



[Print](#)
[Close](#)

Complexity Considered

Projects@Work

March 23, 2009

When project portfolio decisions are made in isolation, redundancy and conflicts are inevitable. One solution, according to a Global 500 advisor, is to manage cascading portfolios at multiple levels within the organization. In this interview, Mario Arlt shares some thoughts on managing complex project portfolios.

For more than 15 years, Mario Arlt has served numerous Global 500 companies as an advisor and coach and contributed to methodologies such as the Project Management Institute's Project Portfolio Management Standard. Arlt is currently the vice president of client engagements at ESI International, a global project management training provider with headquarters in the Washington, D.C., area.

PPM Executive recently spoke with Arlt about the challenges of managing complex project portfolios across large and diverse organizations.

How can large organizations cope with the complexity of project portfolios across businesses, legal entities and geographies? What are the main challenges – solutions?

It is indeed a non-trivial task and large organizations are often overwhelmed by the complexity. As so, often the answer is: it depends. Depending on the organizational setup and culture, there may be one central portfolio management function for the entire organization. While this may support the selection of those projects and programs, which yield the most benefit to the overall organization, there is a risk that the decision maker may be too far removed from the operating business. Conversely, a portfolio decision process that solely takes place in the operating businesses has the potential benefit of optimal outcomes for the respective business, but will not necessarily achieve the maximum benefit for the entire organization. In this case, redundant, overlapping and conflicting projects can be found when looking across the organization.

One solution is to manage portfolios at multiple levels and set up cascading portfolios for the organization. Projects that solely serve the benefit of one business and do not consume significant resources would be decided upon within the respective business, and reported to a corporate portfolio committee for the purpose of oversight. Initiatives that require significant financial or human resources and benefit multiple business units would be managed at a central level.

Geographic dispersion adds further complexity, especially when country-specific laws, barriers to capital transfers, and taxation come into play. Lastly, large organizations often consist of hundreds of legal entities that can be tightly integrated within a corporate hierarchy, loosely coupled or anything in between.

Would you define large organizations by number of employees? Revenue? Or is it more a combination of size, scope and maturity?

There is no standard definition, but as a proxy, I would consider at least all large and mid-cap companies (market capitalization of \$2 billion and above) to meet this criterion; however, a number of small caps (\$300 million plus) could equally be considered to be large. What matters more than market capitalization or number of employees, project volume, number of projects and other quantitative criteria is the characteristic of these organizations to be diversified (multiple products and services) and geographically dispersed. As a result of these and other characteristics, the organization exhibits a multitude of segment strategies and objectives that are addressed by a wide array of projects.

How has the complexity of project portfolios changed over the years? What's the top driver of that?

I believe the most important trends are the demand for accelerated benefits achievement and the expectation to earn return on all investments. Defining 'return' in this context is not an easy task, as we have seen from companies that solely focused on short-term financial gains and did not appropriately invest in the long-term sustainment.

What are some key strategies for large organizations to deal with complex portfolios and what should be done if projects or entire portfolios go off track?

These are two very good questions. First of all, my recommendation is to be very consistent. Apply consistent metrics for estimating expected benefits and measuring actual benefits of projects across the organization in order to make them comparable. The same applies for the control process: only a consistent and meaningful review process will assure that projects or portfolios that are not achieving the desired benefits or have become obsolete as the business strategy is changing are cancelled earlier rather than later. A solid organizational portfolio management process will allow for an increase in the speed at which ideas are turned into solutions that generate revenue, save cost, improve customer satisfaction etc.

Second, make sure all participants in the process are adequately trained to perform the tasks related to managing both portfolio prioritization and selection and controlling. Many organizations exhibit strength in the execution of projects but fall short in the portfolio prioritization and selection. Later on, they improve in portfolio management aspects, but experience degradation in the project execution as they stop 'investing' in project management skills. Doing the right projects, doing projects right and doing both consistently, is the ultimate goal. Only a well-trained staff across the organization, following consistent processes and using adequate tooling will be able to manage large portfolios effectively and efficiently.

If projects or entire portfolios go off track, there is a need for quick and decisive action to turn around, re-direct or cancel distressed projects or portfolios of projects. In addition, such situations warrant further examination to see if the process and skills of the teams involved are adequate to prevent such failure in the future.

Is project portfolio management the solution for all companies with a complex project portfolio?

As strategies are implemented through projects, project portfolio management is an important part of the success. I strongly believe that a portfolio approach is the best way to identify what investment options yield the greatest benefits for an organization, to make allocations of funds and resources accordingly, and to monitor the benefits realization throughout the lifecycle.

Copyright © 2009 projects@work All rights reserved.

The URL for this article is:

<http://www.projectsatwork.com/article.cfm?ID=248210>