

Project portfolio management as an answer to budget cuts

Some might say that managing projects in times of restricted budgets is a particular challenge. On the contrary: this is the rule rather than the exception.

Limited resources and project-based thinking are inseparable. After all, projects are primarily characterized by restriction: a defined goal has to be achieved in a specified time with limited human resources and with given costs. This is why project-based thinking is particularly relevant during a recession. According to a study by GPM, the share of project work in overall value creation is to increase from 2 % today to 15 % by 2020. The recession will strengthen this development further. Project management is in line with current trends. The "projectification" of the world of work is advancing steadily.

What companies therefore have to learn now is not project management per se, but how to manage their project portfolio. This is where the greatest potential is to be found. Only a very few companies have an accurate overview of all their projects. At the moment, both ongoing and scheduled projects are being put to the test. Scanty resources need to be distributed across a few projects.

What are the criteria used to select projects and assign resources? Which projects produce the largest leverage effect? Which projects are essential for survival and deserve special attention from management? Which projects have an effect on the business's success, which projects are directly noticed by customers? How should risks be assessed? How can resources be distributed across all projects in such a way that the maximum resources can be drawn on in critical stages by means of frontloading?

Project portfolio management answers these questions in context. The aim is to have an overview of all projects. Evaluating projects is not, however, enough in itself. Only if participants and the relevant project managers are included in decision making can you be sure that they will also support cuts and changes. Project portfolio management is therefore more than just a set of evaluation tools; it is an integrated approach that interlinks objectives, integration, evaluation and communication.

We recommend a five step procedure:

- 1) Assessing the overall situation
 - Defining goals
 - Compiling assessment criteria
- 2) Portfolio analysis kick-off, involving participants and persons concerned
- 3) Implementing the new multi-project structure
 - Implementing reductions
 - Reassessments
 - Analyzing the effects on the company result
- 4) Implementing continuous project portfolio management and cohesive multi-project resource management
- 5) Review and improvement

The synergies inherent in this procedure far exceed the synergies in a simple list of reductions. They have a lasting effect and are transparent.

Get in touch with us.

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