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Project to Portfolio Management Outsourcing
by Jyoti Madabhushi
Commentary

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Abstract

In any organization, the portfolio components and management processes are selected to produce specific benefits to the organization. Outsourcing portions of the project/program/operations processes is a strategic decision which is being taken by organizations of late. Outsourcing includes investment of time, money and other resources required for the work to achieve specific goals. The practice of project, program and portfolio management needs to be top driven and percolated down. Roles and responsibilities need to be in place firmly, organizations decisions should be transparent and defined processes need to be in place which are oriented towards the vision and mission statements, organization goals and objectives.

Keywords: Portfolio, organization, project, component, outsourcing

Project to Portfolio Management Outsourcing

Outsourcing has become the norm especially in Information Technology industry for more than a decade. Earlier it was only a risk management strategy but now it is an inevitable trend. To sustain competition, to fore-come insufficient in house facilities or expertise, to become strategic and use technology for long term implications, for better resource utilisation while maintaining customer satisfaction and to decrease costs are a few of the factors which led to outsourcing. Projects, programs need to be evaluated as outsourcing involves huge amount of risk and skilled staff members are required to manage the portfolio. Different knowledge areas and process groups need to be handled as part of project, program and portfolio implementation. These groups and processes are repeated during the lifecycle and are not in phases. These groups and processes are independent of the application area or industry focus and might repeat prior to component authorisation.

Organisations have their own niche capabilities which lead to the decision of what to outsource and what to be retained. Cost of availing latest technologies internally vis a vis utilising it through a vendor say a cloud vendor helps in concluding the project/program/portfolio areas to be outsourced.

Strategic and transformational decisions of where to outsource especially keeping the international projects/programs wherein cross cultural interaction, cultural differences, climate change etc. need to be kept in view for decision making. Discrete parameters for vendor selection and evaluation of vendors based on the parameters need to be planned in detail. Even if it is domestic outsourcing, the financial muscle of the vendors, partners in the changing industry scenario need to be considered seriously.

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Outsourcing needs to be undertaken after doing thorough background check of the prospective vendor keeping firm's reputation, organizational structure, exposure and experience in the particular domain in view. When to outsource depends on the strategic objectives of the firm, risk status, portfolio value, level of technical expertise, competitive advantage etc.

Gone are the days when engineering focussed more on skill level and adeptness of the executing team and small time players were never in the fray owing to the demanding project investments and high technical calibre required. In the current scenario right from the word go, from conceptualisation to solution designing to presentations in iterative manner, planning, executing, implementation and operational support , at every stage alternative options are considered weighing the pros and cons instead of the organization soiling its own fingers. Program/project managers need to be geared up more for vendor/partner management rather than worrying about team building and interpersonal skills. Financial bent of mind along with technical prowess strengthens the senior management to present their case to the customers and build new business through new offerings. This in turn helps in sustaining any organisation in today's rapidly changing scenario.

Proper planning, sub planning is required to determine the structure and roadmap. Planning of outsourcing is done generally at the budgeting time and may also occur because of unscheduled changes in the organization climate. The resources are applied to the components to execute the processes. The program, project roadmaps are included in the portfolio roadmap. The roadmap depicts alignment to strategies, dependencies, sequencing, timing and expected resource requirements of components. The components for outsourcing are identified, scored and ranked after applying a set of decision filters. Criteria can be applied for evaluation, prioritization, balancing and selection. Metrics are enabled to monitor the performance of the outsourced components, value realisation is tracked and measured against changing demand, utilisation and capacity.

By gathering and analysing the component requirements, outsourcing strategy and process needs to be defined, documented and communicated. Risk strategy, tolerance and threshold for the organization need to be established as it enables risk based decision making. Operational rules should be available for evaluating and optimising the outsourced components. Analysing, selecting, meeting and informing tools and techniques should be applied. The process should be planned, guided, supported and reported. Monitoring the component mix, performance and compliance to organizational standards need to be done on a regular basis.

Execution, documentation and communication of the resulting actions, decisions need to be done. End of the day, the project, program or portfolio as a whole need to perform to achieve the metrics predefined by the organization. Timely responses need to be developed for the identified and analysed risks which are to be monitored and controlled. The expected value to be delivered as a result of outsourcing needs to be monitored and measured as the components are delivered. Supply and demand needs to be managed while allocating the resources against the demand based on the organization priorities and the value of the outsourced components.

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Any change in the planning and executing of the outsourcing process needs to be managed strategically to ensure continuous alignment with the organizational objectives.

Structured method for near budgets and plans for outsourcing need to be followed accordingly. Organizational process assets and component lists need to be updated with regards to major changes like increase in funding, change in vendor due to high impact risk or change in portfolio components. Governance recommendations with regards to their observations on outsourcing processes need to be recorded, action plans needs to be developed and communicated to the portfolio governing body. Risks in general and in particular for outsourcing process needs to be grouped by category and component. Contingency reserve, schedules and resources need to be applied as preventive actions as and when required.

Strategies may include strategies for threats and opportunities, scenario analysis and their potential result need to be assessed with respect to the success criteria. A fall back plan for execution should be there if the defined and executed outsourced process is not effective. This might include modifying the existing plan so that the fall back becomes an integral part. Mix of strategies like primary and alternate strategies to handle internal and external risks should be executed. Quantifiable measures should be used to compare the actual results with the target. Mix of strategies can be used to forecast the degree of success. Risks may be structural or component risks.

Conclusion

Organizational process assets which include values, enterprise environmental factors including bench marking, and industry studies are the key factors which influence the outsourcing process. There are tools and processes identified for analysing trends, balancing portfolio and managing investment choices. Status and trend analysis, investment choice tools and rebalancing methods are some of the tools which list the possible values of performance indicators with their confidence levels. Expert opinion is considered to finalise on the model of outsourcing investment based on the above parameters.

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