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Bridging the Gap Between Operations Management and Projects Management: *The Important Role of Project Portfolio Management*

One of the hot topics in the management of the enterprise is Project Portfolio Management. In Project Portfolio Management, it is assumed that the enterprise, via the selection and execution of projects, positions itself for increased strength and profitability as well as assuring that the firm continues to thrive in a world of constant change and the threat of competition.

The basic elements of Project Portfolio Management are not new. Nor is the environment in which it is applied. However, before the emergence of Project Portfolio Management, as a defined discipline, these elements were the responsibility of two distinct groups; Operations Management and Projects Management. Each group had its specific role, as noted in the table, below.

Operations Management

Projects Management

Objectives

Schedule/Time

Goals

Project Cost

Strategies

Performance

Project Selection & Mix

Stakeholder Satisfaction

Cash Flow

Scope/Change Control

The Traditional Organization

In the traditional organization, responsibility for determining and achieving the firm's goals are assigned to the Operations function. Senior managers, having titles such as COO, CTO, CFO, Strategic Planner, etc., establish objectives and goals, and develop strategies to achieve these. If there are projects associated with these goals, these senior managers are expected to select from a menu of proposed and pending projects – with the objective of creating the mix of projects most likely to support the achievement of the firm's goals, within the preferred strategies, and within the firm's resource (people & funding) constraints.

When the execution of projects is a normal part of the firm's business, it is expected that the firm will establish, in parallel with the Operations function, a function to manage the projects. This would normally include a Central Project Office, and specialized personnel to manage projects. The Project Office, under a Chief Project Officer (or similar title)

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will develop standards and practices directed at the effective execution of projects and the attainment of schedule, cost, scope and quality objectives. In doing so, a project management planning and information system is put in place, and periodic measurements of project progress and performance are conducted.

A problem, common to many firms, is that there is no connection between the Operations and Projects functions, nor is there a structured, consistent, and meaningful flow of information between these two groups. The firm's objectives (enterprise-level goals) and hardly ever communicated to the Project Office, and the periodic measurements, made by the projects group, cannot be related to these objectives.

What a waste! Everyone is off in their own little world – working their butts off to do the best that they can, but not knowing if their efforts are really being effective or efficient. Are the projects that are being worked on (assuming that they were properly selected in the first place) still the best ones to support the objectives? How well are they supporting the objectives? Are there performance issues associated with meeting the objectives? How would the Operations people know?

And over in the Project Office, when the project performance data is evaluated, what knowledge is available to influence the corrective action decisions? If the individual project objectives are in danger, what should the project manager know to work on balancing schedule, cost, scope and quality parameters? Can this be effectively done in the absence of operations inputs?

A Simple Solution

While the inability to address these issues can be extremely costly, an easy solution is available. Let's start by isolating the particular problem that we are trying to solve. Most of the published literature on Project Portfolio Management is concentrated on project selection and decision analysis techniques. Some address issues of project termination. But what about project and portfolio assessment? Is a project a static item or a dynamic system?

If a project is dynamic in nature (that is; the project scope, timing and cost is subject to change), then what effect does this have on the project portfolio? The typical project has a range of possible outcomes and costs. There is the base case and potential up side and downside. If the project was selected on the basis of a set of assumptions (stated in the base case), does that project still belong in the portfolio when its attributes change? We need to periodically review the project to test assumptions, update givens, and monitor progress. We need to periodically examine alternatives (without alternatives, there is no Project Portfolio Management) and consider remodeling the portfolio.

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So we can see that a potential weakness in the typical Project Portfolio Management implementation is that:

1. The firm's objectives and goals, as supported by the project portfolio, are not communicated to the people responsible for project performance.
2. The project performance, as monitored by the project managers, is not communicated to the portfolio managers, strategic planners and senior managers.
3. The gap that exists between these two groups, both in communication and in available information, prevents active management of the portfolio, based on the current, changing status of the component projects.

What is so obviously needed is a basis for addressing project selection issues, deciding on project termination, facilitating reallocation of resources, changing of priorities, and evaluation of alternatives. And, without this capability, there is no Project Portfolio Management.

Forgive me if, at this point, I break one of my rules for this series of white papers. It has been my objective, in these articles, to address issues associated with effective project management, independent of any of the support tools offered by Scitor, or any other vendor. And, up to this point, this article has followed the rule. However, while I was preparing a series of articles on Project Portfolio Management (see *Project Portfolio Management: A Song Without Words?*, in PM Network, July 1999), Scitor was addressing the specific issues raised in this and earlier articles on Project Portfolio Management. The recent release of Project Communicator 3, with the new PC-Objectives system, fully and effectively (and uniquely) supports the needs outlined in this paper. The best way for me to detail my preferred solution to the problem is to describe the approach supported by Scitor's PC-Objectives.

PC-Objectives Design Concepts

I'll start by lifting an excerpt from Scitor's own whitepaper on PC-Objectives. *"With PC Objectives, you can define all of your organization's objectives in a top-down manner using your browser. As the originator of an objective, you negotiate the objective with producers to define the objective and its time and budget constraints. A top-level objective can spawn lower level objectives so that all of your organization's project work can be linked at the appropriate level to objectives. In this way, every project's "what we are delivering" is linked to an objective's "why we are doing it."*

Measurements answer the "how is it going question?" A measurement has a target value and performance threshold values for status display. For example, a measurement would go from green to yellow and then to red when it exceeded its yellow and red threshold values respectively. Each objective can have multiple measurements. Measurement values can be linked to project cost and schedule data in a PS8 project database or they

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can be manually entered. Importantly, PC Objectives keeps a history of all reported measurement values. You can easily spot trends in status by viewing graphs of your measurements.

Using PC Objectives, authorized stakeholders can view the organization's objectives in a familiar and flexible outline display. Each objective shows the rolled up measurement status using graphical status indicators. Outline controls are used to navigate from top-level objectives to lower level objectives and measurements. Details on selected objectives are available for review. A complete history log of all objective note transactions is maintained for reference."

What we Achieve Via this Process

As you can see, this capability, as described above, perfectly responds to the needs discussed earlier. PC-Objectives fully supports the Operations function's need to have a structured means to:

1. Define the firm's objectives,
2. Communicate the objectives
3. Negotiate with functional and projects leaders on how best to meet the objectives
4. Set measurements, for time, cost, quantities, accomplishments
5. Define thresholds to advise of danger of missing objectives
6. Communicate measurement and threshold values
7. Link project performance monitoring data to the defined objectives measurements
8. Visually display status against these measurements
9. Use color-coded indicators to alert managers of exceeded thresholds
10. Provide trend analysis of support for objectives
11. Support top-level analysis with selective drill-down
12. Provide a common communication vehicle for integrated operations and projects data
13. Provide a basis for cooperative resolution of problems and evaluation of alternatives
14. Maintain an audit trail of objectives, changes, and performance

All of the above can be accomplished either by using PC-Objectives with PS8 or with PC-Objectives by itself. Normally, if the project has been planned in detail, using PS8, then it would be efficient to incorporate the objectives in PS8, and then feed the status data from PS8 into PC-Objectives. However, a detailed, critical path plan is not necessary

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to employ PC-Objectives and gain the full benefits of its objectives monitoring capabilities.

This is exciting. Here we have a simple process, that can be used by all Operations and Projects stakeholders, to support Project Portfolio Management as it was meant to be. Now we can bridge the traditional gap that exists between the Operations and Projects groups. Now we can actually monitor project performance and relate that performance to the objectives of the enterprise. Now we can have an informational basis for dynamic adjustment of the portfolio, and an early warning system to alert responsible managers of imminent danger. Now, we can actually do Project Portfolio Management.

Author's Note: Look for the first paper on the subject of Project Portfolio Management, discussing issues pertaining to defining "value" in the portfolio, and support tools for Project Portfolio Management. The paper is entitled "Project Portfolio Management: A Song Without Words?"

Harvey A. Levine, with 38 years of service to the project management industry, is founder of **The Project Knowledge Group**, a consulting firm specializing in PM training, PM software selection, evaluation & implementation, and PM using microcomputers.

He has implemented or enhanced the project management capabilities of numerous firms, often combined with the selection or implementation of computerized project management tools. Mr. Levine is considered the leading consultant to the project management software industry and is recognized as the leading expert in tools for project management.

He has been an Adjunct Professor of Project Management at Rensselaer Polytechnic Institute and Boston University. And has conducted numerous project management public seminars for ASCE, AMA, IBM, and PMI.

Mr. Levine is the author of the book "Project Management using Microcomputers", and has been published extensively in other books, periodicals and videos.

Mr. Levine is a past president of the Project Management Institute and the recipient of *PMI's 1989 Distinguished Contribution to Project Management* award. Recently, he was recently elected as a *Fellow of PMI*.

Mr. Levine has offices in Saratoga Springs, NY and San Diego, CA and can be contacted via e-mail at: LevineHarv@cs.com