SPONSORSHIP, LEADERSHIP AND PORTFOLIO MANAGEMENT

Project management expert Robert Buttrick (below) says the role of sponsor is vital in turning programme visions into the reality of success.

The function of project sponsor is gaining recognition as a vital leadership role in making effective change happen. Many organisations have 'institutionalised' the role – which may also be called project owner, senior responsible officer or project director. But who is this person accountable to? If, as a project sponsor, you don't know who you are accountable to, you are not accountable!

Some organisations are mature in terms of how their project management accountabilities co-exist with other formal leadership roles. Others are not. In small organisations (or autonomous small business units within larger organisations), the accountability for overall leadership and direction is usually obvious. It will be the CEO and their leadership team. There will only be tens of projects underway at any one time, a number which should be relatively easy to handle.

That management team will set the direction, decide what projects to initiate when (ie, prioritise) and which ones to terminate. It will also monitor overall progress toward attaining the required business objectives (ie, benefits) within whatever constraints (ie, money, resources) they impose. In such cases, the project sponsor will be accountable to the CEO/leadership team.

The problem comes when an organisation is so large that a single senior leadership team cannot cope with the hundreds or even thousands of ongoing projects. In these organisations, projects are therefore often corralled into portfolios (sometimes called business programmes).

Each portfolio is the responsibility of a senior director who is tasked with realising the benefits represented by a 'slice' of the company's business plan. This person will ensure that the sum of the benefits coming from the projects adds up to the total benefits required by the organisation as a whole. They will have to initiate new projects, terminate troublesome projects, delay some and advance others in response to the ever-changing business environment.

The 'portfolio team' must in effect act like a CEO, except rather than directing the whole organisation, they run only part of it; consequently the constraints on them will be more onerous. In these cases, the project sponsor will be accountable to the individual/management team which has accountability for the portfolio the project belongs to.

Where does this leave the CEO? The CEO and leadership team, rather than deciding the minutiae of every project, should direct the company by setting benefits-based business targets for each portfolio owner and allocating suitable budgets and resources. The portfolio owners then deal with how they will achieve those targets through their projects. Ideally, each portfolio owner will be a member of the CEO's leadership team.

What can go wrong at portfolio level

Let's remind ourselves what all projects are for. They are vehicles through which change is being directed and implemented, taking the company from where it is now, to its (hopefully) prosperous future. Oversight of these programmes is a very significant task for a leadership team. If they aren't doing this, who is?!

It is essential for a project sponsor to understand how the portfolios of projects are directed in their organisation as it will affect how the role is undertaken. Precisely how each company organises its portfolio management is a matter for the leadership team to decide. It really does come down to how they want to direct their business. Unfortunately two situations commonly arise if this issue is not properly tackled:

1. Abdication. The leadership team consider projects to be mere ‘technical detail’ and leave it to lower-level line managers to choose what to do, based on their own perspectives. Every now and then, however, they will initiate major change projects on top of what is already going on (frequently involving external consultants and ignoring whatever project policies they already have).

Such organisations also tend to think of portfolio management as a finance problem, as it is related to budgeting and authorising funds. However, I have yet to see anywhere where the finance function has made a good job of this! (I am open to persuasion if any reader can give an example.)

Project sponsors in such organisations have a really tough time as it is not clear who they are accountable to. Consequently many give up on their role, playing ‘figurehead’ only, and leaving everything to the project manager.

2. Functional slicing. The CEO already has a leadership team comprising the heads of function (manufacturing, sales, marketing, finance, technology, etc) and therefore divides up the projects based on which function is doing most of the work. Hence we have ‘IT projects’ and ‘marketing projects’. The problem here is threefold:

- Projects cross functional boundaries so surely the remit for directing them should also cross functional boundaries – yet by splitting them along functional lines, the CEO has deepened the divisions. Silo mentality is reinforced.
- By corralling projects based on WHAT is to be done, rather than WHY it is to be done, you have no way of holding anyone accountable, in any coherent way for the benefits – and benefits is what this is all about. Benefits are ignored.
- Further, any functional head has an effective veto over anything requiring their resource, merely by refusing to provide that resource. Project sponsors in these organisations have to exercise all their influencing skills to take any vaguely cross-functional project forward. As with ‘abdication’ above, many give up. The organisation has simply made it too difficult to do the job. Again, the project manager is left holding the baby – progress crawls to a halt.

If portfolio management and project sponsorship are to be effective, it is clear that executives need to be aligned with whatever portfolio management strategy is being used. However converting this logical statement into behaviour can be a significant challenge.

If executives do not have true alignment with the ‘how we want to run the company’ portfolio strategy, you will soon find new projects are being championed and introduced on top of the current commitments, and too much time is spent by the portfolio owners defending their position rather than delivering on it. This will usually mean taking the top team from its comfortable head-of-department role into a higher-order business leadership. After all, does it really make sense that the only person in a position to deal with cross-functions issues is the CEO?

Dangers of informal decision making

Decision making is a natural task for executives; they are bound to make decisions (either formally or informally) which impact the portfolio and consequently the direction of the company and the ability of the resources to deliver. Informal decisions (which bypass the portfolio management approach of the organisation) typically have an adverse impact on the organisation achieving its goals as:

- They redirect money and resources often to pet projects, not necessarily those with greatest leverage as proper scrutiny is not applied.
- They send a message that the ‘formal process’ is for inconsequential projects only (ie, yours, rather than mine). This leads to lip-service compliance which looks like bureaucracy and will become bureaucracy – ie, waste.
- More projects are created, using the same resource and thus slowing down delivery in ALL projects.

What is key is to make sure you tap into the decision-making ability of executives and make sure it is directed at the appropriate issues and at the right level using the formally agreed approach. This is not about mindless adherence to bureaucracy or process, but about simplicity and clarity.

The portfolio owners should deal with benefits-focused ‘herds’ of projects and the project sponsors should focus on the viability of the individual projects and programmes they are sponsoring. Good portfolio design should ensure there are few inter-dependencies between portfolios, and any differences can be escalated to the CEO/leadership team.

Good projects can be killed!

Good portfolio management may also mean that good projects are not progressed or may even be terminated. What counts for the business is that the complete portfolio delivers what is required in terms of business advancement and benefit realisation. It is the mix and balance of the portfolio which counts, not necessarily the performance of individual projects.

The dangers of doing 'just one more' project are now well-known. Project sponsors need to be aware of this and, whilst acting as strong advocates for their projects, must realise when the company interest does not coincide with their own interest and accept the decision. Most of us are aware of organisations where projects simply refuse to die and we all know how wasteful that is.

If an organisation moves into tough times, when trading conditions are poor due to lack of funds or revenue streams drying up, the likelihood of projects being terminated increases. An organisation where the executives are fully aligned with portfolio management will find it far easier to decide which projects to terminate, which to reduce in scope and which should continue. The terminated ones are likely to stay terminated and resource can be concentrated on fewer projects.

A similar process of 'cleansing' the project pipeline happens when organisations that are financially successful but lack resources realise they simply cannot undertake all the work they set themselves. If there is no effective portfolio management, the back-stop frequently used by companies is for the finance function to take a lead, often resulting in blanket budget reductions (usually 10-15%!) and then leaving it to the functions to fight their own corners – and as we know, functionally aligned decisions on cross-functional matters simply do not work.

Project sponsors may be caught in this firefight and not surprisingly in such situations many 'go missing', even though this is not the behaviour one would expect of a business leader! In summary:

- Projects are vehicles through which change is directed and managed, taking an organisation from 'today' to 'tomorrow'. Some are short term, others long term.
- Small organisations can often direct all their projects in a single 'herd'. Larger organisations need to spread the workload by splitting them into portfolios or business programmes.
- These business programmes work best if they are benefit-oriented rather than delivery-oriented. A project belongs to a portfolio due to the benefits it creates rather than the deliverables it produces.
- Portfolio management is sometimes either abdicated or left to functions to undertake. In both cases, the project sponsor role is tough to undertake, and it is in such organisations that sponsorship is seen as weak or missing, despite it being a critical business leadership role.
- Good portfolio management can mean killing good projects. It is the health of the whole company which counts, not just of individual parts.

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