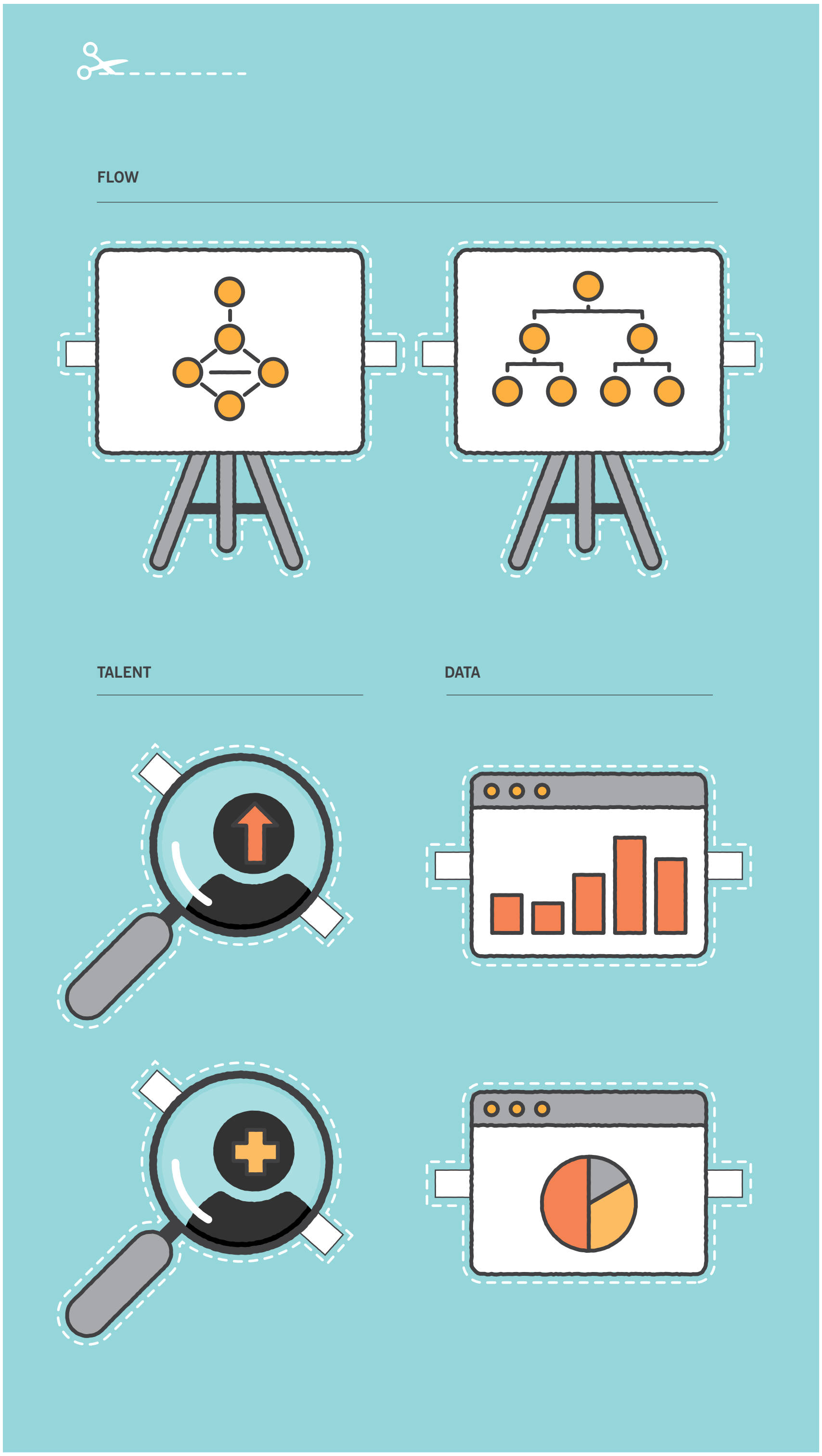
Managing Portfolios: The Same, Yet Different

By Sarah Lynn Davis and Kristine Jordan



The strategies for staffing and organizing a portfolio management office aren't that different from one organization to another; it's the nuances of the organization that require careful consideration.

How many times have you stared at a problem and thought, "Someone else has to have done this before! How did they solve it?" Often this dilemma triggers a phone call seeking input from your friendly local consultant, suggesting that all companies face unique challenges yet share some underlying commonalities.

Concepts, problems, and needs are the same; or, at least, similar enough to relate. Yet nuances in each company's industry, workforce, competitive landscape, culture, and specific technology make each situation unique. This dance between similarity and contrast applies to many aspects—from developing strategy to managing work portfolios, and on to delivering value to end customers.

In this article, we will focus on specific aspects of people, process, and technology along with other influencing factors that leaders should consider as they apply the fundamentals of managing a portfolio of work to the unique situation of their organization.

THINK OF DESIGNING YOUR PMO LIKE BUYING A CAR: You may ask friends who own the same vehicle you're considering about their experience with buying or driving that car. Ultimately, it's your car, and the choice is in your hands. Do you want leather seats, a convertible top, or upgraded wheels? It's the same car, yet different.

Portfolio Management Strategy
Although technology has evolved dramatically, generations of people have turned over, and new methodologies have surfaced, the foundation of managing and governing portfolios of work remains consistent with principles espoused for many years. Foremost among these is that the strategy for managing any portfolio of work must be grounded in the mission, priorities, and culture of the organization. Absent this alignment, the portfolio management team will not be successful in prioritizing the work; making necessary tradeoffs; or structuring the people, process, and technology elements of their organization.

PEOPLE

Leaders of portfolio management offices (PMOs) from a cross-section of organizations share similar needs for roles within their organization and corresponding skill sets that are critical to successfully manage a portfolio of work. The unique challenge for each leader is finding the people with the right combination of experience and skills to meet the unique needs of their organization. For instance, our experience has shown that the ideal leader of a business PMO is a proven leader within the organization who possesses strong knowledge of the culture and political influence, along with the ability to drive accountability within the organization and effectively make both strategic and tactical decisions to direct and manage the portfolio.

This specific candidate profile may prove challenging to match, so the prepared leader needs to be ready with alternative options. Could an external hire at the right level, with strong PMO experience, fit the bill? Or is there an internal rising star with influential relationships and a solid understanding of the organization who could succeed in a stretch role with the right support and training? The debate is common across organizations; the solution differs based on available individuals and the mission and priorities of the organization.

Consider the situation where an organization is under pressure to limit "unnecessary" overhead. The PMO is often categorized as overhead. As a result, PMO team members are required to wear many hats for the sake of efficiency. Leaders must be careful when asking individuals to step into roles that require very different skill sets, such as governance and strategy. It's not impossible to find one person who can successfully perform both roles, but that level of adaptability is rare. Additionally, a person with that breadth of skills is likely to have a fast, upward trajectory in the organization, so solid succession planning is critical.

Beyond roles and skills, the PMO leader typically has to deal with the important consideration of PMO reporting structure. The first dimension to address is funding and oversight: How should accountability for the spending of a PMO be allocated? While different organizations will ultimately land on different specific answers, the general principle we've seen work best is for accountability to conform as closely as possible to how the organization budgets and measures profit and loss.

The second dimension of reporting structure asks if project managers should report into a centralized PMO or be distributed to the business units the PMO serves. The answer will be dictated by the needs of the organization, with consideration given to various spheres of control. A direct reporting structure enables greater control and may be preferred when consistency and standards need improvement. Otherwise, it is best to ensure people report to the areas where their knowledge and skills are most applicable.

We often see organizations oscillate between centralized and decentralized after years in one model, but occasionally, a third option prevails—a hybrid of the two. For example, staffing may be centralized to the PMO, and team members are aligned to a business unit where they have applicable skills or strong relationships. Or, staffing may be decentralized, but a centralized center of excellence with audit capacity ensures adherence to processes and standards. The former favors greater consistency. In reality, there is no single perfect solution. The staff will experience turnover because of career advancement or attrition, and the dynamics of the organization will change. As a result, the organization must evolve in response. Each situation is unique and accordingly requires a unique solution.

PROCESS

At the highest level, portfolio management processes share a high degree of similarity, including the top-level data used to govern those processes. The reason: Most companies want to keep processes as simple and practical as possible. However, specific needs arise within individual organizations that result in additional process complexity and variation at the next level down. Regardless of these individual variations, leaders should keep in mind that all processes must ultimately support strategic organization objectives.

Take, for example, the common portfolio management capability of demand and capacity management. One of the simple solutions we implement within organizations is to create a single point of entry for all initiatives, commonly known as work intake. The work intake process marries project demand with resourcing (capacity) to enable completion of the work.

When introducing a work intake process to serve as a single point of entry to the portfolio, we can start with the same top-level process steps and data because leadership often wants to know similar information. Upon incorporating nuances such as areas of impact, unique business aspects, volume of work, areas of responsibility, and, therefore, different actors, the work intake process is customized to the environment.

But the more elements there are at play, the more complex the process becomes, and the trickier it is to manage. The concepts are the same: Work comes in and is assigned. The solution varies based on amount, type, and complexity of the work, taking into account the objectives of the organization. If the most important objective is fast speed to market, then the process should be as simplified and as fast as possible. On the other hand, if the driver is accuracy and thoroughness, the process may require additional vetting and validation.

The same rationale can be extended to other portfolio management processes, such as financial management. Planning, estimating, and tracking actuals are commonalities across companies, but frequency and scope of planning activities, basis for estimation, funding sources, and degree of detail tracked vary based on company structure and preferences.

Ownership of financials is also an influencing factor in the way financials are managed. As noted earlier, some companies choose to manage financials centrally, while others distribute that responsibility to individual business units. While the need to manage and report on financials is the same, the approach required to meet the unique needs of the environment will vary.

TOOLS AND TECHNOLOGY

In the ever-evolving technology landscape, PMO leaders have their choice of a wealth of portfolio planning tools that can help with both top-down and bottom-up management. In the selection of the appropriate tools to meet the specific needs of an organization, there are some critical points to consider.

Foremost, PMO-type data can be extremely valuable in managing budget and schedule as well as forecasting. But care must be taken in determining the needed data elements and processes for PMO team members to provide the data. A shortsighted view or flawed understanding of how the data will be used can result in information overload without providing clear value and, even worse, can erode support for your chosen tool and data. Before selecting and customizing a portfolio management tool, leaders must have a clear understanding of how technology will support PMO processes—maintaining a PMO technology roadmap and of course involving the right stakeholders to gain support.

Another important aspect to consider before deploying tools is the culture and maturity of the organization. How much rigor is the culture used to, and how visibly supportive will leadership be in using tools? And if the people within the PMO will be expected to use tools, they need to be able to see how the data produced by those tools is used for making effective decisions. Buy-in is achieved when PMO metrics are clearly communicated to the organization and scorecards created for PMO customers and other leaders are distributed to and used by members of the PMO organization.

Finally, data accuracy is critical when decisions will be made using data. Consistency of the processes that drive creation of the data will enable this desired accuracy. Ensuring that the entire organization is following common processes that have been agreed upon by all stakeholders will have a stronger impact and greater benefits than having a small group of individuals who possess a deep understanding of the data and are highly skilled in the use of the tools to create and analyze that data.

Above all, the needs of the organization must drive the use of technology. Leaders should be careful of “shiny object syndrome” when considering the role technology will play and yet not be afraid to leverage the power that automated workflows and integrated portfolio management data can provide when an appropriate tool is implemented.

Other Influencing Factors

In addition to people, process, and technology dimensions, some of the other common influencing factors encountered by PMO leaders are:

ADAPTATION TO CHANGE

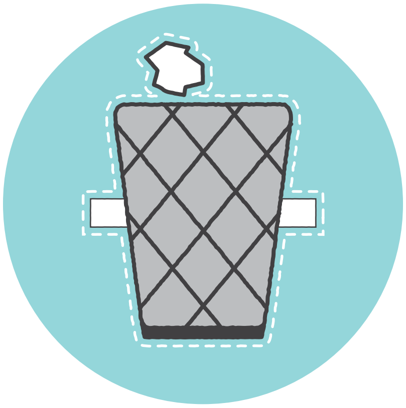
Adjusting capabilities will require at least some portion of the organization to abandon their existing processes or tools to adopt new ones. For example, evolving capacity management in an environment with an increasing technology footprint may require a shift in responsibilities from the business to technology. In this case, people, process, and tools may all change in response.

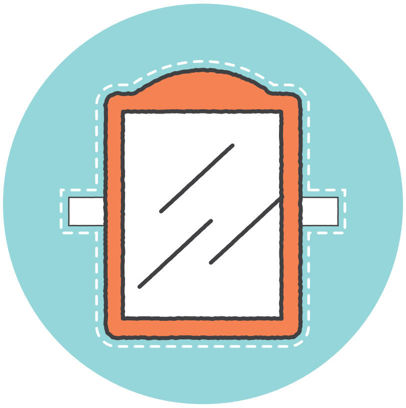
MIRROR CAPABILITIES

Leaders often consider collapsing capabilities that exist in both business and technology organizations into one. This approach can make sense, depending on decision rights and proper accountability. However, capabilities are often evaluated and determined to remain separate to ensure the company doesn't have a "fox guarding the hen house" situation.

CONTINUOUS IMPROVEMENT

The age-old question comes to mind: *If something ain't broke, why fix it?* Sometimes, however, even the best of capabilities need to be adjusted in order for others to succeed or improve. Companies commonly battle this question as they grow or as business environments change. We find that it is common and healthy to have a continuous improvement mindset balanced with an honest assessment of the impacts, costs, and benefits to making a change. Companies must apply the art of balancing practicality with another kaizen adage: *If you're not getting better, you're getting worse.* It is difficult to find the right balance and is commonly debated. We have seen that companies typically strive for a moderate degree of maturity and will naturally evolve where pain points appear or capabilities are lacking.





Having designed and implemented change in various organizations across multiple industries, we have seen that there are many commonalities in strategic needs for a PMO and the corresponding alignment of people, process, and technology. People have similar pain points. Understanding the details of those pain points within a particular organization and its unique environment is the foundation for defining a strategy, goals, and solution to address the organization's specific needs. Success of the solution will ultimately be enabled by effectively communicating and rolling out the change to the organization in manageable waves.

In the journey to the right solution, it is certainly helpful to hear from others who have traversed the same road as similar concepts apply. Using their experience as input—and adapting to your situationally unique needs—increases the likelihood of adoption.

Think of designing your PMO like buying a car: You may ask friends who own the same vehicle you're considering for their experience with buying or driving that car. Ultimately, it's your car, and the choice is in your hands. Do you want leather seats, a convertible top, or upgraded wheels? It's the same car, yet different. Design your PMO by leveraging similarities and learnings where possible to solve for key pain points; align to the strategic objectives; and develop people, process, and technology solutions. Customize to your environment's uniqueness.

Sarah Lynn Davis
sarahlynn.davis@jabian.com

Kristine Jordan
kristine.jordan@jabian.com