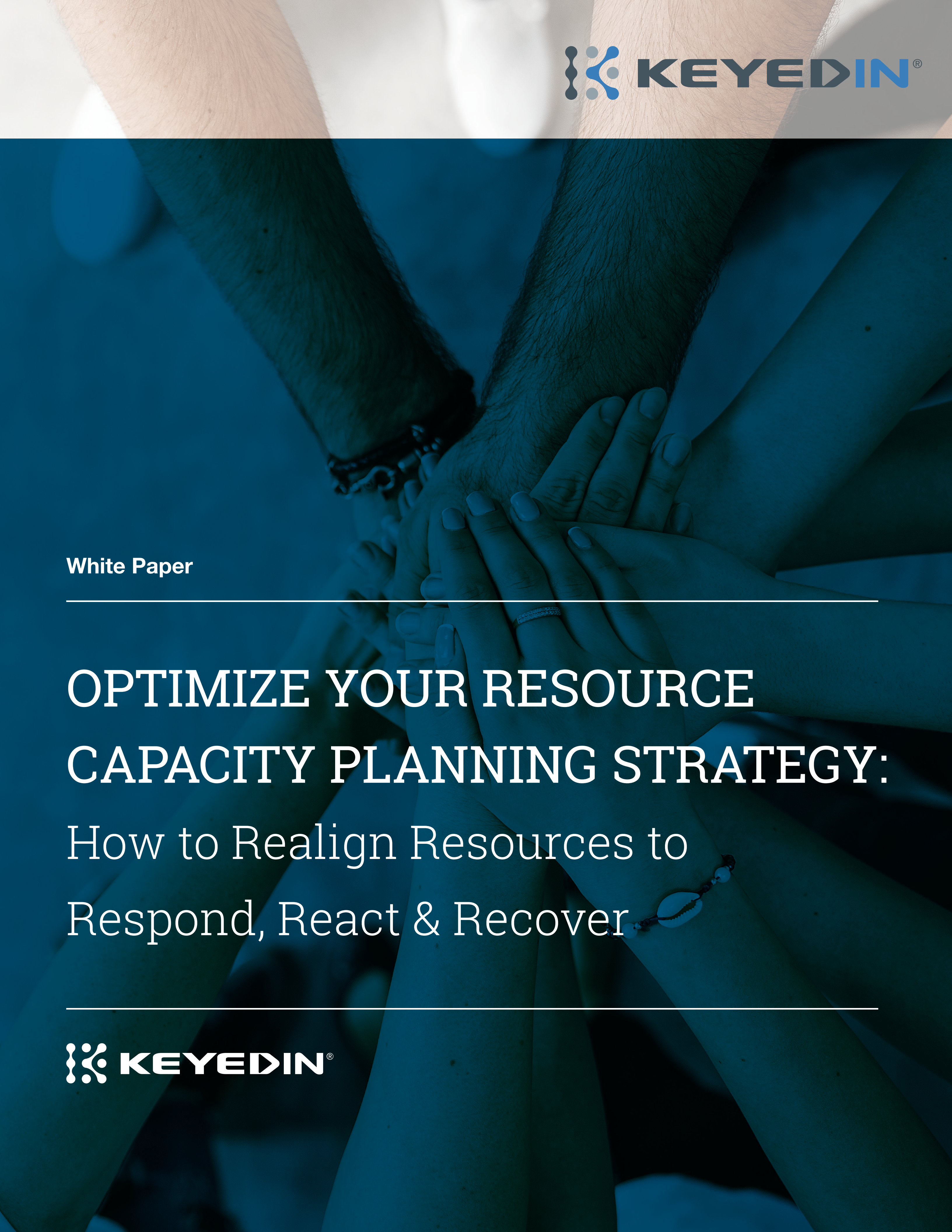


White Paper

OPTIMIZE YOUR RESOURCE CAPACITY PLANNING STRATEGY:

How to Realign Resources to Respond, React & Recover

In this paper:

1. Essential points about resource capacity planning
2. The PMO imperative
3. The capacity planning maturity scale
4. How to move up the capacity planning maturity scale
5. The benefits of a balanced approach to resource capacity planning

Introduction:

Proper resource capacity planning is an important component of portfolio maturity and agile project and portfolio management. Well-executed, agile resource capacity planning is an excellent way to improve business health and profitability while also empowering your PMOs and PMs to take a proactive role in driving successful outcomes.

Optimizing your resource capacity planning strategy can help your business make great strides in becoming stronger and more agile — which is more important now than ever. The way companies do business is changing in a multitude of ways and strategic transformation is no longer optional. In fact, adaptation has become the new norm because an expectation of stability is simply not reasonable. Your organization needs to be able to respond effectively, react appropriately and recover quickly in order to succeed.

Change is constant and it is driven from multiple sources: from uncontrollable influences like world events and the economy to more common business factors such as competitors, customer needs and technological advances. One way for organizations to roll with this new normal is to leverage your PMO to create a lean, flexible and reliable resource capacity planning strategy. This white paper will help your organization and your PMO respond, react and recover no matter what occurs by helping you familiarize yourself with key points about capacity planning, outlining the PMO imperative, showing where your organization lies on the scale and how to move up on the scale. It also outlines the benefits of a balanced approach to resource capacity planning.

What does the term "resources" refer to?

In many instances, the word "resources" is used as a broad term for any asset - most notably people, money, or equipment. For the purposes of this document, "resources" generically refers to people, but can also be used for any resource you might need to plan for.

ESSENTIAL POINTS ABOUT RESOURCE CAPACITY PLANNING

The definition of good, bad and just plain indifferent resource utilization and capacity planning can vary by organization and largely depends on your stated business goals. However, one of the most important things to consider is that resources do not just include the humans who get the work done (although there is no understating their importance to your success). A common challenge for businesses seeking to revamp this area of operations is that resource management and capacity planning are primarily thought of and discussed in terms of who has the time to do the job — and nothing more.

In the broader context, resource utilization and capacity planning also applies to dollars, systems, data and more nuanced aspects, as well. For a successful execution of an improved resource capacity strategy, all involved parties — PMOs, team members, executives — need to flow these other important factors into the equation. Some are tangible: Is equipment available? Are there enough materials? Others are more subtle: Are team members over or underworked? Is everyone tasked to the correct role?

Another common tendency that can hamper effective planning is for organizations to focus on the current time period — what is happening in this moment? This is an easy trap to fall into. After all, doesn't it feel more urgent to put out the fire right in front of you than to worry about the potential for future fires? However, the time span covered by capacity planning is broad. Much can be learned from previous experience and projects in order to effectively plan for the present and future demand and utilization requirements — to mitigate the possibility of future fires, so to speak. This must be taken into account as you strike a balance between your objectives and the constraints of the corporate environment.

We also need to acknowledge one other major issue that is common in resource capacity planning — the presence of resource conflict. Resource conflict can result from many factors, including:

- Competing goals – Different stakeholders are evaluated and (sometimes) incentivized based on their own unique metrics. This can cause serious conflict during times when resources are scarce.
- Competing schedules – Likewise, different departments have alternate views on which activities are important and which seem to be a waste of time.

- Personality differences – This plays a role when one person has a more aggressive approach to demanding resources. This is why an organized and thoughtful approach is always better than rewarding the person who asks in the loudest voice.
- Budget disputes – Usually, the most expensive part of a project is labor/people costs, so it is not surprising that budget fights are common.
- Project methodology – Many teams and departments have differing views on project methodology and ways of measuring success. This makes it hard to develop common metrics and evaluation criteria.

KeyedIn Tip:

Resource capacity planning for the PMO is two-fold:

1. Efficient - the PMO strategy needs to organize all rsources to best meet corporate goals, efficiently.
2. Effective - the PMO works to minimize risk of projects and avoid failure.

THE PMO IMPERATIVE

The PMO operates as the center of change in the development and advancement of a strong resource capacity strategy. Of a PMO's many priorities, two important goals stand out with regard to how instrumental they are in this type of change management. First, a PMO organizes their strategy to achieve corporate goal priorities using human, system and capital resources in the most efficient way possible. Second, they also work to avoid any single point of failure in personnel, systems and processes that could seriously delay important project deliverables.

The balancing act that all PMOs face is to achieve the project and corporate objectives while controlling costs. As much as 90 percent of project expenses are related to labor costs and this is even more prevalent in professional service organizations (PSOs). If you do not manage this balance correctly, or have inefficient resource allocation, it can lead to unnecessary cycles of layoffs and hiring, poor morale and underutilized resources sitting on the bench.

Looking back to the observation of the rapidly shifting business landscape, these cycles don't exactly help an organization stay on its toes. That is where the PMO becomes the organization's first — and last — line of defense in managing outcomes. An agile, mature PMO gives your organization the visibility of resource utilization to ensure the business has the ability to get the work done and allocate resources accordingly.

But not all businesses are operating under an agile, mature model. Whether you are just starting out on your PMO journey or maturing your processes, taking steps toward improving capacity planning will ensure you are supporting your business and your resources for a strategic outcome.

Common Resource Management Challenges Faced by PMOs

If the PMO is central to success, it is important that your organization set them up to succeed. The best PMO in the world cannot thrive if the organization they serve constantly works against their efforts. At the same time, the PMO should also work constantly to meet the pre-set goals of the business. As we explore the many nuances of resource management, try to be realistic about potential pitfalls facing your organization and your PMO, such as:

- Shifting priorities – The goal of your PMO and PPM strategy is to serve the needs of the organization, not the other way around. The ability to adapt quickly to shifting priorities is the key indicator that separates PMOs with high-perceived value from those that are considered to be merely expenses at best, or business obstacles at worst.
- Personnel turnover – This can seriously hurt you, particularly when you are dealing in areas of specialized expertise.
- Changing budgets – These issues are fairly common and need to be dealt with. Your ability to deliver on time will gain you support when budgets are allocated.
- Hostile executives – There is nothing that can hurt your ability to deliver as severely as a lack of executive support. You must be able to quantify the business value of your PMO.
- Non-integrated systems – This is the final 'gotcha' that will derail you, but only if you are unprepared to deal with it. This is also true when different projects are implemented with their own processes and methodologies.

THE CAPACITY PLANNING MATURITY SCALE

Maturity is a word that is used a lot in reference to project and portfolio management, particularly when it comes to determining just how helpful your PMO will be in helping your business achieve organizational agility. Of course, you should assess if your PMO has maturity markers such as formal PM processes, efficient PPM tools, and standardized project, program and portfolio

management activities. And you should also examine common markers to measure where your capacity planning sits on the maturity scale. Here are six questions you need to answer as early as possible in the capacity planning cycle:

1. What are the strategic goals of the business? Make sure you have buy in from the executive level on this important issue.
2. What are the biggest short-term and long-term priorities? Are there signs that these priorities will be shifting in the near future?
3. What are your available resources? Do you have a centralized repository to monitor these resources?
4. Which projects lack critical skill sets? This is particularly important to know for high priority projects.
5. Is the project roadmap sustainable? It is best to figure this out early so that you can adjust priorities or find the necessary resources.
6. How do you measure objectives versus results? The ability to measure and report on results is a key area that separates valuable PMOs from those that don't get the recognition they deserve.

Perhaps the most important question is how to ensure that every stakeholder receives what they perceive as high value according to their unique needs. The key to making capacity planning successful is to start with enthusiastic buy-in — to overcome objections and fears and create acceptance of the process (enthusiasm is even better!). This critically important issue has many different levels of requirements:

- Executive suite (e.g. COO, CFO, CIO) – Although they have their preferred projects, those at the executive level mostly concern themselves with how projects contribute to the overall corporate goals. Of course, each executive may be more concerned with their area of control – for example the CFO and the business finances.
- Line of business (LOB) managers – Each of these individuals mostly cares about how the achievement of specific projects serves the needs of their department.
- Project managers – Project managers are tasked with delivering projects efficiently, on time, and on budget and they are not so much concerned with what happens at the PMO or corporate level.
- Project team members – Although they have some stake in the ultimate project success, team members are usually judged at the micro level; in other words, how they contributed to specific project deliverables.
- System and business analysts – Analysts may have a big picture view

or project level view and their perspective will change accordingly.

- IT managers – These individuals are subject to shifting priorities and are very mindful about how particular executive and LOB managers feel about specific projects. They will also be deeply involved in selecting systems to standardize and improve PPM systems and methodologies.

When it comes to resource management and capacity planning, many have much room for growth before they reach the point of desired outcomes. The good news is that even on the lower rung of the scale you have the opportunity to build a great foundation for the future.

HOW TO MOVE UP THE CAPACITY PLANNING MATURITY SCALE

Once you know where your organization sits on the capacity planning maturity scale, you can begin to take action to resolve any deficiencies you find. The following four steps are specific actions you can take to improve your position and advance your maturity in this area. It is worth noting that raising your capacity planning maturity is a great way to shore up your PMO maturity, too.

1. **Determine resource demand and constraints –** There is always going to be a spread between business-as-usual activities and new projects. Earlier in this paper, we talked about how you need to keep three time periods in mind: the past, the present, and the future. One of the factors to consider is that while you have a good handle on past capacity issues, the demands of your new projects will usually be less predictable. In its simplest form, step 1 is about identifying existing resource demands and constraints and determining resource requirements for new projects. Once you do this, you can accurately determine the ratio of resources required between existing and new projects.
2. **Create resource supply and demand scenarios –** To accomplish this step, you want to first model different resource scenarios by analyzing the impact across 3, 6, and 12 month periods and examine whether or not you can reprioritize and either delay or bring forward projects. You can then create portfolio variants for different allocations of resources, develop resource redistribution scenarios, and analyze their impact on the business. This will allow you to determine the need for additional internal and external resources and define resource

KeyedIn Insight:
Top-down or bottom-up - what is the best approach for me?

For true portfolio management, a strategic approach starting at the top ensures all of your bottom-up execution aligns with your overall goals and objectives. The trick is bridging the gap between your top-down strategy and your bottom-up approach.

development requirements based on your database of existing skills.

3. **Allocate resources efficiently –** In this step your goal is to determine resource allocations necessary for each project, utilizing a bottoms-up approach if it is a new project type, expert judgement based on past performance if it is a project type you have experience with, and utilizing data on past projects that are similar to the current project. The last approach tends to be the most accurate method. You then decide whether you need to create additional internal or external capacity. Another useful resource is a capture of all current data in a capacity planning system to provide visibility into long-term resource requirements.
4. **Choose the right technology solution to meet your objectives –** The following section covers some important areas of functionality that will allow managers to analyze the demand, supply, and resource assignments for each project or program, by role and period, in either numeric or graphical format.

THE BENEFITS OF A BALANCED APPROACH TO RESOURCE CAPACITY PLANNING

There are many benefits to taking this balanced approach to resource capacity planning, including:

- Visibility into your entire resource pool
- Real-time access to utilization analysis
- Identification of skills shortages
- Ability to monitor training requirements and certifications
- Intelligent deployment of resources across the business
- Ability to manage resource conflicts

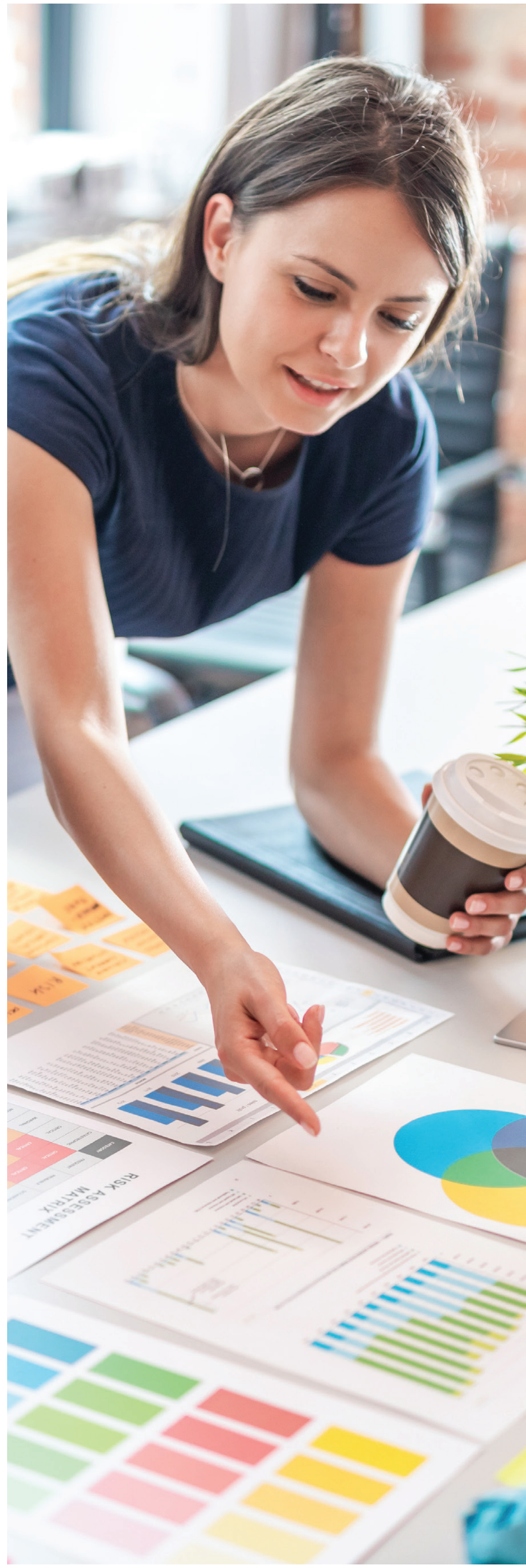
The idea is to always have a real-time view of resource capabilities, including training and critical skill sets so that you can easily identify any resource shortfalls, fill these skills gaps, and quickly make critical go, kill, and hold decisions based on accurate resourcing data. The lack of a way to collect, monitor, and act on this information can be a big deterrent to your ability to move your PMO higher on their aforementioned maturity scale.

Complete resource management also provides each project team member with a clear and accurate view of their planned work and deadlines as well as alerts and notifications for overdue, incomplete, or missing information. At the same time, you need to stay on top of the entire project team's workload.

In addition, the capacity to keep up to date with all team members via a communications stream and knowledge sharing is a hallmark of strong resource utilization. Basic document management features like check in, check out, and version control features make managing projects much easier.

Additionally, as you move up the capacity planning maturity scale, you will begin to realize these seven benefits:

1. Quickly create demand profiles for projects in order to forecast role based resource requirements and analyze the capability to deliver.
2. Account for project delays or changes in project scope and re-profile projects so that demand is either delayed or brought forward.
3. Compare resource demand by role and department against the existing capacity.
4. Maintain a real time picture of overall resource capacity by comparing resource allocations across different teams, departments, and roles.
5. Understand the impact of task assignments on resource capabilities.
6. Make sure projects are fully resourced in the present and capacity exists to deliver on future demands.
7. Claim resources supplied to your projects to ensure correct project teams are in place for the required time, effort, and duration to deliver projects successfully.



Summary

Resource capacity is an important yet challenging model for any PMO master. Add to that changing resource requirements, shifting business priorities and a rapidly changing business environment and it becomes very daunting to maintain a reliable capacity plan. Through developing and executing a comprehensive resource capacity plan your business will learn how to successfully respond, react and recover no matter what challenge you are facing.

About KeyedIn™

KeyedIn is a supremely flexible solution for managing projects, programs and entire portfolios – from a single platform that provides a comprehensive view of the status of every project. Used by project managers, boardroom decision-makers, and frontline users, KeyedIn increases success rates and profit margins, enables better decisions about project selection, planning, and prioritization and optimizes resource usage across the entire business. Headquartered in Minneapolis, KeyedIn has hundreds of customers worldwide, including Walgreens Boots Alliance, LexisNexis and Office Depot.

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