



CULTIVATING CREATIVITY, LLC
Adaptive Leadership Strategies

Pruning Your Project Portfolio

How to eat that elephant one bite at a time

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PRUNING YOUR PROJECT PORTFOLIO

Your executive team has just concluded this quarter's project portfolio meeting. They've identified *fifty* high-priority projects whose cumulative resource requirements represent *three times* the available budget of staff, facilities, and cash. Meeting over, job well done!

Believe it or not, that's how some companies operate. People say they're "up to their ears in alligators" if their work culture permits stating the obvious. Otherwise they say "there's an elephant in the middle of the room". Either way, it's a jungle out there. And in a jungle, people devote a lot of energy to scanning for threats, sharpening weapons, making protective alliances, and seeking shelter.

Is that what you want your employees to be doing?

Things get to this point when action-oriented executives¹ are too eager to address issues as *soon as possible*. Sometimes they assign analysts, tiger teams, troubleshooters, or task forces to decide how to act. And sometimes they just follow their gut. But the result is the same – an overcommitment of resources.

A Project Is An IOU

A project is a *promise* to do something in the future in exchange for peace of mind now. When faced with issues, businesses accumulate these promises in a project portfolio – what I call *portfolio debt*. It is often very large, and frequently much larger than necessary.

The problem with debt is that you're obliged to pay it off. If the size of your company's portfolio debt is more than it can handle, constant stress will distract your staff and cloud their judgment. That's the jungle you want to avoid. Fortunately you *can* avoid it, because a large portfolio debt is simply an artifact of business *practice*, not business *necessity*.

Many (if not most) items in the typical project portfolio are not projects at all. They're merely placeholders for as yet undetermined remedies for current *issues*. For example, the issue "the sales department is not producing enough sales" might be given the project name "combine inside and outside sales teams". This name describes a *strategy* for resolving the issue even though little creative or strategic thinking about the issue is likely to have taken place. Nor will it take place – because the issue now looks like a project, and project discussions (rightly) revolve around scheduling and resourcing.

As attention is drawn, in this way, towards the *tactics* of project management, strategy is neglected, and fundamental business issues remain unaddressed. You can't run a business on tactics alone, but that is what many businesses are doing.

¹ Is there any other kind?

Neglect of strategy also has a more sinister effect – it depresses a company’s trust in its planning process. Initiatives and projects will seem to materialize out of nowhere, with no apparent consideration of their advisability or consequences. An atmosphere of *fait accompli* will prevail, breeding cynicism among line managers and staff. And senior management will feel (and possibly be) unable to control the project portfolio. These are all characteristics of the jungle you want to avoid.

Projects Implement Strategies That Resolve Issues

The optimal state of affairs is to have a large list of issues (which you can’t control), and only a small portfolio of projects (which you can). Ideally there would be a very high project success rate, with high efficacy, because each commissioned project reflected a well thought-out and creative strategy for resolving high priority issues. In other words, you would carry a low portfolio debt and your payment history would be stellar.

In order to approach this ideal, a company has to appreciate the distinction between issues, strategies, and projects. For example, let’s imagine that really was *your* executive team – the one that identified “fifty high-priority projects whose cumulative resource requirements represent three times the available budget.” Obviously you have a problem! Here’s a three-step process you might follow to resolve it:

Step One: Understand and prioritize the issues

Send the executive team back to the table to identify the issues that these projects are intended to address. Then have them prioritize those issues, recording a justification for each priority assessment.

Step Two: Devise creative strategies

Insist that each high-priority issue (only) undergo a thorough analysis of strategic options. Require inclusion of one or two highly creative ones. Request that one strategy be recommended for each issue, and that its superiority over each of the alternatives for that issue be justified.

Step Three: Commission and resource projects

Before committing to implement a recommended strategy in a project, require a project charter that provides resource and schedule estimates, and that demonstrates how the project implements the recommended strategy.

As you can see, following these three formal steps imposes additional burden on your current commissioning process². While that may annoy the impatient, having to justify strategies and charter projects *before* commitments are made tends to elicit the critical, and often unasked, question “how important is this issue, really?” The answer will frequently be

² Naturally, *truly* urgent issues should be allowed to bypass the steps as the situation requires. If you’re always swamped with urgent issues, that is a high-priority issue!



“not important enough to pursue right now,” which is a very good answer. For issues that do make it past that question, the formality of the steps gives decision-makers *permission* to spend time on important strategic considerations they would otherwise ignore. It also gives them the opportunity to reevaluate, re-prioritize, and innovate *before* projects are commissioned, which is when those activities have the most leverage.

The three steps are effective because they reflect, in practice, the essential distinction between issues, strategies, and projects. When that distinction is made explicit in management structure, process, and information, decision-making has more clarity. Issues, strategies, and projects can be enumerated and challenged independently of each other, drastically reducing the number of projects in your portfolio – your portfolio debt.

Portfolio debt reduction will make your company more functional, and it will improve its emotional climate, leading to significant advances in project effectiveness, staff engagement, and long-term financial performance.

You can tell how much your company will benefit from this kind of reorientation by recalling the points at which the real deficiencies of your past critical projects became apparent. The later they occurred in the project’s life, the more benefit you will get by adopting a new approach.

Discipline Is Key

When a company knows what is truly important, it has achieved a level of wisdom far exceeding that of most of its competitors. In business, that is a fundamental competitive advantage, because a company that misjudges importance will eventually squander its resources on ill-conceived projects. A formal process for promoting issues into projects fosters the *discipline* that makes wisdom possible, especially the discipline of assessing issues dispassionately.

You will find that understanding issues, developing creative strategies, and commissioning projects are three very different areas of responsibility³. You may decide to manage them using three different meetings, three different leaders, three departments, three teams, or any other vehicles that suits your situation. The key to your success will be the development of structures, processes, and information that give each of the three areas of responsibility adequate attention and independence, and that don’t put them in competition with each other or with project management⁴.

³ I haven’t said anything about projects already underway because they are downstream from portfolio management. There should be a separate infrastructure for project management.

⁴ For example, don’t track issues and projects in the same list!



Summary

Portfolio management involves three essential elements: issues, strategies, and projects. Projects are IOUs that promise future action in exchange for current peace of mind. Their only purpose should be to implement strategies that resolve issues. It is the issues that are of primary importance, and everything else derives from them.

Indiscriminate proliferation of projects creates an excessive level of commitment to future action – what I call *portfolio debt* – that can distract, confuse, and even paralyze a business. In contrast, disciplined consideration of *issues* and *strategies* keeps portfolio debt at a manageable level that also delivers the highest possible return.

Any company that fully incorporates these distinctions into its portfolio management practice will see immediate improvement in resource utilization and dramatic long-term improvement in overall performance.

Cultivating Creativity, LLC uses the techniques of creative leadership to help companies increase their ability to perform and adapt. We consult with executives and entrepreneurs, blending strategy, collaboration, and creativity to restructure project portfolios, improve team and leader performance, articulate vision and values, and resolve interpersonal conflicts. We focus on effectiveness and adaptability by stimulating innovative thinking and removing systemic obstacles to innovative practice. Our success is based on an approach that integrates forty years' experience in project management, conflict resolution, product development, and the performing arts.