Aligning Projects with Strategic Drivers

By: Bill Raymond, Microsoft Project MVP & VP Solutions, Pcubed

Have you ever worked on a project that started great then over time lost firm commitment from your executive sponsors? If you are fighting for the attention of key executives and the project lacks direction, then there is a good chance you shouldn't be doing it.

This change of executive commitment is rarely the fault of the project team and typically represents a change in direction. Rather it represents a shift in priorities. Our project might need to be re-scoped, re-prioritized or even killed. These decisions can be very emotional.

A great way to remove some of these emotions is to attack the challenge head-on with a standard approach to making important project decisions.

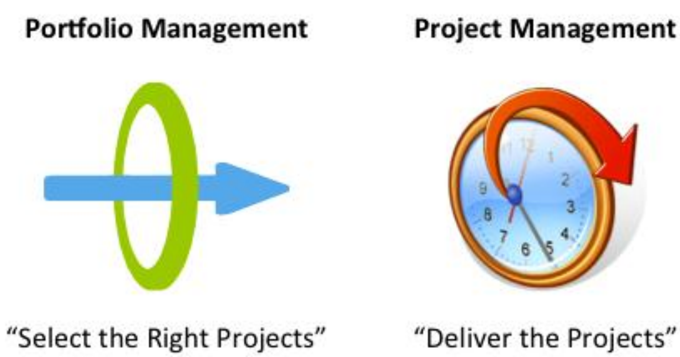
The approach I am referring to is Portfolio Management. An approach to making informed decisions is to align Projects with your organization's strategic objectives. Microsoft Project Server 2010 has some very powerful features that enable real-time decision making based on all sorts of criteria, including business strategy.

What You Will Learn

This article is primarily devoted to ways in which you can define measurable strategic drivers that will assist your executives in selecting the right projects. Before diving too deeply into strategic driver definitions, I first provide an overview of Portfolio Management and the basics of how Project Server automates the process.

What is Portfolio Management?

For purposes of this article, let's keep the definition really clean. **Portfolio Management means** we follow a formal process to prioritize, select and agree on the right projects based on a business strategy. **Project Management means** we have teams to deliver these projects successfully.



Life Lessons

Back when I first started in this business, I thought I had Portfolio Management licked. I compiled a list of all my projects, brought them to my Manager, prioritized them in order of criticality from 1-5 then reviewed that list with my customers.

My fancy little system failed and I took the brunt of the pain because *everything* ended up being a priority and frankly no one cared that there were too many projects with the same or higher priority—they just wanted their projects delivered.

So what did I learn? Here are a few things:

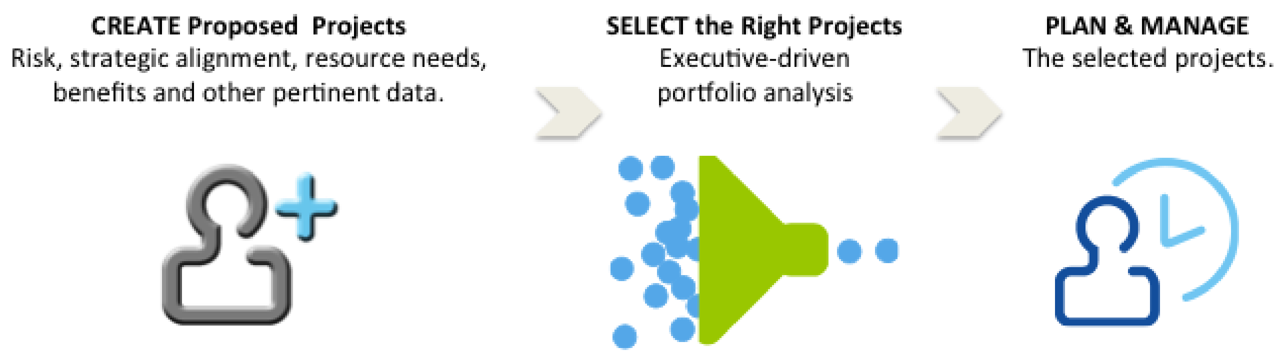
1. **Priority Ranking does not Work**: Why rate projects 1-5 or 1-10? These numbers are far too subjective. Even if you have "1" that means "top priority" there is far too much more detail required to back up this decision.
2. **Executives Own the Portfolio**: Executives need to work together to decide which projects will be funded and need to agree and endorse the decisions. In my case, I took ownership of it, I ranked the projects and then asked for confirmation. The people that really needed to be involved and tell me the priorities and work out overlap never really talked to each other. I should have facilitated this rather than 'fill in the paperwork' for them.
3. **Be Consultative**: Ask lots of questions about why certain projects have certain priorities. If no one is challenging each other and everyone's projects get on the list, there is a problem and I can guarantee there are not enough resources to deliver.
4. **The Portfolio is Alive**: Not to go all Mary Shelley's Frankenstein on you but the fact is, priorities change. They change because we have new management, there was a shift in the market, or whatever else you can think of. Every few months a formal portfolio review should occur to ensure continued alignment.
5. **It is Okay to Kill Projects**: It is perfectly acceptable to decide a project is no longer worth doing. Just make the decision, be firm about it, thank everyone for their hard work, and move on. I have yet to meet someone who told me, "My project is lousy, no one wants to work on it and our sponsors are checked out but hey, I love spending endless hours on this dead elephant." Trust me, if killing projects is made acceptable by solid process and even-keeled decision-making, people will be happier with their work.

The Portfolio Process

Our focus will be on prioritizing the Portfolio and using Strategic Drivers, but before we get to that, let's take a quick look at a generic portfolio process.

In the example below, we start by creating proposed projects (I like calling them 'Project Stubs' since they are basically placeholders at this point). With these proposed projects entered, we ask a team of knowledgable people to build the business cases for each and every project.

With our proposed projects created, the next step is to align those projects with the business strategy so our Executive Team can select the right projects based on the data they have received. Once the projects are selected, the Project Managers come in and start delivering with their defined teams.



Strategic Drivers Defined

Microsoft Project Server lets you prioritize projects based on different criteria. You could start out with a simple numbering system to the more advanced and value-added approach which is Strategic Driver–based optimization. It is the latter that we focus on in this article.

A Strategic Driver is one of a few critical objectives that are set by your senior executives. These drivers must be carefully crafted and meet the following criteria:

1. Easily understood and read by anyone.
2. Be measurable.
3. Is it specific enough to clearly measure value?

Okay, so give me some examples!

Sure. Let's say you are working for a discount airline. Your executive team recognizes that all the major airlines are consolidating, that fees for checked bags are increasing and that customer service issues are increasing. These smart executives realize there is an opportunity to grow and pick up frustrated customers, so they come up with a multi-year plan that has some bullet points like this:

- Increase revenue by 25%
- Be recognized as offering the best customer service in the industry
- Add 50 more planes to our fleet
- Be seen as a leader in adopting new FAA regulations

This is great. Your executives have stated their objectives clearly and concisely. You now know the direction and you have a list of strategic drivers to begin a portfolio analysis, right? Perhaps not.

A common mistake many companies make in defining their strategic drivers is to take this list and use it as their Strategic Drivers. You might be wondering why I am telling you these are not good enough. Let me explain.

Pardon the pun, but those bullets are a bit too vague at the 30,000 foot level. We want about 5-8 drivers. Too few drivers and everything will be prioritized too similarly. Eight or more drivers becomes too many and will wash out the differences between various projects.

Let's see how we can relate those 30,000 foot bullet points down to a set of measurable drivers at the 15,000 foot level.

Step 1: Hold Meetings

The Executives stated their 5 year plan with some specific goals in mind. You need to quickly align projects to those goals by defining a set of Strategic Drivers. Hold a number of meetings to come up with those drivers. The executives may be in the room or it may be a group that reports to them who will come back with recommendations but the meetings must be had.

At this meeting you come up with some selected drivers to meet each objective.

Business Objective	*Strategic Drivers*
Increase revenue by 25%	• Introduce new premium products • Increase energy efficiency
Be recognized as offering the best customer service in the industry	• Reduction of call hold times • Pre-emptive service programs
Add 50 more planes to our fleet	• Penetration into family destinations • Increase short-haul business destinations
Be seen as a leader in adopting new FAA regulations	• Standardize fleet and components

Step 2: Recognize "Force-ins"

You may have noticed we are a little light on the FAA regulations part. Many airlines today that are behind on modifying their planes due to FAA regulations blame the various types of planes they need to retrofit or buy special parts for. Other airlines can complete their changes in record time because their entire fleet is of the same or similar make and model. Our fake airline decided that since they are building up a new fleet and want to be seen as a leader in the space, they need to standardize.

If you live in the United States, you know the FAA, or Federal Aviation Association, is a government agency. If the FAA tells an airline to replace their seatbelts, the airline has to replace their seatbelts. Our seatbelt replacement project would have to be "Forced In", meaning even if we had other projects to do we must do this one.

There are other types of projects our airline has to do as well. Maybe to keep up with technology changes on their website, they need to upgrade to newer computers and software.

We will recognize two types of projects that will get done indepdend of their ranking:

Force-in	Examples
Regulatory and Compliance	• Regulatory projects ranging from changes to tax laws or industry-specific laws. • Projects you must do to remain in legal compliance as a corporate entity.
Sustaining	• Projects you must do to keep the company running. • Building maintenance. • Airplane maintenance or replacements. • IT systems updates or replacements.

Please do keep in mind that just because these projects are "forced in" does not mean they have to be done right away. If projects can be deferred to a later date or accomodated by another like-type project, there are always options for you to consider.

If the FAA tells you to replace those seatbelts by the end of March, it gets forced in and the resources will be allocated to get it done. On the other hand, if your corporate office needs an expansion to accommodate new hires but could wait a year while doubling-up office space, perhaps that is what you do.

To wrap up this step, recognize there are always projects that must get done. Categorize them as such and remember that budgets, resource needs and start dates can always be challenged.

Step 3: Weight the Drivers

In Step 1, we decided on the Strategic Drivers and asked our Executives to agree or disagree. Let's say we all agreed that these are the drivers:

Business Objective	*Strategic Drivers*
Increase revenue by 25%	• Introduce new premium products • Increase energy efficiency
Be recognized as offering the best customer service in the industry	• Reduction of call hold times • Pre-emptive service programs
Add 50 more planes to our fleet	• Penetration into family destinations • Increase short-haul business destinations
Be seen as a leader in adopting new FAA regulations	• Standardize fleet and components

Right now, everyone is probably very pleased with themselves and there is likely little disagreement by anyone. Remember how I said earlier in this document that Drivers need to be Measurable? In Step 3 we measure the drivers. This is where people start to realize perhaps their projects won't be selected because they are not aligned. Expect push-back and some politicking. This is a normal process but getting through this can be somewhat difficult so hang in there.

Microsoft Project Server has the ability to create Strategic Drivers and weight them. You can do everything I am about to share with you directly in the tool. In fact, many of my clients will actually input information into the tool in real-time so they can see the impact of their decisions.

Let's get started. There are two ways we can weight our drivers. One way is to simply weight the drivers manually so they add up to 100% in total like this:

Strategic Drivers	*Strategic Drivers*
• Introduce new premium products • Increase energy efficiency	• 15% • 40%
• Reduction of call hold times • Pre-emptive service programs	• 5% • 10%
• Penetration into family destinations • Increase short-haul business destinations	• 10% • 5%
• Standardize fleet and components	• 15%
TOTAL WEIGHTING	**100%**

Another weighting method Project Server supports is called the Analytical Hierarchy Process (or AHP for short). This is a very powerful tool to ge the weightings by asking all our executives to compare each driver against each additional driver then Project Server will calculate the percentage based on those answers. Here is how this process works:

You pull up each driver and then ask your executives to say whether it is more or less important. Here is a simple example:

Is …	*More or less important than*	*More or less important than*
Introduce new premium products	Increase energy efficiency	• **Much More Important**
	Reduction of call hold times	• **Much Less Import**
And so on … All Drivers are weighted against all others.		

The point of this exercise is to get our executives thinking in terms of just how important each driver is based on the merits of other drivers. At the end of this effort, Project Server will give you a set of weightings that may surprise you and everyone else. At this point you can say "Okay, this is what we agreed to; let's stick with it" or you can re-adjust the weightings. A best practice we recommend is to stick with what the tool came up with because it is based on real conversations with people in a room that made the decisions. Just make sure there is follow-up documentation and communications so people understand where these numbers came from.

Step 4: Add Measurements to the Drivers

So far, this whole exercise has really been to get our executives on the same page as to what is important to them so we can fund and scope the right projects. Now it is time we get to a point where the project teams have something they can use, too.

Let's say after Step 3 is completed we came up with the following Drivers and Weightings:

Strategic Drivers	*Weightings*
• Introduce new premium products • Increase energy efficiency	• 40% • 15%
• Reduction of call hold times • Pre-emptive service programs	• 10% • 5%
• Penetration into family destinations • Increase short-haul business destinations	• 10% • 5%
• Standardize fleet and components	• 15%
TOTAL WEIGHTING	**100%**

At this point, we could ask our project teams to get all their proposed and in-play projects aligned with these drivers. The problem we are faced with is measuring just how well these projects are aligned. If all projects are aligned to "Introduce new premium products", which ones do we choose?

Microsoft Project Server allows you to define measurements for how well a project might align to any given strategic driver. Our executives are not done yet. We need to ask them to help us get some good measurements in the tool. We do this by setting up some selections the project teams can pick from:

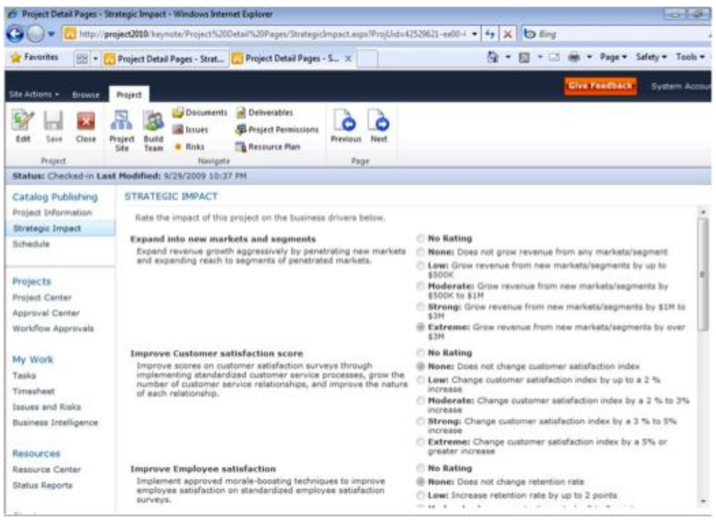
Strategic Drivers	*Weighting*	*Alignment*
Introduce new premium products	40%	Extreme: Brings > $25M in new revenue Somewhat: Brings <$10M in new revenue Less: Only supports prem prod projects Not Applicable: No impact at all
Increase energy efficiency	15%	Extreme: Breakthrough technology Somehat: Reduce oil price by x%/gal Less: Lightens plane load by x% Not Applicable: No impact at all
Reduction of call hold times	10%	And so on …
Pre-emptive service programs	5%	And so on …
Penetration into family destinations	10%	And so on …
Increase short-haul business destinations	5%	And so on …
Standardize fleet and components	15%	And so on …

As you can see above, we put some measurements in place that clearly articulate what executives expect if projects are aligned with drivers. There are in fact more than just three measurable inputs that can be associated with each driver, but I just added these for simplicity's sake.

Step 5: Aligning Projects with Strategic Drivers

This step wraps up the final objectives we set at the beginning of this paper, but it is certainly not the last step. I'll cover some additional details in the Final Thoughts section.

So far we have sat with our executives to define a manageable set of Strategic Drivers. We weighted those drivers using the AHP method and then we set some clear metrics on which the projects must align. We also discussed the fact that some projects, like regulatory or sustaining projects, may not need that level of alignment but should still be in the portfolio as 'forced in' projects.



Before we can do a portfolio analysis, there is work the Project Teams need to do. Whether a project is an actual funded project or just an idea for consideration, they can all be entered into Microsoft Project Server.

The teams will then associate their projects with these drivers, including the measures that have been defined. This is a simple website page that is easily filled in.

The teams will have to sit together in a meeting and share their results with the sponsors to ensure they have properly aligned their projects.

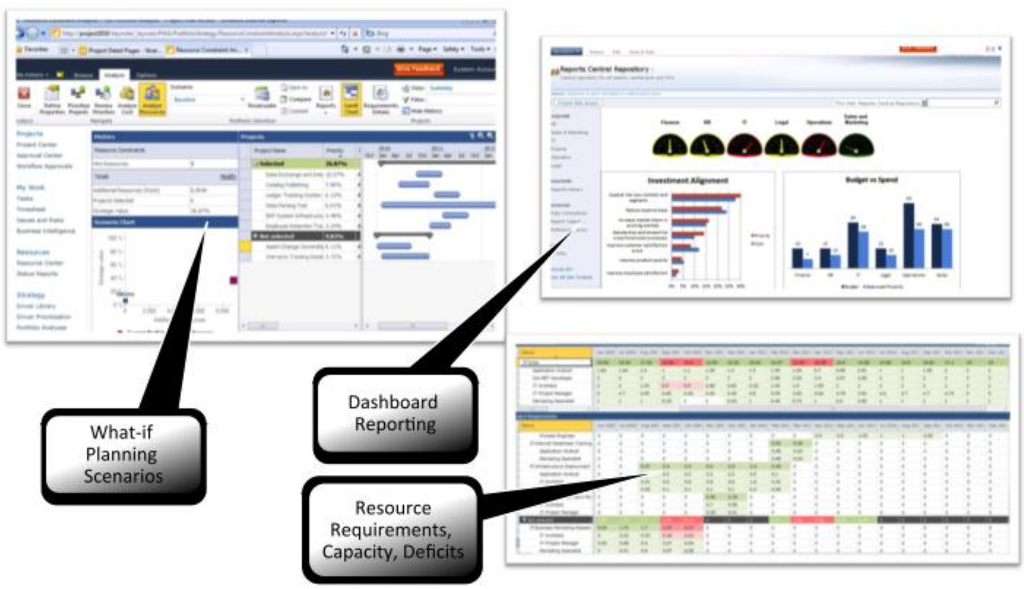
Final Thoughts

Microsoft Project Server has some very powerful capabilities to help you more effectively prioritize, select or even kill projects. This document does not cover the entire Portfolio Management process, but suffice to say, it is very powerful, allowing for real-time decision-making.

Strategic Alignment is but one component of selecting and analyzing projects. You might also capture other data such as Lifetime Project Costs, Net Present Value (NPV), budgets and resource plans so you can look at the complexity of delivering a project.

Going back to our airline example, a project may return a significant value based on the strategic drivers but take up too many resources, take too long and the return on investment might be in question. Just because it aligns doesn't mean we have to do it. Keep this in mind.

Microsoft Project Server doesn't just say, "Here is a set of projects and you get one portfolio." Indeed, you can create many portfolios and "what if" scenarios that take various things like risk or cost into consideration. You might have one locked-down portfolio that represents the work to be completed for the current year then a few working portfolios for the coming years.



The journey to becoming a portfolio-driven company may have just started, but I guarantee you that, if done right, it will pay off in the end. I sincerely hope you have found this article worth your time and am always happy to answer your questions anytime.

Bill Raymond

VP, Solutions

Pcubed

William.Raymond@Pcubed.com

About the Author

Bill Raymond is a seasoned executive with over 20 years delivering transformative projects. A businessperson at heart, with a strong technical background, he is able to focus on delivering successful projects while architecting technical solutions that solve difficult challenges. His experience ranges from managing commercial software releases to implementing ERP systems and developing business processes to build corporate governance policies and standards.

Throughout his career, Bill has always embraced new technologies to help companies organize, prioritize and manage their largest projects. With his technical background, he has helped organizations realize their potential by driving standards while recognizing their unique culture.

Bill is Vice President of Solutions at Program Planning Professionals, Inc. (Pcubed.com) and has held the prestigious title of Microsoft Project MVP since 2001.

Feel free to contact Bill anytime:

Phone: +1 415-294-0165
Work E-Mail: William.Raymond@Pcubed.com
Personal E-Mail: William_Raymond@Yahoo.com