

# The Optimized Project Portfolio

BY MICHAEL A. HALL

Albert Burkholder is vice president of group operations for Griffin Systems, Inc. Sitting in a blazing hot office in the El Centro facility, he is reflecting on what he has heard and seen today during the operations meeting with Ed Cruz, the site operations director. Albert understands the importance of having a strategy. He also realizes many of the projects Ed just reported on will yield no measurable strategic results.



## USING AN EFFECTIVE PORTFOLIO MANAGEMENT PROCESS PROVIDES THE MEANS FOR PEOPLE TO FOCUS ON THE CRITICAL FEW INITIATIVES THAT WILL DELIVER RESULTS AND REDUCE COMPLEXITY IN A GIVEN TIME.

Months earlier, Albert and the leadership team spent several days off site to formulate a two-year strategy and agreed on a list of twenty-one initiatives to achieve it. For the past four years, revenue has been in decline in every market they serve. On a brighter note, strategy implementation started ten months ago and a few of the initiatives increased revenue growth during the past three quarters. The most recent quarterly report shows a 5 percent increase last month and a 7 percent increase in year-to-date revenue. Increasing revenue for three straight quarters is a significant improvement, but contract delivery performance, part quality, and scrap rates are all tracking in the wrong direction. The strategy identified two of these areas—dedication to quality and “do what we say we will do”—as fundamental beliefs and outlined initiatives to address them.

Albert and the team are concerned that the sites cannot handle all the projects. How can the leadership team be sure the right things are being done? What can be done to make sure the organization’s project teams are communicating clearly and understanding each other? Albert and his team were learning an important lesson about strategic success. Success is a function of the strategy’s quality *and* the effectiveness and efficiency of its implementation.

Judging projects in terms of their contribution to strategic and operational objectives, organizations can develop a project-and program-selection process—or *project portfolio process*—to set priorities. Project portfolio management is like the process used to manage an individual’s investment portfolio. Investors set objectives that are used to evaluate investment choices, ensuring proper emphasis and risk management. The same thinking guides project portfolio management. Establishing an optimal project portfolio aids success because pursuing the wrong projects (or too many projects with too few resources) can jeopardize both project execution and achievement of the organization’s goals. While many variables influence the success of projects—including the experience of project managers, the organizational structure and how it supports

projects, and the way projects are funded—setting priorities effectively ensures that successful projects will contribute to organizational success.

### Project Priority Setting

Using a systematic, data-driven portfolio process to manage work involves an ongoing, iterative process that

- Eliminates confusion as to what projects are most important
- Has the right mix of strategic and tactical projects
- Minimizes risks connected to lack of project coordination and visibility
- Controls project size and scope
- Makes practical use of valuable resources
- Identifies important links to ongoing, long-term capital expenditures and other strategic initiatives
- Is systematic
- Is data-driven

Without a systematic process to manage a portfolio of projects, firms are prone to project proliferation and project scope creep (meaning projects grow into more than was planned or are outside the strategy). Using an effective portfolio management process provides the means for people to focus on the critical few initiatives that will deliver results and reduce complexity in a given time. This may be especially important for U.S. government and quasi-government agencies struggling to implement strategies given changes in leadership, administration, and suppliers.

NASA’s strategic goals, laid out in its 2006 plan, define the breadth, depth, and complexity of what it is striving to accomplish. The challenge for NASA, as for any organization, is in the implementation. The project portfolio process helps automate data gathering and reporting so complex projects and missions can be managed effectively. An optimized portfolio includes a dashboard for leaders to monitor and assess resource

needs and overall performance against specific measures. This minimizes project proliferation and scope creep.

As NASA continues to build an initiative portfolio, two key questions can help the Agency keep focus:

1. Given available resources and the need to not compromise ongoing operations, how many small/medium/large initiatives can we take on?
2. How can we ensure that we are working on the highest-priority initiatives?

Effective project portfolio management means knowing the relative value and risk associated with every project that has been proposed or is under way. It means knowing how resources are deployed across projects and what resources are available for new projects. Most of all, it means making tough decisions about which projects will be done and when, based on a shared understanding of each project's potential for adding value to the organization.

The work environment plays a pivotal role in getting results from project portfolio management. This includes making sure that people have the right expectations and resources, and that obstacles are removed. It includes people clearly understanding the “what’s in it for me” of achieving success. And it includes making sure people know how, specifically, their work advances—or retards—both the project and the overall portfolio. Finally, it includes making an accurate assessment of the cross-project impact of actions, so that what supports one project does not derail another.

Developing an optimal project portfolio is usually a collaborative process between our consulting firm, Kepner-Tregoe, and clients, and we work with them to establish a process for ongoing project portfolio management. An effective portfolio management process can provide the means for people to focus on the “critical few” initiatives that deliver results. ●

## PROJECT CONSISTENCY SUPPORTS PORTFOLIO MANAGEMENT

Project portfolio management works best when projects are managed in a consistent way. NASA employs a common project management framework for both contractor and NASA teams managing projects. Aligning project standards and practices with the Project Management Body of Knowledge (PMBOK) and supporting use of common project software are two ways to help create a shared project language and approach.

When NASA changed Lockheed Martin Space Operations Science, Engineering, Analysis, and Test Operation (SEAT) to completion form and performance based contracting, Lockheed Martin SEAT, rather than NASA, was given the responsibility of project management. Kepner Tregoe provided the SEAT program with training to help them gain the skills needed to manage projects, not just work on them. Kepner Tregoe's project management process is taught in workshops, which focus on applying principles, and through a learn and do process, where our consultants act as project managers and trainers on actual projects. As the client project managers learn the process, they assume more responsibility. Armed with a powerful project management process, project managers and team members can better define and plan a project while nimbly anticipating and responding to issues during implementation.



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