
Enterprise Project Governance¹ ***How to Manage Projects Successfully Across the Organization***

Project Portfolio Management **Achieving the Right Combination of the Right Projects**

By Paul Dinsmore & Luiz Rocha

An organization can be seen as a portfolio of projects. Although most organizations possess a major component of operational “business as usual” activities, the growing number of project initiatives demands major time from top executives and managers. So the view of a company as a “portfolio of projects” makes perfect sense for achieving the goals set by an organization. That’s how organizations keep up with the demands heaped upon them by racing evolution and pile-driving external pressures -- by dreaming up and putting into practice projects that meet the needs of company strategy and the cravings of the marketplace. New projects are the key to staying ahead of the survival curve and ensuring growth and prosperity.

The aggregate results of an organization’s projects is what constitutes a substantial part of a company’s bottom line. Missions, objectives, strategies and goals are transformed into company-wide programs that translate corporate intentions into actions. Those programs are in turn broken down into projects. Corporate results are then viewed from an aggregate project perspective as opposed to the conventional department template.

Two Views: Strategy Alignment versus Execution

Effective project portfolios naturally mirror the company’s strategic direction. Good strategy is the bedrock of successful project portfolio management. Subsequently part of portfolio management consists of ensuring that projects remain aligned with the organization’s strategy. Portfolio management, therefore, includes the responsibility for questioning the timeliness of project strategies, and for articulating necessary adjustments.

The other side of managing project portfolios encompasses seeing that projects are implemented in accordance with the priorities, quality, cost, and timelines. For projects to yield the benefit proposed, they have to be executed effectively and efficiently. In all scenarios, it’s the job of portfolio management to correct situations when things aren’t going right, The solutions range from aborting a project that strays

¹ This series includes articles by Paul Dinsmore and Luiz Rocha, authors of the book *Enterprise Project Governance*, published by AMACOM in the USA in 2012. The articles are extracts and summaries of key topics from their book, providing information and guidance on one of the most important aspects of portfolio, program and project management today – governance. For information about the book, go to <http://www.amacombooks.org/book.cfm?isbn=9780814417461>.

drastically off course, to implementing a recovery approach for a lagging initiative.. Project portfolio management includes looking at competing investment opportunities and prioritizing those that promise the greatest impact on strategic objectives.

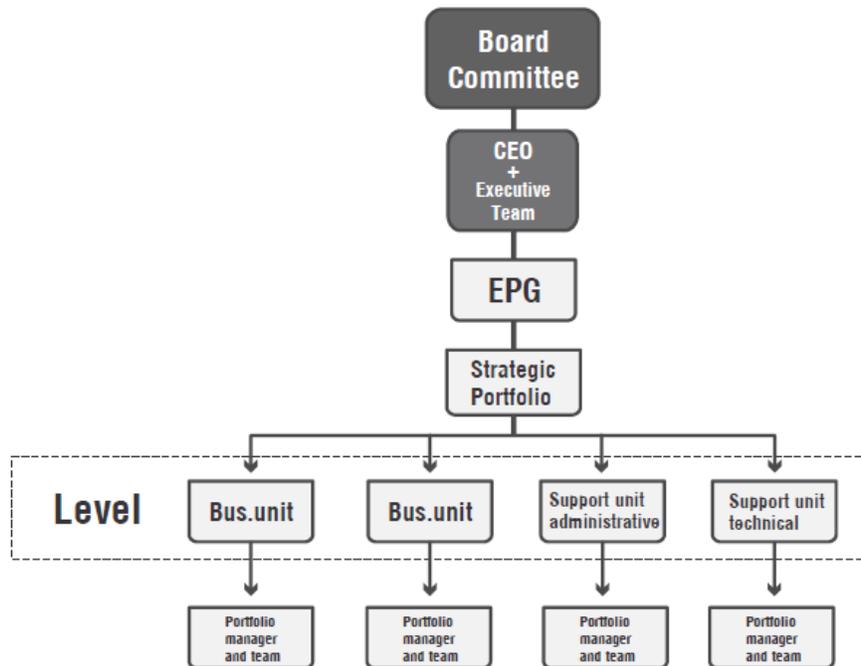


Exhibit 1: Example of Project Portfolio Organization

The project portfolio provides a big-picture view. It enables managers to size up all projects in the portfolio, and provides an understanding of the collection as a whole. It facilitates sensible sorting, adding, and removing projects from the collection based on real-time information.

A consolidated project inventory is constructed by listing all the organization's ongoing and proposed projects. Alternatively, multiple project inventories can be created representing portfolios for different departments, programs, or businesses. Since project portfolio management can be conducted at any level, the choice of one portfolio versus many depends on the size of the organization, its structure, and the nature and interrelationships among the projects being conducted.

Grouping projects using common resources is key so as to leverage knowledge and expertise needed to manage the portfolio. When multiple project portfolios are defined, related projects are organized into common portfolios. Portfolios of highly interrelated projects are referred to as programs - groups of projects selected and managed in a coordinated way in order to maximize success. Exhibit 1 illustrates a relationship among portfolios in a large organization.

Value is the key element in portfolio decision-making; however, quantifying value is not always straightforward. Creating high-value projects is a snap when the factors that create or destroy individual project value are clearly identified and quantified. Assessing overall portfolio value, however, is more complex. Although individual projects are managed for value, the overall portfolio requires a balanced set of projects to ensure alignment with resource availability and company strategies. For instance, a great project for a new product will produce little gain for the organization if marketing doesn't have a corresponding product launch project in the works.

Exhibit 1 shows programs and projects comprising a project portfolio designed to support high-level strategies on a corporate level or individual business units. Since the nature of projects varies substantially, it makes sense to look at groups of projects from distinct viewpoints. For instance, the following groups may call for a customized approach both for portfolio selection and subsequent performance-tracking:

1. Strategic, that create substantial value;
2. Operational: Upgrade or improvement projects that make the organization more efficient;
3. Compliance: "Must-do" projects required to comply with government regulations.

Project Portfolio Management: Two Major Components

What does it take to manage a portfolio of projects across an enterprise? How does the management of the portfolio fit into the corporate picture. The project portfolio scope typically includes a combination of processes including opportunity assessment, business case analysis, approvals and execution tracking. The processes are assessed and adjusted continually with a strong spotlight on management decision making. Items such as cost, benefit, time and risk require follow up throughout the process, and projects require wrap up in terms of post-project evaluation and lessons learned. Here are the major components of portfolio management:

The Right Projects: Sizing up Opportunities and Prioritizing

Candidates for comprising the project portfolio come from different areas. Some proposed projects come from market-driven needs, required to keep pace with the evolving times. Others fall into the category of innovation, where new ideas are tested in hopes of creating a niche of opportunity. Regulatory projects also demand their space, as they are must-do government required undertakings. Improvement projects also filter up from within the organization and compete for space in the portfolio. So initially all these new initiatives and project ideas are collected, so they can be pre-selected as worthy candidates for further analysis.

Invariably, more projects reach out for a slot on the portfolio of projects than resources and time allow. So the first part of portfolio management involves sizing up

these eager opportunities, so they can subsequently be filtered and prioritized.

The best use of limited organization resources requires a decision process to evaluate which projects to start, which to keep on-going, and which projects to abort. As illustrated in Exhibit 2, the "project filter" starts with ideas and moves them through stages of planning and development, before reaching the execution and development stages of those ideas that were not rejected during the process. Finally, the surviving projects move on to operation.

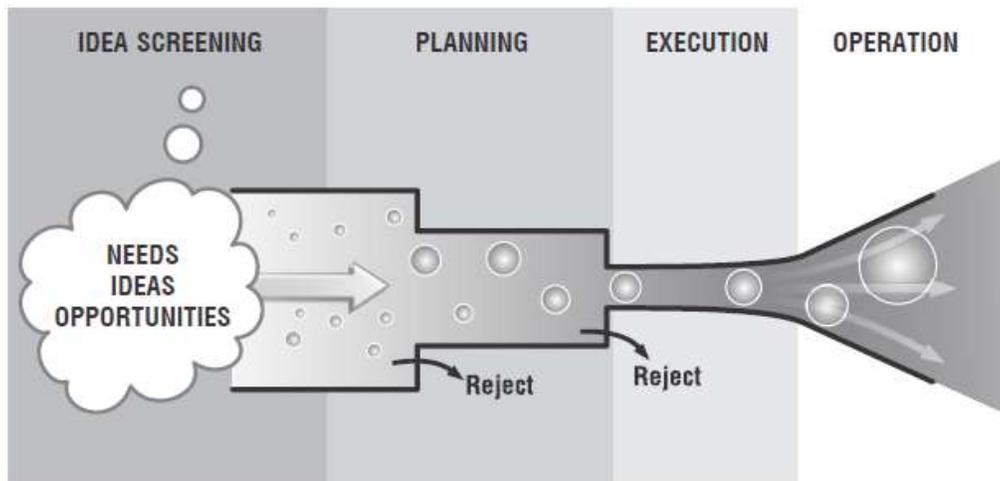


Exhibit 2: Managing the Project Portfolio Filter

Here's what has to happen to make sure the organization focuses on the right projects:

- Ensure balance of candidate projects;
- Require business case for each project;
- Carry out filtering process based on established business criteria.

Support for sizing up the opportunities may be provided by business analysts, who may be connected directly with portfolio management when a formal PPM structure is in place. In other settings, business analysis may be assigned to a strategic support group, financial area or simply left in the hands of an executive committee to sort out.

Once the opportunities and needs have been assessed, then the candidate projects move on to the selection and prioritization phase. Aside from the business case already available, more information such as a detailed project charter, containing basic budget and schedule milestones, facilitates the selection process.

Classically, for a project to slip through the project portfolio filter, it has to measure up to three criteria; i.e., fit, utility, and balance (FUB), as detailed below:

- Fit means alignment with corporate strategic direction. Is there basic logic

for carrying out the project in terms of the organization's overall focus? Will the project indeed spawn benefit to the organization and contribute to achieving its goals?

- Utility refers to the relative usefulness of the project. In what way does it contribute to the cause? Does it provide a solid bottom line result? Or is the benefit more indirect in nature, by bettering motivation, synergy and productivity? The utility of a project is measured by its usefulness, value, and is typically defined by costs, benefits, and risks.

- Balance refers to the mix of projects in the portfolio. Is there an appropriate ratio of projects from the key areas of the organization, such as marketing, production, finance, operations and logistics? Or is the ratio lopsided, with project overload, say on operational expansion, without enough punch programmed for marketing and sales?

Since projects compete for resources and funding, somehow a decision has to be made to ferret out the chosen few. The FUB criteria are generic in nature and provide philosophical guidance regarding project selection.

Aligning Projects with Each Other

Project teams tend to be sharply focused and sometimes develop a tunnel view of priorities with respect to their projects, so alignment of projects with each other presents a challenge. Veritable "tugs of war" may develop over scarce resources. Since all project managers and respective teams are ultimately judged based on the degree to which they complete their projects, collaboration between projects is not an easy task. The project team that tugs the most tends to gain the resources, yet that doesn't mean that a company will derive the most benefit from the that result. Perhaps another project could produce greater impact if it were accelerated with increased resources.

In resource-scarce settings, a superior power is needed to referee between the conflicting priorities. Project teams unable to peacefully resolve the quest for gaining limited resources need to be able to appeal to a higher authority. Exceptions to the rule are independent projects that have a budget that allows them to reach outside the organization when resources are inadequate.

Aligning the Portfolio with Available Resources

The clamor for resources is constant in the arena of projects. With the ever-present pressure to do "more with less," resources of all natures are invariably scarce. Although all resources can be translated into money, the shortfalls usually take on the form of sparse information, space, people, material or equipment. Poor performance on projects is often linked to a shortage of one or more of these factors.

Since resources in all organizations are limited, the challenge that both business planners and project planners face revolves around getting the most mileage out of available resources. The demands sometimes require an almost magical ability to conciliate the conflicting priorities, bordering on “resource juggling.” Although magic may happen in spurts, solid resource management is the best way to handle the perennial resource problem.

What if the portfolio’s requirements can’t be aligned with available resources? Let’s say an organization’s ambitions far outdistance traditional levels of investment. And that company goals can only be met by reaching out beyond available resources. Does this make alignment impossible? No, it’s just a different situation. In this case, the answer resides in obtaining outside resources. Although the resources are not readily available (whether they be material, equipment, labor, intellectual or purely monetary), the projected return on investment for the portfolio of projects justifies rounding up external support to bring the full portfolio in on time.

What about Software for Managing Project Portfolios?

Software programs are commercially available as support for managing the portfolio. The selection process for such software starts with understanding the needs and objectives of the organization. Some of the tools available are quite comprehensive, so care must be taken in the implementation process so as to not overwhelm potential users. A gradual process is recommended, introducing one feature at a time. Here are some features that comprise a good project portfolio management system:

- Project progress reporting;
- Executive dashboard capability;
- Communications criteria;
- Project evaluation methodology;
- Cost and benefits tracking;
- Issues log and tracking; and
- Capacity planning (resources).

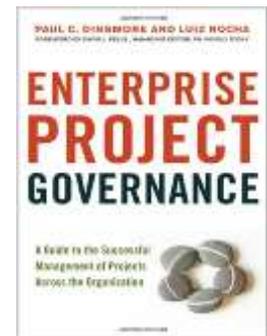
Project portfolio management software provides information for management to periodically review the portfolio, providing a solid basis for making key financial and business decisions for the organization.

Conclusions

Although organizations possess numerous operational activities that require managerial attention, the future of companies depends on the content and successful management of their portfolio of projects. New projects are the key to staying ahead of the survival curve and ensuring an organization’s growth and prosperity. Therefore project portfolio management is an essential component of enterprise project governance.

Effective project portfolios mirror the company's strategic direction, and are managed in such a way as to maintain that direction. Conducting the selection and prioritization of projects falls within the scope of PPM. The other part of managing project portfolios encompasses the oversight of projects to ensure implementations in accordance with the priorities, quality, cost, and timelines. That's the overall challenge of project portfolio management, to ensure that the right combination of the right projects are done right.

Enterprise Project Governance describes proven techniques for dealing with simultaneous initiatives and ensuring that programs and projects align with the priorities, resources, and strategies of the organization - and ultimately create value. Containing examples and case studies, the book provides readers with practical methods for incorporating enterprise project governance into their organization's culture, synchronizing it with corporate governance, and maximizing efficiency and results across departments.



Whether one's view is from the boardroom, the executive suite, the project management office, or the project trenches, this is an important guide for anyone managing multiple projects. For more about the book, go to <http://www.amacombooks.org/book.cfm?isbn=9780814417461>.

About the Authors



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Paul Dinsmore is President of Dinsmore Associates, and a highly respected specialist in project management and organizational change. A certified project management professional (PMP), he has received the Distinguished Contribution Award and Fellow Awards from the Project Management Institute (PMI®). He regularly consults and speaks in North America, South America, Europe and Africa. Paul is the author and / or editor of numerous articles and 20 books, including the *AMA Handbook of Project Management*. Mr. Dinsmore resides in Rio de Janeiro, Brazil.



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Luiz Rocha has 35+ years of experience in the industry and business consulting. Luiz worked with Andersen Consulting and Deloitte in the USA and Europe when he had the opportunity to manage multi-cultural and geographically dispersed projects in Latin America, North America and Europe. In Brazil he worked with Dinsmore Associates and Petrobras. Luiz is an engineer by background, MSc. in industrial engineering from UFRJ – Brazil, PMP-PMI and IPMA certifications. He is also a published author with two previous books, *Business Metamorphosis*, in Brazil, and *Mount Athos, a Journey of Self-Discovery*, in the USA. Luiz can be contacted at luiz.rocha@dinsmore.com.br.