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When to Kill a Project…

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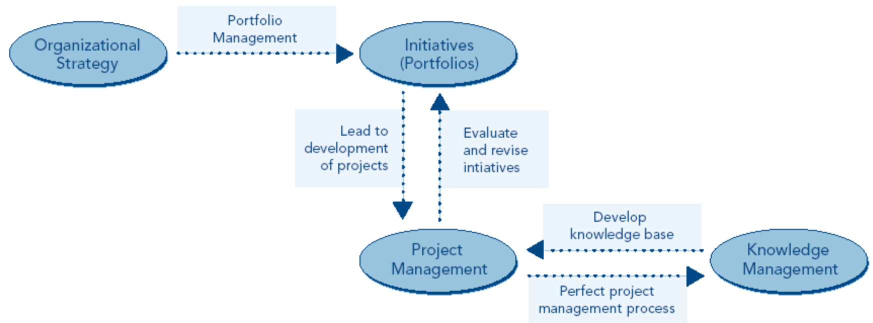
Abstract: Many organizations balk at the idea of canceling an active project because of the mentality that canceling a project may be viewed as a sign failure. But in reality, a willingness to cancel projects when necessary helps organizations remain focused on achieving their strategic goals. An effective Portfolio Governance Model allows organizations to clearly define key performance indicators and metrics which in turn help define project success and failure. By standardizing the stages of a project and the gates within each stage through which a project must pass in order to continue, executives can more clearly see when continuing a project no longer adds value to the goals of the organization.

Many organizations balk at the idea of canceling an active project because of the mentality that canceling a project may be viewed as a sign failure. In fact, when an organization doesn't have a formal approach to killing projects, this is a red flag that serves as an indication that the organization may not be following a well-documented and well-understood approach to project portfolio governance. A willingness to cancel projects when necessary helps organizations remain focused on achieving their strategic goals and the adoption of a solid project portfolio governance model is typically required for a project cancellation process to function smoothly.

But how do you know when it is time to cancel a project? Is it when fiscal conditions suggest a problem? Or when the project no longer seems to be aligned with the strategic goals of the organization, perhaps because changes in business conditions have forced priorities to change? Most portfolio management experts agree that it is actually a combination of financial and strategic considerations that help determine where and how resources (people and capital) are best committed and, if necessary, when it is time to consider the discontinuation of an existing project based on a project's inability to maintain 'health', according to the organization's accepted criteria for the definition of project health.

Figure 1.

An organization should have clear definition of the Portfolio Management and Project Management processes



There are several key attributes that exist within most companies that have achieved the ability to effectively kill an unhealthy project at the appropriate time:

1. Stages and gates are well-defined, broadly adopted, and consistently followed.
2. Each project has a detailed project plan or work breakdown structure that is aligned with these well-defined stages and gates.
3. There is a rigorous approach to project execution that demands timeliness and accuracy in evaluating key performance indicators.

Establishing an effective Portfolio Governance Model within an organization leads to an effective and objective process for evaluating projects within the portfolio, and also provides ongoing opportunities for the organization to continually look for opportunities to enrich the portfolio with new projects that can better meet organizational goals. An effective Portfolio Governance Model works by first defining standard stages for each type of project within the portfolio. The stages, which are tailored to the different categories of projects within the organization (e.g. new product development, application development, construction management, new business initiative, Six Sigma implementation), might include stages such as:

- Project Definition
- Project Approval
- Product or System Design
- Build Prototype
- Project Pilot/Test
- Product Scale-up or Deployment
- Product or System Launch
- Support

Within each of the established stages, the Portfolio Governance Model should then identify key performance indicators which define the metrics which determine the decision criteria, which act as gates through which a project must pass in order to be permitted to proceed to the next stage. These pre-defined key performance indicators are critical when it is time for executives to make the decision about whether a project should continue, or be stopped if it does meet the pre-defined criteria set for all projects within the portfolio. These clearly-defined metrics may include the following:

- schedule variance
- risk, or probability of success
- budget variance

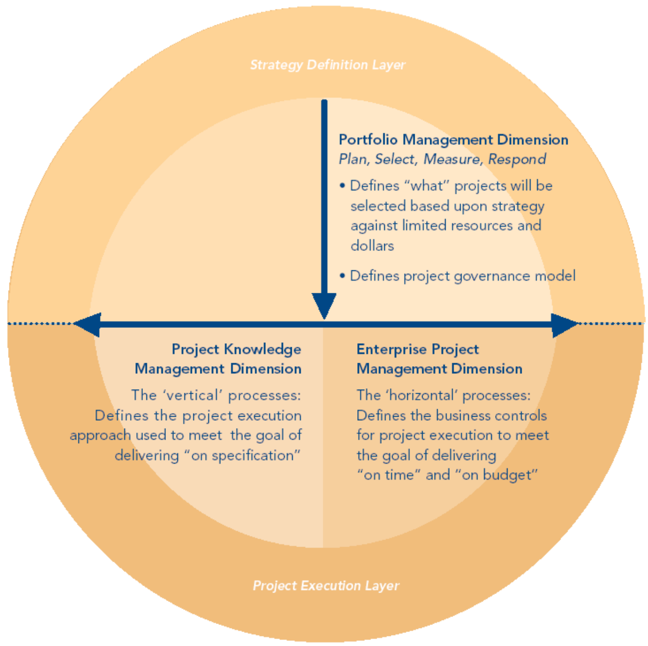
- return on investment (which may include measurements such as net present value or internal rate of return)
- market fit
- project priority
- competitive landscape
- defect identification and reduction

By clearly pre-defining stages and gates, organizations are able to standardize the tangible hurdles a project must cross in order to continue. Ideally, once an organization is able to define a clear and unbiased Portfolio Governance Model with key stages and gates identified, a Portfolio Governance Body should meet regularly to review the status of all active projects in the portfolio to make decisions that affect the overall portfolio composition and, as necessary, to ensure existing projects and programs remain aligned with the organization's strategic goals. A comprehensive Portfolio Governance process typically ensures the regular review of current key performance indicators (ideally as provided by the PMO) and decides on an ongoing basis how to best allocate limited resources (like people and dollars), including directives to cancel projects that do not meet the criteria necessary to pass through a decision gate in order to be permitted to progress to the next stage in the project life-cycle.

This scenario presents the key decision point of this article. It is during these regular reviews of active and proposed projects that a comprehensive Portfolio Governance process will have an objective means of determining if a project should be allowed to continue (or if it should even be approved in the first placed) or be killed. Using an impartial means of evaluation is what makes killing a project an active part of a healthy governance structure that recognizes that changes to the composition of the portfolio is an ongoing and perfectly normal process. Of course, it's important to note that a Portfolio Governance Model with well-defined stages and gates will not operate optimally unless the organization also has a rigorous approach to project execution that delivers credible, up-to-date, and readily accessible project data. The Portfolio Governance Model works best when executives can make necessary decisions in an environment with accurate real-time information based on the key performance indicators of all active and proposed projects; it is in this type of environment that an organization's leadership can make the right decisions, with confidence and without emotion.

Figure 2.

The portfolio management processes define a governance model for project selection and guidance, while project management tools and processes provide the information needed for the portfolio management process to have access to up-to-date project metrics.



The Portfolio Governance Model allows organizations to establish standard metrics for defining, approving, planning, analyzing, tracking, revising and reporting on the status of all projects within the enterprise. By reviewing project portfolios frequently and evaluating performance based on well-defined key performance indicators at specific checkpoints within each project, the Portfolio Governance Model allows executives to see when a project is misaligned with any of the pre-defined dimensions required for a healthy project to be allowed to continue. And when a project is no longer able to meet these strategic objectives, as evidenced by the key performance indicators, it is time to kill the project. The ability to manage risk is improved as project parameters are more concrete, resulting in the ability to eliminate less productive projects and programs earlier in the project's lifecycle. The greatest value of an effectively run Portfolio Governance Model is that it allows organizations to properly focus resources – people and capital – in a timely manner on those projects that are best aligned with the organization's strategic priorities.

Project Assistants specializes in the design, development and support of portfolio management and project management solutions that help our clients derive the benefits of improved project management maturity.