



PROJECT  
INSTITUTE

## How to balance the project portfolio according to strategies, risks and resources

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- 23 years experience in PM and PPM  
training and consulting
- Main instructor of IPMA Advanced  
training course "Managing Corporate  
Project Portfolios" since 2005





IPMA Advanced  
Courses 2013

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in advanced project management

7-9 March 2013 in Copenhagen, Denmark

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project  
management  
association

## Content of the presentation

- Different type of projects and project portfolios
- Maturity levels of Project Portfolio Management (PPM)
- Examples of balancing risks, strategies and resources
- Cases: Wärtsilä, Transavia.com, ABC Project Model™
- Option: Maturity levels of Project Portfolio Management and How to set your own target level?

**This is Wärtsilä**



**SHIP POWER**

**POWER PLANTS**

**SERVICES**

**Ship Power**  
The leading global ship power and service provider.

**Power Plants**  
A significant supplier of decentralized power plant solutions and operation and maintenance services.

**Service**  
Interlinks these two businesses. Service supports Wärtsilä customers throughout the lifecycle of their installation.

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PIF 29/5/2012 Wärtsilä's PM WoW in EPC-projects and Project Classification



**transavia.com**

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**Established in 1966**

**Subsidiary of Air France/KLM**

**Low-cost airline: leisure/business**

**Profitable**

**2000 employees**

↓

**Strategical shift**

↓

**From airline to leisure company**

↓

**Projectportfoliomanagement**

IPMA-courses 2011
Portfoliomanagement transavia.com

Examples of over 50 organizations that use ABC Project Model™





























Because companies are made up of people™

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## Project Management Method

**Project Portfolio Management**

- Generic Decision Gates
- G0 "Start project"
- G1 "Start planning"
- G2 "Start execution"
- G3 "Hand over"
- G4 "Close project"
- PE "Post project evaluation"
- Category wise sub gates

**Gate Passing Criteria**

- Category wise
- Business wise

**Templates**

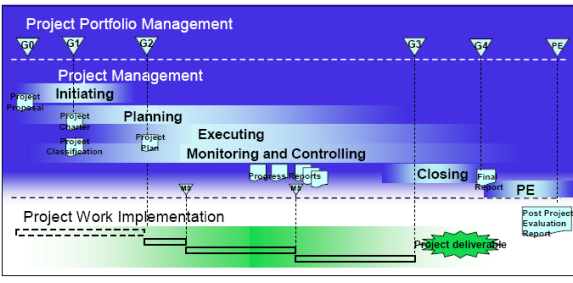
- Category wise
- Business wise

**Project Management Deliverables**

- Category wise
- Business wise

**Categories**

- CDP = Customer Delivery Projects
- ODP = Operational Development Projects
- PDP = Product Development Projects



**Businesses / Divisions**

- Ship Power
- Power Plants
- Services
- Industrial Operations


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PIF 29/5/2012 Wärtsilä's PM WoW in EPC-projects and Project Classification

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Revision: -

Status: Finalised



## Project Portfolio Management (PPM)

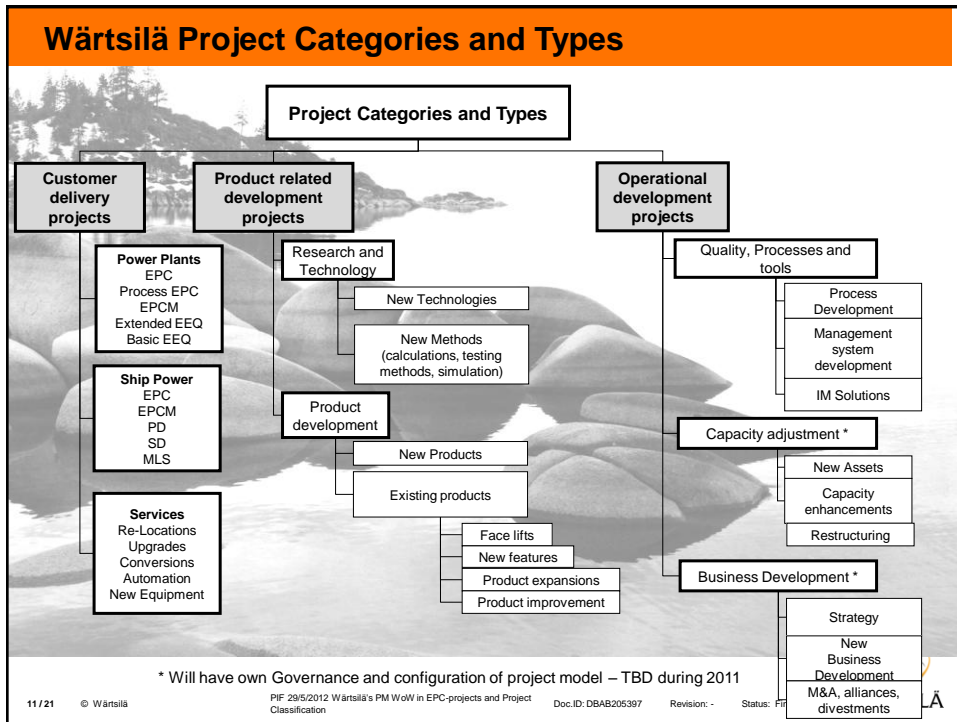
**Project portfolio management** refers to the centralised management approach where projects are systematically identified, prioritised, monitored, controlled and steered as portfolios in order to meet the strategic objectives.



Cooper R., Edgett S., Kleinschmidt E. Portfolio management  
In new product development: Lessons From the leaders  
1. Research technology management 1997, Vol.40(5).

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## Different types of internal projects and project portfolios

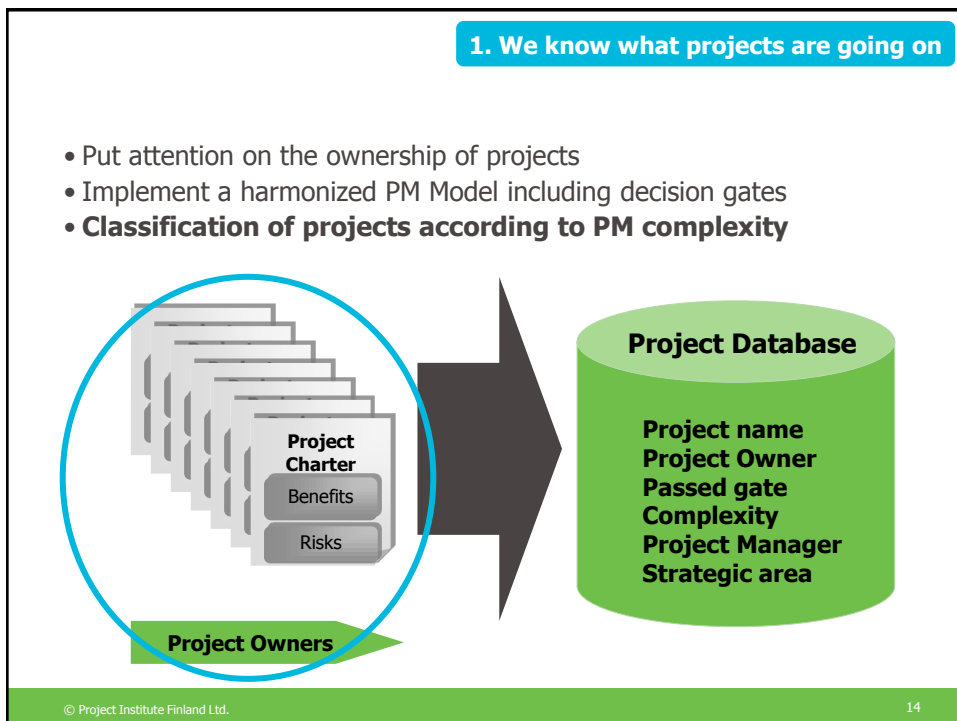
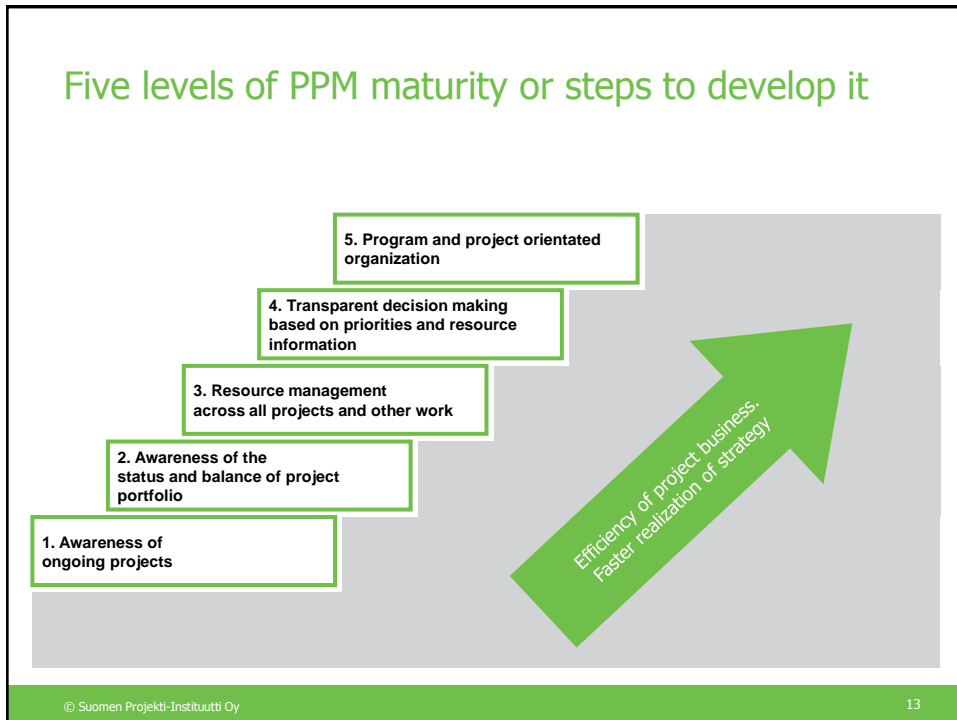
- Investment projects – how much you can afford?
- Development projects – do you have personnel resources available?

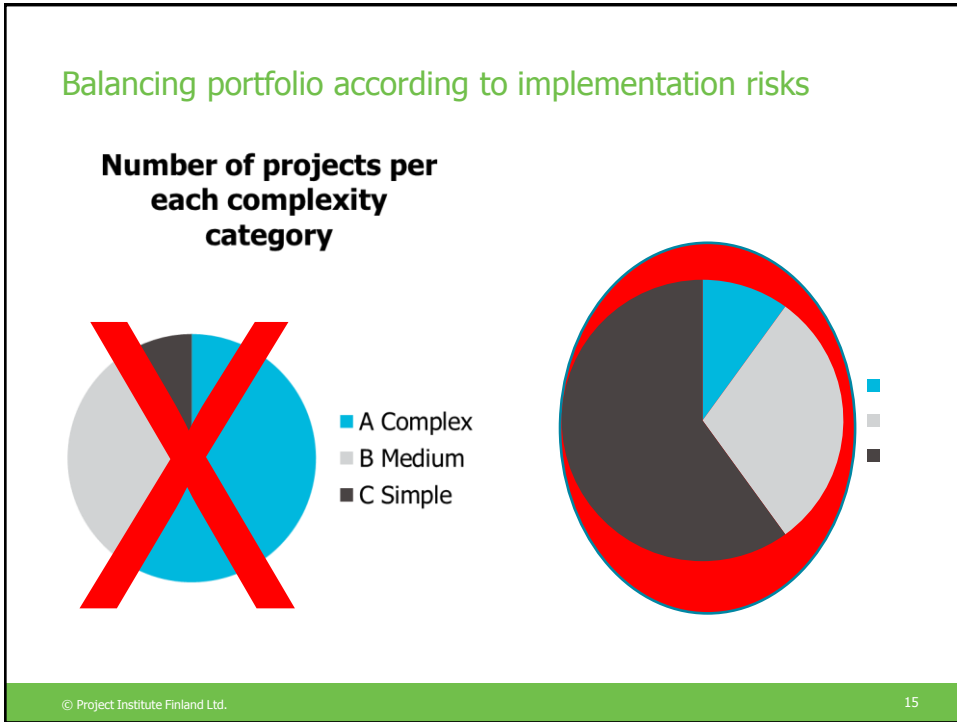


**Controlled usually by typical Governance Models**



**Controlled only by Project Portfolio Management**





### Classification of Projects – Resourcing, Planning and Reporting

#### Project analysis by features

- Uniqueness of project quality, objectives and scope
- External customer (customer delivery projects)
- Internal customer and other stakeholders
- Project participants
- Schedule
- Project environment
- Budget
- Contract type (customer delivery projects)
- Strategic significance
- Business benefits
- Business criticality and urgency

#### Classification

	A	B	C
<b>Initiating</b>			
- Project Charter	X	X	X
- Project analysis	X	X	X
<b>Planning</b>			
- Project Plan	X	X	X
- Communications plan	X		
- Risk analysis	X	X	
- Stakeholder management plan	X		
<b>Executing</b>			
- Short status report	X	X	X
- Longer project report	X		
<b>Closing</b>			
- Final report	X	X	X

Complexity Significance

16 / 21 © Wärtsilä PIF 29/5/2012 Wärtsilä's PM WoW in EPC-projects and Project Classification Doc.ID: DBAB205397 Revision: - Status: Finalised WÄRTSILÄ

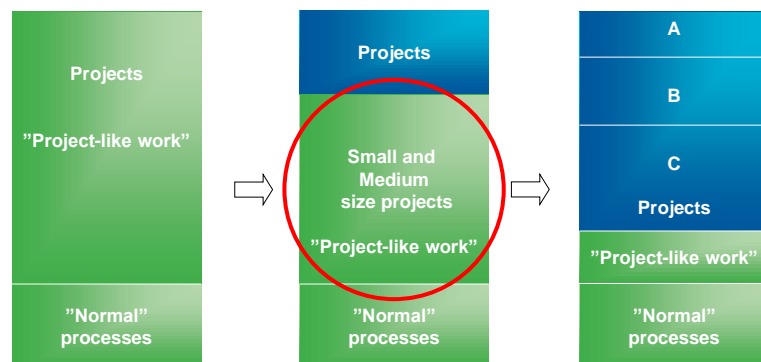


## Complexity Classification

- Not only balancing risks
- Transparency through the whole portfolio becomes possible

## Distribution of work

Which tasks should be managed through **project processes:**



- Bars illustrate the distribution of working hours within an organization, which has plenty of projects

## 2. We know the status and balance of portfolio

- Establish a PMO to support PPM processes
- Strategic level PMO is able to support the whole organisation

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## Transavia.com focus area's transavia.com

ROCE 7%

↑

transavia.com is the travel brand in NL with attention for its customers € milj.

€ milj.

Autonomous growth

€ milj.

Building travel brand

€ milj.

Development .com

€ milj.

Low cost, High productivity

€ milj.

'Compliance'

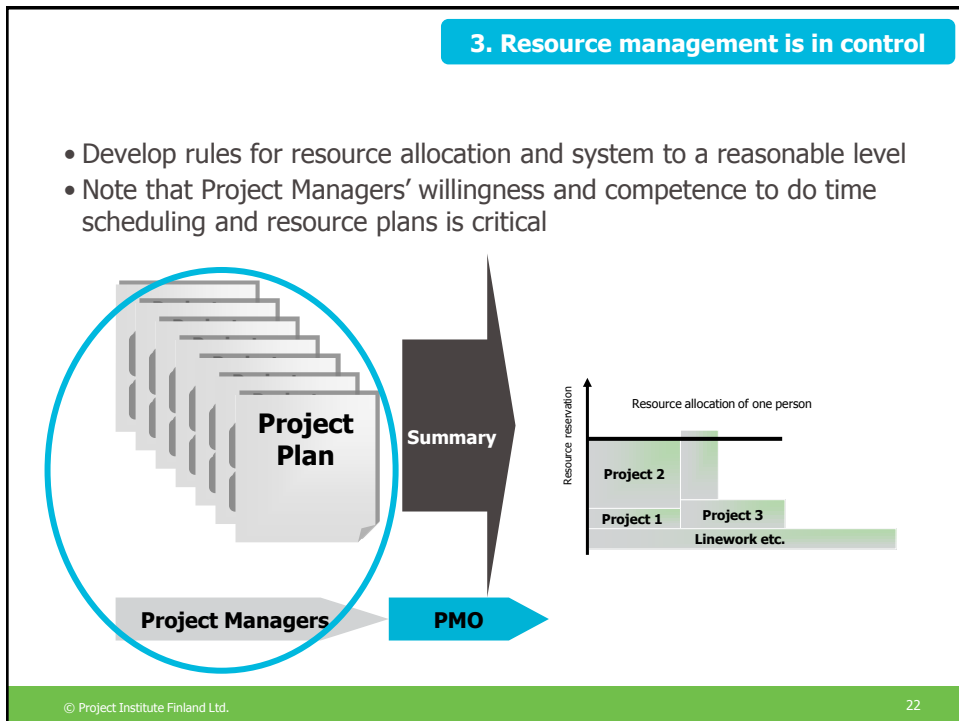
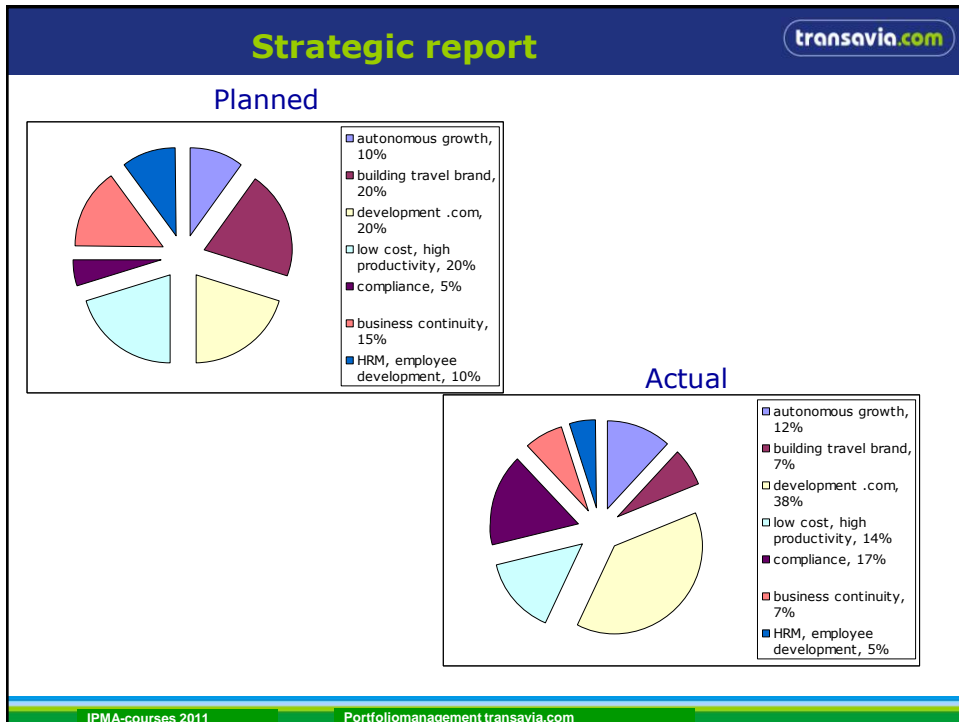
€ milj.

Continuity

€ milj.

HRM, employee development

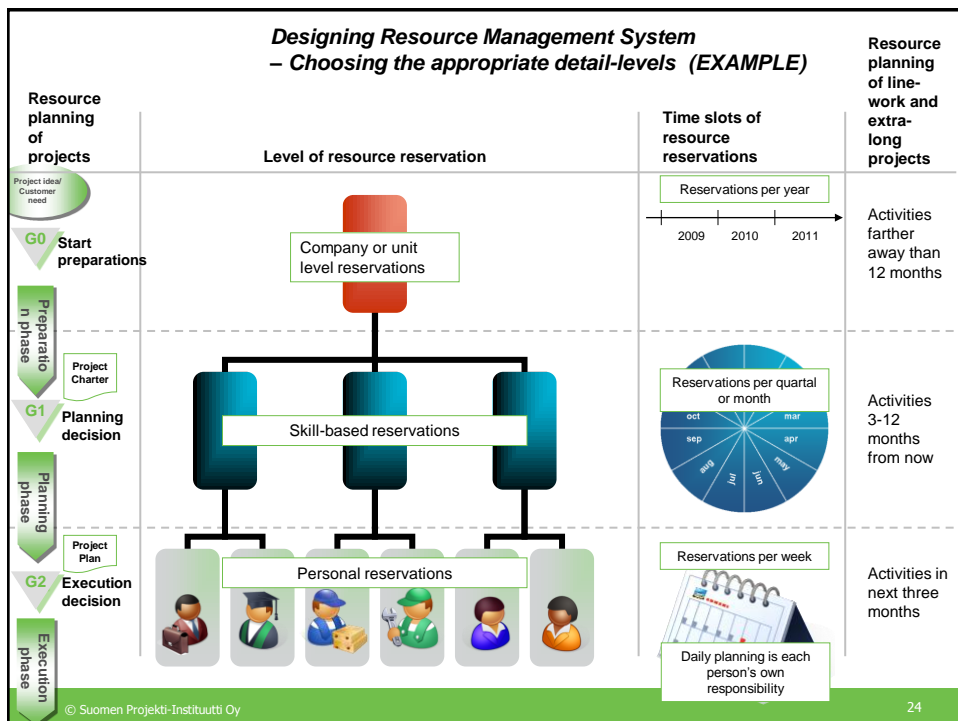
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## Level 3: Resource management across all projects and other work

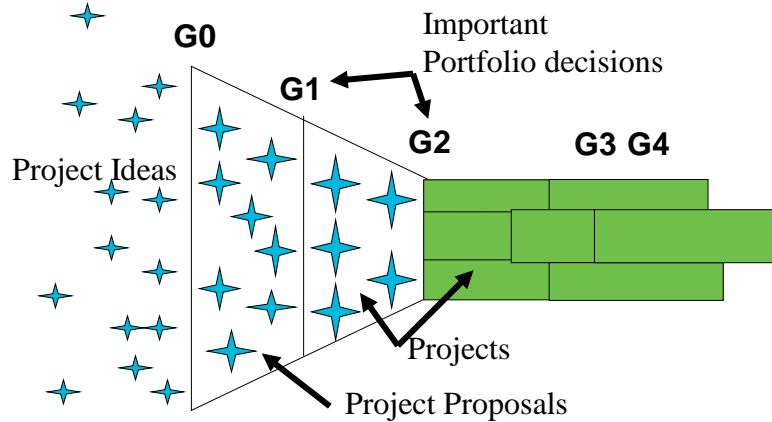
### Prerequisites:

- PM competence of Project Managers
- Resource Management systems
- Hour reporting (time sheets)



## Levels 3 and 4: Balancing resources, Selection and Prioritization

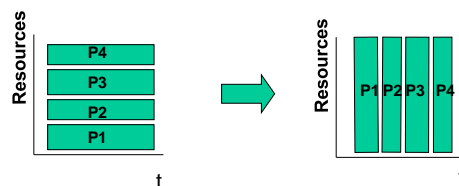
**We should have a funnel – not a tunnel !**



## The solution

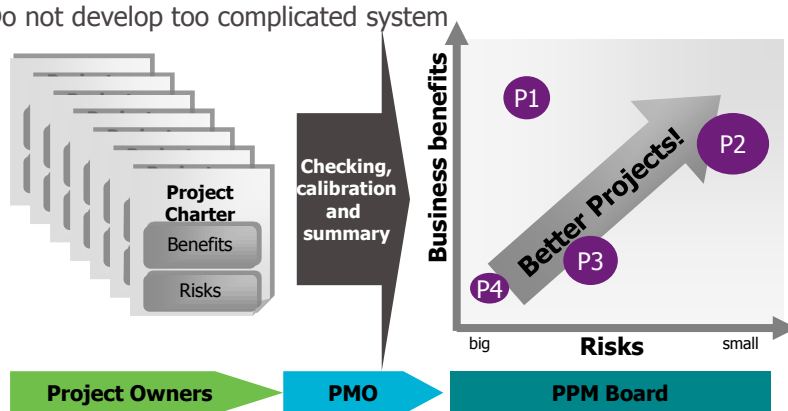
Companies should have fewer projects at the same time than they tend to have!

This is the most important factor, which helps realizing the business benefits faster and implementing the strategies faster



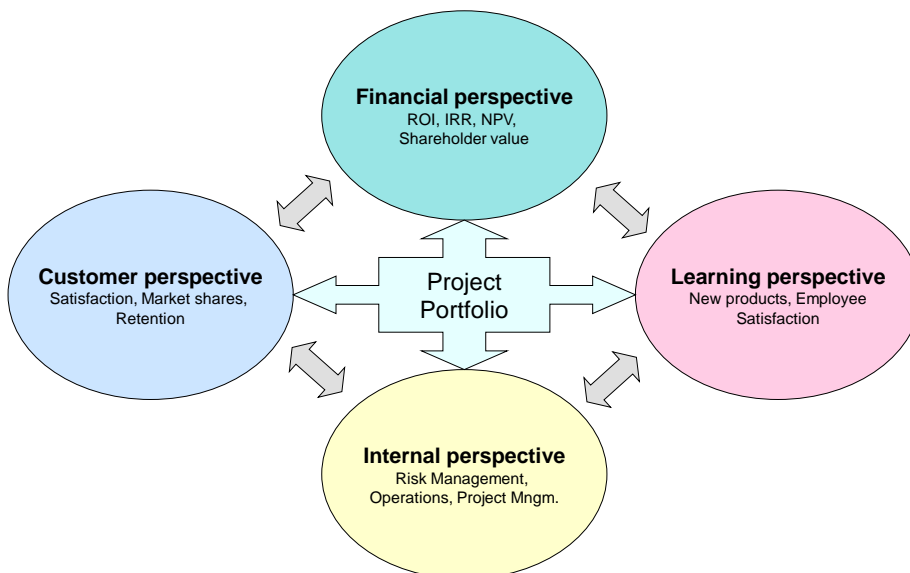
#### 4. Project prioritization is done systematically

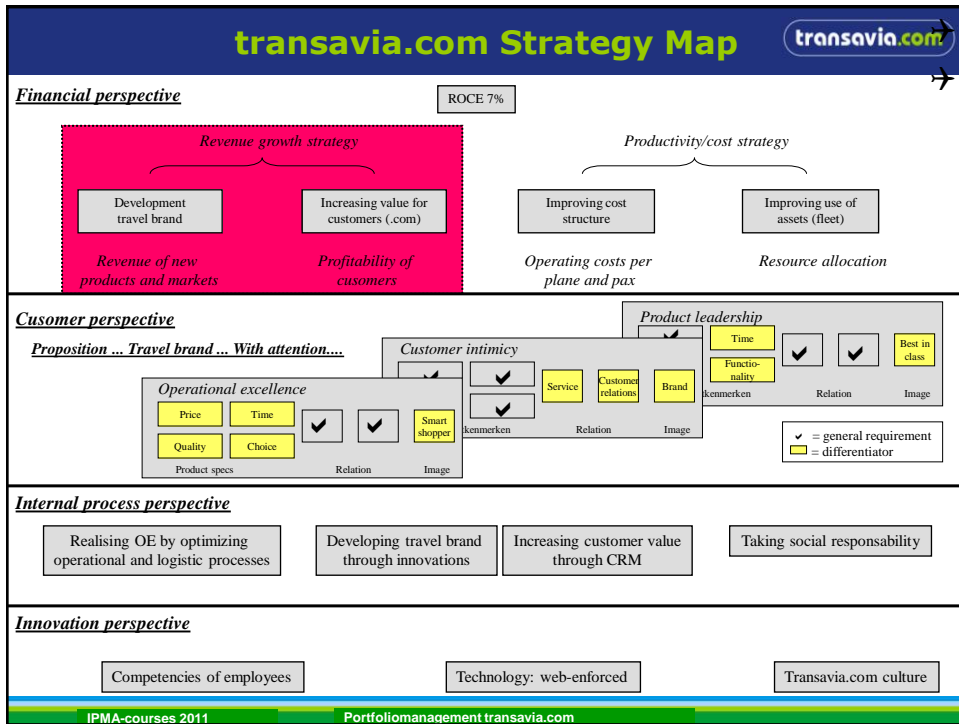
- Assemble a PPM Board(s) which has the ultimate authority to initiate and stop projects
- Transparency is important!
- Do not develop too complicated system



#### Balanced Score Card

transavia.com

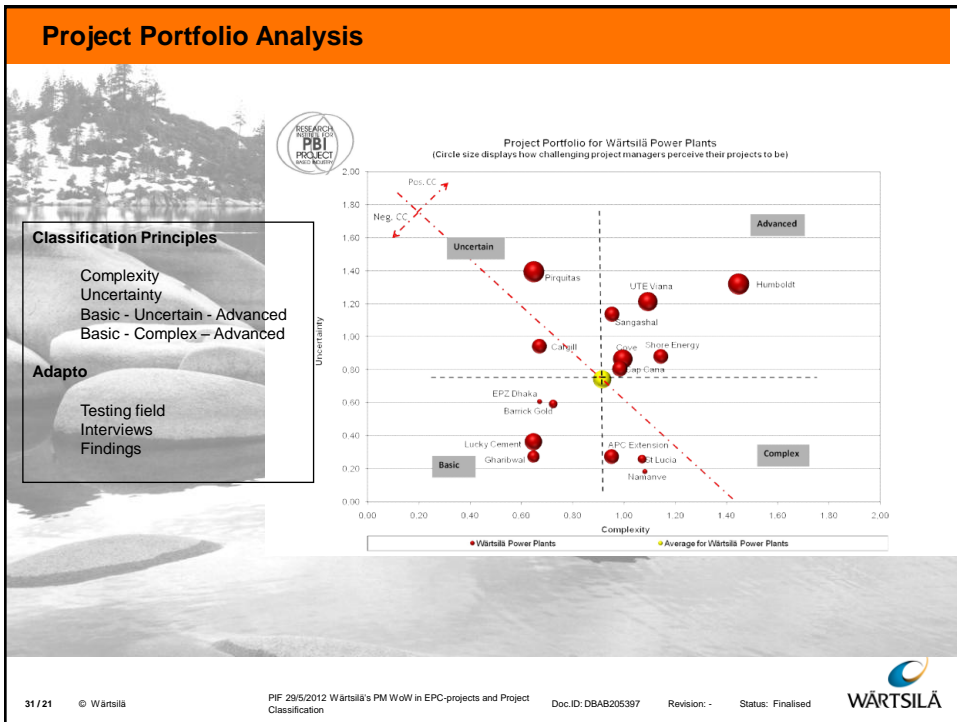




## Investment analysis: estimation transavia.com

Project	Financieel perspectief	Klanten-perspectief	Interne processen	Innovatie	Score	Project-investering	Goedgekeurd/Afgewezen
Project A	■	■	■	■	90	xxxxxxxxx	Goedgekeurd
Project B	■	■	■	■	86	xxxxxxx	Goedgekeurd
Project C	■	■	■	■	81	xx	Goedgekeurd
Project D	■	■	■	■	70	xxxxxxxxx	Afgewezen
Project E	■	■	■	■	65	xxxx	Afgewezen

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Maturity levels of Project Portfolio Management and How to set your own target level?



# What is the value of projects to your company?

## What is the Value of Projects to Your Company?

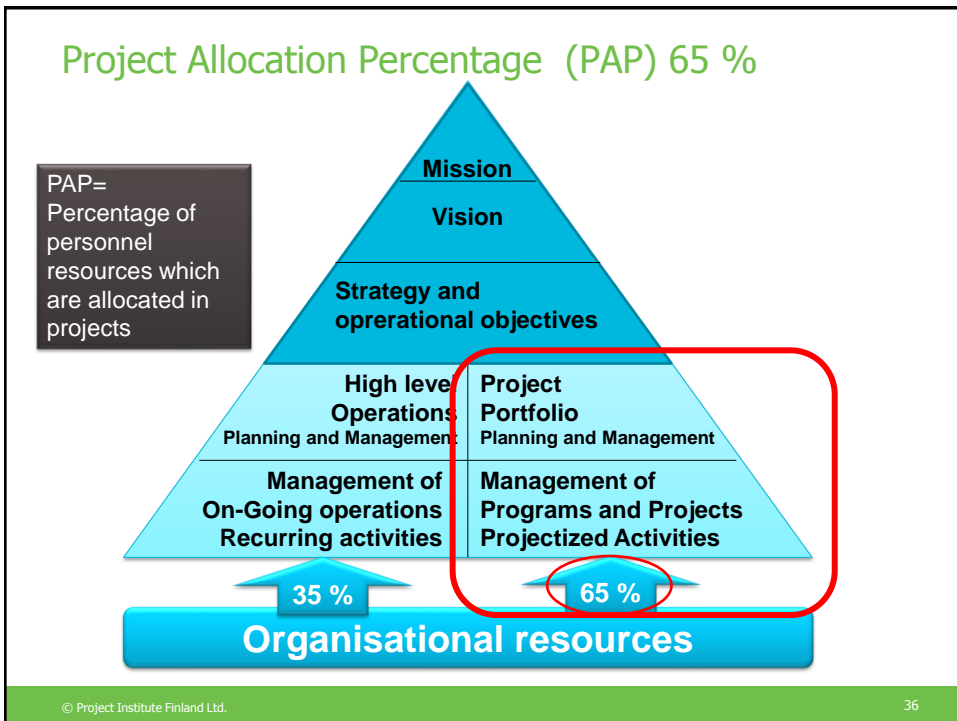
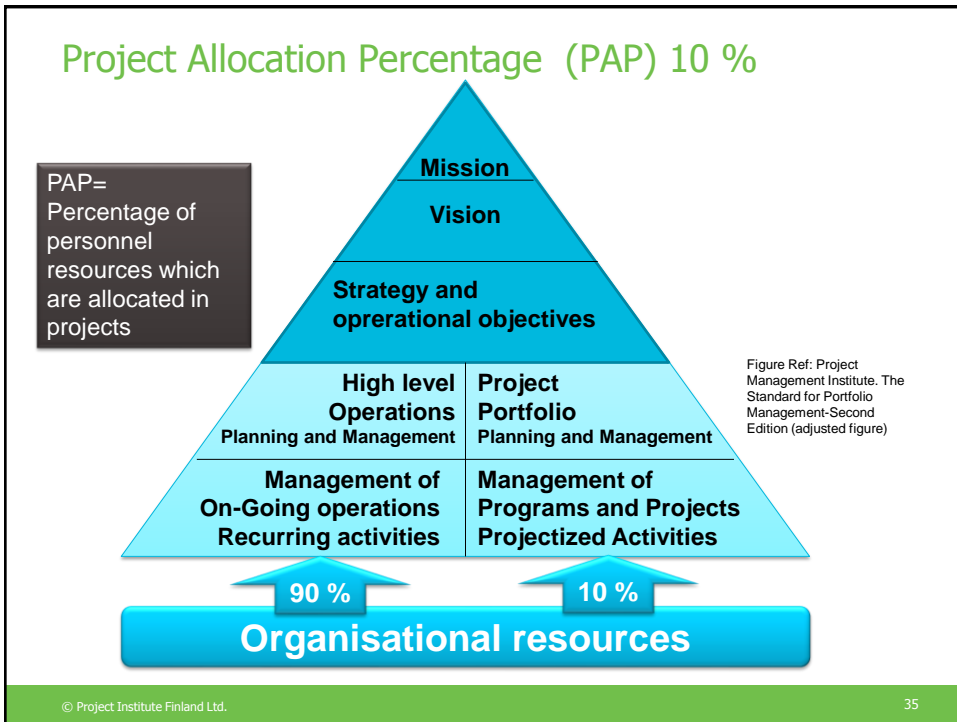
What is the essence of change?

Or

Are you delivering projects to your external customers?

**and**

**How big part of your human resources are allocated on project work? (consequence)**



<b>Example: Resource allocation in a company</b>	Recurring process - non-project	Simple project	Normal project	Complex project
Core Business Processes	20%			
Development processes processes and IT services and products HR new businesses etc.	5%	20%	20%	20%
Other Processes administration marketing etc.	10%	2%	2%	1%

**PAP 65%**

**Project Allocation Percentage ( PAP )**

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<b>Example: Resource allocation in a company</b>	Recurring process - non- project - small dev. action	Simple project	Normal project	Complex project
Core Business Processes	20%			
Development processes processes and IT services and products HR new businesses etc.	5%			
Other Processes administration marketing etc.	10%			

**Strong PM Processes needed**

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<b>Example: Resource allocation in a company</b>	Recurring process non- project dev. action	Simple project	Normal project	Complex project
Core Business Processes	20%	<b>PPM Processes needed</b>		
Development processes processes and IT services and products HR new businesses etc.	5%			
Other Processes administration marketing etc.	10%			

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<b>Example: Resource allocation in a company</b>	Recurring process non- project -dev. action	Simple project	Normal project	Complex project	
Core Business Processes	20%	<b>A lot of work without control and management</b>	<b>20%</b>	<b>PPM Processes used</b>	
Development processes processes and IT services and products HR new businesses etc.	5%				<b>20%</b>
Other Processes administration marketing etc.	10%				<b>2%</b>

**What usually happens?**

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## Target level for PPM Maturity related to PAP

### PAP 0-15 %

- The number of projects is quite small
- PPM is not an issue
- Few large projects usually exist
- Quite stable business environment

#### 1. Awareness of ongoing projects

- Common project management practices
- A list of ongoing projects
- Common definitions for a project
- Co-ordination of overlapping projects
- A process for updating the project list

## Target level for PPM Maturity related to PAP

### PAP 10-25 %

- The number of projects can be relatively high
- Resources must be allocated in PPM administration
- Changing business environment

#### 2. The status and balance of project portfolio is known

- A common process for progress reporting
- Produces necessary information for project prioritizing
- Produces general information for project portfolio management
- Portfolio reports available

## Target level for PPM Maturity related to PAP

### PAP 20-40 %

- The number of projects is high

#### 3. Resource management across all projects and other work

- Needs to initiate new projects are exceeding the personnel capacity
- As a consequence of too strong focus on operational processes, projects have always lack of resources

- Reports on resource usage vs. capacity
- Resource planning reduces over allocation of human resources
- Pro-active planning of future resource needs

## Target level for PPM Maturity related to PAP

### PAP 30-50 %

- PPM Governance model should be centralized enough

#### 4. Projects are prioritized in a systematic way

- Very changing business environment and the speed of change is a critical success factor
- Companies tend to have too many projects in the same time and due to this implementation of strategy is too slow

- A scoring model or another systematic tool to prioritize
- Final authority to initiate new projects is organized as a part organization's governance model
- Projects are prioritized in way which allows project's initiation only if resources are available (not too much projects in the same time any more)
- Project lead-times shorten essentially

## Target level for PPM Maturity related to PAP

### PAP 45-100 %

- All companies delivering projects to their external customers belong to this group
- Companies which are using external suppliers or automation to run routine processes and the speed of change is extremely important for business success

#### 5. Program and project orientated organization

- The strategy is implemented more efficiently
- Less hierarchy in permanent organization
- Line managers become more project orientated and take responsibility over the project success
- Better ability to measure project success from the business point of view

## How do we know we have succeeded in PPM Board role?

- **Project schedules** are not delayed due to a lack of **resources**
- Project portfolio contents support **our strategic objectives** in the right proportions
- **Risks** related to the project portfolio **are known and in balance**
- **Development investments and their success is reported** to executive board and executive management
- **Money and resources** used for projects remain within planned limits and **can be forecasted**
- **PPM Board meetings are constructive** and participants have been well prepared. PPM Board feels that they can make important decisions concerning the future
- Results of post project evaluations (**PE**) **show that strategic and other business objectives are realized**

### ABC Project Model™ : Guide for Project Portfolio Management Boards



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Thank you very much for your attention!

Come to hear more and participate the IPMA  
Advance Course "Managing Corporate Project  
Portfolios" (next time in March 2013,  
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