



# SCALABLE PROJECT PORTFOLIO MANAGEMENT

BY DONNA FITZGERALD

Over the last several years we've heard one consistent message with regard to project portfolio management. If we can't understand and manage our resource capacity we can't really manage our portfolio.

According to conventional PPM wisdom the solution to this problem is obvious. Simply initiate fewer projects. But that's advice most companies don't want to take at face value. The most frequent counter I hear is that if project estimates are correct, and the organization has the people, why drop the number of projects below the level that an organization theoretically should be able to handle? After all, the argument goes, given tight IT budgets, no one can afford to have people sitting around doing nothing just to solve an occasional peak loading problem.

PPM practices, at their core, focus on strategic fit, return, and risk across the portfolio. Resources are a factor in the analysis, but good portfolio analysis doesn't really concern itself with details like named resources. At the highest level the goal is to look at what projects should be done and why. If the project list that achieves all the company's goals can't be accomplished because of lack of resources, then and only then should the company decide whether to add more resources or scale back the list of approved projects.

Some software vendors imply that PPM can be more efficiently done if detailed resource information is available to executive decision makers. From my perspective that simply wastes time asking executives to make decisions that are better made at lower levels. It's for this reason that I have recently come to advocate a concept I'm calling Scalable PPM. By this I don't mean to imply that all generic PPM practices can't work at any level of the organization. My use of this term implies that there are different things that need to be done at each level and that the correct view of PPM is that it works best when the focus is simultaneously on both the top-down process and the bottom-up processes.

## Executive Responsibilities

Beginning with the top-down process, executive management needs to take responsibility for the following activities:

- o Evaluate the list of projects
- o Confirm alignment
- o Determine level of acceptable risk
- o Define value threshold
- o Confirm timing
- o Confirm high-level resource capacity
- o Prioritize Projects
- o Bucket projects by Line of Business (LOB), Product, or Function
- o Eliminate the bottom tier (that means cut, cancel and kill projects)

Once this review has been completed, the prioritized lists, segmented by LOB, product, or function, can be given to the next level of management for their review. Segmenting

the portfolio by function or LOB has a number of advantages. Most companies segment their IT resources by one of these categories, so that even if resources appeared to be available at a high level, they might not be there at the detailed level. It also ensures that the responsibility for successful implementation rests with the people who are on the front lines.

Since the focus of this article is on resource capacity, it's important to highlight that one problem with delegating a "pot of money" down to the next level is that there is a strong possibility the organization's resource capacity will be artificially constrained, because the "best" resources may not reside in the organization that has the highest priority projects. Since the old concept of zero-based budgeting (which allows base-line budgets to be reset every year) never gained much traction outside of the consulting community, one infrastructure change that will facilitate good PPM is something like a loose center of excellence, where resources are available to move across functional lines.

We've seen different companies implement this idea in different fashions. At one big consulting firm they centralized some of the more highly skilled resources into a formal center of excellence and then matched the resource to the project's needs and priority. A large semiconductor firm solved that problem a little differently. Rather than centralize any of the resources organizationally, they created a virtual labor pool through a policy of frequent transfers. An annual ranking and rating of all employees ensured that highly ranked individuals were moved from group to group every year or two in order to meet the ever changing needs of the organization.

### **Line Management Responsibilities**

Assuming that the organization has established some sort of flexible staffing policy, the prioritized list of projects should then be handed to the next level of management for implementation. Responsibilities at this level include:

- o Re-evaluate the list of projects
- o Confirm resource availability
- o Confirm cross-project dependencies
- o Evaluate maintenance and enhancement efforts
- o Establish monitoring procedures
- o Project steering committee

Reevaluating the projects at this level is not intended to give line management an opportunity to completely readjust the portfolio. Rather it is intended to recognize the fact that executive decisions made at the 50,000 foot level now need to drop down to the 5,000 foot level in order to have any chance of getting implemented. Focusing specifically on resources this is the level where the matching of people-to-project that we discussed above happens. This is also the level where the organizational impact of maintenance and enhancement activities needs to be accounted for, since it is standard practice in most PPM methods to exclude these activities from executive review.

The first process change that needs to happen at this level in order to more tightly align resource capacity to project is the mapping of all enhancements activity into a product roadmap and the commitment to schedule this work according to a product release plan. The impact of this one change is significant. A product road map offers increased visibility to everyone in the organization which will allow for the prioritization of enhancements (which can't happen if they're received on a piecemeal basis) and for COTS systems, it makes it easier to avoid duplicating enhancements that the software vendor is intending to provide.

The second way to control the resources consumed by M&E is to embrace a more agile form of software development. By doing frequent releases of the product and by doing continuous testing, the number of post-implementation bugs and required enhancements should go down significantly. After all, there will be more people to work on new projects if they're not consumed by supporting everything they've worked on in the past.

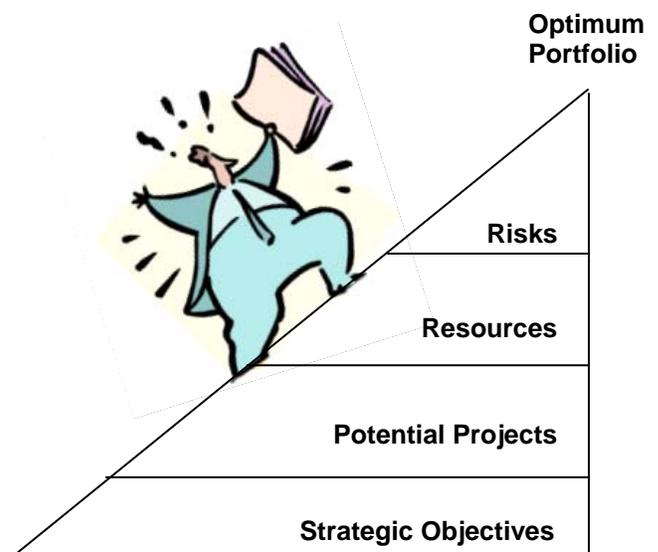
## Project Level Responsibilities

Assuming the right decisions have been made at the executive level and that line management has implemented the right organizational and support systems, the final element of solving the resource capacity problem lies with the project manager and/or the immediate department manager. The bottom line is it's the project manager's responsibility to know what's going on with her staff. If a team member is completely overwhelmed because he has too much work, then the problem needs to be fixed, either as a one-off solution or at the structural level, depending on the source of the problem.

This returns us to one of the reasons we advocate the concept of scalable project portfolio management. When a structural problem (we screwed up and started too many projects) is identified at the lowest level it needs to move back up the organization until it can be solved. Depending on the culture of the organization, carrying this message back up the line is the job of the project steering committee (of course the PM could do it herself but some organizations still believe in shooting the messenger.)

## Conclusion

A good PPM process does require structure, but from my perspective, that structure isn't necessarily dependent on software tools or a fully-deployed project management processes. By taking a scalable approach to PPM, each level of the organization can concentrate on making decisions and setting up the management structures that will encourage the visibility and flexibility an organization needs to have to obtain results. After all, the most expensive PPM software in the world coupled with the best project management processes still won't help if the organization continues to approve too many new projects and fails to support those already underway. By adopting a PPM process that focuses and empowers people to solve the problems in front of them, we believe most of the resource capacity problems that organizations are currently experiencing can be solved.



### Author Bio

*Donna Fitzgerald* is a partner with Knowth Consulting, where she specializes in portfolio and project management consulting and training. She has over 25 years of project and portfolio management experience working with such clients as Intel, Sun Microsystems, Rolm, Verizon and Oracle.

She is the creator of the Nimble Project Management™ approach and has written over 35 columns for Builder.com, PM Boulevard, the Project Management Journal, and ESI. Donna is the cofounder of the New-Grange Center for Project Management ([www.newgrange.org](http://www.newgrange.org)), a nonprofit professional society with worldwide membership and a founding member of the Agile PM Alliance.

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**Project Portfolio Management Perspective** - Project Portfolio Management doesn't have to be complex and complicated. The Knowth Consulting PPM Perspective is a scalable and flexible methodology that lets any organization gain immediate benefit without investing in an extensive and lengthy implementation project.

We also offer a number of specialized services in addition to the PPM Perspective. They include:

- **Project Reviews and Project Audits.** The best portfolio in the world is still not worth anything if the projects in the portfolio don't deliver the results they were chartered to deliver.
- **SOX Compliance.** With the advent of the Sarbanes Oxley Act of 2002, every project that touches the financial system needs to insure that adequate documentation and proof of internal controls is part of the project plan. We can offer a range of services to support you in this area.
- **Facilitation of Portfolio Review Sessions.** While it might be tempting to do PPM on an annual basis we've found that reviewing the portfolio at least quarterly increases the probability that the PPM process will take root in the organization. We've also found that these PPM meetings go much more smoothly during the first year if they're run by experienced and trained facilitators.

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- **Enterprise Project Portfolio Management.** This course is focused on creating a sustainable culture to make project portfolio work at the enterprise level. Whether you have 200 projects or 2,000 this class will give you the tools you need to be successful.
- **PPM Executive Overview.** This four hour overview focuses exclusively on the information senior executives need to achieve results from PPM. Specific focus areas are the impact of right timing, change management and strategic alignment.
- **Setting up a Project Portfolio Management Office.** The skills required of a good PPM support staff and the skills required of a good Project Support Office staff are not the same skills. This class focuses on the analytical, negotiation and presentation skills your staff needs to get the job done right.

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