WHITE PAPER

The Manager's Guide to Avoiding 7 Project Portfolio Pitfalls

workfront™

EXECUTIVE SUMMARY

In today's "management by projects" mindset, portfolio managers and PMO directors are challenged with ensuring successful delivery in addition to communicating and managing stakeholder needs across the organization. Today's organization is no longer a single corporate headquarters with project teams huddled in the same building. Today's project teams comprise a distributed talent network located in various cities and countries across the globe. The distributed delivery model, coupled with increased pressure to deliver value faster, creates new challenges for portfolio managers.

Portfolio managers struggle with communicating progress to executive leadership while trying to aggregate meaningful data from the project teams. Portfolio managers also seek to understand the work in progress without disrupting the project teams' productivity and yet need to respond to executive questions quickly. These are just some of portfolio management challenges senior managers and PMOs face. This white paper provides an overview of several project portfolio management pitfalls and how collaborative work management and portfolio management tools can avoid them.

1 Ad Hoc Project Initiation

Do projects in your organization seem to appear out of nowhere? Do team leads start work without any regard to resource management or priorities? Are resources pulled off one project and allocated to another because a manager had a conversation with an executive in the hallway? These are just some of the questions that help determine if an organization's project initiation process is out of control or non-existent. Project teams quickly lose productivity when key resources shift to other "suddenly critical" projects and project stakeholders become frustrated with unfinished progress. Explaining to a customer that the project is delayed because of a new, higher priority destroys credibility with unfinished business stakeholders. Resource management also becomes a portfolio nightmare as portfolio managers struggle with shifting resources and balancing stakeholder commitments.

The solution to avoiding this pitfall is to establish an integrated request management process that supports project portfolio management from project initiation through project execution. Ad hoc project start-up is an organizational process that can be solved by defining the project approval process and supplementing it with a simple project request form. Establishing a periodic review process helps manage the intake of new project needs while providing structure.

For project managers, this process is synonymous with establishing a change control board and evaluating a change request to a project's scope, timeline, or resources. For the portfolio manager, the new project request is a change request against the current project portfolio. By creating a simple project request form and facilitating a prioritization discussion, better decisions and priorities are achieved. Once managers and team members see their requests are being addressed in a timely manner, the reliance on ad hoc requests subsides.

The project initiation process can also be improved with collaborative work management tools. By adopting a collaborative work flow solution, the administrative burden can be reduced. Instead of emailing files across the corporate intranet, a project request can be routed across a collaboration tool for workflow prioritization and approval. Portfolio managers may need to follow up with approvers; however, the requests should still be organized around a common process and tool set.

Although a simple headcount and project matrix can be used for basic resource allocation, collaboration-based project portfolio management systems have better support for resource management because they align resources to active projects in the resource pipeline.

By comparing project request resource needs with the current portfolio's resource capacity, better prioritization decisions are made. Portfolio managers should still focus on the organization's portfolio management processes first and then seek to enable better project initiation with technology. If the project portfolio management process is broken, adopting technology will only highlight the inefficiency rather than repair it.

② Poor Project Estimation

The 2010 Standish Group CHAOS report reveals 29 percent of all projects fail and 44 percent are late, over-budget, or delivered with less than the required features. A project manager's goal is to ensure the project is delivered on time, on budget, and within scope. However, it is imperative that the portfolio manager ensures sufficient resources are allocated to the projects in the portfolio.

The root causes of budget problems are poor estimation and a lack of upfront planning. If the project portfolio management process doesn't include subject matter expertise and past project estimates into the budgeting process, the portfolio has a weak foundation. Portfolio managers are challenged with providing financial estimates quickly and do not always have the luxury of unlimited time to complete a bottom-up estimate. However, the project portfolio management process needs to allow for budget refinement based on the initial estimate. Otherwise, some projects in the portfolio will be underfunded while others are overfunded. The result is a hastily formed portfolio budget that lacks any contingency for project and portfolio risk.

To avoid this pitfall, portfolio managers should consult with a repository of past project costs to support analogous estimation. At a portfolio level, conducting a top-down estimate is more realistic than conducting a bottom-up estimate based on the time allotted to estimate high-level project needs. By comparing past project cost, budgets, supplier contracts, and previous project schedules, portfolio managers can develop analogous project estimates for similar projects.

Another best practice to avoid poor project estimation is to authorize funding for three to four weeks to refine requirements, adjust estimates, conduct a risk assessment, and determine a better project estimate. Allocating funding and time to further analyze project opportunities provides time for a bottom-up estimate and improves project estimation accuracy. If project estimates are stored within a project portfolio management system, team members can collaborate and compare new project requests with past performance metrics and refine budgets accordingly.

3 Project Planning in a Silo

Poor project estimation can also result in planning within a silo rather than collaboratively engaging a team of subject matter experts (SMEs). Projects are collaborative efforts that require team buy-in and team feedback. The manager-centric model of command-and-control planning isn't effective and lacks the team's input and commitment. If corporate planners, portfolio managers, and project managers plan estimates independent of SMEs, the project budget will inherently take on poor planning risk.

Portfolio managers are challenged with executives who make political commitments without confirming project feasibility with the portfolio manager and project teams. In some situations, the executive mandate is pushed to the project manager and the project team is given even shorter deadlines to deliver an unrealistic project. As a result, projects fail to achieve unrealistic deadlines and project teams are forced into a death march before the project charter has even been signed.

A better solution is to break the project planning silo and adopt collaborative planning to ensure project budgets are realistic and reflect project team commitments. The reality is a project team may not be fully assembled to estimate all the project details. However, by conducting a project estimate peer review with project managers, portfolio managers can refine estimates based on an informal board of experts.

Once the project is initiated, collaborative planning based on individual commitments further ensures project scheduling is realistic and reflects each team member's commitment to delivery. Collaborative planning tools enable project team members to refine project deliverables and create meaningful tasks with realistic timelines. By adopting collaborative planning, the project team can significantly improve the timeline, scope, and final budget estimates. Collaborative planning also fosters team development, inspires commitment, and improves overall project risk management as multiple team members assis in the planning.

Agile project teams adopt the collaborative estimation best practice by obtaining consensus on requirement size, which influences the overall project timeline. The project management methodology doesn't have to be Agile methodology to adopt Agile best practices. The estimates gathered by the collaborative project management system also form a repository for historical estimates to assist in avoiding the preceding pitfall.

4 Reporting Stale and Inaccurate Status

Projects are dynamic, yet status reporting is static and risks becoming stale based on the timing of executive reviews. Status reports are collected at the beginning of the week but are reported a few days later due to steering committee cadence and the time to assemble status reports in the desired formats. By the time status is reported, key issues and risks may have already been resolved, and project managers must awkwardly report that the status isn't up to date based on the previous few days.

The project team often pulls status from multiple data sources, including project schedules, risk registers, issue logs, and budget spreadsheets. These data sources may also be out of date. Inevitably, the wrong version of the status report is submitted and the portfolio manager is left explaining status that isn't accurately reflected. Once inaccurate status reports are submitted, stakeholders won't trust the data. One solution to avoiding stale status is to facilitate portfolio status reviews using project management systems to support real-time status. Instead of combing status reports from different sources and compiling a portfolio of PowerPoint slides, portfolio managers should generate status reports in real time. By relying on real-time reporting, the portfolio manager ensures the project status correctly reflects project progress. By using a system, portfolio managers can dive into the specific project details based on executive review questions. Instead of simply talking to the data, the portfolio manager can show the supporting data that represents the project status.

5 Disparate Portfolio Status Reporting

Another portfolio management pitfall is inconsistent status reporting across different projects in the organization. Each project may produce a unique product or service; however, the status reporting format should remain consistent across the portfolio. Projects have different scope and deliverables, yet they are all subject to the triple constraint of scope, time, and resources. Organizations can measure all projects based on the triple constraint, but the metrics and format need to be consistent for proper decision making.

The PMO can produce a common status template that incorporates subjective status formats and objective performance indicators like task counts, issue aging, and earned value metrics. If a project portfolio management solution is used, project and portfolio managers can view status based on the same data source. Generating metrics and performance indicators from disparate sources is difficult and prone to error as project managers interpret data from project schedules, issue logs, and financial performance. By integrating the project schedule, risk and issue logs, and financial processes—and reporting from a consistent set of data—the administrative overhead is reduced and the reliability of the status report improves.

If project managers have additional information to communicate, they can provide addendum material to the portfolio review. Producing consistent status reporting from an integrated set of trusted data further improves the organization's project management maturity and provides common metrics to measure project delivery.

4 Increased Administrative Burden with a Centralized System

Organizations often seek to solve portfolio management and project management issues with a centralized reporting system. The centralized reporting solution is often designed to appease the needs of the executive management team rather than the project team producing the work. The executive team typically finds a portfolio management tool and requires them to update the system on a consistent basis to support an upcoming portfolio review.

In these situations, the portfolio status reporting and schedule updates are disconnected from the project solution that tracks, manages, and helps project teams deliver the project. The project manager will analyze the project schedule and incorporate the key risks and issues into the portfolio management tool. Despite management's attempt to deliver a tool to manage the portfolio of projects, the inevitable result is a disparate system that isn't kept up to date with the actual project activities.

Projects and portfolios need project management systems that enable work instead of enabling another administrative reporting tool. Each week, project managers update schedules, risk registers, and issue logs. Adding another system to update only creates more administrative burden under the guise of supporting the process.

A solution is to base the project and portfolio management processes on the same source of data. When there are portfolio or project problems, the portfolio managers and project sponsors need a top-down view of portfolio and project performance, which will allow them to drill down to the specific issue or risk without having to retrieve a separate Excel spreadsheet from the project manager.

Project teams need better collaboration tools to help project teams deliver. The schedules, tasks, issues, risks, and project requests form the foundation of the top-down view for portfolio managers. By integrating the needs of portfolio managers with the delivery needs of the project teams, the organization obtains a real-time integrated view of project and portfolio performance. Administrative burden is reduced as project teams use the system to communicate, collaborate, and produce work if management reporting is based on the real-time data.

7 Benefit Realization Failure

Another challenge for portfolio managers is confirming benefit realization after the project is completed. Projects are funded based on the benefits of the business case. The realized project benefits are not immediately evident—the results of the project's new process, product, or deliverable take time to fully appear in the organization. Since projects are temporary endeavors, the resources typically scatter to the next project or contract. Unless there is another phase, the project manager is likely reassigned to a new project and the portfolio manager and business stakeholders are left to follow up on the project's realized benefits. But stakeholders move on to the next challenge, and portfolio managers focus on the remaining projects in the portfolio.

As a result, the responsibility to follow up is left behind with the project archive, and the actual benefit realization is never delivered. The solution is to add a benefit realization process after the project is completed and ensure the proper resources and prioritization is provided in the portfolio. Verifying project benefits will take time and will not be immediately apparent. Business cases often include an ROI calculation to determine how long it will take to recoup the investment. Measuring and verifying the project's benefits and the associated ROI is a small project in itself.

The PMO can champion the benefit realization effort, but resources need to be applied to confirm the benefits. Involvement from the business stakeholders and the previous project team may be needed. Similar to the Control phases in Six Sigma DMAIC model, benefit realization is an ongoing portfolio management process that should include monitoring improvements and verifying business benefits have actually been achieved. Benefit realization doesn't stop at project closure.

Conclusion

Portfolio management is a complex set of processes that integrates people, processes, and organizations to make better decisions for greater business value. These seven portfolio management pitfalls are just a few of the challenges portfolio management and PMOs face in a continually changing business environment. By anticipating portfolio issues and supporting the portfolio management process with integrated tools, the overall project portfolio management maturity, standardization, and effectiveness is improved.

Project teams want to deliver. Portfolio managers want to help them deliver while supporting executive management with better decision making. By integrating the tools and data used to support project delivery and portfolio management, these pitfalls are avoided. Analyzing and prioritizing candidate projects across a project portfolio can be achieved without an integrated solution; however, the amount of administrative burden and associated headaches increases.

Devour the Chaos of Project Management with Workfront

It's time to love your project management tool. With an Enterprise Work Management solution like Workfront, your team will enjoy:

- an easy-to-use, adoptable platform
- collaboration in the context of work
- real-time visibility into all types of work
- multi-methodology capabilities
- customized reports and dashboards

workfront.com/it