Project Landscape™

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grassroots thought leadership
Meeting... (3rd Thursdays)

Marriott DFW South (4151 Centerport Blvd, 76155)

Thursday, January 15—National Incident Management System (NIMS)
Presented by Andy Podner

Thursday, February 19—Increasing Productivity
Presented by Don Dalrymple

Thursday, March 19—Business Requirements
Presented by Chuck Tryon

Thursday, April 16—Managing People Through Change
Presented by Eleanor Pieper

PMI—Fort Worth Chapter is now part of LinkedIn

If you are a member of the Fort Worth Chapter and wish to become part of the chapter's LinkedIn Group, go to www.LinkedIn.com
Select Groups (left side) Type PMI—Fort Worth Chapter in the Search field Click Request to Join

Workshops...

Saturday, January 24—PMP Exam Prep
Presented by Tony Johnson
Texas Health Resources (611 Ryan Plaza Dr.—Arlington 76011)

Thursday, February 12—Scope Management for Sanity
Friday, February 13—Project Manage Your Career
Presented by Kimi Ziemski
Siemens Energy & Automation (1401 Nolan Ryan Pkwy—Arlington)

Friday, March 20—Modern Project Management
Saturday, March 21—Program Management Primer
Presented by Chuck Tryon
Siemens Energy & Automation (1401 Nolan Ryan Pkwy—Arlington)

Saturday, April 18—SCRUM
Presented by Nick Geise
Texas Health Resources (611 Ryan Plaza Dr.—Arlington 76011)

Saturday, May 5—Change Management
Presented by Eleanor Pieper
Texas Health Resources (611 Ryan Plaza Dr.—Arlington 76011)

Just one more way to stay connected with others in the profession!!
The Center for Program Transformation is a nonprofit organization designed to research ways to improve program management within the federal government. If you need convincing that government programs need help, consider this: the US Government Accountability Office (GAO) determined in July 2008 that over $25 Billion in federal programs were either poorly planned, poorly performing or both.

Among its other accomplishments, the Center has published a list of eleven IT Laws of Physics™. Although these laws were developed for the government realm, they ring true for the private sector as well.

**First Law**
Planning is a continuous process, not a one-time event.

Isn’t this what project control is all about? Information Technology projects are notorious for cost and schedule overruns, often blamed on scope creep or unexpected integration issues. Agile Development methods are a great way to build iterative planning into the development process. While I am the first to advocate having a solid charter in place before beginning any project, I also believe that organizations are bound to be disappointed when they irrationally rely on initial estimates developed without full task level detail. They compound their problem if they don’t adjust estimates based upon new information as it becomes available. How many of us have celebrated project completion knowing the team did a great job considering all the change thrown at them, but been a little miffed that we wouldn’t get our bonuses because those were based on the original timeline and budget?

Second Law
Complexity kills IT projects since defects and security vulnerabilities increase nonlinearly with increased complexity.

There are a number of project elements that become more difficult as an IT project becomes more complex. Hardware, software, programming languages, vendors, physical locations, virtual teams, deployment mechanisms, data interfaces, compliance requirements, contractual obligations, etc., each layer of complexity can add more people to the team, more requirements to the project, more things to be tested, more risks to be realized. This is one reason some project managers state that their role is to prevent project change, because change is a source of complexity. Of course, wise PMs know that change is inevitable and their role is to manage it.

Complexity can be managed to some extent at the beginning of an IT project by minimizing the number of components (interfaces, vendors, etc.) involved; analyzing which are the most critical to meeting customer requirements; and understanding the risks associated with each new element as well as appropriate risk responses. For example, if multiple data interfaces across several software systems will be required, there is a risk that data elements will not be mapped...
accurately. An appropriate response may be to create an easily accessible data dictionary library so that the analysts performing the mapping can be assured of accessing current, accurate data. Similar tactics can be used during the project to minimize the addition of new complexity.

**Third Law**

Schedules and project chaos create Event Horizons, from which a project cannot recover.

I have to admit that this one threw me for a loop. I had no idea what an event horizon was. Actually, I’m still not capable of articulating what I learned, other than to say it has to do with a black hole and it sounds really bad. I think the authors are referring to what I call the Perfect Storm Theory, which is that some projects become the Perfect Storm, and once they have reached that point, things will not end well. They might end; you might deliver the project; but no one is going to be happy. As this law states, schedules and project chaos have a lot to do with it, particularly fixed timeline schedules and poorly managed requirements.

To prevent the Perfect Storm in an IT project, use effective risk management techniques, paying particular attention to your risk response plans, as well as reducing complexity and closely managing requirements. The key, however, is to recognize the storm when it first begins to brew so you can stop it quickly. Mind your team members closely; when they no longer want to come to your meetings or their grumbling is no longer good-natured, it’s time. Do whatever it takes; if you are at a loss, sit your core team down and brainstorm it through. They will appreciate you involving them, and, if you can prevent the storm, you’ll all be champions. If the storm develops despite your best efforts, consider project termination—the strategic goals of the project may no longer be valid. It takes a strong PM to admit that, but I believe it is an ethical obligation.

Again, this is where many project slippages are blamed on scope creep, when they should be attributed to inadequate planning. The nature of IT projects, particularly those that involve large or complex systems, is of inevitable change. Accept it, plan for it, learn to embrace it. Include the expected change in your initial risk assessment and rate the impact based upon the size and complexity of the involved systems. Note the phrase “independent of the resources expended to develop them.” This means that no matter how hard the project team works, change is still inevitable. Define requirements to the best of the team’s ability during planning, but plan on keeping your requirements staff engaged throughout the project.

**Fourth Law**

The initial requirements for any large system will be incomplete, independent of the resources expended to develop them.

I have seen many IT departments set themselves up for failure by waiting until User Acceptance Testing (UAT) to engage the end user. This is a classic example of unvalidated requirements. I have great respect for members of the International Institute of Business Analysis (IIBA) and holders of the Certified Business Analysis Professional™ (CBAP®) designation. I have performed business analysis tasks on my own projects, and am confident in my own skills, but strongly prefer to have one of these true requirements experts on my team. IT projects in particular need dedicated requirements management staff throughout the entire project, all the way through testing and closure.

**Fifth Law**

Unvalidated requirements pave the road to project failure.

Visibility goes a long way towards empowering project team members to make the right decisions.

**Sixth Law**

You can’t manage what you can’t see.
If the team doesn’t know what they’re being measured on, they don’t know what the priorities are. If you’re tracking against specific milestones or deliverable completion dates, they can align their efforts towards those goals. If you’re tracking against targeted vendor performance measures, the team will pay attention to those. It’s up to the project manager to create the visibility that will not only help them manage the project, but will help the team’s sense of direction as well.

One major caveat: rebaselining, if abused, can reduce visibility. I have seen time and again PMs that use a schedule slip as a reason to rebaseline. This is totally unacceptable, so be sure to implement a solid change management process to prevent this type of misuse.

### Seventh Law
**Not controlling the right things assures failure.**

One of my favorite speakers, Gopal Kapur, taught me this valuable formula:

\[
\text{Percent Complete} \approx \frac{\text{Lie}}{\text{Fantasy}}
\]

His point was that task progress measured by percent complete is disgracefully inaccurate, and I think this is particularly true in IT projects. Every person I know defines percent complete differently. How reliable can a metric be if no one can agree on how it should be calculated? Yet, because so many of us are under incredible pressure to deliver in a fixed time frame, and, let’s face it, Microsoft Project makes it easy to track by percent complete, this is often the driver for many status reports. Even when the metric is valid, obsessive focus on this or any single aspect of a project potentially blinds the PM to other areas that need attention.

Therefore, it is critical that the PM identify not only what should be controlled in an IT project, but the most effective ways to measure those items. Best practices are an excellent way to begin. I think risk and requirements management are particularly helpful for IT projects, since both of these will point to critical success factors more often than not.

### Eighth Law
**Poor defect management causes high rework and leads to project failure.**

Defect management takes on a life of its own in IT projects, and the path to success begins with effective requirements management (see the Fourth and Fifth Laws). After all, how can you tell if you have a defect if don’t know your requirements? This is why I recommend keeping skilled requirements staff engaged until the end of the project—so they can work hand in hand with testing staff to help define appropriate test outcomes, clarify any unexpected product functionality issues that arise during testing, and assist the customer during UAT. A knowledgeable business analyst comes in very handy when a customer attempts to add scope during testing, especially when they have done a thorough job of requirement validation earlier in the project.

Unfortunately, many organizations give short shrift to the quality assurance discipline. Since it is at the end of the project schedule, there is tremendous pressure on the QA team to deliver. I have seen environments in which zero time is allocated to redevelopment, and every defect identified during testing is viewed as an unnecessary delays caused by the QA team (rather than the developer who delivered flawed work.) QA should be the final check to make sure everything works end to end and that new code didn’t break old code; it should definitely not be the first time code is run through its paces.

Insist on unit testing during development, add a code review task, require vendors to demonstrate interface testing success prior to code delivery; these measures and more will reduce your risk of identifying defects at the last minute. Assess the risk that QA will
find defects in the product they receive (and they will always find some), and build rework time in accordingly. Finally, make sure that QA findings are appropriately categorized. Not every negative finding is a defect; other findings might include usability improvement recommendations, possible security concerns, customer enhancement requests, etc. Findings that are not true defects may be scheduled for a future release, or presented to the customer as a potential scope change.

Ninth Law
Unknown and untreated vulnerabilities originating in ineffectually implemented processes destroy IT projects.

Businesses sometimes consider technology a silver bullet to solve inherent business problems. What they fail to consider is that technology will never, let me repeat that, never, be successfully implemented without effective supporting business processes. What good is a new payroll system if no one knows how to use it, or worse, it is used with flawed processes to calculate checks incorrectly? Have you ever had an executive go to lunch with a sales rep and come back excited about a product that was going to “revolutionize the way we do business?” Often that statement makes PMs cringe because innovation projects can be very exciting or very frustrating.

I’m not saying new technology is bad; just that its introduction requires effective change management. An organization that is immature in change management will be particularly challenged when tackling innovation. Add this to your risk assessment and build in extra time for process development. If at all possible, test new or revised processes in parallel to testing the new technology, or at the very least, use the training material during UAT to identify potential communication issues. Pilots and planned process revisions prior to full rollout are useful to ensure that new processes are fine-tuned, and therefore more readily accepted.

Vendor management is often very difficult for PMs, simply because they don’t always get to negotiate their own contracts. The key to motivating vendors is to learn everything you can about their contractual obligations, chances (or hopes) for future business with your company or others in your industry, and what drives their costs. Then use this information every chance you get.

Vendor contracts should always be negotiated with an eye on what could happen during the actual project, including incentives for meeting critical project objectives and penalties for the reverse. IT service vendors, especially software development firms, love to charge by the hour. If the project takes longer than expected, they simply bill you more. Avoid this by using “not to exceed” clauses or performance awards for early delivery. Scope expansion is a vendor’s dream; it can be a license to print money and drag the project out indefinitely. Try to include well-defined deliverables (screen samples and everything) in your contracts, even if you have to pay a small amount up front for requirements validation. It will save you a fortune in the long run. Then require that the vendor get your sign off on any scope change before beginning work.

If your vendor will be passing along costs for hardware, software licenses, or ongoing support, negotiate this according to your most beneficial strategy - it might make sense to roll this into a strategic sourcing contract, or you might want to include an increased cost-plus percentage bonus in the hardware contract for rapid delivery on the development work.

If you inherit a pre-negotiated contract, attempt to establish these principles as ground rules in an informal written agreement at project kick-off. Position it as a win-win proposition so that you and the...
vendor can both look like heroes at project delivery and the vendor is likely to agree. Remember that they want more business, and their cooperation on this project can be a feather in their cap for the next.

**Eleventh Law**

Thoughtful, knowledgeable, committed people operating as a team are critical to IT Project Success.

Earlier, I mentioned involving your team in brainstorming if the project starts to go south. I think we as PMs sometimes think we have to stay in “management” mode all the time. I tell my teams that my job is to deal with the crap so they can do what they do best; to remove roadblocks, educate the executive team, work with the customer, iron out issues with the vendors, etc. A developer that I have worked with recently wrote this in a recommendation for me:

“I have worked with Jennifer on multiple projects and one thing you can always count on from her is that she will make your needs in her project her main focus for resolution.”

Not only was I incredibly flattered, I was thrilled that I had succeeded in making this team member feel valued. This is how it should be.

Recognize your team as often as possible, and publicly! During the project, say please and thank you. Drop off little thank you notes on people’s desks at the end of a rough week. Use any recognition tools your employer provides, from employee of the month to cash bonuses. At the end of the project, send functional managers notes about outstanding performers to include in their annual reviews. Remember that a good PM takes all of the blame and none of the credit.

In summary, the Center for Program Transformation is on the right track. Federal programs need help, and those of us managing private sector IT projects can learn from the IT Laws of Physics. Most importantly, understand that IT projects face unique risks that must be carefully managed throughout the project. You can reduce the degree of risk by minimizing complexity, practicing continuous planning, and closely managing requirements. Implementing careful methods for project monitoring, defect detection/resolution, vendor motivation, and team member recognition are also key to IT project success.

Sources:


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Project management and organizational strategy should be natural partners in any business. Project managers can and should play a strong role in executing organizational strategy. They also should provide critical information to the executives who set organizational strategy. Unfortunately, many project managers still do not see how their work aligns with strategic goals and cannot demonstrate that alignment to others. In the past a project that was on time and on budget was considered a success. With rapidly changing and evolving organizational goals, it is more important than ever for project managers and senior managers to understand how to connect strategy to projects. Companies can form a tight partnership between strategy and projects by using strategic planning, project portfolio management, project charters, and metrics.

Organizational Strategy

Defining “Strategy”
The word “strategy” is used commonly and loosely in business. It involves planning to meet a goal in most situations. Often it is used to mean long-term plans while “tactics” are short-term plans. Mintzberg, Ahlstrand, and Lampel offer five different definitions for “strategy” involving

- Plans
- Patterns of behavior over time

- Positions in the market
- Unique perspectives of a company
- Ploys used to outsmart competitors (Mintzberg et al, 1998, pp. 9-15)

This confusing use of words can serve to keep people out of the world of strategic planning. If an outsider attempts to critique or change a strategy document, it is easy for a seasoned strategic planner to state, “That is not the whole picture. That is not the whole strategy.” A strategist can use acronyms, jargon, or terms that a project manager does not know. These tactics can keep project managers from participating in discussions of strategy.

This paper will use the definition of “strategy” given by Michael Porter: “Strategy is the creation of a unique and valuable position, involved a different set of activities.” (Porter, 1996, p. 68) By introducing the notion of different or unique activities, Porter offers a bridge into the world of project management.

“Strategy” is different from a mission or a vision. A mission statement defines what the organization is, what it stands for, and whom it serves. A vision statement describes a desired, future state. A vision might include internal goals as well as goals in the competitive marketplace.

Senior managers and strategic planners are responsible for formulating and setting strategy. The goal of the project manager is not to take over the role of strategic planning, but instead to understand and execute that strategy.
Organizational strategy is multi-dimensional. It is not a simple plan or sequence of steps. Strategy is based on models of the market, long-established patterns of behavior in the organization or the market, key strengths and weaknesses of competitors, and many other factors. In many organizations, strategy shifts fluidly and suddenly, not obeying the change-control processes that exist in many projects.

A common struggle for many strategic planners and senior executives is to ensure that the organization actually executes the strategic plan, once it is set. To execute the plan, senior managers must be able to explain it, gain the support of the organization to actually implement it, and then make sure that managers and staff actually break the strategy into concrete tasks and goals that they execute.

Project management has a unique and powerful role to play. It is the tool to ensure execution of the strategic plan.

**Discovering Your Organization’s Strategy**

Mission and vision statements are usually shared freely in an organization. They are posted on web sites, intranet sites, and sometimes handed to employees on laminated business cards. Strategic plans may not be shared as widely throughout an organization. Some parts of the strategic plan may be shared freely, but other parts may be secret or confidential.

Most business executives recognize the value of strategy, but not all recognize the value of communicating strategy widely. “The idea that only senior manager of the organization need to know and understand the strategic plan has been around for a long time, with enormously negative consequences.” (Goodstein, Nolan, Pfeiffer, 1993, p. 354) Some senior managers may feel that the project manager does not have a need to know the company strategy. Others may not trust the project manager to keep company secrets contained in the strategy. To discover the company strategy, a project manager may need to overcome these objections.

Project managers may face other challenges when discovering the company strategy:

- Strategic plans that are discussed but never written down
- Separate strategic plans for each business unit, with only a loose federation of these plans at the top executive level

In some organizations, a project manager looking for the strategic plan might just need to ask; he or she will get a printed copy. In other organizations, the project manager will need to engage in detective work or advocacy.

A project manager may be able to determine parts of the organization’s strategy from the following sources:

- Company annual reports
- Government and stock-exchange filings
- Public and internal speeches by top management
- The actions of the company over time
Annual reports and government filings usually have the most useful information in footnotes and endnotes. These may discuss the impact that different events had on the business, future plans for expansion, or abandoned plans. The leading material on these reports tends to be written as marketing or public-relations pieces. It often does not reveal very much about the company.

Executive speeches can be an excellent source of information. New product launches and announcements may contain information future product strategy. Discussions about financial results with investors may reveal long-term plans, expected competitive changes, and other strategic clues. Often they are not transcribed, so a project manager may want to write down key phrases or ideas that the executives repeat.

The strategy a company intends to follow can be very different from the strategy that actually gets realized (Bower & Gilbert, 2006, p 26). The ultimate, objective evidence of a company’s strategy is their actions over time:

- How does the company react to a crisis?
- What offices are opened and closed?
- What product lines are launched and ended?
- Where are capital investments being made?

Over time a good detective can infer a company’s strategy, but it takes skill, time, and research.

Beyond using detective work to discover strategy, a project manager can play a useful role in implementing and helping to set company strategy. A project manager needs to know the strategic plan to do their job properly.

**Balanced Scorecard**

The Balanced Scorecard method is one of the most successful strategic management systems. Balanced Scorecard was developed in the 1990s to bring strategy down to the employees, and help keep the whole organization in alignment.

If implemented correctly, the Balanced Scorecard can change the way an organization does business. It will keep them from becoming distracted by new technologies and new ideas, and instead keep focus on results. Balanced Scorecard helps with two problems that plague organizations:

- Balanced Scorecard can translate a high level strategic plan into an operational action plan
- Balanced Scorecard brings a feedback loop to strategic planning

The Scorecard measures performance against goals, determines if the goals are appropriate, and determines if the strategy or measures should be changed.

The Balanced Scorecard was developed to address the problem that traditional measurements of an organization focus on financials, which tend to look backward, rather than forward. The Balanced Scorecard attempts to provide both historical and future insights, by balancing financial results with efforts that create value over the long term. That’s the “Balanced” of “Balanced Scorecard”. These efforts are categorized into perspectives, or categories of strategic objectives. The traditional four perspectives (Niven, 2002 p 117 . 139) are defined below:

- **Internal Processes**: Look at those processes that have the greatest impact on customer satisfaction, and also examine core competencies. At which processes must the organization excel? Look at both innovation and incremental improvement. For a traditional manufacturer, factors might include product development, manufacturing, delivery and post-sale processes.

- **Customer Satisfaction**: An organization must talk to its customers to understand what their expectations are, and measure against their expectations, not what the organization assumes them to be. For example, cost to a customer might not be just the price of the product, but can include everything
about how easy the vendor is to do business with -- ordering, delivery, reworking and obsolescence. (Kaplan & Norton, 1992) Think beyond a customer survey here -- look at measurable areas like response time, retention and acquisition.

Financial: Financial performance should be the logical result of doing the fundamentals well. Financial results are easiest to measure, but are limited, as they have a backward-looking focus, and because of that, tend to focus on the short term. Primary metrics include profitability, growth and shareholder value.

These four perspectives serve as a good template for what any individual organizational perspectives should be. It’s possible to have more than four, or fewer, and they may be completely different. A company’s perspectives may include such categories as innovation, research and development, and the environment, depending on what the business and vision is. For example, PMI’s perspectives are Resources, Culture and Capabilities, Internal Business Process and Stakeholder Intimacy (PMI, 2004). (Substantial portions of this section on balanced scorecards appeared previously in Tharp, 2007.)

Quantifying Goals

Strategic planners will then take their goals and turn them into quantitative measures of success. For each strategic objective, the organization creates appropriate measures, and an associated target. Projects may then be designed and implemented to meet each objective (Tharp, 2007 p. 4).

For example, the PMI San Francisco Bay Area Chapter set a goal under the Customer Satisfaction perspective: “Develop and deliver sustainable comprehensive knowledge offerings for members.” This goal could be measured many ways:

- Number of educational events offered
- Number of new programs developed
- Number of student-hours of classes delivered
- Diversity of topics offered

Some indicators, like the diversity measure, might require creating a custom index. For example, the board could take the top ten topics requested by members, and measure how many of these topics out of ten have been covered within the last years’ events. Coming up with good measures of goals requires some imagination, experimentation, and research.

Strategy, Goals and the Project Manager

The project manager should use strategy and goals when running a project. Organizational goals become critical when trying to:

- Justify a new project
- Determine whether a scope change should be made to the project
- Explain the need to continue a project
- Determine critical project objectives
- Prioritize conflicting projects

Project managers are the spokesperson for their project. Project managers need to be able to defend the need for their projects.

At Mitsui Sumitomo Insurance Group USA, regulatory compliance appeared as a key goal in mission statements, vision statements, and strategy documents. Their corporate philosophy states, “By serving society and the public with appropriate property and casualty insurance we help them achieve prosperity and welfare.” (MSIG USA, 2002) That statement was interpreted to mean full compliance with all regulatory requirements. When project teams became aware of regulatory problems, they knew to treat them seriously and bring them quickly to management for review and discussion. Generally they were quickly added to project scope, regardless of the cost and delays to other projects. Project managers from other companies might be reluctant to even raise a change request for a high-cost, low
-exposure regulatory issue, but at MSIG USA managers were expected to quickly estimate and propose these changes.

Knowing the company’s strategy and goals helps project managers make better decisions about their projects.

**Using Strategy in Projects**

**Project Charters**

The project charter is “a document issued by the project initiator or sponsor that formally authorizes the existence of a project, and provides the project manager with the authority to apply organizational resources to project activities.” (PMI, 2004, p. 368) The charter should also tie the project clearly to strategic goals.

“Tied to strategic goals” seems like a simple issue, but it is profound. It may seem “useful in an ideal world” but it is actually a very practical, needed step. Charters must be tied to goals to

- Ensure their approval and authorization
- Defend the project against being canceled
- Demonstrate that the project is legitimate and not a fraud

Some projects are explained and defined according to what they will do, and what actions will take place. These projects are vulnerable to cancellation when something more important is raised in the company.

For example, a “Six Sigma Project” might seem helpful to the company, particularly to someone who believes in Six Sigma’s effectiveness. It could be more powerful. A company that makes fire extinguishers and prides itself on reliability will see more business value in a “Fire Extinguisher Reliability Improvement Project” than a “Six Sigma Project.” The Six Sigma method is not as important to the company as the goal of reliability improvement.

Not every project must change its title to show its relationship to the strategic goals. Somewhere in the initial sentences of the project charter, though, the charter should show which goals it will further. Many project leaders do change the titles of their projects, once they understand the strategic goals they are serving. While a project title may seem minor, it can make a huge difference to how senior managers and team members perceive the project.

**Project Goals and Measures**

Project managers establish their own measurement systems to gauge the progress of their projects. These measures typically include project-oriented deliverables and issues:

- Hours worked
- Work-hours remaining
- Duration remaining
- Items delivered
- Upcoming milestones
- Completed milestones

The project measurement systems can and should match against measurements of strategic progress. The project manager still needs some project-oriented measures of progress, but some measures should link to strategic goals.

For example, a person running an educational program for the PMI San Francisco Chapter knows that his or her program will deliver some of the educational events called for in the strategic plan. The schedule for that program should clearly include board-reported milestones for

- Each class taught
- Each new class developed
- Report of attendance and classroom-hours earned

These three measures, adopted by the board to measure progress against their goals, should be gathered and reported on by the program manager. Just by measuring these values at a project or program level, the organization encourages staff to meet and achieve these strategic goals. It is a common business saying, “What gets measured gets done” (has been attributed to Tom Peters, Peter
Drucker, Edward Demming, Lord Kelvin, and others). Having these measures feature prominently in status reports, schedules, and team discussions will help people feel tied to the organization’s strategic goals.

**Project Portfolio Management and Strategy**

Strategy is even more critical in the growing area of project portfolio management, or the management of groups of projects. All the benefits for single-project management apply to portfolios, and these other benefits join them.

**A New Project Portfolio**

Strategy is critical in setting up a new project portfolio. This is true both for a company setting up project portfolios for the first time, and a company creating a new portfolio to manage a new set of work.

The new portfolio should have some criteria: what projects do and do not belong within it? Often these criteria are built around one or more goals in the organizational strategy. An organization may have multiple project portfolios. Each meets the needs of different reporting and organizational units:

- Separate portfolios for each subsidiary or reporting unit
- Separate portfolios for different strategic goals, like regulatory, improvement, and growth
- Separate portfolios for geographical markets

No matter how the project portfolios are split, though, they should all serve a common organizational mission, vision, and strategy.

Each portfolio owner must then review existing and proposed projects, to decide which fit where. Each project should be examined for strategic alignment.

**Canceling Projects That Do Not Fit**

Any projects that do not fit the organization’s strategy should be canceled. The PMI Standard on Portfolio Management mentions the issue very briefly, in the area of authorization: “inactivating or terminating components of the portfolio ... [and] reallocating budget and resources for inactive and terminated components.” (PMI, pp. 34-35)

Mature organizations will need to periodically examine their projects and cancel those that no longer fit. Cancellation does not necessarily mean failure; the project might have developed useful work along the way. Cancellation does not mean it was a bad project; it might have been a good idea at the time, but no longer fit the organization’s strategy, which may have been altered by a changing marketplace.

Ending failed and misaligned projects is difficult work. It can be tougher than the alignment and measurement issues that are discussed at length in many project portfolio management books.

Teams resist stopping work on projects that they have worked on for months or years, and which they have imagined completing successfully. Ending projects potentially has huge return on investment. Stopping projects also allow the company to work on more strategically important work. (Heerkins, p. 168) Unfortunately most people seem to shy away from ending a project. Neal Whitten notes that many project managers have an “unhealthy inhibition towards failure” and asks us to “remember that failure is a necessary ingredient for achieving.” (Whitten, pp. 69-71) Companies that follow through on their mission, vision, and strategy will not only cancel some projects, but learn from them.

Companies that go through the process of strategic alignment may also see their project failure rates drop. By approving only the best-aligned ideas, they are more likely to have the resources to complete them successfully. Depending on the company type, though, a low rate of failure might be inappropriate. A research and development organization might actually increase its failure rates after strategic alignment, because it focuses on more high-risk, high-return projects.

**Maintaining a Project Portfolio**

Project portfolios must be reviewed and maintained. Projects must
be regularly evaluated and selected among the list of available work. Events in the organization and in the projects in the portfolio will trigger change (Brown, 2006, pp. 4-5):

- Project closure
- Project start-up
- Budget and resource changes
- Cross-project conflict and competition for resources
- Organizational crisis
- Changes to the strategic plan

Portfolio managers and project managers should work together at these times to share information, consider changes to the portfolio, consider changes to the strategic plan, and review project strategy and plans.

There are many methods and models to evaluate projects, to prioritize them, select them, and authorize them (Kendall, Rollins, 2003, pp. 214-222; Dinsmore, Cooke-Davies, pp. 135-136; Heerkins, 2006, pp. 135-159; Rad, Levin, 2002, pp. 136, 147-149). These standard methods focus on evaluating the best projects out of a list, though. Often the best way to maintain a strategically-focused portfolio is to actively start up new projects to fill strategic goals or to fill in gaps between existing projects (Brown, 2006, p. 6). Portfolio managers should not just select between the projects presented to them; they should be active in the business, suggesting new project ideas and reviewing strategic planning documents for inspiration. Project managers can help suggest useful new project ideas as well.

Project portfolio managers use metrics and measures to evaluate progress periodically. They can gauge progress through the months and years, by monitoring key strategic measures. The PMI San Francisco Bay Area Chapter, for instance, can monitor its educational strategy by regular reports of classes held, people trained, and so on.

Benefits of Strategically Aligning a Project Portfolio

Tying projects to strategic goals is also useful for fraud prevention. Fraud takes many forms, including embezzlement, kick-back payments, fake suppliers, faked signatures, and so on. One of the most difficult forms of fraud to detect, though, is the “pet project” that serves someone’s personal needs, but which is otherwise run entirely according to the rules. (Rollins, Lanza, 2005, p. 177) Requiring every project to support a strategic goal of the company will help eliminate these projects. Applying competitive pressure across a portfolio of projects, so only the most strategically aligned projects get funded, will almost certainly eliminate pet projects. Depending on how the organization defines “strategy” some operational efficiency projects might not be considered “strategic.” These should be included, along with strategic projects, in a full analysis of alignment and priority. All these projects will affect the resources available to the organization and its ability to execute its strategic plan.

When managers use strategic goals as the basis for determining which projects are selected and given priority, the end result is that only those projects that move them towards their long-term goals will be undertaken.

Applying the PMI Standard for Portfolio Management

In 2006 PMI published the Standard for Portfolio Management. (PMI, 2006) It offers a partial model for how to manage a portfolio of projects. It is the first published version of the standard, and we look forward to seeing the standard grow and mature. As written, the Standard focuses on three aspects of project portfolio management:

- Alignment
- Selection
- Measurements

These core processes clearly belong within the standard, but there are many open questions:

- How do organizations develop strategy?
- When and how should it be communicated to the project
manager or project portfolio manager?
· Is any standard possible for the process of setting and communicating strategy?
· How do project results influence organizational strategy?
· How should new project ideas be charted? Does the project portfolio manager have a role? Does the project manager have a role?
· Where does the list of projects to align, select, and measure come from?

This paper suggests answers to some of these questions, but not all. Some of these questions may have been discussed by the standards team, but left out of the standard because organizations are not consistent in how they handle them. A “standard” can only include processes that can be standardized.

Conclusion

Project managers can serve an essential strategic role, executing the strategy set by senior managers. There are many barriers that project managers must overcome to achieve this ideal:
· Understanding the role of strategy
· Discovering the organization’s strategy
· Selecting appropriate strategic goals and measures
· Translating project goals into strategic business terms

While the project management literature has contributed many ideas about selecting and prioritizing projects, there are many areas left to explore. Project managers should continue to work to develop new, practical techniques to match projects to strategy.

References


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1 December 2008

By Philip Diab, PMP

Dear Component Leaders,

I am writing to share with you a decision made by the PMI Board of Directors concerning a change to the Board’s standing committee structure in advance of releasing the news in PMI Today.

In 2002, the Board made a concerted effort to reinforce the PMI Board’s leadership structure to facilitate a more strategic focus. As a result, a standing committee model was adopted, allowing the Board to divide its work into manageable pieces with dedicated resources, using a system of committees of the Board:

- The Governance Committee (GovCom) sets Board agendas
- The Performance Oversight Committee (POC) conducts reviews and provides input to the Board relative to its fiduciary role
- The Strategic Planning and Program Alignment Committee (SPPA) sets the agenda for the Board’s consideration of Institute strategy and assures that GOC plans execute on that strategy
- The External Relations and Volunteer Involvement Committee (ERVI) develops strategy for the Board’s interactions with its volunteers and with external groups.

On an annual basis, the charters are reviewed and renewed as deemed appropriate. After an in-depth evaluation and discussion, the Board voted at its October 2008 meeting to sunset (disband) the ERVI Committee based on the information presented by the Board Model Assessment Task Team (BMATT). BMATT was chartered by the Board in January 2008 to “analyze and audit the current Board Standing Committee structure to determine if the Board is operating within an efficient and effective model considering its various responsibilities and work domains.”

The BMATT study mapped the purpose and objectives of each of the existing standing committees to the Board’s Program of Work (its legal requirements, as well as requirements outlined in governing documents and best practices of non-profit boards), and concluded that while the work of the GovCom, POC and SPPA is still relevant to the efficient and effective execution of the Board’s stated roles and responsibilities, the intended strategic purposes of ERVI—to consider strategy for volunteer involvement and external relations—would be more appropriately carried out as part of the Board’s strategic discussions identified through the SPPA committee. The ongoing execution of the external relations of the Board has been for a number of years tasked to the CEO in the form of an annual Board Outreach Approach and Actionable Plan, which sets key priorities for Board outreach. The CEO responds to requests for Board presence at PMI and related functions based on this set of priorities.

Linda Vella, Chair of BMATT, noted that “ERVI’s strategic role was originally chartered to ‘enhance and maintain effective relationships with PMI’s stakeholders and constituencies, especially its members, and for ensuring that volunteer involvement in PMI’s programs is highly productive and satisfying.’” She felt that after seven years of hard work, the committee’s objectives of setting a trajectory for successful volunteer involvement processes have been realized. Some of the volunteer involvement processes put into place or enhanced over this time period include:

- A path for volunteers to develop their understanding of PMI’s volunteer structure, so that they can take on increasingly larger and more diverse leadership roles within the organization, such as chapter leadership, region participation, advisory group participation and even participation on the Board
- A Leadership Institute to provide personal leadership development to volunteers
- A clear system for volunteers to express their interest in volunteering, and to be reviewed for placement in one of many volunteer roles in the organization.

Linda continued that “the Institute owes a debt of gratitude to all of the volunteers who served on ERVI as they’ve helped put in place innovative processes, policies and procedures that have successfully satisfied ERVI’s mission.” Martin VanDerSchouw, the 2008 Chair of ERVI, agreed with Linda’s assessment and added that the “Institute’s strategic planning capacity has evolved to the point where it has reached the necessary level of maturity to fully address volunteer involvement in the strategic planning process and I foresee only positive impacts to...
“...role of PMI’s volunteers as a result of this decision.” The Board also plans to include in its Performance Oversight role measures of the success of the Institute’s volunteer involvement and external relations capabilities to aid in assuring that these important aspects of the Institute’s success are regularly monitored by the Board. Input from this monitoring will inform the development of strategy in the same way that financial auditing, or auditing of the profession, provides input to strategic discussions by the Board.

The Board will continue to operate under the standing committee model and the GovCom, PCC and SPPA have approved charters for 2009. Next year, 6 of the 15 Board members will be assigned to task teams as opposed to standing committees to facilitate critical Board project work. Among these task teams, one task team will focus on a review of the existing PMI Core Values. The intent is to create a greater level of detail around our core values so that we are better able to communicate them with our stakeholders. It will also be an opportunity time to establish additional alignment between our core values and the Board-approved PMI Code of Ethics and Professional Conduct. It is within this context that the task team will also focus on volunteerism to enhance its definition within PMI and provide the PMI CEO with added clarity in terms of how to leverage it for the benefit of the profession.

The intent of this communication has been to provide PMI component leaders with an advance comprehensible and comprehensive communication regarding this governance change, and I hope I have met that objective. Please feel free to share this communication with your component members via your individual communication processes and many thanks for your continued support and commitment to PMI.

Best regards,

Philip Diab, PMP
2008 PMI Chair

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The Fort Worth Chapter Registered Company Coordinators (RCCs) help the Chapter with membership and chapter marketing activities within their organizations. Organizations with at least 50 employees and five PMI chapter members may establish an RCC. Interested in volunteering as an RCC for your company? Submit a volunteer application on the www.fwpmi.org website under the Membership tab to get more information.

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