








REDUCING PROJECT COMPLEXITY: *From Overload to Productivity*



Overload has become a way of life as firms struggle to manage a barrage of projects in an attempt to meet increasing marketplace demands. All too often, that overload leads to project paralysis.



In one division of a large manufacturing company, a scheduled, high-priority project was never actually completed. A project manager at a mid-size service organization confesses he rarely meets a deadline on large projects because time-consuming, low-priority activities keep getting dumped in his lap. A pharmaceutical company lags behind the industry because there are not enough of the “right people” to complete its most critical work.



KT



What is happening to these organizations?

The scale and number of projects underway has outstripped the organization's ability to manage them. Leading business journals continue to tout projects as a way of life, but in many companies, today's project management effectiveness is in a precarious state. Not only projects, but also business performance is jeopardized when organizations take on more projects than they can handle.

Consider the medical device industry, where time-to-market is a crucial determinant of profitability. A pharmaceutical leader dominated the industry with an innovative stent for cardiac surgery. Despite a significant advantage over smaller, slower competitors, its inability to create a systematic process for managing product development resulted in a critical loss of market share.

In a growing economy, the name of the game may not even be market share. The new equation is simple: faster, faster, faster. Yet whether an organization has been intentionally streamlined, or weakened through fierce competition for skilled knowledge workers, the resources to get there first may be all-too-scant.

This means that project management is everybody's job. Designated project managers are trained in sophisticated software tools, but those tools are often too complex and cumbersome to use effectively. Projects are initiated at any and every level of the organization—and once initiated, take on a life of their own. Some are started and never finished, while low-value projects sap resources from critical initiatives. Most critically, executives at the top find it difficult to view a roll-up of project activity that helps them make the tough decisions.

Perhaps more so than at any time in business history, organizations find themselves dangerously overextended. They start multiple projects with limited resources...in flattened organizations...without common logic or language...and no clear framework for establishing priorities. These organizations need a way to balance what they *want* to do with what they *can* do in a given time frame.

The Symptoms of Project Proliferation

The project proliferation disease is spreading fast. Top management wants to get a lot done, now—and others don't hesitate to throw additional "high-priority" projects into the hopper. Corporate executives may not make the connection between "project glut" and its depleting side effects; they only know that employee morale is low and project delivery dates are chronically late.

The wear and tear of project proliferation in an organization may be characterized by these other symptoms as well:

- Rising overhead and increasing complexity
- Slow cycle time on getting new products from idea to launch

- Uneven (start-and-stop) project activity
- Overwhelmed and over-tasked project managers
- Lengthy and unproductive project review meetings
- A perpetual scarcity of project resources, with senior management time wasted in disputes between project managers and resource managers
- Frustration among project participants over the lack of project results
- Executive concerns about the organization's ability to deliver on critical new projects

A look beyond the symptoms reveals the root causes of the proliferation syndrome: an informal or inadequate process for initiating projects; unfocused or "moving-target" project priorities; inconsistent or poorly-executed project planning, resource allocation, and implementation.

The truth is, *any* organization's resources are limited. One way or another, only certain projects will get done. The choice is whether this happens arbitrarily—or deliberately.

The Cure: Project Complexity Reduction

To build a successful financial portfolio, investors first articulate their strategic financial objectives. They weigh the relative merits of investment alternatives, characterizing the risks and benefits of each. They analyze exactly what resources are available for investment and determine how they will be allocated among alternatives. Careful measurement of the portfolio's success against the strategic yardstick is ongoing. When returns accelerate or diminish, investors make the tough calls in order to maximize return over the long haul.


Building a project portfolio in today's organizations requires no less. A systematic method for evaluating the organization's project investments is critical. Such an approach tips the balance from the depleting effects of project proliferation to project productivity and company profit.

What might such a cure look like? In an automotive manufacturing plant, typical for its size and industry, senior executives assessed the merit of 135 projects. Project task lists, resource and staffing requirements, and other relevant information were summarized. Following a rigorous two-day decision session, where each project was evaluated against eight strategic objectives, the final "must-do" list of projects was dropped to 35. The implementation plan called for rigorous project management techniques, including monthly variance reports to the plant staff. The result? Most of the designated projects were successfully completed during the following year, leading to a jump in the division's productivity, product quality, and revenue.

Six steps are common in project portfolio initiatives:



- 1. Analyze the overall project environment.** Before moving to remedy the situation, any organization needs to take a long, hard look at the status quo. Interviews and other assessment tools reveal the nature of the gap between the current approach to managing projects and a systematic portfolio approach. What is the universe of projects currently underway? What is the basis for our definition of projects: Regulatory compliance? Customer requirements? Market or product expansion? What strategic timeframes are our projects intended to meet? Most critically, what is the current process for project initiation, implementation, measurement of results, and closeout or termination? How does the environment support project-focused as opposed to function-based work?
- 2. Develop project portfolio objectives.** The senior management team needs to undertake the definition of specific, strategically-linked objectives for building the project portfolio. What exactly is our project portfolio expected to accomplish? What are our strategic and operational objectives, and what are their relative merits? How will long- and short-term objectives be balanced? How will we quantify the assessment of individual projects against those objectives? Have we ensured that the appropriate people are involved in these considerations? The outcome of this process is the full commitment of senior executives to clear and commonly-held objectives to guide difficult decision-making.
- 3. Analyze resource capacity.** It's not uncommon to find an organization that has identified 50,000 hours of project time needed, but only 15,000 hours of people time available to devote to project work! A reasonable assessment of the organization's available resources must go hand-in-hand with decision objectives. What resources—people, facilities, technology—are available for project work? What functional areas do they represent, and how will that affect their allocation? An understanding of organizational project capacity is an essential precursor of balanced decision-making.
- 4. Gather and organize data on current and anticipated projects.** Whatever the project management methods used in various parts of the organization (which may vary widely), project data needs to be collected and reported in a consistent format for evaluation. What are the major tasks of each project, and what specific resources are required for their completion? What value will be created by the project? How do the resource requirements stack up against project capacity? What unique risks or benefits must be considered? When many projects are involved, computer spreadsheets and databases are useful tools for organizing and managing project data. The key to this effort is SIMPLICITY. This information should be documented on a single page for each project. In doing so, all projects can be fairly evaluated (see Step 5), using a consistent framework for analysis.
- 5. Evaluate the project portfolio.** Based on the objectives developed and the project data collected, senior managers evaluate each project for inclusion in the portfolio going forward. The critical decisions they are required to



make, their strategic project choices, will not be easy. How do projects compare in their alignment with objectives? Which will be accelerated, delayed, cancelled? Ultimately, these decisions will redirect resources toward those “critical few” projects that will best advance the objectives of the organization. With the support of expert facilitation, individual members of the team will assess their personal risk tolerance, understand their contribution to the decision process, and finally, build commitment to the portfolio plan.

6. **Implement a complexity reduction system.** The final key is the installation of a simple and sustainable management system to control project proliferation permanently. How will new and existing projects continue to be measured against objectives within a consistent framework? What project management skills and common practices will support the organization’s ability to monitor the project portfolio? How will we recognize the value of our “portfolio watchdogs” and master project managers? How will computer systems—centralized project databases, spreadsheets, charts—make useful information available throughout the organization? Continuous portfolio management ensures that every project plays a part in helping the organization achieve its business objectives.

Case Study: A Typical Patient

A mobile phone manufacturer rested (quite uncomfortably) at the bottom of its industry segment in profitability rankings. The projects in its portfolio were intended to bring new products to market quickly. Critical company resources were shared across projects, from high-level research to essential regulatory documentation. Project proliferation had slowed product development and rollouts, while raising the level of frustration in the company.

Analysis revealed a bevy of bottlenecks, not the least of which concerned the fast-dwindling population of a critical human resource, their “bench technicians.” When the project leadership team reviewed upcoming project requirements with resource managers, they discovered that if they didn’t fill critical positions now, many of their current projects would screech to a halt within six months.

Fortunately, this stimulated the implementation of a full-blown project portfolio management process. Many other critical resource concerns were identified, forcing the company to re-prioritize projects and reallocate resources.

Within six months of instituting the project portfolio process, the organization skyrocketed from “cellar-dweller” to champ. They reached the top in industry profitability, having doubled the rate of new products to market. The CEO attributed their success to the Kepner-Tregoe (KT) project portfolio engagement. In fact, he called it “the best thing he had ever seen” in the industry.



The Advantages of the Kepner-Tregoe Approach

KT's unique strengths ensure that our project portfolio management approach helps organizations achieve these results:

- Projects are understood in a strategic context, ensuring that the organization's resources stay focused on its critical business priorities.
- Expert facilitation and the strength of KT's Decision Analysis methodology provide deep insight into the decision process to support the top team in making difficult choices.
- KT project management expertise helps the organization structure a common language for project monitoring based on proven tools and practices.
- A relentless focus on implementation ensures that antidotes to project proliferation are built in to secure ongoing commitment to the strength of the project portfolio.

For nearly fifty years, KT has been a pioneer in the field of decision making. Whether theirs is one of the 500 senior executive teams we've worked with to formulate strategy, or their employees are among the more than five million trained in KT Decision Analysis or Project Management, businesses have found that our techniques strike an effective balance between practicality and accuracy.

KT has worked on project portfolio engagements with companies in the aerospace, telecommunications, manufacturing, consumer products, pharmaceutical, and financial service industries worldwide. KT methods have also been applied in project contexts to manage costs and evaluate work value.



Rational Process: Our Foundation

KT's approach to project portfolio engagements is built on the core strength of our proprietary Decision Analysis process. Decision Analysis is a critical thinking tool built on systematic questioning that guides thinking and helps organize information and judgments. Its steps—Clarify Purpose, Evaluate Alternatives, Assess Risks, and Make Decision—ensure that individuals and groups share common ground in successfully choosing among actions to produce desired results.

KT has researched, documented, and helped organizations apply these and other rational processes to their most critical business issues since the 1950s. With these processes in hand, it becomes possible to improve the critical thinking capabilities of managers and workers as they go about their most vital tasks. By thinking through the purpose of action before choosing alternatives, by examining possible causes before fixing a problem, by building in success before taking action, organizations develop a powerful tool for communicating and collaborating on the best issue resolutions.

Over the last four decades, Kepner-Tregoe's proprietary analytical processes have been employed...

- by managers who put astronauts on the moon
- by engineers responsible for the life and safety of miners in central Australia
- by key managers of a multimillion-dollar new product launch for one of the world's largest manufacturers
- by the chairman of a major Japanese manufacturer in establishing its first automotive plant in the United States
- by a leading information technology company that transformed its customer help desk operations to create a new industry benchmark
- by research scientists fighting cancer at the National Centers for Disease Control.

About Kepner-Tregoe

Kepner-Tregoe provides consulting and training services to organizations throughout the world. We build competitive advantage using powerful, systematic processes for resolving business issues and achieving targeted performance improvements.

Since 1958, Kepner-Tregoe has studied how effective business leaders manage difficult business challenges. We incorporated their habits into logical, repeatable methods for rapidly resolving problems, making decisions, planning ahead, and managing people and projects. This world-renowned, rational-process approach helps maximize the critical thinking skills, knowledge, and expertise of individuals and organizations.

Kepner-Tregoe collaborates with many of the largest and most successful companies in the world to improve the way work is done and facilitate new approaches to quality, competitiveness, cost, cycle time, business strategy, and other issues. Many organizations integrate our systematic methods into their business processes, embedding a common language approach for identifying objectives, resolving issues, and integrating change.

At a time when organizations face multiple challenges—intense global competition, crushing growth and cost pressures, rapid technological advances—Kepner-Tregoe plays a vital role in helping them improve the clarity of their strategic thinking and the effectiveness of their operations.

Kepner-Tregoe Locations

Headquarters
United States

Australia

Canada

France
(serving Spain)

Germany

Hong Kong

Ireland

Japan

Malaysia

Netherlands

Singapore

Switzerland
(serving Belgium)

Taiwan

Thailand

United Kingdom

Also serving:
Africa, China, India,
and throughout Europe
and Southeast Asia

Affiliates

Brazil

Chile *(serving Argentina)*

Finland

Italy

Korea

Mexico *(serving Costa Rica,
El Salvador, Guatemala,
Honduras, Nicaragua, and
Panama)*

Peru *(serving Colombia)*

Philippines

Poland

Romania

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