

Start the Year Out Wrong

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“Portfolio management!”

“Huh?”

“Portfolio management. That's the key!”

“To what, Andrea?”

“Well, here we are in the new year, and already our priorities have changed since we put the budget together.”

“Yeah, that's normal.”

“So, Bill, what are our options? Either we refuse to be responsive to the changing needs of the business, which would be stupid. Or we get raked over the coals for not doing what we promised in the budget.”

“Well, obviously we have to be flexible. And the differences will be explainable, right?”

“Sure.... And how much time do I spend with senior executives at the end of every year explaining why we didn't deliver what we said we'd deliver!? And despite my brilliant song and dance, they still look at us with suspicion. I'm tired of it.”

The Root of the Problem

“Andrea, don't the senior execs understand that when they throw something new at us, something else has to give?”

“I suppose they do – in concept. But it's not explicit. We have no way of telling them what new things will cost, and what resources they'd free up if they postponed certain budgeted projects or cut budgeted services.”

“That's true. So can't we just ask them what to cut to make room for the new stuff?”

“They just say, ‘Hey, we gave you all that money. Now make it work.’ And we're in a jam, with clients expecting more than we have resources to deliver.”

“I hear you. My guys get this every day. More and more demands, no more resources. We've already cut out all the training and technology research we wanted to do. And we still can't keep up. I'm losing some good people who're totally burnt out from the pressure.”



“I know, Bill. Then they use our budget as a club to beat me over the head about us not delivering. You know I cash in a lot of chips each year to protect you guys from this ### and it's not fun!”

The Way Out

“So what's portfolio management got to do with this?”

“Well, think of our budget as a checkbook. What if we give the business units the job of setting priorities within that checkbook? That way, they'll understand they have limited funds to spend, and they'll have to drop a budgeted project to do something new. That's what I think portfolio management is all about.”

“I get it. In fact, I love it! Then we wouldn't be continually blamed for not delivering on every unfunded demand.”

“And the business units would make the priority decisions, so our strategic alignment should improve.”

“This is good, boss. Portfolio management! How do we do it?”

“The concept is pretty simple. Bill, why don't you go off and cook up some sort of system and business process.”

Practicalities

Some time later....

“Andrea, I've been looking into portfolio management. You're not going to like what I've figured out.”

“Why? Can't you just define a process and whip up a little system to track their decisions?”

“It's really not that simple.... To make this work, we'd have to know what the budget was supposed to pay for, and what each project costs. But our budget just tells us what each of us managers gets for salaries, travel, training, etc. So we don't have the data.”

“Hmm, you're right, Bill. What we need to do is re-cast our budget into the cost of deliverables—our products and services. And we need to set rates to price out new things as they come up.”

“Exactly! But non-trivial.... We've got vendors, contractors, and all kinds of indirect costs. And we've got to set aside time for training and process improvements and other non-project stuff, and that has a cost.”

“Fine. We can just spread those indirect costs over the projects in each group's budget.”

“Wait. It doesn't stop there. We do things for one another, where the costs in one group should be spread onto other groups' projects. So I charge Joe, who spreads the cost over his projects, which ups his charges to Mary, who charges me more, so I charge Joe more – and we're in a cycle.”

“Hmm...”

“And there's more: We've got people on project teams from all over the department, and each of their groups has a different cost structure. Somehow, all their costs have to be added up to get the total project cost.”

“I see. Getting all the costs in the right place will take some thought.”

“And this is not just for projects. We've got to do the same thing for all our services.”

“Of course.”

“And to figure out who's on each team, we've got to know our product/service catalog, which we've drafted but it doesn't consistently focus on business deliverables. And we have to sort out what each service comes with.... Like do applications come with support; or is support a separate deliverable?”

“You're right. There's more here than I originally thought. We need a method – something documented, robust, repeatable, explainable. And then we'll have to develop some sort of application to manage all the data.”

“Personally, Andrea, I'm guessing you're looking at a year or more of development time. And that's for the first draft of an application; I'm not even sure we understand all the requirements. And before we even start development, we've got to come up with the method, and I'm out of my league on that.”

Andrea and Bill are on the right track. But somebody should tell them that sometimes it's better to buy than to make. Isn't their time better spent planning the business than reinventing (and maintaining) the wheel? □

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