Predicts 2017: PPM Leaders

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The future of conventional IT PPM is far from assured. PPM leaders must take a more activist approach to executing strategy by adopting new approaches to program and portfolio management.

Key Findings

- Too many organizations leave innovation-driven strategy realization to chance. In a digital world, the probability of success due to chance is low, and the implications of failure are severe.

- IT project management offices (PMOs) that deliver poor business value and fail to be pragmatic and proactive will be eliminated.

- The days of everything in IT being a project are over. Leading-edge organizations are managing much of their previous project portfolios as products, which is requiring changes in portfolio resource capacity planning, and is reducing the need for project management.

- The PPM tool market will be supplanted by knowledge worker platforms to enable digitalization.

Recommendations

PPM leaders:

- Bifurcate the portfolio into an operational portfolio and a strategic portfolio. Executing strategy requires a unique focus that is above and beyond what is required to support day-to-day operational investments.

- Transform the PMO into an activist PMO, thereby contributing value to stakeholders and advocating for underserved but important aspects of the IT ecosystem.

- Include both a product component and a project component in your portfolio management approaches. This is especially important with the emergence of consumer-focused digital products in IT and the increasing adoption of the product management concepts that accompany agile.

- Embrace the PPM platform ecosystem model by making integration and adoption first-order concerns.

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By 2020, 80% of end-user organizations will enjoy sustainable, cost-effective, best-of-breed "PPM tool" SaaS tool ecosystems.

Analysis

What You Need to Know

Most industries are entering a new era, shifting from a relatively stable period (at least from an IT perspective) focused on optimizing the efficiency of existing processes, to a more fast-paced exploratory period of innovation and dynamic experimentation. Much of this shift can be attributed to digitalization — that is, the use of digital technologies to create new products and capabilities resulting in revenue and value-producing opportunities from either changed business models or entirely new industries.

The stakes of digitalization are high, but with those potential rewards come greater risks and uncertainties. This is particularly true for a PPM domain that continues to be anchored — at least in part — in obsolete practices and aging successes. Forging (or ensuring) a relevant PPM future requires a dynamic strategy execution capability. PPM leaders and practitioners must seek new and

unexpected partners as they reinvent their profession and earn leadership interest in providing engagement and funding for this new future.

IT project management offices (PMOs) either will adapt and become active partners in digital transformation, proving capable of delivering value that earns praise from business leaders, or they will perish. Heightened business involvement (and sometimes misguided enthusiasm) in technology investments will drive increased scrutiny of investment options as myriad digital business ideas compete for constrained resources.[1]

PPM tools continue to be popular, but, like everything else, digital business will change the nature of exactly what type of work organizations will need to track. PPM tool providers either will evolve to leverage platforms and ecosystems to enable the large-scale collaboration of diverse stakeholders, or they will begin to lose market share, eventually sink into the Trough of Disillusionment and vanish.

Strategic Planning Assumptions

Strategic Planning Assumption: By 2021, enterprises that commit dedicated organizational resources to ensuring that strategy is successfully executed will be 80% more likely to be industry leaders.

Analysis by: Donna Fitzgerald

Key Findings:

Not all PMOs live in IT. Increasingly, organizations have PMOs located in the business, and many organizations have some form of enterprise PMO (EPMO), business transformation office or strategy realization office (SRO) located outside of IT that is focused on executing strategy.[2]

In the next five years, the shift toward digital business will impact almost all organizations directly or indirectly. Knowing this, organizations must either model the future and begin executing on a clear strategic response, or ignore the changes until the market impact forces them to scramble in response. Historically, organizations have executed strategy using any means at their disposal. Urgent change got done, but aspirational change got done only occasionally because "occasionally" was good enough, as long as operational imperatives were tended to first. This has been further reinforced by the fact that, from 2008 until very recently, the majority of enterprisewide change focused on cost reduction, which is operationally focused. Only in the past year or so have we seen a shift toward business transformations that included a significantly innovative component. [3]

The shift in the magnitude of what strategy execution efforts are actually trying to accomplish is creating the necessity to rethink how strategy execution is done. Fundamentally, if an organization's strategy can be executed as part of its current operations, then that strategy probably is not sufficiently significant or far-reaching enough to be an adequate response to digital change. Executing strategy is hard because the organization needs to begin thinking, investing and — over time — performing in the manner required by a new business model, while keeping its current business model operating to ensure short-term revenue. In many cases, our clients tell us that some

amount of the planned change is generally successful, but then efforts gradually diminish as the money and people planned for strategic changes disappear into more immediate operational needs.

Developing an enterprise-level competency for strategy execution, such as an SRO can provide significant competitive advantage. It not only increases the probability of success in the digital future, but also nourishes the development of a cultural and human-centered competency rather than a technology or process-centered competency. Other companies cannot easily copy that.

Market Implications:

The first challenge organizations must confront is how to develop an internal capability to consistently and effectively execute strategy. They must learn to do it themselves without outsourcing the management of the strategy/execution process to consulting firms. While we definitely anticipate a market bump in the demand for strategy/execution consulting in the near term, organizations will only gain the benefit of a unique capability if they learn to do it themselves.

If we revert to the old model that every problem can be solved by a combination of people, process and tools, then it should be obvious that the one element unique to any particular company is the quality of its people. Finding, hiring and retaining innovative employees to staff a construct like an SRO will be a necessity for continually executing new and evolving strategies. Also, as useful as we believe organizations will find an SRO to be, it must have change agents to work with. People who can deal with uncertainly, risk and the more-than-occasional failure are not the "follow the process" employees that organizations have been hiring lately, making this a potentially significant culture shift. It won't just be the data scientist that companies will need to hire — it also will be individuals who are able to function in all sorts of roles on high-performance teams. The personality of people who thrive on doing the "new and the different" is unlike that of people who feel best if they "know exactly what they are supposed to do." Unless companies are willing to adopt a less metric-centric approach to work, it will be necessary to build at least a partially bifurcated labor force to ensure that everyone has an equal ability to be successful.

Looking toward 2021, we believe that the current focus on defining a consistent process for doing everything, including innovation, will begin to wane. Anything that is repeatable will be automated, and, therefore, will not represent any form of competitive advantage. Instead, we expect to see an increase in either entrepreneurial or intrapreneurial behavior, which, due to its uniqueness, will be hard for other organizations to duplicate.[4]

Recommendations:

PPM leaders:

When building a sustainable ability to execute strategy, organizations cannot assume they can port their current IT project management capability — with its focus on consistency and risk aversion — to a new enterprise-level strategy execution office. If they do, then they will be unpleasantly surprised when their efforts simply don't produce the right outcomes in the right time frames. However, the work of Charles O'Reilly III and Michael Tushman offers a model (see Figure 1) that is uniquely suited to this situation.[5] Resources are moved to work on strategic initiatives. Projects and

programs are funded as required. When a strategic initiative is ready to become mainstream, it is moved back into the operating portion of the business.

Figure 1. The Ambidextrous Organization
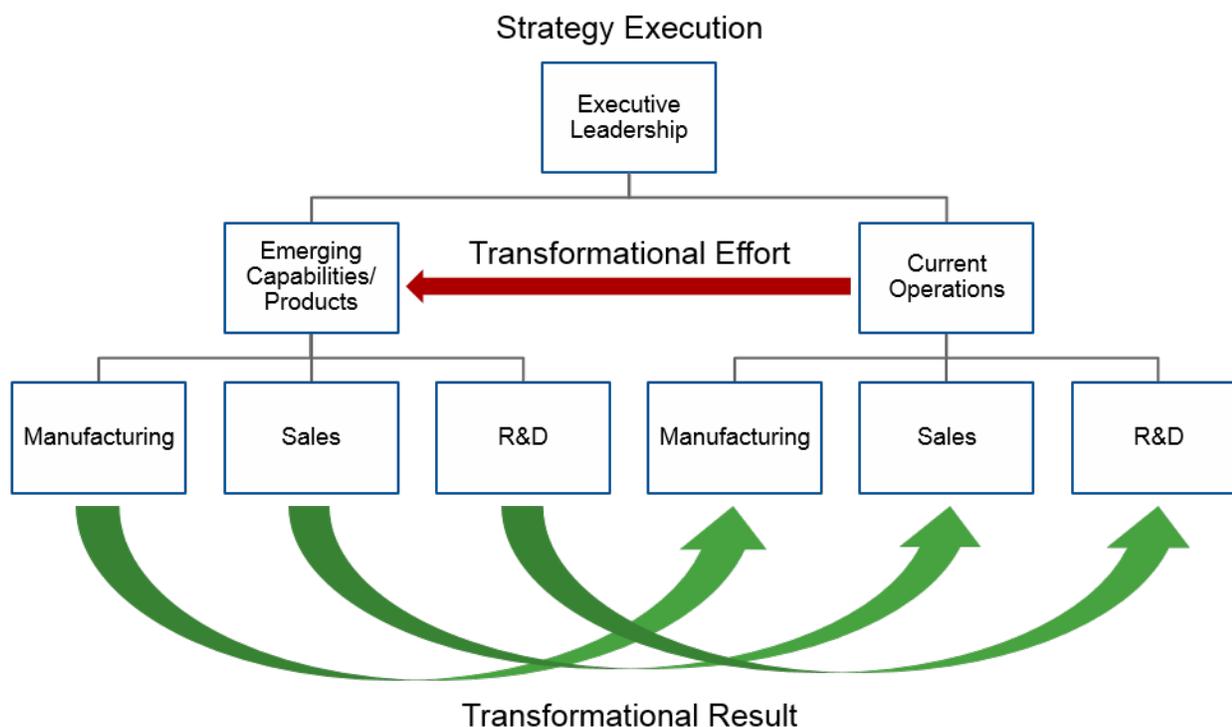
Source: Gartner (December 2016)

Creating two separate organizations may seem like a large initial step, but a more measured approach, which can begin the separation on a "virtual basis," can be accomplished by separating the operational portfolio from the strategic portfolio. We believe software that directly supports building a culture of strategy execution will have at least a short-term competitive advantage.

As we discussed in "Market Guide for Strategy Execution Software," using standard operational toolsets to manage a unique function like strategy execution increases the odds that strategic efforts will ultimately be starved for resources and attention. We recommend considering decision support tools that allow multiple participants in an organization to safely express their input without regard to which strategic tactics — that is, how the strategy is implemented — are chosen.

Most organizations will start with the 80/20 rule — that is, 80% of the organization will be "exploit" and 20% will be "explore." However, as the organization becomes more successful, and as digital era trends become more embedded (increased automation), we anticipate that the human resources component of the two organizations will begin to equalize. As the culture becomes more collaborative and the organizational knowledge becomes more accessible to all (big data), it should

become less and less important to move innovation out of operations to avoid either smothering or starving it to death.

Of course, all advice has a shelf life. We anticipate that a concept like strategy execution is appropriate for the next five to 10 years. At some point in the digital future, the impact of all the potential changes (massive unemployment through automation, humans on Mars, changes in mortality rates and so on) will morph into "the next normal." At that point, "strategy execution" will seem like a vestige of the postmillennial era, but, for now, we believe it's the best all-around fitness program that an enterprise can adopt.

For the next five years, we contend that building the organizational muscle to run the race of effective strategy execution is as important as winning the race. In this sense, being exactly correct with the right strategy at all times may be less important than building the capability to pivot and run in another direction. More than any other time, we contend that building the capability to be successful in the new digital era is a race where speed is favored over precision.

Related Research:

"Hype Cycle for Project and Portfolio Management, 2016"

"Market Guide for Strategy Execution Software"

Strategic Planning Assumption: By 2020, PMOs with an activist orientation will displace most passive PMOs.

Analysis by: Matt Light

Key Findings:

The next few years will mark a critical turning point in the maturation of many PMOs. A confluence of trends — growing investment in digitalization projects, an increased emphasis on such adaptive approaches as agile, lean and Scrum, and the need for speed and tight budgets — will create a "perfect storm" for PMOs that are ready to step up their capability maturity.

Enterprises looking to capitalize on the Internet of People and Things will quickly remove obstacles such as "zombie PMOs" — that is, organizations that were once meant to eliminate risk and provide perfect predictability, but have now outlived their value.

PMOs that make a difference, however, will be acknowledged and rewarded. Some have already reached a maturity of Level 3 or above. To get there, savvy PMO leaders adopt an activist mindset. Like consumer, environmental, investor and political activists, they identify problems and opportunities and attack them head-on. Many PMO leaders today are actively streamlining processes, protecting end-user interests, improving governance and focusing projects on efficient quality.

"Activist" PMOs are steadily replacing the passive, reporting-only PMOs. Among the goals of PMOs looking to shake things up are more involved users and customers, or process "pollution" cleanup; they may focus on driving strategic benefit, or rebuilding dysfunctional decision structures or other

activist reforms. Activist PMOs exert influence politically in support of business and IT management prioritization and process guidelines, and promote needed reforms.

Market Implications:

Activist PMOs promote collaboration and lean, efficient quality management. They don't lend themselves to long-term relationships with consultancies. As such, a secondary market implication of this prediction would be an overall reduction in the market size of PMO consulting services — at least of the tracking-and-reporting variety. Meanwhile, there may be more short-term engagements to assist with the transformation of the PMO or the knowledge transfer of lean concepts. In the long term, however, the decline in long-term PMO consulting engagements is likely to more than offset this. PMO consultancies may have an opportunity to step in where track-and-report zombie PMOs fail to evolve, but, in order to do so, consultancies must boost their own games to activist levels.

PMO maturation will also influence the market for PPM tools, which are the primary operational tools used by PMOs. The growing prevalence of activist-style PMOs may drive PPM tool vendors to improve on their collaboration capabilities. The drive of the activist PMO to reduce waste and improve quality via such techniques as portfolio optimization and lean management will prompt tool providers to strengthen their solutions' analytical capabilities with the inclusion of explicit lean concepts and methods.

Recommendations:

PPM leaders:

Confirm whether your organization would benefit by shifting from the current state of its PMO to that of an activist PMO. Choose an area of activism where a "responsibility vacuum" exists (perhaps analogous to consumer, environmental, investor or political activism), and proceed with care to gain executive management's support of the PMO taking a role. When circumstances allow, use a "lean management" lens to address the concerns of "consumers" — end users and customers — who often have insufficient involvement in the project delivery process. After obtaining executive support, reduce overallocation of resources by supporting prioritization of business cases that stress strategic alignment and accountability. Give senior management targeted recommendations reflecting management priorities, rather than simply collecting proposals or reporting project costs.

Related Research:

"Activist PMOs and the Struggle for Lean PPM"

"How an Activist PMO Helps Share Strategic Vision to Optimize the Portfolio"

"How Activist PMOs Streamline Processes, Protect Users, Raise Stakeholder Value and Improve Governance"

Strategic Planning Assumption: By 2020, 40% of organizations will embrace a product portfolio paradigm to manage technology investments.

Analysis by: Donna Fitzgerald, Robert Handler

Key Findings:

At the end of the day, most IT organizations suffer from a common dilemma — too much demand and not enough resources. With a mere 2.2% global average increase in IT budgets expected in 2017, CIOs are looking to reduce business as usual (BAU) costs to help fund investments in digital business.[6] Much of the BAU costs are in the application portfolio; however, project portfolios have their fair share of BAU, too. Trade-off analysis needs to happen to determine where to invest the scarce resources. We believe a product portfolio management approach will prevail (at least with regard to revenue-generating digital work), with product value as the common denominator to help make tough decisions. With the increased popularity of adaptive methods such as agile and scrum, as well as the increasing popularity of DevOps, the product management paradigm is gaining traction.[7] When these adaptive methods scale, something akin to product portfolio management is recommended. Application portfolio analysis is similar to product portfolio analysis in that value to the consumers is a primary determinant of whether to keep or kill an application. Conventional project portfolio analysis, while similar in spirit, often fails to look at value to consumers/end users because it isn't expected to materialize until the end of the project.

Moving from a strictly project portfolio approach for approving new funding to a product portfolio approach for IT will require a new mental model around funding. In classic product portfolio management, product portfolio managers have to decide which products to introduce, which to keep in the market and which to kill. To get a direct parallel in IT, we need to combine the project portfolio (introduce) with the application portfolio (keep or kill).

Traditionally, the contents of our application portfolio are the countless applications we have previously developed or purchased, all of which provide some level of value to business users. The issue is that, unlike a revenue-generating product portfolio, where customers actually know what the product does and why they want to use it, the products in an IT application portfolio can get to be so numerous that organizations occasionally lose track of what a system actually does and who at the company still uses it.

Because of the agile emphasis on taking a product perspective, organizations now have the opportunity to more tightly couple their application portfolio to their investment portfolio, and, instead of all investments being "projects," many (if not most) of them will become "new product releases." Instead of a series of projects, permanent product teams can be formed and funded in the annual budget. Much of this expense can be capitalized, assuming a product release is approved and completed successfully. The net impact on operating costs should be the same or less than the current project-by-project approach taken by most organizations.

The first step an organization must take to make this transition successfully is grouping "IT applications" into various internal product suites, where each suite is aligned with a business area. Obviously, each suite will contain software products from a variety of vendors, but, from an end-user perspective, each suite will be as close as possible to all the systems that deliver the functionality the business area requires to operate. The organization will also need to ensure that the

appropriate product managers are put in place to handle the ongoing "product evolution" that the business areas will require.

The product managers will look at "customers" to determine the portfolio of work to be done to maximize value to those customers. Of course, organizations will still need to apply the discipline of portfolio management to determine which products to invest in (as opposed to the projects they would have done previously), which to keep and which to kill. We believe that, in the coming years, as organizations seek to prioritize value over cost, the product portfolio approach will become the dominant paradigm for analyzing technology investments in both proposed and existing assets.

Traditional IT projects, such as waterfall software development, may be managed as investments in portfolios using the same general approach. However, the results will be scrutinized to determine whether projects warrant continued investment.

The timing on these changes will be driven by the increased adoption of agile methods and derivatives, such as Scrum and DevOps. The product performance feedback loops created by the increased use of retrospectives can be expected to influence product funding levels in the portfolio. The increasing role of the product manager will eventually reduce the volume of work requests from the individual business units. The move from project to product should increase the throughput of work because the majority of the project control systems will no longer be necessary. To be clear, this prediction is about neither methods nor terms. Rather, it's about the evolution of a common framework to optimize the value received from technology investments.

Market Implications:

Expect consultants to develop new offerings that provide assistance in making a move from project portfolio management to product portfolio management. Numerous software providers have much of the capability to support parts of this shift; however, no single vendor will captivate the market sufficiently to wrest total control. Instead, expect to see emergent alliances between more conventional PPM tools, agile planning and development tools, and portfolio decision-making tools. Since the prevailing business model for these spaces appears to be software as a service (SaaS) for the foreseeable future, integrating tools will be the path of least resistance.

Recommendations:

PPM leaders:

Identify the areas in your organization that are adept at product portfolio management and forge relationships with them. The most probable places to look will primarily be in new product development and existing product management functions. Capture their lessons learned. Product portfolio management is about life cycle market offerings. Learn to understand what your product portfolios and their respective markets are. Begin to conceive of key performance indicators (KPIs) that are useful in managing the life cycles. They will most likely develop into clusters or categories. Begin monitoring the products in your portfolios against their respective KPIs in order to guide appropriate actions.

Related Research:

"How to Establish a Product Management Practice to Drive Digital Business Success"

"Moving From Project to Products Requires a Product Manager"

Strategic Planning Assumption: By 2020, 80% of end-user organizations will enjoy sustainable, cost-effective, best-of-breed "PPM tool" SaaS tool ecosystems.

Analysis by: Robert Handler

Key Findings:

IT PPM software is largely transitioning to a cloud-based SaaS model.[8] When done well, IT PPM SaaS enables not just automation of IT PPM processes, but also evolution of IT PPM processes. IT PPM processes, however, don't exist in a vacuum; they currently interact with processes in other areas, such as finance, IT operations and application development.

Savvy IT PPM SaaS vendors have embraced integration to enable greater participation in an emerging ecosystem of knowledge workers, largely by using cloud computing as a platform. Digitalization, the blurring of the digital and physical to create new business opportunities, continues to gain momentum. As digitalization evolves, knowledge workers from different domains will need to participate in this evolving knowledge worker ecosystem in order to innovate effectively. These knowledge workers will come to the table with their own tools, terms and culture, and will need providers that can bridge the gaps and foster collaboration and innovation quickly. Successful solution providers that can bring people with different worldviews together and enable effective collaboration and delivery of digital solutions will prevail in this burgeoning space. These winners will have embraced integration with other vendors, offering the integration for a fee or free, depending on the market dynamics.

The most savvy of the vendors will also have recognized that, at the end of the day, PPM is PPM, whether it's marketing PPM, IT PPM, construction PPM, new product development (NPD) PPM or any other kind of PPM. Given this, expect to see vendors offer a variety of elegant user interfaces to provide exemplary user experiences, enabling such things as persona-based skins to toggle between IT PPM and any other kind of PPM.

Market Implications:

Barring an extreme event, prevailing IT PPM vendors will be those providing cloud-based SaaS that excel at integration and user experience, and provide adequate utility and robustness to support mainstream IT PPM needs in the near term. Their products will evolve rapidly, most likely supported by rapid release cycles (for example, DevOps).

Recommendations:

PPM leaders:

End users looking to acquire an IT PPM solution should emphasize, if not overemphasize, interoperability and usability to avoid a redo. Similarly, end users with a seemingly satisfactory IT PPM solution should look to influence their current providers to focus on these same two areas to avoid having to switch to a new vendor.

IT PPM tool providers should evolve their solutions, focusing on the key aspects of cloud SaaS that matter most to the market — evolvability and interoperability. Also, they should focus on usability; end users are increasingly less tolerant of subpar usability. In addition, IT PPM tool providers should avoid overinvesting in arcane features that are out of reach of the mainstream. Finally, they should ensure that release cycles meet market needs through techniques such as DevOps.

Related Research:

"Magic Quadrant for Cloud-Based IT Project and Portfolio Management Services, Worldwide"

"Maximize Value and Avoid Waste by Managing PPM Tool Proliferation in Your Enterprise"

A Look Back

In response to your requests, we are taking a look back at some key predictions from previous years. We have intentionally selected predictions from opposite ends of the scale — one where we were wholly or largely on target, as well as one we missed.

On Target: 2014 Prediction — By 2016, successful transformation program leaders will direct 60% of the program budget to organizational/business process change activities.

While it isn't possible to get precise numbers as to whether it's 60% of spending or 70%, based on discussions with clients, this prediction has proved to be correct. One of our implicit assumptions was that, as soon as the IT share of the program budget fell below 50%, the management and control of the program would shift entirely to the business. This has proved to be true. To be completely transparent, we also assumed that the majority of transformation programs that companies are doing today, in 2016, would not be wholesale replacement of core IT systems — another assumption that appears to have been proved true.

Missed: 2013 Prediction — By 2015, 40% of Global 1000 organizations will use gamification as the primary mechanism to transform business operations.

In 2013, gamification was very popular. The notion of applying game concepts to influence and motivate employees seemed to have momentum at the time. Technology providers emerged with offerings, including some in PPM. As with many technologies, however, it fell into the Trough of Disillusionment. Today, the technology is largely being used in two use cases — sales and customer service.[9]

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"Hype Cycle for Project and Portfolio Management, 2016"

"Market Guide for Strategy Execution Software"

"Activist PMOs and the Struggle for Lean PPM"

"How an Activist PMO Helps Share Strategic Vision to Optimize the Portfolio"

"How Activist PMOs Streamline Processes, Protect Users, Raise Stakeholder Value and Improve Governance"

"How to Establish a Product Management Practice to Drive Digital Business Success"

"Moving From Project to Products Requires a Product Manager"

"Magic Quadrant for Cloud-Based IT Project and Portfolio Management Services, Worldwide"

"Maximize Value and Avoid Waste by Managing PPM Tool Proliferation in Your Enterprise"

Evidence

[1] See "Building the Digital Platform: The 2016 CIO Agenda."

[2] See "The Need to Execute Digital Strategy Will Drive the Transformation of the EPMO."

[3] See "Executing on Business Transformation While Building a Highly Adaptive Enterprise Primer for 2016."

[4] See "Social Capital and Organizational Innovation: The Mediating Effect of Entrepreneurial Orientation," Journal of Community Positive Practices.

[5] See "The Ambidextrous Organization," Harvard Business Review.

[6] See "The 2017 CIO Agenda: Seize the Digital Ecosystem Opportunity."

[7] Of 274 respondents to a 2016 Gartner survey, 32% are using DevOps to maintain and evolve systems. Among those using DevOps, 67% are at least "somewhat satisfied" with their organization's DevOps initiative, and they indicate that the use of the concept will grow from managing 32% (on average) of software efforts today to 66% (on average) by year-end 2019.

[8] See "Market Trends: Future Look at SaaS in the Application Markets."

[9] See "Hype Cycle for the Digital Workplace, 2016."

More on This Topic

This is part of an in-depth collection of research. See the collection:

- Predicts 2017: Lead, Follow, or Get Out of the Way — A Gartner Trend Insight Report

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