

*Managing a Portfolio of Projects in a SAP Environment*

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*Managing a Portfolio of Projects in a SAP Environment*

As more and more SAP users look to utilize their SAP data in strategic ways, Project Portfolio Management enables companies to combine high-level budgetary planning with a real-time ability to adjust tight budgets and re-allocate scarce resources as markets fluctuate. One of the foremost leaders in this field, Kent Bettisworth, has crafted a fascinating, in-depth article on how to draw on core R/3 functionality in the Investment Management and Project Systems modules to achieve a whole new level of control over project cost management. In this ambitious article, Kent manages to combine innovative costing strategies with hands-on configuration techniques.

Click here to read this Snippet



# Managing a Portfolio of Projects in an SAP® Environment: A Step-by-Step Guide Using the Investment Management (IM) Module

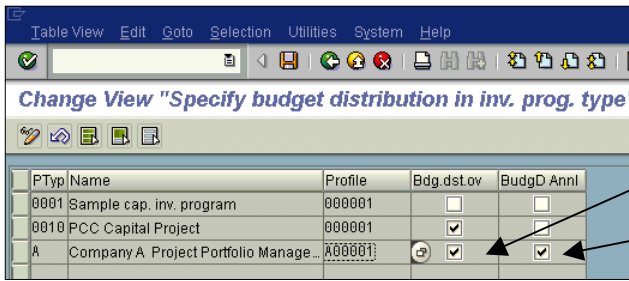
## Managing Throughout the Budget Cycle

Effectively managing your portfolio throughout the year is greatly influenced by configuration choices you make within the Investment Management module, as well as in other SAP modules. One of the most critical choices concerns how closely you control individual project expenditures.

Availability Control is SAP's term for passively or actively monitoring the commitment or expenditure of funds to prevent a budget overrun before it occurs. The use of reports to compare budget and actual values is a passive means of availability control. Sending e-mail to the project manager or systematically preventing the release of a purchase order or payment of an invoice is an example of active availability control.

**Problem:** In Figure 12 above, each of the assigned projects (drill wells #1 and #7, upgrade pumps, and abandon wells) are carried into 2003 with commitments of \$500,000 and no budget. If you're the project manager, you're asking yourself: How did that happen? My budget year is barely underway and I already have renegade expenditures. This budget cycle is out of control!

**Solution:** In customizing, configure project master data fields to require assignment to a portfolio position, configure the project budget profile to activate availability control for each project, and configure IM programs to force distribution of budgets from the portfolio positions. These configurations together will ensure no project can expend funds unless it is also budgeted. See Figure 13.



PTyp	Name	Profile	Bdg.dst.ov	BudgD Annl
0001	Sample cap. inv. program	000001	<input type="checkbox"/>	<input type="checkbox"/>
0010	PCC Capital Project	000001	<input checked="" type="checkbox"/>	<input type="checkbox"/>
A	Company A Project Portfolio Manage...	000001	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

- Program budget distribution can be controlled without regard to year (overall budget) and by year.
- A project manager will prefer overall budget controls!
- A project executive will prefer annual budget controls!

- If set, the program type budget requires an order or project be assigned to a program position to receive a budget.
- Activation Type 2 uses a periodic program to turn on Availability control, but only when actual costs are 80% of budget. **Recommended.**
- Overall checked means the total budget is used for active control. Otherwise, annual budget is the control. **Recommended.**

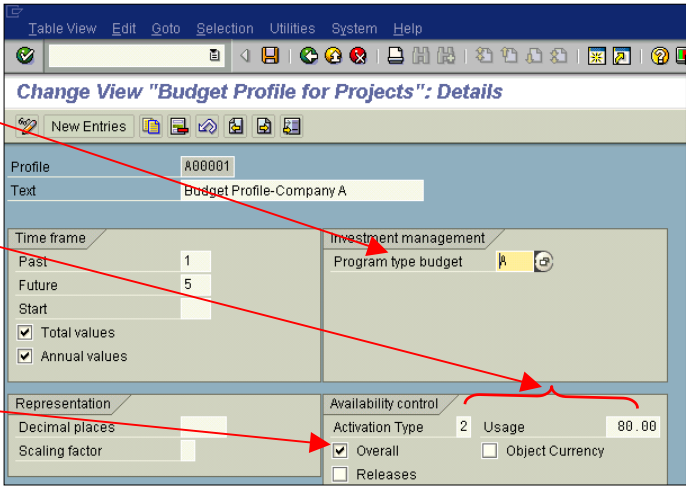


Figure 13: Configuration of IM Programs to Force Distribution of Budgets



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**Problem:** *If I receive goods & services from a vendor in an arms length event, I do not want the SAP system to use availability control to block payment of the vendor's invoice. Accounts payable personnel are negatively impacted if the effect of control is to create a vendor invoice backlog.*

**Solution:** See Figure 13. Ensure availability control is only active when actual costs reach 80% of budget, and do not use the error message for invoices or other internal charges. Do use the availability control error message and e-mail to the project manager when purchase requisitions and purchase orders exceed 80% of the budget. This configuration would prevent the dilemma you saw in Company A's project portfolio for 2003. See Figure 12.

There is a tremendous number of other activities to be performed as the budget cycle progresses, but monitoring and controlling project expenditures is at the top of the list.

### Which reports should you use to manage your portfolio?

The standard reports allow you to interactively analyze the portfolio and answer the various cost questions we posed earlier in this article. Cost dimensions for a single program include, but are not limited to, by total (without regard to year), by year, by program position, by measure, by appropriation request, by plan, and by budget. These drill down reports show carry forward and new projects together. You can easily copy and reconfigure any of these reports to provide a separate view of carry forward projects. See Figure 14 for an extensive list of available reports.

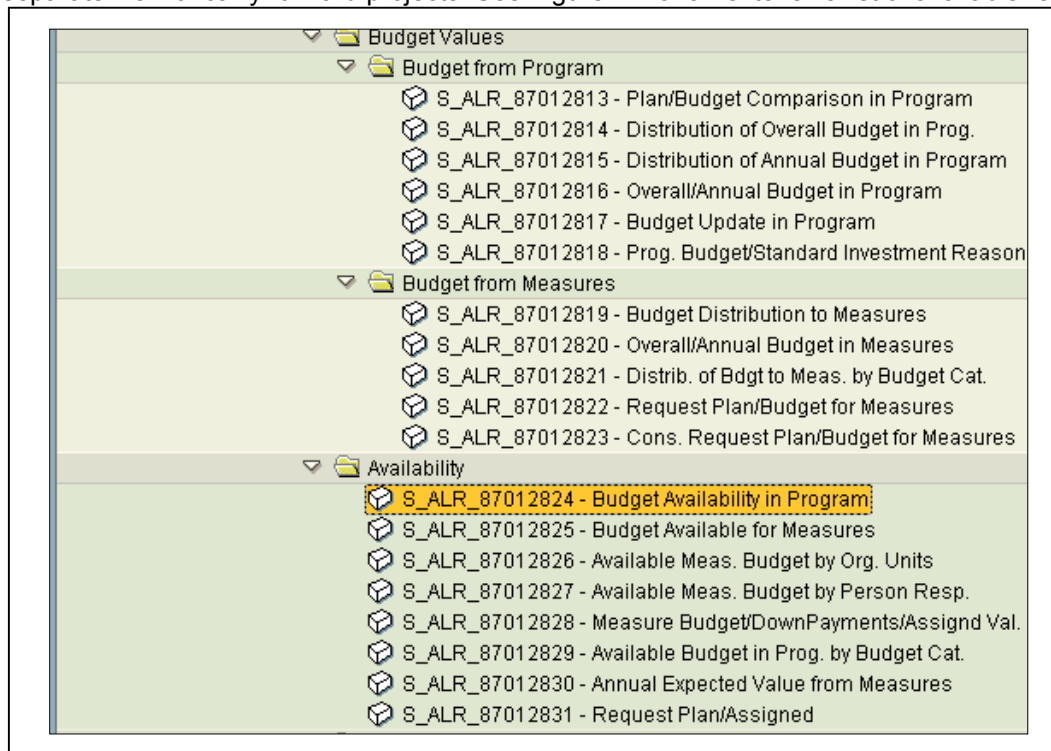


Figure 14: Available Reports for Portfolio Management

A different report titled "General Value List" allows you to pre-select and sequence the cost dimensions you wish to view. It provides the ability to view only current projects or both carry-forward and current projects together. See Figures 15 and 16.