

Managing Popcorn Priorities: How Portfolios and Programs Align Projects with Strategies

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Information overload pervades today's work world. When combined with unknown capacities and unclear priorities, the result is a quickly-recognized phenomenon: popcorn priorities.

Popcorn priorities is the condition where project priorities change like popcorn popping: there is a loud sound, lots of confusion and banging around; finally a project kernel rests on the top of the pile for a short period of time. Popcorn priorities are the frequent reshuffling of project priorities that reinforce other problems in a vicious cycle that leads to slow development, patchwork products, organizational chaos, and high failure rates.

This paper describes issues and practices needed to gain business advantage and eliminate popcorn priorities.

Root Causes of Popcorn Priorities

Popcorn priorities are symptoms of a poor style of organizational decision making. The root causes include a number of strategy, system and cultural factors. Here are 5 of them:

- Tyranny of the urgent – People react to the urgent and immediate pressures, and often fail to give adequate thought or priority to organizationally important work.
- Stovepipe structuring - In many if not most functionally oriented organizations, operational (or continuous) improvements are the most commonly identified projects. But, they are not the most important as many operational projects are cancelled or ignored once they are complete.
- Resourcing by 'filling a time slot' – Functional managers are measured on efficiency, and their approach to project resourcing is typically "Who do I have available? What can they do? Let me find some work to keep them busy." Work on the critical path is often not a priority.
- Overemphasis on compliance - By inclination or by training, many people never question authority nor make balanced tradeoffs on risk.
- 'Just do it' cultures – When the organization rewards completion of activities rather than solving

problems, it creates multiple projects to re-solve the same problem.

Three Types of Portfolios

Portfolios are frameworks or conceptual maps of strategies that enhance understanding of the purposes, risks, and rewards. In general management literature, portfolios are used to guide investment and divestment in various businesses. More than anything, portfolios foster improved decision making about *which* projects to support.

Let us examine a typical IS project-investment environment: A Y2K problem and a vendor sales pitch creates an opportunity in a business unit where a general manager reacts, hands a person an assignment, a due date, and says "go do it." This project manager designee is working on several other projects and is now forced to de-emphasize one or more of the projects.

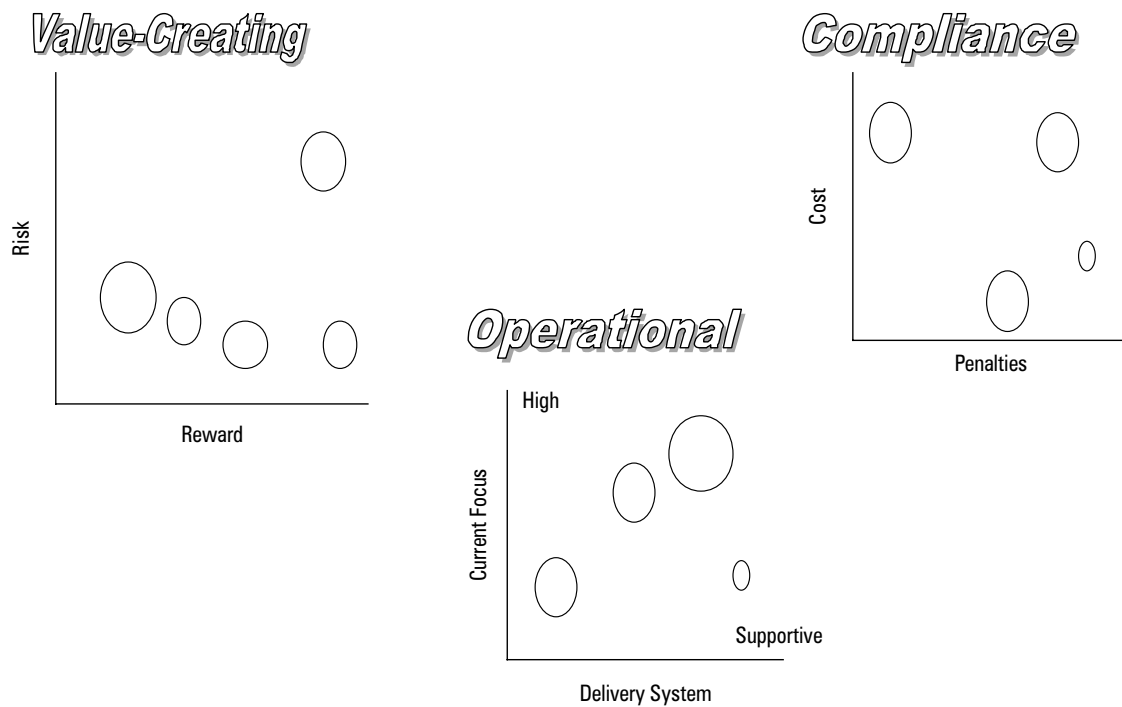
The all-familiar popcorn priority process has begun. It is the authors' contention that popcorn priorities reflect poor understanding of the theory and application of portfolios, portfolio management, and program management.

Exhibit 1 presents 3 portfolio structures that are applicable to managing popcorn priorities. Generally popcorn priorities arise in the operational projects and compliance projects. If not monitored carefully, they tend to crowd out the value-creating projects. The following paragraphs describe the 3 types in more detail and discuss considerations for prioritizing.

Compliance projects are the "must do" projects - They are typically required to maintain regulatory compliance. For example, each state regulates insurance operations, requiring specific forms and conventions. There is little choice or leverage for these projects; they need to be done to operate in a locality.

Compliance projects are generally "must do" and most of them are chartered and deployed. Often, these projects are assigned to system administrators as an additional task (to their "real" job). They are prioritized within the portfolio on a basis of penalties (the greater the penalty, the

Exhibit 1.



more quickly it is started) and cost (the easier and simpler it is the more likely it is to get started).

Often compliance projects are relatively small and simple and place a great emphasis on knowledge of the system and business. They can be as simple as modifying a title on a report.

An example at Northwestern Mutual is that the NAIC (National Association of Insurance Commissioners) agreed on certain regulatory conventions for how an insurance agent may model the expected performance of an insurance policy for a client. In order for Northwestern Mutual to be allowed to operate, it needed to make adjustments to several systems. These adjustments drained resources away from other work efforts.

Operational projects involve work that makes the organization more efficient and satisfies some fundamental of functional work. Operational projects tend to be targeted to reducing costs (e.g. automating a labor-intensive process), reducing business risks (e.g. replacing outdated hardware/software), and/or improving performance (e.g. speeding up a process).

Operational projects are the natural domain of popcorn priorities, because of the day-to-day pressures of running a business are oriented towards sensing and responding to

small perturbations in the system. Further, operation environments are often staffed with people who are good troubleshooters, who have no job if there is nothing to fix.

Operations projects are typically prioritized on the basis of current organizational focus, which is an almost-constantly-evolving series of issues, and on organizational support. Organizational support is a functionally management oriented paradigm where emphasis is to "keep your people busy."

Current organizational focus includes a number of factors that are not typically well understood by participants. They include

- Pursuing small revenue or cost enhancements (trying to "make your numbers")
- Fixing disruptions to business operations
- Expedited orders
- New technologies
- Requests of external customers
- Staff changes

Interestingly, as organizations decentralize and empower, they create more operations issues. Instead of elegant and simple business systems, they end up with patchworks and with too many complex, incompatible, and poorly-understood interfaces.

Value creating projects - These projects are often called strategic, or enterprise, projects. A distinguishing characteristic is that they tend to be targeted to the revenue (as opposed to the cost) side of the balance sheet. Research and development projects, marketing projects, and new product projects are typical of this category.

Value creating projects are those described in the classical portfolio management literature. They are typically managed and prioritized on the basis of risk and reward.

Benefits - The benefit of this three-portfolio framework is that it allows the organization to:

- Accept different metrics and approach for justifying projects
- Create balance in the work done to benefit the organization
- Create a more common basis of prioritization.

Alignment through Portfolio Management and Program Management

Project portfolio management is a stabilizing influence on strategy, projects, and programs. Lack of a portfolio management process means a reluctance to kill projects, resources spread too thinly, and poor project performance. Strategy is not only the province of senior managers; it is a concern for IS functional managers, and others.

The goals of portfolio management include the following:

- Maximizing value - For this goal, managers select and resource the best projects to meet short term and long term goals of the business that owns the portfolio.
- Assuring balance - Portfolio management is a dynamic process that involves finding projects that help to streamline the business while also funding those to help respond to competitive threats, disrupt the position of competitors, and create advantage in the market. The business unit frequently blends improvements with new initiatives.
- Formalizing strategic direction and accountability – assure that opportunities and threats to the organization are formally addressed, and to trace specific work efforts to enterprise direction.

Northwestern Mutual has embraced the concept of portfolio management by:

- Establishing a separate budget for ‘corporate’ project portfolio. This is the balanced portfolio of key projects that aim to move forward strategic objectives, improve

overall business performance, and explore potential opportunities.

- Assigning accountability for the corporate project portfolio to the ‘short list’ of the company’s top leaders. These five people select, prioritize, fund and resource the projects in this \$85 million portfolio. They also assure that operational budgets are monitored to free funding for such projects when it becomes necessary to increase the portfolio funding. Finally, they monitor progress and results of each project in the portfolio.

Programs are collections of projects that unify and leverage the contributions of projects in the portfolio. For instance, a program of projects may be established to meet a key strategic objective. One proven way to improve organizational delivery of value is to use program management to align and streamline projects. Good project management is a fundamental building block of good program management.

A good example of a program was the Apollo Space Program, which aligned individual projects toward the achievement of the objective to “land a man on the moon by the end of the decade and bring him home safely.” Each mission (e.g., Apollo 11) had the purpose of advancing the technology needed to accomplish the program’s goals. Ideally, programs are linked to an important organizational goal. Unfortunately, the concept of program management is often used to connote status or to perpetuate functional turf.

With this understanding of *what* portfolios and programs are, we now discuss *how* their application reduces ‘popcorn priorities.’

Organizational Practices for Managing Popcorn Priorities

Obviously, organizational strategy setting is complex, and it affects management of projects. This section describes five practices for using portfolio and program management to align projects.

Link projects into strategic (long-term) and operational (shorter-term) priorities - The annual planning process is an important time to look at project priorities, because it’s the time people will most likely have some focus on the longer term. It’s critical to create a decision structure that creates a top-down alignment of strategy with projects.

Exhibit 2 illustrates Northwestern Mutual’s framework for linking vision, to intermediate strategies to achieve that vision, to specific action plans (projects). This framework is the basis for defining programs and projects,

Exhibit 2. Northwest Mutual's Strategy Alignment

Long Term Vision		5-7 Year Time Horizon (Strategic Plan)		1-Year Action Plan	
Objective	Goals	Strategies	Measures	Tactics	Projects
Aspiration for the business unit (narrative; short)	Quantitative aspirations for entire operation e.g. 90% of business #1 in category grow in excess of 12% per year	Maximum of 5 Do not change every year Short statements	Matched to strategies 1-2 per strategy Measure by which success of strategy can be determined	1-3 tactics per strategy Accountability assigned	1-2 year development efforts needed to carry out tactics Require resources Identifies which "measures" will be impacted by the project, and to what degree

interfunctional dependencies, and creating effective decisions.

Define terms that are key elements of strategy - In creating a basis for prioritization, common language is perhaps the single-most important factor in building strategy. Not only do decision makers need the common language, but so does the rest of the organization. While the English language is inherently vague and ambiguous, developing organization-wide definitions is essential.

Northwestern Mutual does not use subjective terms like 'high', 'medium' and 'low' to define priorities. Instead Northwestern Mutual uses descriptive definitions that better identify the business purpose (note how these reflect the portfolio definitions of value creating, operational, and compliance). Here is Northwestern Mutual's taxonomy of project priorities:

- Business Imperative (to a large extent, comparable to compliance projects). Northwestern Mutual includes in this category not just things like Y2K and regulatory requirements, but also things that represent very high risks, such as anticipated obsolescence of platform software, or a change that, if not done, would make pricing highly uncompetitive for a given product.
- High Opportunity for Sales or Asset Growth – these projects must be justified by sales/asset growth projections. They are value-creating projects.
- Large Payback for Prior Year Investments – these are projects that, because of what they deliver as part of a program, are the linchpins in a multi-year effort.
- Large Cost Savings or other Non-Growth benefits – these operational projects improve processes or reduce costs or risks. If benefits are very large, they may

generate value (e.g. allow us to reduce price of a product and gain market share).

- Operational Improvements – these are the more moderate impact operational projects that generate steady 'continuous improvements' of company processes or fundamentals.

Northwestern Mutual sets (arbitrarily) a time limit of no more than 2 years on a project; it must provide its deliverables and show some benefits within that time period. It may be part of a larger 'program' of projects, all destined to meet an end goal. For instance, to achieve a strategy of improving point-of-sale systems, the company might have a program of projects over several years, but concentrate on one or two projects in any given year. It is much easier to understand what you are prioritizing if you keep the terms straight: "Northwestern Mutual wishes to spend \$5 million in 2000 on a **project** to download data to make it available to customize sales presentations. This is part of an estimated \$35 million **program** to improve point-of-sale systems; we've already invested \$10 million to move off a DOS platform and to make the software and data available on agent laptops."

Manage conflicting functional interdependencies - Functional people tend to make localized decisions that cascade through the system and cause popcorn priorities. They want desperately to do the right thing, but they are not given the needed help in the form of training, advice, and support.

Northwestern Mutual has done a number of things to help manage conflicting functional interdependencies. They include the following:

- Each business unit's first draft operating plans for the year is shared with all other business units. This

Exhibit 3. Important Portfolio Questions

How many projects? Programs?

Due dates?

Project Manager (delivery and customer)?

Risks and jeopardies

What are your criteria for success? Failure? Metrics?

What paradoxes exist? Barriers?

If we change our system, will the customer notice? How did we derive our estimates? Precision?

Did we consider risks?

How do we target the project threshold?

Accept more than we know we can do

Accept less than we know we can do

How do we adapt to emerging opportunities?

causes questions of interdependencies or conflicting priorities to be raised early, before project prioritization is undertaken.

- A meeting of the functional peers, without any senior management involvement makes the first cut at annual priorities on the projects other than 'operational improvements'. They can really ask tough questions of each other here, bring more data to bear, etc. It builds better mutual understanding of each others' plans and how their projects fit in.
- Each functional area gets a budget for operational improvements. If they want to do additional improvements, they can negotiate with other functional heads to use some of a different function's funds and resources. Obviously, this necessitates a common understanding and agreement among colleagues on which projects are more important.

Balance top-down/bottom up and centralization/decentralization - We observe that popcorn priorities are most common in organizations that have a dominant paradigm of "management means solving problems." Fads and reactionary responses are common in these organizations.

Portfolios and programs require judgement to do well and the participation of all parts of the organization. Not only do the people at the top participate, but also so do individual project managers.

Because of the dynamic nature, there can not be strict procedures, but dialogue and exchange about future direction. This requires balance in reducing strategies to component parts and at times requires aggregating project efforts into programs and portfolios. Instead of "management means solving problems," consider "management is a art that creates value."

Build Organizational Learning - It's important to document the 'corporate memory' to help prevent prioritized projects from inadvertently going back into the popcorn popper. Northwestern Mutual found it's essential to document the rationale behind the prioritization (e.g., what's important to do, why certain projects are more important than others, etc.). It means that when a new urgency comes up, you're capable of thoughtfully comparing it to the original priorities. In the absence of this documentation, the debate about priorities starts over with each a new project request. Even if priorities are initially set well, certain disciplines can help prevent rehash of priorities throughout the year.

How to Manage Popcorn Priorities - Individual Practices

We recognize that many project program managers feel that they are excluded from the strategy setting process. "What can I do?" they ask. Strategic thinking is a soft subject that is about asking questions rather than producing results and deliverables. Here are two recommended practices.

Understand and be well prepared to clarify the value proposition - It's important to have an accurate, defensible argument of the project's value. Cost/benefit analysis is inadequate, because most times people don't know what's behind the numbers. In re-evaluating priorities, people will begin to pick away at the assumptions in the cost/benefit analysis. Northwestern Mutual has adopted a device called a 'benefit map,' which starts with the measures the project purports to impact (based on the annual plan), and works back through what development actions need to take place (e.g. systems changes, work process changes, communication, etc.) to affect the measures to the desired level. It also identifies assumptions and risks right on the map. 'Benefits maps' are used to tell the stories; identify additional assumptions and risks; and understand the proposed benefits. This becomes more of a 'full disclosure' document, outlining all the pieces that must be worked on in order to realize the purported benefits.

Recognize the "Important Portfolio Questions" - Exhibit 3 lists questions that executives often ask (or should ask!). They do this intuitively, or many have been trained/educated in principles of portfolio management. We think the smart project manager will anticipate questions like these and have answers.

Conclusion

Popcorn priorities are symptoms of organizations that lack maturity. Project management is more of an art than a science, and it uses strategic thinking. Mature organizations recognize the following:

- Projects are different, and require different project management process. - You would not staff or lead a compliance project the same way you would a value-creating project. Mature project organizations are flexible, thoughtful, and resourceful in managing projects.
- Balance is necessary. - In extremely competitive external environments, breakthrough value-creating projects provide organizations some sort of competitive advantage. Stable organizations may be better served by allocating more resources to operational projects, to assure

a continued competitive lead. Too often organizations are pursuing small incremental improvement projects, instead of investing in selected strategic projects.

- Cross functional collaboration - Managing popcorn priorities requires building structures that break down organizational walls and promote thorough understanding of organizational goals. Each project participant understands how project objectives help to achieve those goals.
- Vision - Whatever their strategy, successful, mature organizations align and link the day to day actions with a purposeful direction. Seeing each project as part of its larger goal (program) is critical to assuring the right results are achieved. We commonly see that people hold assumptions and don't make the assumptions visible. Aggregate smaller projects into larger programs and find the common vision that links them.
- Responsibility for success - It's not just 'those guys at the top' who make or break the project prioritization process' success. Each project manager must be well prepared to identify/clarify how his/her project fits the corporate direction.