

The First Step to Successful Project Portfolio Management

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Every organization can point to some projects in the past year that were dogs – a complete waste of time and resources. Why couldn't the top managers see the problems in time to prevent this waste? Were there voices crying out from the wilderness, "Don't even think about doing this project", or "Cancel this project before we are all doomed"?

In all such cases that I have been involved with, the senior managers I was dealing with were extremely bright and also astute relative to their business. Project management was in their vocabulary. In fact, in many cases, these managers had risen to the top by virtue of their ability to get highly visible projects finished successfully. So my conclusion is that it is *not* stupidity, incompetence or lack of project management knowledge that leads organizations to have a poor project mix.

The fundamental problem that I have witnessed repeatedly is the unilateral approach taken by functional heads to initiating projects, irrespective of the capacity of the organization to do the work. Each senior executive sees project initiation as their divine right. To me, this makes about as much sense as giving each functional executive unlimited numbers of blank checks, and telling them to make whatever capital investments they feel are necessary. Can you imagine any CFO who would say, "Go ahead and buy whatever you want"?

The only difference with projects is that we are dealing with limited human capital, in addition to dollars. Human capital for projects is precious and scarce. Therefore, there must be careful consideration before any project is authorized. Further, even if an organization had only good projects in their portfolio, there is still an issue. If all such projects are activated simultaneously, the result is known as bad multitasking. People can only do so much at one time.

The conclusions are obvious. We must have some kind of process to carefully filter project proposals, so that the bad ones can be eliminated from the start. This process must activate projects only according to an organization's resource check book – how much resource capital is in the bank. Further, if a good project turns bad, it must be killed quickly, so that precious resources are not further wasted. Such a process implies that the senior manager's power to unilaterally *initiate* projects must be changed to a power to *recommend* projects to an overseeing group. This would mirror the approach used today for capital investment.

The huge problem with these obvious conclusions is that they strike fear into the hearts of senior management. Most forms of curtailment of power are seen as bureaucratic nonsense. And in most cases, this senior management paranoia is justifiable. There is a lot of nonsense that goes on in the name of "process" or "methodology". This does not negate the obvious conclusions. However, it does spell out an urgent requirement. If we want high-value project portfolio management within an organization,

we had better be prepared to *sell* it correctly to senior management.

Before we ask senior management to subordinate their power to a group, we must answer their question, “What’s in it for me”. The correct answer is “plenty”, in two forms. First, the company as a whole will do much better (current research and articles show 20-50% improvement in project ROI). Secondly, the senior manager will not have to fight constantly for resources to get his/her project work done. A healthy project portfolio typically has much fewer projects than where it started from. The projects get completed much more quickly. And the support of those fewer projects from all functional heads is much greater.

If a senior manager is convinced that the concept is correct, the second issue becomes how to prevent the bureaucratic nonsense. Here, the KISS principle must prevail. We do not need sophistication. In fact, the simpler the process, the better it works.

I advise my clients to start by gathering a few basic facts about every known project. I then take them through a series of prioritizing examples, having them reprioritize as new facts are presented. Do not look for complex opportunity and risk assessment templates, or for sophisticated computer software to draw fancy bubble diagrams. Start with simple Excel spreadsheets and graphics.

Once executives see how priorities can change drastically with better information, then you can build enthusiastic support for a process to gather the information. Such support is the beginning of a greater scrutiny of what projects enter into the organization’s project pipeline. With fewer projects in the pipeline, and greater executive attention to those few active projects, project acceleration is a natural outcome. It’s a great step toward eliminating the dogs, while building towards a high value project portfolio management process.

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