



Portfolio Management with Clarity PPM™ **Best Practices**

In 1999, Noland Eidsmoe wrote his first article on the topic of project portfolio management (PPM), which was published in the December 2000 issue of PMI's PM Network titled "The Strategic Program Management Office". At the time, the PMO concept was in its infancy and not widely accepted, with few articles and no standard practices.

What a difference a decade makes! The Portfolio Management concept, which was accelerated early-on by the need of CIO's to achieve better alignment with their business customers, is now a generally accepted Best Practice. It was also spurred-on by Enterprise Project Management vendors who naturally promoted the concept through the use of their software tools and services.

When authoring his first article on the Strategic PMO twelve years ago, Mr. Eidsmoe was an accomplished principal consultant with ABT Corporation, providing implementation, training and mentoring services in their Results Management Suite (RMS), which included as a byproduct, a manually-driven and primitive way of performing portfolio management.

Niku Corporation, having enjoyed a successful IPO, purchased ABT's RMS suite and numerous other companies in the emerging PPM software sector. Following the convergence of its eNiku project management and collaboration software with RMS, Proamics project accounting application and numerous feature sets from other acquired tools, Niku Corporation released Niku 6 which was soon renamed and marketed as Clarity PPM 7.0; a highly evolved application suite with significant project and portfolio management capabilities.

In 2005, CA Technologies (formerly Computer Associates) sought to complete their IT Management and Governance applications offerings and purchased Niku along with its flagship PPM product Clarity. Today, the Clarity suite of Project and Portfolio Management (PPM) software is in its 12th release, and is known as the premier application of its kind around the world.

This white paper presents the high-level principles, best practice processes and best practice implementation path for enabling CA Clarity Portfolio Management.

While portfolio management can be implemented at many levels within an enterprise, including the organizational strategic level and departmental tactical level, this paper focuses primarily on the strategic level. Though you will find that most of the principles and best practices contained herein also apply at the tactical level, the business drivers are different, which will result in some variation.



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Portfolio Management Principals

Portfolio Management is the coordinated management of strategic processes and decisions that enable the most effective balance of organizational Change and Business As Usual. Portfolio Management is a continuous and dynamic process: The environment is continually changing in terms of company political, business driven requirements and strategic necessities for change. This continual change requires an innovative process to continually balance the need for change, with available resources.

The following principles further elaborate on the concepts of Portfolio Management:

1. Project Management is concerned with doing things right, while Portfolio Management is about doing the right things.
2. The right things are those that contribute most to the organization's strategic objectives.
3. While Portfolio Management can be based from the bottom up, it is most effective when it is top down.
4. Fully mature project and program management is not a prerequisite to Portfolio Management (it is a nice to have, not a must have).
5. An executive board should be the driver for Portfolio Management process governance.
6. The Portfolio of changes contains both Current Changes and Future Changes.
7. The Portfolio Management process should control the changes to the Business as Usual.
8. Portfolio Management can easily fit into an annual or quarterly budgeting process.
9. The Portfolio Management processes should be carried out by a PMO; Project Management Office; Program Management Office; or Portfolio Management Office.
10. A mature organization may find benefits to employing all three types of PMO's.
11. A PPM application suite, such as CA Clarity PPM (for IT, PSA, and/or NPD), should be incorporated into the best practice Portfolio Management processes.
12. IT Service Management (ITSM) principles as defined in ITIL (Information Technology Information Library) can be implemented through the best practice Portfolio Management in CA Technologies Clarity PPM™.



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Portfolio Management Best Practice Processes

These best practice processes establish the steps and methodology to define the portfolio of investments (changes to the “business as usual”) that are chosen to be implemented – typically through project or program management:

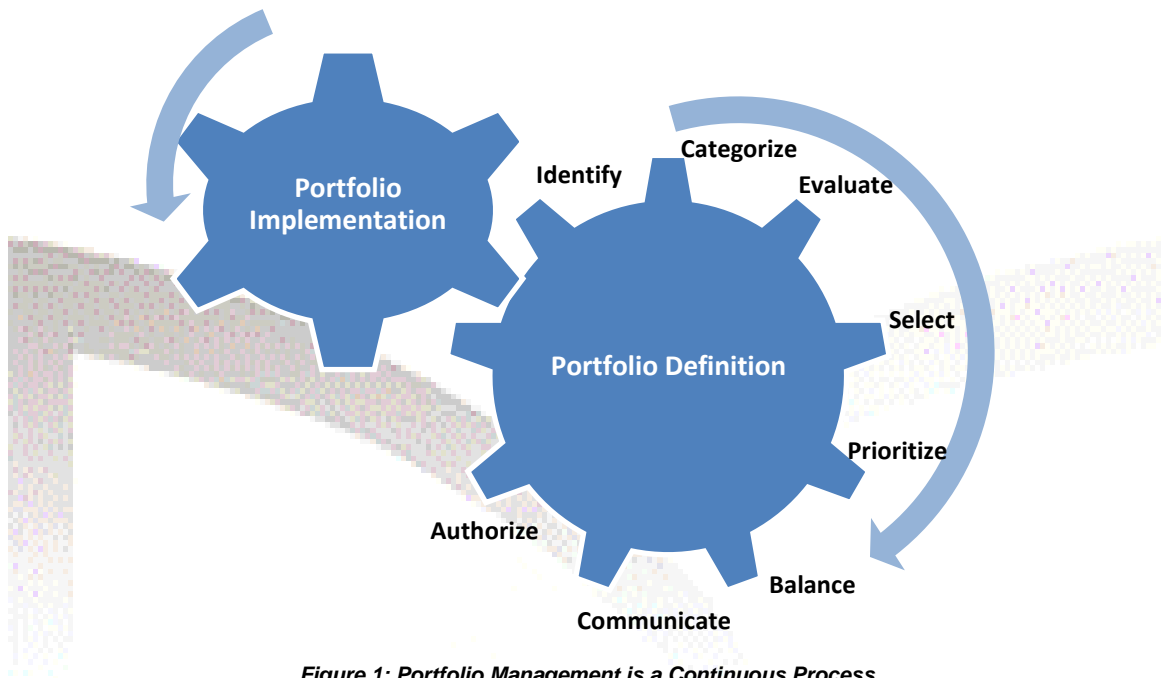


Figure 1: Portfolio Management is a Continuous Process

1. Identify Investments

The inventory of new and on-going investments (business changes) needs to be captured and identified (from strategic objects, ideas, and other requests) so that they can be evaluated and grouped into a portfolio(s). The output from this process is a list of projects and other investments with complete key description information following initial screening of the potential items. CA Clarity PPM™ provides this output as projects, ideas, applications, services and other investment types.

2. Categorize Investments

Once the list of changes are identified, each investment needs to be categorized into pre-determined categories that define such attributes as run the business, or grow the business; each investment's links to the company's strategic objectives; and other groupings that define the portfolio. The output from this process is the list of changes that have been organized into categories of similar strategic need – an initial look at balance. CA Clarity PPM™ facilitates this process by providing the attribute category choices for each investment and further incorporating them into display lists.



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3. Evaluate Investments

All relevant information on each investment, such as cost, benefit, risk, resource demand, strategic alignment, priority, and status needs to be collected or determined to facilitate the evaluation and selection process. In this process, the information is then evaluated into a score, resulting from a scoring model approved by the governance board. The output from this process is a scored list of investments. CA Clarity PPM facilitates this process by providing the scoring attribute in the investment and optionally, a series of computational attributes.

4. Select Investments

Based on the categorized and evaluated investment list, the portfolio list of changes can be narrowed down to include only those that are worthy of pursuit. The output from this process is the initial valid candidates. CA Clarity PPM facilitates this process by providing the investment list with attributes to reflect the initial decisions.

5. Prioritize Investments

Next the Investments are ranked within each strategic category based on scoring and other inputs to produce a prioritized investment list within each category or portfolio. Prioritization criteria must be approved by the governance board and typically includes methods to weight key criteria such as strategic alignment, planned cost, risk, benefits and status. The output from this process is the categorized, evaluated and prioritized in a list of investments. CA Clarity PPM facilitates this process by providing analysis tools such as bubble charts to evaluate the portfolio, a “what if” scenarios mechanism to test changes to the portfolio and the resulting investment list with attributes to reflect the initial decisions.

6. Balance Portfolio

Finally the mix of investments is balanced to satisfy goals and strategic objectives, risk level tolerance, resource demand compared to capacity, cost against the portfolio budget, and any other considerations to provide the final portfolio of investments. This may include balancing short-term goals to long-term goals, balancing resource demand to capacity, balancing to the portfolio budget and balancing investment dependencies. The output from this process is the final list of approved investments that comprise the portfolio. CA Clarity PPM facilitates this process by providing a ‘what if’ scenarios mechanism to test changes to the portfolio and by providing the resultant investment list grouped into portfolios, with all evaluated and calculated attributes.

7. Communicate Portfolio

Once the decision on the final portfolio investments have been completed, the results need to be communicated to all stakeholders to reset expectations and reset implementation plans. The output from this process is the communication, based on an approved communications plan, to all stakeholders. CA Clarity PPM facilitates this progression by providing a notification process that communicates directly to investment managers and owners via an action item of the changes they should make to their investments.



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8. Authorize Investments

As a concluding step, each investment in the final approved portfolio needs to be implemented as project and program plans within CA Clarity PPM. This is a planning or re-planning process based on the results of the approved portfolio. The output of this process is the approved, funded, resource-authorized and planned list of investments. CA Clarity PPM facilitates this process by its built-in project and resource management capabilities.

Implementing Portfolio Management with CA Clarity PPM Best Practices

According to the June 2010 Gartner Magic Quadrant for IT Project and Portfolio Management, the CA Clarity PPM application is one of the prominent leaders in the Leadership Quadrant. Given its long history, expansive development and culture of advances, dating back to Niku and ABT, it is easy to understand why CA Clarity PPM is continuously found at the top of the Leadership Quadrant year-after-year.

One of the most significant advantages of using CA Clarity PPM is that it serves an extensive number of disciplines including: Project and Program Management, Demand Management, Resource Management, Financial (Budget) Management, Portfolio Management, and Reporting. Each discipline leverages data created in the other disciplines such that when you get to the discipline of Portfolio Management, much of the data required by the processes already exists in CA Clarity PPM.

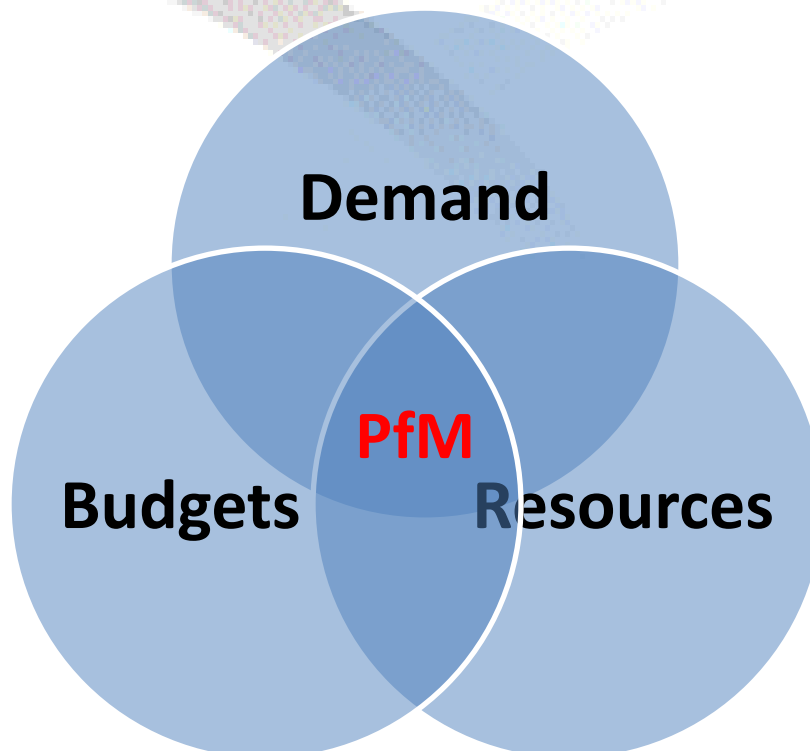


Figure 2: Out of the Box, Clarity PPM Data Automatically Flows into Portfolio Management



Portfolio Management with Clarity PPM™ Best Practices

- CA Clarity PPM Demand Management

In Clarity PPM, Demand Investments are contained in Projects, Ideas, Applications, Products, Assets, and Other Work, with projects being the real center point. All investment types can be utilized or only projects, depending on individual organizational needs. The new inventory list of investments is identified and then maintained in the appropriate module within Clarity PPM. New demand can either flow from the Ideas module or be added directly to the projects module with an unapproved and unfunded status. Within each project on the list, a complete set of project management information is created, updated, maintained, and controlled. This includes the project team staffing of resources (both labor and non-labor); the detailed Work Breakdown Structure set of tasks, with resource assignment, estimates, and schedules; risk and issues identification and control; and Financial planning either in simple form or more detailed financial plans based on the resource plans. Together, these fully support all the portfolio management best practices.

Project	ID	Manager	Risk	Alignment	Planned Cost	Priority	Start	Status Indicator
<input type="checkbox"/> NE 2 Additional Class Demo Project	PRJ00010	Eidsmoe, Noland	◆		100,000.00	10	9/14/09	◆
<input type="checkbox"/> NE COURSE PROJECTS	PRJ00042	Eidsmoe, Noland	◆	85	30,000.00	10	1/1/11	◆
<input type="checkbox"/> NE ERP PROJECT	PRJ00005	Eidsmoe, Noland	◆		50,000.00	10	8/1/09	◆
<input type="checkbox"/> NE ETC DECREMENT TEST FROM TIMESHEET	PRJ00050	Eidsmoe, Noland	◆		0.00	10	6/7/10	◆
<input type="checkbox"/> NE EVM 2 DEMO PROJECT	PRJ00035	Eidsmoe, Noland	◆		12,800.00	10	11/23/09	◆
<input type="checkbox"/> NE EVM 3 PROJECT	PRJ00037	Eidsmoe, Noland	◆		12,800.00	10	11/23/09	◆
<input type="checkbox"/> NE EVM DEMO PROJECT	PRJ00034	Eidsmoe, Noland	◆		16,000.00	10	11/23/09	◆

Figure 3: Project Listing in Project Management Module

From a total demand standpoint, once all information is captured and identified in Clarity PPM, that demand can be monitored in various views such as the life-cycle funnel view reflecting the stages of the investment list.

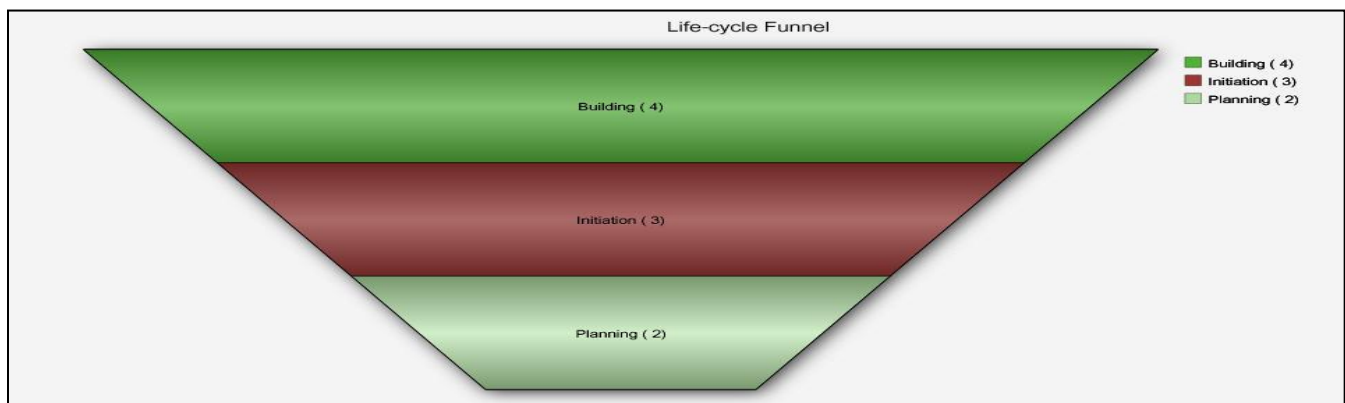


Figure 4: View of Demand Inventory by Life Cycle Stage



Portfolio Management with Clarity PPM™ Best Practices

- **CA Clarity PPM Resource Management**

Just like investments, resources are captured and identified in Clarity PPM and then used to staff projects and other investments to accomplish work. The staffing process is supported in Clarity PPM with resource load balancing tools to help the resource manager and the project manager negotiate the allocation of resources based on their remaining availability. A by-product of this process is that Clarity PPM automatically tracks resource capacity to resource demand. This can be significant in the portfolio management best practice balancing process.

Resource/Role Allocations		(Resource-Labor: John Doe)					
Summary		Detail					
Scenario		[-Plan of Record-]					
Allocations - Filter		[-Actions-]					
Filter		System Default					
		Weekly Allocation					
		2/14/11	2/21/11	2/28/11	3/7/11	3/14/11	3/21/11
<input type="checkbox"/>	CSK Business Analyst	NE EVM 2 DEMO PROJECT					
<input type="checkbox"/>	CSK Business Analyst	NE EVM 3 PROJECT	16.00	16.00	16.00	16.00	16.00
<input type="checkbox"/>	CSK Business Analyst	Noland Eidsmoe Budgeting Exercise ACTUALS TEST					
<input type="checkbox"/>	CSK Business Analyst	Payroll	16.00	16.00	16.00	16.00	16.00
<input type="checkbox"/>	CSK Business Analyst	PM Class Demo project	16.00	16.00	16.00	16.00	16.00
<input type="checkbox"/>	CSK Business Analyst	Vacation - PTO					
Aggregation							

Figure 5: Resource Management Helps Load Balance Resource Demand

- **CA Clarity PPM Financial Management**

Clarity PPM Financials are implemented within the investments in the form of Simple or Detailed Budgets, Actual Costs, and Chargebacks (optional). The true power of Clarity PPM is really demonstrated in using detailed financial plans that are created simply by clicking the button “New From Resource Plan”, which converts the detailed project plan into a financial plan. However, it is not necessary to start at this advanced level: Using “simple budgeting”, you only need the budget amount and the benefit amount, and the rest is taken care of by Clarity PPM. With either method, the financial information flows into the Clarity PPM Portfolio Management module for analysis of projects.



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Financial Planning	
Currency Code	USD
Planned Cost	400,000.00
Planned Cost Start	10/1/2010
Planned Cost Finish	10/1/2011
Planned Benefit	700,000.00
Planned Benefit Start	1/1/2011
Planned Benefit Finish	1/1/2015
Planned NPV	236,027.24
Planned ROI	60.62%
Planned Breakeven	5/31/2013
Calculate NPV Data	<input checked="" type="checkbox"/>
Budgeted Cost	400,000.00
Budgeted Cost Start	10/1/2010
Budgeted Cost Finish	10/1/2011

Figure 6: Simple Budgeting for the Project

- CA Clarity PPM Portfolio Management

Within the Portfolio Management module, portfolios are created following the best practice portfolio management (PFM) processes identified earlier. A portfolio is created simply by selecting the projects or investments from those already created in Clarity PPM.

The list of investments that form the portfolio can be displayed in the Scorecard view that displays many of the key metrics used in the processes used in the selection of the portfolio investments.

Portfolio Scorecard (Portfolio: NE DEMO PORTFOLIO)														
Investments														
Investment	ID	Priority	Goal	Alignment	Risk	Stage	Start	Planned Cost	Actual Cost	Remaining Cost	Role Demand	Role Actuals	Remaining Role Allocation	
Call Center Improvements	PR2006	30	Grow the Business	◆	◆	1/1/11	993,197.42		993,197.42	1.00			1.00	
Co-Funded CRM Enhancements	PR2017	18	Grow the Business	◆	◆	1/1/11	24,863.01		24,863.01	1.00			1.00	
Develop Clarity Training	DevelopClarityTraini	10	Maintain the Business	◆	◆	1/3/11	20,000.00		20,000.00	1.00			1.00	
Enterprise Portal Content Delivery	PR2002	10	Grow the Business	◆	◆	1/3/11	40,000.00		40,000.00	1.00			1.00	
Financial Reporting - Capitalized	PR2015	30	Infrastructure Improvement	◆	◆	1/1/11	49,726.03		49,726.03					
NE COURSE PROJECTS	PRJ00042	10	Business Strategy	◆	◆	1/1/11	29,835.48		29,835.48	1.00			1.00	
New Courseware Project	PRJ00003	10	Maintain the Business	◆	◆	1/1/11	165,532.90		165,532.90	1.00			1.00	
PM Class Demo project	PRJ00014	10	Cost Reduction	◆	◆	9/14/09	21,614.65		21,614.65					
System Migration	PR2021	10	Maintain the Business	◆	◆	1/1/10	29,781.22		29,781.22	1.00			1.00	
Aggregation							1,374,550.72		1,374,550.72	7.00			7.00	
Comparison							1,200,000.00			6.00				
Variance										-174,550.72				-1.00

Figure 7: Investment in the Scorecard view Used in the PFM Processes



Portfolio Management with Clarity PPM™ Best Practices

Many views (“Portlets”) are available to evaluate, analyze, prioritize, and balance the portfolio through each of the process steps. One typical method is the bubble chart showing various components attributes of the portfolio against business alignment levels.

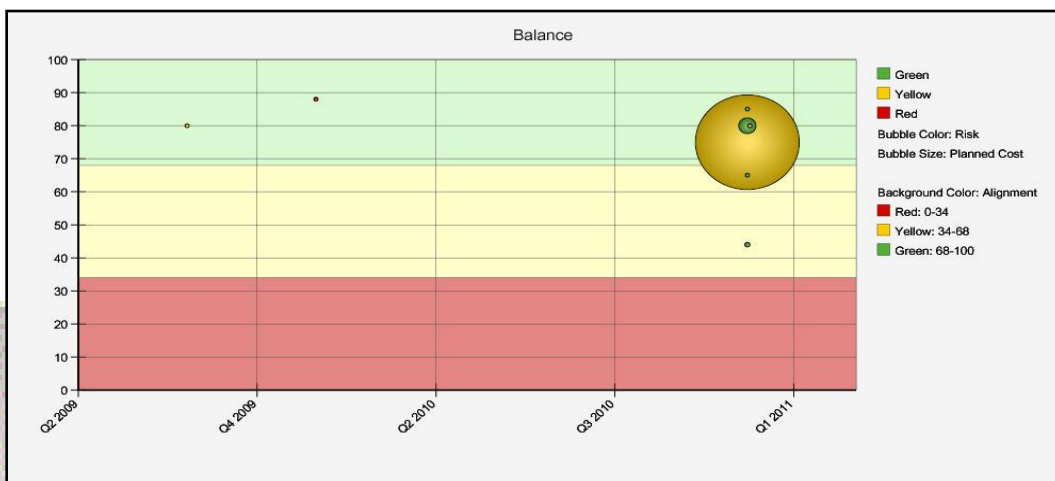


Figure 8: Investment Balance View Used in the PFM Processes



Figure 9: Investment ROI against Business Alignment Chart Used in the PFM Processes

CA Clarity PPM provides the complete environment to facilitate project management, resource management, demand management, and portfolio management. In using Clarity PPM, the idea is that it is not a ‘magic button’ but rather an environment to make the portfolio selection process better and more efficient.



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