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Project Portfolio Management – The Art of Saying "No"

Part 5 of 5: Building Portfolio Monitoring and Governance

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Not Done Yet

Effective project organizations say "no," declining to do some worthy projects so they can focus their limited resources on only the very best. Narrowing their focus to a smaller portfolio of projects makes the remaining projects more successful.

Previous articles in this series described how to build a good portfolio of projects using the discipline of *project portfolio management* (PPM).

1. Identify strategic drivers of the portfolio.
2. Use agreed-on criteria to distinguish the best candidate projects from the rest. As quality pioneer Joseph Juran famously urged, "Separate the vital few from the trivial many."
3. Construct a balanced portfolio that delivers high value, uses resources efficiently, and aligns with strategy.
4. Validate that the portfolio is feasible to execute using the resources and skills that are realistically available.
5. Initiate the projects, handing them off to program and project management.

See Figure 1 for a quick review of the portfolio management process that I covered in previous articles.

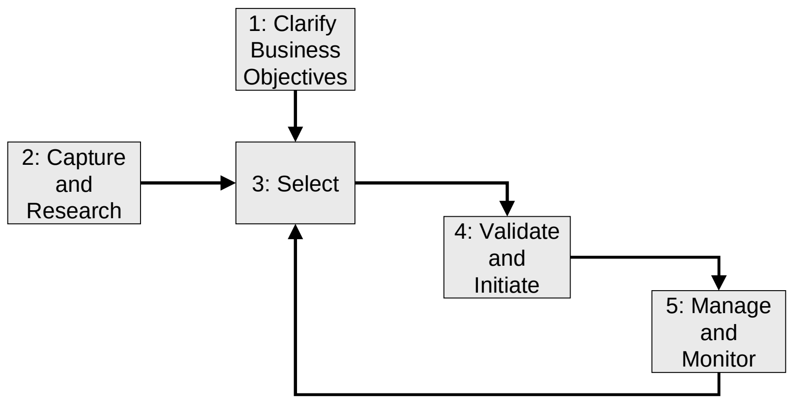
By the time they have reached this point, the portfolio management team has accomplished much. Starting with fuzzy concepts and project proposals, they have created an active, integrated portfolio of projects. However, their job is not done. They must monitor the portfolio, manage changes and tradeoffs across projects, and ensure that a governance framework clearly establishes responsibilities. This article addresses those issues.

Manage and Monitor

After validating the portfolio, put it into execution. Initiate the new projects and programs, inserting them into the project management system. Although program and project managers are responsible for day-to-day execution of each project, the portfolio manager's job continues. He monitors the execution of the portfolio and its component projects, ensuring that they continue to meet the portfolio's original design objectives.

In the *Manage and Monitor* step, the portfolio manager works closely with the project managers or the PMO to:

- Gather information to monitor the performance of the portfolio.
- Identify and resolve issues within the portfolio, including reallocating resources.
- Steer the portfolio, making changes when necessary to rescue, re-scope, cancel, or introduce new projects.
- Manage escalations and mid-cycle requests for changes to portfolio composition, for example adding new projects.
- Initiate a full portfolio review and reconstruction on a scheduled basis, such as quarterly or annually, or when conditions change significantly.



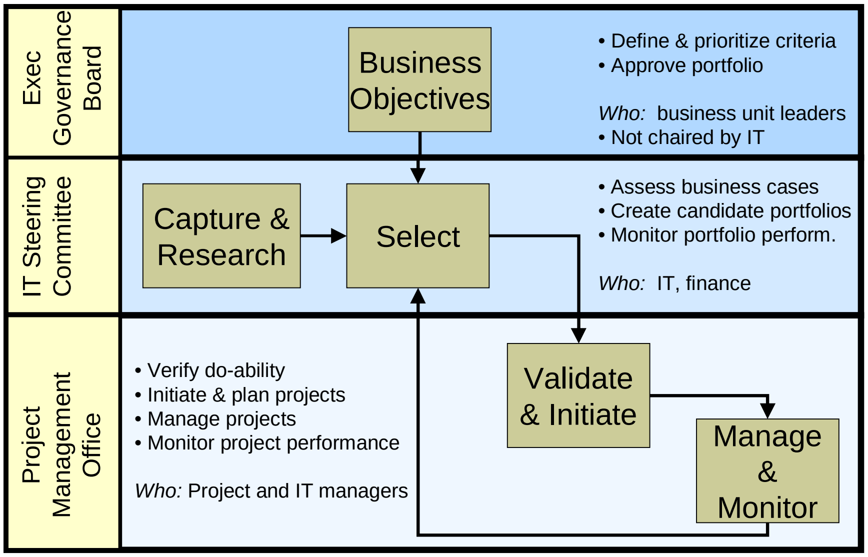
1. Clarify business objectives so the portfolio will align with the business's strategy.
2. Capture ideas and requests for projects. This includes doing enough research to be able to make a rough forecast of probable costs and benefits.
3. Select the best projects out of the pool of candidates by using valuation criteria to differentiate the best from the merely "good enough."
4. Validate that the resulting portfolio is feasible, then initiate or continue the selected projects.

Figure 1: Review of PPM Process Steps

Portfolio Governance

Portfolio management processes and tools are important, but not sufficient. Portfolio management is really about *people* – people at very senior management levels sharing power and decision-making responsibilities.

Therefore, a successful portfolio management system must have a clear governance structure. Portfolio governance specifies who has responsibilities in each process step and how they work together to make good decisions about projects and resources. As an example, Figure 2 shows the portfolio governance structure used by an IT organization (Oltmann, 2007, 140). In this example, three groups – the PMO, the IT Steering Committee, and the Executive Governance Board - have formal responsibility for various steps of the process. The diagram shows who is represented on each group, what each group does, and where handoffs occur.



Lessons from Experience

From my experience managing portfolios and helping clients, I believe a good portfolio management system has these seven attributes.

1. Encourages structured investment decision-making based on clear criteria
2. Helps make hard tradeoffs, including saying no to some projects
3. Aligns project and program execution to strategic objectives of the organization
4. Backed by strong, long-term executive participation
5. Is an on-going process that frequently looks at strategic issues, not just at tactical details
6. Favors process simplicity and transparency
7. Strongly tied to governance

Organizations that combine effective project portfolio management with good project management get these results:

- Faster time to market or deployment
- Higher productivity
- Less chaos
- Strategy that really gets implemented

For example, the IBM Institute for Business Values scored the performance of over 20 electronics and high technology manufacturers from 1996 – 2001. Leaders in portfolio management delivered earnings performance that was 46% more predictable than the performance of poor performers. The authors say, "Leaders in portfolio management stand in stark contrast to many companies, where portfolio management only occurs when poor business performance and reduced budgets force crisis-mode cuts to projects.” (Cooper, 2002, p 12)

Endpoint

The next time you hear the complaint “We’re spread too thin,” look below the surface. Are your projects unfocused and misaligned? Do too many “good” projects compete for too few resources? Combining project portfolio management with project management will help you “do the right projects and do them right.”

Cooper, J., Greenberg, D., Zuk, J. (2002) Reshaping the funnel: Making innovation more profitable for high-tech manufacturers. Retrieved on June 27, 2008 from http://www-935.ibm.com/services/in/index.wss/ibvstudy/igs/x1022009?cntxt=x1021857

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