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Project Portfolio Management – The Art of Saying "No"

(Part One of Six)

By Jeff Oltmann

Spread Too Thin

"We're spread too thin!" How frequently do you hear that anguished cry at work?

Nearly all organizations have more project work to do than they have people and money to do it. Often the management team has difficulty saying "no." Instead, they try to do everything by cramming more work onto the calendars of already overworked project teams or by cutting corners during the project.

Despite a heavy investment of people and money in projects, the organization still gets poor results because people are working on the wrong projects or on too many projects. Trying to do too much causes all projects to suffer from delays, cost overruns or poor quality.

The Solution

Effective project organizations focus their limited resources on the best projects, declining to do projects that are good but not good enough. They use a discipline called project portfolio management (PPM) to make and implement these tough project selection decisions.

PPM is a funnel that connects strategic planning to the execution of projects, making the strategic objectives executable. Exhibit 1 shows the PPM funnel.

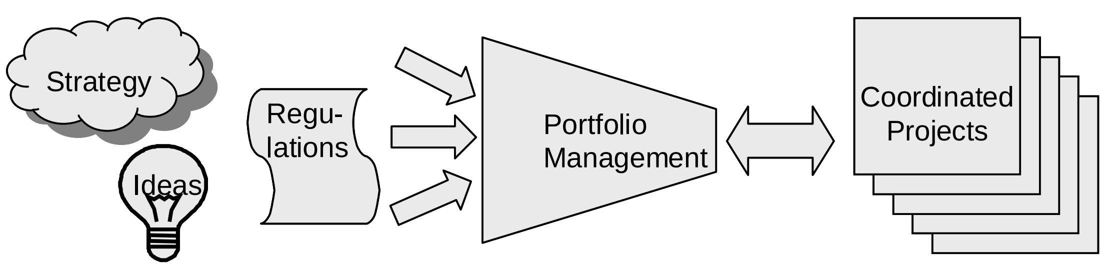
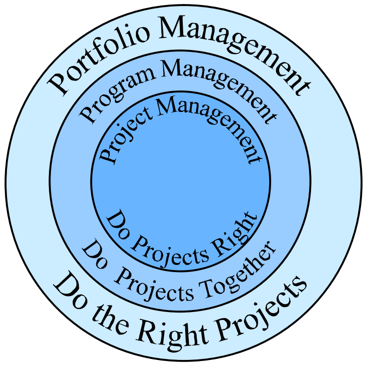


Exhibit 1: Portfolio Management Connects Strategy with Execution

The mouth of the funnel takes in all of the ideas for projects that the organization might do. These ideas may come from strategy, customer requests, regulatory requirements, or ideas from individual contributors. The purpose of the funnel is to select only those projects that meet certain well-defined criteria, saying "no" to the others. The resulting collection of projects is a focused, coordinated and executable portfolio of projects that will achieve the goals of the organization.

PPM complements project and program management. Project and program management focus on execution and delivery – doing projects right. In contrast, PPM aims the organization in the right direction by selecting the best projects to do, looking at them as a portfolio of investments in the future. The selected projects are turned over to program and project management, which are engines that initiate and complete them successfully. Project organizations must excel at all three disciplines to have long-term success.



Portfolio Management Steps

Exhibit 2 shows the five primary steps of the portfolio management process. (For a more detailed breakdown, see The Standard for Portfolio Management, Newtown Square, PA: Project Management Institute, Figure 3-2, p 25.)

1. Clarify business objectives
2. Capture and research requests and ideas
3. Select the best projects using defined differentiators that align, maximize, and balance
4. Validate portfolio feasibility and initiate projects
5. Manage and monitor the portfolio

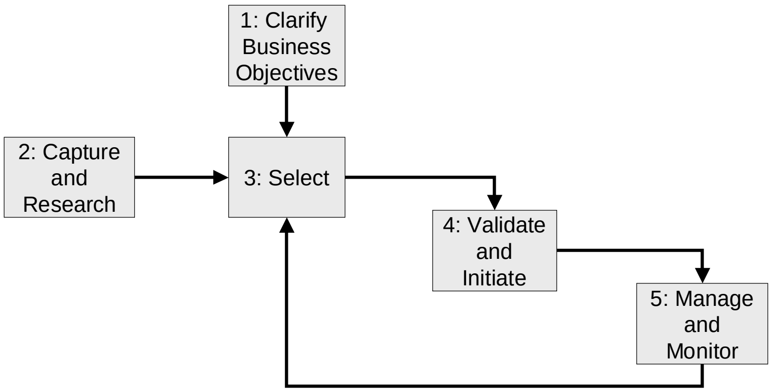


Exhibit 2: Portfolio Management Process Follows Five Steps

This process identifies the most important differentiators between projects, such as ROI, risk, efficiency, or strategic alignment. Then it uses these differentiators to select the high impact projects, clear out the clutter, and set priorities. Tradeoffs are made in a disciplined way, rather than allowing the loudest voice to win.

Endpoint

The PPM process accomplishes three things:

1. *Aligns* execution with strategy. Each selected project must play a role in carrying out the strategy of the organization. No more pet projects!

2. *Maximizes* the value of the entire portfolio of projects to get the "most bang for the buck." Taken together, the projects must have a high return on the organization's investment. This may be in terms of dollars or other measures that are important to the organization.

3. *Balances* the portfolio. Make sure that it is not lopsided, for example by being too risky or too focused on short-term results.

Good portfolio management increases business value by aligning projects with an organization's strategic direction, making the best use of limited resources, and building synergies between projects. Future articles in this series will look at each step of the portfolio management process, beginning with the relationship between PPM and strategy.

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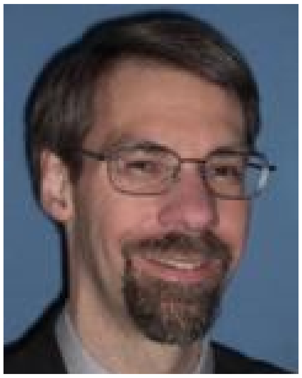
About the Author:



Jeff Oltmann, PMP

Author

Jeff Oltmann is principal consultant at Synergy Professional Services, LLC in Portland, Oregon (www.spspro.com). He is also on the graduate faculty of the Division of Management at Oregon Health and Science University. His specialties include strategy deployment, operational excellence, and project portfolio management. Jeff is a seasoned leader with over 20 years of experience managing successful technology programs. He ran the Program Management Office (PMO) and a $60M project portfolio for IBM's xSeries development facility in Oregon. Jeff's hands-on program management experience includes program budgets over $100M and worldwide cross-functional teams of over 100 members. Jeff welcomes your questions and ideas. You can contact him at jeff@spspro.com or read previous articles at www.spspro.com/resources.htm.