

Programs, Portfolios, and Pipelines: How to Anticipate Executives' Strategic Questions

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In the past, one of the prime executive responsibilities was to “set the direction for the project” and answer questions. This led to paternalistic cultures where the subordinates asked questions of “powerful and omniscient” managers, who had the answers (or at least made decisions). The truth was that many of these managers were clueless about the alignment of projects and programs with the organization’s business. In the emerging “tides-of-change” environment, the organization is too complex and fast moving for executives to have all of the answers.

Now, the strategic leadership paradigm is that *the executives have the questions!* The project team provides the answers. In the new model, project teams must anticipate the executive’s questions and have ready answers.

Specifically, project managers must know how the executive decision-making and strategy paradigm is changing. They must understand how to link projects, programs, pipelines, and portfolios to build capability to respond to emergent opportunity.

Common Language

To improve performance across the organization, we need some common language about our projects. Following are some rudiments.

- **Projects**—Projects are one-time efforts that produce a unique product. Projects are not the same as programs.
- **Programs**—Programs are collections of projects that have one or more strong, identifiable themes (such as common technology platform, common customer base, or common resource base) that require a unified management structure. I will discuss and illustrate a method for defining programs later in this paper.
- **Portfolios**—Portfolios are collections of projects/and or programs that fit to an organizational strategy. Portfolios include the dimensions of market newness and technical innovativeness.
- **Pipelines**—Pipelines are the process by which individual ideas are developed into workable projects. Organizations need a number of ideas at various stages in the pipeline and ration resources to fit projects into the pipeline.

Purpose and Benefits of Project Portfolios

Projects and products are fundamental elements of strategy. The enterprise project portfolio is an essential management tool for project prioritization and control. The project portfolio is more than a cataloging of projects; it is a framework for project initiation and management processes.

A well-managed project portfolio provides the following benefits.

- **It facilitates crisp, fact-based decision-making on project priorities.** The portfolio provides a framework for organizing data, and thus improving business case analysis, risk management, and resource management will result. Risk and complexity are the primary indicators of the need to invest in project planning.
- **It helps trace/audit the evolution of projects and programs.** The phenomenon of “feature creep” is common and blurs the distinctions needed to identify work in progress.
- **It helps link strategic intent with delivery.** The portfolio is an enabler of good decision-making, which allows for better alignment of resources, technology, and customer value.
- **It helps simplify and organize information to speed organizational learning.** The portfolio creates a knowledge repository of important information. Managers can analyze previous strategy decisions and use that knowledge in making future decisions.

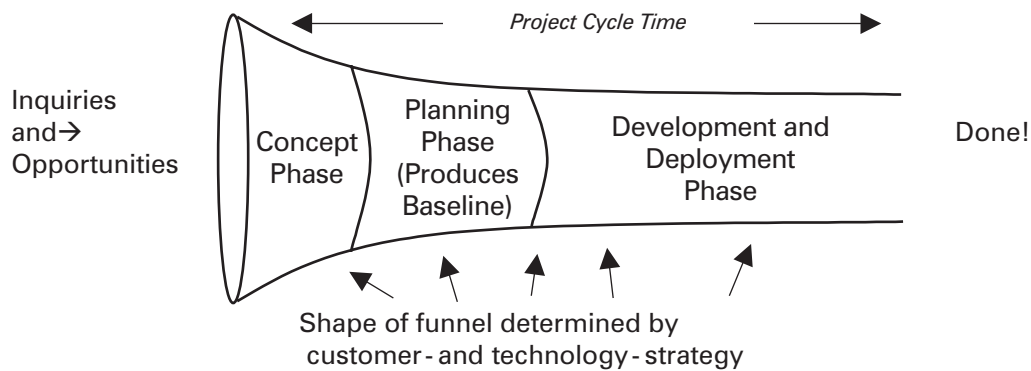
Purpose and Benefits of Pipelines and Pipeline Management

I frequently describe the project development pipeline using the metaphor of a funnel, as illustrated in Exhibit 1. Technology strategy and customer strategies shape the sides of the funnel. Some organizations have numerous projects in the pipeline, while others capitalize on a few “big-bet” projects. Some organizations clog their pipelines with small projects and fail to provide the proper program linkages.

Exhibit 1 illustrates a simplified version of a development pipeline.

A well-managed project development pipeline provides the following *benefits*.

Exhibit 1. Simplified Pipeline



- It is a framework for rationalizing the technology development and customer needs under conditions of scarce resources. The ideas of customer driven and technology driven are competing imperatives. The pipeline helps to balance the emphasis.
- It is a framework for sequencing product releases deliveries and for recognizing scope growth. It helps to prioritize and communicate release dates of core products and enhanced products using the same product platform.
- It is a framework for measuring project cycle time. Typically, the organization measures the cycle time from the time a request is offered until the time that all requirements are met.

What Is a Strategic Decision?

In starting this discussion, we need to ask the question: “What is a strategic decision?” I believe the term “strategic” is one of the most abused terms in project management. I have seen the term used to describe or justify a broad range of projects. We might recall Hotspur’s rejoinder to Glendower’s foolish boast (Shakespeare’s *Henry IV, Part I*):

Glendower: I can call the sprits from the vastly deep.

Hotspur: Why, so can I, or so can any man; But will they come when you do call for them?

Just because someone calls a decision or issue “strategic” does not mean that we are addressing an issue that is important to the enterprise.

In this paper, I use the term *strategic* as a decision attribute where the outcome is success or failure, in terms of stakeholders’ perceptions. A strategic question is one

that links decisions to action to success or failure at the enterprise level or at the project level.

Strategy as a Two-Way Process

“Who has the big picture?” is a frequent and important question in project organizations. (OK, the cynics will argue that it is important but not frequent!).

The answer to the question “who has the big picture” is found through understanding the strategy-development process as a joint top-down and bottom-up approach; both executives and project managers have the big picture. Project managers and program managers increasingly participate in and even lead the discussion of strategy formulation and implementation.

In the top-down approach, the executives develop a vision and deploy resources toward that vision. Executives often assume that the capability is “constant.” In this traditional approach, for the terms “strategic” and “tactical,” *strategic* means the idea, and *tactical* means the work.

The bottom-up approach focuses on capabilities or core competencies. Here, the organization looks for opportunities to express those capabilities in action.

Strategy development is also a balance among technology and customer imperatives. Technology-push strategy assumes fast-changing cycles of technological evolution or revolution. In the extreme, technology-driven strategies will provide products that customers do not want. Various customer ideas, complaints, or opportunities pull customer-led strategy. In the extreme, customer-driven strategies lead to a patchwork system of capabilities.

Who Has the Big Picture?

One portfolio initiative originated when a senior executive (of a large insurance company) declared:

No one has the *big picture* about the project work that the development area is doing for the customer department. If we could define some project structure and communicate priorities, we could make better decisions and assure we are accomplishing what's important.

This executive's frustration reflected a lack of process and structure for project decision-making and communication. For example, the project development organization was unclear on the overall customer business and technology direction. Priorities were unknown and changeable, project roles and responsibilities were unclear. There was no project initiation process.

The organization convened a series of joint strategy build-a-collaborative approach to this problem. I first worked with the development community to identify projects, identify issues getting in the way of effective work collaboration, and desired future work conditions. I then repeated the process for the customer community and then combined the groups.

At the end of the work sessions, the organization identified over 137 projects and work efforts. From this, it was able to develop a process for project initiation, prioritization, and statusing. In addition, the organization identified seven project priority opportunities, based on the preferences and direction of the customer department. One of these projects offered million-dollar savings to the organization but had languished before the facilitated sessions.

Risk and complexity provide the greatest reasons for project planning. (Project planning is a vaccination against project failure.) Through a process of "slicing and dicing," the project team identified the projects that had the highest risk and complexity. From this, the organization could prioritize its portfolio.

The organization improved *inter*-department and *intra*-department communications. Commitment increased, and the organization achieved noteworthy results and visibility through a better fit of priorities, resources, workload, and opportunities.

Most importantly, this case demonstrates how a question is the stimulus for an improvement effort. The project team (which did the real work) provided the answers.

Defining Programs Through Project Commonalities

Programs are collections of projects (*A Guide to the Project Management Body of Knowledge [PMBOK Guide]*). It is challenging to define programs because they link to strategies in at least three ways. I have developed a program definition model that groups projects into programs based on commonalities of customer, technology, and resources. Customer commonalities are a common customer with unique requirements. Technology-platform commonalities are another type. Resources commonalities originate from common pools of resources (and resemble functional management).

This model can help firms determine whether to use the discipline of project management versus the discipline of program management.

Project management entails delivery of unique services on a temporary basis. Program management depends on good project management at the individual level.

A Repository of Project and Program Data

A project repository can help answer the basic questions that executives ask (or will ask), such as the following.

- How many projects are in progress and/or contemplated? What is the value of the portfolio in terms of cost and opportunity? Are the projects prioritized?
- When is a project scheduled for delivery? Is the project late or early? How reliable is your estimate of due date?
- Who can provide more detail on the status of individual projects?

The *BigPicture* database template (Microsoft Access '97) is designed to help managers identify each project and track status of essential project and program information.

Organizations use the database to track progress of projects and programs through the pipeline. I recommend a minimum of a weekly or monthly report of activity. Experience shows that as executives routinely see the information in a portfolio, they begin to use the information to move away from intuitive hunches and guesses to a fact-based decision-making policy.

Why an "open" database? All projects are different, and this approach allows the organization to identify the information that is important to aligning projects with strategy and assure consistent deployment.

Of course, a database can suffer from the affliction of "garbage in—garbage out." However, as the organization collects the information captured in the database, it improves alignment of its projects with its strategic intent and its resources. The important benefits of significant cost savings and improved organizational integration can result.

Exhibit 2. Recommended Data Items	
<p>PROJECT IDENTITY Project Number Charter Date Project Name Customer Organization Status Reference Projects Inquiry #</p>	<p>PROJECT PERFORMANCE DATA Preliminary Completion Date Preliminary Budget Baseline Completion Date Baseline Budget Baseline Date Budgeted Cost (Latest Revised Estimate) Completion Date (Latest Revised Estimate)</p>
<p>PROJECT STAKEHOLDERS Customer Sponsor Customer Project Manager Development Project Manager</p>	<p>REPORTS Status: "In Progress" Projects Status Query for All Projects</p>

Exhibit 2 lists some recommended data items for the project/program database. It is important to define carefully the criteria for each field.

Question Anticipation

Project managers and program managers increasingly participate in and even lead the discussion of strategy formulation and implementation. Because project managers and teams develop the answers, they must push back on poor decision-making. Good decisions demand good models and data. Both project managers and executives need to become proficient in asking the right questions.

For example, consider the IS organization that spent upwards of \$1 million (on a consulting firm) to create a document project management that detailed numerous process and procedures. The project practitioners did not accept the prescribed method for several reasons: they were not part of the development, the processes documented were trivial, and some managers used the procedures as a club to dictate compliance.

I offer the following as important statements and questions: Show me the process you are using to create sustainable capability. When will your consultant leave? How will you measure the value received? What is the residual value?

The Essence of Project Management Is Good Decisions

If project management is to become a core competency, and not just "schedule mechanics," organizations need to recognize it as one enabler of a good decision-reaching process. We expect good decisions to cause effective organizational performance, including financial performance. The project manager is the leader of the project's decision-making process.

The project manager must be willing to assume accountability for the performance of the project. It is helpful to identify a criterion for a good decision: *those that increase the probability of success and decrease the probability of failure*. Excellent project managers are those who address success and failure and take the time to select the right process.