Project Portfolio Management and the Strategic Project Office

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ORGANIZATIONS STRUGGLE TO FIND A WAY TO LINK STRATEGIC BUSINESS OBJECTIVES WITH THE INDIVIDUAL PROJECTS THEY CHARTER. A Strategic Project Office can address this issue. The SPO is an organizational entity responsible for mapping strategy to projects and monitoring projects and portfolios to ensure they continue to address strategic initiatives, even as these initiatives change over time. It serves as the critical link between executive vision and the work of the enterprise.

A project office typically performs any or all of the following six project management functions: project support; selecting and supporting project management software tools; implementing and maintaining project management processes, standards, and methodologies; providing project management training; providing project management consulting and mentoring; managing and developing project managers.

The SPO, a relatively small, yet high-end and strategic group, connects executive vision with the work of the organization. While the SPO may perform traditional project office functions, it's expanded strategic functions include: assessing and promoting project management maturity; creating a project culture; integrating processes and systems enterprise-wide; ensure enterprise-wide project quality; managing resources across projects and portfolios; and project portfolio management. The last function, project portfolio management, is perhaps the single most important responsibility of the SPO. These tasks include:

- Linking corporate strategy to programs and projects. The SPO is responsible for ensuring that projects reflect the strategic goals established by top management.
- Project selection and prioritization. The SPO mixes and matches projects based on their relative levels of priority and relevance. The interdependencies among projects can only be seen from the perspective of the SPO.

Linking strategy to projects is revolutionary thinking in some organizations. The concept of having someone in the organization look at the strategic objectives with respect to ongoing projects is still new in many organizations. The good news is that organizations are now establishing Strategic Project Offices to correct this oversight.

Portfolio management begins with the selection of the portfolio. The SPO is the "voice of the projects" on the executive-level steering committee that must decide which of the many opportunities to pursue with a limited amount of resources. The decision of which projects to authorize is complex and depends on a number of factors, such as return on investment, fit with the current portfolio, desire to introduce a new product line, availability of resources, and many others.

This is a classic executive decision, involving many decision criteria and alternatives. The first task for the committee is to select a decision support tool to help organize and simplify the decision process. Once the Committee decides which opportunities to pursue, the list must be compared to available resources to determine how many of the desired projects can be undertaken, given resource constraints.

The selection process involves identifying opportunities; assessing the organizational fit; analyzing the costs, benefits, and risks; and developing and selecting a portfolio. Portfolio management is concerned with fit, utility, and balance. If done effectively, portfolio management will ensure optimum use of people and resources.

Almost every organization uses this thought process to build a portfolio of projects. The organization may first identify opportunities; then assess the organizational fit; analyze the costs, benefits, and risks; and finally develop and select a portfolio. It is the methods and techniques employed that differ. Invariably, at some level of sophistication, all organizations will understand the fit and utility of their projects and make some attempt to establish a mix of projects.

Fit. The first major element of portfolio management is to identify opportunities and determine if those opportunities are in line with the corporate strategic direction. In a sense, this may be the identification and initial screening of projects before more in-depth analysis is conducted. The questions to ask are: What is the project? Does the project fit within the focus of your organization and the business strategy and goals? Several things to consider: Develop a process to identify opportunities and make it easy to follow; Establish a template for project justification as part of the process; Establish minimal acceptance criteria as part of the process; Reward ideas and suggestions-give credit where credit is due; Make sure clear strategic direction and business goals have been established.

Utility. The second major element of portfolio management is to further define the project (if needed) and to analyze the details surrounding its utility. The utility of a project captures the usefulness of the project, its value, and is typically defined by costs, benefits, and associated risks. The questions to ask are: Why should this project be pursued? What is the usefulness and value of the project? Several things to consider: Establish criteria and develop a model to support decision making; Make sure accurate data is available to make decisions; Establish a process to analyze the project information; Uniformly apply the methodology across the organization.

Balance. The third and last major area of portfolio management is the development and selection of the project portfolio. The questions to ask are: Which projects should be selected? How does the project relate to the entire portfolio, and how can the project mix be optimized? Several things to consider: Establish a process that will help optimize the portfolio…not just the individual projects; Establish portfolio decision meetings to make decisions.

Many impressive results may be seen from managing a portfolio of projects within an established SPO. This increasingly popular management strategy is one of the best ways to reduce project costs, speed project completion times, improve product-to-market delivery, and maximize ROI, for ultimately better profits. Along with implementing PPM, it's not only the best way to get your projects done on time and on budget, but it's the best way to insure that you're doing the right projects.

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