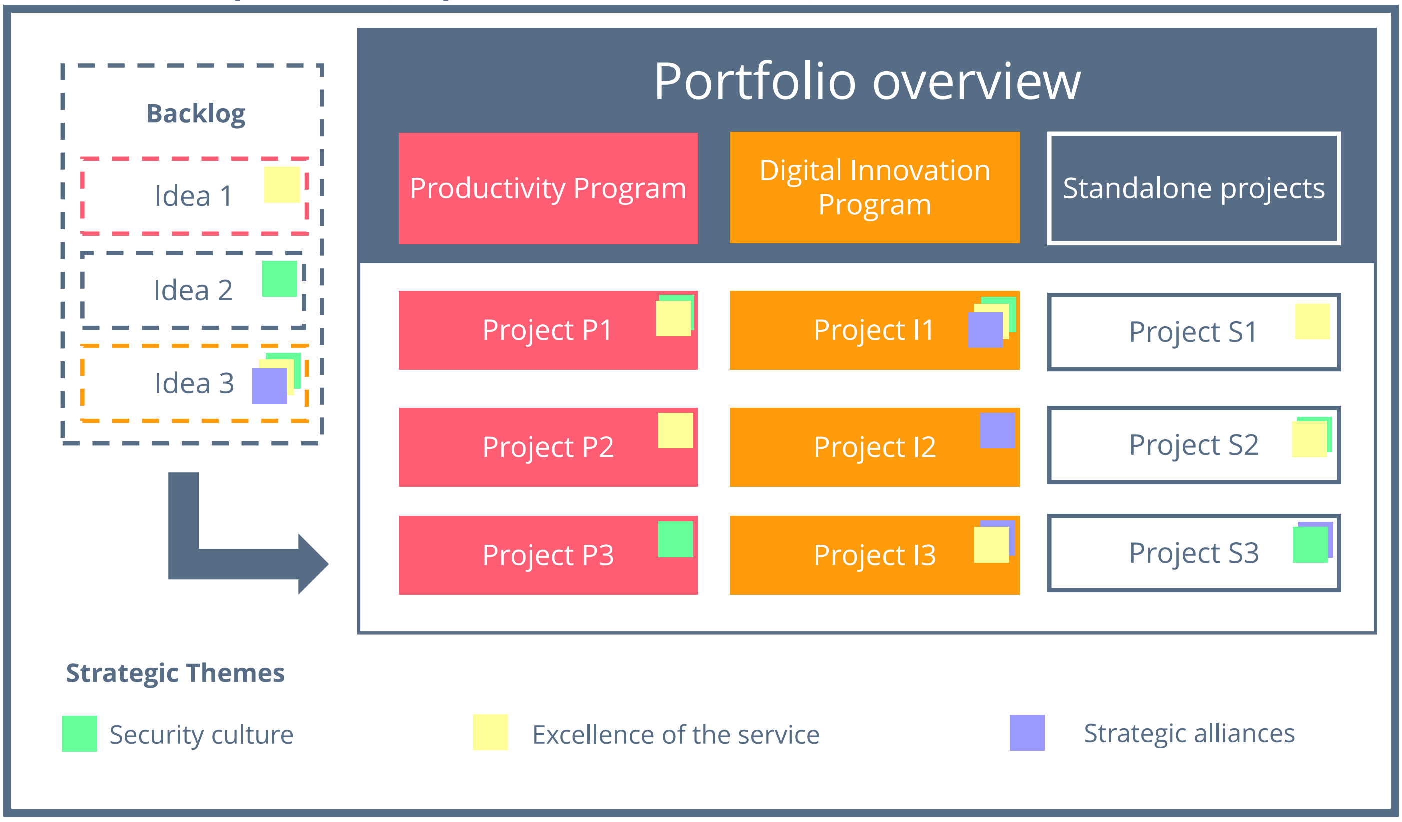
Choosing aspects with a more straightforward implementation and avoiding perfectionism makes for a wise approach.

4.1 Agile project portfolio management

Programs that coordinate groups of projects are designed for maximized efficiency, as they remove overlapping work and manage project dependencies for greatest impact. Project portfolio management comprehends all project work and optimizes how the company meets its goals.

A portfolio does not only include projects: it can also cover operations and other activities, such as troubleshooting. Portfolio managers have enough reasons to include these components if they consider that they may otherwise compromise overall project performance and delivery.

Image 3: Example of an agile portfolio view with strategic themes



Some of the responsibilities of a portfolio manager:

- **Managing project demand**
- **Ensuring resource planning**
- **Defining mechanisms to classify, prioritize, evaluate and deliver projects**

In PBM, agile methodologies extend into portfolio management. This has several implications:

- All programs and major projects must have **a clear link with the strategic themes of the portfolio**, which define where the organization is going **[image 3]**. Clear business cases should be considered mandatory.
- **Taking user stories as working units**, projects assume the smallest possible scope. This allows to coordinate many co-dependent projects instead of a single megaproject.
- **Senior management is given a portfolio overview**. This overview is easy to assimilate in terms of deadlines, costs, revenue and benefits, and it provides an answer for the question: "How are projects going?".
- Demand is prioritized according to previously agreed criteria, and treated as a **portfolio backlog** that is updated in regular reviews.
- **Ongoing evaluation:** automated dashboards and indicators powered by PPM software deliver real-time data on project status that supports decisions on resource allocation, scope reform or even project cancellation before final delivery. These decisions are based on the monitoring of the causal linkage between project outcomes, corporate goals, and corporate benefits (see **4.3**).

The portfolio overview gives senior managers the answer to the question: "How are projects going?"

This portfolio management method anticipates change more efficiently than the conventional budget-planning-execution cycle **[6]**. Instead of starting from the annual budget, **agile portfolio managers have the financial pressure that different projects can exert on the cash flow permanently in sight.**

4.2 Strategic PMO

In a company that embraces project-based management, the Project Management Office is at the core of strategic decision-making. Since **projects are the methods that create new internal capabilities**, a PMO must be endowed with the ability to steer them and effectively deliver value in uncertain and complex contexts.

The strategic role of a PMO is typically layered on top of more traditional functions, such as the following:

- **Standardization** of document templates and best practices.
- **Monitoring and control** of the corporate or IT project portfolio.
- **Project evaluation and assessment**
- **Support and training**
- **Resource demand planning and forecasting**

These functions feed the PMO with consistent, reliable and sufficient information to provide answers to **critical management questions,** such as:

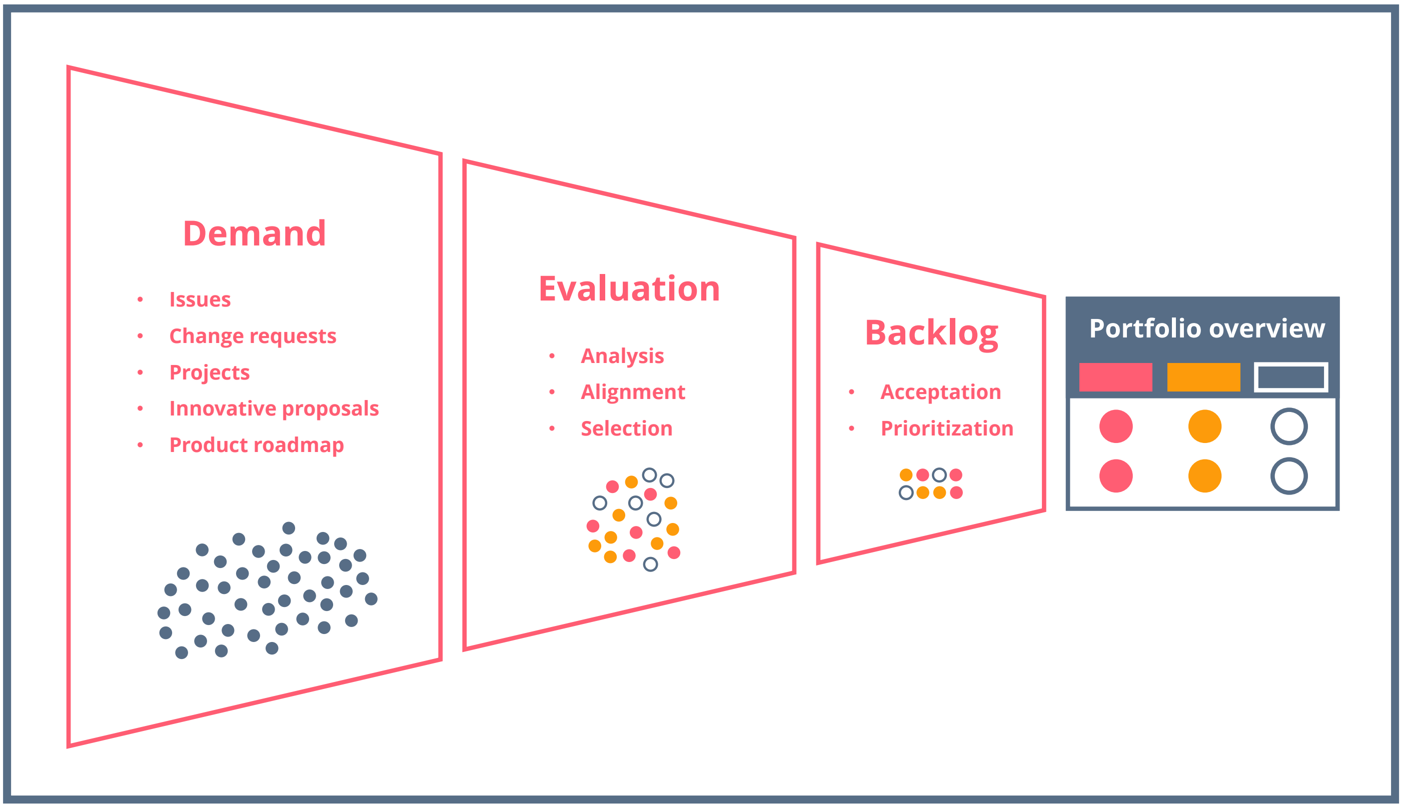
- What is the **status of the project portfolio**?
- Are we facing **shortages** in resources? Do they affect the cashflow?
- Is any project in execution phase not worth pursuing anymore?
- Are there any **proposals or ideas** that could improve the portfolio? Is there a need for them?
- What kind of n**ew capabilities and processes** are enabled by project results?
- What activities, services, operations or other projects have to be put in place to absorb and maintain the value delivered by a project?

Questions range from requests for information to requests for advice and recommendations. While initial answers are likely to be in the form of aggregated and digested information, later answers imply a strong judgment based not only on the project, program and portfolio information, but also on the **business cases behind each of the projects** –and how changing stakeholder needs can affect project value.

The **typical decisions** that a strategic PMO can make include some of the following:

- **Cancelling an ongoing project**
- **Deciding which projects** best fit into programs or into the portfolio
- **Defining change requirements** following project delivery
- **Re-allocating resources** away from secondary or non-strategic projects

Image 4: **Filter process of the demand of projects in an agile portfolio**



When portfolio management is based on agile principles, it is also natural for PMO managers to guide their decisions with a permanent eye on stakeholder satisfaction and the incremental delivery of business value.

In the end, one of the major **differential factors** between a controlling PMO and a strategic PMO is largely based on their empowerment and authority: the **PMO can only invest on its strategic mission provided that it has enough credibility vis à vis the board of directors** –either by full representation and veto and vote power, or at least with the right to be heard.

4.3 Linking project outputs, outcomes and benefits

Under PBM, of each project can be summed up as a **"collection of sustainable business value programmed in time for its realization"**[7].

Although business value changes from time to time, a good approximation is to **analyze how different stakeholders benefit from project results**. Of course, very often a project will not generate direct but indirect benefits. In other words, it will allow other portfolio components or activities to take off –which will, in turn, impact stakeholders.

In order to frame project benefits, a distinction must be made between immediate results and subsequent consequences:

- **Project outputs** are delivered as soon as the project is completed
- **Project outcomes** are "the value, the benefit or the utility created as a result of a project or ensemble of successful projects so that they change significantly the business".

Managing benefits is a transformational practice. According to a joint analysis of PMI, BCG and The Economist Intelligence Unit, the probability that individual projects exceed their expected **ROI is multiplied by 3** when mechanisms for realizing benefits are adopted [8].

For a strategic PMO, the focus on benefits links business elements that don't fall under the current project umbrella [9]. **Benefit communication plans** should be a major component of benefit management, as properly communicating project value beyond delivery has the effect of breaking down barriers across project teams and functional units.

Furthermore, defining benefits can proactively generate demand and help prioritize it. One of the main criteria for the authorization of a new project into the portfolio should be whether it enters into smart synergies with other program components, and how it enables the achievement of strategic objectives.

Box 3:

Good practices in benefit realization management

- Identify expected benefits
- Define metrics for success and failure
- Consider benefits when classifying, prioritizing and allocating resources to projects
- Include benefit monitoring as a feature of portfolio management
- Amend projects according to benefit monitoring: scope, deadlines, resources or even project cancellation.

Box 4:
Example of articulation between strategic issues, benefits, intermediate objectives, projects and indicators in a professional services company.

Strategic theme: Excellent service

Benefit: Improve customer loyalty and return purchases

Objectives:

- Decrease subscription cancellations by 25% in one year
- Increase the number of clients requesting additional services by 40% in 3 years

Program:

- Development of new products to complement unmet customer needs

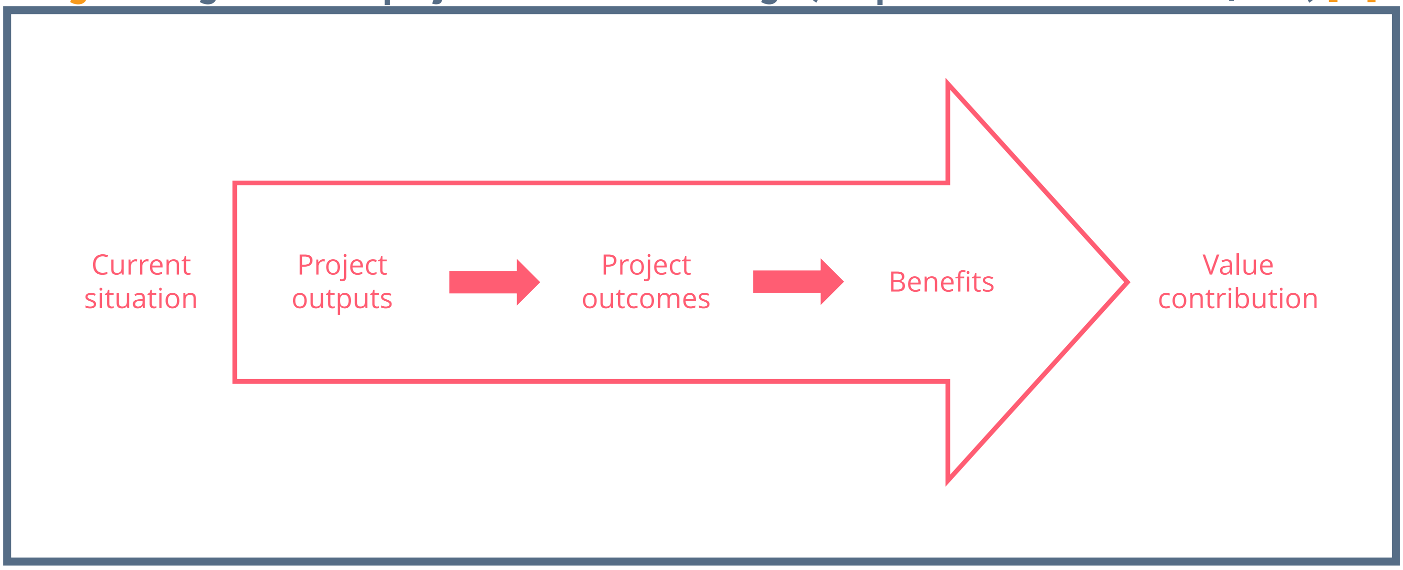
Projects (outside the program):

- New ticketing system for incident resolution.
- Map of the user experience through all service points of contact

Indicators:

- Incidents resolved in 24 hours
- Canceled customers who have expressed low satisfaction with customer service
- Points not satisfied by the new offer
- Cancelled subscriptions
- New subscriptions to secondary services

Image 5: **Diagram of the project-to-benefits linkage (adapted from Serra & Kunc, 2015) [10]**



4.4 New skillsets for project leaders

In an organization that takes strategic project management as a method to improve and maintain competitiveness, the expertise of project managers doesn't rely on purely technical arguments.
In other words: if the profile of a portfolio manager must compile the characteristics of a business architect, an entrepreneur and a program manager [11], project managers too should share a vision linking their area of sole responsibility with other portfolio components. This results in active collaboration towards the generation of new synergies, the coordination with other teams and departments and the pursuit of benefits and planned effects beyond their own projects.

In order to train and retain talent with these characteristics, we recommend drawing professional development paths initiating in the collection of change requirements and their linkage with critical PBM areas: portfolio management, PMO and the evaluation of value delivery.

Senior management can also take advantage of greater familiarity with the techniques, metrics and arguments that are used for standalone projects, for portfolio management and for benefits realization. The presentation of project results can be taken as the meeting point between the most tactical and operational level and the long-term vision of strategy and the business.

Leaders who adopt PBM recognize the importance of projects for such vital cross-cutting missions as technological integration, innovation and strategic realization.

5. Conclusions

Project-based Organizational Management can support the development of multi-project organizations that, regardless of their core business, need to transform and reinvent their model with the addition of competitive advantages.

This white paper presents a practical model that each organization can incorporate in its own term. The model consists of 4 principles: project portfolio agile management; a strategic PMO that participates of top decisiones; an ambitious articulation of the relation between benefits and long term goals; and a new capacity of project management as a connection between technical and business arguments.

Leaders who build that model will start sharing a space with project management. In that common space, projects are selected, controlled, evaluated, and even cancelled sinchronously with the progress of the organization: as the economic environment changes and new market trends appear, the business model will pivot. In addition, these leaders will generate greater sensitivity at all levels to the value creating function of projects, as well as greater recognition of the deep interdependencies that connect the different projects of an organization. The adoption of this management framework signifie, the importance of projects for such vital cross-cutting missions as technological integration, innovation and strategic realization.

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ITM Platform can boost your Project-based Organizational Management, the implementation of Project Management Offices (PMOs) and the management of resources, costs and deadlines with increased efficiency.

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