The Manager's Guide to Avoiding 7 Project Portfolio Pitfalls

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 comprised of a single corporate headquarters with project teams huddled in the same building. Today's project teams are comprised of 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 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.

7 Project Portfolio Management Pitfalls

Pitfall #1 Adhoc 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 business stakeholders. Resource management also becomes a portfolio nightmare as portfolio manager’s 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. Adhoc project start-up is an organizational process problem 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 adhoc project start up mentality 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 are 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 by aligning 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 processed 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 optimize it.

Pitfall #2 Poor Project Estimation

According to the November 2007 Communications of the ACM journal, a study of 412 project managers indicated projects overshot budget by 13%, schedule by 20%, and under delivered scope by 7%. The frequently cited Standish Group Chaos report reveals 29% percent of all projects surveyed failed and 44% were challenged in achieving project objectives. A project manager’s goal is 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.

A root cause of budget problems is 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 financial 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 and estimates to support analogous estimation. At a portfolio level, conducting a top down estimate is more realistic than conducting a bottom 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 3-4 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 provide time for a bottom up estimate which improve 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.

Pitfall #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. Projects are collaborative efforts that require team buy-in and team feedback. The project manager centric model of "Command and Control" planning isn't effective and lacks the team input and commitment. If corporate planners, portfolio managers and project managers plan estimates independent of subject matter experts, 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 reflects project team commitments. The reality is a project team many not be fully assembled to estimate all the project details. However, by conducting a project estimate peer review with respected 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. The collaborative planning also fosters team development, inspires commitment and improves overall project risk management as multiple team members assist in the planning.

Agile project teams adopt the collaborative estimation best practice by playing games of "Planning Poker" and 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.

Pitfall #4 Reporting Stale and Inaccurate Status

Projects are dynamic yet status reporting often tends to be static and risk becoming stale based on the timing of executive reviews. Status reports are collected at the beginning of the week yet 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 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 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.

Pitfall #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 however the metrics and format needs to be consistent for proper decision making.

Many projects apply the subjective traffic light approach of red, yellow and green for late, at risk or on track project status reporting. Subjective status reporting is effective if the definitions for each status are consistent across the portfolio. Organizations may agree a project can be one week late and still considered "on-target" while others will indicate a project is late if there is a single day delay. The portfolio manager or the PMO needs to define common performance indicators and apply them consistently across all projects for effective decision making.

The PMO can produce a common status template that incorporate 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 indicates 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.

Pitfall #6 Increased Administrative Burden with a Centralized System

Organizations often seek to solve portfolio management projects 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 project managers 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 portfolio management processes and project management processes off the same source of data. Portfolio managers and project sponsors need a top down view of portfolio and project performance. When there are portfolio or project problems, the portfolio manager should be to be able 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 while management reporting is based off the real-time data.

Pitfall #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 may take several months as the results of the project's new process, product or deliverable take time to fully execute 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.

Stakeholders are also busy with the next challenge and portfolio managers are focused on the remaining projects in the portfolio. As a result, actual benefit realization is assumed to be delivered while the responsibility to follow-up is left behind with the project archive. 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 a 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 although resources need to be applied to confirm the benefits. Involvement from the business stakeholders and 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 had 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 the organizations to make better decisions for greater business value. The seven portfolio management pitfalls are just a few of the challenges portfolio management and PMOs face in a continuing 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.

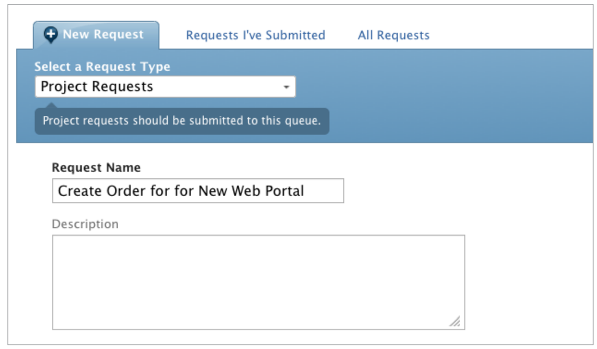
Project teams want to deliver. Portfolio managers want to help them deliver while supporting executive management with better decision making. By integrating the tools and data used to support project delivery and portfolio management, a lot of these pitfalls are avoided. Analyzing and prioritizing candidate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

Emerging and even mature portfolio management organizations can take advantage of today's collaborative work technology and integrated project portfolio management solutions to make better decisions with less administrative headaches. Portfolio and project managers have projects to deliver, not more pitfall paperwork.

About AtTask

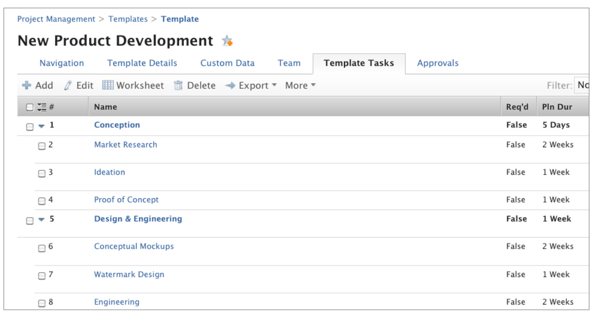
AtTask is the SaaS leader in project management solutions and Collaborative Work Management. AtTask helps organizations avoid project pitfalls by leveraging the combined power of social collaboration, increased engagement, accountability, visibility, and recognition—making it possible for people to take ownership of their work and perform at a higher level.

How? AtTask helps you standardize project initiation by letting you easily create online project request forms. You can easily customize AtTask to route project requests to the correct people and processes to keep projects strategically aligned and prioritized, making sure teams are working on projects that provide the most value.



Project Request Form

Once initiated, you'll need to accurately estimate your projects. By keeping past, current and planned projects in AtTask you'll have the data you need to improve your estimations. With AtTask's customizable fields and robust reporting features you have virtually limitless ways to analyze project data.



Project Template

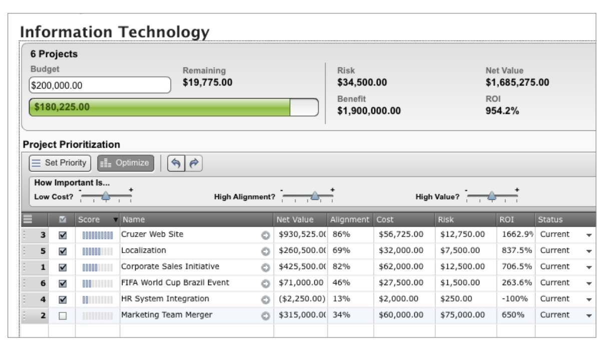
Make siloed planning a thing of the past using AtTask's built-in collaboration features and project templates. Record best-practice project plans that have been vetted by project experts and hard-won experience. Use them as templates over and over again to kick-start accurate planning.

Project managers and executives will always know who's working on what, when they'll be done, and how the projects are really progressing using AtTask's social media-inspired collaboration tools. Anyone can provide feedback, record progress, report obstacles and make updates so everyone on the team, including executives, stay on the same page in real time.

Inconsistent status reporting across different projects is one of the many challenges in portfolio management. AtTask provides a single place to keep track of all work without the superfluous tools that can make project reporting difficult and scattered. Executives will get reliable data about team performance, accomplishments, timelines, and budgets in a consistent format.

Because portfolio managers and project sponsors need a top down view of portfolio and project performance, AtTask allows teams to obtain a real-time integrated view. Rather than introducing yet another system to track progress, portfolio managers, sponsors and team members can use AtTask as a single source of data for connecting portfolios, programs, projects, resources and tasks.

Verifying a project's benefits once it's completed can be tedious, but it is a crucial part of portfolio management. AtTask can give executives, project managers, and the team full visibility into the history of the completed project so they can make sure the objectives were met. Project templates in AtTask can also be used to ensure that this important final step is not missed before the project is closed out.



Portfolio Optimizer

Visit www.attask.com to learn how our collaborative work management approach has been instrumental in helping customers including Forbes Global 2000 brands such as Nike, Cisco, ABC, ESPN, 3M, REI and Trek solve critical business issues.