Project Portfolio Management – "Flight Control" for Projects

How Businesses can Regain 'Sovereignty' over their Projects

Summary: Many companies lose track of their projects. They don't focus on the essential projects and squander resources on projects that are hardly worthwhile. Through project portfolio management businesses can align their projects with their strategy: Do the projects fit the strategic objectives and development chances? Which projects are needed – and which ones should be dropped? Here are five steps to establish portfolio management in your company.

This customer's order was a real challenge. The mechanical engineer had to develop and build twelve special parts according to customer requirements. Sales staff had made the euphoric promise that the production line would be delivered within fifteen months. However the company lacked specialised staff for this project, especially development engineers. Project managers fought over resources. Soon eight projects were behind schedule. Even worse, other strategically important projects came to a complete standstill. Plans for innovation that promised long term profits were abandoned.

More and more often projects and their management derail into a state of directionless confusion. Businesses take on too many projects. New projects are approved and launched in an uncontrolled manner. No one knows which project really has priority over others, which ones should be supported by all staff. "Many companies simply lose the overview over their collective projects, the so-called project portfolio", observes Dr. Ernst Affolter (Managing Partner of next level consulting) The danger here is that

projects that throw off a quick profit enjoy plain sailing while strategic projects that secure a company's future are left behind. Dr. Ernst Affolter elaborates: "My recommendation to organisations is to actively manage their project portfolio – or at least to keep a watchful eye on it."

This means that companies review their project portfolio on a regular basis. New projects are only authorised when they complement the current portfolio. These decisions should be taken by top management only: Which of the ongoing projects are especially valuable to the company and should be expedited? Which new projects are needed in the portfolio? Which projects should be closed down for strategic reasons and which ones should be ended in the face of strained finances?

Dr. Ernst Affolter compares this with a flight control centre at an airport. Flight control monitors the capacity of air traffic lanes and decides which flights may take off and which have to stay grounded. Following the milestones listed below enables you to establish such a flight control centre for your projects:

First Milestone: Taking Stock

As a first step the organisation's project management undergoes a "health check": How well does the business as a whole master the tools and processes of project management? How securely and efficiently are project management work flows set up? How well trained are project managers? "There are great maturity models out there to conduct this kind of assessment", explains Dr. Ernst Affolter. With the help of such standardised models strengths and potential improvement areas are determined with ease. "No matter which model you use, it is important to have your project management capabilities as an organisation assessed through the neutral eyes of an outsider," cautions this expert.

Second Milestone: Standardise Project Management

To gain an overview of a project portfolio, you need to be able to compare individual projects. This is why all project managers within a company should work with the same blueprints – the same methodological approach, processes and formats. This makes it possible to compare for example project progress reports from different projects. However, this standardisation process often comes with a lot of extra effort from project managers: Filling in forms, adapting schedules to new standards, writing additional reports, sorting out familiar tasks like risk analysis in unaccustomed ways. This extra effort is often quickly cursed as unnecessary bureaucracy that does not further the project itself.

„It is important, that the project manager recognises the true value of this standardisation process", explains Dr. Ernst Affolter. Here is an example: All project managers are asked to submit additional weekly reports on top of their project progress reports. At first sight this seems to be to the project manager's detriment as he is faced with additional work. However thanks to these reports, top management has a good understanding of his project and can respond more quickly to his requests. This clearly is of benefit to the project manager. Another example: Due to regular evaluations submitted by the project manager top management is able to intervene swiftly when difficulties arise. Project managers now receive additional staff and financial funds faster. Dr. Ernst Affolter explains: "The additional effort that is demanded of project managers in this standardisation process should be counterbalanced by improvements and the easing of his workload - in a tangibly and consistently."

Third Milestone: Establish a „PMO"

All important information about projects converges at a central point, the Project Management Office (PMO). The PMO is a sort of "control tower", that keeps tabs on all projects in the business. The PMO collects project progress reports and other information – data that are checked for plausibility and then consolidated, organised and summarised in a structured way. "In this way the organisation obtains a strong base from which to take charge of its project portfolio", explains Dr. Ernst Affolter. Projects can now be compared by their numbers. A full picture of the overall project landscape emerges. The following information now becomes easily available: Are all projects on schedule? Which projects need additional resources? Which projects are in a critical stage?

Fourth Milestone: Set up a "Project Portfolio Steering Committee"

Effective project management requires a high powered steering committee, that can discuss projects, assign new projects, and prioritise or shelve existing ones. The so-called "Project Portfolio Steering Committee" is usually made up of a member of executive management or a head of department and one or two additional managers; this panel is a comparatively small one. It aligns the project portfolio with strategic objectives and available resources and lends a clear direction to all project efforts: Which new projects will advance the business towards its goals – and need strong support? Which strategically lower ranking projects need to defer to more important projects? Which projects are no longer relevant in terms of company strategy and which ones do not yield the expected returns and can be abandoned? "These decision can and must be painful if portfolio management is conducted in an effective manner", adds Dr. Ernst Affolter.

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Fifth Milestone: Implementing Strategic Decisions

The portfolio steering committee convenes at regular intervals, for example every four to eight weeks. In the first few months the main objective is to gain an overview of the projects. Only little by little the committee will engage with the projects and make decisions. In between committee meetings the PMO will implement the committee's decisions: It will write minutes of the meetings for the project managers. For those projects which are especially affected by the committee's decisions the Head of PMO will discuss the changes with the project managers concerned in person. These meetings mostly concern the allocation of staff and other resources, schedules and budgets – this is about project management issues and not technical and content-related project issues. Once all decisions have been implemented in the projects the cycle starts up anew.

The PMO gathers updated project key indicators and presents them to the steering committee to pave the way for new decisions. "Within these cycles the PMO plays the function of a "transmission belt" between executive management and project management", explains Dr. Ernst Affolter. Taking on this function fully makes a good PMO. It enables project management to become the force that drives the organisation forward.

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For direct enquiries please contact Raphaela Bel
Tel.: + 49 228 289260, raphaela.bel@nextlevelconsulting.eu

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