

# USING PORTFOLIO MANAGEMENT TO CREATE AN EDGE BASED ORGANISATION

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## Abstract

An 'edge based organisation' is being developed at the City of Tea Tree Gully in metropolitan Adelaide. Staff at the "edge" developing situational awareness, skills to take action, shared values and decision rights. This concept is about moving the power away from organisational management and Project Management Offices, the 'centre', to the 'edges', leveraging potentially unlimited degrees of freedom to create the 'edge based organisation'.

Portfolio Management uses alignment and contribution to the organisation's strategies and objectives as the methodology to select, prioritise, assess and manage projects and programs to achieve strategic goals. It relies on the sharing of goals and the allocation of resources.

The steps taken over a 12 month period to help focus a large local government organisation on achieving strategic goals are described. The steps have included the introduction of an updated Portfolio Management System that comprised a change model comprising leadership, stakeholder well-being, Project Management, a Performance Manager IT system, a communication strategy and staff training, all with a background of support.

The changes required including new systems, new processes, effective workshop planning, tools and techniques and lessons learnt during this period are presented.

Portfolio Management at the City of Tea Tree Gully has been about making the multiple staff, functions and sites of a large organisation work together to increase capacity, improve performance, improve project delivery and discover opportunities for improvement that didn't appear until we looked across functions.

**Key Words: Change management, Continuous Improvement, Influence, Knowledge Management, Leadership, Motivation, Organisational behaviour, Portfolio Management, Project Management, Staff engagement, Well-Being Model**

## Introduction

The last three years have seen a rapid growth in the capital works program at the City of Tea Tree Gully in order to deliver infrastructure needs such as roads, buildings and recycled water projects.

This paper outlines the steps taken over the last 12 months in the continuing quest for increased organisational capacity to improve service delivery.

## Change the Way

The capital works program growth has resulted from a combination of the increased water proofing projects as a result of the drought conditions and increased federal government spending on infrastructure as a result of the global financial crisis. This growth has brought new challenges such as more funding partners, tight milestones and

complex multi-million dollar projects in difficult financial markets.

Many other similar projects are underway in Adelaide causing high demand for suppliers. Organisational demands and workload increased during 2008 due to Asset and Operational Management changes to meet service delivery needs and changes to the Local Government Act. Additional scrutiny has developed since 2007 when Councils were required to have an Audit Committee.

Changes made within the organisation since 2007 to become more Portfolio Management focussed have not achieved all the performance improvements sought. The organisational structure still does not easily adapt to project management matrix needs. Project Management processes such as resourcing, managing and reporting of projects are not always understood or are

unclear, placing increasing demands on staff and systems.

By early 2009 it was clear that an increased pace of change was required for the organisation to meet increasing demands and obligations.

The CEO agreed that an enhanced approach to organisational project management was needed to achieve the aims of improved project completion rates and to manage the increased number of complex projects. In 2008/09 large strategic projects represent only 30% of the capital works programs but 60% of the budget.

In consultation with staff, the CEO continued the quest for business growth by innovation and integration enhancements. Senior management and key project management staff were asked to build an integrated platform of business processes, information and systems and share their experience and expertise in how to improve the existing horizontal discipline of project management across the organisation.

This approach used an 8 step change model (Kotter, 1995), with the key elements as follows –

1. establishing a sense of urgency
2. creating a guiding coalition
3. developing a vision and strategy
4. communicating the changes
5. empowering broad-based action
6. generating short term wins
7. consolidating gains and producing more change
8. anchoring new approaches in the culture

The amount of change possible is a factor of dissatisfaction, the future state model and how changes are undertaken (Beer, 1998).

Innovation is doing new things that customers ultimately appreciate and value – not only developing new generations of products and services, channels and customer experiences but also conceiving new business processes and models.

Integration is making the multiple units, functions and sites of a large organisation work together to increase capacity, improve performance and discover opportunities for improvement that may not appear until you look across functions.

### **A Sense of Urgency**

An increase of 50% in the capital works program over the last 3 years combined with \$100 million planned over the next 3 years will stretch resourcing, to ensure the various projects are completed on time and budget.

Added to these issues the Audit Committee requested reporting of major Projects, which has meant staff are going to be watched more than ever. Another layer of scrutiny has now been put in place but this will also mean the driver to provide 'value for money' has been made clearer to staff.

### **Creating a Guiding Coalition**

A workshop was held to set clear guidance and understanding of the desired outcomes and seeking more discussion on any problem areas or gaps.

The 'internal project management community' and key project staff, needed to be clear of their roles and responsibilities about ensuring the project management process model (ie the initiating, planning, executing, controlling and closing processes) was operating at high levels of efficiency.

It became evident that a core group of project staff with high skill levels and the willingness and focus to improve project delivery was needed.

### **Developing a Vision and Strategy**

The last 12 months has been about raising the maturity level of the organisation to enhance overall performance. Project Management has been seen as a key strategic tool to drive initiatives such as capital works, new programs and new services.

By seeing the importance of excelling at project management the organisation believes it can perform well.

The strategy to seek higher levels of innovation and integration across the organisation was based on an assessment of project failures (dissatisfaction), improving project management maturity (future state model) and ensuring changes are managed well.

The key strategies involved -

- Human resource planning – including improved utilisation of project team members and increased staff levels during peak demand periods. The majority of

resources are internal with increased commitment and focus on projects and relocation of staff. Key staff were required to focus on the project delivery common goal by relinquishing certain work that could be undertaken by other staff. Competency levels of key staff were reviewed and further developed to assist with organisational maturity. The project managers still needed to undertake projects as part of teams so project team selection, approval and commitment were reviewed. This required senior management to negotiate issues such as clarity of roles and responsibilities, workload, staffing and motivations and performance requirements to improve project success.

- Project communications – to manage the increased number of stakeholders and projects, project conversations were improved. Improved guidelines were set for Project Teams, such as holding regular progress meetings, reporting and discussing process improvements and issues in regular group sessions. A major projects area was added to the Internet.
- Lead Indicators – early warning indicators were reviewed and improvements such as project team monitoring, risk assessment reviews, project support, improved and more frequent financial and progress reporting allowed the organisation to undertake early intervention actions.

The overarching approach has been to adopt a 'Well-Being Model' (SAI Global, 2008), which is simply –

- having well developed Portfolio Management principles for staff and the organisation;
- working in the system and having staff behave well by executing processes;
- working on the system and having staff discussing and behaving to improve processes; and,
- achieving well-being outcomes for all stakeholders

### **Communicating the Changes**

The organisation is principally an operational structure, like all local government. Projects should not be seen as a threat to this structure but strengthening the matrix operability balance is needed in order to achieve value for the residents.

A workshop was held to seek increased staff commitment and organisational focus on Project Management. Conversation changing questions (SAI Global, 2008) were explored and covered the principles of leadership, customers, system thinking, people, continuous improvement, information and knowledge and sustainable results. Issues covered were reviewing project success (including failure), desired objectives / goals and organisational balance with projects.

Key project management staff and managers were required to discuss and clarify the changes at interviews and their future roles and opportunities discussed.

This process enable staff to stop and consider the many inputs and 'signals' into their lives (such as what was going on around them, their workload and their projects), think about the changes that were being proposed and then respond hopefully positively.

### **Empowering Action**

The workshop consultation feedback suggested that a higher level of project management maturity was needed within the organisation. Senior management was seeking the highest level possible but the project managers considered that more modest expectations were more realistic with existing organisational and system barriers.

It was agreed that firm project management discipline was needed by staff who needed to follow the agreed methodologies. A review of the roles and responsibilities at team and interview stages not only improved understandings but clarified boundaries and enabled trust to improve between senior management and project managers.

Since Project Management relies on active self starting and empowered staff the organisation had to ensure it was comfortable with the principle of 'Enabling Leadership'(SAI Global, 2008). Hierarchical leaders needed to move from the master to the mentor / facilitator role to make sure the 'enabling continuum' was operating.

### **Short Term Wins**

Increased levels of connectedness began with the workshop and interviews and were followed up with reporting and shared awareness of project management.

These actions enabled staff to feel progress was being achieved and integration of project management within the organisation was being improved.

Changes to methodology included monthly project team meetings with detailed reports, scope change approvals and increased project management discipline.

Project managers were beginning to believe they were not the only ones accountable for timelines, progress and other stresses imposed by complex projects and stakeholders.

### **Consolidating Gains and Producing More Change**

Improved project monitoring and reporting was put in place by IT and Finance. Reports needed input from project managers and were then loaded onto the Intranet for all staff to view.

These reports enabled monitoring and acknowledgement of project milestones, which assisted with the focus and commitment requirements. The major projects reporting requested by the Audit Committee supported integration efforts across the organisation.

The core project managers and project sponsors agreed to meet monthly to ensure follow up, further review and discussion to seek further improvements with methodologies and to continue connectedness between staff and the project management system.

### **Anchoring New Approaches in the Culture**

People were essential to drive the innovation and integration aims of project management improvements.

Ongoing support was provided by a core group of project managers and administrative support was provided to assist with increased discipline and communication needs. The core group were charged with ensuring new approaches such as using updated tools and templates and encouraging the sharing of knowledge.

Regular project group communication sessions were held to enable ongoing review of practices and to consolidate improvements. These sessions have assisted with knowledge management by ensuring sharing, learning and leveraging

knowledge within the organisation and outwards to residents and other stakeholders. Close-out reporting knowledge has been improved by making time for project teams to meet each other to get to know who knows what and share the knowledge with others.

Encouraging and holding regular interaction sessions are optimising hierarchical processes to deal with the uncertainty and unfamiliarity of new capital projects. Agility attributes such as knowledge transfer and retention and process improvement, are being encouraged to develop the edge based organisation (Alberts and Hayes, 2005).

Progress and successes are reported to the Audit Committee, Senior Executive and middle management staff, in the Staff Newsletter, Intranet and Internet so that all staff see that changes are happening and improving project delivery.

These approaches of innovation and integration have developed an 'infostructure', which has been powering the structural edges of the organisation. A more adaptive and learning organisation is evolving.

### **Conclusion**

A change management approach has been taken to improve Portfolio Management. There has been a deliberate attempt to involve and engage all staff with some type of project delivery activity as part of the innovation and integration objectives.

We have found that direct involvement of staff after clarification of the rules of 'engagement' has enabled comfort in procedures and responsibilities to make sure things get done.

Desired behaviours have been negotiated, reporting information is more useful and a redefinition of project managers and the organisation has enabled authority and power to the edge while supported from a traditional hierarchical structure.

Integration of project managers has avoided marking or branding them as different and further assisted the organisation to have an edge based culture.

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Andrew Craig is a local government engineer with 25 years experience in NSW and SA. He has a broad background encompassing design, construction, fleet, contract and project management. He is presently involved in major projects, Business Improvement and the application of the Business Excellence Framework.