The Interfaces Between Strategic Management of an Enterprise and Project Portfolio Management Within the Enterprise

Russell D. Archibald, PhD (Hon), MSc
Fellow PMI, Honorary Fellow APM/IPMA, PMP

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1. Strategic Growth Management

- Well-managed enterprises today utilize *integrated strategic growth management processes* to define, approve and control their current and future growth plans and the actions – principally the execution of portfolios of programs and projects -- needed to achieve their agreed strategic objectives.

- “*Strategic management* is the art and science of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its objectives” (“Strategic Management” Wikipedia 2008.).
The Strategic Growth Management Process

DESCRIBE the Relevant Environment
- Crossroad Issues
- Business Environment
- Industry Structure

CONCLUDE About Our Situation
- Competitive Conclusions
- Customer Conclusions
- Company Conclusions

COMMIT to a Future Direction
- Priority Objectives
- Resource Portfolio
- Mission & Purpose

CREATE Action Plans
- Alternative Strategies
- Selected Strategies
- Programs & Projects

INTEGRATE with Operations
- Implementation Analysis
- Budget Integration
- Plan Communication

- Presidents, Secretaries General, Ministers
- Chief Executive Officers/CEOs
- Other Senior Corporate Executives
- Directors & Managers of subsidiary business units, major operating departments, product lines and geographic units

-- These are the “Strategy Managers” of the organization – does not include Project Managers or Strategic Planners.
2. Project Portfolio Management

Strategic Versus Operational Project Management

The Six Strategic Project Management Processes:

1. Select and approve new projects and programs to be added to the appropriate, currently active project portfolios within the organization.

2. Validate that each new project and program properly supports the currently approved strategic objectives of the organization.

3. Prioritize all validated projects and programs.

4. Allocate key resources (money, skilled people, equipment, facilities, other) to each portfolio and each project and program therein.

5. Establish the master schedule for each project portfolio reflecting the established priorities and the approved allocation of money and other key resources to each project and program. PMO resp.- But who approves it?

6. Cancel or change the scope, end results, and cost of approved projects and programs -- when such actions are required or justified.
Operational Project Management Processes

- All the processes described in the PMI PMBOK
- All the specific practices, systems and methods to be used for authorizing work packages, planning, and controlling projects and multi-project programs
- These operational responsibilities include – for each project and program within each project portfolio:
  - Select and assign project and program managers
  - Design/select/apply the best project life-cycle models for each project category
  - Select & implement the specific project planning, scheduling, executing, and controlling methods and software tools to be used.
Defining Project Categories

• **Project Categories**
  - Many principles of PM apply to all projects
  - But One Size Project Life Cycle System does not fit all!

• **Projects are categorized in different ways for different purposes**
  - Strategically: Market share, strategic intent
  - Operationally: end product, technology, industry
  - Educationally and training: as above
  - Career development: as above

• **Basic split in project types: DEVELOPMENT versus DELIVERY projects**
A Special Category: “Commercial” Projects

• Many organizations create and deliver “Commercial” Projects as an on-going part of their established business. These are obviously DELIVERY projects, not DEVELOPMENT projects.

• These projects produce and deliver under contract well-known results or products with little or no innovation that fit well-known and well-established strategic objectives of the organizations.

• Such commercial projects may be completely managed as a single Commercial Project Portfolio by a Project Management Office with responsibility for all six of the Strategic PM processes – unlike all other development project categories as discussed in the remainder of this presentation.

• Thanks to Stanislaw Gasik, Sybena Consulting, Warsaw
Defining Development Project Portfolios

- PMI’s Standard for Portfolio Management recommends one portfolio for an organization with sub-portfolios if needed.
- A more practical approach:
  - Per Combe & Givens (1999):
    - Value-creating: Strategic or enterprise projects
    - Operational: Projects that make the organizational more efficient
    - Compliance: “Must-do” projects required to maintain regulatory compliance
- Other portfolio possibilities:
  - New product (or service), product line extension, IT or ICT, capital facilities, major facilities maintenance, R & D, other
Project Portfolio Management

• Project Portfolio Management is fundamentally the integration of the strategic project management processes with the operational project management processes

• Project Portfolio Management provides the bridge between these two aspects of project management

• But who holds responsibility for STRATEGICALLY managing project portfolios?
3. Interfaces Between Strategic & Project Portfolio Management

The Five Phases of the Strategic Growth Management Process

1. **Describe** the Relevant Environment
2. **Conclude** About Our Situation
3. **Commit** to a Future Direction
4. **Create** Action Plans
   1. **Select** and approve new projects and programs
   2. **Validate** each new project and program
   3. **Prioritize** all validated projects and programs within portfolios

The Six Strategic Project Management Processes:

5. **Integrate** With Operations
4. **Allocate** key resources to each portfolio and each project and program
5. **Establish the master schedule** for each project portfolio - (PMO) respons.
6. **Cancel or change** the scope when such actions are required or justified.

*Manage each project and program using all appropriate Operational Project Management processes and tools.*
The PPM Evaluation Cycle

• Report progress on each project and program within each portfolio as specified by the organization’s PM procedures

• Portfolio Level Review Criteria:
  – How often?
  – Comparative evaluation of projects?
  – What criteria are used to re-prioritize, re-allocate resources, change scope or kill projects?

• Who makes the strategic decisions?
Managing the Project Portfolio Management Processes

- The PPM Process usually operates on a quarterly, semi-annual, or annual cycle, at least in concert with an annual strategic review and revision cycle for the entire organization.
- The ‘STRATEGY MANAGERS’ are responsible for overall management of the PPM process AND related strategic decisions.
- The appropriate PMO should be responsible for Strategic PM process No. 5, Establish the master schedule for each project portfolio. Strategy Managers must approve this Master Schedule.
- PMOs may facilitate operation of the PPM process but the resulting strategic decisions are the responsibility of the ‘strategy managers’ and not individual program or project managers – except for “Commercial” project portfolios.
Defining Responsibilities of Key Personnel

• For each of the 5 Strategic Management Phases, each of the 6 Strategic Project Management Phases, and for each project portfolio:
  • Identify key:
    – Strategy Managers
    – Strategic Planners
    – PMO Managers
    – Program and Project Managers
  • Define their responsibilities
  • See examples in the paper
4. Conclusions

1. The ‘Strategy Managers’ within an organization are responsible for 1) creating and executing the growth strategies for the organization, 2) project selection, prioritization, and provision of funds and other resources for their execution, and 3) strategic direction of all project portfolios required to achieve the approved strategic objectives.

2. Five of the six identified strategic project management processes are the responsibility of the organization’s ‘Strategic Managers’ and not its project or program managers. The one strategic PM process that is the responsibility of the PM experts but with the final approval of the Strategy Managers is to establish the Master Schedule for each Project Portfolio.

3. Project management knowledge, experience, and expertise are usually developed and retained within an appropriate number of Project Management Offices/PMOs, depending on the size and complexity of the organization and also on the project and program categories that exist within the organization.

Thanks for listening...

www.russarchibald.com   russell_archibald@yahoo.com