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STRATEGIC PROJECT MANAGEMENT

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BEST PRACTICE

A business guide to project portfolio management

Most executives do not have a good understanding of what project portfolio management (PPM) is. Top management tends to think about PPM in terms of financial portfolio management. Here is a short guide on how to explain PPM to senior management using business terms.

After agreeing what a project is and what it is not, I will define what project portfolio management (PPM) is through a business angle. The example I will share is from a large European bank for which I worked before, during and after the financial crisis in 2008. The bank had been severely hit by the crisis, and was trying to find survive. We had more than 150 large projects (above 500.000 euro), but no one had a clear view of the status and the benefits that should be derived from those investments. We had implemented one of the Gartner top quadrant PPM tools years ago, but the lack of discipline to input and to use it made the tool a very expensive and fruitless asset.

Capacity, and not strategy, was determining the launch of projects, meaning that the project was launched if the experts where available, if not, the project was dismissed. By then top management had realized that we had to improve the way we were selecting, prioritizing and executing our projects.

Most executives do not have a good understanding of PPM. So the first challenge was to help top management understand PPM, they tend to think about it in terms of financial portfolio management, how to deal with stocks, shares, investments, very few of them related PPM to their projects and change initiatives. Therefore, I decided to develop a short guide to explain senior management the benefits of PPM using business terms.

Which projects to select for the best interest of our company? What is the best use of its existing ncial and operational capacities? Alternatively, what are the projects to stop ay in case of sudden economic downturn? Providing the means to answer those questions more rationally is precisely the objective of PPM. The most important aspects of PPM are:

1. A standard and structured process for collecting all of the new project ideas and demands. This company-wide process must be applied consistently, otherwise the next step—comparing project ideas—very hard. Every proposed idea requires a business case and some common qualitative criteria, such as strategic alignment, assessment of risk factors, and determination of interdependencies. The ideas for the most strategic projects, such as acquisitions, often will come directly from top management; but management should follow the same process. It is important to note that projects are not only about business ideas or research and development, projects also have to deal with organizational improvements; cost reduction; risk management; regulation, both national and international; laws; asset obsolesced (software, hardware, premises, etc); etc.

2. A procedure for prioritizing and selecting the new project ideas. Ongoing projects must also be prioritized, particularly the first time the prioritization process is implemented. The selection process has to be fair and transparent. Consultants and gurus suggest developing formulas that automate the process of prioritizing and selecting the projects, my recommendation is to not use such a systematic approach -- you will waste months trying to collect data, and in the end you will realize that you can not compare it. Focus one a few criteria, such as strategic alignment, risk, complexity. In the end, the exercise is mainly to provide management with different orientations and viewpoints, but the ultimate decision has to make by management based on human intelligence after having strategic dialogue.

3. The strategic roadmap, which lists the strategic projects for the next two to three years. The company's strategic objectives and goals should be clearly reflected by this roadmap, and the project list should be prioritized so that the top projects are clearly identified. These top projects usually do not change and are the focus of most of management's attention. The strategic roadmap is communicated and explained throughout the entire organization.

4. A governing body -- the Investment Committee -- that decides in which initiatives the ... t and which will be stopped or delayed. It also approves the company's ... ap. The positioning and the members that participate in such committee determine to a great extend the success of this initiative. I recommend that the Chair should be the company CEO or one of the vice presidents. And the committee should be composed of N-1 directors. It is important to note that very few companies manage to implement a PPM framework across all the departments; they are usually implemented within IT, R&D or technical departments. In the Bank, we decided to implement a company-wide decision body, with the intention to break many silos and work closer together as one company.

5. A gate approval process that allows for effective portfolio monitoring and control of project funding. This process consists of establishing a few standard phases for a project's lifecycle — for example, feasibility, initiation, design, implementation, testing and hand-over. At the end of each phase, project feasibility is evaluated and funding is released for the following phase only. If a project is not progressing according to plan, if priorities of the business have changed or if the market has evolved, the gates give top management an opportunity to adjust or to cancel the project before more resources are wasted.

6. A method for monitoring the execution of the strategic roadmap, which consists of a combination of monthly reports, health checks and deep dives. I recommend going beyond the traditional reporting performance indicators; key milestones; high risks and benefits delivered.

7. Finally, a process for capturing the synergies and the benefits. Although one of the major issues with projects is that the benefits are difficult to track due primarily to their lack of ownership, the difficulty of measuring them, and the long time span (e.g., for some projects, benefits can be achieved only five years after the project has been completed).

To avoid these issues, I recommended implementing the benefits-tracking process that we used when we integrated the last company we acquired. During an acquisition, synergies are linked to specific milestones in the integration plans. When a milestone is reached that has synergies attached to it — for example, the closure of some shops — then the benefits can be calculated and compared to the plans. The strategic roadmap has to include these "synergies delivering" milestones that are attached to specific returns even if the project has been completed. By doing so, management has a way of monitoring the benefits of the strategic initiatives.

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Antonio Nieto-Rodriguez is the world's leading champion of Project Management and Strategy Implementation. He is the creator of concepts such as the Hierarchy of Purpose featured by Harvard Business Review, as well as the Project Manifesto, which argues that projects are the lingua franca of the business and personal worlds from the C-suite to managing your career or relationships.
Antonio has been recently nominated Thinker of the Month by the prestigious Thinkers50.com, who identifies the most influential management thinkers in the world, including Michael Porter, Clayton Christensen, Rita McGrath.
Antonio is Director of the Program Management Office at GlaxoSmithKline Vaccines and past Chairman of the Project Management Institute.

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