

# Successful Portfolio Management

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**"Project portfolio management is important because it helps an organization focus on the vital few projects versus the interesting many."**

—Steve Weidner, Program Navigators, "Sorted Details" in Projects@Work.

Portfolio management and project management go hand-in-hand to take the strategic focus of the organization and translate it into effectively implemented solutions. The concept of portfolio management stems from a financial perspective. Everyone is familiar with the term portfolio as it refers to the compilation of assets for an individual or an organization. A project portfolio analyzes an organization's assets and looks for ways to expand the assets, upgrade the assets or solve problems related to the assets. The portfolio compiles the projects an organization is implementing or considering for the future. The challenge with any portfolio is effectively managing them. Project portfolio management (PPM) provides the organization with customized structures and guidelines for identifying, selecting, prioritizing and resourcing projects that are best aligned with the organization's strategic goals.

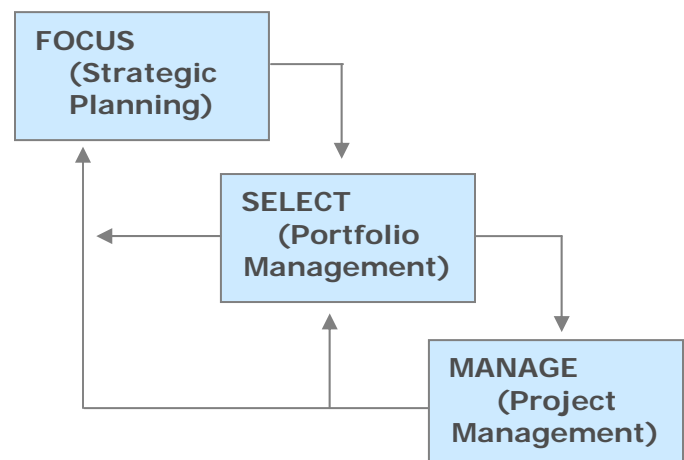
While PPM is a hot trend right now, it is not a flavor of the month. Organizations that establish a strong PPM process reap many long-term benefits. Typical benefits an organization might experience include:

- ◆ A structure for selecting the most important projects
- ◆ A system for recognizing the "wrong" projects and processes to effectively deal with them before they are implemented

- ◆ Reducing wasteful spending by placing resources where they matter most
- ◆ Linkage of portfolio decisions to the strategic direction and business goals of the entire organization
- ◆ Improvement of the project mix and portfolio quality
- ◆ Bringing logic, reasoning and a sense of fairness to portfolio decisions

## Portfolio Management in Context

Simply selecting the right portfolio is only one element of successful PPM. The organization first needs to focus, then select the most appropriate projects and finally do a world-class job of managing those projects to truly be successful.



Focusing the organization involves strategic planning. This often includes the development of a mission or vision, i.e. a statement of principles and organization objectives and goals. The strategic focus of the organization helps the various constituencies develop their own complementary strategic plans. These plans become the focus for marketing, research and development, manufacturing, Information Technology, and other departments when selecting projects that expand services and capabilities, upgrade existing assets and fix problems.



Following the development of the organization's focus, projects are selected and prioritized based on the vision and greater ROI. Then resources are placed where it matters most. The selection process includes assessing the organizational fit, analyzing the costs, benefits and risks and developing a portfolio. Some useful questions to ask include:

- ◆ How does a proposed project fit within the focus of the organization?
- ◆ What is the usefulness or value of the project to the organization?
- ◆ What are its costs, benefits and risks?
- ◆ How does this project relate to the overall portfolio?
- ◆ How can the mix be optimized?

## An Example

To relay a sense of what a portfolio might accomplish for a department, let's look at a fictional IT portfolio. An IT portfolio should contain information about an organization's investment in its IT infrastructure. Information is organized to show how these investments support the entire organization's mission, values and programs, and should demonstrate the relationship with current and planned investments. The portfolio enhances the ability of key decision makers to assess the probable impact of future investments on the organization's programs and infrastructure.

The IT portfolio would include a listing of both tangible (hardware, software and data warehouses) and intangible (human capital, unique intellectual applications and user appreciation) assets in the department. Strong portfolios also:

- ◆ Disclose links among organization strategies and business plans and IT investments
- ◆ Help analyze the risks associated with IT investments, thus ensuring that appropriate risk mitigation strategies are adopted
- ◆ Provide a baseline for performance measurement and reporting
- ◆ Work to ensure that individual and system IT infrastructure as a whole are effectively integrated

Sample guiding principles for governing this fictional IT PPM might include:

1. Technology projects will be justified on the basis of a sound business case.
2. IT activities will be reviewed in light of the overall system technology portfolio.
3. Technology projects meeting the requirements for oversight (usually "A" projects) will require the active and continuing sponsorship of senior level executives.
4. A senior portfolio leadership team will review feasibility studies (in depth impact analysis) of projects requiring oversight prior to a funding decision.

5. Projects will be short term in nature. Two years will generally be considered the maximum duration in which to complete a system's development cycle or stand alone increment.
6. The business case should show how a project recovers cost by either adding measurable value or positive cost benefit to the organization or responding to a legislative mandate.
7. Technology projects meeting requirements for oversight will be funded by phase (or increment) with continued funding dependent on accomplishment of phase objectives.
8. A senior leadership team could require the creation of a prototype system as proof of concept and or architecture in the feasibility study.
9. Absent a compelling case to do otherwise, technology projects with high risk and severity factors will be developed by the private sector under fixed price contracts with payment tied to delivery and acceptance of very specific system results.
10. External quality assurance experts should be used to provide periodic reports on high-risk projects throughout their life cycle.
11. Projects under oversight must measure their progress according to project risk, quality of finished product, customer satisfaction, schedule and cost.
12. Technology projects under oversight may be subject to peer reviews as directed by the senior portfolio leadership team.
13. Annual independent verification audits of projects under oversight may be conducted under the direction of the senior portfolio leadership team.

These principles could provide effective guidelines to consider ideas for submission to a senior level leadership team that makes the decisions on selection, prioritization and resourcing projects. Departments would begin to work less in a vacuum and more together to achieve what is best for the entire organization. PPM is an effective way to ensure the entire organization is pursuing projects that will lead to the greatest return on investment.

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