

Making the Case for Portfolio Management

In the previous article, *Benefits of Effective Project and Portfolio Management in Transmission Utilities*, the value of having defined processes was identified. A defined process is important, but how do you implement it when many utilities have varying degrees of project management? When a company is sharing resources, it is often a struggle to coordinate between projects, allocate resources, and ensure all work is completed and spending targets met. Welcome to the world of Portfolio Management.



Portfolio management provides visibility to all work, not just project work; available labor resources, and budgets. Portfolio management provides a master schedule of all work for the year- which is referred to as the annual plan. Some work in the plan can span multiple years, some be very small, (e.g., pole replacement), and other work is unknown (corrective work). To keep the portfolio of work manageable, establish programs to manage small similar projects, and allocate blocks of resources for unknown work.

To implement an effective portfolio process or Portfolio Management Office (PMO), key departments must be actively engaged, with strong support from leadership and line management. Without strong support, departments will continue to prioritize work based on perceived needs rather than the overall organizational needs. There are many ways to organize a PMO however the most successful are show in Figure 1A and 1B below. Figure 1A illustrates a direct management structure where the PMO is responsible for overall portfolio and project management and resources are assigned to complete work.

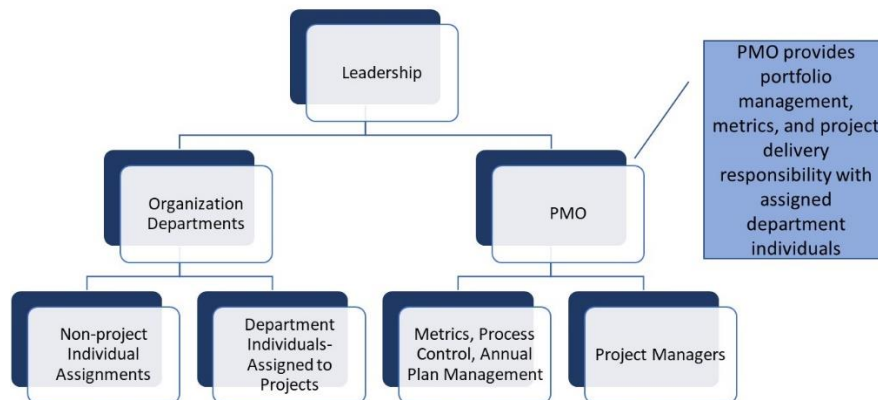


Figure 1a. PMO with direct management responsibilities of projects with assigned department individuals.

Figure 1B illustrates a supportive PMO providing support, such as metrics and work status information, but actual management of projects residing within departments.



Figure 1b. Supportive PMO Organization where departments have project management responsibilities.

Depending on the structure of your organization, a hybrid of the two models may be effective. A hybrid structure provides departments the flexibility to manage small work (programs) and corrective work while providing the information necessary for portfolio visibility. In this scenario, the PMO has responsibility for allocating the resources and the budget for the smaller work but it is managed outside the PMO. Larger projects will often require more significant reporting and project management skills. The consolidation and alignment of schedules, budgets and resources at this level is the work of the PMO. In addition to the development of an annual plan the PMO must be prepared to continually adjust the plan (resources, budget, priority of work) based on emergent or emergency work.

The hybrid structure is also a great way for organizations to start developing good project portfolio management practices across departments without significantly changing the organizational structure. Proper expectations must be established for anyone running projects as the PMO will still monitor metrics and project process control measures. The fundamentals are then cascaded throughout the organization as visibility and transparency increases over time.

The creation of a functioning PMO requires the necessary support elements to be in place (project management processes, information collection, data management, role clarification and executive support) to be effective. Many organizations struggle with resourcing the initial implementation effort and seek outside assistance to ensure organizational alignment and timely improvement. Understanding the pitfalls before beginning the journey will result in a smoother implementation.

Future articles will address how to align the organization to support an effective PMO, Program Management, and effective project management structures that support effective portfolio management and how to bundle routine work as a program.



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