

MoP Practice 1: Understand. How to obtain a clear and transparent view?

The purpose of the 'understand' practice is to obtain a clear and transparent view of what is in the current portfolio and the project (initiative) development pipeline, performance to date and, looking forward, the forecast costs, benefits, and risks to delivery and benefits realization. But you have to be careful with transparency, see e.g. the quote from the Victor Lamme, professor of cognitive neuroscience at the University of Amsterdam (text box). You could also ask yourself if the transparency is one of the reasons why senior management are sometimes hesitating to implement portfolio management. Do they want to show what change initiatives are there in the pipeline to the whole organization? What does it mean or do with the organization if they are aware of an upcoming reorganization or transformation? On the other hand if there is no transparency, if not all initiatives are clear, it will be very difficult, if not impossible, to build a portfolio that is achievable.

Prof. Dr. Victor Lamme: "How transparency has destroyed trust in many societal institutions, like medicine, the law, politics. Transparency is the worst idea of the past 20 years".
IPMA 2014 World Congress.

Collection of the needed and consistent information is normally performed by your portfolio office or PMO. It would help if the PMO uses some form of programme and project information document, e.g. a one-pager containing the following information:

- Programme/project name (+id). See text box for some definitions.
- Owner + programme/project manager
- Objectives
- Portfolio category/segment (see Practice 2: categorize)
- Strategic objective contribution
- Outcomes
- Key deliverables
- Start/end dates, current stage, current status/progress to date
- Key milestones
- Budget/actual cost information
- (Non) financial benefits
- Risk level
- Key resources
- Business changes required
- Key dependences
- Business as usual area impacted

As an organization you have to define when you call something a programme, a project or small change.

Programme: A temporary flexible organization structure created to coordinate, direct and oversee the implementation of a set of related projects and activities in order to deliver outcomes and benefits related to the organization's strategic objectives. A programme is likely to have a life that spans several years.

Project: A temporary organization that is created for the purpose of delivering one or more (updated) business products according to an agreed business case.

As an organization you have to set entry criteria or thresholds, e.g. > € x cost or > y fte change capacity. Organization A will not talk about a project when the costs are less than x, but the same initiative for organization B will definitely be handled as a project.

Small change: All change initiatives that are not qualified as projects or programs. It's recommended to create a specific category (see Categorize practice) to manage these small changes by allocating resources to this category.

From:

http://www.axelos.com/gempdf/Axelos_Common_Glossary_2013.pdf

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Theo van der Tak, Björn Prevaas and Hans Cremer developed The Program Canvas¹ and were inspired by the Business Model Canvas. This one-pager could be used to collect the needed information. The page is divided into 16 areas to fill in the needed information. The order to fill in these areas is not arbitrary following The Golden Circle approach – why, how, what – of Simon Sinek.

- WHY this program (context, Ambition, Reasons)?
- HOW are we going to realize its ambition (Objectives, Strategy, Stakeholders)?
- WHAT are the specific objectives and activities of the program (Outputs, Benefits, Activities)?
- WHAT does the program NOT cover (Out of scope, Undesired outcomes)?
- WITHIN what will the program be executed (Threats, Opportunities, Constraints)?
- WHO is doing what in the program (governance)?
- WITH which resources the program will be implemented (Key resources)?

Filling in these one-pagers for your current project portfolio will not be that difficult. To obtain the new initiatives there are several approaches possible:

- Top-down
- Bottom up
- Combination

Top-down

Your strategy team, or strategy office has to define the strategic objectives for the coming year(s). Information of your current portfolio, performance and budgetary information from your Business As Usual (BAU) and environmental analysis are key to determine your strategic objectives. Some potential environmental analysis are based on (not limitative):

- SWOT analysis (strengths, weaknesses, opportunities and treats)
- PESTLE analysis (Political, Economic, Social, Technological, Legal and Environment)
- Porter's five forces analysis (rivalry, threat of substitutes, buyer power, supplier power and barriers to entry)
- DESTEP analysis (Demographic, Economic, Social, Technological, Ecological and Political).

Based on your AS IS and TO BE situation a gap analysis must be performed to identify the change initiatives required. For new initiatives the one-pager must be filled too. For the running projects its recommended to understand how they are performing.

Bottom-up

In the bottom-up approach staff proposes change initiatives from within the organization. You see this approach more often in more dynamic organizations or where the strategy is emergent. Fore these initiatives the one-pager must be filled too to get a clear view of what are all the change initiatives including the already running projects.

¹ You can find more information on their website www.werkenaanprogrammas.nl. The site is in Dutch but the Program Canvas

Combination

In most organisations you will have a combined approach. You have the existing projects, new initiatives as a result of the strategic objectives (top-down) and emergent initiatives (bottom-up) will be the starting point for the to be developed project portfolio.

Figure 1 shows the three flows top-down, bottom-up and running projects will be the starting point to build your portfolio. Strategic / Business Planning performs a gap analysis on defined strategy to understand which new top-down initiatives are needed to reach the strategic objectives. Business as Usual will deliver bottom-up ideas that contribute to the strategic objectives too and Programme & Project Management will deliver the current running projects together with the latest high light reports showing the performance to date and forecasts. All three streams will be combined in an interim status report showing all one-pagers as well as an outline on costs, dependencies,

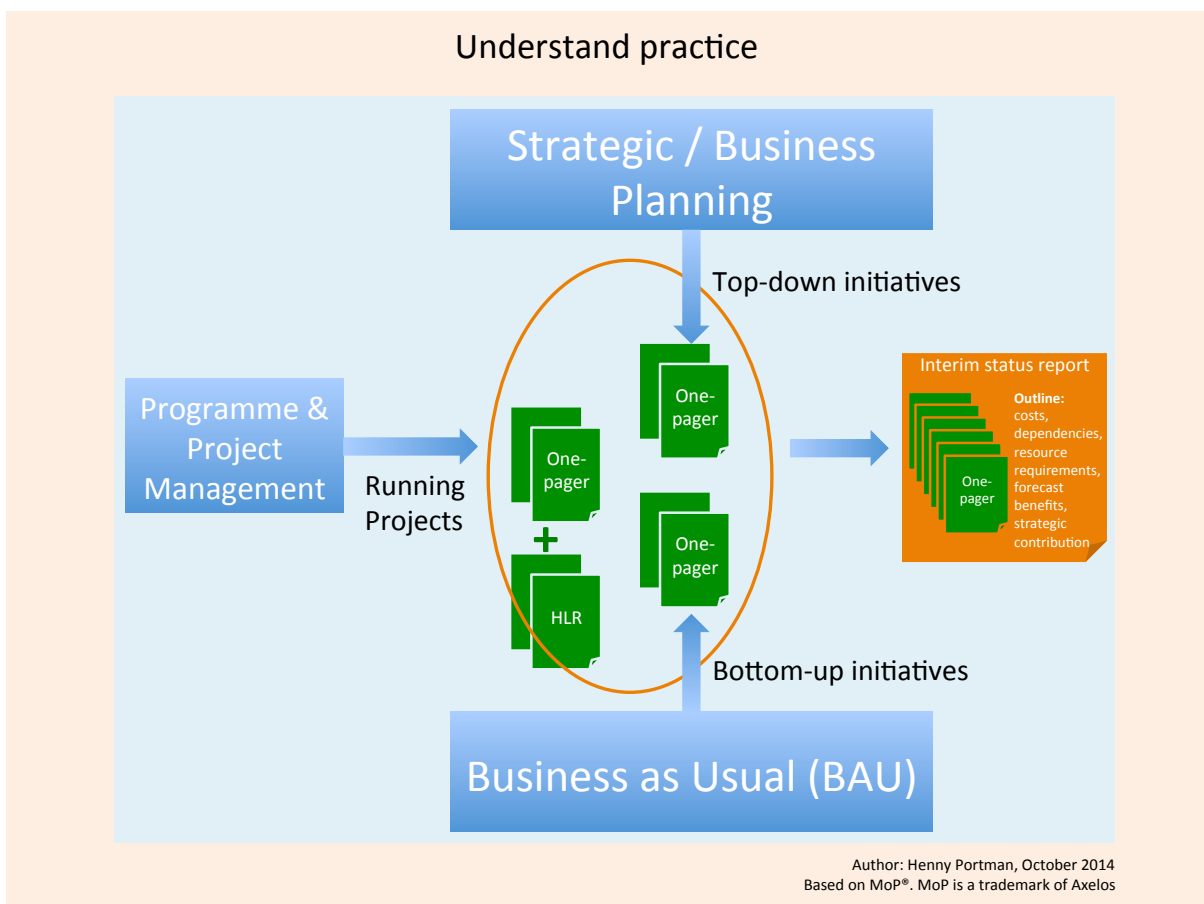


Figure 1: Understand practice

Keys to successful understanding

A clear portfolio scope: collecting consistent data on the scope of the portfolio using clear guidance when to call something a programme, project or small change and what type of initiatives are to be included in the portfolio.

Consistent data: Use a standard one-pager to collect programme and project information. This will help to understand all initiatives and this aids categorization and prioritization in due course.

Sufficient research: when you put enough effort to populate all one-pagers you will be much more effective and efficient during the remainder of the portfolio definition cycle.

Collaborative working between the portfolio office and the strategic planning function: They have to work closely together to ensure all initiatives relevant to the strategic objectives are identified, including those at the concept stage.

Effective relationships with PPM professionals: The introduction of the one-pager will help to validate consistent data and will help to build an effective relationship with PPM professionals.

Preparation of an interim status report: An interim report that contains all one-pagers to give a clear view on the content of the portfolio as well as a first analysis on overlap and duplication, an outline on costs, dependencies, resource requirements, forecast benefits and strategic contribution. Use where possible creative graphics to present the information.