

Turbulent times call for more than project management

Over the last 20 years, capital intensive industries like rail transportation have made great strides in improving project execution performance. In the UK, the Office of Government Commerce is at the forefront of advances in project management capabilities with tools like PRINCE2, ITIL and Managing Successful Programmes. But, in turbulent times, such as we now face, it is not enough to carry out massive projects on time and on budget. What if you are executing the wrong project, ask **Peter Hartley** and **Keith Hogben**

Organisations in the rail industry invest hundreds of millions, even billions, of pounds annually - but are those investments providing the best value for money? Do the proposed projects align with both short and long term key objectives? Are the investments balanced geographically? Which address key safety issues? How much is being spent on repair versus replacement or on time performance versus freight handling capacity?

Portfolio management is an approach that enables organisations to answer these and many more questions quickly and successfully. How is portfolio management effective? Because, as a discipline, it supports not just investment execution but investment *governance*.

Governance involves the active review and analysis of investment decisions across two key business processes... choosing and executing. We say active because it is not enough to set a project in motion and then let it grind through to its inevitable end. Sometimes things change in the market - like the current focus on cost containment or reduction due to economic pressures and anticipation of reduced funding.

For example, if you are asked



to reduce your project budget by 20%, 30% or even 40% to respond to financial pressures, how do you go about making the decisions on where and how much to cut? The traditional answer might be to simply cut 30% across the board. But what if that eliminated key aspects of a major safety programme? Does that make sense?

A best practice approach involves evaluating each investment on its merits. But how do you assess the importance of one investment or programme against another? The decisions you make in choosing which projects or programmes to invest in (or not) and when to make those investments should be driven

by portfolio management principles. This approach delivers the best return on investment based on the objectives of significantly reducing operating cost without compromising safety and performance optimisation.

Information collected on each project investment is used to categorise it for inclusion with some projects while differentiating it from others. Under the cost reduction scenario, you may want to look at 'all of the projects that are greater than £15 million in cost, are considered high risk, have currently poor health and are expected to be completed in 2011.' These criteria identify a portfolio of "problem projects"

to analyse for curtailment.

However, not all of the candidate projects that meet your newly prioritised set of objectives are likely to be from the 'problem' portfolio. Perhaps projects aligned with 'safety' are considered more important than those aligned with 'increased passenger volumes'. In this case, you may opt to kill or delay a project that is actually performing well but no longer aligns with the revised objectives of the organisation - not a bad project, but circumstances have changed and now it no longer fits the current situation. Perhaps another project was originally left out but you add it now since it fits better than another because it is focused on cost reduction.

Does your organisation have a satisfactory way of resolving these decisions? If not, it's time to take a serious look at enhancing the way investments are chosen and executed through portfolio management.

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