

# Project Portfolio Management

## *Resource allocation to people and relationships*

### **Session 5: Governance Affecting People**

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**The 9<sup>th</sup> Concept International Symposium on Project Governance**, Asker, Norway  
Friday 23<sup>rd</sup> September 2022

*...the most important part of project management is the people*

Sir Alistair Frame (1988)

# Project Portfolio Management (PPM)

- PPM is the allocation of resources to select projects that align with the strategies of the firm
- PPM is a strategic capability, and tailored to context, improves the effectiveness of senior management decision-making (Killen et al, 2023)
- Research into PPM has only recently begun for construction
- PPM in construction has been found to enable
  - project competency development (Nauman et al., 2021; Khattak and Mustafa, 2019)
  - innovative team behaviour (Saba and Bhatti, 2022)

# Research Aims

- *To address whether and how project portfolio management aligns projects to achieve firm and project strategies*
- *Asking how do construction firms align their project and programme portfolio with strategy?*
- The research questions included seeking evidence from interviewees on the role of people and relationships

# Case Study Sources

Case code	Location	Brief description	No. of interviews
ORGA	Australia	Tier 1 contractor	4
ORGB	Australia	Construction consultancy	4
ORGC	UK	Tier 1 contractor and consultancy	8
ORGD	UK	Tier 1 contractor	8
EX	UK and Australia	Experts – advisers and representatives of industry organisations	5

# General PPM Findings in Construction

- PPM governance exhibited sound decision making and governance for project selection and for financial management during delivery
- PPM is layered, shifting quickly from firm strategy to project factors
- Portfolio resources for programme management to coordinate organisational capabilities inputs at the project level were largely weak or absent – constrains effective project delivery and recognised as such
- Both consultants and contractors employed PPM, despite not using the terms ‘portfolio’ and ‘portfolio management’ and indeed ‘project portfolio management’

# Project Selection

- Projects most likely to be pursued offered greatest opportunities for repeat business (Killen et al., 2023 forthcoming; Smyth et al., 2023 forthcoming)
  - This finding implicitly highlighted the importance of relationships, which includes public sector clients
  - This finding specifically pointed to the role strategic client management – to be returned to again later
- Risk was the other factor which primarily focused upon complexity and uncertainty around content – people issues less to the fore but more research needed

# Communication Capabilities

- Communications were cited as a constraint among the main contractors
  - structural silos and weak systems were the cause
  - Helped keep overheads and cost low
  - Projects being loosely coupled from their firms (cf. Dubois and Gadde, 2002).
- Improvement communication strategy cited for more effectively throughout the organisation and improving the ability to learn and improve via lessons learned (see Killen et al, 2023 forthcoming)



# Competencies

- We did not find project competency development and innovative team behaviour in line with previous research
- One Group Chief Executive Officer stated:

*There's been huge underinvestment in the organisation for quite a considerable period of time in our people.... We've now got a real focus upon competence*
- It was reported staff profiles quickly become misaligned
  - As new projects lead to hiring new staff at speed who may not be an ideal fit
  - As divisions are closed, staff are made redundant and new divisions are opened

# Capabilities

- A mixed picture emerged
  - Substantive innovation and problem solving capability on the one hand
  - Staff allocate time to operational problem solving outside project budgets – improves project margins and induces opportunities for tax relief based upon innovation practices on the other hand
- “Reinventing the wheel” a problem due to inadequate knowledge management capabilities, especially at programme level for effective knowledge transfer – described “appalling” by a Project Manager
- Health and safety (H&S) was hardly mentioned, significant given its prominence in recent decades as a top priority – allocating resources to H&S appeared not to be a strategic issue for PPM

# Staffing Strategies

- The case companies, especially consultants, reported on having strategies to diversify the workforce – attracting, developing and retaining skilled people (Killen et al, 2023 forthcoming)
- One contractor was using changing sectors and building types as opportunities to increase staff diversity, age, gender and disability (Business Strategy document)
- The lack of contractor differentiation allows new staff to be absorbed relatively easily without a division or group being fundamentally affected

# Staffing Projects

- Geography matters in aligning human resources to the project portfolio  
– balancing projects secured and staff availability, especially in the regions
- Tactical staff redeployment to maximise utilisation rates and minimise resource commitments rather than improve personal development or support competency development

*We're usually two or three years together, then we blow it all apart, don't we, and we put it all back together again* (Managing Director of a Construction Business Unit)

# Staffing Projects

- Firms try to keep the same teams together for repeat business opportunities, yet redeploy staff to manage resources – some key private sector clients insist on the same teams; public sector clients rarely do
- The primary challenge in construction is workforce availability, particularly skilled and experienced employees (Killen et al., 2023)
  - One response is a programme of communication, training and identifying career pathways to enable staff progression
  - Training at operational level is low, an issue increasingly recognised:

*...it's proving more difficult to get that training down to the less experienced and younger managers, which we're trying to do. But I think we need to be better*

(Regional Operations Manager)

# Relationships

- Relationship management is part of the governance, including PPM
- Internal relationship management was not explicitly raised
- Relationship management includes a client management and this was raised by interviewees
  - There is a requirement to...
    - ...have to focus on the client because we want repeat business, we want to satisfy the client's needs so that the client can't do without us (A Civils Senior Leadership Team Member)*
  - Client management operates as a behavioural norm and is informal, rather than systematic

# Relationships

- Repeat business and reputation are of great importance to all the case firms, one firm estimating 90% of their business was repeat business (Smyth et al., 2023 forthcoming)
  - ...we're very focused around customers and choosing the right customer to work for rather than chasing the big, high value project, which might have a risk of funding or a risk of planning or a risk of actual client.*  
(Managing Director of a Construction Business Unit)
  - Strategically managing client relationships means being “at the top table” to take part in the early stages of project decision making
  - For one contractor client management meant nurturing networks of political, government, and, public sector and corporate decision makers

# Conclusions

- Sound governance within the remit senior management emphasised
- Greater emphasis upon PPM at the project front end
  - For client management
  - For project selection, especially for repeat business
- Competency and capability development was weak, especially around people issues (HRM) and internal relationship management (systems and procedures)
- Workforce availability with aligned skills sets is a primary challenge in construction



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