

PMI<sup>®</sup> Case Study

**AAA OF NORTHERN CALIFORNIA:**

Renowned Motor Club Improves Efficiency and Reaches Investment  
Goals

The American Automobile Association (AAA) is the largest motor club in the United States, providing auto, travel and financial services worldwide to hundreds of thousands of loyal customers.

AAA of Northern California, which includes operations in Nevada and Utah, had an opportunity to enhance its return on internal investment. The organization decided to apply advanced enterprise portfolio management techniques to its investments in programs and projects to reduce costs and realize greater benefits.

Within two years of establishing these techniques, AAA of Northern California had realized 80 percent of its goals from corporate investments.

### **Background**

As a corporation with annual revenues of more than \$2 billion (US), AAA of Northern California makes significant internal investments in corporate infrastructure, IT, culture and values training, facilities, and business process management. AAA's goal was to find a method for planning and executing each of these programs that would make the most efficient use of resources and result in the most benefit for the organization. It established an Enterprise Portfolio Management Office (EPMO) to coordinate limited resources and ensure that each of its programs and projects were useful in reaching its goals.

### **Challenges**

AAA of Northern California felt there was room to improve its program execution performance. It wanted to increase basic metrics — such as on-time delivery and budget — above industry standards. Executive management and the organization board were unable to understand what returns the organization was seeing from its internal investments. Completed projects were not systematically traced back to their original approval documentation to determine if they delivered the expected results, making it difficult to calculate ROI.

Perceptions hindered the task of implementing portfolio management techniques. Organization executives first perceived the EPMO as simply an administrator of schedules and status reports instead of a change agent and contributor capable of helping teams meet corporate goals.

The group encountered a large imbalance between commitments and available resources, projects that arbitrarily expanded in scope throughout their lifecycle, and a lack of unified purpose between each program. While program managers were doing their best to bring

individual projects or related groups of projects through to completion, the EPMO quickly saw that the problem could not be solved by simply adding resources or cutting back on project scope.

### **Solutions**

The EPMO, under the leadership of Chief Portfolio Officer San Retna, used a set of researched and tested portfolio management techniques to address its challenges and help its programs become more efficient and profitable. Among the tools utilized by AAA were *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)* and PMI's Project Management Professional (PMP®) credential for its project personnel.

The foundation of AAA of Northern California's portfolio management rests on four pillars:

1. alignment of programs and projects with the organization's strategic goals;
2. operational capacity of the enterprise to deliver on the proposed programs and projects;
3. change impact and capacity of the enterprise to absorb the results if the programs and projects are successfully executed; and
4. ensuring that the enterprise realizes the promised organization benefits of its strategic investments.

The EPMO first analyzed the organization's challenges and determined its problems were interrelated, and could only be solved from the top down. For the EPMO, the solution was to consolidate information about all corporate investments.

With this information in a more accessible format, they set up the equivalent of an air traffic control system to efficiently coordinate resources, determine project scope and more accurately predict the resulting benefits. By aggregating all of its corporate investments, AAA is now able to ensure it is investing in the right projects and it has the operational capacity to successfully execute those projects. This also enabled the organization to more easily assess project benefits.

AAA of Northern California can now make decisions in the context of the overall portfolio to more accurately determine trade-offs, inter-

relationships, dependencies and the impact on corporate performance. For AAA, embedding these capabilities into the fabric of the corporation was both challenging and rewarding. By creating a portfolio of enterprise investments, the organization was able to balance riskier, high return investments with more traditional investments in order to maximize returns and lower overall enterprise risk.

Next, the EPMO used portfolio management techniques for more efficient resource coordination. For example, they realized that many projects were working on an annual funding cycle. The result was that multiple projects often entered the same lifecycle phases at the same time, creating bottlenecks for certain resources such as systems analysts at the start of a project and test resources at the end of a project.

By coordinating available resources and requirements across the organization, the EPMO was able to determine higher priority and higher return projects and allocate resources accordingly. The organization was also able to gain a comprehensive view of its demand for certain types of resources, and therefore was able to cost-effectively address resource shortages and invest in more resources where necessary.

After the EPMO established the changes that would help the organization consistently meet scheduling and budgetary goals, the group was able to turn its attention to more accurately aligning its internal investment strategy with corporate goals. The EPMO, working with the senior leadership, defined six strategic initiatives to guide the selection and implementation of investments in projects and programs across the enterprise. In order for the organization to invest in a project or program, it had to first determine whether it would help move the organization to achieve the defined objectives of the six initiatives, which included improved customer service and increased revenue.

By creating a link between these strategic initiatives and corporate investments, the EPMO was able to provide a clear view of the relationship between them. The organization not only eliminated certain projects and modified the scope of others, but because they were able to provide a comprehensive view of investments, corporate managers began to look to the EPMO for input into "sufficiency," or whether investment levels were sufficient to meet organization objectives. As a result, new projects were initiated to close gaps.

Additionally, AAA undertook quarterly reviews with program managers, organization sponsors and organization units to reassess whether the portfolio of projects remained aligned with corporate goals and objectives.

The EPMO also used portfolio management techniques in improving ROI by implementing accountability standards. The task of creating a culture of accountability can be challenging. In fact, a majority of corporations simply assess the performance of individual project implementation groups by determining how closely they adhere to schedule and budget. A recent study showed that more than half of all companies do not have criteria to define project success, and a larger percentage still, 68 percent, do not track the benefits of those projects. The EPMO began to work on creating a standard method and terminology for assessing performance and benefit realization at the executive level. AAA was investing heavily in internal projects, and wanted to know that it was maximizing the return from these investments.

## **Results**

By successfully implementing the underlying principles of enterprise portfolio management, AAA of Northern California was able to meet goals and demonstrate performance that few companies ever achieve. The organization expanded its standard for evaluating program/project performance beyond schedule and budget, to include quality, resources, scope and organization benefit.

Because the portfolio management approach gave the EPMO a stronger sense of the relationship between project execution and organization benefit, it was able to intelligently scale projects while still delivering real value.

## **Key Achievements**

- AAA was able to cut the scope of some projects by 50 percent while still reaching almost all of the original project goals.
- AAA has successfully implemented over 150 projects in the two years since the EPMO's inception.
- The EPMO has helped AAA reach over 80 percent of its investment goals through portfolio management techniques.