

# EXPERT SERIES

The "Expert Series" is a collection of articles, papers and writings by PM Solutions' associates and other industry experts that provides insight into the practice and value of project management.

## Want to Ensure Quality? Think Portfolio Management

by Debbie Bigelow, PMP

IN THINKING ABOUT THE THEME FOR THIS MONTH'S ARTICLE, Quality, I wanted to incorporate one of the hottest trends in our industry, Project Portfolio Management (PPM)-but I wasn't sure how they were related. Then I came across an article in *Optimize* magazine entitled "Putting an End to Project Mis-Management" (October 2002, by J. Kent Crawford and James S. Pennypacker). In the article, Kandi Miller, vice president of information management at Siemens Enterprise Networks, clearly connected the two issues for me. She said, "If quality is important, then project control is essential. And project control without portfolio management is impossible."

The tie between the two became obvious: Project Portfolio Management is essential to ensure quality. Project Portfolio Management has become one of the hottest topics over the past year. At both the recent PMI Seminars & Symposium and PMI Research Conference, there were dozens of papers on the subject. PPM was also one of the most discussed topics at the Gartner IT Expo held in the fall of 2002 in Orlando, Florida. There was also a new conference held in Chicago last November, sponsored by IIR, that was solely dedicated to PPM. IT and business publications now regularly address PPM issues. And Pacific Edge Software has launched a new magazine and website, *Portfolio Knowledge* ([www.portfolioknowledge.com](http://www.portfolioknowledge.com)), that highlights the latest information on the subject.

PPM is becoming a critical component of project justification and governance. It enables organizations to combine proposed and existing investments to properly assess the allocation of limited resources, time and budget. Bottom line is PPM can improve a company's ROI and time-to-market delivery — and what company doesn't want that?

Companies must allocate the right resources to the right projects. We all work in environments where there are unlimited needs but limited resources. And sometimes this may mean terminating projects that are not aligned with corporate strategies and won't offer the greatest value to the company's strategic interests. These can be difficult decisions.

PPM can create conflict, confusion, and stress. It involves shifting priorities, and ultimately resources. None of which is ever well received.

PPM involves three steps: **fit**, **utility**, and **balance**. The first step, **fit**, involves assessing current projects and then reviewing the company's strategy. Criteria for selecting and prioritizing the projects needs to be developed. Before any project is considered for funding, it must meet the established criteria. The criteria should include a link to strategic direction, business threshold minimums, and completion of the project-justification paperwork.

The next step is **utility**. This is where the value of the project is defined by costs, benefits, and associated risks. The most critical projects are measured against the pre-determined metrics and are reviewed through an analysis process with quantifiable data to ensure forecasted cost and benefits are accurate.

The final step is **balance**. Here you want to validate project information and existing portfolio decisions. You want to optimize the total portfolio rather than a single project.

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The discipline of portfolio management helps a company select and prioritize projects with the greatest potential ROI — before the projects are executed! Effective PPM provides a consistent way to evaluate, select, prioritize, budget, and plan for the right projects — those that offer the greatest value to the company's strategic interests. PPM starts with developing a strategic focus and ends with selecting the right projects.

Despite the fact that this sounds quite simple, the reality is that implementing a PPM process requires cultural change, which takes time and effort. But economic pressures are causing corporate managers to take a hard look at late, over-budget projects and ways to ensure quality within their projects. Project Portfolio Management is a way to do this.

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