RESOURCE ALLOCATION IN A BUDGET CRISIS
BY JULIE RODGERS, PMP

Introduction
The current economic situation demands tough decisions be made quickly. Managers face shrinking budgets requiring across the board cuts. Maybe your budget has been cut, yet demand for your services remains unchanged. You may have fewer resources to perform the same amount of work. Or perhaps you must deliver on promises made, assuming certain staff levels, and now there is a hiring freeze. Decisions regarding how to allocate your resources need to be made, but how, where, and when? Resource decisions aren’t new, but they are more urgent today due to the uncertain economy.

Making rash decisions without considering the long-term implications is a common mistake for managers during times of uncertainty. A systematic approach to making human resource decisions is more prudent, but may require excessive time and money you simply can’t afford. The Resource Allocation Process described here can help guide human-resource decision making in the short term, in a cost effective, productive way, using minimal resources from your organization.

Resource Allocation Process
The Resource Allocation Process is designed to enable executives to make informed decisions, quickly, without major investment in time, money or resources. This process will help to quickly deliver benefits in a short timeframe driven by limited budgets.

The Resource Allocation Process aligns the available resources with the organization’s mission-critical processes. In times of shrinking budgets but steady or increasing demands, something has to give. The Process helps you decide the areas that can give. The Process involves four steps:

1. Define Your Mission (if you haven’t already),
2. Inventory Your Resources,
3. Inventory Your Projects, and
4. Reallocate Resources using a Resource Allocation Matrix designed to help you analyze of your projects in terms of criticality and productivity.

1. Define Your Mission
Does your organization have a defined mission statement? Mission statements are vital to communicate the purpose of your organization and provide a foundation for your staff to make decisions aligned with your purpose. In the Resource Allocation Process, your Mission is used to determine how well current initiatives are aligned with the goals of your organization. If your organization does not have a clear mission statement, now is the time to develop one.
When defining a Mission, it is essential to receive input from various people throughout the organization. A Mission statement can be developed quickly, through facilitated sessions with staff from various departments and levels.

2. Inventory Your Resources

Often the Holy Grail of management, it is imperative to have an understanding of where your staff is spending their time. What time is being used “keeping the lights on” versus delivering new initiatives? A quick employee survey can provide insight into the levels of human resources available. This isn’t rocket science, nor does it have to be painful. A tool, such as the following table, can be distributed to your staff. Ask your staff to complete the table every day for a week. Give them a deadline to respond and don’t forget to recognize the resources that respond on time. A simple MS Excel file can make this easier to complete.

<table>
<thead>
<tr>
<th>Day of Week:</th>
<th>Total Hours in Day/Every Day Tasks</th>
<th>Description</th>
<th>Percent of Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative</td>
<td></td>
<td></td>
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<tr>
<td>Support</td>
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<td>Email</td>
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<td>Ad Hoc</td>
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<td></td>
</tr>
</tbody>
</table>

3. Inventory Your Projects

A quick survey of current projects provides insight into the health of the projects. A survey should include information such as:

- Purpose/Goals
- Budget and status (Within, Over, Under)
- Resources
- Duration
- Schedule and status (On Schedule, Late, Early)
- Status (Planned, In Progress, On Hold); if In Progress – percent complete

If the Project Manager cannot provide this information, quick action may be required as the lack of information is telling in itself. If resource information is unavailable for a project, even with your help in acquiring it, consider this project at the top of the list when reallocating resources.
4. Reallocate Resources

Through defining your mission, and surveying your employees and projects, the groundwork has been laid to assess where your resources are best utilized. Evaluate your current initiatives in terms of critical versus optional and productive versus non-productive. A mission-critical initiative is highly aligned with your organizations mission or has been mandated (through legislation, regulation, or executive fiat). A productive initiative is one that is meeting expectations in terms of budget, schedule and scope (and quality, if measurable).

Measure Project Criticality

Analyze all projects against the organization’s mission. Are they aligned? Can you explain how a project supports your mission? Don’t be surprised to find that many of your projects are not in line with the goals of your organization. A project closely aligned with your mission is critical. A project not aligned with any goals should be considered optional.

Additionally, consider the impact of a project to evaluate the criticality of a project. Use the following criteria to define a project’s impact:

• Will a large number of people be positively affected by the project?
• Can the benefits of the project be repeated in other areas?
• Will the project deliver cost savings, either monetarily or through streamlining of business processes?
• Can the information gained in this initiative be re-used in future initiatives?

If you answer yes to one of these questions regarding a project, the project can be considered somewhat critical, if you answer yes to all four, this project is very critical. If there are no affirmative answers, the project is optional.

Often a project is undertaken because the law requires it through legislative mandates. Managers have little decision making influence over these projects. Because of their inflexible nature, these projects are critical.

Assess Project Productivity

Using the information gathered from your project survey, determine the project productivity. A productive project is one that is meeting customer’s expectations through the timely delivery of milestones within the planned budget. Resource productivity should also be considered. Can the project manager articulate how many resources are currently being used and what resources are needed in for future efforts? If the answer is “No”, it’s likely this project is not productive.

Resource Allocation Matrix

Using the criteria outlined above, score your initiatives on a scale of 1 through 10 for criticality and productivity. For example, an initiative that is aligned with your mission and has a considerable impact would be considered highly critical and receive a critical score of 10. On the other hand a project that is not aligned with any
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of your organizations goals and only delivers minimal impact should be considered optional and receive a low critical score.

A project delivering customer expectations on time and within budget, but is not using resources efficiently may be considered somewhat productive and receive a productivity score of 5 or 6. A project where the Project Manager cannot articulate whether the project is meeting expectations or whether resources are efficiently allocated should is not productive and should receive a low score.

This process may be viewed as somewhat subjective. For this reason, a facilitated workshop involving the staff members who will be directly affected by the outcome is the best means to perform the measurement. The measurement criteria should be clearly articulated and the scoring process transparent.

After scoring your initiatives, place them onto the resource allocation matrix. The following graphic provides a sample of 15 projects scored for criticality and productivity.

The matrix provides a tool for visualizing the importance and health of your projects, supporting decisions regarding where to reallocate your resources. When considering how to reallocate resources:
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1. Leave your critical/productive (quadrant 1) initiatives alone.  
2. Abandon your unproductive/optional (quadrant 3) initiatives.  
3. Move the resources from the abandoned projects to shore up your critical/unproductive (quadrant 2) projects.  
4. Consider extending the productive/optional (quadrant 4) projects to reassign resources from those projects to shore up your must haves.

Obviously resources cannot simply be reallocated to projects without consideration of whether skills are transferrable. Hard choices need to be made about resources whose skills no longer support your organization. At the same time, opportunities exist to redefine roles to give talented, high performing staff new responsibilities. Conditions are favorable to ask more of staff, such as developing a new skill or taking on a new challenge.

Key Success Factors  
This process can be quickly and easily implemented, but not without making difficult decisions. There are often valid reasons for projects to be continued, even if the project is not critical or productive. Different staff members will have various perspectives regarding what projects are critical and how to define productive. The following key factors will help deliver success in this process:

- **Executive Support:** Ensure there is executive support behind the decisions that come out of this process.  
- **Transparency:** In the absence of information, people will create their own version of events. Communicate the process goals and purpose. Keep staff up to date with progress and decisions made through regular status meetings and informal emails.  
- **Involve staff:** Change is scary and resistance is natural. Expect resistance in every step in this process. To manage resistance and ensure buy in, involve your staff in the decision making process. Facilitated workshops are important tools to keep staff involved in the collection of information and the resulting decisions.

Conclusion  
In the current economic climate, difficult choices must be made regarding which investments to continue. The resource allocation process is a systematic approach to make these decisions in a quick, methodical way. The process is designed to involve key staff members, guaranteeing transparency in decision making. The criteria to measure projects with regards to criticality and productivity can be easily defined. Finally, the Resource Allocation Matrix provides a clear visual of the projects where investment should continue or be increased, and those that should be discontinued or sidelined.