



What Companies Should Know About a New Generation of PPM

By Patrick Tickle
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Enterprise software - ranging from ERP, CRM to HCM- has transformed leading organizations. These mega business applications have automated processes and given organizations insights that allow them to increase profitability and better manage their operations. As leading analysts, companies and IT experts are beginning to recognize, a new application, one more strategic and less process focused, is rapidly gaining traction.



Project portfolio management (PPM for short), from its inception, was primarily leveraged to gain unprecedented levels of visibility and control over IT- from project managing implementations to tracking return on investment.

[SYSTEM-AD-LEFT]Yet the key facets of PPM, including its ability to provide unparalleled visibility into metrics, manage resources and prioritize, provide more than tactical analysis; it provides the information needed to make strategic decisions, along with integrated planning and execution.

Think of it this way, the first "P" in PPM can stand for project, program, planning, product and/or people. It's that versatile.

In a recent report from Gartner, Market Share Analysis: Project and Portfolio Management Software, Worldwide, 2010 by Laurie Wurster and Asheesh Raina, the firm finds that "2010 represented the return to strong growth" in the PPM market, with revenue in this segment growing by over 14 percent worldwide. This compares with Gartner's 2010 overall enterprise software growth forecast of 4.5 percent.

Why PPM?

PPM found a sweet spot in IT, and it continues to be in demand because of the complex nature of the IT environment. With high dollars at stake, not being able to measure the benefit or manage projects with precision in IT is a risk. IT leaders are under constant pressure to prove value to the business, defend budgets, reduce a growing backlog of projects and deliver greater transparency to the enterprise.

Today, PPM for IT is a best practice within world-leading organizations to middle-market companies as a result of its ability to align very large-scale investments and multifaceted, longer-term projects. Corporate IT departments continue to reap great benefits from PPM.

Increasingly, organizations want to maximize the outcome of their projects and resources. Any investment — IT or otherwise — is at risk if it does not align with the business strategy. According to the Harvard Business Review, nearly 40 percent of all investments are wasted due to a lack of alignment with business strategy.

But, as executives are well aware, there is plenty of risk and uncertainty within companies to go around. Misallocating resources can spell disastrous losses in many segments of business that have multiple facets and require intensive resources, such as a robust portfolio of products and innovation-oriented projects, corporate financial planning or delivering talent and expertise in the form of services.

The Rise of PPM

Leading organizations want to optimize their resources. During the recession, companies had to rein in spending to keep pace with falling revenue. Many did so very effectively, and to a degree that enabled them to boost profits to substantial levels.

The lesson learned was that better managed initiatives - ones where resources are monitored closely - allow organizations to do more with less.

During the initial quarters of the recession, the focus was naturally to draw down spending. However, it wasn't too long before leading companies came to the realization that competitive pressures had to be addressed and their organizations needed to reinvent and innovate. The Boston Consulting Group's Innovation report in 2009 found that 72 percent of companies named innovation as a top strategic priority, nearly 13 percent more than the previous year.

Looking back, 2009 was a crucial time for companies to quit reacting and get back to strategy. The percentage matches the highest reading seen in the survey in seven years. What it says is that innovation and forward-looking strategic planning cannot remain stagnant, even when there are lower levels of revenue and ongoing uncertainty in the economic landscape.

It is this intersection and tension — between resource constraints and the ongoing struggle of businesses to innovate and generate more profits — that has launched PPM and brought it to the forefront as the next enterprise-level solution. PPM, fundamentally, is designed to optimize the planning and execution of strategic objectives and is highly applicable to numerous lines of business within an organization.

The ability to manage a series of projects with the capacity to review data, information, holistic costs and timelines enables organizations to maximize their existing resources and stop guessing at what it takes to move their business forward.

If organizations were doing great without PPM, its adoption would not be growing. The fact is many leading organizations are feeling the pinch. According to Planview's second annual Product Portfolio Management Benchmark Study, which surveyed more than 1,000 respondents, only 25 percent rated themselves good or excellent at resource capacity planning. Companies are clearly concerned and stressed; many believe they are falling behind in this area.

In the same study, 57 percent of respondents cited a pain point as "too many projects for their resources," and "not being able to drive innovation fast enough" moved up from fifth to the third highest pain-point this year. It's easy to deduce a picture of discomfort stemming from the delicate balance between facing the competition and ensuring resources are focused on what is going to provide meaningful returns.

Every investment and set of priorities brings with it decisions. PPM is rising up as a solution because it deciphers and untangles the resource guessing game. Once largely buried in complex spreadsheets, projects, programs, planning, products and the people needed for successful execution in the marketplace can now be quantified and tracked.

PPM is a new frontier in enterprise software and one that will help leaders gain an edge well beyond IT.

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