

PM WORLD TODAY – FEATURED PAPER – MAY 2008

Catapulting Productivity with IT Project Management and Corporate Governance

By Jim Miller

According to MIT Sloan Schools' Center for Information Systems Research, companies with IT governance earn at least a 20% higher return on assets than organizations with weaker governance. And according to Gartner Research, the worlds leading information technology research and advisory company: *The Project Office: Teams, Processes and Tools*: “*IT organizations that establish enterprise standards for project management, including a project office with suitable governance, will experience half the major project cost overruns, delays, and cancellations of those that fail to do so.*”

In other words, to thrive in today's demanding high tech business climate, there is no question that IT Project Management must enlist the aid of strategies that accelerate progress. To ensure best practice ideas, project management leaders, particularly in the IT world, must focus on keeping a team on track and above all, help to avoid costly mistakes. This is where IT Project Management and Corporate Governance come in.

Boosting IT Efficiency

As a way to boost IT efficiency, cut costs, and improve upon project delivery in terms of time and budget, many corporations are now turning to Project Management and Corporate Governance. As a relatively newer concept, still in the early stages of development, IT Project Management and Corporate Governance ensures the integrity of IT systems and provides appropriate controls for risk management, records management, asset management and compliance with laws and regulations.

Aligning with Strategic Objectives and Performance Goals

At its best, project management helps in getting projects done correctly, but when project management and corporate governance join forces, the result meets the evolving needs of today's organizations and project management projects more effectively. To quote The Information Systems Audit and Control Foundation (ISACF), “*IT Project Management and Corporate Governance is the set of responsibilities and practices exercised by the board and executive management with the goal of providing strategic direction, ensuring that objectives are achieved, ascertaining that risks are managed appropriately and verifying that the enterprise's resources are used responsibly.*”

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The ISACF goes on to say: *“IT governance consists of the leadership and organizational structures and processes that ensure that the organization’s IT sustains and extends the organization’s strategies and objectives.”*

The principal behind IT Governance is to create a set of generally accepted measures, indicators, processes and best practices that ultimately assist Information Technology Management in developing appropriate IT governance. As a result, not only does IT governance maximize the benefits derived, but also IT Project Management/Corporate Governance allows IT departments to align with strategic objectives and performance goals set up specifically for the enterprise. With increasing concern about the proper use of information, when dealing directly with an IT department’s strategic planning, operations, financial and other control frameworks, good IT governance practices share numerous fundamental principles with enterprise governance.

The Information Technology PMO Governance Road Map

As challenging as it may at first seem, many corporations in today’s high tech world, are raising awareness when it comes to improving on project delivery, which leads to the most critical element of a well functioning IT environment. In other words, how a corporation operates depends a great deal on the processes in place, the policies determined and the laws that affect the way the operation is directed, administered and controlled. To that end, the IT Project Management Office, (PMO) Governance function provides for the management of information technology within a firm, as it includes the decision processes, measurement, and the underlying accountabilities that align the management of IT to business objectives. Proper IT governance represents a critical element of an IT environment, which contributes to an effective system of internal controls. Among other outcomes, the IT PMO Governance function should include the following:

- Identification of relative value of IT efforts, based on the current state of a business and the business direction
- An ability to allocate resources that are in line with the value and delivery of same
- Ongoing and proactive management of IT assets and efforts
- Timely issue identification and resolution
- Proper planning for capital expenditures and the right expense levels
- A common IT vision and architecture for the organization
- A properly sized IT organization
- An ability to hire and retain the best IT resources

Further, the IT Project Management Office (PMO) should focus on IT Governance by implementing a fully functional organization that addresses a complete scope of activities, roles, responsibilities, and key performance metrics related to IT projects and programs. The IT PMO should address these process areas by focusing on the following key elements:

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- Investment decision making
- Standard methodologies
- Performance metrics and reporting
- Issue resolution
- Capacity and resource management
- Standard tools
- Project administration
- Change and Release management

A Governance Perspective

The IT PMO is designed from a governance perspective as a means of assisting senior managers in the prioritization of the best return on investment and strategic projects. By reducing “churn” across projects, efforts should clearly improve on IT productivity. These processes will also raise executive awareness of IT project priorities and schedules and improve alignment across organizations. Typical goals for IT Governance are as follows:

- Approve or defer new projects
- Prioritize the pending queue of work.
- Set thresholds for enhancement resources vs. new development.
- Decide what goes on hold, to accommodate priority issues (i.e. acquisition, etc.).

The Process Stages

Formal IT planning is critical to an organization’s IT capabilities as it complements a business by delivering high value requirements, which includes the need for effective IT controls surrounding matters that affect accounting and financial reporting. A well designed IT strategic plan also outlines the future direction of an organization, as IT must support and align with the overall business plan laid out by a company.

The IT Investment Process

To effectively support the business plan, IT requires a user-driven “Investment Process” where users understand relative business value, define the priorities, and provide IT with the necessary resources and funding to effectively deliver solutions. The IT organization has the responsibility to support this process by providing the necessary data required to elevate various options. The overall capacity of the IT organization is key to this process, as IT will manage its resources as an asset through a well-defined capacity management process. Moreover, a well-defined and managed application portfolio will optimize use of available IT application development/support resources.

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The Strategic Investment Process

The next step in the “IT Investment Process” is the Strategic Investment Process,” whereby formalized planning is accomplished on an annual basis in advance of the succeeding year. This type of planning starts at the enterprise level and considers plans from all leaders within the firm, which is then submitted to the leaders of the company. Senior leadership considers projects from the respective functional areas (i.e., sales, engineering, IT, finance, etc.) and makes decisions based on strategic planning metrics.

The Tactical Investment Process

Following the “Strategic Investment Process” is the “Tactical Investment Process.” In this stage, tactical planning is accomplished in such a way so that IT leadership formally interviews each member of his or her leadership team about the member’s prospective projects. These projects are thoroughly reviewed and sorted for relevance and merit. On approval, the CIO submits to his or her manager recommendations for review. This process is repetitive in nature. (Figure 1 Example).

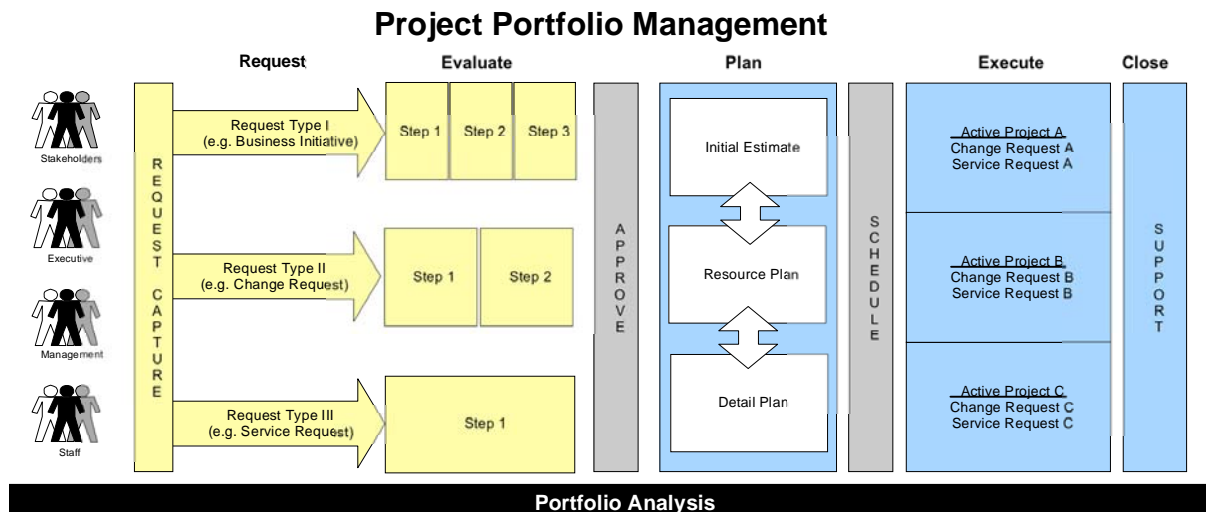


Figure 1

The Information Technology PMO Strategic Design

IT PMO Processes are designed to provide the following services:

- On-time Delivery
- Smooth Releases
- PMO Reduces
- Pooled Services

Intended to harness the full capability of the IT organization, the PMO Project Process plans and executes new products and solutions with speed and agility. Its purpose is to implement a market focused, cost effective, and customer driven Project Management structure. Ultimately, the IT PMO goal is to become a solution leader organization for its customers, thereby conveying technology leadership and operational excellence, as well as leveraging core competencies that deliver new products and customer solutions.

Increased Capacity to Meet Demands of the Business

- Automate PMO Practices, Methods and Project Management Tools
 - Automating existing PMO processes allowing for the early detection of project slippage or failure
 - Gain efficiencies by building standard project methodologies and tracking metrics
 - Increase the number of PMI certified project managers
- Institute Business Case and Financial Analysis
 - Rigorous financial analysis of potential projects and opportunities
 - Real time visibility into estimates vs. actual
 - More efficient allocation of resources (productive vs. non productive)
 - Visibility into resource utilization & allocation
- Develop Consultative Partnerships and Relationships Throughout the firm
 - Advise employees on best practices
 - Provide capability for organizational maturity assessment and improvement planning
- Improve Communication
 - Collaboration with project workers across functional areas
 - Development of the PMO website and repositories
 - Effectively communicate to management new project requests that align with corporate goals

In Conclusion

What does all of the above have to do with an Information Technology Project Management Office (PMO)? As it turns out...it has a lot to do with IT! An IT governance framework allows for project management to make better decisions and makes certain that IT projects deliver what's expected. In fact, if an Information Technology Project Management Office is designed to align with an industry standard framework (i.e., COSO, CobiT, ITIL, CMM, etc.) a company will have taken a major step forward in the development of a transparent organization. Whether the goal is for a solid foundation of business fundamentals or the objective is for strategies that help seize growth opportunities, consistent processes where the necessary controls capabilities are in place, allow a company to meet a set of best practices. Use of information technology and the development of appropriate IT governance and control, definitively creates a set of commonly accepted measures, indicators, processes and best practices that assist Information Technology Management in maximizing the benefits derived.

Suggested Readings

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“You can only govern men by serving them.”
— *Victor Cousin, French philosopher (1792-1867)*